Genworth MI Canada Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Second Quarter ended June 30, 2009

July 30, 2009

Formation of the Company

This is Genworth MI Canada Inc.'s (the "Company") first reporting period since becoming a reporting issuer on June 29, 2009 and prior to its initial public offering ("IPO"), which closed on July 7, 2009. Immediately prior to completion of the IPO, the Company acquired all of the issued and outstanding common shares of Genworth Canada Holdings I Limited in return for newly-issued common shares. The Company also acquired all of the issued and outstanding common shares of Genworth Canada Holdings II Limited, the holder of the Class B preferred shares of Genworth Financial Mortgage Insurance Company Canada, in return for newly-issued common shares. Accordingly, in order to provide shareholders with a more meaningful assessment of its recent performance, we are presenting full three and six-month results for the Company's subsidiary, Genworth Canada Holdings I Limited.

As there is no substantial change in the ownership interests of Genworth Canada Holdings I Limited, the Company intends to carry forward the basis of measurement of the assets and liabilities as reflected in Genworth Canada Holdings I Limited's financial statements.

Prior to the acquisitions of Genworth Canada Holdings I Limited and Genworth Canada Holdings II Limited, the Company as at June 30, 2009 was a holding company with $2 of share capital.

Management's Discussion and Analysis

The following Board approved management's discussion and analysis of financial condition and results of operations ("MD&A") is prepared for the three and six months ended June 30, 2009 and 2008. The discussion should be read in conjunction with the unaudited financial statements of the Company and Genworth Canada Holdings I Limited which have been prepared in accordance with Canadian GAAP.

Interpretation

Unless the context otherwise requires, all references in this MD&A to "Genworth Canada" or the "Company" refer to Genworth MI Canada Inc. and its subsidiaries and, to the extent that references in this MD&A are made to matters undertaken by a predecessor in interest to Genworth Canada or its subsidiaries, include such predecessor in interest.

Forward-Looking Statements

This document contains forward looking statements that involve certain risks. The Company's actual results could differ materially from these forward-looking statements. For more information, please read "Special Note Regarding Forward-Looking Statements" at the end of this document.

Non-GAAP Financial Measures

To supplement its financial statements, the Company uses select non-GAAP financial measures. Non-GAAP measures used by the Company to analyze performance include underwriting ratios such as loss ratio, expense ratio and combined ratio as well as other performance measures such as net operating income and return on operating income. The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-GAAP measures do not have standardized meaning and are unlikely to be comparable to any similar measure presented by other companies. These measures are defined in the Company's glossary which is posted on the Company's website at www.investor.genworthmicanada.ca. Click on the Glossary of Terms under Investor Resources on the left navigation bar. For a reconciliation of the Company's net operating income to its net income determined in accordance with GAAP, see "Reconciliation of Non-GAAP Financial Measures".

Overall Performance

Business Background

Genworth Canada is the largest private residential mortgage insurer in Canada and has been providing private mortgage insurance in Canada since 1995. The Company has built a broad underwriting and distribution platform across the country that provides customer-focused products and support services to the vast majority of Canada's residential mortgage lenders and originators. Today, Genworth Canada underwrites mortgage insurance on one to four unit residential properties in all provinces and territories of Canada and has the leading market share among private mortgage insurers. The Company estimates that, for the year ended December 31, 2008, it had a 25% share of the total Canadian residential mortgage and multi-family mortgage insurance market in Canada, based on $722 million of gross premiums written. As at December 31, 2008, the Company estimated that its share of the high loan-to-value residential mortgage insurance market was 30%. CMHC, a crown corporation, is the Company's only major competitor.

Seasonality

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and sales, underwriting and administrative expenses are usually stable from quarter-to-quarter, premiums written may vary each quarter. These variations are driven by the level of mortgage originations and related mortgage insurance policies written, which peak in the spring and summer months. Losses vary from quarter-to-quarter primarily as the result of prevailing economic conditions, as well as the characteristics, size and age of the insurance in-force portfolio.

Outlook

The mortgage insurance business is affected by changes in regulatory environments, employment and other economic and housing market trends, including interest rate trends, home price appreciation, mortgage origination volume, and levels of mortgage delinquencies.

In the second quarter, positive housing market signs started to emerge as low mortgage rates and improving consumer confidence led to improving housing affordability and increased housing market activity. The Canadian Real Estate Association reported that resale home activity increased by 1.4% in the second quarter of 2009 over the prior year period.

The Company expects that high loan-to-value originations will grow in the second half of 2009 as a result of improving housing affordability and consumer confidence. The Company intends to gradually grow its market share through a number of customer-focused sales and service strategies.

Job losses and home prices are key drivers of losses, and the majority of losses for a given book of business typically occur two to four years after a mortgage is originated. The Company's mortgage insurance pricing is based on a full economic cycle including periods of rising unemployment and declining home prices similar to current economic conditions. As a result of these conditions, the Company's loss ratios are now higher than our average target pricing loss ratio of approximately 40%.

In the second quarter, the unemployment rate rose to 8.6% in June 2009 up from 8.0% at the end of March 2009 and further job losses are expected in the second half of 2009. Accordingly, management believes that loss ratios will remain above the target pricing loss ratio in the near term. When the economic recovery takes hold, the Company believes that home prices should stabilize and unemployment rates should gradually decline, resulting in loss ratios returning to levels at or below the Company's targeted loss ratio.

The Company had $2.1 billion in unearned premium reserves as of June 30, 2009, and based on the Company's current premium recognition curve, approximately 90% of this amount is scheduled to be earned into revenues as net premiums earned over the next five years. Premiums are earned into revenues based on the expected loss emergence pattern as derived from actuarial analysis of historical loss development.

Results of Operations

Selected Financial Data

The following table sets forth certain financial information for the quarter and six months ended June 30, 2009 and 2008.

(dollar amounts in millions, unless otherwise specified)	For the quarter ended June 30,		For the six months ended June 30,	
	2009	**2008**	**2009**	**2008**
Income Statement Data				
Net premiums written	$ 82	$ 200	$ 146	$ 331
Underwriting revenues:				
Net premiums earned	153	125	301	247
Impact of change in first quarter premium recognition curve[1]	-	-	100	-
Underwriting revenues	153	125	401	247
Losses and expenses:				
Losses	71	30	131	65
Sales, underwriting and administrative expenses	24	18	49	35
Net underwriting income	59	78	220	148
Investment income	51	71	94	110
Income before income taxes	108	148	312	256
Net income[2]	74	105	211	178
Net operating income[2]	$ 69	$ 87	$ 210	$ 164
Key Ratios and Other Items				
Insurance in force	216,742	196,933	216,742	196,933
New insurance written	4,198	8,443	7,648	12,544
Loss ratio[4]	46%	24%	33%	26%
Expense ratio[4]	15%	15%	12%	14%
Combined ratio[4]	62%	39%	45%	40%
Operating return on equity[2]	12%	19%	19%	18%
MCT ratio	140%	123%	140%	123%
Delinquency ratio	0.30%	0.21%	0.30%	0.21%
Severity	26%	26%	27%	26%
Pro-Forma Earnings Per Common Share				
Earnings per Common Share (basic)[3]	$0.64	$0.90	$1.83	$1.53
Earnings per Common Share (diluted)[3]	$0.64	$0.89	$1.82	$1.52
Pro-Forma number of shares outstanding				
Basic	117,100,000	117,100,000	117,100,000	117,100,000
Diluted	117,978,400	117,978,400	117,978,400	117,978,400

Notes: Amounts may not total due to rounding.

(1) Includes $100 million impact of change in premium recognition curve for quarter ended March 31, 2009.

(2) Excluding the impact of changes to the premium recognition curve, net income, net operating income and operating return on equity for the six months ended June 30, 2009 would have been $148 million, $146 million and 13%, respectively.

(3) Corresponds to pro forma earnings per Common Share of Genworth MI Canada Inc. after giving effect to the pre-IPO reorganization, the IPO and the application of net proceeds thereof by the Company to repay all outstanding inter-company debt as of the first day of the period.

(4) Excluding the impact of changes to the premium recognition curve, loss ratio, expense ratio and combined ratio for the six months ended June 30, 2009 would have been 44%, 14% and 58%, respectively

Second Quarter Highlights

- Unearned premium reserves of $2.1 billion which will be recognized over time based on the expected premium recognition curve
- Net income of $74 million and net operating income of $69 million
- Net premiums written of $82 million
- Minimum capital test ratio of 140%, a 6-point improvement over the first quarter 2009 and a 17-point improvement over the quarter ended June 30, 2008
- Combined ratio of 62%, reflecting higher claims, up from 54% on a sequential basis, excluding the impact of changes to the premium recognition curve and up from 39% in the quarter ended June 30, 2008

The following table sets forth the quarterly results of operations for the Company's business:

	For the quarter ended June 30,		Increase (decrease) and percentage change	
(in millions, unless otherwise specified)	**2009**	**2008**	**Q2'09 vs. Q2'08**	
Net premiums written	$ 82	$ 200	$ (118)	(59)%
Underwriting revenues:				
Net premiums earned	$ 153	$ 125	$ 28	22%
Fees and other income	-	-	-	-
Underwriting revenues	153	125	28	22%
Losses and expenses:				
Losses	71	30	41	138%
Sales, underwriting and administrative	24	18	6	34%
	95	48	47	99%
Net underwriting income	59	78	(19)	(25)%
Investment income:				
Interest, net of investment expenses	43	45	(2)	(4)%
Gain (loss) on investments[1]	7	26	(19)	(74)%
Guarantee fund earnings	1	-	1	NM
Total investment income	51	71	(20)	(28)%
Intercompany interest expense	(1)	(1)	-	105%
Income before income taxes	108	148	(40)	(27)%
Provision for income taxes	34	44	(9)	(22)%
Net income	74	105	(31)	(29)%
Adjustment to net income:				
Loss (gain) on investments, net of taxes	(5)	(18)	13	(74)%
Net operating income	$ 69	$ 87	$ (18)	(20)%
Effective tax rate	32%	29%	-	3 pts
Operating Return on Equity	12%	19%	-	(7) pts

Notes: Amounts may not total due to rounding.
The Company defines "NM" as not meaningful for increases or decreases greater than 200%.
(1) Includes realized gain (loss) on sale of AFS and unrealized gain (loss) on HFT investments.

Second Quarter 2009 compared to Second Quarter 2008

High loan-to-value new insurance written decreased $3.5 billion, or 46%, to $4.1 billion in the second quarter of 2009 as compared to the prior year period. This decrease was driven by the contraction of the high loan-to-value mortgage market in a recessionary economic environment and the decline of the Company's market share.

Net premiums written decreased by $118 million, or 59%, to $82 million in the second quarter of 2009 as compared to the prior year period. Of this decrease, $89 million was driven primarily by a smaller high loan-to-value market size and reduced market share. The remainder of the decrease resulted from a higher proportion of refinance business and the elimination of 40-year amortization and 100% loan-to-value products in the fourth quarter 2008.

Net premiums earned increased $28 million, or 22%, to $153 million in the second quarter of 2009 as compared to the prior year period. The increase was due to seasoning of the Company's large 2006, 2007 and 2008 books of business and the impact of updating of the premium recognition curve for the most recent loss emergence pattern.

Losses increased $41 million, or 138%, to $71 million in the second quarter of 2009 as compared to the prior year period. The increase was driven by a $25 million increase in paid claims and a $16 million increase in reserves. The $25 million increase in paid claims was caused by an increase in the number of claims paid to 678 from 372 in the prior year period and a 23% higher average claim paid amount of $66,900. The $16 million increase in reserves resulted from a 23% higher new reported delinquencies of 1,682 and a 28% higher average reserve per delinquent loan of $64,800, related to a higher average insured loan and higher severity in 2009. These increases were primarily driven by the Company's 2007 and 2008 books of business, which had higher loan balances, and entered peak loss periods in a slowing economic environment and housing market. In addition, loss mitigation efforts partially offset the increase in losses, as the Company approved 1,226 workouts in the second quarter of 2009 as compared to 148 in the prior year period.

Sales, underwriting and administrative costs increased $6 million, or 34%, to $24 million in the second quarter of 2009 as compared to the prior year period. The increase was primarily due to the $3 million increase in deferred policy acquisition cost amortization related to higher premium earned and $3 million increased overhead and compensation costs.

Total investment income decreased $20 million, or 28%, to $51 million in the second quarter of 2009 as compared to the prior year period. The decrease was primarily attributable to lower net investment gains in 2009 of $7 million, a change of $19 million from the $26 million net investment gain in 2008. In 2008, the Company realized the gains as it restructured its portfolio to reduce duration and interest rate sensitivities.

Interest income in the general portfolio was relatively flat as a 10% increase in invested assets was mostly offset by a lower book yield on the portfolio of 4.2% in the second quarter of 2009, as compared to 4.8% in the prior year period. The book yield was lower as a result of the shortening of the portfolio's duration to appropriately manage risk and capital in difficult market conditions. Portfolio duration at June 30, 2009 was 3.3 years compared to 5.0 years in the prior year period.

Guarantee fund earnings increased by $1 million due to lower exit fees under the government guarantee agreement.

The effective tax rate was 32% in the second quarter of 2009 compared to 29% in the prior year period. This increase in was primarily due to the impact of the enactment of new tax legislation in March 2009.

Net income decreased by $31 million, or 29%, to $74 million in the second quarter of 2009 as compared to prior year period. The decrease in net income was primarily driven by investment gains realized in the second quarter 2008 and an increase in losses in second quarter 2009 partially offset by higher net premiums earned. Net operating income decreased by $18 million, or 20%, to $69 million. The net operating income decrease was due to an increase in losses partially offset higher net premiums earned.

Year to date highlights

- Unearned premium reserves of $2.1 billion which will be recognized over time based on the expected premium recognition curve
- Net income of $211 million and net operating income of $210 million
- Net premiums written of $146 million
- Minimum capital test ratio of 140%
- Combined ratio of 58% excluding the impact of changes to the premium recognition curve

The following table sets forth the year to date results of operations for the Company's business:

(in millions, unless otherwise specified)	For the six months ended June 30, 2009	2008	Increase (decrease) and percentage change YTD 2009 vs. YTD 2008	
Net premiums written	$ 146	$ 331	$ (185)	(56)%
Underwriting revenues:				
Net premiums earned	301	247	54	22%
Impact of change in premium recognition curve[1]	100	-	100	NM
Fees and other income	-	-	-	-
Underwriting revenues	401	247	154	62%
Losses and expenses:				
Losses	131	65	66	102%
Sales, underwriting and administrative	49	35	15	46%
Total losses and expenses	181	100	82	83%
Net underwriting income	220	148	72	49%
Investment income:				
Interest, net of investment expenses	89	88	1	1%
Gain (loss) on investments[2]	3	20	(17)	(87)%
Guarantee Fund earnings	3	1	2	125%
Total Investment income	94	110	(16)	(15)%
Intercompany interest expense	(3)	(1)	(1)	102%
Income before income taxes	312	256	56	22%
Provision for income taxes	100	78	22	29%
Net income[3]	211	178	33	19%
Adjustment to net income:				
Loss (gain) on investments, net of taxes	(1)	(14)	13	(92)%
Net operating income[3]	$ 210	$ 164	$ 46	28%
Effective tax rate	32%	31%	-	1 pt
Operating Return on Equity[3]	19%	18%	-	1 pt

Notes: Amounts may not total due to rounding.
The Company defines "NM" as not meaningful for increases or decreases greater than 200%.
(1) Includes $100 million impact of change in premium recognition curve for quarter ended March 31, 2009.
(2) Includes realized gain (loss) on sale of AFS and unrealized gain (loss) on HFT investments.
(3) Excluding impact of changes to the premium recognition curve, net income, net operating income and operating return on equity for the six months ended June 30, 2009 would have been $148 million, $146 million and 13% respectively.

Six months ended June 30, 2009, compared to Six months ended June 30, 2008

High loan-to-value new insurance written decreased $5.4 billion, or 43%, to $7.1 billion for the six months ended June 30, 2009 as compared to the prior year period. This decrease was driven by the contraction of the high loan to value mortgage market in a recessionary economic environment and the decline of the Company's market share.

Net premiums written decreased by $185 million, or 56%, to $146 million in for the six months ended June 30, 2009 as compared to the prior year period. Of this decrease, $138 million was driven primarily by a smaller high loan-to-value market size and reduced market share. The remainder of the decrease resulted from a higher proportion of refinance business and the elimination of 40-year amortization and 100% loan-to-value products in the fourth quarter 2008.

Net premiums earned increased $154 million, or 62%, to $401 million for the six months ended June 30, 2009 as compared to the prior year period. The Company conducts regular actuarial studies of its actual multi-year loss experience which over the course of late 2007 and all of 2008 indicated a change in the pattern of loss emergence. This implied an acceleration of net premiums earned recognition as compared to the OSFI-prescribed premium recognition curve which was established by actuarial studies in 2000 and was used by the Company through 2008. The Company has held periodic discussions with OSFI, and received its acceptance of the adoption of the revised premium recognition curve which more properly reflects current loss emergence. Effective with the first quarter 2009, the Company updated its premium recognition curve to reflect its current experience resulting in an increase in net premiums earned for the period of $100 million cumulative through March 31, 2009. Excluding the $100 million, the remaining $54 million increase in net premiums earned relates primarily to seasoning of the Company's 2007 and 2008 books of business.

Losses increased $66 million, or 102%, to $131 million for the six months ended June 30, 2009 as compared to the prior year period. The increase was driven by a $38 million increase in paid claims and a $28 million increase in reserves. The $38 million increase in paid claims was caused by an increase in the number of claims paid to 1,109 from 680 and a 28% higher average claim paid amount of $65,900. The $28 million increase in reserves was driven by 27% higher new reported delinquencies of 3,523 and a 28% higher average delinquent loan reserve of $64,800 related to an increase in loan balances and severity for the six months ended June 30, 2009 as compared to the prior year period. These increases were primarily driven by the Company's 2007 and 2008 books of business, which had higher loan balances, and entered peak loss periods in a slowing economic environment and housing market. In addition, loss mitigation efforts partially offset losses, as the Company performed 1,900 workouts for the six months ended June 30, 2009 as compared to 287 in the prior year period.

Sales, underwriting and administrative costs increased $15 million, or 46%, to $49 million for the six months ended June 30, 2009 as compared to the prior year period. The increase was primarily related to $12 million increased deferred policy acquisition cost amortization related to the adjustment to the premium recognition curve and higher premiums earned from the normal seasoning of the Company's insurance in-force as well as $3 million increased overhead and compensation related costs.

Total investment income decreased $16 million, or 15%, to $94 million for the six months ended June 30, 2009 as compared to the prior year period. The decrease was primarily attributable to lower net investment gains in 2009 of $3 million, a change of $17 million from the $20 million net investment gain in 2008. In 2008, the Company realized the gains as it restructured its portfolio to reduce duration and interest rate sensitivities.

Interest income in the general portfolio was relatively flat as a 10% increase in invested assets was mostly offset by a lower book yield on the portfolio of 4.3% for the six months ended June 30, 2009 compared to 4.7% in the prior year period. The book yield was lower as a result of the shortening of the portfolio's duration to appropriately manage risk and capital in difficult market conditions. Portfolio duration at June 30, 2009 is down to 3.3 years compared to 5.0 years in the prior year period.

The increase in guarantee fund earnings of $2 million was due to lower exit fees under the government guarantee agreement.

The effective tax rate was 32% for the six months ended June 30, 2009 compared to 31% in the prior year period. This increase was primarily due to the impact of the enactment of new tax legislation in March 2009.

Net income increased by $33 million, or 19%, to $211 million from $178 million in the prior year period. Net operating income increased by $46 million, or 28%, to $210 million from $164 million in the prior year period. The increase in both net income and net operating income was due primarily to a change in the premium recognition curve of $63 million in the first quarter, net of related increase in amortization of deferred policy acquisition costs and applicable taxes. Excluding the change in the estimate noted above, the increase in net premiums earned from the seasoning of the Company's insurance in force is offset by increased losses from the 2007 and 2008 books.

Loss and expense ratios

	For the quarters ended June 30,		For the six months ended June 30,		Increase (decrease)	
	2009	**2008**	**2009[1]**	**2008**	**Q2'09 vs. Q2'08**	**YTD'09 vs. YTD'08**
Loss ratio……..	46%	24%	33%	26%	22 pts	7 pts
Expense ratio……	15%	15%	12%	14%	-	(2) pts
Combined ratio….	62%	39%	45%	40%	23 pts	5 pts

Note:
(1) Excluding the impact of changes to the premiums earned recognition pattern in the first quarter, the Loss Ratio, Expense Ratio and Combined Ratio at June 30, 2009 would have been 44%, 14% and 58%, respectively.

Second quarter 2009 compared to second quarter 2008

The loss ratio increased 22 points to 46% for the quarter ended June 30, 2009. This increase was a result of larger books of business, specifically 2007 and 2008, that have entered or are entering into peak loss periods in a slowing economy and housing market, characterized by declining house prices in most markets.

The expense ratio remained flat at 15% for the quarter ended June 30, 2009 reflecting modest increases in sales, underwriting and administrative expenses offset by an increase in net premiums earned.

Six months ended June 30, 2009 compared to six months ended June 30, 2008

The loss ratio increased 7 points to 33% for the six months ended June 30, 2009. This increase was a result of larger books of business, specifically, the 2006, 2007 and 2008 books that have entered or are entering into peak loss periods in a slowing economy and housing market. The Company updated its premium recognition curve to reflect its current experience, resulting in an increase in net premiums earned for the period of $100 million in the first quarter 2009. Excluding the $100 million increase in net premiums earned from the change in the premium recognition curve in the first quarter 2009, the loss ratio for the six months ended June 30, 2009 was 44% as compared to 26% in 2008.

The expense ratio decreased 2 points to 12% for the six months ended June 30, 2009. Excluding the $100 million increase in net premiums earned in the first quarter 2009 of the expense ratio for the six months ended June 30, 2009 was 14%. Increase in sales, underwriting and administrative expenses were more than offset by the increase in net premiums earned.

Balance Sheet Highlights and Select Financial Data

(in millions, unless otherwise specified)	As at June 30, 2009	As at Dec 31, 2008	Increase (decrease) and percentage change 2009 vs. 2008	
Investments:				
General portfolio	$4,301	$4,153	$148	3%
Government guarantee fund	551	545	6	1%
Total assets	5,072	4,914	158	3%
Unearned premium reserves	2,067	2,322	(255)	(10)%
Loss reserves	230	172	58	34%
Total liabilities	2,753	2,876	(123)	(4)%
Shareholders' equity	2,319	2,038	281	14%
Accumulated Other Comprehensive Income	55	(15)	70	NM
Shareholders equity excluding AOCI	$2,264	$2,053	$211	10%
Select Ratios				
MCT Ratio	140%	127%	-	13 pts
Selected Pro-forma Information				
Shareholders' equity	$2,461			
Accumulated other comprehensive income	55			
Pro-forma shareholders' equity excluding AOCI	$2,406			
Book value per share including AOCI (basic)	$21.01			
Book value per share excluding AOCI (basic)	$20.55			
Book value per share including AOCI (diluted)	$20.86			
Book value per share excluding AOCI (diluted)	$20.39			

Notes: Amounts may not total due to rounding. The Company defines "NM" as not meaningful for increases or decreases greater than 200%.

Financial Instruments and Other Instruments

Portfolio of Invested Assets

As of June 30, 2009, the Company had total cash, cash equivalents and invested assets of $4.3 billion in the general portfolio and $551 million in the government guarantee fund established under the Company's guarantee agreement with the Canadian government. Unrealized gains in the general portfolio were $59 million and in the government guarantee fund they were $25 million.

The following tables provide the diversification of assets by both asset class and credit rating:

Asset Class	**As at June 30, 2009**			**As at Dec 31, 2008**	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/Losses**	**Fair Value**	**%**
General portfolio					
Asset backed……....	$ 252	6%	$ (8)	$ 254	6%
Corporate fixed income					
Financial……..	1,160	27%	9	1,139	27%
Public administration……..	394	9%	2	388	9%
Transportation and public utilities……..	296	7%	8	306	7%
Industrial…….	233	5%	5	211	5%
All other sectors…….…….	61	1%	1	60	1%
Total Corporate fixed income……..	2,145	50%	26	2,104	51%
Federal fixed income……...	930	22%	20	650	16%
Provincial fixed income……...	436	10%	20	528	13%
Other invested assets – HFT[1]……..	27	1%	-	26	1%
Total invested assets…….....	3,790	88%	59	3,562	86%
Cash and cash equivalents……	511	12%	-	591	14%
Total invested assets and cash – general portfolio	$ 4,301	100%	$ 59	$ 4,153	100%
Government guarantee fund					
Federal fixed income……..	$ 461	69%	$ 25	$ 551	85%
Cash and cash equivalents…….....	207	31%	-	99	15%
Total invested assets and cash – guarantee fund	$ 668	100%	$ 25	$ 650	100%
Less:					
Accrued income and contributions……..…….	11			19	
Accrued exit fees and due to others…..……	(128)			(124)	
Net Guarantee Fund assets……..….	$551			$545	
Total invested assets and cash ……..…..	$ 4,853		$ 84	$ 4,698	

Credit Rating – General Portfolio	**As at June 30, 2009**			**As at Dec 31, 2008**	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/Losses**	**Fair value**	**%**
Cash and Cash equivalents……..	$ 511	12%	$ -	$ 591	14%
AAA…….	1,457	34%	22	1,324	32%
AA……	1,296	30%	28	1,131	27%
A……	937	22%	10	852	21%
BBB……..	93	2%	(1)	248	6%
Below BBB……..	7	-	-	7	-
Total invested assets and cash…….…….	$ 4,301	100%	$ 59	$ 4,153	100%

Note:

(1) HFT investments in the general portfolio are recorded at fair value with realized gains and losses and changes in fair value recorded in investment income. Unrealized losses at June 30, 2006 were $23 million

General Portfolio

The Company manages its general portfolio assets to meet liquidity, credit quality, diversification and yield objectives by investing primarily in fixed income securities, including federal, provincial and corporate bonds, asset-backed securities and mortgage loans on commercial real estate. The Company also holds other invested assets, which at various times have included short-term investments and trading securities. In all cases, investments are required to comply with restrictions imposed by applicable laws and insurance regulatory authorities, as well as, the Company's guidelines approved by the Board of Directors.

In order to diversify management styles and to broaden credit resources, the Company has split these assets between two external Canadian investment managers. The Company works with these managers to optimize the performance of the portfolios within the stated investment objectives outlined in its investment policy. The policy takes into account the current and expected condition of capital markets, the historic return profiles of various asset classes and the variability of those returns over time, the availability of assets, diversification needs and benefits, regulatory capital required to support the various asset types, security ratings and other material variables likely to effect the overall performance of the Company's investment portfolio. Compliance with the policy is monitored by a dedicated investment team within Genworth Financial and reviewed at least quarterly with the Company's management-level investment committee and the Board of Directors.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in bank accounts, government treasury bills, bankers' acceptances notes and term deposits with maturities within 90 days of the balance sheet date. The Company determines its cash holdings target based on near-term liquidity needs, market conditions and perceived favourable future investment opportunities. The Company decreased its cash holdings to 12% at June 30, 2009 from 14% at the end of 2008 as it increased its fixed income holdings mainly in federal fixed income securities.

Federal and Provincial Fixed Income Securities

The Company's investment policy requires a minimum of 10% of the investment portfolio to be invested in federal fixed income securities. As of June 30, 2009, 22% of the portfolio was invested in federal securities, up from 16% at the end of 2008. Provincial holdings are 10% of the portfolio, down from 13% at the end of 2008.

Corporate Fixed Income Securities

Allocations to corporate fixed income securities are determined based on their relative value to federal fixed income securities adjusted for the carrying charge for the increased capital holdings required under OSFI regulation. As of June 30, 2009, 50% of the investment portfolio was held in corporate fixed income securities, the same level held at the end of 2008. As a result of recent economic conditions and movements in the capital markets, the Company elected to substantially reduce its exposure to securities rated below A from $255 million, or 6%, at the end of 2008 to $100 million, or 2%, of invested assets as of June 30, 2009. The investment policy places limits on the percentage of the portfolio that can be invested in any single issuer or group of related issuers.

Financial sector exposure represents 27% of the general portfolio, or approximately half of the corporate fixed income securities, as financial institutions are the predominate issuers of fixed income securities in the Canadian marketplace.

Asset Backed Securities

The Company has invested approximately 6% of the general portfolio in a combination of consumer finance securitizations and commercial mortgage backed securities to provide yield enhancement. As of June 30, 2009, these securities were rated AAA, with the exception of a single BBB-rated security backed by auto loans with a fair value of $5 million, or 0.1% of invested assets.

Other Invested Assets

The Company has invested directly in a European investment fund to diversify its holdings, with no exposure to foreign currency fluctuations associated with this investment. As of June 30, 2009, this investment had a fair value of $27 million, or 1% of invested assets, and was classified as HFT in the Company's financial statements.

Government Guarantee Fund Assets

In accordance with the terms of the guarantee agreement, all funds deposited into the government guarantee fund are held in a revenue trust account separate from all other assets of the Company. On the Company's financial statements, government guarantee fund assets reflect the Company's interest in the assets held in the government guarantee fund, including accrued income and net of exit fees. The assets of the government guarantee fund are permitted to be invested in cash and securities issued by the Canadian government or agencies unconditionally guaranteed by the Canadian government.

Summary of Quarterly Results

The table shown below represents select income statement line items and certain key performance indicators for the last eight quarters.

(in millions, unless otherwise specified)	Q2'09	Q1'09	Q4'08	Q3'08	Q2'08	Q1'08	Q4'07	Q3'07
Net premiums written…….	82	64	152	222	200	131	220	315
Underwriting revenues:								
Net premiums earned…….	153	147	138	133	125	122	116	111
Impact of change in premiums recognition curve[2] …….		100	-	-	-	-	-	-
Underwriting revenue……	153	247	138	132	125	122	116	111
Losses and expenses:								
Losses…….	71	60	58	36	30	35	26	21
Net underwriting income (loss)..	59	161	52	78	77	69	71	75
Investment income, including gains (losses)[1]…….	51	43	44	46	71	39	42	37
Net income[3]……..	74	137	72	86	105	73	99	74
Adjustment to net income:								
Losses (gains) on investments, net of taxes…….	(5)	3	-	-	(18)	4	-	1
Net operating income[3]……..	69	140	72	86	87	77	99	75
Selected Ratios:								
Loss ratio…….	46%	24%[2]	42%	27%	24%	29%	22%	19%
Expense ratio……...	15%	10%[2]	20%	14%	15%	14%	17%	14%
Combined ratio……	62%	35%[2]	63%	41%	39%	43%	39%	32%

Notes:
(1) Includes realized gain (loss) on sale of AFS and unrealized gain (loss) on HFT investments.
(2) Excluding the impact of changes in premium recognition curve, the Loss Ratio, Expense Ratio and Combined Ratio for the quarter ended March 31, 2009 would have been 41%, 13% and 54%, respectively.
(3) Excluding the impact of changes to the premiums recognition curve, net income and net operating income for the quarter ended March 31, 2009 would have been $74 million and $77 million, respectively

Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Company's financial commitments and obligations as they fall due. The Company believes it has the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial year and to satisfy regulatory capital requirements. The Company has four primary sources of funds, consisting of premiums written from operations, investment income, cash and short-term investments and maturities and proceeds from sale of investments. Uses of funds are primarily for operating expenses including claims payments, as well as dividends to shareholders. Subsequent to the reorganization in connection with the IPO, the Company has no debt on its balance sheet.

Throughout 2008 and into the first quarter of 2009, the Company has increased its cash and cash equivalent balance to conserve regulatory capital and strengthen liquidity as a result of a slowing economic environment. As of June 30, 2009, the Company held a significant cash balance of $511 million, or 12% of cash and invested assets, in the general portfolio, as a result of economic uncertainties and to strengthen regulatory capital and provide for liquidity needs.

Capital Expenditures

The Company's capital expenditures primarily relate to technology investments aimed at improving operational efficiency and effectiveness for sales, underwriting, risk management and loss mitigation. In 2008, the Company invested $11 million in capital expenditures, primarily for risk management and underwriting technologies. For the three and six months ended June 30, 2009, the Company invested $2 million and $5 million, respectively in these areas. Future capital expenditures will continue to be focused on underwriting and risk management technology improvements and the one-time capital expenditures associated with achieving operational independence from Genworth Financial, Inc. The Company expects that capital expenditures in 2009 will be similar in amount to the Company's 2008 capital expenditures.

Regulatory Capital Management

Under the Minimum Capital Test ("MCT") an insurer calculates a ratio of capital available to capital required in a prescribed manner. Mortgage insurers are required to maintain a minimum ratio of core capital (capital available as defined for MCT purposes, but excluding subordinated debt) to required capital of 100%. As a result of the distinct methodology applied to the policy liabilities of mortgage insurers and the risk profile of Genworth Financial Mortgage Insurance Company Canada, OSFI has established a minimum supervisory capital target of 120% for the Company. In order to maintain an adequate cushion above this supervisory minimum, in May 2009 the Company established in consultation with OSFI a revised internal MCT ratio target range of 132% to 135% and a proposed operating MCT ratio of 135% in the normal course.

Excess capital above that required to meet Genworth Financial Mortgage Insurance Company Canada's MCT ratio targets could be used to support organic growth of the business and, if distributed to Genworth MI Canada, Inc., to buy back shares or permit the declaration and payment of dividends by Genworth MI Canada, Inc.

MCT ratio at the end of June 30, 2009 was 140%. MCT ratio sequentially improved 6 points as compared to the MCT ratio as the end of March 31, 2009. The improvement is a result of earnings for the quarter, additional invested assets and an improvement in the investment portfolio unrealized gain position.

Restrictions on Dividends and Capital Transactions

The Insurance Companies Act ("ICA") prohibits directors from declaring or paying any dividend on shares of an insurance company if there are reasonable grounds for believing a company is, or the payment of the dividend would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. The ICA also requires an insurance company to notify the Superintendent of Financial Institutions (Canada) (the "Superintendent") of the declaration of a dividend at least 15 days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company, or the redemption of any redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company is, or the payment would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. Share cancellation or redemption would also require the prior approval of the Superintendent. Finally, the Superintendent has broad authority to take actions that could restrict the ability of an insurance company to pay dividends.

Financial Strength Ratings

The Company's insurance subsidiary, Genworth Financial Mortgage Insurance Company Canada, has financial strength ratings from both Standard and Poor's and DBRS. Although Genworth Financial Mortgage Insurance Company Canada is not required to have a rating to conduct its business, ratings are helpful to maintain confidence in an insurer and in the marketing of its products. Genworth Financial Mortgage Insurance Company Canada is rated AA- (Very Strong), with a stable outlook, by Standard and Poor's and AA (Superior), with a stable outlook, by DBRS.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated

financial statements and the reported amounts of revenue and expenses during the reporting periods covered by the financial statements. The principal financial statement components subject to measurement uncertainty include: other than temporary declines in the value of investments, the recognition of unearned premium reserves to earned premiums, the provision for losses, and pensions and other post-employment benefits. Actual results may differ from the estimates used in preparing the consolidated financial statements and such differences may be material.

Investments

Investments in bonds and debentures, including government guarantee fund investments, are classified either as Available for Sale ("AFS") or Held for Trading ("HFT") and their fair value is determined using quoted market prices. HFT investments are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in net investment income in the consolidated statement of income and comprehensive income.

AFS investments are recorded at fair value with changes in the fair value of these investments recorded in unrealized gains and losses, which are included in Accumulated Other Comprehensive Income ("AOCI"). Realized gains and losses on sale, as well as losses from other than temporary declines in value of AFS investments, are reclassified from AOCI and recorded in net investment income in the consolidated statement of income and comprehensive income.

Investment sales and purchases are recorded at the investment's trade date. Realized gains or losses recorded on investment sales are measured as the difference between cash received for the investment and the book value of the investment at the trade date. Investment transaction costs are capitalized as part of the carrying value of the investment assets.

The Company ceases to accrue interest on non-performing bonds which are 90 days or more in arrears, as well as those which are less than 90 days in arrears but are deemed by management to be impaired. Once invested assets are classified as non-performing, any accrued but uncollected interest is reversed.

Premiums Earned and Deferred Policy Acquisition Costs

Insurance premiums are deferred and then taken into underwriting revenues as earned premiums over the life of the related policies based on the expected loss emergence pattern. The majority of policies to date have been written with amortization policy terms of 20 to 40 years to correspond with the mortgage amortization period. The rates or formulae under which premiums are earned relate to the amount of risk in each year of coverage as estimated by management, based primarily on the past incidence of losses. Based on historical experience, the majority of losses generally occurs within two to five years of policy origination. Therefore, the majority of premiums written is recognized as net premiums earned within five years of policy origination, in an effort to approximately match premiums earned and losses. The formulae under which premiums are earned are adjusted periodically in accordance with such estimates and were last updated on May 31, 2009. Following the update to the Company's premium recognition curve in the second quarter of 2009, the Company will continue to assess its loss experience on a quarterly basis and will make adjustments as appropriate to the premium recognition curve.

Policy acquisition costs are those expenses incurred in the acquisition of business. Acquisition costs comprise of premium taxes and other expenses which relate directly to the production of the business. Policy acquisition costs related to unearned premium reserves are only deferred to the extent that they can be expected to be recovered from the unearned premium reserves and are amortized to income in proportion to and over the periods in which the premiums are earned.

Loss Reserves

Loss reserves represent the amount needed to provide for the estimated ultimate expected cost of investigating, adjusting and settling claims related to defaults by borrowers (both reported and unreported) that have occurred on or before each balance sheet date. Loss reserves are recognized when the first scheduled mortgage payment is missed by the borrower(s). In accordance with GAAP, loss reserves are not established for future claims on insured mortgages that are not currently in default.

Under Canadian GAAP, loss reserves are discounted based on the anticipated payout pattern. Loss reserves are broken out into three types of reserves: case reserves, Incurred But Not Reported ("IBNR") reserves and supplemental loss reserves for potential adverse development. The Company analyzes each reported delinquent loan on a case-by-case basis and establishes a case reserve based on the expected loss, if any.

The Company also establishes reserves for IBNR based on the reporting lag from the date of first missed payment to the balance sheet date for mortgages in default that have not been reported to the Company. IBNR is calculated for the reporting lag using assumptions of claim rates and the estimated average claim paid. The establishment of loss reserves is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a large variety of factors. These factors include the Company's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns.

Consequently, the establishment of the loss reserving process relies on the judgment and opinions of a number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps materially, from the best estimates made. Annually, the Company's appointed third party actuary reviews and reports to management, the board of directors of Genworth Financial Mortgage Insurance Company Canada and OSFI on the adequacy of policy liabilities, which includes loss reserves.

Risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk and claims development.

Pension and Other Post-Employment Benefits

The benefit liabilities represent the amount of pension and other employee future benefits that employees and retirees have earned as of the period end. The Company's actuaries perform valuations of the benefit liabilities for pension and other employee future benefits as of December 31 of each year using the projected benefit method prorated on service, based on management's assumptions on the discount rate, rate of compensation increase, retirement age, mortality and the trend in the health care cost rate. The discount rate is determined by management with reference to market conditions at year end. Other assumptions are determined with reference to long-term expectations.

Changes in Accounting Policies Including Initial Adoption

Goodwill and Intangible Assets

In November 2007, the Accounting Standards Board issued CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. This section establishes new standards for the recognition of intangible assets, in particular for intangible assets that are generated internally. Requirements pertaining to goodwill are unchanged from the previous Section 3062. Section 3064 was effective for the Company on January 1, 2009. The adoption of this standard did not have a significant impact on the Company's consolidated financial position or results of operations.

Accounting Disclosure Changes

In accordance with CICA standards, the Company adopted expanded disclosure changes in the following areas:

CICA Handbook Section 1535, Capital Disclosures;

CICA Handbook Section 3862, Financial Instruments – Disclosures; and

CICA Handbook Section 3863, Financial Instruments – Presentation.

The notes to the audited consolidated financial statements for the year ended December 31, 2008 includes the expanded disclosure.

Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. The Company will change over to IFRS for its interim and annual financial statements beginning on January 1, 2011 and is currently evaluating the impact of adopting IFRS on its financial position and results of operations.

Risk Management

Risk management is a critical part of Genworth Canada's business. The Company has an enterprise risk management framework that encompasses mortgage portfolio risk management, underwriting policies and guidelines, product development, regulatory compliance, investment portfolio management and liquidity risk. The Company's risk management framework facilitates the assessment of risk by acting as a proactive decision-making tool to determine which risks are acceptable and to monitor and manage Genworth Canada's risks in an ongoing manner. The Company's risk management framework and internal control procedures are designed to reduce the level of volatility in its financial results.

Mortgage Portfolio Risk Management

Genworth Canada's mortgage portfolio risk management involves actively managing its borrower credit quality, product and geographic exposures. The Company carefully monitors portfolio concentrations by borrower credit quality, product and geography against pre-determined risk tolerances, taking into account the conditions of the housing market and economy in each region of Canada. The Company's underwriting policies and guidelines are reviewed and updated regularly to manage the Company's exposures and to address emerging trends in the housing market and economic environment. For example, in view of current economic conditions, the Company has taken a number of actions focusing on its new insurance written to reduce the overall risk profile of its mortgage portfolio. The Company supported the Canadian government's decision to introduce restrictions on high loan-to-value mortgages by eliminating insurance products for mortgages with loan-to-values of greater than 95%, interest-only mortgages and 40-year amortization mortgages. In addition, the Company has imposed more stringent requirements on borrowers' total debt service ratios, credit scores and loan-to-value ratios in assessing insurance applications.

Genworth Canada's extensive historical database and innovative information technology systems are important tools in its approach to risk management. The Company utilizes components of its proprietary high loan-to-value mortgage performance database to build and improve its mortgage scoring model. The Company's mortgage scoring model employs a number of evaluation criteria to assign a score to each insured mortgage loan and predict the likelihood of a future claim. This evaluation criteria includes borrower credit score, loan type and amount, total debt service ratio, property type and loan-to-value. The Company believes these factors, as well as other considerations, significantly enhance the ability of the mortgage scoring model to predict the likelihood of a borrower default, as compared to reliance solely on borrower credit score. The Company's mortgage portfolio risk management function is organized into three primary groups: portfolio analysis, underwriting policies and guidelines, and risk technology and models. The risk management team analyzes and summarizes mortgage portfolio performance, risk concentrations, emerging trends and remedial actions which are reviewed with the Company's management-level risk committee on a monthly basis.

Transactions with Related Parties

The Company enters into transactions with related parties. These transactions consist mainly of the acquisition of management and advisory, data processing, and administrative services rendered by Genworth Financial and affiliated companies, and financing by Genworth Financial. These transactions are in the normal course of business and are believed to be at fair value. Balances owing for service transactions are non-interest bearing and are settled

on a quarterly basis. Interest on loans from Genworth Financial has been paid semi-annually. Settlement of the loan balances is dictated by the related loan agreement. See note 7 of financial statements.

Special Note Regarding Forward-Looking Statements

Certain statements posted in this MD&A contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). When used in this website, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements include all disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. The Company cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and assumptions related to these plans, estimates, projections, beliefs and opinions may change. The Company does not undertake to publicly update or revise any forward-looking statements or information, except as required by applicable laws.

The Company's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of both known and unknown risks, including those set forth below:

- the continued availability of the Canadian government's guarantee of private mortgage insurance on terms satisfactory to the Company;
- the Company's expectations regarding its revenues, expenses and operations;
- the Company's plans to implement its strategy and operate its business;
- the Company's expectations regarding the compensation of directors and officers;
- the Company's anticipated cash needs and its estimates regarding its capital expenditures, capital requirements, reserves and its needs for additional financing;
- the Company's plans for and timing of expansion of service and products;
- the Company's ability to accurately assess and manage risks associated with the policies that are written;
- the Company's ability to accurately manage market, interest and credit risks;
- the Company's ability to maintain ratings;
- the cyclical nature of the mortgage insurance industry;
- anticipated changes in government regulation;
- the acceptance by the Company's lenders of new technologies and products;
- the Company's ability to attract lenders and develop and maintain lender relationships;
- the Company's competitive position and its expectations regarding competition from other providers of
- mortgage insurance in Canada; and
- anticipated trends and challenges in the Company's business and the markets in which it operates.

Reconciliation of Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with GAAP, the Company used a non-GAAP financial measure called net operating income. Non-GAAP measures used by the Company to analyze performance include underwriting ratios such as loss ratio, expense ratio and combined ratio as well as other performance measures such as net operating income and return on net operating income. The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-GAAP measures do not have standardized meaning and are unlikely to be comparable to any similar measure presented by other companies.

The table below shows the Company's net operating income for the periods specified and reconciles these figures to the Company's net income determined in accordance with GAAP for such periods.

	For the quarter ended June 30,		For the six months ended June 30,	
(in millions, unless otherwise specified)	**2009**	**2008**	**2009**	**2008**
Net income[1]……..	$ 74	$ 105	$ 211	$ 178
Adjustment to net income:				
Losses (gains) on investments, net of taxes……..	(5)	(18)	(1)	(14)
Net operating income[1]……..	$ 69	$ 87	$ 210	$ 164

(1) Excluding impact of changes to the premium recognition curve, net income and net operating income for the six months ended June 30, 2009 would have been $148 million and $146 million respectively.

Additional information relating to Genworth Canada is available on SEDAR at www.sedar.com.