

# GENWORTH FINANCIAL INVESTMENTS OVERVIEW

4th Quarter 2008

Genworth Financial, Inc. is a global financial security company. The products and services its companies offer help provide financial peace of mind and meet the investment, protection, retirement and lifestyle needs of more than 15 million customers. This document provides an overview of Genworth's consolidated investment portfolio and investment management practices, which are core elements to its overall financial strength.

## 2008 SUMMARY



During 2008, we invested with an eye toward managing our liquidity and preserving capital by reducing risk and repositioning our portfolio. We'll look to take advantage of market opportunities in 2009 with a focus on rigorous fundamental credit and risk analysis. At the same time, we must assume that financial markets will continue to negatively impact many of the companies in our portfolio. Many sectors, especially consumer cyclicals and financials, remain under pressure. We will continue to selectively reduce corporate concentrations and proactively manage the potential impact of a prolonged recession where possible. As we go forward, we will seek investments that fit our risk and asset/liability profile and that in our opinion can weather further economic declines, should they persist.

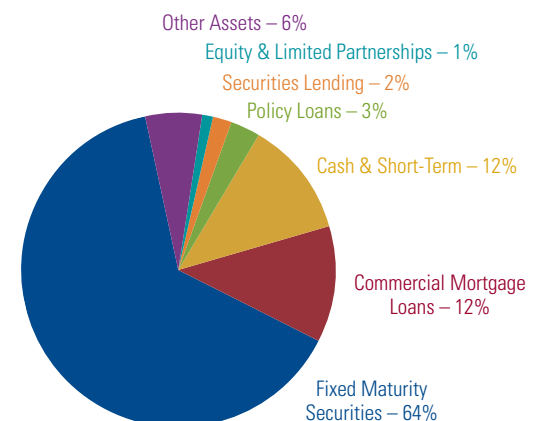
– Ron Joelson, *Chief Investment Officer, Genworth Financial*

## HIGH-QUALITY DIVERSIFIED CONSOLIDATED PORTFOLIO

We manage a **\$68 billion** consolidated investment portfolio as of December 31, 2008, with more than 70 percent invested in high-quality, fixed maturity securities and cash and cash equivalents. The remainder of our portfolio is diversified over a range of investments including commercial mortgages, short-term investments, and other types of assets. Only 1 percent of our portfolio is in equity securities.

At Genworth, we actively manage our consolidated investment portfolio and adjust our asset allocation as appropriate to ensure we are well positioned to meet future needs. We monitor liquidity and capital on a daily basis, and we act nimbly to respond to changing market conditions. Recently, we positioned our portfolio to increase cash and cash equivalents to strengthen our position in the current environment and to take advantage of opportunities in the future. Our investment professionals bring a wealth of knowledge and expertise and have proven industry experience in managing portfolios through multiple business cycles.

### INVESTMENT PORTFOLIO



## Fixed Maturity Securities

Our \$43 billion portfolio of Fixed Maturity Securities includes both public and private corporate bonds, structured finance securities and tax exempt securities. We focus on a high-quality portfolio with 71 percent rated A or better, and 95 percent of our fixed maturity portfolio rated as Investment Grade by the rating agencies.

Our Structured Finance Securities portfolio is diversified across residential mortgage backed securities, commercial mortgage backed securities and asset backed securities. Structured securities backed by Subprime or Alt-A collateral are less than 13 percent of our structured securities portfolio and 2 percent of our total investment portfolio. Among Commercial Mortgage Backed Securities, 95 percent of our portfolio is rated A or higher and 68 percent of the portfolio is invested in older, well-seasoned vintages.

## STRUCTURED SECURITIES PORTFOLIO

	(in millions)	% of Structured Portfolio	% of Total Genworth Portfolio
Subprime	\$587	6.68%	0.86%
Alt-A	\$491	5.59%	0.72%
Prime	\$1,713	19.50%	2.52%
CMBS	\$3,758	42.78%	5.53%
ABS	\$2,236	25.45%	3.29%
	<b>\$8,785</b>		<b>12.93%</b>

## High-Quality Commercial Mortgage Portfolio

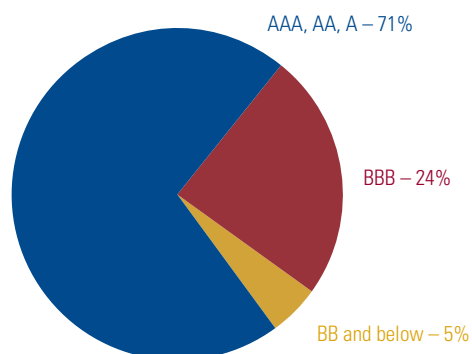
Genworth invests in Commercial Mortgages to diversify the portfolio and to earn higher risk-adjusted returns. Our \$8.3 billion portfolio of commercial mortgages represents 12 percent of the overall investment portfolio. The commercial mortgage portfolio is high quality, with an average loan to value ratio of 54 percent. Estimated loss reserves increased on \$2 million in the 4th quarter. The portfolio has consistently outperformed benchmarks; however, we are considering the effects of a prolonged recession and are carefully monitoring this asset class.

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 portfolio contains over 2,200 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	95%
Public Securities	52%
Private Securities	18%
Mortgage Backed Securities	14%
Asset Backed Securities	6%
Tax Exempt Securities	5%
Below Investment Grade	5%

## CREDIT QUALITY



About ratings: Ratings at or above the BBB level are considered "investment-grade," ranging from good to extremely strong. Ratings at these levels are said to be non-speculative – speculative ratings signal higher levels of doubt about the creditworthiness of the company or security. Rating agencies frequently review rating categories and update as necessary given market conditions.

## GEOGRAPHIC REGION

Pacific	26%
South Atlantic	24%
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	26%
Industrial	26%
Retail	29%
Apartments/Mixed Use	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 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 Occurs Across All Asset Classes
- Maturity and Structure of Exposures Are Critical Considerations
- Daily Monitoring Process Ensures 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 limiting 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. Credit Defaults Swaps account for less than 1 percent of our portfolio.

## **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 Segments. Led by our Chief Investment Officer, the Investment Department consists of more than 140 investment professionals 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 frequently asked questions about Genworth, recent Genworth news and our perspectives on Genworth's position in the market.

#### 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 government actions on the financial markets, our ability to access current and future government support programs, interest rate fluctuations, the valuation of fixed maturity, equity and trading securities, defaults, downgrades or impairments of portfolio investments, goodwill impairments, the soundness of other financial institutions, our ability to access sources of liquidity, 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 delinquency 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, changes in regulations, and growth in the global mortgage insurance market that is slower than we expect;
- Risks relating to our U.S. Mortgage Insurance segment, including the outcome of our review of strategic alternatives for the segment, increases in mortgage insurance delinquency 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 (such as simultaneous second mortgages) 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 ("RESPA"), and potential liabilities in connection with our U.S. contract underwriting services; and
- 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 share 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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