

Business Update

Fourth Quarter 2011

At Genworth, we help millions of people around the world secure their financial lives, families, and futures. We focus on our strengths and the best opportunities for profitable growth. We provide products, services, and support to help our distribution partners meet their customers' needs. We carefully manage our resources to ensure we're here for our customers, today and tomorrow. And we're passionate about making a difference for our employees, communities, and industry.

Highlights of our business performance include:

- The company reported net income¹ of \$107 million, or \$0.22 per diluted share, compared with a net loss of \$161 million, or \$0.33 per diluted share, in the fourth quarter of 2010. Net operating income² for the fourth quarter of 2011 was \$86 million, or \$0.17 per diluted share, compared with a net operating loss of \$135 million, or \$0.28 per diluted share, in the fourth quarter of 2010.
- Beginning in the quarter, the company resegmented and began to operate through three divisions: Insurance and Wealth Management (including the U.S. Life Insurance, International Protection which includes the Lifestyle Protection Insurance business, and Wealth Management Segments); Mortgage Insurance (including the International Mortgage Insurance and U.S. Mortgage Insurance Segments); and Corporate and Runoff (including the Runoff Segment and Corporate and Other Activities).
- In the Insurance and Wealth Management Division, earnings increased 12 percent to \$145 million, compared with \$130 million a year ago, driven by U.S. Life Insurance results.
- In the Mortgage Insurance Division, the net operating loss was \$16 million, compared with \$254 million a year ago, driven by U.S. Mortgage Insurance results.

More information on our financial results and related measures is available in our [earnings release](#). Here is a look at the business performance behind the numbers.

¹ Unless otherwise stated, all references in this document to net income (loss), net income (loss) per share, net operating income (loss), net operating income (loss) per share, book value, book value per share, and stockholders' equity should be read as net income (loss) available to Genworth's common stockholders, net income (loss) available to Genworth's common stockholders per share, net operating income (loss) available to Genworth's common stockholders, net operating income (loss) available to Genworth's common stockholders per share, book value available to Genworth's common stockholders, book value available to Genworth's common stockholders per share, and stockholders' equity available to Genworth's common stockholders, respectively.

² This is a financial measure not calculated based on U.S. Generally Accepted Accounting Principles (Non-GAAP). See the Use of Non-GAAP Measures section of the earnings release for additional information.

We focus on our strengths and the best opportunities for profitable growth.

Insurance and Wealth Management Division

Our Insurance and Wealth Management Division includes U.S. Life Insurance, International Protection, and Wealth Management.

In the fourth quarter:

U.S. Life Insurance Segment

- Earnings increased 14 percent compared with a year ago driven by life insurance.
- Segment sales were down sequentially from moderating life insurance and fixed annuity sales associated with various pricing actions.
- We launched two new single premium fixed deferred index annuities, SecureLiving® Index 7 and SecureLiving® Index 10 Plus, designed to meet the growing needs of America's financial security-conscious consumers.

International Protection Segment

- Reported earnings were flat to the prior year as European economic concerns reduced consumer lending and related insurance product sales.
- Operating margin² improved more than 360 basis points over the prior full year margin from continued declines in new claim registrations as well as benefits from previously implemented price and distribution contract changes.
- Dividends of \$135 million were paid to the holding company in 2011.
- At quarter end, the Lifestyle Protection business had a regulatory capital ratio of approximately 283 percent³.

Wealth Management Segment

- Earnings were \$12 million, compared with \$11 million in the prior year and \$12 million in the prior quarter.
- Net flows were negative \$16 million, down from positive net flows of \$446 million in the prior quarter, reflecting difficult market conditions and increased redemptions.
- Dividends of \$64 million were paid to the holding company in 2011.
- Assets under management (AUM) increased \$474 million sequentially to \$25.1 billion.
- In January 2012, the company announced an agreement for the sale of its tax and accounting advisors unit, Genworth Financial Investment Services (GFIS), to Cetera Financial Group, which is expected to close in the first half of 2012.

Mortgage Insurance Division

Our global Mortgage Insurance Division includes International Mortgage Insurance and U.S. Mortgage Insurance.

In the fourth quarter:

- Mortgage Insurance Division's net operating loss was \$16 million, compared with a net operating loss of \$254 million a year ago, driven by U.S. Mortgage Insurance results.

³ Company estimate for the fourth quarter of 2011, due to the timing of the filing of statutory statements.

Mortgage Insurance Division, cont'd.

International Mortgage Insurance Segment

- Reported International Mortgage Insurance Segment earnings decreased 20 percent to \$78 million, compared with \$98 million a year ago.
- Canada and Australia paid total dividends to the holding company of \$215 million in 2011 and continued to maintain strong capital positions.
 - In Canada, flow new insurance written (NIW) was down 21 percent⁴ sequentially from seasonal variation and 9 percent⁴ year over year, reflecting a smaller mortgage origination market associated with tightened government mortgage guidelines. The loss ratio was 40 percent, up four points sequentially and eight points year over year.
 - In Australia, flow NIW was up 17 percent⁴ sequentially and up 27 percent⁴ year over year, as the mortgage origination market showed some improvement. The loss ratio was 46 percent, down two points sequentially.
 - Other countries had a net operating loss of \$15 million, driven by European mortgage insurance performance in Ireland.

U.S. Mortgage Insurance Segment

- Net operating loss was \$94 million, compared to \$352 million in the prior year.
- Flow NIW increased 23 percent from the prior year and 19 percent sequentially, reflecting an ongoing gradual market shift from Federal Housing Administration (FHA) to private mortgage insurance and higher refinancing activity. The company's market share remains stable despite the exit of some competitors from the market, as we maintained pricing and guideline discipline and did not expand underwriting delegation to lenders.
- Loss mitigation savings were \$147 million in the quarter and \$567 million for the full year, exceeding the targeted \$400 to \$500 million full-year benefit.
- Total flow delinquencies of 83,931 decreased 9 percent from prior year and one percent sequentially. New flow delinquencies declined approximately 15 percent from prior year and decreased approximately 6 percent from the prior quarter.

Corporate and Runoff Division

The Corporate and Runoff Division includes Corporate and Other Activities as well as the Runoff Segment, which includes non-strategic products primarily consisting of variable annuity, institutional, and Medicare supplement insurance products.

In the fourth quarter:

The Corporate and Runoff Division's net operating loss was \$43 million, compared with \$11 million in the prior year.

Runoff Segment

- The Runoff Segment's net operating income was \$20 million, compared with \$34 million in the prior year, driven primarily by the sale of the Medicare supplement business and fixed maturity bond redemptions in the prior year that did not recur. Improved market performance drove a \$37 million sequential improvement in variable annuities.

Corporate and Other

- Corporate and Other's net operating loss was \$63 million, compared with \$45 million in the prior year quarter, driven primarily by a \$19 million after-tax impairment of all the goodwill associated with the reverse mortgage business.

⁴ Percent change excludes the impact of foreign exchange.

We help millions of people around the world secure their financial lives, families, and futures.

In the fourth quarter, working with our partners:

- Genworth's U.S. life insurance companies paid more than \$830⁵ million in insurance benefits, delivering protection and peace of mind to our life, long term care, and annuity policyholders and beneficiaries.
- We facilitated the closing of more than 6,700 mortgage loan workouts through our global homeownership assistance programs, helping borrowers stay in their homes or avoid foreclosure.
- We helped more than 58,000 people in Europe maintain regular repayments on their financial commitments through our lifestyle protection insurance program.

We carefully manage our resources to ensure we're here for our customers, today and tomorrow.

Our financial position is strong, with a path to become even stronger:

- Our holding company ended the quarter with approximately \$950 million of cash and highly liquid securities, up approximately \$250 million sequentially as the company has continued to execute strategies that enhance capital flexibility and risk buffers.
- We received approximately \$478 million in operating company dividends on a full-year basis and \$354 million in the fourth quarter.
- The holding company targets maintaining cash balances of at least two times its annual debt service expense.
- Genworth has \$222 million of debt maturities in 2012 and no debt maturities in 2013.
- Investment income declined modestly, impacted by the lower income on limited partnerships, with net investment income of \$827 million, compared to \$842 million in the third quarter. The core yield² decreased 15 basis points sequentially to 4.6 percent.
- Throughout the year, we focused on business portfolio strategies to improve capital deployment and build shareholder value, including the sale of the Medicare supplement business, the planned minority share Initial Public Offering of our Australia Mortgage Insurance business, the planned sale of the accounting advisors unit, and scheduled completion of the first life insurance block transaction.

We are passionate about making a difference for our employees, communities, and industry.

- We promoted Long Term Care Awareness month in November, using our 2011 Financial Reality Check Study to challenge consumers to include a conversation about long term care planning in their overall financial planning discussions.
- We led educational sessions and focus groups at the AARP® Life@50+ Membership Conference, expanding our brand awareness, building relationships, and gaining insights from AARP members.
- We broadened the "My Money, My Future" campaign for high school students by leveraging new media (gaming, social networking, video, animation, etc.) to make complex financial concepts compelling and relevant for today's digital generation.
- We continued our efforts to help policymakers understand the implications for the broader housing market of recent increases in FHA loan limits and higher guaranty fees for government-sponsored entity (GSE) loans as a means for financing the payroll tax extension.
- Continuing the success of our U.S. campaign, employees in our Canada business finished up an incredibly successful United Way campaign, raising nearly CAD\$120,000 to create lasting change in our local communities.
- Through the support of our Putts for Charity initiative, nearly €200,000 was donated through the Genworth Foundation in 2011 to benefit SOS Children's Villages across Europe and Barnardo's Children's Charity in Ireland.
- Throughout 2011, Genworth volunteers around the world have invested 23,700 hours supporting 475 projects for 190 non-profit organizations in our communities.

⁵ Number excludes Medicare supplement benefit numbers due to sale in Q4.

We provide products, services, and support to help our distribution partners meet their customers' needs.

- We enhanced our producer website, adding features like increased memo fields, expanded licensing and appointments information, and additional details about pending new business, to help producers grow and sustain their business. Site users produce 2.5 times more business than Genworth producers who do not use the site.
- In Australia, we launched an innovative “Graduate Package” program, bundling policy enhancements designed to help recent university graduates buy their first home.
- We hosted a roundtable event for government and industry stakeholders in Italy to discuss the findings of the International Mortgage Trends Report as well as the important role our company and our products play in the Italian market.
- DALBAR, a leading financial services market research firm, recognized Genworth with the Financial Intermediary Service Award for superior service in annuities while also acknowledging our leadership in life insurance customer service.

Genworth Quick Facts

- Genworth Financial, Inc. (NYSE: GNW) is a leading Fortune 500® insurance holding company dedicated to helping people secure their financial lives, families, and futures. Genworth has leadership positions in offerings that assist consumers in protecting themselves, investing for the future, and planning for retirement – including life insurance, long term care insurance, financial protection coverages, and independent advisor-based wealth management – and mortgage insurance that helps consumers achieve home ownership while assisting lenders in managing their risk and capital.
- Genworth has approximately 6,400 employees. Our products and services are offered through financial intermediaries, advisors, independent distributors, and sales specialists.
- Genworth Financial Inc., which traces its roots back to 1871, became a public company in 2004 and is headquartered in Richmond, Virginia. For more information, visit genworth.com.

Executive Leadership

Michael D. Fraizer

*Chairman,
President & Chief Executive Officer*

Martin P. Klein

*Senior Vice President,
Chief Financial Officer*

Leon E. Roday

*Senior Vice President,
General Counsel & Secretary*

Ronald P. Joelson

*Senior Vice President,
Chief Investment Officer*

Patrick B. Kelleher

*Executive Vice President,
President & CEO, Insurance & Wealth Management*

Kevin D. Schneider

*Senior Vice President,
President & CEO, U.S. Mortgage Insurance*

Jerome T. Upton

*Vice President
COO, International Mortgage Insurance*