# 2014 Business Goals & Strategic Priorities

February 5, 2014

# Cautionary Note Regarding Forward-Looking Statements

This presentation contains certain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will" or words of similar meaning and include, but are not limited to, statements regarding the outlook for Genworth Financial, Inc.'s (Genworth) and its consolidated subsidiaries' 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 those discussed at the end of this presentation, as well as in the risk factors section of Genworth Holding's Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission (SEC) on February 28, 2013, and as updated on Genworth's Form 10-Qs, filed with the SEC on August 1, 2013 and November 1, 2013. Genworth undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Non-GAAP And Other Items

All financial data is as of December 31, 2013 unless otherwise noted. For additional information, please see Genworth's fourth quarter of 2013 earnings release and financial supplement posted at genworth.com.

For important information regarding the use of non-GAAP and selected operating performance measures, see the Appendix.

Unless otherwise noted, all references in this presentation to net income should be read as net income available to Genworth's common stockholders.

Unless otherwise noted, all financial metrics in this presentation exclude the company's potential minority initial public offering (IPO) of Australia Mortgage Insurance (MI).

Portions of this presentation should be used in conjunction with the accompanying audio or call transcript.

# Agenda

## Strategic Priority & Objectives

## 2013 Overview

Progress Update On Business Goals For Year

## 2014 Overview

Current Environment

Business Goals & Priorities

# Strategic Priority & Objectives

| | |
|---|---|
| **Strategic Priority** | **Rebuild Value For Shareholders** |
| **Objectives** | **Improve Business Performance**<br>**Simplify Business Portfolio**<br>**Generate Capital**<br>**Increase Financial Strength & Flexibility** |

**Business Goals Align With Strategic Objectives**

# Strategic Vision

## Two Core Businesses:

- Leading Global Mortgage Insurer
- U.S. Life Insurer With Top Leadership Position In LTC & Competitive Positions In Life & Fixed Annuities

### Distinct Strategic Advantages

- Have Leadership Market Positions
- Maintain Competitive Customer Service & Distribution Relationships
- Employ Experienced & Talented Workforce

### Independent Businesses

- Achieve Competitive Performance
- Support Own Infrastructure Costs
- Cover Appropriate Share Of Debt Service & Dividends
- Increase Financial Flexibility

### Operating Priorities

- Generate Cash
- Generate New Business Returns In Excess Of Related Cost Of Capital
- Improve In Force Performance

**Non-Core Businesses (International Protection & Runoff) Being Managed To Enhance & Generate Capital**

**Focus On Rebuilding Shareholder Value**

# 2013 Goals Recap: Holding Company & Corporate & Other Division

| | 2013 Goals & Milestones | 2013 Results |
|---|---|---|
| Financial Strength | Holding Company Cash & Liquid Assets[1]: Exceed 1.5X (Changed From 2X) Interest Coverage Plus Risk Buffer Of $350MM | $1,369MM[2], ~$880MM Net Of Cash Held For 2014 Debt Maturity |
| | 25% Leverage Ratio | 26.8%[3]<br>24.9%[3], Excluding 2014 Debt To Be Addressed By Cash On Hand |
| | Address Near Term Debt Maturities | Wealth Management Sale Closed…Proceeds Held For 2014 Maturity; 2015 Debt Redeemed |
| Dividends | International Protection & Wealth Management Dividends Of $30-$50MM | $35MM |

[1]Holding Company Cash & Liquid Assets Comprises Assets Held In Genworth Holdings, Inc. (The Issuer Of Outstanding Public Company Debt) Which Is Now A Subsidiary Of Genworth Financial, Inc.; [2]Comprises Cash & Cash Equivalents Of $1,219MM & U.S. Government Bonds Of $150MM; [3]Based On Moody's Investors Service, Inc. Calculation Methodology & Also Excludes Unrealized Gains/Losses & Includes Unrealized Gains On Derivatives Qualifying As Hedges & Foreign Currency Translation



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# 2013 Goals Recap: U.S. Life Insurance

| U.S. Life – 2013 Goals & Milestones | 2013 Results |
| --- | --- |
| Dividends Of $150-$200MM | $200MM[1] |
| Unassigned Surplus Of $200-$250MM | ~$400MM[2] |
| Risk-Based Capital (RBC) Ratio > 375-400% | ~470%[2] |
| Long Term Care (LTC) Insurance Rate Action To Generate $20-$30MM In Incremental Premium | $42MM Incremental Premium |

[1]Includes $175MM From U.S. Life Companies & $25MM From Brookfield Life And Annuity Insurance Company Limited (BLAIC)
[2]Company Estimate For The Fourth Quarter Of 2013, Due To Timing Of The Filing Of Statutory Statements

# 2013 Goals Recap: Global MI

| | 2013 Goals & Milestones | 2013 Results |
|---|---|---|
| International MI | Dividends Of $150-$200MM | $240MM |
| | Canada Flow NIW[1] Relatively Stable & Loss Ratio Between 35-40% | Reported 2013 Flow NIW Down (9%)<br>25% Full Year Loss Ratio |
| | Australia Flow NIW Declines Modestly & Loss Ratio Between 40-50% | Reported 2013 Flow NIW Down (2%)<br>34% Full Year Loss Ratio |
| | Canada MCT[2] In Excess Of 190%<br>Australia PCA[3] In Excess Of 135% | 222%<br>148% |
| U.S. MI | $15.0-$20.0B NIW | $22.3B |
| | $250-$350MM Loss Mitigation Savings | $563MM |
| | Potential Return To Breakeven Or Modest Profitability During One Or Two Quarters | $37MM Full Year Profitability |
| | Annual New Flow Delinquencies Down ~15-20% | (20%) |
| | 40-45% Of Risk In Force Composed Of 2009+ Books | ~44% |

[1]New Insurance Written [2]Minimum Capital Test [3]Prescribed Capital Amount



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# 2013 Goals: Turnaround Progress Report

2012 | 2013 | 2014

### *Stabilization*

- ✓ Holding Company Cash > 1.5X Debt Service + $350MM Buffer
- ✓ Addressed Near Term Debt Maturities
- ✓ Reestablished Credit Facility
- ✓ Holding Company & U.S. Life Company Ratings "Stable"
- ✓ 2013 Dividends Paid To Holding Company Of ~$500MM, Including 1st Ordinary Dividend From U.S. Life Companies Since 2008
- ✓ U.S. MI Comprehensive Capital Plan
- ✓ U.S. MI Return To Profitability
- ✓ In Force Rate Action Progress In LTC
- ✓ Maintained Solid Margins In LTC Reserves
- ✓ Adequate To Strong Capital Ratios In All Businesses
- ✓ Restructuring Actions To Reduce Expenses

### *Transition To Growth Stage*

**More Work to Be Done To Improve Business Performance & Financial Flexibility To Enable Transition To Growth**



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# 2014 Environment -- Assumptions

## U.S. Economic Summary

**Moderate Economic Recovery With Slightly Below Average GDP Growth**

**Slow Decline In Unemployment & Modest Home Price Appreciation In 2014**

**Continued Modest Increase In 30 Year Fixed Rate Mortgage**

**10 Year U.S. Treasury In Line With Year End 2013 Level**

**Modest S&P 500 Growth**

## International Economic Summary

**Canada Below Historical Levels But Relatively Steady Growth**

- Home Prices Relatively Flat
- Unemployment Rate Flat Through 2014
- Foreign Exchange Rate Below 2013 Level

**Average Growth Expected In Australia**

- Modest Increase In Home Prices
- Unemployment To Increase Slightly
- Foreign Exchange Rate Below 2013 Level

**European Financial Stresses Expected To Continue With Low Growth & Elevated Unemployment, Particularly In The Southern Region**

**Total Genworth Tax Rate Higher In 2014; Impact Primarily In International MI**

# 2014 Earnings -- Key Drivers

## U.S. Life Insurance

**LTC In Force Rate Action Benefit: Based On 2013 Policyholder Behavior & Rate Action Approvals**

- GAAP Net Operating Income Rate Action Benefit Expected Totaling $120-$150MM; Highly Dependent On Policyholder Behavior

**LTC Loss Ratio Assumption Of 60-70%**

**Term Life Mortality (Actual/Expected) Low To Mid-90s Vs. 88% In 2013; Quarterly Results May Fluctuate Outside These Expected Ranges**

**Variable Investment Income[1] Expected To Moderate & Modest Spread Compression In Fixed Annuities**

**LTC Full Year Sales Expected To Be Down Modestly, But Growing Off Of 4Q13 Results Given Product Changes & Investments In Distribution & Marketing**

**Life Insurance Full Year Sales Expected To Be Significantly Higher Given Pricing & Product Changes**

**Fixed Annuity Full Year Sales Expected To Be Higher Given Interest Rates & Consistent Competitive Position**

[1]Inclusive Of Limited Partnerships, Bond Calls, Prepayments On Structured Securities & Other Items



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# 2014 Earnings -- Key Drivers

## Global Mortgage Insurance

**Good To Strong Loss Performance Expected Assuming Current Economic Expectations**

- Canada Loss Ratio Of 25-35%
- Australia Loss Ratio Of 30-40%
- U.S. MI Loss Ratio Of 60-70% Assuming No Impact From Potential Settlements

**Stable Experience Expected In Other Countries**

**Flow New Insurance Written, Assuming Stable MI Markets**

- Canada: Flat To Modest Increase Expected Excluding Impacts Of Foreign Exchange
- Australia: Flat To Modest Decline Expected Excluding Impacts Of Foreign Exchange
- U.S. MI: Modest Increase Expected

**Foreign Currency... Canadian & Australian Currencies Expected Weaker Versus The U.S. Dollar From 2013 Levels**

# 2014 Earnings -- Key Drivers

## International Protection & Runoff

**Weak, But Stable Economic Conditions In Europe Expected To Continue To Pressure International Protection**

**Equity Markets Expected To Be Less Favorable, Impacting Runoff Results**

# 2014 Goals & Priorities: U.S. Life Insurance

## 2014 Goals

**Total Division Dividends Of $175-$225MM Including BLAIC**

**Consolidated Life Company Unassigned Surplus At Year End 2014 To Increase By $100-$125MM Over 2013 After Repatriation Of BLAIC And Net Of Dividends Paid**

**RBC Ratio In Excess Of 400%**

## 2014 Strategic Priorities

**Repatriate LTC Business From BLAIC To U.S. Life Companies**

**Continue Pursuit Of LTC In Force Rate Actions**

**Drive Expansion Over Time Of Private LTC Market Through Education & Thought Leadership**

**Develop More Competitive Universal Life & Indexed Universal Life Product Offerings To Grow Commercial Presence While Re-Balancing Sales Between Term Life Insurance & Permanent Life Insurance**



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# 2014 Goals & Priorities: International MI

## 2014 Goals

**Total Segment Dividends Of $150-$225MM (Assumes No Minority IPO In Australia)**

**Canada MCT In Excess Of 190%**

**Australia PCA In Excess Of 135%**

## 2014 Strategic Priorities

**Execute Minority Initial Public Offering Of Australia MI**

**Enhance Capital Optimization In Canada MI**

# 2014 Goals & Priorities: U.S. MI

## 2014 Goals

**Loss Mitigation Savings Of $250-$350MM**

**New Delinquency Development Decline Of 15-20%**

**50-55% Of U.S. MI Risk In Force Composed Of 2009 & Forward Books Of Business By End Of 2014**

**Combined Risk-To-Capital Ratio Of < 20:1 (Subject To GSE Capital Requirements)**

## 2014 Strategic Priorities

**Adapt To Expected GSE Capital Requirements As Appropriate**

- Organic Earnings Growth, Deferred Tax Asset Utilization, Reinsurance, Proceeds From Potential Australia MI IPO, Other Genworth & U.S. MI Holding Company Options

**Advocate To Retain & Enhance Role Of Mortgage Insurance As Part Of Housing Reform**



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# 2014 Goals & Priorities: Holding Company & Corporate & Other

## 2014 Goals

**Dividends Of ~$5-$10MM From International Protection**

**Holding Company Cash Minimum Target: 1.5X Debt Coverage Plus Risk Buffer Of $350MM**

**Leverage Ratio Of ~24% At Year End 2014[1]**

## 2014 Strategic Priorities

**Manage Margins & Capital Impacts Through Pricing Discipline, Hedging & Expense Controls**

**Focus On Deleveraging & Increasing Genworth Balance Sheet Strength**

[1]Does Not Include Potential Impact From Partial IPO Of Australia Mortgage Insurance



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# Genworth Three Year Perspectives - 2016[1]

**Return On Equity**

- Genworth 7-9%
- U.S. Life Insurance Division 7-9%
- Global Mortgage Insurance Division 12-13%

**Leverage Ratio Of 20% To 22%**

**Minimum Adjusted Interest Coverage Ratio[2] Of 6X**

**Achieve Competitive Ratings, Including Driving One Notch Ratings Upgrade At The Holding Company & U.S. Life Companies**

[1]Does Not Include Potential Impact From Partial IPO Of Australia Mortgage Insurance
[2]Non-GAAP Measure. See Appendix For Additional Information

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# A Turnaround Opportunity With Multiple Levers To Create Shareholder Value

# Appendix

# Use Of Non-GAAP Measures

This presentation references a non-GAAP[1] measure entitled "adjusted interest coverage ratio" as an indicator of the company's ability to pay interest on its outstanding debt. The company defines adjusted interest coverage ratio as the ratio of interest expense (excluding interest related to the Tax Matters Agreement liability, deposit accounting liabilities, securitization entities and non-recourse funding obligations issued by captives, as well as Canada's interest expense attributable to noncontrolling interests) to pre-tax income from continuing operations before income taxes (excluding the pre-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and infrequent or unusual non-operating items).

Management believes that analysis of the adjusted interest coverage ratio is helpful to investors in understanding the underlying interest associated with the company's outstanding debt as it relates to the company's income from continuing operations before income taxes. However, this ratio should not be viewed as a substitute for a ratio using GAAP metrics such as interest expense to income from continuing operations before income taxes. In addition, the company's definition of adjusted interest coverage ratio may differ from the definitions used by other companies.

Due to the unpredictable nature of the underlying components of this measure (including the items excluded from those components), the preparation of a reconciliation of the company's outlook for the adjusted interest coverage ratio to an interest coverage ratio presented in accordance with GAAP would require the company to expend unreasonable efforts and is, therefore, omitted from this presentation. The impact of the information in reconciling items could be significant.

[1] U.S. Generally Accepted Accounting Principles

# Definition Of Selected Operating Performance Measures

Management uses selected operating performance measures including "sales" and "insurance in force" or "risk in force" which are commonly used in the insurance industry as measures of operating performance.

Management regularly monitors and reports sales metrics as a measure of volume of new and renewal business generated in a period. Sales refer to new insurance written for mortgage insurance. Sales do not include renewal premiums on policies or contracts written during prior periods. The company considers new insurance written to be a measure of the company's operating performance because they represent a measure of new sales of insurance policies or contracts during a specified period, rather than a measure of the company's revenues or profitability during that period.

Management regularly monitors and reports insurance in force and risk in force. Insurance in force for the international mortgage and U.S. mortgage insurance businesses is a measure of the aggregate face value of outstanding insurance policies as of the respective reporting date. For the risk in force in the international mortgage insurance business, the company has computed an “effective” risk in force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in force has been calculated by applying to insurance in force a factor of 35% that represents the highest expected average per-claim payment for any one underwriting year over the life of the company’s businesses in Canada and Australia. Risk in-force for our U.S. mortgage insurance business is our obligation that is limited under contractual terms to the amounts less than 100% of the mortgage loan value. The company considers insurance in force and risk in force to be a measure of the company’s operating performance because they represent a measure of the size of the business at a specific date which will generate revenues and profits in a future period, rather than a measure of the company’s revenues or profitability during that period.

This presentation also includes information related to loss mitigation activities for the U.S. mortgage insurance business. The company defines loss mitigation activities as rescissions, cancellations, borrower loan modifications, repayment plans, lender- and borrower-titled presales, claims administration and other loan workouts. Estimated savings related to rescissions are the reduction in carried loss reserves, net of premium refunds and reinstatement of prior rescissions. Estimated savings related to loan modifications and other cure related loss mitigation actions represent the reduction in carried loss reserves. Estimated savings related to claims mitigation activities represent amounts deducted or “curtailed” from claims due to acts or omissions by the insured or the servicer with respect to the servicing of an insured loan that is not in compliance with obligations under our master policy. For non-cure related actions, including presales, the estimated savings represent the difference between the full claim obligation and the actual amount paid. Loans subject to our loss mitigation actions, the results of which have been included in our reported estimated loss mitigation savings, are subject to re-default and may result in a potential claim in future periods, as well as potential future loss mitigation savings depending on the resolution of the re-defaulted loan. The company believes that this information helps to enhance the understanding of the operating performance of the U.S. mortgage insurance business as loss mitigation activities specifically impact current and future loss reserves and level of claim payments.

Management regularly monitors and reports a loss ratio for the company’s businesses. For the mortgage and lifestyle protection insurance businesses, the loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. For the long-term care insurance business, the loss ratio is the ratio of benefits and other changes in reserves less tabular interest on reserves less loss adjustment expenses to net earned premiums. The company considers the loss ratio to be a measure of underwriting performance in these businesses that helps to enhance the understanding of the operating performance of the businesses.

An assumed tax rate of 35% is utilized in the explanation of certain specific variances in operating performance and investment results.

These operating measures enable the company to compare its operating performance across periods without regard to revenues or profitability related to policies or contracts sold in prior periods or from investments or other sources.

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*Risks relating to the company's businesses*, including downturns and volatility in global economies and equity and credit markets; downgrades or potential downgrades in the company's financial strength or credit ratings; interest rate fluctuations and levels; adverse capital and credit market conditions; the valuation of fixed maturity, equity and trading securities; defaults, downgrades or other events impacting the value of the company's fixed maturity securities portfolio; defaults on the company's commercial mortgage loans or the mortgage loans underlying the company's investments in commercial mortgage-backed securities and volatility in performance; goodwill impairments; defaults by counterparties to reinsurance arrangements or derivative instruments; an adverse change in risk-based capital and other regulatory requirements; insufficiency of reserves and required increases to reserve liabilities; legal constraints on dividend distributions by the company's subsidiaries; competition; availability, affordability and adequacy of reinsurance; loss of key distribution partners; regulatory restrictions on the company's operations and changes in applicable laws and regulations; legal or regulatory investigations or actions; the failure of or any compromise of the security of the company's computer systems and confidential information contained therein; the occurrence of natural or man-made disasters or a pandemic; the effect of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act; changes in accounting and reporting standards issued by the Financial Accounting Standards Board or other standard-setting bodies and insurance regulators; impairments of or valuation allowances against the company's deferred tax assets; changes in expected morbidity or mortality rates; accelerated amortization of deferred acquisition costs and present value of future profits; ability to increase premiums on certain in-force and future long-term care insurance products by enough or quickly enough, including the current rate actions and any future rate actions; medical advances, such as genetic research and diagnostic imaging, and related legislation; unexpected changes in persistency rates; ability to continue to implement actions to mitigate the impact of statutory reserve requirements; the failure of demand for long-term care insurance to increase; political and economic instability or changes in government policies; fluctuations in foreign exchange rates and international securities markets; unexpected changes in unemployment rates; unexpected increases in international mortgage insurance default rates or severity of defaults; the significant portion of high loan-to-value insured international mortgage loans which generally result in more and larger claims than lower loan-to-value ratios; competition with government-owned and government-sponsored enterprises (GSEs) offering mortgage insurance; changes in international regulations reducing demand for mortgage insurance; increases in U.S. mortgage insurance default rates; failure to meet, or have waived to the extent needed, the minimum statutory capital requirements and hazardous financial condition standards; uncertain results of continued investigations of insured U.S. mortgage loans; possible rescissions of coverage and the results of objections to the company's rescissions; the extent to which loan modifications and other similar programs may provide benefits to the company; unexpected changes in unemployment and underemployment rates in the United States; further deterioration in economic conditions or a further decline in home prices in the United States; problems associated with foreclosure process defects in the United States that may defer claim payments; changes to the role or structure of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac); competition with government-owned and government-sponsored enterprises offering U.S. mortgage insurance; changes in regulations that affect the company's U.S. mortgage insurance business; 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 in the United States; increases in the use of alternatives to private mortgage insurance in the United States and reductions by lenders in the level of coverage they select; the impact of the use of reinsurance with reinsurance companies affiliated with the company's U.S. mortgage lending customers; legal actions under the Real Estate Settlement Procedures Act of 1974 (RESPA); potential liabilities in connection with the company's U.S. contract underwriting services; and the impact on the statutory capital and risk-to-capital ratios of the U.S. mortgage insurance business from variations in the valuation of affiliate investments;

*Other risks*, including the risk that the company's strategy may not be successfully implemented; the company's Capital Plan may not achieve its anticipated benefits; adverse market or other conditions might delay or impede the minority sale of the company's mortgage insurance business in Australia; the possibility that in certain circumstances we will be obligated to make payments to General Electric Company (GE) under the tax matters agreement with GE even if the company's corresponding tax savings are never realized and payments could be accelerated in the event of certain changes in control; provisions of the company's certificate of incorporation and bylaws and the tax matters agreement with GE may discourage takeover attempts and business combinations that stockholders might consider in their best interests; and the impact of the expense reduction announced on June 6, 2013 is not as anticipated and the company may lose key personnel related to actions like this as well as general uncertainty in the timing of the company's turnaround; and

*Risks relating to the company's common stock,* including the suspension of dividends and stock price fluctuations.

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