

# Financial Strength Report

## Genworth U.S. Mortgage Insurance

### Second Quarter 2017

Crucial to the success of any valued partnership is having open lines of communication. This is a philosophy we deeply believe in and each personally apply at Genworth Mortgage Insurance. With the understanding that announcements about the proposed acquisition of Genworth by China Oceanwide may raise questions, we want to help provide as much insight and transparency as we can about such matters. We will continue to communicate with our various audiences about our financial performance and to promptly answer questions when needed.

#### Capital Strength Measurement

With the implementation of the Private Mortgage Insurer Eligibility Requirements (PMIERs), which became effective on December 31, 2015, MI companies now uniformly abide by financial and operational standards that provide a risk based quantitative measurement of the capital required to insure new business and give assurance that strong risk management practices and operational controls remain in place. It is presently the best measurement available to assess financial strength and claims paying ability, and a succinct way to compare all mortgage insurers on an equivalent basis. Our second quarter 2017 PMIERs sufficiency ratio is 122%, representing in excess of \$500 million above the PMIERs capital requirements.

#### Profitable Growth

In the second quarter of 2017, we assisted nearly **37,000** borrowers purchase a home and over **1,700** homeowners keep their homes through loan modifications. As of December 31, 2016, our 5-year Compound Annual Growth Rate (CAGR) – the mean annual growth rate – for New Insurance Written (NIW) is 34%. We have grown our flow insurance in force by ~30% since 2013. Over the past eleven quarters, we have reported net operating income profitability with \$91 million earned in the second quarter of 2017 and \$164 million earned year to date in 2017. We've experienced year-over-year growth and our momentum is gaining.

#### Partner Focused Service

Recognizing your need for quick decisions in a TRID-sensitive environment, we continue to provide innovative underwriting solutions with best-in-class turn times. We offer the industry's broadest underwriting guidelines and attractive rates that often beat our competitors. Our Standard Coverage Commitment provides coverage certainty for all qualified loans. Our customer-friendly technology offerings include integrations with the leading loan origination systems, and product and pricing engines. We have increased our sales force to better serve you, and offer the industry's best training curriculum. Reaching our ActionCenter® is now even easier with our pre-login onsite chat feature. And we will continue to share our industry expertise to help you with your own goals.

In our industry, it is imperative that your MI partner have a risk discipline matched by capital strength, profitable growth, uncompromised service levels, and a focus on you. With a mortgage insurance history dating back to 1981, ~\$34.5 billion of primary risk in force, historical relationships with ~2,000 lenders, and an experienced sales, underwriting and operations teams, we can confidently say Genworth Mortgage Insurance is that partner.

We hope you find the following information useful and look forward to our continued partnership.

### Let's help someone buy a house today.



#### Contents:

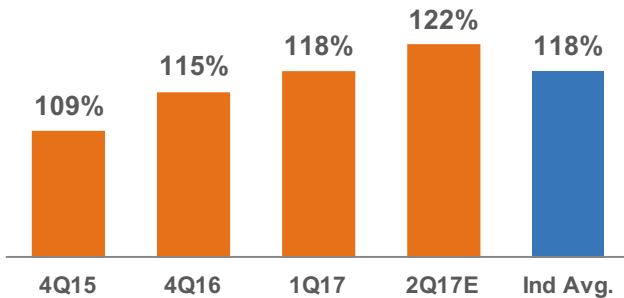
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## PMIERS Metrics

Our PMIERS sufficiency ratio demonstrates our financial strength and claims paying ability and is a proven way to compare all mortgage insurers on an equivalent basis.

### PMIERS Sufficiency\*

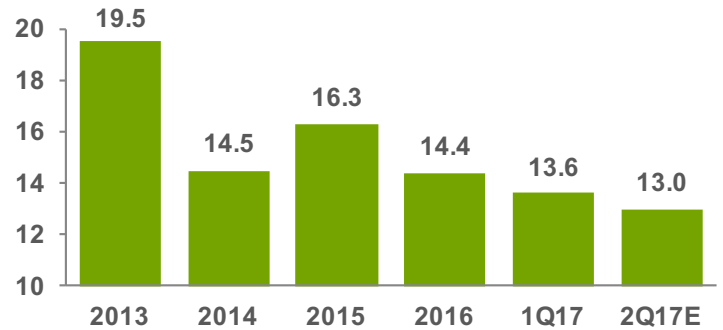


Genworth is above industry average.

\* Calculated as available assets divided by required assets as defined within PMIERS.

PMIERS compliance for industry is calculated as an average (as of 2Q 2017) of competitor sufficiency ratios and includes MGIC, Radian, ARCH, and National Mortgage Insurance. While Genworth has the ability to provide definitive information about itself, the comparative information concerning our competitors has been gathered from publicly available sources and has not been independently verified by Genworth.

### Statutory Risk-to-Capital (X:1)



Well below the 25:1 regulatory threshold.

\* Company estimates for 2Q 2017 due to timing of Statutory Statements.

## Operational Performance Scorecard

PMIERS strictly monitors key Operating Risk and Performance metrics in the Operational Performance Scorecard. The purpose of the Scorecard is to evaluate an insurer's performance against GSE established risk thresholds for leading and lagging indicators such as underwriting quality control and defects, single premium concentration of new business, and timely claims decisioning, to name a few. In addition to establishing rigorous capital and financial requirements, the Scorecard represents a comprehensive approach to monitoring a private mortgage insurer's quarterly results against GSE expectations and risk thresholds.

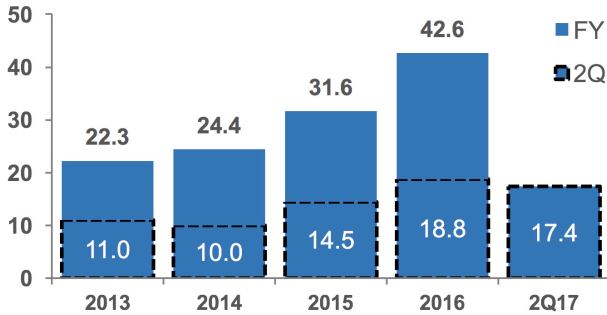
Genworth has consistently met expectations for Scorecard results. Which means you can rely on us to pay claims and be responsive to all your needs.

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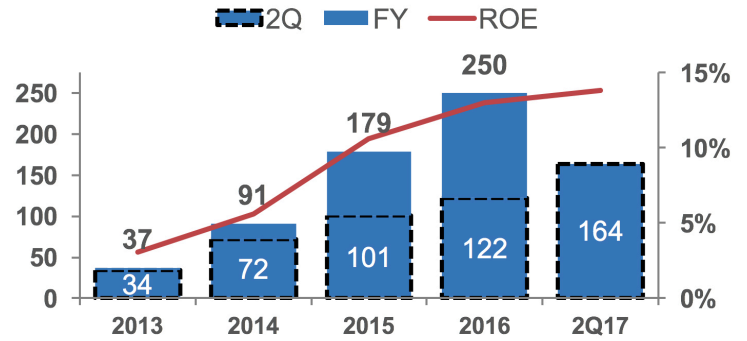
## Net operating income improvements since 2013

With our growing NIW, insurance in force with strong credit trends and an increasing earned premium with stable investment income, we have seen, and expect to continue to see, improvements in our Net Operating Income.

### NIW Growth



### Net Income Growth

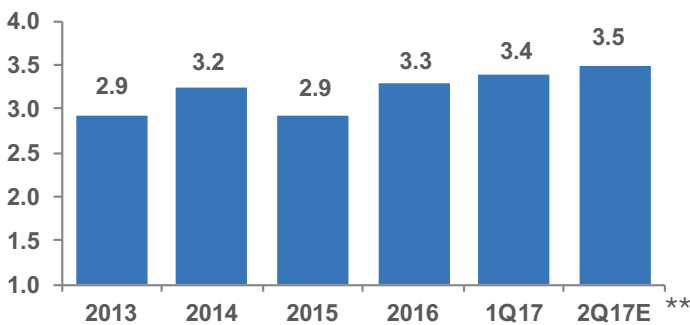


Return on Equity = Net Operating Income / Five-Point Average Equity

## Claims resources of interest\*

Genworth's strong asset base enhances our ability to write new business and pay claims.

### Statutory Assets (in Billions)



Statutory Assets for Genworth Mortgage Insurance Company and its combined affiliates.

- **\$8.5 Billion** in claims paid since 2008
- **\$490 Million** reserved for current delinquencies
- **\$24.1 Thousand** in flow reserves per delinquency
- Third party reinsurance in place on our 2014 - 2017 book year originations to protect against certain adverse developments.

\* GAAP Numbers are as of 06/30/2017 Financial Supplement.

\*\* Company estimates for 2Q 2017 due to timing of Statutory Statements.

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## Genworth's Commitment

It's about people... time... you.

Genworth Mortgage Insurance has all the MI products you'd expect. But we want to be more than that. We want to be your trusted partner. With Genworth, you'll get:

- Competitive rates and guidelines
- Strong management practices and transparent terms
- Easy access and responsiveness
- Technology that saves you time in the origination process
- Fast turn times – nearly 100% of loans are turned in nine hours or less
- Expert guidance from our ActionCenter®, regional underwriters and appraisers
- Seasoned, knowledgeable sales and underwriting teams
- Comprehensive training programs for you and your staff
- An active Government Relations team
- Innovative products like Homebuyer Privileges® and our Homeowner Assistance Program
- Exclusive, no fee, self-paced online Homebuyer Education Course (*Available in English and Spanish. Landlord version also available.*)

*Let's help someone buy a house today.*