Consolidated Financial Statements of

GENWORTH CANADA HOLDINGS I LIMITED

Three months and six months ended
June 30, 2009 and 2008
(Unaudited)

GENWORTH CANADA HOLDINGS I LIMITED

Consolidated Balance Sheet
(In thousands of dollars)

	June 30, 2009	December 31, 2008
	(Unaudited)	
Assets		
Invested assets:		
Cash and cash equivalents (note 4)	$ 511,107	$ 590,717
Short-term securities (note 4)	184,703	113,066
Bonds and debentures:		
Held-for-trading (note 4)	27,332	25,860
Available-for-sale (note 4)	3,578,347	3,423,041
Government guarantee fund (note 5)	551,383	544,810
	4,852,872	4,697,494
Other:		
Accrued investment income and accounts receivable	27,758	31,218
Salvage and subrogation	15,253	8,415
Deferred policy acquisition costs	146,065	150,128
Goodwill	11,172	11,172
Capital assets	17,265	14,583
Other assets	1,649	1,421
	219,162	216,937
	$ 5,072,034	$ 4,914,431

	June 30, 2009	December 31, 2008
	(Unaudited)	

Liabilities and Shareholders' Equity

Policy liabilities:		
Loss reserves	$ 230,086	$ 171,733
Unearned premium reserves	2,066,907	2,321,665
	2,296,993	2,493,398
Other liabilities:		
Accounts payable and accrued liabilities	50,562	49,869
Due to parent and companies under common control (note 7)	70,082	73,525
Income taxes payable	69,852	3,306
Preferred shares	50,000	50,000
	240,496	176,700
Future income taxes (note 6)	207,132	198,328
Accrued benefit liability under employee benefit plans (note 8)	8,724	8,082
Total liabilities	2,753,345	2,876,508
Shareholders' equity:		
Share capital	1,592,709	1,592,709
Retained earnings	671,460	460,126
Accumulated other comprehensive income (loss)	54,520	(14,912)
	2,318,689	2,037,923
Subsequent events (note 10)		
	$ 5,072,034	$ 4,914,431

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Peter Vukanovich" Director

"Philip Mayers" Director

GENWORTH CANADA HOLDINGS I LIMITED

Consolidated Statements of Income
(In thousands of dollars, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Gross premiums written	$ 85,563	$ 204,121	$ 153,759	$ 339,030
Net premiums written	$ 81,791	$ 200,169	$ 146,129	$ 331,279
Net premiums earned (note 3)	$ 153,473	$ 125,295	$ 400,887	$ 247,288
Fees and other income	16	118	25	202
Underwriting revenues	153,489	125,413	400,912	247,490
Losses and expenses:				
Losses	71,086	29,892	131,429	65,260
Sales, underwriting and administrative	23,695	17,610	49,448	34,557
	94,781	47,502	180,877	99,817
Net underwriting income	58,708	77,911	220,035	147,673
Investment income:				
Interest	44,323	45,680	91,480	89,845
Net realized gains on sale of investments	1,165	24,975	1,169	24,478
Unrealized gain (loss) on held-for-trading securities	5,510	1,081	1,470	(4,095)
Equity in earnings of government guarantee fund	1,101	3	2,644	1,176
General investment expenses	(1,143)	(672)	(2,408)	(1,730)
	50,956	71,067	94,355	109,674
Intercompany interest expense	(1,434)	(717)	(2,836)	(1,418)
Income before income taxes	108,230	148,261	311,554	255,929
Income taxes (note 6):				
Current	31,158	35,246	95,429	64,577
Future	3,083	8,462	4,791	13,582
	34,241	43,708	100,220	78,159
Net income	$ 73,989	$ 104,553	$ 211,334	$ 177,770
Income per share (note 9):				
Basic	$ 45.60	$ 64.43	$ 130.24	$ 109.55
Diluted	43.33	64.43	123.36	109.55

See accompanying notes to consolidated financial statements.

GENWORTH CANADA HOLDINGS I LIMITED

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Share capital				
Common shares, beginning and end of period	$ 1,592,709	$ 1,622,709	$ 1,592,709	$ 1,622,709
Retained earnings				
Retained earnings, beginning of period	$ 597,471	$ 197,825	$ 460,126	$ 124,608
Net income	73,989	104,553	211,334	177,770
Retained earnings, end of period	$ 671,460	$ 302,378	$ 671,460	$ 302,378
Accumulated other comprehensive income (loss)				
Accumulated other comprehensive income (loss), beginning of period, net of income taxes of $5,984 (2008 - $11,598)	$ 10,527	$ 68,074	$ (14,912)	$ 18,631
Change in unrealized gains/losses on available-for-sale assets (a)	47,710	(65,549)	73,149	(16,504)
Recognition of realized losses on available-for-sale assets (b)	(3,717)	(2,620)	(3,717)	(2,222)
Accumulated other comprehensive income (loss), net of income taxes of $24,110 (2008 - $4,000), end of period	$ 54,520	$ (95)	$ 54,520	$ (95)
Total shareholders' equity	$ 2,318,689	$ 1,924,992	$ 2,318,689	$ 1,924,992

(a) Net of income taxes of $23,213 for the quarter to June 30, 2009 ($31,705 for year-to-date) and $(26,774) for the quarter to June 30, 2008 ($(6,696) for year-to-date).

(b) Net of income taxes of $(1,611) for the quarter to June 30, 2009 ($(1,611) for year-to-date) and $(1,065) for the quarter to June 30, 2008 ($(902) for year-to-date).

See accompanying notes to consolidated financial statements.

GENWORTH CANADA HOLDINGS I LIMITED

Consolidated Statements of Comprehensive Income
(In thousands of dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net income	$ 73,989	$ 104,553	$ 211,334	$ 177,770
Other comprehensive income (loss)	43,993	(68,169)	69,432	(18,726)
Comprehensive income	$ 117,982	$ 36,384	$ 280,766	$ 159,044

See accompanying notes to consolidated financial statements.

GENWORTH CANADA HOLDINGS I LIMITED

Consolidated Statements of Cash Flows
(In thousands of dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net income	$ 73,989	$ 104,553	$ 211,334	$ 177,770
Items not involving cash:				
Amortization of premiums on investments	689	1,908	(4,189)	3,827
Amortization of capital assets	1,112	905	2,229	1,748
Change in deferred policy acquisition costs	(1,725)	(9,963)	4,063	(18,685)
Future income taxes	3,083	8,462	4,791	13,582
Net realized gains on sale of investments	(1,165)	(24,975)	(1,169)	(24,771)
Investment impairments	–	–	–	293
Unrealized loss (gain) on held-for-trading securities	(5,510)	(1,081)	(1,470)	4,095
	70,473	79,809	215,589	157,859
Change in non-cash balances related to operations:				
Government guarantee fund	(10,161)	(21,339)	(18,790)	(36,580)
Accrued investment income and accounts receivable	17,449	18,932	3,460	5,093
Income taxes recoverable/payable	5,584	9,777	40,527	13,905
Other assets and subrogation recoverable	(208)	647	(7,066)	(1,511)
Accounts payable and accrued liabilities	(1,073)	16,091	693	(3,177)
Due to parent and companies under common control	2,229	762	(3,443)	(87)
Loss reserves	25,694	9,623	58,353	29,710
Unearned premium reserves	(71,683)	74,874	(254,758)	83,991
Employee benefit plans	282	457	642	902
	38,586	189,633	35,207	250,105
Investing activities:				
Purchase of bonds	(237,107)	(751,874)	(237,127)	(892,143)
Proceeds from sale of bonds	99,706	574,560	198,857	682,983
Purchase of short-term securities	(12,673)	(39,847)	(184,703)	(59,967)
Proceeds from sale of short-term securities	–	–	113,066	53,111
Purchase of capital assets	(2,074)	(2,871)	(4,910)	(5,034)
	(152,148)	(220,032)	(114,817)	(221,050)
Increase (decrease) in cash and cash equivalents	(113,562)	(30,399)	(79,610)	29,055
Cash and cash equivalents, beginning of period	624,669	66,602	590,717	7,148
Cash and cash equivalents, end of period	$ 511,107	$ 36,203	$ 511,107	$ 36,203
Supplemental cash flow information:				
Income taxes paid	$ 25,575	$ 25,472	$ 54,902	$ 50,672
Interest paid on related party debt	–	–	1,273	1,276

See accompanying notes to consolidated financial statements.

1. Basis of presentation:

These interim consolidated financial statements of Genworth Canada Holdings I Limited ("Genworth Canada" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies as were used for the Company's consolidated financial statements for the year ended December 31, 2008, except for the change in accounting policy as described in note 2. These interim consolidated financial statements do not contain all disclosures required by GAAP and, accordingly, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2008. The results of the operations for the interim periods are not necessarily indicative of the full-year results.

2. Change in accounting policy:

Effective January 1, 2009, the Company adopted The Canadian Institute of Chartered Accountants' Handbook Section 3064, Goodwill and Intangible Assets ("Section 3064"), which replaced Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of the standard did not result in a change in the recognition of the Company's goodwill and intangible assets.

3. Change in estimate of unearned premium reserves:

Mortgage insurance premiums are taken into underwriting revenue over the terms of the related policies. The unearned portion of premiums is included in the liability for unearned premiums. The rates or formulae under which premiums are earned relate to the loss emergence pattern in each year of coverage as estimated by management based primarily on the past incidence of losses, and is referred to as the "premium recognition curve". The premium recognition curve in use by the Company until the end of 2008 was established by actuarial studies in 2000 and approved by the Office of the Superintendent of Financial Institutions Canada ("OSFI") for regulatory reporting by Genworth Canada's insurance subsidiary, Genworth Mortgage Insurance Canada.

3. Change in estimate of unearned premium reserves (continued):

The Company has performed regular actuarial studies of its actual multi-year experience, which have indicated an acceleration of premium recognition as compared to the OSFI-prescribed premium recognition curve historically used by the Company through 2008. The Company has used a different premium recognition curve reflecting its actual multi-year experience in reporting to its parent company for the parent company's U.S. GAAP reporting. Effective with the first quarter of 2009, the Company updated its premium recognition curve to reflect its current experience for Canadian GAAP-reporting purposes as well, resulting in an increase in net premiums earned for the period of $100,144 in the quarter. Of this amount, $87,803 represented the cumulative difference from the Company's own experience estimated as of December 31, 2008 and $12,341 represented a further change in estimate from an updated actuarial study completed as of March 31, 2009. The increase in net premiums earned has been accounted for as a change in estimate, and it is not possible to estimate the impact on future periods' premiums earned.

Genworth Canada's insurance subsidiary, Genworth Mortgage Insurance Canada, has obtained OSFI approval for the updated premium recognition curve in its regulatory reporting.

4. Investments:

The fair values of invested assets, excluding the government guaranteed fund, are summarized as follows:

	June 30, 2009				December 31, 2008			
	Market value	Book value	Unrealized gain (loss)	% market value	Market value	Book value	Unrealized gain (loss)	% market value
Cash and cash equivalents:								
Government treasury bills	$ 278,047	$ 278,047	$ –	6.5	$ 504,922	$ 504,922	$ –	12.2
Bankers' acceptances	125,983	125,983	–	2.9	27,574	27,574	–	0.7
Term deposits	14,459	14,459	–	0.3	23,604	23,604	–	0.6
Certificates of deposit	12,494	12,494	–	0.3	–	–	–	–
Money market mutual funds	3,246	3,246	–	0.1	16,517	16,517	–	0.4
Commercial paper	56,090	56,090	–	1.3	1,134	1,134	–	–
Cash	20,788	20,788	–	0.5	16,966	16,966	–	0.4
	511,107	511,107	–	11.9	590,717	590,717	–	14.3
Available-for-sale securities:								
Government bonds:								
Canadian federal	929,881	910,219	19,662	21.6	649,618	617,231	32,387	15.6
Canadian provincial	436,375	415,900	20,475	10.1	528,024	506,095	21,929	12.7
	1,366,256	1,326,119	40,137	31.7	1,177,642	1,123,326	54,316	28.3
Corporate bonds:								
Financial	1,160,480	1,151,153	9,327	27.0	1,140,069	1,200,258	(60,189)	27.5
Public administration	393,906	391,700	2,206	9.2	388,180	407,165	(18,985)	9.3
Transportation and public utilities	296,219	288,091	8,128	6.9	306,127	317,783	(11,656)	7.4
Industrial	232,986	227,622	5,364	5.4	210,522	219,352	(8,830)	5.1
All other sectors	61,143	60,294	849	1.4	60,013	61,316	(1,303)	1.4
	2,144,734	2,118,860	25,874	49.9	2,104,911	2,205,874	(100,963)	50.7
Asset backed bonds	252,060	259,837	(7,777)	5.9	253,554	260,409	(6,855)	6.1
	3,763,050	3,704,816	58,234	87.5	3,536,107	3,589,609	(53,502)	85.1
Held-for-trading securities:								
Financial	27,332	50,000	(22,668)	0.6	25,860	50,000	(24,140)	0.6
Total securities	$ 4,301,489	$ 4,265,923	$ 35,566	100.0	$ 4,152,684	$ 4,230,326	$ (77,642)	100.0

4. Investments (continued):

The fair value amounts of invested assets, excluding the government guarantee fund and cash and cash equivalents, are shown by contractual maturity of the security. Yields are based upon fair value.

	June 30, 2009		December 31, 2008	
Terms to maturity	Fair value	Yield %	Fair value	Yield %
Investment securities issued or guaranteed by Canadian federal government:				
1 year or less	$ 327,258	2.0	$ 264,246	3.0
1 - 3 years	330,377	5.1	365,532	4.1
3 - 5 years	493,373	4.1	217,488	4.5
5 - 10 years	154,890	5.1	247,094	5.0
Over 10 years	60,358	4.8	103,025	5.0
	1,366,256	4.0	1,197,385	4.5
Corporate debt:				
1 year or less	98,802	5.6	105,251	6.1
1 - 3 years	642,981	5.7	566,602	5.1
3 - 5 years	698,637	5.2	565,336	5.1
5 - 10 years	670,875	5.1	671,095	5.2
Over 10 years	312,831	5.6	456,298	5.9
	2,424,126	5.4	2,364,582	5.4
	$ 3,790,382	4.8	$ 3,561,967	5.1

5. Guarantee fund and Government of Canada Guarantee Agreement:

The guarantee fund reflects the Company's interest in the assets held in the Government of Canada Guarantee Agreement, including accrued income and net of applicable exit fees. The fair value of the government guarantee fund as at June 30, 2009 is $551,383 (December 31, 2008 - $544,810).

The Company records the results of income from the fund less exit fees of $7,518 (June 30, 2008 - $10,217).

6. Income taxes:

Provision for income taxes is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Consolidated statements of income				
Provision for income taxes:				
Current	$ 31,158	$ 35,246	$ 95,429	$ 64,577
Future	3,083	8,462	4,791	13,582
	$ 34,241	$ 43,708	$ 100,220	$ 78,159
Consolidated shareholders' equity				
Income taxes (recovery) related to:				
Recognition of realized gains on available-for-sale securities	$ (1,611)	$ (1,065)	$ (1,611)	$ (902)
Change in unrealized gains on available-for-sale securities	23,213	(26,774)	31,705	(6,696)
	$ 21,602	$ (27,839)	$ 30,094	$ (7,598)

6. Income taxes (continued):

Income taxes reflect an effective tax rate that differs from statutory tax rate for the following reasons:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Income before income taxes	$ 108,230	$ 148,261	$ 311,554	$ 255,929
Combined basic Canadian federal and provincial income tax rate	32%	32%	32%	32%
Income tax expense based on statutory rate	$ 34,634	$ 47,444	$ 99,697	$ 81,897
Increase (decrease) in income tax expense resulting from:				
Non-deductible expenses	427	139	508	277
Effect of decrease in rates on future income taxes	(639)	(3,175)	(1,175)	(3,815)
Effect of tax rate adjustment relating to enactment of new legislation	–	–	1,144	–
Other	(181)	(700)	46	(200)
Income tax expense	$ 34,241	$ 43,708	$ 100,220	$ 78,159

6. Income taxes (continued):

Future income tax liability is comprised of the following:

	June 30, 2009	December 31, 2008
Future income tax assets:		
Employee future benefits	$ 2,354	$ 2,182
Policy liabilities	3,106	2,168
Other	–	150
	5,460	4,500
Future income tax liabilities:		
Investments, including unrealized losses on available-for-sale securities	19,532	16,324
Guarantee fund reserve	143,136	138,188
Policy reserves	47,833	45,779
Capital assets and intangible assets	2,091	2,537
	212,592	202,828
Net future income tax liability	$ (207,132)	$ (198,328)

The Company has no loss carryforward or net capital loss carryforward balances available for the six months ended June 30, 2009 (June 30, 2008 - nil).

Management reviews the valuation of future income taxes on an ongoing basis to determine if a valuation allowance is necessary. The Company expects to fully utilize the benefits available from existing future income tax assets. No valuation allowance is required for the six months ended June 30, 2009 - nil (June 30, 2008 - nil).

The aggregate amount of income taxes paid for the six months ended June 30, 2009 was $54,902 (June 30, 2008 - $50,672).

7. Related party balances and transactions:

The Company enters into transactions with related parties. These transactions consist mainly of management and advisory, data processing and administrative services rendered by the parent and affiliated companies, and financing by the parent company. These transactions are in the normal course of business. Accordingly, they are measured at the exchange amount, which approximates fair value. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis. The Company incurred related party charges of $3,522 for the six months ended June 30, 2009 (June 30, 2008 - $734). The Company incurred intercompany charges of $9,803 for the full year ended December 31, 2008. The balance owed for related party services at June 30, 2009 is $2,391 (June 30, 2008 - $200).

The Company has issued debentures to Genworth Financial International Holdings, Inc. with a carrying amount of $66,726. Interest on loans from the Company's parent is paid semi-annually. Settlement of the loan balances is dictated by the related loan agreement. Interest payable on the debentures at June 30, 2009 is $737 (June 30, 2008 - $746).

Genworth Mortgage Insurance Company Canada has preferred shares issued to Genworth Canada Holdings II Limited, a company under common control as at June 30, 2009. Dividends payable on the preferred shares at June 30, 2009 are $228 (June 30, 2008 - nil).

8. Pensions and other post-employment benefits:

The expense related to the defined contribution pension plan was $1,118 for the six months ended June 30, 2009 (June 30, 2008 - $1,239).

The expense related to the defined benefit plan was $400 for the six months ended June 30, 2009 (June 30, 2008 - $438).

The expense related to the other non-pension post-employment benefits was $322 for the six months ended June 30, 2009 (June 30, 2008 - $477).

9. Earnings per share:

Basic and diluted earnings per share have been calculated using the weighted average and dilutive number of shares outstanding during the period of 1,622,709 (2008 - 1,622,709) and 1,622,709 (2008 - 1,622,709), respectively. The difference between basic and diluted earnings per share is due to convertible Class B preference shares issued by Genworth Financial Mortgage Insurance Company Canada, a subsidiary of the Company. The effect is computed below:

	Net earnings		Weighted	Common share amount	
	Three months ended June 30, 2009	Six months ended June 30, 2009	average number of common shares	Three months ended June 30, 2009	Six months ended June 30, 2009
Basic net earnings per common share	$ 73,989	$ 211,334	1,622,709	$ 45.60	$ 130.24
Dilutive effects:					
Convertible Class B preference shares	(3,683)	(11,156)	–	(2.27)	(6.88)
	$ 70,306	$ 200,178	1,622,709	$ 43.33	$ 123.36

	Net earnings		Weighted	Common share amount	
	Three months ended June 30, 2008	Six months ended June 30, 2008	average number of common shares	Three months ended June 30, 2008	Six months ended June 30, 2008
Basic and diluted net earnings per common share	$ 104,553	$ 177,770	1,622,709	$ 64.43	$ 109.55

10. Subsequent events:

On July 6, 2009, Genworth MI Canada Inc. ("Genworth MI") acquired all of the issued and outstanding common shares of the Company from Brookfield Life Assurance Company Limited ("Brookfield") in return for newly issued common shares. Genworth MI also acquired all the issued and outstanding common shares of Genworth Holdings II Limited ("Holdings II"), the holder of $50,000 Class B preferred shares in Genworth Financial Canada.

On July 7, 2009, Genworth MI filed a prospectus which qualified issuance of 44,740,000 common shares at proceeds net of commission of $91,667, which does not include the proceeds of sale of common shares by the selling shareholder.

Upon completion of the Initial Public Offering ("IPO"), Genworth MI used $67,500 of the IPO proceeds to purchase 52,717 additional common shares in the Company. The capital provided by Genworth MI enabled the Company to repay the debentures issued to Genworth Financial International Holdings, Inc. of $66,726, along with interest on the debentures accrued to July 7, 2009 of $791.