

We are continuing to refine our specialist business strategy to focus on our strengths, our customers' needs and the best opportunities for profitable growth. We have taken actions to strengthen our business and risk profiles—and put most of the challenges of the financial crisis and its aftermath behind us. We are dealing head-on with the issues in U.S. Mortgage Insurance, which are manageable; and we are working to accelerate the business' transition to profitability. Our fourth quarter performance reflects:

- Strengthening U.S. Mortgage Insurance business reserves by \$350 million to address current housing market expectations
- Gradual improvement in Retirement & Protection business results
- Continued solid results in International businesses
- Sound Investments performance

More information on our results is available in our [earnings release](#).

**We deliver on our promise to help millions of people around the world secure their financial lives, families and futures.**

**In the fourth quarter, working with our partners:**

- We paid more than \$810 million in insurance benefits to help bring protection and peace of mind to our Retirement and Protection policyholders and beneficiaries.
- Through our homeownership assistance programs, we facilitated closing more than 12,000 workouts globally, helping borrowers stay in their homes or avoid foreclosure.
- We helped nearly 70,000 households in Europe, through lifestyle protection insurance, maintain regular repayments on their financial commitments.

**We drive profitable growth by offering products and services that meet consumers' needs, excelling at the moments that matter most to our customers and investing in new platforms and markets.**

#### **Retirement and Protection**

In the U.S. Life Insurance and Wealth Management businesses, we're focused on growing markets where we have clear strengths—life insurance, long term care (LTC) insurance, life & long term care insurance linked benefits, wealth management and fixed annuities. In January 2011, we announced plans to discontinue new sales of variable annuities.

In the fourth quarter of 2010:

- Net operating income for the Retirement and Protection segment was \$138 million—up from \$129 million a year ago.
- We demonstrated strong sales in life insurance and LTC insurance—and net flows in our wealth management business were positive for the seventh consecutive quarter.

- Total life sales increased 35% from the prior year, reflecting a 30% increase in traditional universal life sales, and Colony<sup>SM</sup> TermUL product grew 41% versus traditional term and Colony<sup>SM</sup> TermUL products sold a year ago, reflecting continued strong adoption of products with more capital efficient designs.
- Genworth is the #1 leader in new life policies sold in the brokerage general agency channel.
- Individual long term care insurance sales increased 30% versus the prior year—marking the seventh sequential quarter of growth.
- Genworth is the multi-channel distribution leader in LTC insurance: #2 in industry sales, #1 in policyholders in force and #1 in ever-to-date claims paid.
- Wealth Management net flows were \$646 million, the seventh consecutive quarter of positive net flows, and assets under management (AUM) grew to \$24.7 billion.
- Genworth is the #2 turnkey asset management provider for independent advisors and growing.
- We introduced new products, enhanced service offerings, and broadened our distribution footprint.
  - DALBAR, the leading financial services market research firm, recognized Genworth with the *Financial Intermediary Service Post-Sale Award* in annuities (the fifth consecutive year), as well as the *Key Honors Award in Life Insurance* in our first year of program participation.
  - We continue to expand our Wealth Management business and offer alternative investment products that help independent financial advisors meet the needs of their high net worth customers.

*Rankings source: Cerulli, LIMRA as of 9/30/10*

## International

In our International Mortgage Insurance and Lifestyle Protection businesses, we have a focused strategy and each of our businesses is in a leadership position in its respective markets—Mortgage Insurance in Canada and Australia and Lifestyle Protection in Europe and select new markets. In the fourth quarter:

- Net operating income for our International businesses increased to \$117 million—up from \$101 million a year ago—driven by improved earnings in Canada and Australia.
  - In Canada, operating earnings increased 19%<sup>1</sup> from the prior year to \$46 million, primarily from lower losses and higher revenues. Flow new insurance written (NIW) increased 15%<sup>1</sup> from the prior year, as job growth and improved consumer confidence contributed to higher mortgage volumes.
  - In Australia, operating earnings increased 16%<sup>1</sup> from the prior year to \$55 million as improved loss experience and lower taxes were partially offset by increased use of reinsurance. Flow NIW declined 36%<sup>1</sup> compared to the prior year, reflecting a smaller originations market.
  - Loss ratios in both Canada and Australia mortgage insurance improved year over year from continued favorable economic conditions and ongoing loss mitigation benefits.
  - In Lifestyle Protection, earnings were \$19 million compared to \$23 million in the prior year—results in the prior year included a \$6 million benefit related to lower taxes, and loss ratios improved 16% in the fourth quarter from 26% in the prior year. While consumer lending levels remained low in Europe and sales decreased 3%<sup>1</sup>—our Lifestyle Protection business successfully broadened its distribution base, launching 20 new deals, including 9 new distribution relationships, in the fourth quarter.

<sup>1</sup>Adjusted for foreign exchange

## U.S. Mortgage Insurance

In U.S. Mortgage Insurance (USMI), we continue to focus on loss mitigation efforts and loan modifications—helping borrowers stay in their homes—and attractive new business with higher returns and a lower risk profile. In the fourth quarter:

- While we're encouraged by favorable trends in new delinquencies, the U.S. housing market remains difficult. As a result of this current and anticipated ongoing weakness, we substantially strengthened our reserves in USMI, leading to a net operating loss of \$352 million.
- Loss mitigation activities resulted in \$126 million of savings in the quarter—a decline from the third quarter as loan modifications have slowed. Loss mitigation savings for the total year were \$734 million.
- Flow NIW in USMI grew 44% from the prior year and 8% from the prior quarter, as the overall mortgage insurance market size increased modestly.
- We continued to execute our capital flexibility strategy in USMI, making good progress on multiple fronts to support new business and overall financial strength. USMI continues to maintain capital

levels within the regulatory-required range and has strategies in place to enhance its flexibility, independent of our holding company and other businesses.

### **We carefully manage our capital, risk and investment portfolio to maintain our financial strength and support our business strategies.**

- Our financial position is strong with a path to become even stronger.
- Capital levels across our businesses continue to exceed company targeted and regulatory requirements—enabling the businesses to maintain capital buffers, as well as fund new growth.
- During the quarter, the company repaid all outstanding borrowings under its credit facilities and issued \$400 million of debt. Genworth's holding company ended the quarter with \$1.0 billion of cash and highly liquid securities.
- In October, we announced plans to increase rates by an average of 18% on certain older blocks of LTC policies—representing approximately 25% of our individual LTC premiums.
- Our investment portfolio core yield remained stable at 4.7%. During the quarter, we entered into \$1.7 billion of forward starting swaps—to sustain yields in the low interest rate environment.
- Stockholders' equity as of December 31, 2010 increased to \$13.9 billion, or \$28.31 per share, compared with \$12.3 billion, or \$25.12 per share, as of December 31, 2009.

### **We are committed to making a difference for our customers, employees, communities and industries.**

- As part of our commitment to provide information, tools and expertise to help promote financial security, we:
  - Released a national study, [Our Families, Our Future: The Heart of Long Term Care Planning](#)—a comprehensive study aimed at helping families achieve financial security.
  - Launched [My Money, My Future](#), a lifestyle-based online educational program to strengthen financial literacy among high school students.
  - Published our study—[The Role of Private Mortgage Insurance in the U.S. Housing Finance System](#)—to educate opinion leaders on the critical role private mortgage insurance plays in making homeownership more affordable.
- Our employees volunteered more than 18,700 hours worldwide in 2010 to support more than 184 organizations, as well as provided charitable financial support. During our U.S. employee giving campaign in the fourth quarter, Genworth and our employees pledged more than \$1 million to support the United Way—a 17% increase over the prior year. And, through the support of our [Putts for Charity](#) initiative, more than €160,000 was donated through the Genworth Foundation in 2010 to benefit European charities.
- We're working with industry partners to create programs that help bring stability to the financial system—and engaging with policymakers to help frame the implementation of Health Care Reform and Financial Services Regulatory Reform legislation, including making recommendations on future public policy concerning housing finance.

### **We are sharply focused on rebuilding shareholder value in a disciplined manner—by delivering on our strategy to meet our goals and demonstrate performance excellence.**

- More information on Genworth's direction is available on the Investor section of [genworth.com](http://genworth.com).

#### **Genworth Quick Facts**

With a heritage dating back to 1871, today Genworth Financial, Inc. (NYSE: GNW) is a publicly-traded, Fortune 500® global financial security company with more than \$100 billion in assets. We work with an extensive network of distribution partners in more than 25 countries—and our 6,500 employees are committed to be there when our 15 million customers need us most. For more information, visit [genworth.com](http://genworth.com).

*Genworth Financial, Inc.*  
6620 West Broad Street  
Richmond, VA 23230  
888 GENWORTH  
[genworth.com](http://genworth.com)

©2011 Genworth Financial, Inc.  
All rights reserved. Genworth, Genworth  
Financial and the Genworth logo are registered  
service marks of Genworth Financial, Inc.