Consolidated Financial Statements of

GENWORTH MI CANADA INC.

Three months and year ended
December 31, 2009 and 2008
(Unaudited)

THE FINANCIAL STATEMENTS HAVE NOT BEEN REVIEWED BY AN AUDITOR

THE ISSUER'S AUDITORS HAVE NOT REVIEWED OR BEEN INVOLVED IN THE PREPARATION OF THESE FINANCIAL STATEMENTS

These financial statements were approved by the Audit Committee for release on January 27, 2010

GENWORTH MI CANADA INC.

Consolidated Balance Sheet
(In thousands of dollars)

	December 31, 2009	December 31, 2008
	(Unaudited)	
Assets		
Invested assets:		
Cash and cash equivalents (note 6)	$ 377,512	$ 591,654
Short-term securities (note 6)	253,527	113,066
Bonds and debentures:		
Held-for-trading (note 6)	34,485	25,860
Available-for-sale (note 6)	3,743,867	3,423,041
Preferred shares: Available for sale (note 6)	423	-
Government guarantee fund (note 7)	576,417	544,810
	4,986,231	4,698,431
Other:		
Accrued investment income and accounts receivable	28,869	31,218
Salvage and subrogation	13,646	8,415
Deferred policy acquisition costs	146,840	150,128
Goodwill	11,172	11,172
Intangible assets (note 4)	16,307	10,690
Premises and equipment	3,844	3,893
Prepaid assets	3,017	1,421
	223,695	216,937
	$ 5,209,926	$ 4,915,368

GENWORTH MI CANADA INC.

Consolidated Balance Sheet
(In thousands of dollars)

	December 31, 2009 (Unaudited)	December 31, 2008
Liabilities and Shareholders' Equity		
Policy liabilities:		
Loss reserves	$ 236,181	$ 171,733
Unearned premium reserves	1,971,396	2,321,665
	2,207,577	2,493,398
Other liabilities:		
Accounts payable and accrued liabilities	27,811	49,869
Due to parent and companies under common control (note 9)	775	73,289
Income taxes payable	116,230	3,306
	144,816	126,464
Future income taxes (note 8)	203,218	198,328
Accrued benefit liability under employee benefit plans	11,088	8,082
Total liabilities	2,566,699	2,826,272
Shareholders' equity:		
Share capital (note 12)	1,734,376	1,642,709
Retained earnings	811,927	461,299
Accumulated other comprehensive income (loss)	96,924	(14,912)
	2,643,227	2,089,096
	$ 5,209,926	$ 4,915,368

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

GENWORTH MI CANADA INC.

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

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Gross premiums written	$ 113,166	$ 156,402	$ 373,954	$ 722,057
Net premiums written	$ 109,796	$ 152,350	$ 359,679	$ 706,126
Net premiums earned (note 5)	$ 155,278	$ 137,643	$ 709,948	$ 517,561
Fees and other income	6	44	62	320
Underwriting revenues	155,284	137,687	710,010	517,881
Losses on claims and expenses:				
Losses on claims	60,341	58,350	255,756	159,985
Sales, underwriting and administrative	24,479	26,084	97,661	78,153
	84,820	84,434	353,417	238,138
Net underwriting income	70,464	53,253	356,593	279,743
Investment income:				
Interest	42,653	48,303	177,136	185,730
Net realized gains on sale of investments	815	12,186	2,984	40,470
Change in unrealized loss on held-for-trading securities	2,281	(13,408)	8,625	(21,748)
Equity in earnings of government guarantee fund	1,360	(1,591)	4,981	(533)
General investment expenses	(914)	(1,015)	(4,552)	(3,799)
	46,195	44,475	189,174	200,120
Intercompany interest expense	–	(722)	(1,463)	(2,857)
Income before income taxes	116,659	97,006	544,304	477,006
Income taxes (note 8):				
Current	32,286	19,294	160,372	107,850
Future	(3,095)	3,438	5,192	32,465
	29,191	22,732	165,564	140,315
Net income	$ 87,468	$ 74,274	$ 378,740	$ 336,691
Income per share (note 11):				
Basic	$ 0.75	$ 0.66	$ 3.31	$ 3.02
Diluted	0.74	0.66	3.30	3.02

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

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

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Share capital				
Common shares, beginning of period	$ 1,734,376	$ 1,642,709	$ 1,642,709	$ 1,622,709
Issuance of common shares	–	–	91,667	50,000
Capital reduction	–	–	–	(30,000)
Share capital, end of period	$ 1,734,376	$ 1,642,709	$ 1,734,376	$ 1,642,709
Retained earnings				
Retained earnings, beginning of period	$ 750,221	$ 387,025	$ 461,299	$ 124,608
Net income	87,468	74,274	378,740	336,691
Dividends	(25,762)	–	(28,112)	–
Retained earnings, end of period	$ 811,927	$ 461,299	$ 811,927	$ 461,299
Accumulated other comprehensive income (loss)				
Accumulated other comprehensive income (loss), beginning of period (a)	$ 104,354	$ (44,450)	$ (14,912)	$ 18,631
Change in unrealized gains/losses on available-for-sale assets (b)	(6,026)	61,342	115,798	13,171
Recognition of realized gains/losses on available-for-sale assets (c)	(1,404)	(31,804)	(3,962)	(46,714)
Accumulated other comprehensive income (loss), net of income taxes of $43,484 (2008 - ($5,984)), end of period	$ 96,924	$ (14,912)	$ 96,924	$ (14,912)
Total shareholders' equity	$ 2,643,227	$ 2,089,096	$ 2,643,227	$ 2,089,096

(a) Net of income taxes of $47,288 for the quarter to December 31, 2009 (($5,984) for year-to-date) and $(15,422) for the quarter to December 31, 2008 ($11,598 for year-to-date).

(b) Net of income taxes of $(3,194) for the quarter to December 31, 2009 ($51,220 for year-to-date) and $25,034 for the quarter to December 31, 2008 ($4,401 for year-to-date).

(c) Net of income taxes of $(610) for the quarter to December 31, 2009 ($(1,752) for year-to-date) and $(15,596) for the quarter to December 31, 2008 ($(21,983) for year-to-date).

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

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

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Net income	$ 87,468	$ 74,274	$ 378,740	$ 336,691
Other comprehensive income (loss)	(7,430)	29,538	111,836	(33,543)
Comprehensive income	$ 80,038	$ 103,812	$ 490,576	$ 303,148

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

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

	Three months ended December 31,		For the year ended December 31,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net income	$ 87,468	$ 74,274	$ 378,740	336,691
Items not involving cash:				
Amortization of premiums on investments	2,889	3,176	5,562	9,199
Amortization of intangible capital assets (note 4)	778	711	2,992	2,562
Depreciation of premises and equipment	368	353	1,493	1,331
Change in deferred policy acquisition costs	(159)	(4,061)	3,288	(30,396)
Future income taxes	(3,095)	3,438	5,192	32,465
Net realized losses on sale of investments	(815)	(13,486)	(2,984)	(42,604)
Investment impairments	–	1,300	–	2,134
Change in unrealized loss on held-for-trading securities	(2,281)	13,408	(8,625)	21,748
	85,153	79,113	385,658	333,130
Change in non-cash balances related to operations:				
Government guarantee fund	(13,231)	91,378	(43,947)	30,399
Accrued investment income and accounts receivable	15,298	19,933	2,349	3,091
Income taxes payable	10,186	686	63,144	30,713
Other assets and subrogation recoverable	(2,569)	(2,988)	(6,827)	(6,529)
Accounts payable and accrued liabilities	(8,337)	(7,466)	(22,060)	(9,668)
Due to parent and companies under common control	(2,266)	6,548	(72,514)	5,530
Loss reserves	(33)	36,669	64,448	82,638
Unearned premium reserves	(45,483)	14,707	(350,269)	188,565
Employee benefit plans	1,398	453	3,006	1,810
	40,116	239,033	22,988	659,679
Investing activities:				
Purchase of bonds	(111,031)	(385,797)	(591,727)	(1,500,505)
Proceeds from sale of bonds	106,600	438,221	441,555	1,476,013
Purchase of short-term securities	(135,951)	(40,632)	(253,527)	(113,066)
Proceeds from sale of short-term securities	–	–	113,066	53,111
Purchase of intangible capital assets and premises and equipment	(2,434)	(3,470)	(10,052)	(10,726)
	(142,816)	8,322	(300,685)	(95,173)
Financing activities:				
Dividends paid	(25,762)	–	(28,112)	–
Capital reduction	–	–	–	(30,000)
Issuance of common shares	–	–	91,667	50,000
	(25,762)	–	63,555	20,000
Increase (decrease) in cash and cash equivalents	(128,462)	247,355	(214,142)	584,506
Cash and cash equivalents, beginning of period	505,974	344,299	591,654	7,148
Cash and cash equivalents, end of period	$ 377,512	$ 591,654	$ 377,512	591,654
Supplemental cash flow information:				
Income taxes paid	$ 25,577	$ 18,622	$ 100,705	77,151
Interest paid on related party debt	–	–	2,206	2,856

See accompanying notes to consolidated financial statements.

1. Status of the Company:

Genworth MI Canada Inc. ("the Company") was incorporated under the Canada Business Corporations Act pursuant to a Certificate of Incorporation dated May 25, 2009. The Company is a subsidiary of Brookfield Life Assurance Company Limited ("Brookfield'), and its ultimate parent company is Genworth Financial Inc., a public company listed on the New York Stock Exchange.

The indirect subsidiary of Genworth MI Canada Inc., Genworth Financial Mortgage Insurance Company Canada ("Genworth Mortgage Insurance Canada" or "Insurance Subsidiary"), is engaged in mortgage insurance in Canada and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as financial services regulators in each province.

2. Basis of presentation:

These current period financial statements and prior period comparative financial statements reflect the consolidation of Genworth MI Canada Inc. and its subsidiaries Genworth Canada Holdings I Limited ("Holdings I") and Genworth Canada Holdings II Limited ("Holdings II"), including the subsidiary of Holdings I Genworth Mortgage Insurance Canada.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies as were used in the consolidated financial statements of Holdings I and the financial statements of Holdings II for the year ended December 31, 2008, except for the new accounting policy described in note 3 and the change in accounting policy described in note 4. These interim consolidated financial statements do not contain all disclosures required by GAAP and, accordingly, should be read in conjunction with the audited consolidated financial statements of Holdings I and the audited financial statements of Holdings II for the year ended December 31, 2008.

As no substantial change in ownership interests resulted from the Company's reorganization and Initial Public Offering ("IPO") (see note 12), the Company carried forward the basis of measurement of assets and liabilities as reflected in the consolidated financial statements of Holdings I and the financial statements of Holdings II.

3. Accounting Policies - Share-based compensation:

Employee stock options ("Options"), upon being exercised, provide employees with a choice between being compensated in shares of the Company or in cash equal to the net proceeds from the sale of the shares. These types of awards are commonly referred to as Options with tandem stock appreciation rights. Options granted by the Company are measured at the difference between the quoted market value of the Company's shares at the end of each reporting period and the Option exercise price. This amount is recorded as compensation expense over the option vesting period, with a corresponding entry to accrued benefit liability under employee benefit plans.

Employee Restricted Share Units ("RSUs") entitle employees to receive an amount equal to the fair market value of the Company's shares and may be settled in shares or cash. RSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period and are recorded as compensation expense over the RSU vesting period, with a corresponding entry to accrued benefit liability under employee benefit plans. RSUs may participate in dividend equivalents at the discretion of the Company's Board of Directors. Dividend equivalents are calculated based on the market value of the Company's shares on the date the dividend equivalents are credited to the RSU account and are recorded as additional compensation expense.

Directors' Deferred Share Units ("DSUs") entitle eligible members of the Company's Board of Directors to receive an amount equal to the fair market value of the Company's shares as compensation for director services rendered for the period, and may be settled in shares or cash. The DSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period and are recorded as compensation expense in the period the awards are granted, with a corresponding entry to accrued liabilities. DSUs participate in dividend equivalents, which are calculated based on the market value of the Company's shares on the date the dividend equivalents are credited to the DSU account and are recorded as additional compensation expense.

The Company accounts for forfeitures related to options and RSUs based on management's best estimate of the options and RSUs that will ultimately vest. This estimate is adjusted if actual experience differs significantly from expectation.

4. 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 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.

As a result of adopting the new standard, certain software costs previously recorded in premises and equipment are now recorded as intangible assets in the consolidated balance sheet with restatements of prior periods' financial statements for this change. Accordingly, the Company reclassified $16,307 as at December 31, 2009 from premises and equipment to intangible assets (2008-$10,690). The related expense that was previously recorded as depreciation expense on the consolidated statement of cash flows is now recorded as amortization expense. Accordingly, for the year ended December 31, 2009, $2,992 was reclassified from depreciation expense to amortization expense (2008-$2,562). The adoption of this standard did not otherwise impact the Company's consolidated financial position or results of operations.

5. 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 on claims, and are 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.

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

The Company has performed regular actuarial studies of its actual multi-year loss 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.

6. Investments:

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

	December 31, 2009				December 31, 2008			
	Market value	Book value	Unrealized gain (loss)	% market value	Market value	Book value	Unrealized gain (loss)	% market value
	(Unaudited)							
Cash and cash equivalents:								
Government treasury bills	$ 231,519	$ 231,519	$ –	5.3	$ 504,922	$ 504,922	$ –	12.2
Bankers' acceptances	64,898	64,898	–	1.5	27,574	27,574	–	0.7
Time deposits	65,943	65,943	–	1.5	23,604	23,604	–	0.6
Money market mutual funds	–	–	–	–	16,517	16,517	–	0.4
Commercial paper	–	–	–	–	1,134	1,134	–	–
Cash	15,152	15,152	–	0.3	17,903	17,903	–	0.4
	377,512	377,512	–	8.6	591,654	591,654	–	14.3
Available-for-sale securities:								
Government bonds:								
Canadian federal	1,073,117	1,053,507	19,610	24.3	649,618	617,231	32,387	15.6
Canadian provincial	637,602	614,647	22,955	14.5	644,905	619,683	25,222	15.5
	1,710,719	1,668,154	42,565	38.8	1,294,523	1,236,914	57,609	31.1
Corporate bonds:								
Financial	1,420,446	1,370,884	49,562	32.2	1,356,895	1,438,946	(82,051)	32.7
Energy	230,456	220,195	10,261	5.2	204,007	213,143	(9,136)	4.9
Infrastructure	206,310	199,534	6,776	4.7	157,038	165,237	(8,199)	3.8
All other sectors	175,425	166,394	9,031	4.0	270,090	274,960	(,4,870)	6.5
	2,032,637	1,957,007	75,630	46.1	1,988,030	2,092,286	(104,256)	47.9
Preferred shares:								
Financial	423	421	2	–	–	–	–	–
Asset backed bonds	254,038	252,116	1,922	5.8	253,554	260,409	(6,855)	6.1
	3,997,817	3,877,698	120,119	90.7	3,536,107	3,589,609	(53,502)	85.1
Held-for-trading securities:								
Financial	34,485	50,000	(15,515)	0.7	25,860	50,000	(24,140)	0.6
Total securities	$ 4,409,814	$ 4,305,210	$ 104,604	100.0	$ 4,153,621	$ 4,231,263	$ (77,642)	100.0

6. Investments (continued):

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

	December 31, 2009		December 31, 2008	
Terms to maturity	Fair value	Yield %	Fair value	Yield %
	(Unaudited)			
Investment securities issued or guaranteed by Canadian federal government:				
1 year or less	$ 397,527	1.8	$ 264,246	3.6
1 - 3 years	432,129	4.3	378,820	5.1
3 - 5 years	645,613	3.7	301,337	4.7
5 - 10 years	155,254	5.1	247,094	4.8
Over 10 years	80,196	4.8	103,025	5.2
	1,710,719	3.6	1,294,522	4.6
Corporate debt:				
1 year or less	147,569	4.9	94,681	5.9
1 - 3 years	547,022	5.0	496,323	5.0
3 - 5 years	524,177	5.3	481,486	5.1
5 - 10 years	463,090	5.2	613,819	5.2
Over 10 years	639,302	5.9	581,136	6.0
	2,321,160	5.3	2,267,445	5.4
	$ 4,031,879	4.6	$ 3,561,967	5.1

7. Guarantee fund and Government of Canada Guarantee Agreement:

The guarantee fund reflects the Company's proportionate interest in the assets held in the guarantee fund established under the Government of Canada Guarantee Agreement including accrued income and net of applicable accrued exit fees. The fair value of the government guarantee fund as at December 31, 2009 is $576,417 (2008 - $544,810).

The Company records the results of income from the fund less exit fees of $16,846 (2008 - $24,062) in equity in earnings of government guarantee fund.

8. Income taxes:

Provision for (recovery of) income taxes is comprised of the following:

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Consolidated statements of income				
Provision for income taxes:				
Current	$ 32,286	$ 19,294	$ 160,372	$ 107,850
Future	(3,095)	3,438	5,192	32,465
	$ 29,191	$ 22,732	$ 165,564	$ 140,315
Consolidated shareholders' equity				
Income taxes (recovery) related to:				
Change in unrealized gains on available-for-sale securities	$ (3,194)	$ 25,034	$ 51,220	$ 4,401
Recognition of realized gains on available-for-sale securities	(610)	(15,596)	(1,752)	(21,983)
	$ (3,804)	$ 9,438	$ 49,468	$ (17,582)

8. Income taxes (continued):

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

	Three months ended December 31,		Year ended December 31,	
	2009	2008	2009	2008
Income before income taxes	$ 116,659	$ 97,006	$ 544,304	$ 477,006
Combined basic Canadian federal and provincial income tax rate	32.0%	32.0%	32.0%	32.0%
Income tax expense based on statutory rate	$ 37,331	$ 31,042	$ 174,177	$ 152,642
Increase (decrease) in income tax expense resulting from:				
Non-deductible/non-taxable expenses	(124)	45	106	182
Effect of decrease in rates on future income taxes	(8,033)	(8,200)	(9,849)	(12,354)
Effect of tax rate adjustment relating to enactment of new legislation	–	–	1,144	–
Other	17	(155)	(14)	(155)
Income tax expense	$ 29,191	$ 22,732	$ 165,564	$ 140,315

8. Income taxes (continued):

Future income tax liability is comprised of the following:

	December 31, 2009	December 31, 2008
Future income tax assets:		
Employee future benefits	$ 2,881	$ 2,182
Policy liabilities	3,070	2,168
Other	–	150
	5,951	4,500
Future income tax liabilities:		
Investments, including unrealized losses on available-for-sale securities	(15,221)	(16,324)
Guarantee fund reserve	(144,594)	(138,188)
Policy reserves	(46,929)	(45,779)
Capital assets and intangible assets	(2,425)	(2,537)
	(209,169)	(202,828)
Net future income tax liability	$ (203,218)	$ (198,328)

The Company has no loss carryforward or net capital loss carryforward balances available for the period ended December 31, 2009. (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 period ended December 31, 2009 (2008 - nil).

The aggregate amount of income taxes paid for the period ended December 31, 2009 was $100,705 (2008- $77,151).

9. 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. These transactions are in the normal course of business. Accordingly, they are measured at 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 $6,984 for the year ended December 31, 2009 (2008 - $9,803). The balance owed for related party services at December 31, 2009 is $775 (December 31, 2008 – $5,822).

On July 7, 2009, the Company repaid debentures issued to Genworth Financial International Holdings Inc. of $66,726 along with accrued interest to July 7, 2009 of $791 using a portion of the proceeds from the IPO. Interest payable on the loan at December 31, 2008 was $741.

10. Pensions and other post-employment benefits:

The expense related to the defined contribution pension plan was $2,346 for the year ended December 31, 2009 (2008 - $2,544).

The expense related to the defined benefit plan was $822 for the year ended December 31, 2009 (2008 - $875).

The expense related to the other non-pension post-employment benefits was $613 for the year ended December 31, 2009 (2008 - $954).

11. Earnings per share:

Basic and diluted earnings per share have been calculated using the weighted average and dilutive number of shares outstanding during the year of 114,487,123 (2008 -111,408,332) and 114,917,515 (2008 -111,408,332), respectively. The difference between basic and diluted earnings per share is created by the grant of employee stock options, Restricted Stock Units ("RSUs"), and Directors' Deferred Share Units ("DSUs").

The effect is computed below:

	Three months ended December 31, 2009	Three months ended December 31, 2008	Year ended December 31, 2009	Year ended December 31, 2008
Basic earnings per share:				
Net income	$ 87,468	$ 74,274	$ 378,740	$ 336,691
Weighted average common shares outstanding	117,100,000	111,999,999	114,487,123	111,408,332
Basic net earnings per common share	$ 0.75	$ 0.66	$ 3.31	$ 3.02
Diluted earnings per share				
Weighted average common shares outstanding	117,992,765	111,999,999	114,917,515	111,408,332
Diluted net earnings per common share	$ 0.74	$ 0.66	$ 3.30	$ 3.02

12. Share capital:

The share capital of the Company is comprised of the following:

	December 31, 2009	December 31, 2008
	(Unaudited)	
Authorized:		
Unlimited common shares		
1 special share		
Issued:		
117,100,000 common shares (111,999,999 at December 31, 2008)	$ 1,734,376	$ 1,642,709
1 special share (nil at December 31, 2008)	–	–
Share Capital	$ 1,734,376	$ 1,642,709

(a) Reorganization and Initial Public Offering ("IPO")

At incorporation, the Company issued one common share for cash of $1. On June 29, 2009, the Company issued one special share to its direct parent company Brookfield Life Assurance Company ("Brookfield" or “the parent company”). The attributes of the special share provide that the holder of the special share be entitled to nominate and elect a certain number of directors to the Board, as determined by the number of common shares that the holder of the special share and affiliates beneficially own.

No dividends will be declared or paid by the Company on the special share. In the event of liquidation, dissolution or wind-up, whether voluntary or involuntary, the holder of the special share will be entitled to receive $1.00 for the special share.

Pursuant to an underwriting agreement dated June 29, 2009, the Company filed a prospectus which qualified issuance of 44,740,000 common shares at a purchase price of $19.00. 5,100,000 of these shares were newly issued common shares of the Company, for which the Company collected net proceeds of $91,667. The remaining shares issued to public shareholders were previously owned by the parent company, who collected the remaining proceeds from the IPO. The IPO was completed on July 7, 2009.

12. Share Capital (continued):

On July 30, 2009, the underwriters of the IPO exercised an over-allotment option to purchase and additional 5,034,100 common shares of the Company from the Company's parent company at the IPO purchase price of $19.00 per share. Following the exercise of the overallotment option, the parent Company has an approximate 57.5% ownership interest in the Company.

Immediately prior to the completion of the IPO, the Company's parent company, Brookfield, completed a reorganization whereby the Company acquired all the issued and outstanding shares of Genworth Canada Holdings I and Holdings II Limited from Brookfield in return for 111,999,999 newly issued common shares. Share capital as of December 31, 2008 reflects the book value of the share capital of each of Holdings I and Holdings II, and the number of common shares shown as outstanding at that date and throughout 2008 has been conformed to the number of shares issued to Brookfield by the Company in exchange for the shares of Holdings I and Holdings II. Upon completion of the IPO transaction, the Company used $67,500 of the IPO proceeds to purchase additional common shares in Holdings I. The capital provided by the Company allowed Holdings I to repay the debentures issued to Genworth Financial International Holdings, Inc., a company under common control, of $66,726, along with interest on the debentures accrued to July 7, 2009 of $791.

(b) Capital transactions:

On June 13, 2008, Holdings II was incorporated under the Canada Business Corporations Act. On August 5, 2008, Brookfield contributed $50,000 cash to Holdings II in exchange for newly issued common shares. On August 18, 2008, Holdings I made a capital distribution of $30,000 cash to Brookfield. This distribution resulted in a reduction of paid-in capital of Holdings I of $30,000.

13. Share-based compensation:

In connection with its IPO, the Company adopted long-term incentive plans that provided for the granting of employee stock options ("Options"), employee Restricted Share Units ("RSUs"), and Directors' Deferred Share Units ("DSUs").

13. Share-based compensation (continued):

Upon completion of the IPO, the Company granted 787,500 Options and 85,900 RSUs to the employees of Genworth Mortgage Insurance Canada and Genworth MI Canada Inc. The exercise price of the Options is equal to the initial price per common share under the IPO of $19.00. These initial grants of Options and RSUs vest 50% on each of the second and third anniversaries of the grant date, which is the IPO closing date of July 7, 2009. The Option and RSU incentive plans provide employees with the choice of receiving compensation in the form of common shares of the Company or cash equal to the quoted market value of the Company's shares on the exercise or redemption date. The Options expire 10 years from the date of grant and the RSUs must be redeemed no later than December 1 in the third calendar year following the calendar year in respect of which the RSUs are granted.

During the three months ended December 31, 2009, the Company granted an additional 25,000 Options to employees who joined the Company subsequent to the IPO date. The terms of these grants are similar to the terms of the Options issued in the original IPO grant.

On September 30, 2009 and December 31, 2009, the Company granted DSUs to the eligible directors of Genworth MI Canada Inc. (i.e. all independent directors) as compensation for director services performed in the third and fourth quarters. The DSUs vest immediately on the date of grant and shall be redeemed no later than December 15th of the calendar year commencing immediately after the Director's termination date. The DSU incentive plan provides the board of directors with the discretion to elect to pay DSUs credited to directors in common shares of the Company, cash equal to the fair value of the Company's shares on the redemption date, or any combination of cash and common shares.

The Company has reserved 3,000,000 common shares of its issued and outstanding shares for issuance under these long-term incentive plans.

13. Share-based compensation (continued):

The following table summarizes information about these share-based compensation plans:

	Number of stock options	Weighted average exercise price	Weighted average fair value at December 31, 2009	Number of RSUs	Weighted average fair value at December 31, 2009	Number of DSUs	Weighted average fair value at December 31, 2009
Outstanding, beginning of period	–	$ –	$ –	–	$ –	–	$ –
Granted	812,500	19.16	6,454	85,900	2,328	3,243	88
Dividend Equivalents granted	–	–	–	706	19	14	–
Forfeited	2,500	19.00	20	2,200	60	–	–
Outstanding, end of period	810,000	$ 19.16	$ 6,434	84,406	$ 2,287	3,257	$ 88
Weighted average period (in years) over which expense is recognized	2.5	–	–	2.5	–	–	–
Outstanding as a percentage of outstanding shares	0.69%	–	–	0.07%	–	–	–

The total compensation expense related to Options, RSUs and DSUs for the year ended December 31, 2009 is $1,270, $440, and $88 respectively for a total of $1,798 recognized in share based compensation expense.