

A Message from Martin P. Klein

June 27, 2012

Today, Moody's Investors Service announced a one-notch downgrade for Genworth Financial's U.S. Life Insurance business to A3 (stable) and a review for downgrade on Genworth Financial's holding company and U.S. Mortgage Insurance (USMI) business.

We are disappointed with Moody's downgrade on the U.S. Life Insurance companies. We will continue to improve the financial strength and operating performance of these businesses.

According to Moody's press release, the rationale for the downgrade was related primarily to a weaker credit profile compared to similarly rated peers. They acknowledged our solid brand and broad product suite, but this was offset by our product mix, which is more concentrated in long term care insurance—which they consider to have a “higher risk” profile. They also noted our earnings profile has been less than our peers, impacting unassigned surplus.

For our U.S. Life Insurance companies, our focus continues to be on improving our business performance, generating capital, and restoring the company's ability to pay a regular, ordinary dividend to the holding company. We continually take steps to improve the profitability of our long term care business. In fact, we are announcing to our distribution partners this week several interim actions to best position our organization and the industry for greater stability. Also, while the company prides itself on its strong market position, we continually manage sales volumes and use reinsurance to actively manage capital and risk. We are maintaining pricing and underwriting disciplines to anticipate and manage risks to protect our customers and our businesses today and tomorrow. The earnings profile of our U.S. Life Insurance companies has improved and unassigned surplus grew from approximately \$70 million at December 31, 2011 to \$215 million at the end of first quarter of 2012.

Previously, Moody's had outlined factors that could lead to a potential downgrade of the holding company and the Life Insurance companies, including: (1) operating earnings of the Life Insurance companies for 2012 of less than \$300 million; (2) leverage ratio in excess of 30 percent; (3) less than two times debt coverage; (4) unassigned surplus of the Life Insurance companies at year end 2012 of less than \$100 million; and (5) the performance of USMI.

The holding company continues to maintain strong liquidity and capital with approximately \$1.4 billion of cash and highly liquid securities at the end of the first quarter of 2012. This is well above our target of maintaining cash balances of at least two times our annual debt service expense, which is approximately \$280 million annually or approximately \$600 million. From this balance, we paid off \$222 million in maturing debt in June, reducing our leverage ratio to approximately 26 percent, below the threshold set by Moody's.

The USMI segment continues to have liquidity and the ability to write highly profitable new business. USMI performance has improved year over year from a loss of \$84 million at March 31, 2011 to a loss of \$43 million at the end of the first quarter of 2012, in line with our expectations.

We continue to work actively with the Board on plans to strengthen our capital structure and realign our business portfolio. At the same time, we continue to take steps to improve the performance of our businesses, generate and manage capital, and meet the needs of our policyholders, while working to build value for our shareholders.



Martin P. Klein
Acting President and Chief Executive Officer
Chief Financial Officer

For additional information on Genworth's ratings, please see the [ratings page](#) our investor site.

Cautionary Note Regarding Forward-Looking Statements

This message 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 the company's 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. The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.