



GENWORTH FINANCIAL BUSINESS UPDATE

Fourth Quarter 2008

Genworth navigated extremely difficult market conditions in 2008 and ended the year with an improved capital base, sound liquidity and a refined specialist insurer strategy. We did make substantial progress in a number of areas that support our business line strategies and lay the foundation for improved performance when economic and financial market conditions subside. While the market environment for 2009 will remain challenging, we are positioned to maintain appropriate capital and liquidity levels, effectively serve our customers and selectively pursue options that enhance future capital cushions and flexibility.

We are a fundamentally sound and vital business that is positioned for future growth.

Our value proposition remains strong—particularly in this challenging environment. Consumers' need for financial security is more important than ever, and our products and services help them meet those needs.

We have refined our business strategies to reflect current market conditions and to focus on those market segments and product lines that best fit with our strengths, profitability targets, and offer the best growth opportunities.

- In our Retirement and Protection business, we are focused on our leading positions in long term care, life insurance and wealth management—as well as retirement income offerings that meet our risk appetite and strength.
- Internationally, we are focused on products and markets where we are most competitive and have scaled back expansion plans to reflect the global economic slowdown.
- We have retooled our U.S. Mortgage Insurance (USMI) new business model to lower our risk profile and drive higher returns through product, underwriting guidelines and pricing changes.
- We streamlined our organization to support these strategic priorities and reflect the current market realities. At the same time, we remain committed to meeting the needs of our policyholders and distributors.

We have taken decisive actions to manage our capital, risk and liquidity and enhance our financial flexibility.

AN ENHANCED CAPITAL POSITION:

We have taken multiple steps to enhance our capital position, including the use of reinsurance, repositioning of our investment portfolios, locking in benefits of risk management hedging strategies, and carefully targeting production levels to the best opportunities.

As a result of these actions, we ended the year with a total of \$2.0 billion of capital in excess of levels required for targeted ratings or regulatory requirements.

Our consolidated U.S. life insurance companies will end 2008 with an anticipated risk based capital ratio (RBC) in the range of 420-450 percent ahead of expectations. Genworth targets its RBC ratio at the 350 percent level and our current capital levels are approximately \$600-850 million above that target.

Our U.S. Mortgage Insurance risk-to-capital ratio improved and we ended the year with about \$950 million of capital above the required level. Our USMI business continues to be one of the highest rated U.S. mortgage insurers.

Our International businesses remain well within risk to capital targets and have excess capital available.

We have undertaken expense reduction initiatives that are expected to reduce net annualized expenses by \$100-150 million on a run rate basis by the third quarter of 2009.

DECISIVE RISK MANAGEMENT ACTIONS:

We tightened our underwriting guidelines in our USMI and International mortgage insurance businesses.

Loss mitigation activities reduced losses in USMI by \$135 million in the fourth quarter of 2008 and captive reinsurance treaties provided a \$206 million benefit in the quarter.

We have built strong cash balances across the organization to manage the need to pay claims and meet any policyholder withdrawal or surrender obligations.

In our \$69 billion invested asset portfolios, we are repositioning out of a number of asset classes, such as consumer cyclicals, financials and selective commercial and residential mortgage backed securities. This will give us better risk-adjusted returns over time.

MAINTAINING LIQUIDITY AND FINANCIAL FLEXIBILITY:

We continue to maintain appropriate liquidity and have cash reserves to help us manage the pressures of the current environment and prepare for possible future stress scenarios. We have a total of \$7.3 billion of cash and cash equivalents at year end. Of that, \$860 million was at the holding company level, approximately \$4.3 billion was in our U.S. life insurance companies and the remainder in other operating companies.

We have repurchased approximately \$400 million of our debt early at a discount and have a line of sight on retiring the remaining debt maturing in 2009—out of currently available funds. We have no additional debt maturing until 2011.

We have \$746 million of remaining capacity in our attractively priced 5-year credit lines, which extend until 2012. We have no current plans to draw further on these facilities.

We are selectively considering additional strategic options to provide capital flexibility. The first is our application to become a thrift holding company, acquire the thrift with which we have a contingent definitive agreement, and access the Capital Purchase Program under the Troubled Asset Relief Program (TARP). Our application remains pending as we work through the review process with the Office of Thrift Supervision. We will continue assessing this option, but will not be dependent on it.

We are also exploring other potential strategies to enhance flexibility and taking action when prudent—including the recently announced sale of our Mexican life and property and casualty businesses.

Our fourth quarter 2008 results were impacted by challenges in the U.S. real estate market, lower investment income and volatile equity markets. At the same time, we had significant progress across a number of areas that have improved our position going forward.

- We reported a net operating loss for the fourth quarter of \$207 million, including non-cash write-offs of deferred acquisition cost amortization and goodwill behind our annuity products, which resulted in a \$189 million operating loss for our Retirement and Protection segment. It is important to note that these write-offs are non-cash GAAP accounting charges that do not affect statutory capital or RBC levels.
- Our International segment had the strongest performance of our businesses with \$124 million of net operating earnings.
- We had a \$114 million net operating loss in USMI. Benefits from higher lender captive reinsurance transactions and our loss mitigation actions were offset by higher claim levels.
- In our investments portfolio, the cash balances we've built for liquidity purposes contributed to lower net investment income—as did a decrease in limited partnership income.
- Some of the actions taken to strengthen our capital and liquidity positions have pressured our near-term earnings, but position us for 2009 and beyond.

We remain steadfast in our commitment to our policyholders, contract holders and distribution partners, and to meeting the investment, protection, retirement and lifestyle protection needs of our customers.

We are well positioned to maintain appropriate liquidity and capital levels and fulfill our obligations to policyholders and distributors.

We will continue to invest in key distribution relationships, product lines, and service capabilities to help our distributors grow.

We have dedicated people and strong resources in place to support our policyholders, contract holders and distribution partners.

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