

# First Quarter 2012

Australia Mortgage Insurance  
Portfolio Update

May 2, 2012



# Cautionary Note Regarding Forward-Looking Statements

This presentation contains certain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “will” or words of similar meaning and include, but are not limited to, statements regarding the outlook for Genworth Financial, Inc.’s (Genworth) future business and financial performance. Forward-looking statements are based on management’s current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially due to global political, economic, business, competitive, market, regulatory and other factors and risks, including those discussed in the Appendix, as well as in the risk factors section of Genworth’s Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission (SEC) on February 27, 2012. Genworth undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Use Of Non-GAAP & Selected Operating Performance Measures

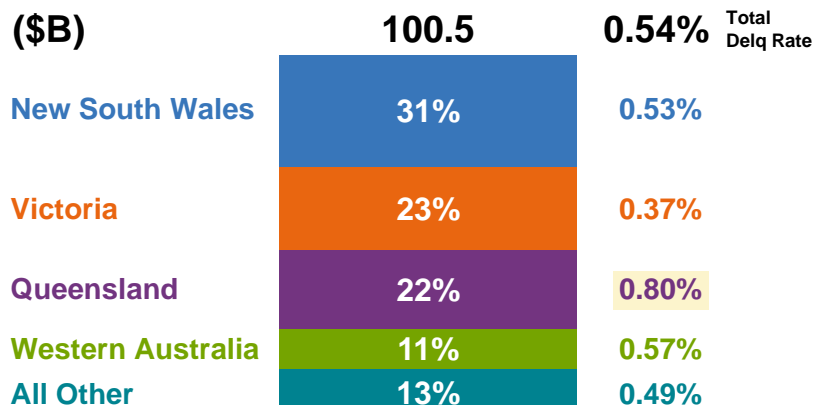
All financial data as of March 31, 2012 unless otherwise noted. For additional information, please see Genworth’s first quarter of 2012 earnings release and financial supplement posted at [genworth.com](http://genworth.com).

For important information regarding the use of non-GAAP measures and selected operating performance measures, see the Appendix.

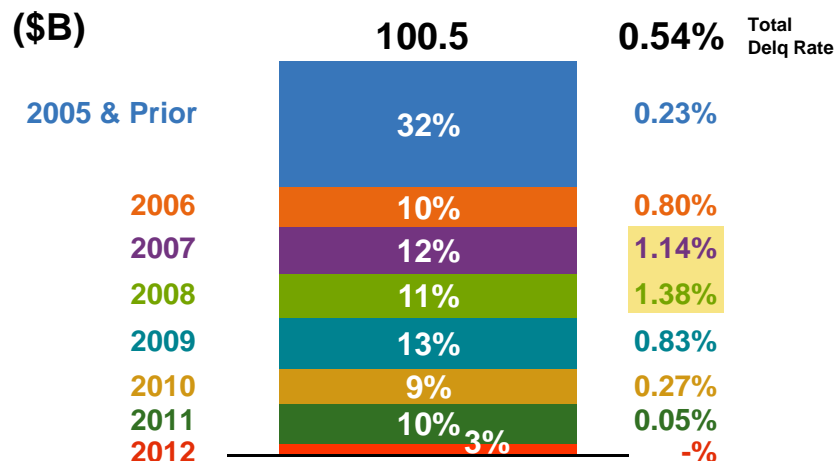
This presentation should be used in conjunction with the accompanying audio or call transcript.

# Australia Portfolio Segmentation

## Risk In-Force By State



## Risk In-Force By Vintage



## Observations

Geographic Dispersion In Line With Population

Overall Performance By Geography Solid... Queensland Exception

Coastal Queensland Particularly Pressured... ~6% Risk In-Force (RIF)

2007/2008 Strong Origination Markets... Higher Concentrations Of Small Business/ Self-Employed ~6% RIF

Sub-Segment Pressured By Current Economy... Particularly Coastal Queensland

Strengthened Guidelines & Eliminated Certain Products In 2008/1H09

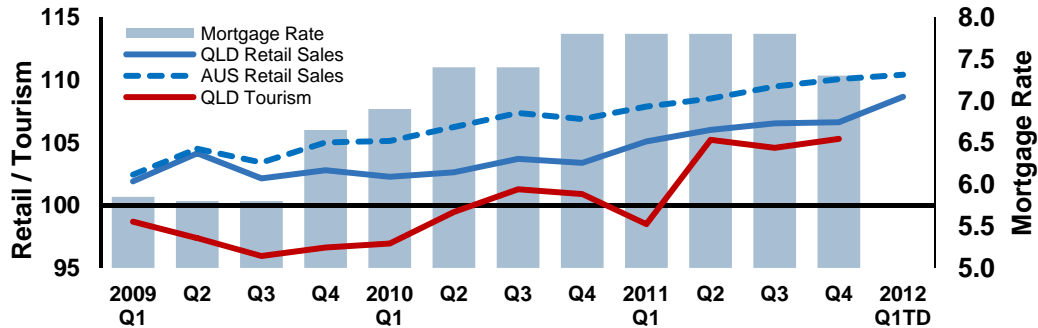
# 1Q12 Reserve Strengthening Drivers

- 1 Coastal Queensland Economic Downturn**
- 2 Small Business/Self-Employed In 2007–2008 Books**
- 3 Impact Of Lender Servicing/Forbearance Programs**
- 4 Number Of Paid Claims & Claim Severity**

# 1 Coastal Queensland Economic Downturn

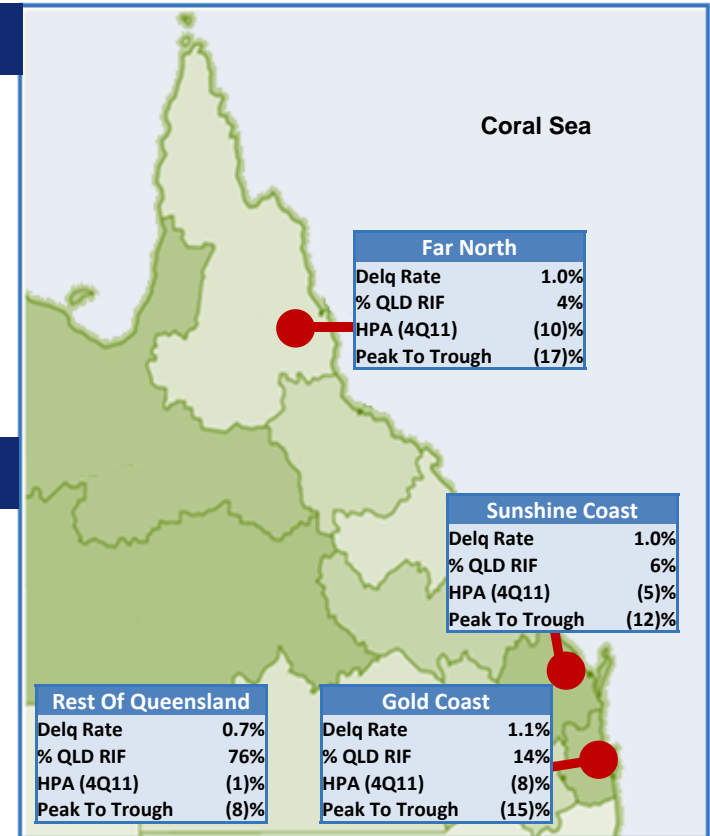
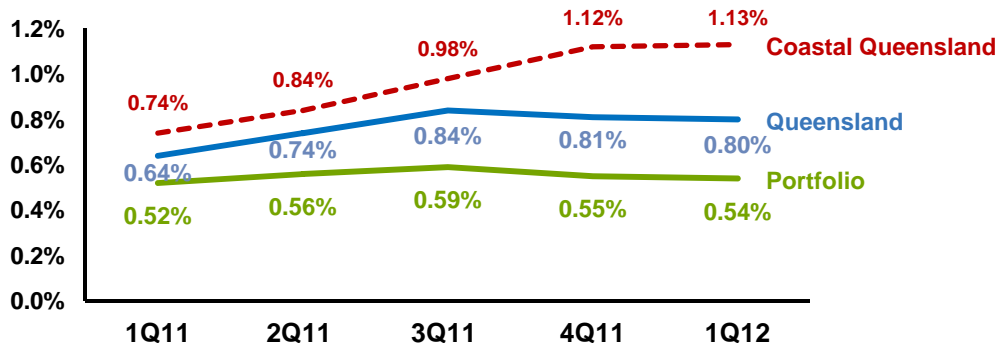
Largest Impact In Sub-Regions With Depressed Tourism & Consumer Spending  
 Strong A\$ & Decline In Consumer Confidence Impacted Local Economies  
 Reduced Housing Demand... Deeper Home Price Declines

## Retail Sales, Tourism Growth (Index To 4Q08), Mortgage Rate



Source: RBA, ABS

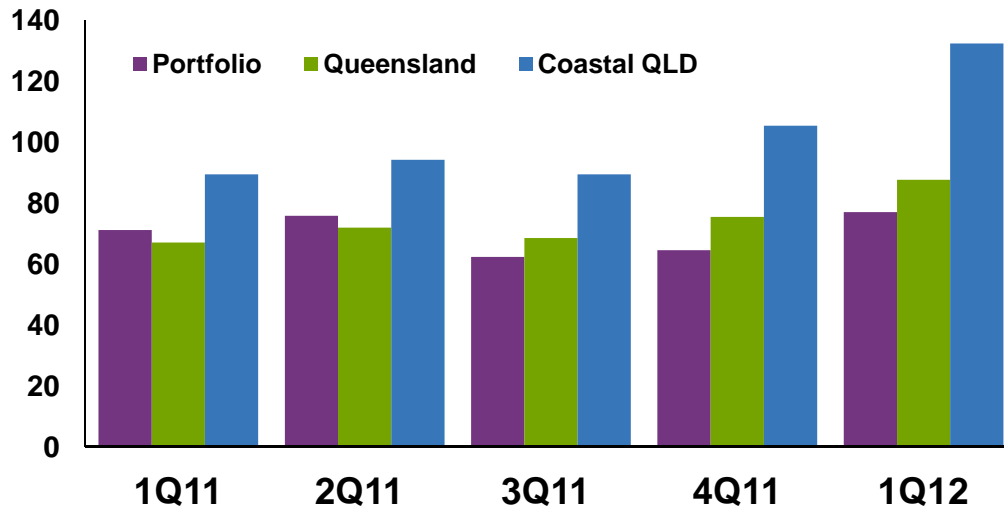
## Delinquency Development



Source: RP Data / Management Estimate, 4Q HPA Y-O-Y

# 1 Higher Coastal Queensland Claims

## Average Claim Amount (A\$,K)



## Deeper Home Price Declines Drove Higher Claims

Queensland Peak To Trough Price Decline ~10%

Coastal Area 12-17% Decline

Deeper Declines In Certain Properties

## Lender Servicing Extension

## Average Loan Balance (A\$, K)<sup>1</sup>

<b>Total Portfolio</b>	<b>300</b>
<b>Queensland</b>	<b>318</b>
<b>Coastal Queensland</b>	<b>429</b>

<sup>1</sup>For 1Q12 Paid Claims

# 2 Sm. Bus./Self-Employed In '07-'08 Books

## Large 2007/2008 Vintages Heavily Impacted By Regional Downturns...

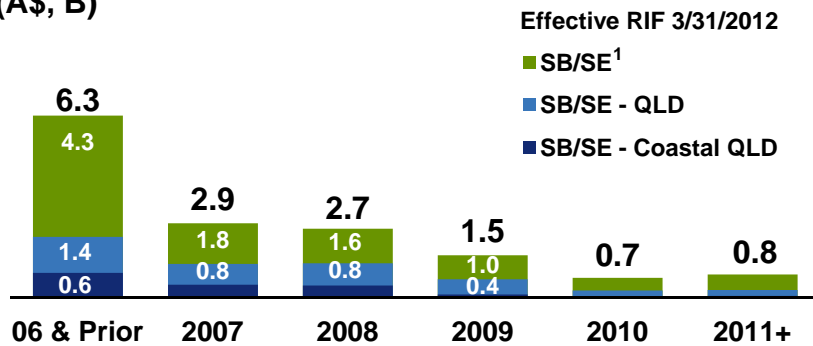
Reliance On Tourism, Consumer Spending & Rental Income

Incomes Reduced & Cost Of Living Increases

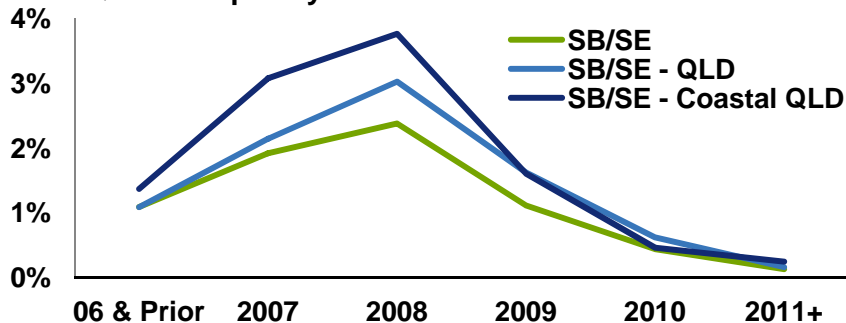
Interest Rate Increases In Late 2009 & 2010

### Risk In-Force & Delinquency-Vintage

(A\$, B)

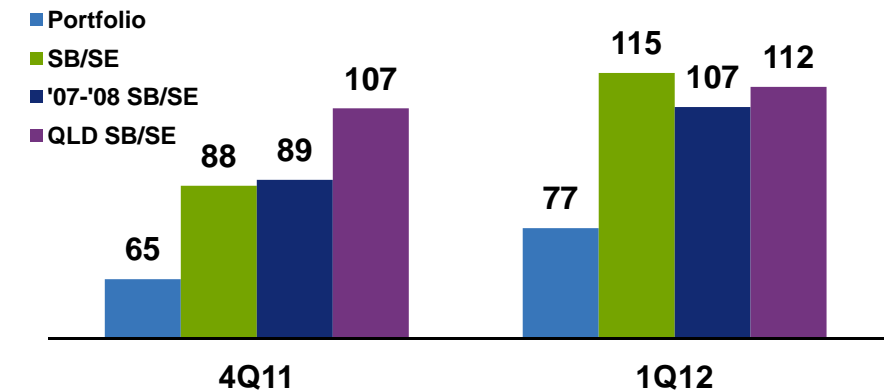


### 1Q12 Delinquency Rate



### Average Claim Amount

(A\$, K)



Paid Claims #	4Q11	1Q12	Increase
Portfolio SB/SE	111	208	87%
07-08 SB/SE	69	147	113%
QLD SB/SE	34	90	165%

<sup>1</sup>Small Business/Self-Employed

## 2 Future Claims Development

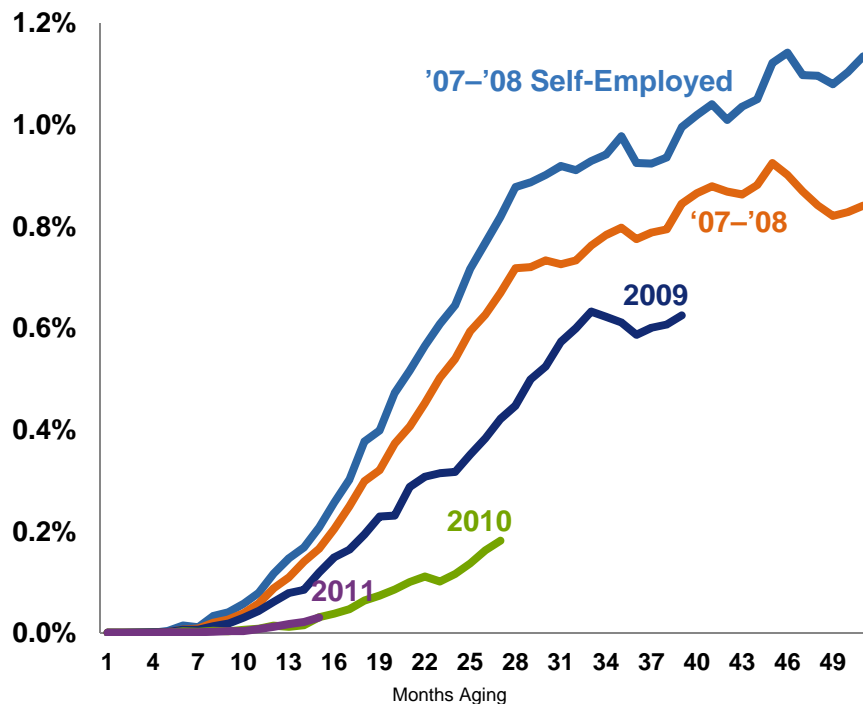
### Delinquencies In Pressured Sub-Segments Are Stabilizing

2007-2008 Vintages Peaking

Analysis Of Delinquency Inventory Shows Improving Mix & Lower Severities

#### Portfolio Vintage

##### Delinquency Rates



Australia Direct Business Only

#### Key Segment Delinquency/Severity

% Of Delq RIF	Early Stage	Late Stage
Coastal Queensland	10%	15%
Small Business/ Self Employed 2007-2008	18%	25%
Total Portfolio	Early Stage	Late Stage
Severity Indication	24-27%	31-33%



# 3 Lender Servicing/Forbearance Impact

**Observed Extension Of Time From Arrears To Claims Payment  
Two Drivers... Servicing Practices/Forbearance Process  
Gives Rise To Increased Claims Sensitivity**

## Servicing

**Servicing Delays Caused By Specific “Lender Group”**

**Interest Accumulates As Arrears Age... Driving Up Costs**

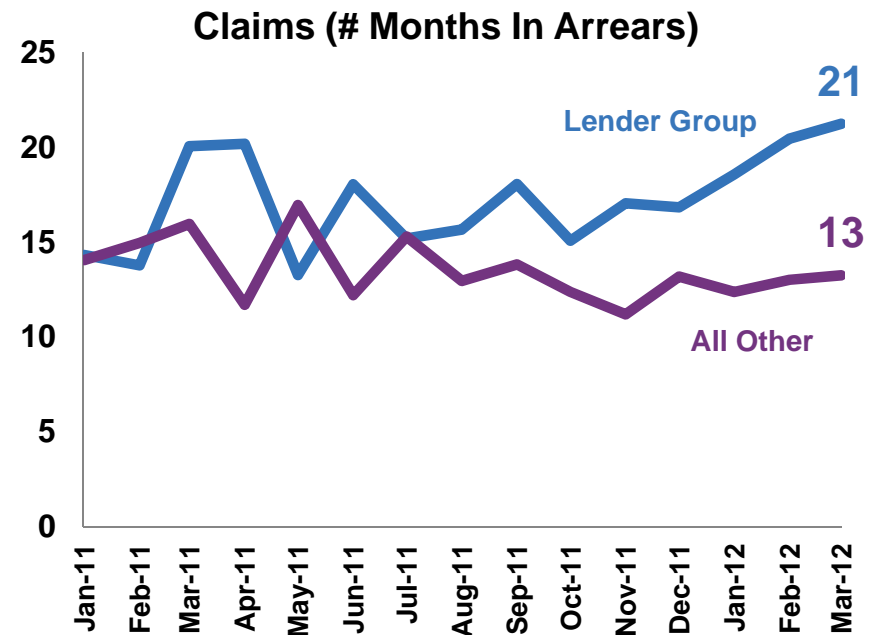
**Lenders Cautious In Proceeding With Foreclosures**

## Forbearance

**Borrowers Can Resolve Hardship Disputes Through A Government Sanctioned Process**

**Provides “Forbearance” While Dispute Is Being Resolved By An Independent 3<sup>rd</sup> Party**

**Number Of Complaints Is Increasing**

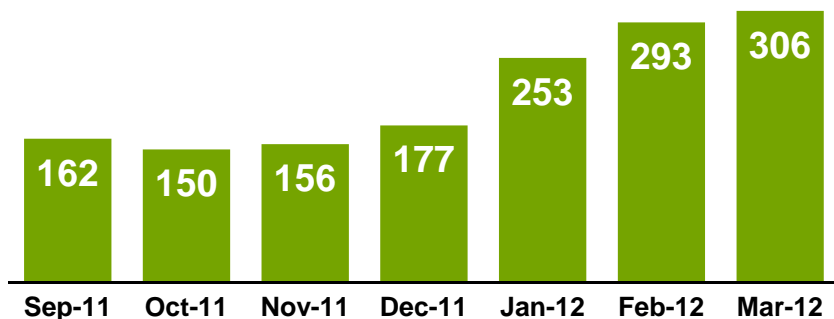


**Servicing Gaps/Forbearance Can Result In Delays Of 6-12 Months**

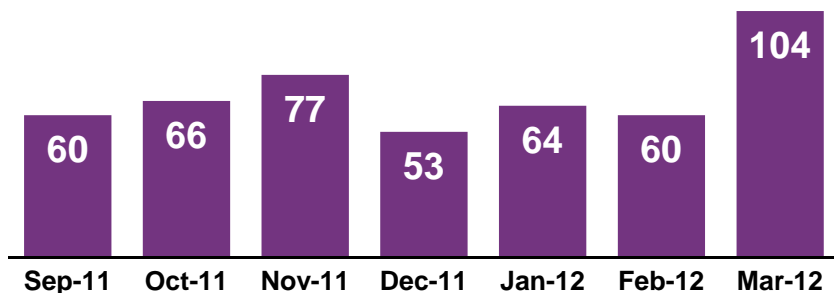
## 4 Paid Claims

Number Of Claims Paid Increased Significantly In 1Q12  
Average Claims Size Increased, Particularly In March 2012

### # Of Claims Paid



### Average Paid Claim (A\$, K)



**GNW/Lenders Increased Focus  
On Default Management**

**Volume Of Claims Paid  
Increased Significantly In 1Q12**

**Considerable Increase In  
Average Paid Claim In March**

**Increase In Average Loan  
Balance**

# Approach To Loss Reserve Strengthening

## Approach

**Supplemented Quarterly Actuarial Review With Extensive Loan-By-Loan Analysis Of Delinquency Inventory**

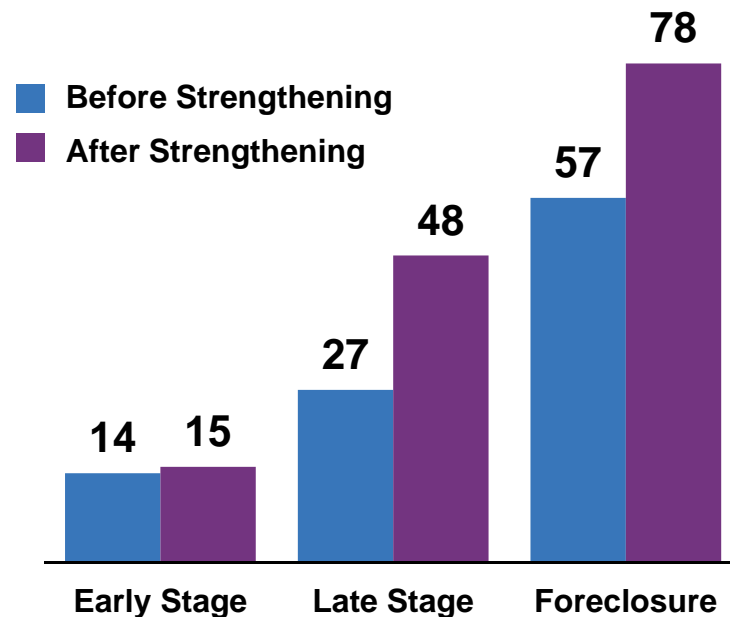
Current Property Valuations Used & Adjusted To Reflect Foreclosure Sale

**Loss Reserve Strengthening Reflects Recent Emergence Of Claims Frequency & Severity**

**Improved Economic Conditions Not Anticipated In Reserves**

**Significant Strengthening In Late Stage Delinquencies**

## % Of Effective RIF Reserved



**1Q12 Loss Reserve Strengthening: \$82MM**

**Total Loss Reserves @ 1Q12: \$342MM**

# Focus Areas Going Forward

## Focus Areas

**Continue Thorough Analysis Of Delinquency Inventory**

**On Site Default Management Personnel At Key Lenders To Assess & Improve Collections And Workout Activities**

**Review Of Late Stage Delinquencies... Update Property Valuations & Actively Loss Mitigate**

**Continue Monitoring Self-Employed & Coastal Queensland Performance**

# Portfolio Assessment

## Specific Tourist Areas

**Coastal Queensland Primary Tourist Concentration**

**Other Areas Lower Exposure**

**Diversified Economic Areas**

**Withstanding Pressure**

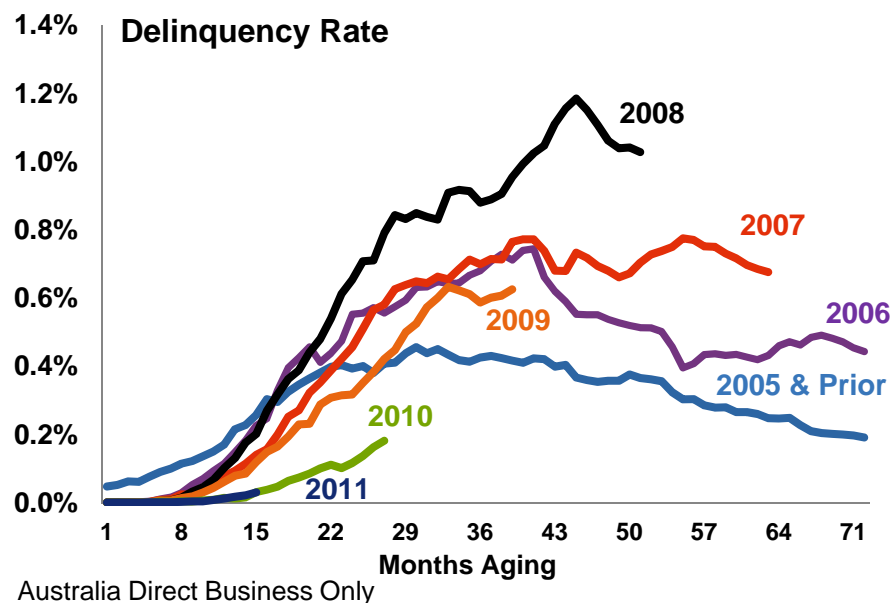
<u>Specific Tourist Areas</u>	<u>RIF%</u>	<u>Delq Rate</u>
Coastal Queensland	6%	1.13%
Central Coast (NSQ)	1%	0.75%
South West (WA)	1%	0.84%

## Portfolio Vintage

**2007/2008 Vintages Under Performing Other Books**

**Small Business/Self-Employed A Driver**

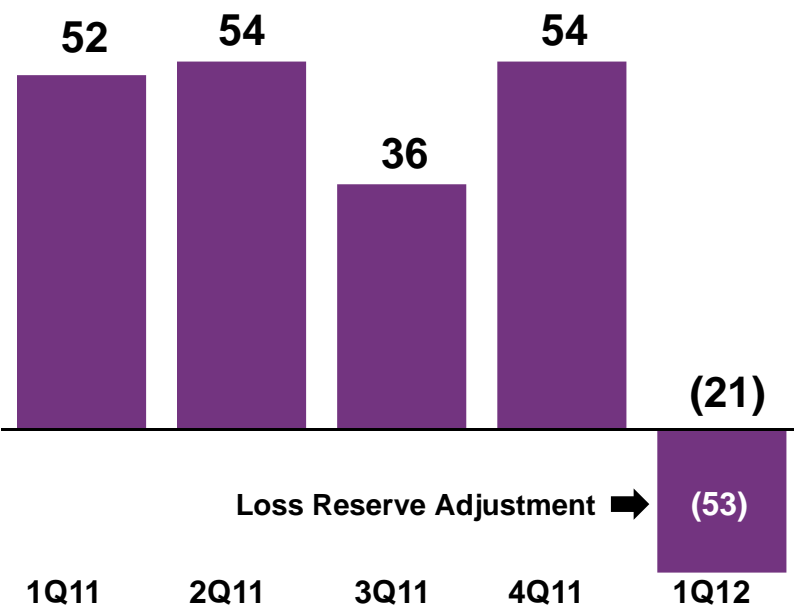
**Delinquency Trends Stabilizing As Portfolio Seasons**



# Financials

## Net Operating Income (Loss)<sup>1</sup>

(\$MM)



### Reported Loss Ratio

45%	48%	48%	46%	154%
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## Observations

**History Of Solid Annual Earnings**

**Single Premium Product Reduces Revenue Volatility... \$1.1B Of Unearned Premiums**

**~7% Price Increase Underway**

**~30% Of Revenue From Invested Asset Base**

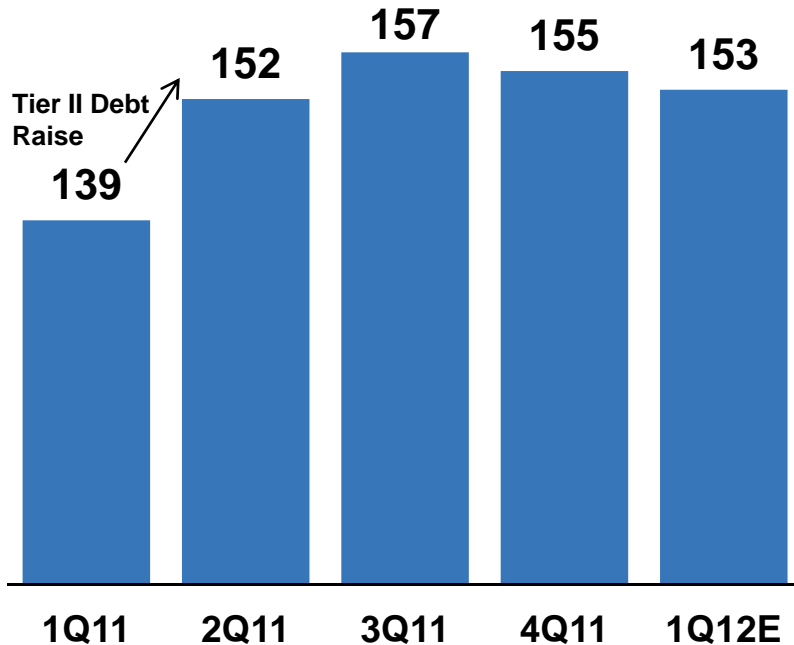
**Expect To Be Profitable In 2012**

<sup>1</sup>Re-Presented For Accounting Change In 1Q12 Related To Deferred Acquisition Costs

# Capital Adequacy

## Regulatory Capital Ratio

(%)



## Observations

**Capital Solvency Ratio Remains Solid...  
A \$2.3B Capital Base**

### **Diversified Capital Base**

- Raised A\$140MM In Tier II Debt (June 2011)
- Building Tier 1 Capital Base
- Increased Reinsurance

### **Expanded External Reinsurance Program By A\$210MM In 2012**

- Panel Of 14 Reinsurers

**Strong Capital Generation Expected  
To Continue**

# Views Of Housing Market

## Market Views

### Bears

- Home Prices Quadrupled Since 1990
- Price To Income & Price To Rent Well Above Historical Levels
- Household Debt At Record Level
- Properties For Sale Up 30%
- Economy Dependent On China Growth

### Bulls

- Purchasing Power Supports Current Prices
- Affordability Has Improved With Lower Home Prices, Lower Rates & Higher Wages
- Fundamental Housing Shortage
- Strong Lending Standards With Full Borrower Recourse
- Government Has Monetary & Fiscal Flexibility

## Genworth View

**Lending Standards Are Strong**

**Fundamental Housing Shortage**

**Outlook For Economy Remains Solid**

**Home Prices Are High By Historical Measures... Moderated Since 2Q10**

**Affordability Good But Higher Debt Exposes Households To Rate Shocks**

**We Continue To Strengthen Risk Mitigation Strategies**



# Appendix

# Delinquency Roll

## Quarterly Trends

	1Q11	2Q11	3Q11	4Q11	1Q12
<b>Beginning Balance</b>	<b>7,062</b>	<b>7,557</b>	<b>8,193</b>	<b>8,464</b>	<b>7,874</b>
New	3,457	3,983	4,040	3,100	3,555
Cures	(2,590)	(2,954)	(3,373)	(3,207)	(2,740)
Paid Claims	(372)	(393)	(396)	(483)	(852)
<b>Ending Balance</b>	<b>7,557</b>	<b>8,193</b>	<b>8,464</b>	<b>7,874</b>	<b>7,837</b>
<b>Change In Delqs</b>	<b>495</b>	<b>636</b>	<b>271</b>	<b>(590)</b>	<b>(37)</b>
<b>Delinquency Rate</b>	<b>0.52%</b>	<b>0.56%</b>	<b>0.59%</b>	<b>0.55%</b>	<b>0.54%</b>

## Observations

**1Q12 Increase Across All Regions...  
Normal Seasonality**

### Paid Claims

Significant 1Q12 Increase In Number Of  
Paid Claims

Paid Claims To Remain Elevated ...  
Improving In Second Half

### Delinquencies

Anticipate Modest Decline In Delinquency  
Inventory In 2<sup>nd</sup> Half Of 2012

# Definition Of Selected Operating Performance Measures

Management uses selected operating performance measures including "sales," and "insurance in force" or "risk in force" which are commonly used in the insurance and investment industries as measures of operating performance.

Management regularly monitors and reports sales metrics as a measure of volume of new and renewal business generated in a period. Sales refer to new insurance written for mortgage insurance. Sales do not include renewal premiums on policies or contracts written during prior periods. The company considers new insurance written to be a measure of the company's operating performance because they represent a measure of new sales of insurance policies or contracts during a specified period, rather than a measure of the company's revenues or profitability during that period.

Management regularly monitors and reports insurance in force and risk in force. Insurance in force for the international mortgage business is a measure of the aggregate face value of outstanding insurance policies as of the respective reporting date. For the risk in force in the international mortgage insurance business, the company has computed an "effective" risk in force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in force has been calculated by applying to insurance in force a factor of 35% that represents the highest expected average per-claim payment for any one underwriting year over the life of the company's businesses in Canada and Australia. The company considers insurance in force and risk in force to be measures of the company's operating performance because they represent a measure of the size of the business at a specific date which will generate revenues and profits in a future period, rather than a measure of the company's revenues or profitability during that period.

These operating measures enable the company to compare its operating performance across periods without regard to revenues or profitability related to policies or contracts sold in prior periods or from investments or other sources.

## Use Of Non-GAAP Measures

This presentation includes the non-GAAP<sup>1</sup> financial measure entitled "net operating income (loss)." The chief operating decision maker evaluates segment performance and allocates resources on the basis of net operating income (loss). The company defines net operating income (loss) as income (loss) from continuing operations excluding net income attributable to noncontrolling interests, after-tax net investment gains (losses) and other adjustments and infrequent or unusual non-operating items. The company excludes net investment gains (losses) and infrequent or unusual non-operating items because the company does not consider them to be related to the operating performance of the company's segments and Corporate and Other activities. A component of the company's net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to the company's discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Infrequent or unusual non-operating items are also excluded from net operating income (loss) if, in the company's opinion, they are not indicative of overall operating trends. While some of these items may be significant components of net income (loss) in accordance with GAAP, the company believes that net operating income (loss) and measures that are derived from or incorporate net operating income (loss), are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. However, net operating income (loss) is not a substitute for net income (loss) determined in accordance with GAAP. In addition, the company's definition of net operating income (loss) may differ from the definitions used by other companies. Due to the unpredictable nature of the items excluded from the company's definition of net operating income (loss), the company is unable to reconcile its outlook for net operating income (loss) to net income (loss) presented in accordance with GAAP.

<sup>1</sup>U.S. Generally Accepted Accounting Principles

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- *Other risks*, including the risk that adverse market or other conditions might further delay or impede the planned initial public offering (IPO) of the company’s mortgage insurance business in Australia; the possibility that in certain circumstances the company will be obligated to make payments to General Electric Company (GE) under the tax matters agreement with GE even if the company’s corresponding tax savings are never realized and payments could be accelerated in the event of certain changes in control; and provisions of the company’s certificate of incorporation and bylaws and the tax matters agreement with GE may discourage takeover attempts and business combinations that stockholders might consider in their best interests; and
- *Risks relating to the company’s common stock*, including the suspension of dividends and stock price fluctuations.

The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.