

Business Update

Fourth Quarter 2012

At Genworth, we help millions of people around the world secure their financial lives, families, and futures. We're focused on improving our business performance, simplifying our business portfolio, generating capital, and increasing our financial strength and flexibility so we can rebuild value for our shareholders and make a difference for the people who count on us every day.

Update on Our Strategic Priorities

Improving Our Business Performance: Our performance for the quarter was mixed. We're pleased that our U.S. Mortgage Insurance segment results continue to recover and that our International Mortgage Insurance segment results were stable. We're disappointed in our Long Term Care (LTC) Insurance results, which impacted the performance of our U.S. Life Insurance Division. We continue to make progress on the round of LTC rate actions we announced in the third quarter of 2012, with filings in 49 states and approvals representing approximately 20 percent of the targeted premium increase. We're updating and expanding our life insurance product offerings and further adjusting pricing to reflect the current low interest rate market environment and recent regulatory changes affecting reserve requirements.

Simplifying Our Business Portfolio: In our International Protection segment, we're continuing to navigate the tough European financial environment and working to resize our footprint through pricing and expense actions.

Generating Capital: We achieved our dividend targets for the year overall. In the fourth quarter, we also completed a second life block transaction, generating approximately \$175 million in initial after-tax capital benefits for our U.S. Life Insurance companies. Additionally, we exceeded our U.S. Life insurance companies' unassigned surplus target of \$250-300 million, ending 2012 with an estimated unassigned surplus of \$345¹ million.

Increasing Financial Strength and Flexibility: We met our 2012 holding company targets for cash levels as well as leverage, and we began to address our 2014 debt maturity with a \$100 million debt tender. In January, Moody's affirmed our holding company rating at Baa3 with a stable outlook. We ended the year with approximately \$1.0 billion in cash and highly liquid securities, meeting our target of two times annual debt service coverage, with an additional \$350 million buffer for stress scenarios that might impact the holding company over the next 18 months. In January, we announced our comprehensive U.S. Mortgage Insurance capital plan and have taken the first step in executing that plan with the transfer of our European mortgage insurance legal entities to our U.S. Mortgage Insurance business.

More information on our financial results and related measures is available in our <u>earnings release</u>. Here are the highlights from our performance last quarter.

¹ Company estimate for the fourth quarter of 2012, due to timing of the filing of statutory statements.

We're focused on rebuilding shareholder value.

- We reported net income² of \$166 million, or \$0.34 per diluted share, compared to net income of \$142 million, or \$0.29 per diluted share, in the fourth quarter of 2011. Net operating income³ for the fourth quarter of 2012 was \$167 million, or \$0.34 per diluted share, compared to net operating income of \$124 million, or \$0.25 per diluted share, in the fourth quarter of 2011. The current quarter net income and net operating income included a favorable adjustment of \$78 million associated with the finalization of the new Government Guarantee framework in Canada.
- Effective in the fourth quarter, we changed the financial presentation for our divisions to align with the strategy announced in October 2012. The company will continue to operate through three divisions, composed of six operating segments. The U.S. Life Insurance Division comprises the U.S. Life Insurance segment, which includes our life insurance, LTC, and fixed annuity products. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The Corporate and Other Division comprises the International Protection segment, which includes the Lifestyle Protection Insurance business, the Wealth Management segment, the Runoff segment, which primarily includes our variable annuity, variable life insurance, institutional, corporate-owned life insurance and Medicare supplement insurance products, and Corporate and Other activities. This change will have no operational impact on the organization.

Holding Company

Genworth's holding company ended the quarter with approximately \$1.0 billion of cash and highly liquid securities, down approximately \$360 million sequentially.

- This decrease is primarily from approximately \$345 million in payments made to the operating companies related to tax sharing agreements and \$208 million of debt interest payments and debt maturities partially offset by \$191 million of dividends received from the operating companies.
- The holding company targets maintaining cash balances of at least two times its annual debt service expense and has no debt maturities until June 2014.

Investment Portfolio Performance

Investment income increased, with net investment income of \$840 million, compared to \$825 million in the third quarter.

- The core yield³ increased slightly to approximately 4.6 percent from approximately 4.5 percent in the prior quarter from more favorable limited partnership performance.
- Net income in the quarter included \$1 million of net investment gains, net of tax and deferred acquisition costs (DAC) amortization of \$7 million. Total impairments, net of tax, were \$14 million in the current quarter and \$70 million for the year ended December 31, 2012.
- Net unrealized investment gains were \$2.6 billion, net of tax and other items, as of December 31, 2012, compared to \$1.5 billion as of December 31, 2011 and \$2.6 billion as of September 30, 2012. The fixed maturity securities portfolio had gross unrealized investment gains of \$6.7 billion compared to \$5.1 billion as of December 31, 2011 and gross unrealized investment losses of \$0.6 billion compared to \$1.4 billion as of December 31, 2011.

³ This is a financial measure not calculated based on U.S. Generally Accepted Accounting Principles (Non-GAAP). See the Use of Non-GAAP Measures section of the press release for additional information.

² Unless otherwise stated, all references in this document to net income, net income per share, net operating income (loss) and net operating income per share should be read as net income available to Genworth's common stockholders, net income available to Genworth's common stockholders and net operating income available to Genworth's common stockholders and net operating income available to Genworth's common stockholders per share, respectively.

U.S. Life Insurance

In the fourth quarter of 2012, our U.S. Life Insurance Division's net operating income was \$76 million, compared to \$86 million in the prior quarter and \$94 million a year ago.

- On October 22, 2012, we announced <u>changes to our life insurance portfolio</u> designed to update and expand our product offerings and further adjust pricing to reflect the current low interest rate market environment and recent regulatory changes affecting reserve requirements, including the launch of a new traditional term life insurance product—Colony Term 10, 15 and 20, an expansion and repricing of GenGuard® UL, and the introduction of new linked benefit offerings and new life insurance products in 2013.
- The consolidated risk-based capital (RBC) ratio is estimated to be approximately 430 percent¹, up from 420 percent at the end of the third quarter of 2012 from the impact of the company's second life block transaction, partially offset by an extraordinary cash dividend of \$25 million that was paid to the holding company, bringing the year-to-date dividends from the proceeds from the sale of the Medicare supplement business in 2011 to \$175 million.
- The company completed its second life block transaction in the fourth quarter of 2012. The transaction generated approximately \$175 million in initial after-tax capital benefits for the U.S. life insurance companies in the fourth quarter of 2012. We continued to make progress on the round of LTC in force premium rate increases we announced during the third quarter of 2012. As of December 31, 2012, this round of rate action has been filed in 49 states and has approvals representing approximately 20 percent of the targeted premium increase.
- We also continued to make progress in the filing process for a new LTC product scheduled for release in the second quarter of 2013, which will include underwriting improvements such as gender distinct pricing for single applicants and blood and lab underwriting requirements for all applicants. As of December 31, 2012, the new product has been filed in 49 states and has received approval from 34 states.
- We <u>launched a unique</u>, <u>patent-pending interest crediting methodology</u>, <u>called CapMaxSM</u>, that is available exclusively on Genworth's SecureLiving® Index Annuities for consumers planning for retirement in today's low interest rate environment. CapMaxSM is designed to take advantage of periods of positive momentum in the S&P 500® Index to create the opportunity for greater growth potential to Genworth SecureLiving Index annuity contract owners.

Global Mortgage Insurance

In the fourth quarter of 2012, our Global Mortgage Insurance Division had net operating income of \$131 million, compared to net operating income of \$56 million in the prior quarter and a net operating loss of \$13 million a year ago.

International Mortgage Insurance Segment

- Reported International Mortgage Insurance segment operating earnings were \$165 million, including a favorable adjustment of \$78 million associated with the <u>finalization of the new Government Guarantee framework in Canada</u>, compared to \$94 million in the prior quarter and \$83 million a year ago.
- Canada operating earnings of \$114 million were up from \$42 million in the prior quarter and \$40 million in the prior year. The loss ratio was 31 percent, up 1 point sequentially and down 9 points year over year. Results in the quarter also included unfavorable taxes of \$3 million.
- Australia operating earnings of \$62 million were up from \$57 million in the prior quarter and \$54 million in the prior year. The loss ratio in the current quarter was 36 percent, down 11 points sequentially and down 10 points year over year.
- Other Countries had a net operating loss of \$11 million, compared to a net operating loss of \$5 million in the prior quarter and a net operating loss of \$11 million in the prior year.

- In Canada, flow new insurance written (NIW) was down 40 percent⁴ sequentially and down 17 percent⁴ year over year from changes to the rules governing the issuance of high loan-to-value residential mortgages made in July 2012 and normal seasonal variation. In addition, the company completed several bulk transactions, consisting of low loan-to-value prime loans, of approximately \$4.1 billion reflecting its selective participation in this market.
- In Australia, flow NIW was up 8 percent⁴ sequentially and up 19 percent⁴ year over year as the current year origination market was larger primarily from improved affordability from lower mortgage rates.
- The Canadian and Australian businesses continue to maintain sound capital positions.
- Dividends of \$121 million were paid to the holding company through December 31, 2012.

U.S. Mortgage Insurance Segment

- U.S. MI net operating loss was \$34 million, compared to net operating losses of \$38 million in the prior quarter and \$96 million in the prior year. Results in the quarter included \$8 million of favorable taxes versus the prior quarter and \$10 million versus the prior year primarily from state tax effective rate changes.
- Total flow delinquencies of 66,340 decreased 4 percent sequentially and 21 percent from the prior year. New flow delinquencies decreased approximately 4 percent from the prior quarter and decreased approximately 23 percent from the prior year. New delinquencies decreased approximately 23 percent for the year ended December 31, 2012 compared to the prior year.
- Loss mitigation savings were \$165 million in the current quarter and \$674 million for the year ended December 31, 2012, exceeding the previously announced full year loss mitigation savings target of \$300 to \$400 million.
- Flow NIW increased 9 percent over the prior quarter and 59 percent over the prior year to \$5.1 billion reflecting an increase in both refinance and purchase private mortgage insurance penetration, a larger origination market, and stable market share.
- The combined risk-to-capital ratio as of December 31, 2012 is estimated at 30.4:11.
- On January 16, 2013, the company announced a <u>comprehensive U.S. Mortgage Insurance capital plan</u>. As part of the plan, effective January 31, 2013, the company completed the transfer of ownership of the European mortgage insurance subsidiaries to Genworth Mortgage Insurance Corporation (GMICO). The transfer would have resulted in a favorable impact to GMICO's risk-to-capital ratio of approximately 12 points as of December 31, 2012.

Corporate and Other

Corporate and Other Division net operating loss was \$40 million, compared to \$21 million in the prior quarter and net operating income of \$43 million in the prior year.

International Protection Segment

- Operating earnings of \$8 million were flat sequentially and down from \$19 million in the prior year.
- At the quarter end, the Lifestyle Protection business had a regulatory capital ratio of approximately 321 percent¹.
- During the quarter, the business paid a \$63 million dividend to the holding company, bringing total dividends paid to the holding company in 2012 to \$119 million.

Wealth Management Segment

- Net operating income was \$8 million, compared to \$10 million in the prior quarter and \$12 million in the prior year.
- Assets under management (AUM) decreased sequentially to \$22.3 billion as negative net flows of \$373 million, primarily related to relative investment performance, were partially offset by positive market conditions impacting AUM by \$89 million.

⁴ Percent change excludes the impact of foreign exchange.

- On January 31, 2013, the business <u>launched GPS Select Solutions</u>, a suite of new multistrategist solutions to help grow or preserve wealth, generate income, or serve a variety of other specific investment goals.
- During the quarter, the business paid a \$9 million dividend to the holding company, bringing total dividends paid to the holding company in 2012 to \$39 million.

Runoff Segment

The Runoff segment's net operating income was \$8 million, compared to \$9 million in the prior quarter and \$15 million in the prior year, as the current quarter reflected more favorable taxes versus the prior year. Results from the prior quarter and prior year benefitted from more favorable equity market conditions.

Corporate and Other

- Corporate and Other's net operating loss was \$64 million, compared to \$48 million in the prior quarter and \$3 million in the prior year, reflecting \$13 million of higher taxes primarily from a reversal of tax benefits in the prior quarter and higher expenses associated with the debt tender that was completed in the quarter.
- On a pre-tax operating basis, the loss increased 11 percent year over year from the higher debt tender expenses in the quarter.

We help millions of people around the world secure their financial lives, families, and futures.

Serving our policyholders

In the fourth quarter, working with our partners:

- Genworth's U.S. Life Insurance companies paid more than \$915 million in insurance benefits, delivering protection and peace of mind to our life insurance, long term care insurance, and annuity policyholders and beneficiaries.
- Genworth's Global Mortgage Insurance Division helped more than 72,500 people around the world afford to buy a home.
- We facilitated the closing of more than 8,600 mortgage loan workouts through our global homeownership assistance programs, helping borrowers stay in their homes or avoid foreclosure.
- We helped more than 32,500 people maintain regular repayments on their financial commitments through our lifestyle protection insurance program.

Educating the public and our industry

- We released more findings from our <u>2012 Genworth LifeJacket Study</u>, including the fact that too
 many Americans do not consider themselves eligible for life insurance as a result of outdated
 assumptions about pre-existing conditions and insurability.
- As part of our advocacy during Long Term Care Awareness Month in November, we released the
 findings of our <u>2012 State of Planning Survey</u>, including the fact that almost 60 percent of
 Americans do not have a plan in place to provide for future long term care needs—and encouraged
 consumers to have those planning conversations through our <u>Let's Talk campaign</u>.
- We released a white paper, "Getting Over the Gap: Insights on Life Insurance Coverage in the U.S.," focused on four major consumer groups that are facing the largest life insurance coverage gaps and stand to benefit the most from an insurance review—unmarried parents, large families, women, and those with certain common health conditions.
- Genworth Australia launched its annual <u>Home Grown: Mortgage Industry Perspectives</u> report
 including the findings of a comprehensive survey of the Australian mortgage market, revealing
 optimism about the future among brokers and an increase in the influence of online channels.

Strengthening our communities

- Our Putts4Charity® initiative, run in conjunction with the European Professional Golfers'
 Association's charitable arm, the Tour Players' Foundation, <u>reached the €1 million mark</u> for
 donation totals from The Genworth Foundation since the initiative began in 2007. The program
 benefits SOS Children's Villages across Europe and Asia.
- Genworth Australia <u>formed a partnership with Lifeline</u> to work together on an education campaign about mortgage stress, highlight the devastating effect that financial stress can have on families, with a focus on alleviating emotional pressure caused by mortgage stress.
- Our employees in the United States and Canada pledged more than \$1 million to United Way to help creating lasting change in our communities.
- Our employees put in 4,000 volunteer hours to make a difference in our communities this quarter, totaling nearly 24,000 hours for the year, benefitting nearly 200 non-profit organizations.

Genworth Quick Facts

- Genworth Financial, Inc. (NYSE: GNW) is a leading Fortune 500[®] insurance holding company dedicated to helping people secure their financial lives, families, and futures. Genworth has leadership positions in offerings that assist consumers in protecting themselves, investing for the future, and planning for retirement including life insurance, long term care insurance, financial protection coverages, and independent advisor-based wealth management and mortgage insurance that helps consumers achieve home ownership while assisting lenders in managing their risk and capital.
- Genworth has approximately 6,300 employees. Our products and services are offered through financial intermediaries, advisors, independent distributors, and sales specialists.
- Genworth Financial, Inc., which traces its roots back to 1871, became a public company in 2004 and is headquartered in Richmond, Virginia. For more information, visit genworth.com.