

Genworth Financial, Inc. is a global financial security company with products and services that help provide financial peace of mind and meet the investment, protection, retirement and lifestyle needs of more than 15 million customers. One way we help to keep our promises to policyholders is to ensure that our insurance companies maintain high-quality investment portfolios with strong risk management. This document provides an overview of our consolidated investment portfolio and our investment management practices, which are core elements of our overall financial strength.



## FOURTH QUARTER 2009 SUMMARY

As we move into 2010, it seems almost as if the investment markets are business as usual and a return to some kind of “new normal.” To us, the “new normal” is all about taking advantage of the markets’ return to liquidity and active trading, while fully acknowledging the importance of learning from the crisis. Despite the fact that the old correlation rules seem obsolete, a strategy of name diversification has helped us to weather the storm and that strategy will serve us well in 2010. We are using the active markets to reduce large exposures, particularly holdings that increased due to acquisition activity, and credits where we anticipate near-to-midterm stress. Asset selection in 2010 will be critical as not all companies have fared equally well. We will continue to invest cautiously despite a belief that the markets will be better in 2010 than they were in 2009.

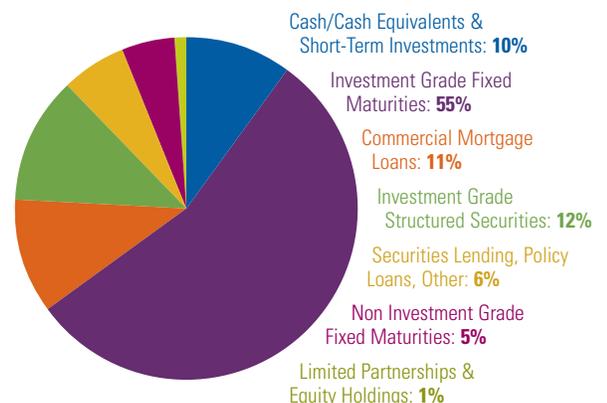
– Ron Joelson, *Chief Investment Officer, Genworth Financial*

## HIGH-QUALITY DIVERSIFIED CONSOLIDATED PORTFOLIO

As of December 31, 2009, we managed a consolidated cash and investment portfolio of \$68.5 billion with approximately 77 percent invested in high-quality, fixed maturity securities and cash, cash equivalents and short-term investments. The remainder of our consolidated portfolio is diversified over a range of investments including commercial mortgage loans, and other types of assets. Less than one percent of our portfolio is in equity securities.

At Genworth, we actively manage our consolidated investment portfolio and adjust our asset allocation as appropriate. We monitor liquidity and capital on a daily basis, and we act nimbly to respond to changing market conditions. Our investment professionals bring a wealth of knowledge and expertise and they have proven industry experience in managing portfolios through multiple business cycles.

### INVESTMENT PORTFOLIO



### Fixed Maturity Securities

Our consolidated portfolio includes \$49.8 billion of fixed maturity securities comprised of both public and private corporate bonds, structured finance securities and tax exempt securities. We focus on a high-quality portfolio with 68 percent rated "A" or better, and 93 percent of our fixed maturity securities portfolio rated as "investment grade" by the rating agencies.

Our structured finance securities portfolio is diversified across residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS). Structured securities backed by sub-prime or Alt-A collateral are less than 10 percent of our structured securities portfolio and less than 2 percent of our total investment portfolio; 91 percent of our CMBS portfolio is rated "A" or higher and 73 percent of the portfolio is invested in older, well-seasoned vintages.

### High-Quality Commercial Mortgage Loan Portfolio

Genworth invests in commercial mortgages to diversify the consolidated portfolio and earn higher risk-adjusted returns. Our \$7.5 billion portfolio of commercial mortgage loans represents 11 percent of the overall investment portfolio. The commercial mortgage loan portfolio is high quality, with an average loan-to-value ratio of 63 percent based on recent valuations. The portfolio continues to outperform benchmarks.

We originate loans through our network of correspondents and financial intermediaries. This business model allows us to maintain high underwriting standards and utilize local knowledge and expertise. We provide financing to owners of office buildings, retail centers, warehouse buildings, apartments, hotels and other commercial properties. Each investment is carefully evaluated to ensure that collateral and investment terms are appropriate for market conditions and portfolio needs. Our consolidated portfolio contains more than 1,900 loans with an average loan size of \$4 million. The portfolio is highly diversified by property type, geography, borrower, tenancy and year of origination. We employ a strong surveillance methodology on the portfolio and each investment is re-underwritten annually.

### FIXED MATURITY SECURITIES

Investment Grade	93%
Public Securities	55%
Private Securities	19%
Mortgage-Backed Securities	12%
Asset-Backed Securities	4%
Tax Exempt Securities	3%
Below Investment Grade	7%

### STRUCTURED SECURITIES PORTFOLIO

	Fair Value (in millions)	% of Structured Portfolio	% of Total Genworth Portfolio
Sub-prime RMBS	\$422	4.5%	0.6%
Alt-A RMBS	\$369	4.0%	0.5%
Prime RMBS	\$2,436	26.3%	3.6%
CMBS	\$3,617	39.1%	5.3%
ABS	\$2,415	26.1%	3.5%
	<b>\$9,259</b>		<b>13.5%</b>

### GEOGRAPHIC REGION

Pacific	27%
South Atlantic	23%
Middle Atlantic	13%
East North Central	10%
Mountain	9%
West South Central	4%
West North Central	5%
East South Central	3%
New England	6%

### PROPERTY TYPE

Office	27%
Industrial	26%
Retail	28%
Apartments/Mixed Use/Other	19%

## **STRONG RISK MANAGEMENT**

Risk management is an integral part of our philosophy and we seek to manage multiple types of risk including exposure risk, duration risk and correlation risk among others. Dedicated risk management professionals ensure that we have the knowledge and expertise to evaluate and manage our portfolio in all market conditions. We mitigate risk by managing our exposure to riskier asset classes, managing sector and investment concentrations and strong underwriting and analysis. From an asset management perspective, our Credit Research Team assesses issuer credit risk based on an analysis of each issuer's financial statements, its management team, track record and business environment. We use quantitative risk management tools and qualitative evaluation to identify potential issues so we are well prepared to take action.

### **Credit Analysis Process**

- Name-by-Name and Whole-Sector Assessment
- Risk Surveillance Review Process Across All Asset Classes
- Careful Review of Maturity and Structure of Exposures
- Daily Monitoring Process to Ensure Timely Review
- Credit Strategy Reviews to Discuss Longer-Term Sector and Credit Outlooks

Derivatives are used primarily to mitigate risk in the portfolio. These instruments allow us to better match assets to product liabilities while reducing credit risk. We also use derivatives to manage interest rate and duration risk in the portfolio. Our Derivatives Risk Team carefully reviews counterparties involved in the transactions. We require collateral in most cases and conduct regular market evaluations to ensure collateral is held at the appropriate levels.

## **INVESTMENT DEPARTMENT STRUCTURE**

Genworth's Investment Department has primary oversight of the institutional investment portfolios for Genworth's Retirement and Protection and U.S. Mortgage Insurance segments. Led by our Chief Investment Officer, the Investment Department consists of more than 140 individuals focused on portfolio management, risk management, asset management, finance and accounting functions. Under the direction of the Investment Committee, the Chief Investment Officer and his senior team are responsible for establishing investment policies and strategies, reviewing asset liability management and performing asset allocation. Investment management of our International segment is overseen by the managing director and boards of directors of the non-U.S. legal entities in consultation with our Chief Investment Officer.

For up-to-date information on our ratings, to access financial supplements or to sign up for email alerts, please go to [genworth.com/investors](http://genworth.com/investors). We also invite you to visit [genworth.com/answers](http://genworth.com/answers) for the most current information about Genworth and messages from Genworth leadership.

### Cautionary note regarding forward-looking statements

This overview contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as “expects,” “intends,” “anticipates,” “plans,” “believes,” “seeks,” “estimates,” “will,” or words of similar meaning and include, but are not limited to, statements regarding the outlook for our 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 the following:

- Risks relating to our businesses, including adverse capital and credit market conditions, downturns and volatility in equity and credit markets, downgrades in our financial strength or credit ratings, the impact of the U.S. government’s plan to purchase illiquid mortgage-backed and other securities, our ability to access the U.S. government’s financial support programs, interest rate fluctuations, the valuation of fixed maturity, equity and trading securities, defaults, downgrades or impairments of our fixed maturity securities portfolio, goodwill impairments, the soundness of other financial institutions, our inability to access our credit facilities, declines in risk-based capital, insufficiency of reserves, legal constraints on dividend distributions by subsidiaries, intense competition, availability and adequacy of reinsurance, defaults by counterparties, loss of key distribution partners, regulatory restrictions on our operations and changes in applicable laws and regulations, legal or regulatory investigations or actions, the failure or compromise of the security of our computer systems and the occurrence of natural or man-made disasters or a pandemic;
- Risks relating to our Retirement and Protection segment, including changes in morbidity and mortality, accelerated amortization of deferred acquisition costs and present value of future profits, reputational risks as a result of rate increases on certain in-force long-term care insurance products, medical advances such as genetic mapping research, unexpected changes in persistency rates, increases in statutory reserve requirements and the failure of demand for long-term care insurance to increase as we expect;
- Risks relating to our International segment, including political and economic instability, foreign exchange rate fluctuations, unexpected changes in unemployment rates, unexpected increases in mortgage insurance default rates or severity of defaults, decreases in the volume of high loan-to-value international mortgage originations, increased competition with government-owned and government-sponsored enterprises offering mortgage insurance and changes in regulations;
- Risks relating to our U.S. Mortgage Insurance segment, including our review of strategic alternatives for the segment, increases in mortgage insurance default rates or severity of defaults, deterioration in economic conditions or a decline in home price appreciation, the effect of the conservatorship of Fannie Mae and Freddie Mac on mortgage originations, the influence of Fannie Mae, Freddie Mac and a small number of large mortgage lenders and investors, decreases in the volume of high loan-to-value mortgage originations or increases in mortgage insurance cancellations, increases in the use of alternatives to private mortgage insurance and reductions by lenders in the level of coverage they select, increases in the use of reinsurance with reinsurance companies affiliated with our mortgage lending customers, increased competition with government-owned and government-sponsored enterprises offering mortgage insurance, changes in regulations, legal actions under the Real Estate Settlement Practices Act of 1974 and, potential liabilities in connection with our U.S. contract underwriting services; the extent to which we may continue to realize benefits from rescissions and the extent to which loan modifications and other similar programs may provide benefits to us.
- Other risks, including the possibility that in certain circumstances we will be obligated to make payments to General Electric Company (“GE”) under our tax matters agreement with GE even if our corresponding tax savings are never realized and our payments could be accelerated in the event of certain changes in control, and provisions of our certificate of incorporation and bylaws and our tax matters agreement with GE may discourage takeover attempts and business combinations that stockholders might consider in their best interests; and
- Risks relating to our common stock, including the suspension of dividends and stock price fluctuation.

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

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<b>Insurance and Annuity Products:</b>	<ul style="list-style-type: none"><li>• <b>Are not</b> deposits.</li><li>• <b>May</b> decrease in value.</li></ul>	<ul style="list-style-type: none"><li>• <b>Are not</b> guaranteed by any bank or its affiliates.</li><li>• <b>Are not</b> insured by the FDIC or any other federal government agency.</li></ul>
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