

Genworth made clear progress on our strategic priorities, delivering sound overall earnings and positioning the company for smart growth in 2010 and beyond. Our complete fourth quarter 2009 results are available in our [press release](#).

## **We are delivering on our refined business strategy.**

We have continued to focus on our businesses with the strongest value propositions—for consumers, distributors and shareholders—and have introduced new products, enhanced service offerings, and broadened our distribution footprint to lay the foundation for smart new business growth.

In our U.S. Life Insurance and Wealth Management businesses, we're maintaining leadership positions in life insurance, long term care insurance and wealth management—with targeted positions in annuities and Medicare supplement insurance:

- In Retirement and Protection, net operating earnings were \$129 million. We demonstrated sequential sales growth across our life and individual long term care insurance lines—and wealth management net flows increased for the third consecutive quarter.
- These positive trends are a result of new product introductions, distribution expansion and strong execution on the service front:
  - We launched Colony<sup>SM</sup> Term UL—a more capital efficient universal life insurance product, offering consumers a competitive alternative to term life insurance—and we're seeing strong adoption.
  - Our long term care insurance products are resonating with consumers—and we continue to see sequential sales growth.
  - We continue to see adoption of our new variable annuity, RetireReady<sup>SM</sup> One—a more streamlined retirement income product that makes it easier for advisors to personalize a guaranteed income strategy for their clients.
  - We added 15 new distributors in the quarter and are expanding current relationships. We also added a new group long term care relationship with the Virginia Retirement System and a group retirement income relationship with SunTrust.
  - We continue to differentiate in our service offerings. Teams are driving adoption of Life Quick Request, a cost-effective and efficient life insurance platform, and we introduced an innovative, industry-leading underwriting program—360°LifeView<sup>SM</sup>—to help producers grow their business and simplify the sales process.

In U.S. Mortgage Insurance (USMI), we've repositioned our business model to deliver higher returns with a lower risk profile—and we are successfully executing our plan for this business to be self-contained from a capital perspective:

- USMI had a net operating loss of \$74 million—at the same time our extensive focus on loss mitigation is delivering increased benefits. We expect additional benefits from increased loss mitigation resources and government modification plans moving forward.

- Flow new insurance written (NIW)—which increased 20% sequentially—reflects a lower risk profile with higher targeted returns, driven by product, guideline and pricing changes.

In our International Mortgage Insurance and Lifestyle Protection businesses, we're focusing on risk management and mitigation, plus selective new business in areas where we concentrate—mortgage insurance in Canada and Australia and lifestyle protection in Europe and select new markets:

- Net operating income for our International businesses was \$101 million (after provision for noncontrolling interests), reflecting stable performance on a sequential basis in our Canada and Australia Mortgage Insurance businesses and improved results in our Lifestyle Protection business—driven by repricing and restructuring.
- In our Lifestyle Protection business, we are successfully developing our distribution base, including over 85 new distribution agreements completed in 2009 with new and existing clients across Continental Europe.
- On the new business front, Australia NIW remained sound with stable account penetration and Canada NIW increased approximately five percent sequentially (FX-adjusted)—as targeted service strategies resulted in increased sales with certain lenders.
- In Canada, net income available to Genworth's common stockholders was \$37 million reflecting the minority share IPO of Genworth MI Canada.

### **We carefully manage our resources and stay financially strong.**

As of December 31, we have \$5.0 billion in cash and cash equivalents—and are putting our cash back to work to increase investment yields over time, including reinvesting \$1.5 billion of the targeted excess in the fourth quarter:

- All of our financial strength ratings are investment grade.
- We have re-paid our 2009 long-term debt—and have no additional long-term debt maturing until mid-2011. During the fourth quarter, we also repurchased \$91 million of preferred stock and senior notes maturing in the 2011 and 2012 timeframe.
- In December, we completed a public debt offering which generated net proceeds of \$298 million, strengthening our already sound foundation.

Capital levels across our businesses exceed regulatory requirements:

- In our consolidated U.S. Life Insurance companies, we ended the fourth quarter with enough capital on reserve to meet more than 3 ½ times the required regulatory action capital levels.
- In USMI, we continued to execute on plans for the business to be self-contained from a capital standpoint. Our risk-to-capital ratio improved from the previous quarter—and remains well within regulatory requirements—providing flexibility to continue to increase the level of attractive new business.
- In our International segment, we ended the fourth quarter with sound capital ratios well in excess of regulatory required levels.

We're realizing meaningful benefits from our risk management and mitigation efforts:

- We have achieved four consecutive quarters of increased loss mitigation savings in our USMI business—\$290 million of savings in the fourth quarter—and total year savings of \$847 million. We're also seeing positive impacts from our loss mitigation efforts in our International Mortgage Insurance businesses.
- Efforts to reduce risk and diversify our investment portfolio are achieving results. Net investment losses, net of tax and other adjustments, decreased to \$54 million from \$89 million in the fourth quarter of 2008, and decreased on a sequential basis from \$62 million in the third quarter 2009. Net unrealized investment losses, net of tax and other adjustments, declined to \$1.4 billion from \$4.0 billion in the prior year quarter.

## **We work in partnership with our customers to help them succeed.**

We're focused on understanding our customers' needs and exceeding their expectations at the moments that matter most. And, we are investing in value-added programs that help them grow:

- Our USMI business led the way in implementing the U.S. government Homeowner Affordability and Stability Program. In 2009, we trained more than 1,900 representatives of lenders and servicers across the country on workout solutions.
- In our Wealth Management business, we trained more than 5,500 investment advisors to help them plan, manage and grow their businesses.
- In our U.S. Life Insurance companies, we're delivering programs that help producers successfully educate consumers about the need to plan for a secure retirement—including leading the industry in education about the provisions to the Pension Protection Act (PPA).

## **We make a difference for our employees, customers, communities and industries.**

We're participating in industry, legislative and community discussions to help shape some of the most important issues facing our industry—impacting long term care and retirement security:

- Our Cost of Care Survey, "Let's Talk" national campaign and long term care awareness efforts are educating our audiences about the importance of long term care planning—our [www.genworth.com/costofcare](http://www.genworth.com/costofcare) website had more than 90,000 visits through 2009, and visits to the "Let's Talk" advisor site more than doubled in November during Long Term Care Awareness Month.
- Our "Genworth Celebrates" campaign celebrated caregivers and people who make and keep promises—and engaged 8,000+ fans in the online discussion through our Facebook site.
- We're continuing to educate our constituencies about healthcare reform and the CLASS Act—including our grassroots campaign to help audiences understand the deficiencies in the proposed legislation and the need for comprehensive long term care planning solutions.

We advocate policy options that contribute to housing affordability, availability and financial stability:

- Genworth's "Restore the Dream" campaign is educating regulators and policymakers about the critical role mortgage insurance plays in making homeownership more affordable.
- Our Consumer Vulnerability Index shares insights on financial vulnerability—from 14 European countries and the U.S.—with policymakers and opinion leaders.

Through the fourth quarter, we have contributed more than 33,000 volunteer hours worldwide for 190 projects and more than \$4.0 million in funds to charitable groups:

- Our associates and the Genworth Foundation pledged more than \$935,000 to support local United Ways throughout the communities we serve.
- Genworth's Putts for Charity initiative has donated \$225,000 to this year's beneficiary, SOS Children's Villages.

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## **We help millions of people around the world create financial security.**

In 2009, working with our partners:

- We paid more than \$3 billion in insurance benefits to help bring protection and peace of mind to our Retirement and Protection policyholders and beneficiaries.
- Through our U.S. Homeownership Assistance Program, we facilitated closing nearly 20,000 workouts, helping borrowers stay in their homes or avoid foreclosure. And, in Europe, we facilitated approximately 2,000 workouts to help keep families in their homes.
- We helped more than 100,000 households each quarter—through lifestyle protection insurance—maintain regular repayments on their financial commitments.