

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Quarter ended March 31, 2010

April 29, 2010

Formation of the Company

Genworth MI Canada Inc. (the "Company") completed its initial public offering ("IPO") 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 ("Holdings I") and the issued and outstanding common shares of Genworth Canada Holdings II Limited ("Holdings II") in exchange for newly-issued common shares. As no substantial change in ownership interests resulted from this reorganization and IPO, the Company carried forward the basis of measurement of assets and liabilities as reflected in the consolidated financial statements of Holdings I and Holdings II.

The full three month results and prior period comparative results for the Company reflect the consolidation of the Company and its subsidiaries Holdings I and Holdings II, including the subsidiary of Holdings I, Genworth Financial Mortgage Insurance Company Canada (the "Insurance Subsidiary").

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations as approved by the Company's board of directors (the "Board") is prepared for the three months ended March 31, 2010. The discussion should be read in conjunction with the unaudited financial statements of the Company which have been prepared in accordance with Canadian generally accepted accounting principles ("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 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 meanings and are unlikely to be comparable to any similar measures presented by other companies. See "Non-GAAP Financial Measures" for a reconciliation to net income at the end of this document. These measures are defined in the Company's glossary which is posted on the Company's website at www.investor.genworthmicanada.ca which can be accessed by clicking on the "Glossary of Terms" link in the Investor Resources subsection on the left navigation bar.

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 for residential properties in all provinces and territories of Canada and has the leading market share among private mortgage insurers. The Canada Mortgage and Housing Corporation ("CMHC"), a crown corporation, is the Company's major competitor.

Seasonality

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and sales, underwriting and administrative expenses are relatively 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 typically peak in the spring and summer months. Losses on claims vary from quarter-to-quarter primarily as the result of prevailing economic conditions, as well as the characteristics, of the insurance in-force portfolio such as size and age.

Outlook

The mortgage insurance business is affected by changes in economic, employment and housing market trends. These include interest rates, home price appreciation, mortgage origination volume, levels of mortgage delinquencies and changes in the regulatory environment.

The Company expects the level of home sales to remain strong through the spring market as a result of the improving labour market and relatively low interest rates. Mortgage rates for fixed-term mortgages have increased approximately 100 basis points from March 17, 2010 through April 29, 2010 and are expected to rise further over the course of 2010. The Company expects that the rising rate environment, affordability pressures and the introduction of Harmonized Sales Tax in Ontario and British Columbia on July 1, 2010 will moderate housing demand in the second half of the year and may adversely impact the size of the overall mortgage market.

On March 25, 2010, the government published federal regulations regarding the dealings between federally regulated financial institutions and mortgage insurers. At the same time, the Office of the Superintendent of Financial Institutions ("OSFI") also published an implementation note. The intention of the new regulations is to protect borrowers by guarding against undesirable practices practiced in other jurisdictions that could artificially inflate the cost to consumers for mortgage insurance and aid consumers in better understanding the mortgage insurance transaction. The Company does not anticipate that these new regulations, which come into effect July 1, 2010, will have a material impact on its gross written premiums.

On April 19, 2010, the Canadian government implemented changes to the rules for government guaranteed mortgages which (i) require that all borrowers seeking mortgages of a term less than five years or seeking a variable rate mortgage must qualify for the five-year fixed rate mortgage posted by the Bank of Canada, (ii) lower the maximum amount borrowers can withdraw in refinancing their mortgages to 90 per cent, from 95 per cent, of the value of their homes, and (iii) require a minimum down payment of 20 per cent on non-owner-occupied properties purchased for speculation. These rules were formalized in an amendment to the government guarantee agreement between the Government of Canada and the Insurance Subsidiary (the "Government Guarantee Agreement"). The Company supports the implementation of these rules and views them as prudent steps taken to protect and maintain the health and stability of the housing market. The Company believes that the impact of these new mortgage insurance eligibility rules on its business should not be significant.

The Company plans to continue to proactively and prudently manage its approximately $5 billion investment portfolio by diversifying its investment mix. The yield on the investment portfolio should benefit from an increasing interest rate environment in the second half of 2010, as proceeds from maturing investments are reinvested.

The Company believes that unemployment peaked in 2009 and will continue to gradually decline over the following two to three years. Accordingly, management estimates that loss ratios for 2010 should remain within, or below, the Company's target pricing loss ratio of 35 – 40%.

In summary, Genworth MI Canada Inc. continues to move forward with a strong balance sheet, including capital in excess of regulatory targets and a $1.9 billion unearned premium reserve. The Company is well positioned to continue to be the leading private mortgage insurer in the current environment due to its significant scale, execution of growth strategies through customer-focused sales and service, prudent investment strategy, and strong financial position. The Company will continue to focus on the optimization of shareholder return.

Results of Operations

The following table sets forth certain financial information for the three months ended March 31, 2010 and 2009.

(in millions, unless otherwise specified)	For the quarter ended March 31, 2010	2009
Income Statement Data		
Net premiums written	$ 94	$ 64
Underwriting revenues:		
Net premiums earned	156	147[2]
Impact of initial change in premium recognition curve on net premiums earned	-	100[2]
Underwriting revenues	156	247
Losses on claims and expenses:		
Losses on claims	59	60
Sales, underwriting and administrative expenses	26	26
Total losses on claims and expenses	85	86
Net underwriting income	71	161
Investment income	49	43
Income before income taxes	119	204
Net income	84	138[2]
Net operating income[1]	$ 81	$ 141[2]
Key Ratios and Other Items		
Insurance in force	228,656	213,479
New insurance written	6,121	3,450
Loss ratio	38%	24%[2]
Expense ratio	17%	10%[2]
Combined ratio	55%	35%[2]
Operating return on equity[1]	13%	26%[2]
MCT ratio	150%	134%
Delinquency ratio	0.28%	0.29%
Severity	26%	28%
Earnings per Common Share (basic)	$0.72	$1.23
Earnings per Common Share (diluted)	$0.71	$1.23
Operating Earnings per Common Share (basic)[1]	$0.70	$1.26
Operating Earnings per Common Share (diluted)[1]	$0.69	$1.26[2]
Weighted average number of shares outstanding		
Basic	117,100,000	111,999,999
Diluted	118,096,422	111,999,999

Notes: Amounts may not total due to rounding.
(1) This is a financial measure not calculated based on GAAP. See the "Non-GAAP Financial Measures" section at the end of this MD&A for additional information.
(2) Excluding the impact of change to the premium recognition curve in the first quarter of 2009, net premiums earned, net income, net operating income, loss ratio, expense ratio, combined ratio, operating return on equity and operating earnings per common share (diluted) for the quarter ended March 31, 2009 would have been $147, $74, $77, 41%, 13% 54%, 14%, and $0.69 respectively.

First Quarter Highlights

- Compared to the first quarter of 2009 and excluding the $63 million after-tax impact of the change in the premium recognition curve that occurred in the first quarter of 2009, net income and net operating income were up $10 million and $4 million respectively. This was primarily the result of increased premiums earned and a lower current tax rate.
- Compared to the first quarter of 2009, net premiums written increased $30 million primarily due to a larger mortgage insurance market resulting from improved economic conditions.
- The minimum capital test ratio was 150%, which is an increase of 16 points over the prior year's period due to the overall strengthening of the Company's balance sheet.

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

	For the quarter ended March 31,		Increase (decrease) and percentage change	
(in millions, unless otherwise specified)	2010	2009	Q1'10 vs. Q1'09	
Net premiums written	$ 94	$ 64	$ 30	47%
Underwriting revenues:				
Net premiums earned	$ 156	$ 147[2]	$ 9	6%
Impact of initial change in premium recognition curve on net premiums earned		100[2]	(100)	NM
Fees and other income	-	-	-	-
Underwriting revenues	156	247	(91)	(37)%
Losses on claims and expenses:				
Losses on claims	59	60	(1)	(2)%
Sales, underwriting and administrative	26	26	-	-
Total losses on claims and expenses	85	86	(1)	(1)%
Net underwriting income	71	161	(90)	(56)%
Investment income:				
Interest, net of investment expenses	42	45	(3)	(7)%
Gain (loss) on investments[1]	4	(4)	8	NM
Guarantee fund earnings	3	2	1	50%
Total investment income	49	43	6	14%
Related party interest expense	-	(1)	1	NM
Income before income taxes	119	204	(85)	(42)%
Provision for income taxes	35	66	(31)	(47)%
Net income	84	138[2]	(54)	(39)%
Adjustment to net income:				
Loss (gain) on investments, net of taxes	(3)	3	(6)	NM
Net operating income	$ 81	$ 141[2]	$ (60)	(42)%
Effective Tax Rate	29%	32%	-	(3) pts
Operating Return on Equity	13%	26%[2]	-	(13) pts

Notes: Amounts may not total due to rounding.
The Company defines "NM" as not meaningful for increases or decreases greater than 100%.

(1) Includes realized gain (loss) on sale of Available for Sale ("AFS") and change in unrealized gain (loss) on Held For Trading ("HFT") investments.
(2) Excluding the impact of the change to the premium recognition curve in the first quarter of 2009, net premiums earned, net income, net operating income, and operating return on equity for the quarter ended March 31, 2009 would have been $147, $74, $77 and 14% respectively.

First Quarter 2010 compared to First Quarter 2009

High loan-to-value new insurance written increased by $1.2 billion, or 39%, to $4.2 billion in the first quarter of 2010 as compared to the prior year's period. This increase was driven mainly by a larger mortgage insurance market, as estimated by the Company, resulting from more favorable economic conditions.

Net premiums written increased by $30 million, or 47%, to $94 million in the first quarter of 2010 as compared to the prior year's period. Net premiums written on high loan-to-value mortgages accounted for $26 million of the increase due to a larger mortgage insurance market. The remaining $4 million increase resulted from a $1.5 billion increase in low loan-to-value new insurance written.

Excluding the $100 million impact of the change in the premium recognition curve, net premiums earned increased by $9 million, or 6%, to $156 million in the first quarter of 2010 as compared to the prior year's period. This increase consisted of $13 million additional earned premium from the quarterly update to the premium recognition curve in the first quarter of 2010 to reflect the most recent loss development experience, a further $2 million increase from seasoning of the Company's 2007 and 2008 books of business, offset by a $6 million decrease related to the termination of insurance in-force from policy cancellation activity that occurred in the first quarter of 2009 and this activity did not continue thereafter.

Losses on claims decreased by $1 million, or 2%, to $59 million in the first quarter of 2010 as compared to the prior year's period. The decrease in losses on claims is a result of continued loss mitigation activity and the improved economic conditions. During the first quarter of 2010, the Company approved 1,422 workouts under its loss mitigation programs as compared to 674 in the prior year's period. While not all files where a workout is performed would have ultimately resulted in claims, loss mitigation activities including workouts have positively impacted losses on claims. Compared to the prior year's period, the number of new reported delinquencies remained flat and the average reserve per delinquent loan increased 11% to $67,200 primarily due to the Company's 2007 and 2008 books of business, which had higher loan balances and higher severity rates as they entered their peak loss periods in a challenging economic environment.

Sales, underwriting and administrative costs were flat in the first quarter of 2010 at $26 million as compared to the prior year's period. Higher operating costs, amortization of deferred acquisition costs and stock-based compensation costs are offsetting approximately $6 million of the additional amortization of the deferred acquisition costs related to the cumulative impact of the initial change in the net premium recognition curve in the first quarter of 2009.

Total investment income, including guarantee fund earnings and net gains and losses, increased by $6 million, or 14%, to $49 million in the first quarter of 2010 as compared to the prior year's period. Excluding gains and losses, interest income from the general portfolio decreased by $3 million, or 7%, to $42 million in the first quarter of 2010 due to a 2% decrease in invested assets and a lower book yield of 4.1% as compared to 4.5% in the prior year's period. Guarantee fund earnings increased by $1 million during the first quarter of 2010, as compared to the prior year's period due to a realized gain in the portfolio. The Company recorded an $8 million improvement in gains on investments attributable to a $7 million improvement in the unrealized loss position on HFT investments and a $1 million realized gain on AFS securities.

The Company's effective tax rate decreased by 3 pts to 29% in the first quarter of 2010 as compared to the prior year's period. This is the result of a lower combined Canadian federal and provincial income tax rate.

Excluding the $63 million impact of the change in the premium recognition curve that occurred in the first quarter of 2009, net income increased by $10 million, or 14%, to $84 million and net operating income increased by $4 million, or 5% to $81 million in the first quarter of 2010. The increase in both net income and in net operating income was attributable primarily to increased premiums earned and lower taxes due to a lower current tax rate. The net income increase was also the result of investment gains in the first quarter 2010 as compared to losses in the prior year's period.

Loss and Expense Ratios

The following table sets forth selected ratios for the three months ended March 31, 2010 and 2009:

	For the quarters ended March 31,		Increase (decrease)
	2010	2009[1]	Q1'10 vs. Q1'09
Loss ratio……..	38%	24%	14 pts
Expense ratio……	17%	10%	7 pts
Combined ratio….	55%	35%	20 pts

Note: Amounts may not total due to rounding.
(1) Excluding the impact of changes to the premiums earned recognition curve, the loss ratio, expense ratio and combined ratio at March 31, 2009 would have been 41%, 13% and 54%, respectively.

First quarter 2010 compared to first quarter 2009

The loss ratio increased 14 points to 38% for the quarter ended March 31, 2010. Excluding the $100 million increase in net premiums earned arising from the initial change in the premium recognition curve in the first quarter of 2009, the loss ratio would have decreased 3 points from 41% as a result of an improving housing market and lower unemployment rate.

The expense ratio increased 7 points to 17% for the quarter ended March 31, 2010. Excluding the impact of the change in the premium recognition curve in the first quarter of 2009, the expense ratio would have increased 4 points from 13% due to higher operating costs, amortization of deferred acquisition costs and stock-based compensation costs.

Balance Sheet Highlights and Select Financial Data

(in millions, unless otherwise specified)	As at March 31, 2010	As at Dec 31, 2009	Increase (decrease) and percentage change 2010 vs. 2009	
Investments:				
General portfolio.....……	$4,260	$4,410	$(150)	(3)%
Government guarantee fund……	587	576	11	2%
Total assets…….....	5,134	5,210	(76)	(1)%
Unearned premium reserves…….....	1,910	1,971	(61)	(3)%
Loss reserves……..	233	236	(3)	(1)%
Total liabilities…….....	2,433	2,567	(134)	(5)%
Shareholders' equity……	2,701	2,643	58	2%
Accumulated Other Comprehensive Income.....	96	97	(1)	(1)%
Shareholders equity excluding AOCI…….....	$2,605	$2,546	$59	2%
Select Ratios				
MCT Ratio…….....	150%	149%	-	1 pt
Book value per share				
Book value per share including AOCI (basic)…….....	$23.06	$22.57	$0.49	2%
Book value per share excluding AOCI (basic)……...	$22.24	$21.74	$0.50	2%
Book value per share including AOCI (diluted)…….....	$22.85	$22.40	$0.45	2%
Book value per share excluding AOCI (diluted)……...	$22.03	$21.58	$0.45	2%

Notes: Amounts may not total due to rounding. The Company defines "NM" as not meaningful for increases or decreases greater than 100%.

Financial Instruments and Other Instruments

Portfolio of Invested Assets

As of March 31, 2010, the Company had total cash, cash equivalents and invested assets of $4.3 billion in the general portfolio and $587 million in the government guarantee fund established under the Government Guarantee Agreement. Unrealized gains on AFS securities in the general portfolio were $121 million and $23 million in the government guarantee fund.

The following tables provide the diversification of assets by asset class and credit rating in each of the two portfolios:

Asset Class	**As at March 31, 2010**			**As at Dec 31, 2009**	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/Losses**	**Fair Value**	**%**
General portfolio					
Asset backed……....	$ 257	6%	$ 5	$ 254	6%
Corporate fixed income[2]					
Financial……..	1,437	34%	55	1,420	32%
Energy……..	273	6%	10	230	5%
Infrastructure…….	234	5%	7	206	5%
All other sectors…….…….	205	5%	9	175	4%
Total Corporate fixed income…….…..	2,150	50%	81	2,033	46%
Federal fixed income…….....	1,026	24%	15	1,073	24%
Provincial fixed income…….……...	692	16%	19	638	14%
Preferred Shares	30	1%	0	0	0%
Other invested assets – HFT[1]……..	37	1%	0	34	1%
Total invested assets…….....	4,192	98%	121	4,032	91%
Cash and cash equivalents……	68	2%	-	378	9%
Total invested assets and cash – general portfolio	$ 4,260	100%	$ 121	$ 4,410	100%
Government guarantee fund					
Federal fixed income……..	$ 710	100%	$ 23[3]	$ 698	100%
Cash and cash equivalents…….....	3	0%	-	1	0%
Total invested assets and cash – guarantee fund	$ 713	100%	$ 23	$ 699	100%
Accrued income and contributions……..…….	17			15	
Accrued exit fees and due to others…..……	(142)			(137)	
Net Guarantee Fund assets……...….	$587			$576	
Total invested assets and cash ……...…..	$ 4,847		$ 144	$ 4,986	

Credit Rating – General Portfolio	**As at Mar 31, 2010**			**As at Dec 31, 2009**	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/Losses**	**Fair value**	**%**
Cash and Cash equivalents……..	$ 68	2%	$ -	$ 378	9%
AAA…….	1,464	34%	27	1,614	37%
AA……	1,441	34%	57	1,344	30%
A……	1,224	29%	36	1,018	23%
BBB……..	64	2%	1	56	1%
Below BBB……..	0	-	-	0	-
Total invested assets and cash…….……	$ 4,260	100%	$ 121	$ 4,410	100%

Notes: Amounts may not total due to rounding.
(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 March 31, 2010 were $13 million.
(2) The portfolio classifications and holding were realigned to be consistent with the portfolio benchmark.
(3) The $23 million unrealized gain is gross of the $4 million of market value related primarily to exit fees.

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 include short-term investments, preferred shares and HFT 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 which have been 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 the Company and reviewed at least quarterly with the Company's management-level investment committee and the Risk, Capital and Investment Committees of 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, commercial paper and time deposits with maturities within 90 days of the balance sheet date. The Company determines its target cash holdings based on near-term liquidity needs, market conditions and perceived favourable future investment opportunities. The Company decreased its cash holdings to $68 million or a decrease of 82% at March 31, 2010 from $378 million at December 31, 2009.

During the first quarter of 2010, the Company invested a net amount of $157 million in securities, consisting of $30 million in preferred shares and the remaining balance in corporate bonds, government bonds and short term securities. $163 million of cash was also used for the final 2009 income tax payment and the 2010 tax installment payments. After this redeployment of cash, the portfolio duration has increased to 3.6 years from 3.2 years in the prior year's period.

Federal and Provincial Fixed Income Securities

The Company's investment policy requires a minimum of 10% of the investment portfolio be invested in federal fixed income securities. As of March 31, 2010, 24% of the portfolio was invested in federal securities, unchanged from the end of 2009. Provincial holdings were 16% of the portfolio, up from 14% at the end of 2009.

Corporate Fixed Income Securities

Allocations to corporate fixed income securities are determined based on their relative value to federal fixed income securities and adjusted for the carrying charge for the increased capital holdings required under regulations set by OSFI. As of March 31, 2010, approximately 50% of the investment portfolio was held in corporate fixed income securities, up from 46% at the end of 2009. Securities rated below A were $64 million, or 2% of invested assets, as of March 31, 2010. 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 34% of the general portfolio, or approximately two-thirds 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 March 31, 2010, all of these securities were rated AAA.

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 March 31, 2010, this investment had a fair value of $37 million, or 1% of invested assets, up from $34 million at the end of 2009, and was classified as HFT in the Company's financial statements.

Preferred Shares

The Company had $30 million invested in preferred shares at the end of the first quarter of 2010 representing 0.7% of the general portfolio. Approximately 80% of the preferred shares are issued by Canadian financial institutions. The Company's investment guidelines require that preferred shares be rated P-1 or P-2 at the time of purchase.

Government Guarantee Fund Assets

In accordance with the terms of the Government 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)	Q1'10	Q4'09	Q3'09	Q2'09[3]	Q1'09[3]	Q4'08[3]	Q3'08[3]	Q2'08[3]
Net premiums written……	94	110	104	82	64	152	222	200
Underwriting revenues:								
Net premiums earned…….	156	155	154	153	147[2]	138	133	125
Impact of initial change in premiums recognition curve on net premiums earned……	-	-	-	-	100[2]	-	-	-
Underwriting revenue……	156	155	154	153	247	138	133	125
Losses on claims…….....	59	60	64	71	60	58	36	30
Net underwriting income (loss)	71	70	66	59	161	53	79	78
Investment income, including gains (losses)[1]……	49	46	49	51	43	44	46	71
Net income……..	84	87	79	75	138[2]	74	85	105
Adjustment to net income:								
Losses (gains) on investments, net of taxes……..……	(3)	(2)	(4)	(5)	3	1	-	(18)
Net operating income……..	81	85	75	70	141[2]	75	85	87
Selected Ratios:								
Loss ratio…….	38%	39%	42%	46%	24%[2]	42%	27%	24%
Expense ratio…….……...	17%	16%	15%	15%	10%[2]	19%	14%	15%
Combined ratio……..……	55%	55%	57%	62%	35%[2]	61%	41%	39%
Operating earnings per common share (diluted)……	$0.69	$0.72	$0.63	$0.63	$1.26[2]	$0.67	$0.76	$0.79
Operating return on equity…….	13%	14%	12%	12%	26%[2]	15%	17%	17%

Notes: Amounts may not total due to rounding
(1) Includes realized gain (loss) on sale of AFS and change in unrealized gain (loss) on HFT investments.
(2) Excluding the impact of change to the premium recognition curve in the first quarter 2009, net premiums earned, net income, net operating income, loss ratio, expense ratio, combined ratio, operating return on equity and operating earnings per share (diluted) for the quarter ended March 31, 2009 would have been $147, $74, $77, 41%, 13% 54%, 14%, and $0.69 respectively.
(3) The prior period's comparative results for the Company reflect the consolidation of the Company and its subsidiaries Holdings I and Holdings II, including the Insurance Subsidiary . Prior to the Third Quarter of 2009, the Company's management discussion and analysis, as available on SEDAR, only reflected Holdings I's results. The primary difference is the elimination of interest paid from the Insurance Subsidiary to Holdings II.

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. The Company currently has no debt on its balance sheet.

Throughout 2008 and into early 2009, the Company had increased its cash and cash equivalent balance to conserve regulatory capital and strengthen liquidity as a result of a slowing economic environment. As of December 31, 2009, the Company held a significant cash balance of $378 million or 9% of cash and invested assets, in the general portfolio. As of March 31, 2010, the Company reduced its cash and cash equivalent balance to $68 million in light of its strong capital position and the improved economic conditions.

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. For the three months ended March 31, 2010, the Company invested $1 million for risk management and underwriting technologies. The Company expects that future capital expenditures will continue to be focused on underwriting and risk management technology improvements. The Company expects that future capital expenditures in 2010 will be in the $3 to 5 million range.

Regulatory Capital Management

The Company's Insurance Subsidiary is regulated by OSFI. 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 the Insurance Subsidiary, OSFI has established a minimum supervisory capital target of 120% for the Insurance Subsidiary. In order to maintain an adequate cushion above this supervisory minimum, in May 2009 the Insurance Subsidiary established an internal MCT ratio target range of 132% to 135% and an operating MCT ratio target of 135% in the normal course. The Company is currently conducting an examination of its internal MCT target which may result in the target being increased.

Capital above the amount required to meet the Insurance Subsidiary'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, permit the declaration and payment of dividends by Genworth MI Canada Inc. or such other uses as permitted by applicable laws and that may be approved by the board of directors of the Company.

The MCT ratio of the Insurance Subsidiary at the end of March 31, 2010 was 150%, representing a 1-point sequential increase, primarily resulting from capital provided by the first quarter net income, offset by dividends paid.

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 OSFI 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 OSFI. Finally, OSFI 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 has financial strength ratings from both Standard and Poor's and the Dominion Bond Rating Service ("DBRS"). Although the Insurance Subsidiary 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. The Insurance Subsidiary 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 on claims, 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 AFS or 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 investments 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.

Interest income from fixed income securities is recognized on an accrual basis and reported as interest on the consolidated statements of income. Dividends are recognized when the shareholder's right to receive payment is established, which is the ex-dividend date and are reported in "Dividends" on the consolidated statements of 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.

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 25 to 40 years. 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 on claims. Based on historical experience, the majority of losses on claims generally occur within two to five years of policy origination. Therefore, the majority of premiums written are recognized as net premiums earned within five years of policy origination, in an effort to match premiums earned to losses on claims. The formulae under which premiums are earned are adjusted quarterly in accordance with such estimates and were last updated in March 2010, resulting in a $13 million increase in premiums earned during the first quarter of 2010. The Company will continue to assess its loss experience on a quarterly basis and make adjustments as appropriate to the premium recognition curve.

Policy acquisition costs are those expenses incurred in the acquisition of business. Acquisition costs are comprised of premium taxes and other expenses which relate directly to obtaining of new insurance 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 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 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.

For the purpose of quantifying case reserves, 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 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 occurrence 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, 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 third party appointed actuary reviews and reports to management, the board of directors of the Insurance Subsidiary 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.

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 stock 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.

Directors' Deferred Share Units ("DSUs") entitle eligible members of the 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.

Performance Share Units ("PSUs") entitle senior executive employees to receive an amount equal to the fair market value of the Company's shares as compensation if the Company meets certain performance conditions based on the Company's earnings per share, net income, contribution margin, underwriting income and investment income at the end of a three year period. The PSUs 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 PSU vesting period with a corresponding entry to accrued benefit liability under employer benefit plans, based on management's best estimate of the outcome of the performance conditions.

Changes in Accounting Policies

Goodwill and Intangible Assets

On January 1, 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced CICA Handbook Section 3062, Goodwill and Other Intangible Assets ("Section 3062") and CICA Handbook 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.

As a result of adopting the new standard, certain software costs previously recorded for premises and equipment are now recorded as intangible assets in the consolidated balance sheets with restatements of prior periods' financial statements for this change. Accordingly, the Company reclassified $16,307,000 of net book value as at December 31, 2009 from premises and equipment to intangible assets ($10,690,000 as at December 31, 2008). The related expense of $2,991,000 for the year ended December 31, 2009 was reclassified from depreciation expense in the consolidated statement of cash flows to amortization expense ($2,562,000 for the year ended December 31, 2008).

Financial Instrument Disclosures:

In June 2009, the CICA issued amendments to CICA Handbook Section 3862 Financial Instruments - Disclosures ("Section 3862") to expand disclosures of financial instruments consistent with new disclosure requirements made under International Financial Reporting Standards ("IFRS"). These amendments were adopted by the Company for the year ended December 31, 2009 and introduce a three-level fair value hierarchy based on inputs used in estimating the fair value of financial instruments. The hierarchy of inputs is summarized below:

Level 1 - Inputs used to value the financial instruments are unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 - Inputs used to value the financial instruments are other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3 - Inputs used to value the financial instruments are not based on observable market data.

Changes in valuation methods may result in transfers into or out of a financial instrument's assigned level.

Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") 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. The 2011 financial statements will include full comparative information for the relevant 2010 periods prepared in accordance with IFRS.

In anticipation of the mandatory transition to IFRS, the Company has prepared a detailed conversion plan and has established an IFRS conversion project team. The Company's plan is comprised of a planning phase, an initial implementation phase, and a secondary implementation phase that addresses specific standards that have not been finalized in time for the mandatory transition date of January 1, 2010.

In addition to providing regular progress updates to its Board of Directors and Audit Committee, the Company's Insurance Subsidiary provides semi-annual progress reports to OSFI. The last of these reports is due on July 30, 2010 and must present the Company's opening IFRS retained earnings at the transition date. During the second quarter of 2010, the IFRS project team will complete the initial quantification of opening retained earnings that conform to IFRS as at January 1, 2010, the beginning of the period for which comparative financial statements are required.

The Company is currently monitoring developments in standards that are expected to change and is in the process of converting its Canadian GAAP disclosures to IFRS-compliant disclosures. This process includes accumulating information for additional disclosures that are required upon the adoption of IFRS.

The Company's initial assessment of IFRS has identified that the areas of employee post-employment benefits and share-based compensation will be most affected by the transition to IFRS based on IFRSs currently in force. However, many IFRSs are currently undergoing modification. The most significant changes will occur after the mandatory transition date of January 1, 2010 when Phase II of IFRS 4 – Insurance Contracts is finalized. Until that time, the Company will continue using its current practice for measuring and recording insurance liabilities.

Further, IFRS 9 – Financial Instruments - Recognition and Measurement was issued in November 2009 replacing IAS 39 – Financial Instruments – Recognition and Measurement, with mandatory adoption on January 1, 2013. This new standard significantly impacts the Company's financial statements because the standard will require all financial instruments to be accounted for either at amortized cost or at fair value, with fair value changes recorded in the statement of income. The available for sale category, which permits entities to account for changes in fair value of financial instruments in other comprehensive income, and where the vast majority of the Company's financial instruments are currently recorded, will cease to exist.

The Company has considered the impact of IFRS transition on Information Technology Systems and has determined that significant changes are not required. The Company's progress towards IFRS transition is currently on track based on its conversion plan.

Risk Management

Risk management is a critical part of the Company'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 the Company'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

The Company'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 economic conditions in the early part of 2009, the Company took a number of actions focusing on its new insurance written to reduce the overall risk profile of its mortgage portfolio such as more stringent requirements on borrowers' total debt service ratios, credit scores and loan-to-value ratios in economically sensitive areas. In addition, the Company supported the Canadian government's decision in 2008 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.

The Company'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

Following the closing of the Company's IPO on July 7, 2009, the Company and the Insurance Subsidiary entered into a Transition Services Agreement with Genworth Financial, Inc., the Company's controlling shareholder. The agreement prescribes that these companies will provide certain services to one another, with most services being terminated if Genworth Financial, Inc. ceases to beneficially own more than 50% of the common shares of the Company. The services rendered by Genworth Financial, Inc. and affiliated companies consist of information technology, finance, human resources, legal and compliance and other specified services. The services rendered by the Company and the Insurance Subsidiary relate mainly to financial reporting and tax compliance support services. 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 net related party charges of $1,564,000 for the three months ended March 31, 2010. The Company incurred related party charges of $398,000 for the three months ended March 31, 2009. The balance owed for related party services at March 31, 2010 is $24,000 (December 31, 2009 - $775,000).

Special Note regarding Forward-Looking statements

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to Genworth Canada, are intended to identify forward-looking statements. Specific forward-looking information in this document includes, but is not limited to, statements with respect to the Company's future operating and financial results, expectations regarding premiums written, capital expenditure plans, dividend policy and the ability to execute on its future operating, investing and financial strategies.

The forward-looking information and statements contained herein are based on certain factors and assumptions, certain of which appear proximate to the applicable forward-looking information contained herein, including the economic assumptions described in the "Outlook" section of this MD&A. Inherent in the forward-looking information and statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, 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. Actual results or developments may differ materially from those contemplated by the forward-looking information and statements.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking information and statements. Some of these and other factors are discussed in more detail in the Company's annual information form dated March 22, 2010 (the "**AIF**") under the heading "Risk Factors". Investors and others should carefully consider these and other factors and not place undue reliance on the forward-looking information and statements. Further information regarding these and other risk factors is included in the Company's public filings with provincial securities regulatory authorities and can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com. The forward-looking information and statements contained in this MD&A represent the Company's views only as of the date hereof. Forward-looking information and statements contained in this MD&A are based on management's current plans, estimates, projections, beliefs and opinions and the assumptions related to these plans, estimates, projections, beliefs and opinions may change, and are presented for the purpose of assisting the Company's shareholders in understanding management's current views regarding those future outcomes and may not be appropriate for other purposes. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company does not undertake to update any forward-looking information and statements, except to the extent required by applicable securities laws.

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 and operating earnings per share for the periods specified and reconciles these figures to the Company's net income and operating earnings per share in accordance with GAAP for such periods.

	For the quarter ended March 31,	
(in millions, unless otherwise specified)	**2010**	**2009**
Net income[1]…….……	$ 84	$ 138
Adjustment to net income:		
Gains (Losses) on investments, net of taxes……..	(3)	3
Net operating income[1]…….……	$ 81	$ 141

Notes:
(1) Excluding impact of changes to the premium recognition curve, net income and net operating income for the quarter ended March 31, 2009 would have been $74 million and $77 million respectively.

	For the quarter ended March 31,			
(in dollars)	**2010**		**2009**	
	Basic	Diluted	Basic	Diluted
Earnings per share……..……	$ 0.72	$ 0.71	$ 1.23	$ 1.23
Adjustment to earnings per share:				
Gains (Losses) on investments, net of taxes……..	(0.02)	(0.02)	0.03	0.03
Operating earnings per share ……..……	$ 0.70	$0.69	$ 1.26[1]	$ 1.26[1]

Notes:
(1) Excluding impact of changes to the premium recognition curve, operating earnings per share (basic) and operating earnings per share (diluted) for the quarter ended March 31, 2009 would have been $0.69 million and $0.69 million respectively.