

Genworth is focused on delivering on our specialist business strategy to drive profitable growth, maintain our financial strength and make a difference for the people who rely on us each day. We're committed to rebuild value for our shareholders by sustaining the performance of our leading platforms, continuing to improve performance of our U.S. Life Insurance and U.S. Mortgage Insurance businesses and taking actions to optimize capital allocation.

In the first quarter of 2011, Genworth continued to deliver strong international performance, demonstrated sales and earnings progress in Retirement and Protection, and is seeing improving credit trends in U.S. Mortgage Insurance. Highlights of our business performance include:

- The company reported net income of \$82 million compared with net income of \$178 million in the first quarter of 2010. The prior year net income included a \$106 million non-recurring tax benefit and a \$26 million higher level of investment losses, net of tax and other adjustments.
- In Retirement and Protection, we saw year-over-year improvements—earnings rose 4 percent to \$127 million, supported by improved life insurance profits; and operating revenue (excluding net investment gains and losses) rose approximately 6 percent to \$1.77 billion, driven by strong sales momentum in our key business lines.
- Net operating income for our International segment increased to \$124 million—up 30 percent¹ from a year ago—driven by sound performance in Canada and Australia Mortgage Insurance and improved earnings in Lifestyle Protection.
- Continued work to return U.S. Mortgage Insurance to profitability is delivering results: we saw flow delinquencies decline sequentially, realized benefits from loss mitigation activities, added profitable new business and continued to take actions to maintain capital flexibility.

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 Adjusted for foreign exchange

We are driving profitable growth.

Retirement and Protection

In the U.S. Life Insurance and Wealth Management businesses, we concentrate where we have clear strengths—life insurance, long term care (LTC) insurance, life and long term care insurance linked benefits, wealth management and fixed annuities. In the first quarter:

- We demonstrated strong sales performance in key lines:
 - Total life insurance sales increased 60 percent from the prior year, reflecting strong growth in ColonySM Term UL products. In addition, the average face size on new business increased by 9 percent, reflecting our continued progress in executing our strategy to grow in the middle and mass affluent markets.
 - Total long term care insurance sales were up 16 percent, driven by strong individual long term care insurance sales, which increased 48 percent versus the prior year.
 - Wealth Management had its eighth straight quarter of positive net flows, which, combined with favorable market returns in the quarter, brought assets under management to more than \$25 billion.
- We maintain strong leadership positions: Genworth is #1 in new life policies sold in the brokerage general agency channel. We are also the multi-channel distribution leader in LTC insurance: #1 in individual LTC policies sold, #1 in policyholders in force and #1 in ever-to-date claims paid. Genworth also is the #2—and growing—turnkey asset management provider for independent advisors.¹
- The U.S. Life companies maintain a sound consolidated risk-based capital ratio.
- We introduced value-added services to excel at the moments that matter most to our customers.
 - We rolled out underwriting enhancements designed to streamline communications with life insurance customers.
 - In Long Term Care, we expanded our case management team and implemented several segmentation strategies to enable our claims professionals to help customers return to the highest possible level of independence.
 - In Wealth Management, we implemented our Cash AdvantageSM service—which allows an integrated linking of an investment account to a checking account with industry competitive interest rates, on-line bill pay features and overdraft protection.

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 insurance in Europe and select new markets. In the first quarter:

- We saw mixed sales trends in our International segment related to differences in market conditions in Canada and Australia, as well as lower consumer lending levels in Europe.
- In Canada, flow new insurance written (NIW) increased 5 percent² from the prior year, due to increased account penetration and share recapture.
- In Australia, flow NIW declined 27 percent² compared to the prior year, reflecting a smaller origination market.
- In Lifestyle Protection, overall sales remained relatively stable as lending remained below pre-recessionary levels.
- Capital ratios for the businesses remain strong, well in excess of regulatory requirements.
- We expanded and enhanced our distribution relationships.
 - Lifestyle Protection successfully broadened its distribution base, launching 31 new deals in the first quarter—including nine that were not linked to traditional credit/repayment protection and instead covered standalone risks such as personal accident, embedded expense and waiver of premium.
 - In Canada, we accelerated the marketing and sale of claimed properties in-house, resulting in benefits to the lender from reduced administration costs and allowing us to reduce our losses by shortening the sales cycle.
 - In Australia, our mortgage insurance business instituted enhanced workouts for homeowners impacted by the severe flooding—providing a three- to six-month mortgage repayment break to help them get back on their feet.

¹ Rankings source: Cerulli and LIMRA, as of 12/31/10

² 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 on attractive new business with higher returns and a lower risk profile. In the first quarter:

- Flow NIW grew 33 percent from the prior year, reflecting in part the combined efforts of industry share recapture from the Federal Housing Authority to private mortgage insurance.
- We realized a savings of \$122 million in the quarter from loss mitigation activities.
- Total flow delinquencies declined 7 percent sequentially, reflecting lower new delinquencies, improved cures and higher flow paid claims.
- We continued to execute capital strategies to support the business's capital flexibility.
- We introduced value-added support for our customers:
 - USMI has sponsored 10 regional gatherings where homeowners in danger of losing their homes could meet face-to-face with lenders and possibly qualify for loss mitigation programs. These events, held across the country, have attracted more than 1,000 attendees.
 - USMI's innovative Leadership Circle continues to grow. The Leadership Circle recognizes USMI's best customers—in terms of quality business—and provides them superior customer service and an expanded value proposition designed to increase market share in a price-sensitive mortgage insurance market.
 - To build strong customer relationships, the business has implemented customer roundtables nationwide—providing excellent “real time” feedback and access to existing and new customers.
 - USMI became easier to do business with by simplifying its coverage commitment and making solid advances in operational support.

We carefully manage our resources to stay strong and support our business strategies.

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

- We ended the quarter with \$1.3 billion of holding company cash and highly liquid securities.
- We issued \$400 million of senior notes at the holding company level, completing our 2011 planned debt issuance.
- Our investment portfolio core yield remained stable at 4.6 percent despite declining interest rates.

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

We deliver on our promises to help millions of people around the world secure their financial lives, families and futures. In the first quarter, working with our partners:

- We paid more than \$885 million in insurance benefits to help bring protection and peace of mind to our Retirement and Protection policyholders and beneficiaries.
- Through our global homeownership assistance programs, we facilitated closing nearly 11,000 workouts, helping borrowers stay in their homes or avoid foreclosure.
- We helped nearly 65,000 households in Europe, through lifestyle protection insurance, maintain regular repayments on their financial commitments.

As part of our commitment to provide information, tools and expertise to help promote financial security, we:

- Conducted research in collaboration with the University of Virginia Darden School of Business to better understand Americans' life insurance coverage needs and challenges. Using that research, we developed The LifeJacketSM Project, to help consumers better understand how much coverage they really need, demystify the purchase process and bring them together with financial professionals to help them close their individual coverage gaps.
- Launched the Let's Talk Life campaign to our producers, building off the success of our Let's Talk Long Term Care marketing campaign, designed to help advisors and families start conversations regarding life insurance coverage needs.
- Released the results of our Australian Homebuyer Confidence Index in March, a biannual index that measures important changes in borrower sentiment in the mortgage and property market—a valuable tool for Genworth's customers.

We reached out and gave back to the communities in which we live and work:

- The Genworth Foundation responded to the disasters in Australia by contributing \$20,000 USD to the Primer Relief Fund to support the Queensland flooding relief efforts and a \$5,000 USD donation to the Australian Red Cross to support victims of the earthquake in Christchurch, New Zealand.
- Our Genworth Volunteers around the world dedicated 1,000 hours to support charitable organizations worldwide, including training students on interview skills in Shannon, Ireland, covering Meals on Wheels routes in several U.S. locations and holding a variety of fundraisers and in-kind donation drives around the globe.

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're working with legislators and participants in housing finance to include mortgage insurance as part of the qualified residential mortgage provision in the legislation to ensure that the value of private mortgage insurance is recognized in the final rule to preserve access to affordable, sustainable mortgage credit.

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

Genworth Quick Facts

- Genworth Financial, Inc. (NYSE: GNW) is a publicly traded, Fortune 500® global financial security company with approximately 6,500 employees.
- Genworth serves the needs of more than 15 million customers with a presence in over 25 countries.
- With a heritage tracing back to 1871, Genworth has built an extensive family of financially strong, well-respected insurance companies and distribution partnerships around the world.

Executive Leadership

Michael D. Fraizer

*Chairman,
President & Chief Executive Officer*

Leon E. Roday

*Senior Vice President,
General Counsel & Secretary*

Patrick B. Kelleher

*Executive Vice President,
President & CEO, Retirement and Protection*

Martin P. Klein

*Senior Vice President;
Chief Financial Officer (Effective May 11, 2011)*

Ronald P. Joelson

*Senior Vice President,
Chief Investment Officer*

Kevin D. Schneider

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