Investor Report
Half year ended 30 June 2016

Genworth Mortgage Insurance Australia Limited
ABN 72 154 890 730

3 August 2016

Corporate information

This report contains general information in summary form which is current as at 30 June 2016. It presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS) and non-IFRS basis. This report is not a recommendation or advice in relation to **Genworth Mortgage Insurance Australia Limited (Genworth) and its subsidiaries (collectively, the Group).** It is not intended to be relied upon as advice to investors or potential investors and does not contain all information relevant or necessary for an investment decision.

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this report. To the maximum extent permitted by law, Genworth, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this report. No recommendation is made as to how investors should make an investment decision. Investors must rely on their own examination of Genworth, including the merits and risks involved. Investors should consult with their own professional advisors in connection with any acquisition of securities.

The information in this report is for general information only. To the extent that certain statements contained in this report may constitute a "forward-looking statement" or statements about "future matters", the information reflects Genworth's intent, belief or expectations at the date of this report. Genworth gives no undertaking to update this information over time (subject to legal or regulatory requirements). Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Genworth's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Any forward-looking statements, opinions and estimates in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither Genworth, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this report will actually occur. In addition, past performance is no guarantee or indication of future performance.

This report does not constitute an offer to issue or sell securities or other financial products in any jurisdiction. The distribution of this report outside Australia may be restricted by law. Any recipient of this report outside Australia must seek advice on and observe any such restrictions. This report may not be reproduced or published, in whole or in part, for any purpose without the prior written permission of Genworth.

Local currencies have been used where possible. Prevailing current exchange rates have been used to convert foreign currency amounts into Australian dollars, where appropriate.

All references starting with "FY" refer to the financial year ended 31 December. For example, "FY15" refers to the year ended 31 December 2015. All references starting with "1H" refer to the financial half year ended 30 June. For example, "1H16" refers to the half year ended 30 June 2016. All references starting with "2H" refer to the financial half year ended 31 December. For example, "2H15" refers to the half year ended 31 December 2015.

Corporate information

Following completion of the allocation of 650 million ordinary shares under an IPO in May 2014, the shares in Genworth Mortgage Insurance Australia Limited successfully listed on the Australian Securities Exchange (ASX) under the code GMA on 20 May 2014, at an issue price of $2.65 per share. Under the allocation of the ordinary shares, 220 million shares, or 33.85% of the issued capital, were allocated to retail and institutional shareholders raising $583 million gross, which, net of underwriting costs, was repatriated to the ultimate major shareholder of Genworth, Genworth Financial, Inc. which owned the remaining 66.15% of the issued shares.

Immediately prior to completion of the IPO, Genworth became the new holding company of the Group with 100% control of the Australian subsidiaries through the implementation of a reorganisation plan. The Group is represented by Genworth and its subsidiaries.

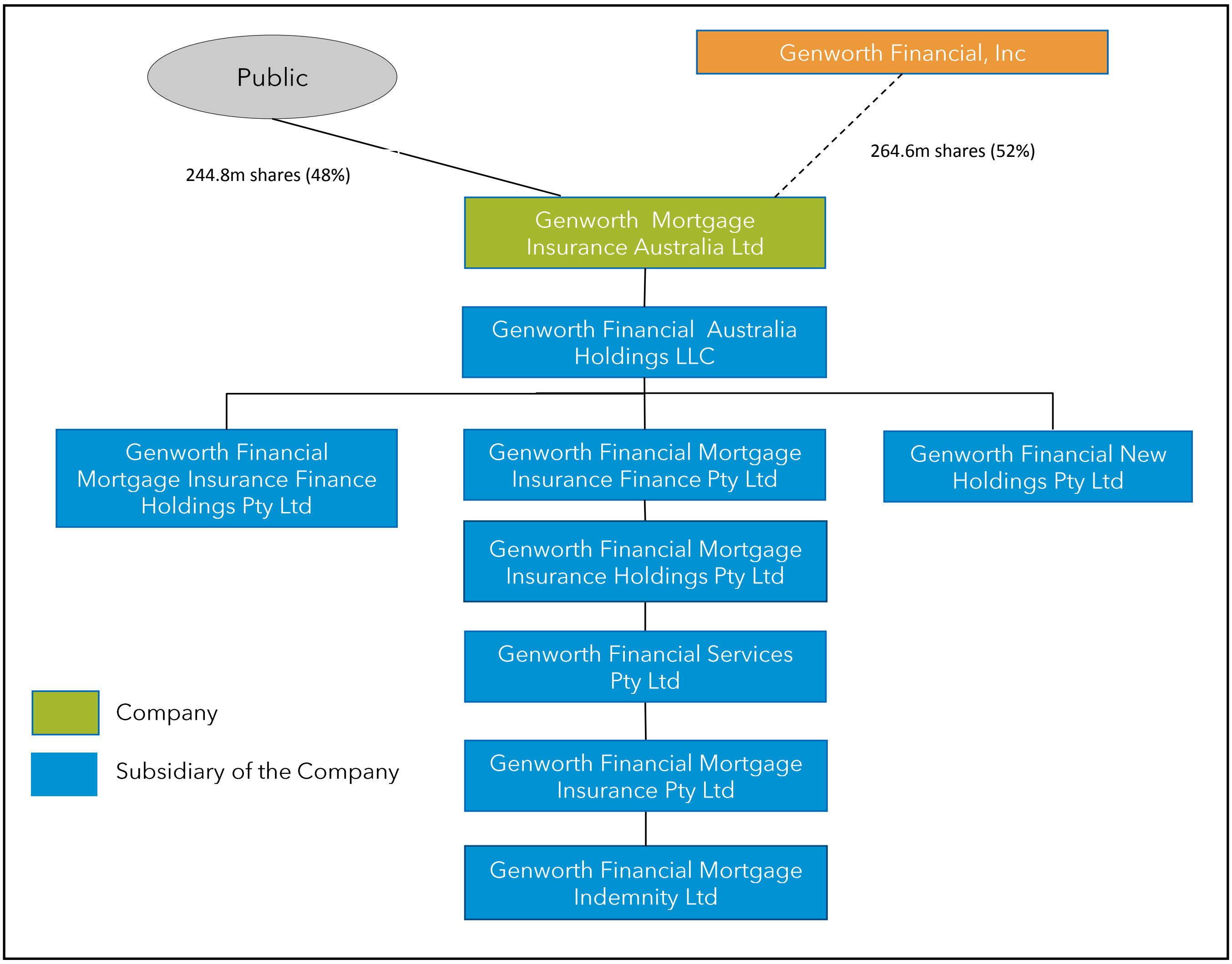
On 15 May 2015, Genworth Financial, Inc. sold 92.3 million shares in Genworth, reducing its ownership in Genworth to approximately 52%.

As at 8 December 2015, the Group completed an on-market share buy-back program. 54.6 million shares were purchased and subsequently cancelled for a total consideration of $150 million. Genworth Financial, Inc. participated in on-market sale transactions during the buy-back program to maintain its approximately 52% stake in the Group. As at 10 December 2015, the number of Genworth shares on issue was 595.4 million.

On 1 June 2016, the Group completed a $202 million capital reduction and consolidation of shares. As at 2 June 2016, the number of Genworth shares on issue was 509.4 million.

The Group has the following corporate structure:

Figure 1: Genworth Corporate Structure as at 30 June 2016



Corporate information

Table of Contents

Section 1

Executive Summary

1 Executive Summary

1.1 Overview of the half year 2016 financial results

Genworth reported statutory net profit after tax (NPAT) of $135.8 million for 1H16. After adjusting for the after-tax mark-to-market move in the investment portfolio of $22.9 million, underlying NPAT was $112.9 million.

Table 1: Group financial performance measures

(A$ in millions)	1H15	1H16	Change 1H15 vs 1H16
Gross written premium	285.4	189.8	(33.5%)
Gross earned premium	265.7	265.8	0.0%
Net earned premium	225.7	228.8	1.4%
Reported NPAT	113.0	135.8	20.2%
Underlying NPAT	132.9	112.9	(15.0%)
Loss Ratio	22.1%	33.0%	10.9%
Delinquency rate	0.40%	0.43%	0.03%
Expense Ratio	26.7%	24.4%	(2.3%)
Combined Ratio	48.8%	57.3%	8.5%
Insurance Margin	57.2%	63.5%	6.3%
Investment Return	3.7%	3.5%	(0.2%)
ROE[1]	11.9%	11.2%	(0.7%)
Underlying ROE[1]	12.0%	11.3%	(0.7%)

The 1H16 results reflect:

(a) Lower sales (Gross Written Premium):

i. GWP declined 33.5% compared with the previous corresponding period due to a number of factors including reduced high loan-to-value (LVR) penetration in the market, a lower LVR mix of business as well as the full impact of the changes in customers in 1H15.

(b) Higher revenue (Net Earned Premium):

i. NEP increased 1.4% reflecting higher earned premium from prior book years and the benefit from the premium earnings pattern revision adopted since the second half of 2015.

(c) Higher net claims incurred:

i. Net claims incurred increased due to an increase in the number of delinquent loans relative to a year ago and a higher average claim amount. The overall portfolio continues to be supported by strong performance in New South Wales and Victoria. However, the performance in Queensland and Western Australia is challenging, reflecting increased delinquencies, particularly in regions exposed to the slowdown in the resources sector.

[1] ROE is shown on a trailing 12-month basis.

1.2 Summary of financial and capital position

Table 2: Group financial position/capital measures

(A$ in millions), as at	31 Dec 15	30 Jun 16
Cash, accrued interest and investments	3,960.5	3,671.7
Total assets	4,232.0	4,001.7
Unearned premium reserve	1,320.6	1,244.6
Net assets	2,218.7	2,035.2
Net assets per share ($/share)	3.73	4.00
Net tangible assets	2,208.6	2,024.5
Regulatory capital base	2,600.8	2,300.2
Level 2 PCA coverage	1.59x	1.56x
CET1 coverage	1.44x	1.43x
Gearing (debt / debt plus equity)	9.9%	9.6%

Genworth's capital position was strong as at 30 June 2016 and the Group's regulatory capital solvency level was 1.56 times the PCA and 1.43 times the CET1 ratio. The regulatory solvency position is above the Board's targeted range of 1.32-1.44 times PCA and above the regulatory requirement of CET1 being 0.60 times PCA.

1.3 Economic and Regulatory Environment

1.3.1 Economic environment

The Australian economy continues to grow at a moderate pace with weakness in business investment more than offset by domestic demand and exports growing at or above trend. The labour market remains relatively strong, with recent indicators showing a modest pace of expansion in employment levels. The unemployment rate has remained generally stable at 5.8% in June 2016. At the state level, New South Wales and Victoria are below year ago levels, while Queensland has registered a modest increase.

In response to below-trend growth and benign inflation pressures, the Reserve Bank of Australia (RBA) maintains a very accommodative monetary policy stance with the official cash rate at an historic low level of 1.50 per cent in August 2016.

Business confidence, as measured by the NAB Business Confidence Index, remained positive in June 2016, despite uncertainty around the Brexit referendum and the Australian Federal Election. However, consumer confidence is weaker, with the Westpac-Melbourne Institute Index of Consumer Confidence falling 3% in July 2016 in response to prolonged election uncertainty.

The housing market remains generally strong with national dwelling values up 8.3% on year ago levels, across the combined capital cities[1]. The Sydney and Melbourne housing markets have been exceptionally strong with annual dwelling price appreciation of 11.3% and 11.5% respectively. Strong demand and reduced stock-on-market is a positive dynamic, while the market is also being supported by the low interest rate environment and favourable economic conditions. Perth was the only capital to record a decline in dwelling values with the market down 4.7% on year ago levels.

1.3.2 Regulatory environment

Genworth remains engaged with regulators, rating agencies and other industry participants to promote legislative and regulatory policies that support home ownership and continued responsible credit growth.

In the first half of 2016, APRA continued its focus on upholding sound residential mortgage lending standards and maintaining appropriate capital requirements in the residential mortgage industry. Genworth is leading industry efforts to develop solutions with policy makers and regulators that emphasise the importance of LMI to the Australian mortgage market and the stability of the wider financial system, especially its value as a loss absorption and capital management tool for risk management purposes.

Following the re-election of the Coalition Government, the Company continues an active consultation program with policy makers to address issues of housing affordability and accessibility.

[1] Core Logic Home Price Index data to June 2016.

1.4 Customer Relationships

Genworth has commercial relationships with over 100 lender customers across Australia and has Supply and Service Contracts with 10 of its key customers. The top three customers accounted for approximately 78 per cent of Genworth's total New Insurance Written (NIW) and 70 per cent of GWP in 1H16. The largest customer accounted for 39 per cent of total NIW and 43 per cent of GWP in 1H16. The Group estimates that it had approximately 34 per cent of the Australian LMI market by NIW for the six months ended 30 June 2016[1].

1.5 Ratings

The controlled entities maintain their capital strength by reference to a target financial strength rating from an independent ratings agency. The ratings help to reflect the financial strength of these entities and demonstrate to stakeholders their ability to pay claims.

Standard & Poor's

During the period, Standard & Poor's Ratings Services (S&P) noted that the $202 million capital reduction did not affect their rating of Genworth Financial Mortgage Insurance Pty Limited. S&P has a financial strength and issuer credit rating of Genworth Financial Mortgage Insurance Pty Limited at 'A+' and outlook 'stable'.

Moody's

On 11 March 2016, Moody's reaffirmed the insurance financial strength rating of Genworth Financial Mortgage Insurance Pty Limited at 'A3' with an outlook of 'Negative'. On 14 March 2016, Moody withdrew the financial strength and credit ratings on Genworth Financial Mortgage Indemnity Ltd at Genworth Australia's request following Genworth Australia's review of the benefits of continuing to having this run-off entity rated.

Fitch Ratings

On 6 April 2016, Fitch Ratings (Fitch) noted that their rating of Genworth Financial Mortgage Insurance Pty Limited is unaffected by the $202 million capital reduction. Fitch has a financial strength and issuer credit rating of Genworth Financial Mortgage Insurance Pty Limited at 'A+' and outlook 'stable'.

[1] Market share is Genworth Australia's estimate based on the market for LMI provided by external LMI Providers and LMI Subsidiaries and includes the retention of risk by Lenders and other forms of risk mitigation or risk transfer by Lenders in relation to the credit risk of residential mortgage loans.

1.6 Business Strategy

The Group continues to pursue the strategic objective of delivering long-term returns to shareholders, reflected in an attractive, sustainable Return on Equity (ROE).

The table below highlights the key achievements in 1H16 against each of the key strategic priorities.

Priority	Strategic Priority	1H16 Achievements
#1 **Strengthening and growing our customer relationships and product value proposition**	• Seek to strengthen and grow our customer relationships and product value proposition by: - Focusing on understanding and meeting the strategic needs of its customers; - Influencing the changing regulatory environment; - Addressing potential ratings and/or counterparty challenges; - Enhancing its service offerings with a focus on risk management and technology; and - Maintaining a high level of service with a continued focus on customer satisfaction.	• Ongoing engagement with existing and potential customers • Ongoing renewals and signing of agreements with existing customers • Stable credit ratings
#2 **Targeting appropriate, risk-adjusted returns and enhance profitability**	• Intention to maintain appropriate, risk adjusted returns by: - Pricing NIW to achieve low-to-mid teens ROEs over the long-term and enhancing our understanding of the profitability of portfolio cohorts; - Continue to manage underwriting and pricing to grow share of attractive market segments as they emerge; - Investing in loss mitigation tools and process to enhance management of delinquencies and claims; - Investing in underwriting systems to deliver productivity benefits while maintaining strong risk management disciplines and enhancing customer experience; and - Optimising interest income from its investment portfolio within acceptable risk standards.	• Increased product prices effective in March 2016 • Implemented cost optimisation initiatives to align the cost base with revenues • Continued development of Loss Management mitigation techniques across the portfolio
#3 **Optimising the capital structure**	• Complement strategy to enhance profitability, through maintaining a strong balance sheet and financial position while managing its capital relative to its risk exposure, targeted ratings and regulatory requirements. • In additional to equity, qualifying capital instruments and reinsurance form part of the Group's capital management strategy. To continue to assess opportunities to optimise its capital base to enhance returns. • To the extent the Group has capital above its internal and regulatory capital requirements the Board will consider a range of options and currently has a preference to return excess capital to shareholders, subject to regulatory approvals and market conditions.	• Fully franked ordinary and special dividends declared and paid • $202 million capital reduction and consolidation of shares completed on 1 June 2016 • Redemption of $49.6 million of existing $140 million non-compliant Tier 2 notes on 30 June 2016 • Level of qualifying reinsurance increased to $950 million as at 1 January 2016

Priority	Strategic Priority	1H16 Achievements
#4 **Maintaining strong risk management discipline**	• Continue to strengthen the risk culture across the business. • Enhance data received from customers and third parties to support granular and effective risk decision-making. • Continue to invest in modelling and analytical capabilities to deliver more granular performance measures, along with improved loss forecasting, balance sheet management and stress-testing. • Continue to advance the risk management framework and practices by working with regulators, lender customers and other market participants to adapt to changing market conditions.	• Focus on maintaining lending standards (i.e. serviceability, investment loans) • Continued roll out of Risk Culture framework across the organisation • Enhanced credit and geography risk analysis
#5 **Continue to work on LMI recognition**	• Continue to work with regulators, rating agencies and other industry participants to promote legislative and regulatory policies that support increased levels of home ownership, continue responsible credit growth for lender customers, and the purchase of LMI by lender customers so as to continue to enable lender customers to provide borrowers with affordable residential mortgage loans.	• Leading industry efforts to develop solutions with policy makers and regulators that emphasis the importance of LMI to the Australia mortgage market • Ongoing campaigns to promote industry partnership (e.g. MFAA and Genworth's Broker Day) and industry thought leadership (e.g. *Streets Ahead* and the First Homebuyer magazine "*It's My Home"*)

Section 2

Group Financial Results

2 Group Financial Results

2.1 Statement of comprehensive income

Table 3[1]: Group statement of comprehensive income

(A$ millions)	1H15	1H16	Change 1H15 vs 1H16
Gross written premium	285.4	189.8	(33.5%)
Movement in unearned premium	(19.7)	76.0	(485.8%)
Gross earned premium	**265.7**	**265.8**	**0.0%**
Outwards reinsurance expense	(40.0)	(36.9)	(7.8%)
Net earned premium	**225.7**	**228.8**	**1.4%**
Net claims incurred	(49.9)	(75.4)	51.1%
Acquisition costs	(25.8)	(25.3)	(1.9%)
Other underwriting expenses	(34.4)	(30.5)	(11.3%)
Underwriting result	**115.6**	**97.6**	**(15.6%)**
Investment income on technical reserves	13.5	47.6	252.6%
Insurance profit	**129.1**	**145.2**	**12.5%**
Investment income on shareholders' funds	37.6	56.2	49.5%
Financing costs	(5.5)	(8.2)	49.1%
Profit before income tax	**161.2**	**193.3**	**19.9%**
Income tax expense	(48.2)	(57.5)	19.3%
NPAT	**113.0**	**135.8**	**20.2%**
Underlying NPAT	**132.9**	**112.9**	**(15.0%)**

[1] Totals may not sum due to rounding.

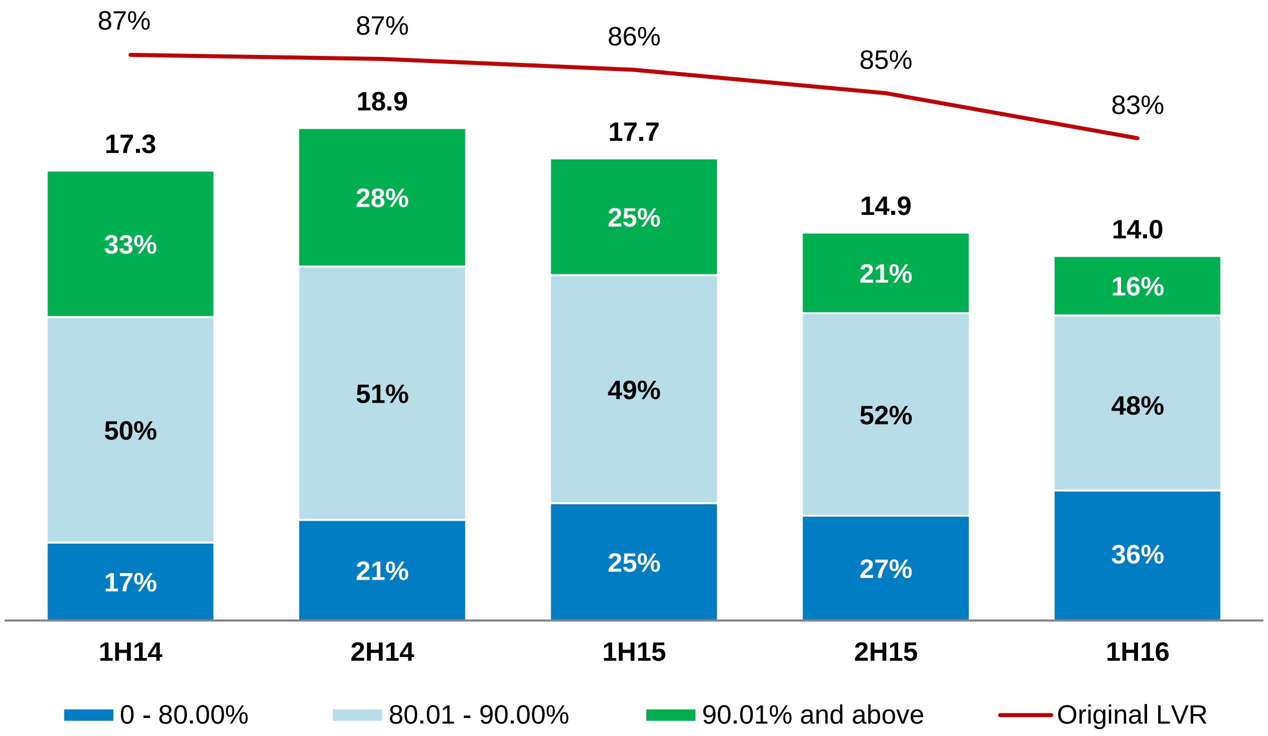
2.2 Management discussion and analysis

2.2.1 New Insurance Written (NIW)

NIW decreased 20.9% to $14.0 billion in 1H16. NIW in the greater than 90% LVR segment decreased 49.1% while NIW in the less than 80% LVR segment increased 10.9%. The decline in the proportion of high loan-to-value loans originated reflects changes in lender risk appetite and focused regulatory oversight in the Australian mortgage market. The result also reflects changes in the customer portfolio in 1H15.

1H16 NIW includes $1.1 billion of portfolio transactions for a customer seeking risk mitigation on previously uninsured mortgage portfolios.

Figure 2: NIW by Original LVR band (excludes capitalised premium)



2.2.2 Gross Written Premium (GWP)

GWP decreased 33.5% to $189.8 million in 1H16. The decline in GWP is consistent with the broader industry trend of a reduction in the proportion of mortgage originations above 90 per cent LVR. The result also reflects changes in the customer portfolio in 1H15.

Average price for Flow (GWP/NIW) decreased from 1.78% in 1H15 to 1.45% in 1H16 reflecting a lower proportion of 90-95% LVR mix of business. Historical NIW has been adjusted in the average premium calculation to reflect a risk sharing arrangement.

The average original LVR of new flow business written in 1H16 was 83%, down from 86% in 1H15.

Figure 3: GWP ($ millions) and average price of flow business

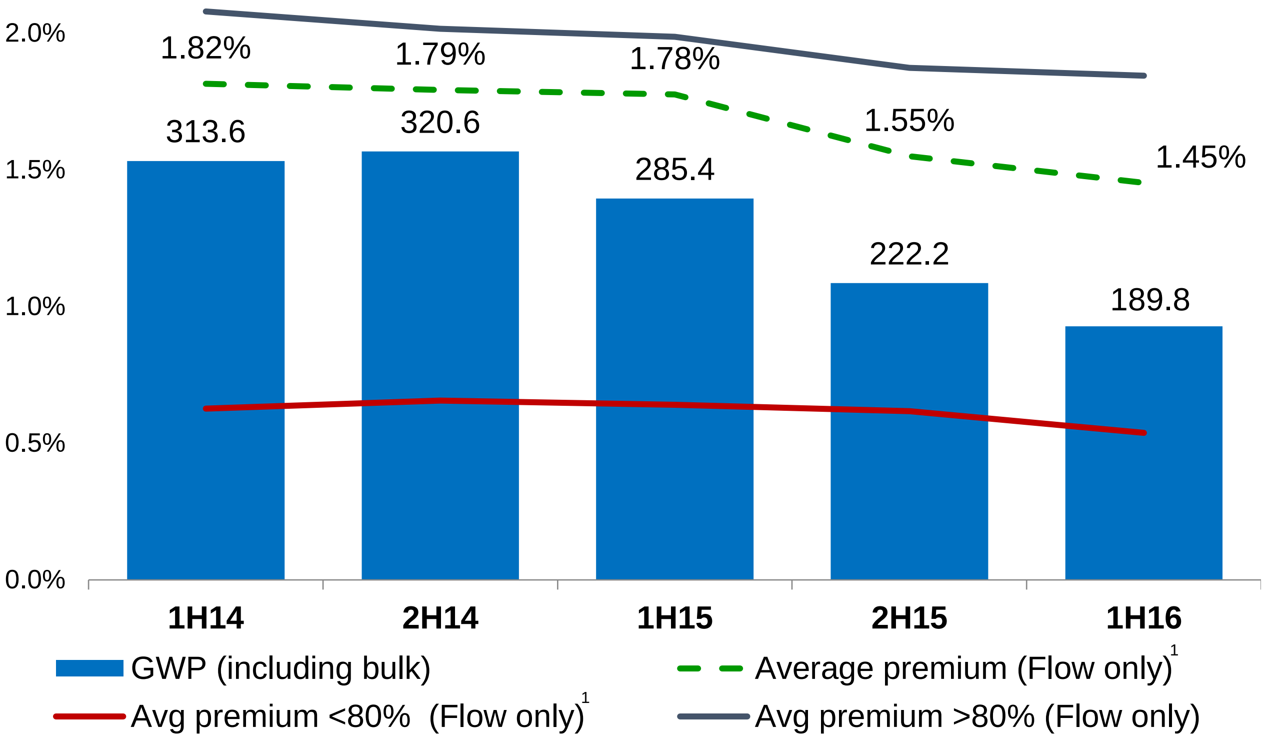
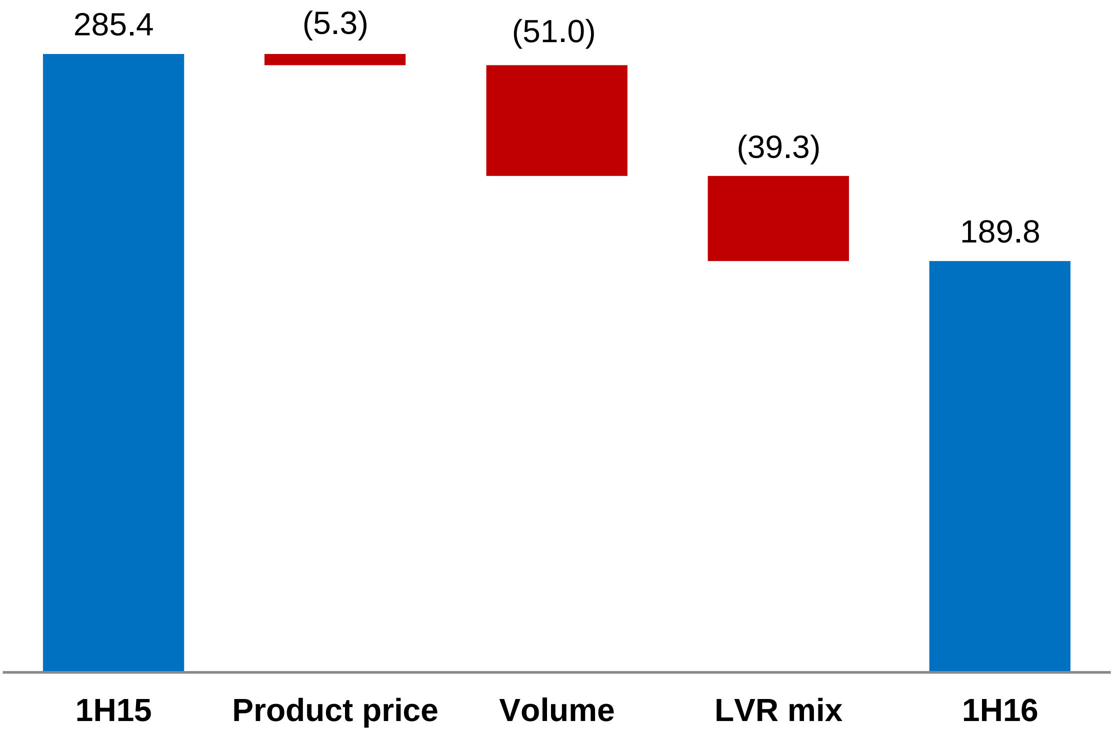


Figure 4: Movement of GWP 1H15 to 1H16 ($ millions)



[1] Historical NIW has been adjusted in the average premium calculation to reflect a risk sharing arrangement.

2.2.3 Gross Earned Premium (GEP)

GEP remained consistent at $265.8 million in 1H16, compared to 1H15 reflecting the benefit from the premium earnings pattern revision adopted since the second half of 2015, lower ceded reinsurance and higher policy cancellations in the current year, offset by the seasoning of the recent smaller book years and lower current year GWP.

2.2.4 Outward Reinsurance Expense

Outward reinsurance expense decreased by $3.1 million from $40.0 million in 1H15 to $36.9 million in 1H16 driven mainly by the negotiation of a more favorable rate under the new external reinsurance arrangements.

2.2.5 Net Claims incurred and changes to reserves

Net claims incurred increased $25.5 million from $49.9 million in 1H15 to $75.4 million in 1H16 primarily driven by an increase in new delinquencies, particularly in Queensland and Western Australia.

The number of paid claims in 1H16 was marginally lower than 1H15. The average paid claim amount increased in 1H16 driven by some larger claims eventuated from Queensland and Western Australia mining regions.

Table 4: Composition of net claims incurred

($ millions) unless otherwise stated	1H14	2H14	1H15	2H15	1H16
Number of Paid Claims (#)	881	664	568	616	566
Average Paid Claim ($'000)[1]	62.9	54.4	64.8	68.2	72.5
Claims Paid[1] ($ millions)	**55.4**	**36.1**	**36.8**	**42.0**	**41.1**
Movement in borrower recovery receivable on paid claims	-	-	(8.9)	(2.9)	0.1
Movement in Reserves	(12.6)	5.6	22.0	23.7	34.2
Net Claims Incurred	**42.8**	**41.7**	**49.9**	**62.8**	**75.4**

The average reserve per delinquency increased from $43,100 in 1H15 to $48,800 in 1H16 primarily driven by strengthening of reserves to reflect higher expected claim payments in mining regions.

[1] Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation and claims paid.

Table 5: Movement in delinquencies

	1H14	2H14	1H15	2H15	1H16
Opening Delinquencies	4,980	5,405	4,953	5,900	5,552
New Delinquencies	5,602	5,091	5,782	5,183	5,912
Cures	(4,296)	(4,879)	(4,264)	(4,915)	(4,485)
Claims Paid	(881)	(664)	(568)	(616)	(566)
Closing Delinquencies	**5,405**	**4,953**	**5,900**	**5,552**	**6,413**
Total Policies Outstanding	1,481,201	1,496,616	1,481,755	1,478,434	1,477,826
Delinquency Rate	**0.36%**	**0.33%**	**0.40%**	**0.38%**	**0.43%**

An increase in new delinquencies, particularly in Queensland and Western Australia, lifted the portfolio delinquency rate. Cures were steady in line with ongoing borrower sales activity. The number of claims paid trended down to the lowest level since 2006 reflecting strong housing market conditions, particularly in New South Wales and Victoria.

2.2.6 Acquisition costs and other underwriting expenses

Acquisition costs decreased $0.5 million from $25.8 million in 1H15 to $25.3 million in 1H16. Other underwriting expenses decreased $3.9 million from $34.4 million in 1H15 to $30.5 million in 1H16. The total expense ratio has decreased from 26.7% in 1H15 to 24.4% in 1H16.

2.2.7 Financial income

Financial income, comprising interest income and realised and unrealised gains/losses, increased $52.6 million from $51.2 million in 1H15 to $103.8 million in 1H16. The unrealised gains on the market value of the portfolio of interest bearing securities of $32.7 million recognised in 1H16 compared to a pre-tax unrealised loss of $28.4 million in 1H15. The yield on the investment portfolio dropped from 3.72% in 1H15 to 3.53% in 1H16.

2.2.8 Income tax expense

Income tax expense increased $9.3 million (19.3%) from $48.2 million in 1H15 to $57.5 million in 1H16. The effective tax rate decreased from 29.9% in 1H15 to 29.7% in 1H16.

2.2.9 Net profit after tax

Reported NPAT increased 20.2% to $135.8 million in 1H16. The increase largely reflects the favourable mark-to-market movements in the investment portfolio. Underlying NPAT, excluding mark-to-market movements, declined by 15.0% reflecting higher net claims incurred resulting from a reserve strengthening.

2.3 Analysis of underwriting performance

The underwriting performance in 1H16 reflects the following key factors:

(a) GWP fell 33.5% from 1H15 due to a lower average LVR mix of business and changes in the customer portfolio in 1H15;
(b) The loss ratio for 1H16 was 33.0% compared to 22.1% in 1H15 due to an increase in delinquencies and a reserve strengthening;
(c) The expense ratio decreased from 26.7% in 1H15 to 24.4% in 1H16 as a consequence of the ongoing focus on expense management;
(d) The insurance margin increased to 63.5% compared with 57.3% for 1H15 driven by higher net claims incurred and offset with a favorable mark-to-market movement.

Table 6: Key underwriting metrics

	1H14	2H14	1H15	2H15	1H16
New Insurance Written ($ billions)	17.3	18.9	17.7	14.9	14.0
Gross Written Premium ($ millions)	313.6	320.6	285.4	222.2	189.8
Net Earned Premium ($ millions)	218.4	227.4	225.7	244.2	228.8
Claims Paid[1] ($ millions)	55.4	36.1	36.8	42.0	41.1
Expense Ratio	26.6%	26.3%	26.7%	25.7%	24.4%
Loss Ratio	19.6%	18.4%	22.1%	25.7%	33.0%
Combined Ratio	46.2%	44.7%	48.8%	51.4%	57.3%
Insurance Margin	66.2%	65.4%	57.2%	59.0%	63.5%
Delinquency Rate	0.36%	0.33%	0.40%	0.38%	0.43%

[1] Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation and claims paid.

Section 3

Portfolio Performance

3 Portfolio Performance

3.1 Insurance portfolio

3.1.1 In-force portfolio as at 30 June 2016

Genworth had an in-force portfolio of approximately $324.2 billion as at 30 June 2016. The Group's Standard LMI product comprises the largest part of the overall in-force portfolio at 91%, and Low Doc product represents only 5% of the total in-force portfolio. The following charts display the segmentation of the Group's in-force portfolio.

Figure 5: Insurance in-force by book year

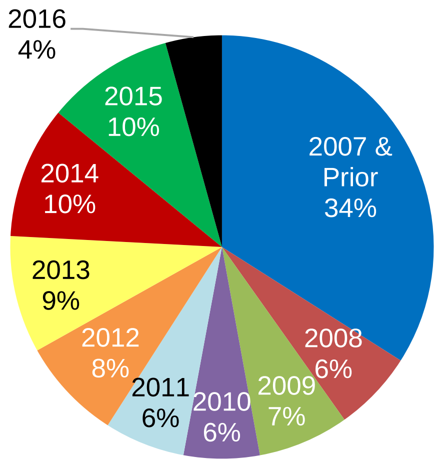


Figure 6: Insurance in-force by original LVR

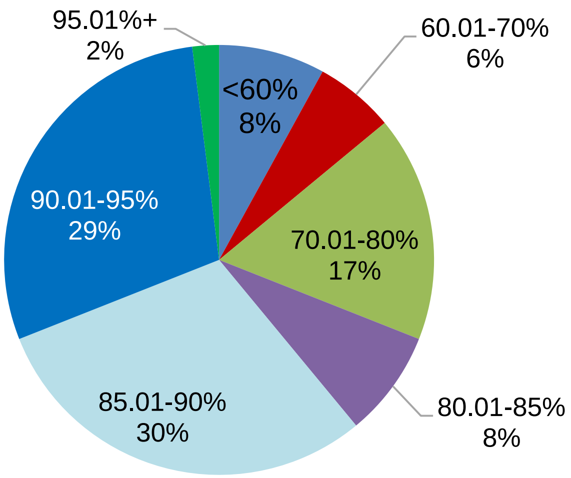


Figure 7: Insurance in-force by product

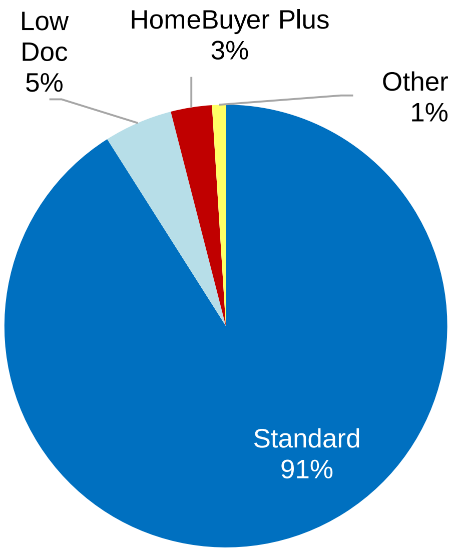
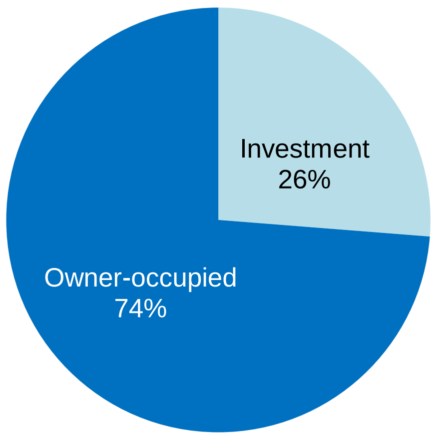


Figure 8: Insurance in-force by loan type



3.1.2 Effective LVR

The table below shows the effective LVR of the portfolio as at 30 June 2016. Genworth calculates the estimated house price-adjusted effective LVR, using the Core Logic Home Price Index that provides detail of house price movements across different geographic regions, and assumes 30-year principal and interest amortising loans, with the mortgage rate remaining unchanged through the period. Effective LVR is not adjusted for prepayments, redraws or non-amortising residential mortgage loans insured.

Table 7[1]: Effective LVR as at 30 June 2016

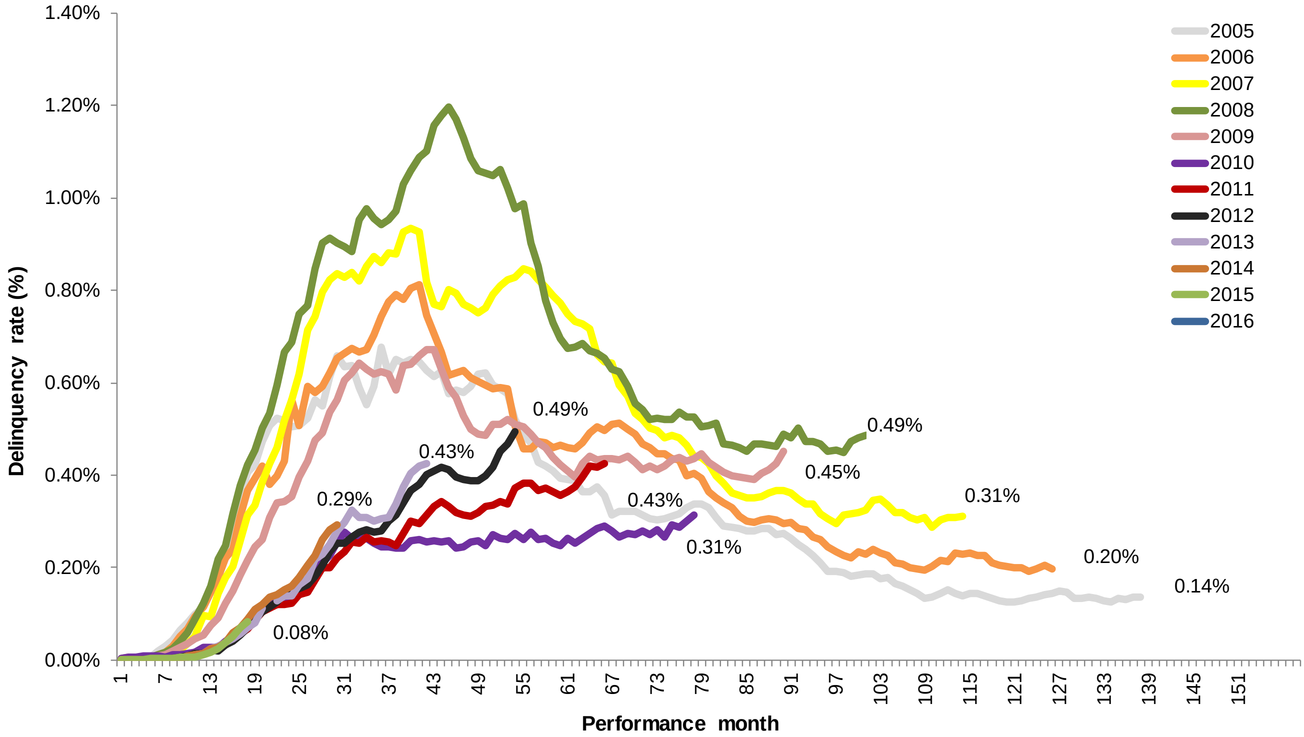
Book year	Insurance in-force		LVR		Portfolio change in house prices %
	$ billion	%	Original	Effective	
2007 & prior	72.9	25%	76.7%	34.3%	94%
2008	17.6	6%	81.9%	56.8%	38%
2009	19.9	7%	84.7%	58.1%	35%
2010	15.7	5%	81.2%	62.5%	22%
2011	17.0	6%	83.7%	64.3%	25%
2012	24.1	8%	86.3%	65.8%	28%
2013	27.8	10%	87.1%	69.8%	24%
2014	31.3	11%	87.1%	76.4%	14%
2015	29.3	10%	85.7%	80.9%	6%
2016	12.8	4%	83.2%	82.7%	2%
Total Flow	**268.5**	**92%**	**81.9%**	**55.7%**	**49%**
Portfolio	22.6	8%	55.2%	24.3%	94%
Total / Weighted Avg.	**291.1**	**100%**	**79.4%**	**52.7%**	**53%**

[1] Table excludes Inward Reinsurance, New Zealand and Genworth Financial Mortgage Indemnity as the Group does not have comparative data available for these lines of business.

3.2 Delinquency rate by Book Year

The figure below shows the evolution of Genworth's 3 month+ delinquencies (Flow only) by residential mortgage loan book year from the point of policy issuance.

Figure 9: Delinquency development by book year



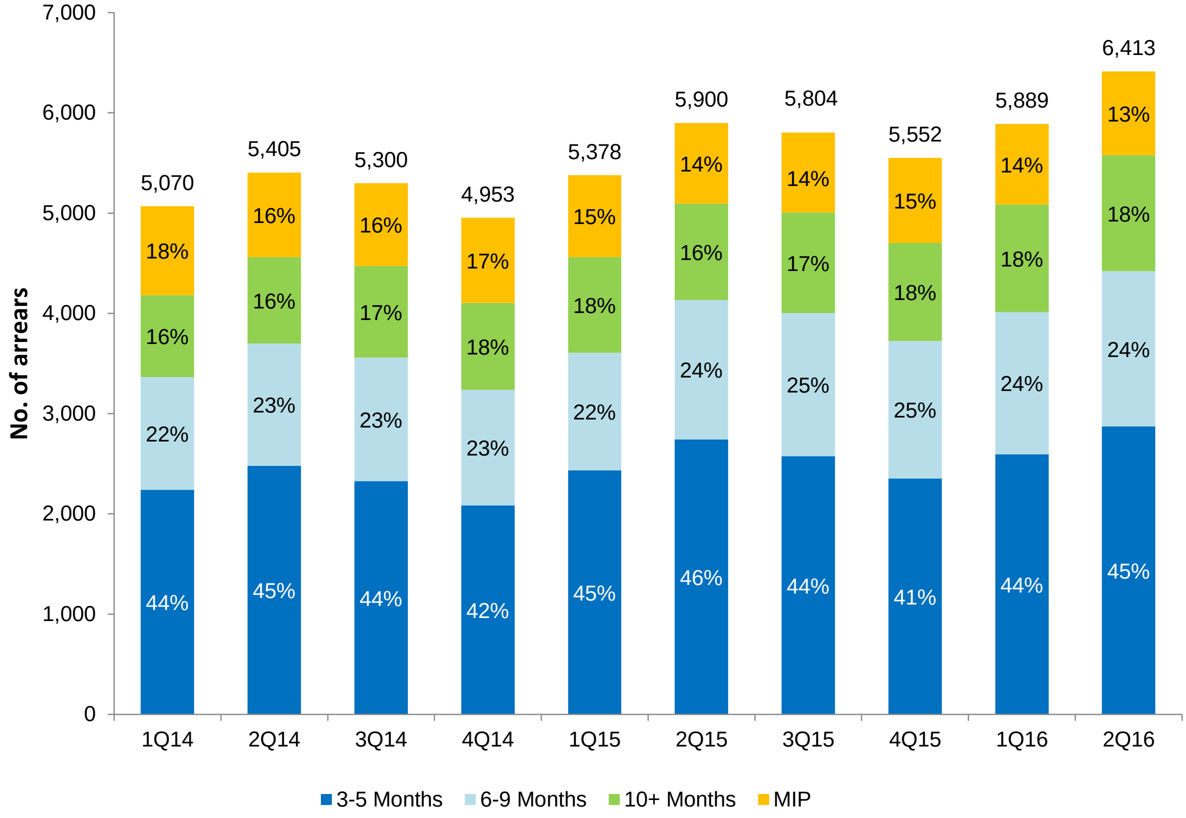
Each line illustrates the level of 3 month+ delinquencies relative to the number of months an LMI policy has been in-force for policies issued within a specific year.

The 2008 Book Year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland, which was exacerbated by the floods in 2011.

The 2010 to 2015 Book Years are performing favourably relative to the previous five years (2005-2009). The recent increase in the 2012 and 2013 book years is due to increased delinquencies, mainly in parts of Queensland and Western Australia.

3.3 Delinquency population by months in arrears bucket

Figure 10: Delinquency population by months in arrears bucket



The above chart illustrates the delinquency population by months in arrears (MIA) aged bucket at the end of each reporting period. Over the past two years, the MIP percentage as a proportion of the total delinquency population has been trending down. This reflects strong housing market conditions and the low interest rate environment in which a mortgagee in possession (MIP) generally progresses faster to a claim, or sold with no claim situation, which in turn leads to a relatively lower claims pipeline. The 3-5 months MIA bucket, shows a seasonal uptick in the second quarter of each year, consistent with historical observed experience.

Section 4

Balance Sheet and Investments

4 Balance Sheet and Investments

4.1 Statement of financial position

This section contains the consolidated statements of financial position for the Group as at 30 June 2016.

Table 8[1] Consolidated statement of financial position

(A$ in millions), as at	31 Dec 15	30 Jun 16
Cash and cash equivalents	78.1	37.8
Accrued investment income	34.6	32.5
Investments	3,847.8	3,601.4
Trade and other receivables	2.8	3.0
Prepayments	2.2	2.2
Deferred reinsurance expense	71.0	130.4
Non-reinsurance recoveries	28.8	30.4
Deferred acquisition costs	145.1	141.1
Property, plant and equipment	0.8	0.6
Deferred tax assets	10.6	11.4
Intangibles	1.0	1.6
Goodwill	9.1	9.1
Total Assets	**4,232.0**	**4,001.7**
Payables	77.6	59.3
Reinsurance payable	86.8	147.1
Outstanding claims	277.0	313.0
Unearned premiums	1,320.6	1,244.6
Employee benefit provision	6.8	7.0
Interest bearing liabilities	244.4	195.5
Total Liabilities	**2,013.2**	**1,966.5**
Net Assets	**2,218.7**	**2,035.2**
Share capital	1,556.5	1,354.0
Other equity	662.2	681.1
Total Equity	**2,218.7**	**2,035.2**

[1] Totals may not sum due to rounding.

4.2 Total assets

Total assets of the Group as at 30 June 2016 were $4,001.7 million compared to $4,232.0 million at 31 December 2015. The movement mainly reflects a $286.6 million decrease in cash and investments due to cash outflows from the FY15 final ordinary and special dividends and the $202.4 million capital reduction offset by a $32.7 million favorable mark-to-market unrealised gain in 1H16.

4.3 Investments

4.3.1 Investment strategy

As at 30 June 2016, the Group had a $3,639.2 million cash and investments portfolio, invested 96% in Australian denominated cash, cash equivalents, fixed income securities rated A- or higher and equity securities. The primary investment objective is to manage the portfolio of securities to help achieve return and income targets, whilst minimising volatility of total returns and providing liquidity to pay claims. This asset allocation and asset management strategy represents the previous long-standing approach taken by the Group to investment management.

As at 30 June 2016, Genworth had invested $129 million in Australian equities in line with the previously stated strategy to improve investment returns on the portfolio within acceptable risk tolerances.

4.3.2 Group investment assets

The Group's investments totalled $3,639.2 million as at 30 June 2016 with $1,302.3 million allocated to the Technical Funds to support premium liabilities and outstanding claims reserves. The duration to maturity of the total investment portfolio is estimated at 2.3 years.

4.3.3 Investment portfolio characteristics as at 30 June 2016

Figure 11: Investment assets by term to maturity

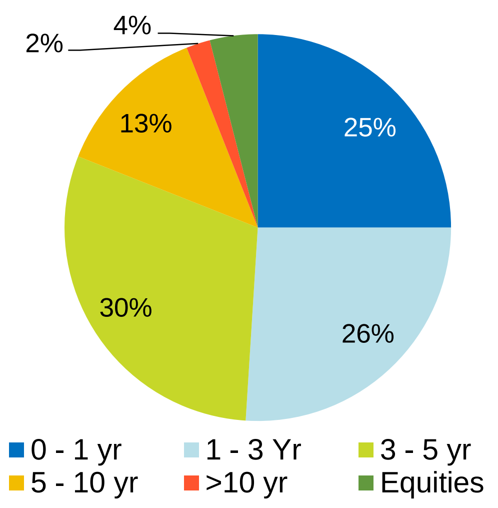


Figure 12: Investment assets by issuer type

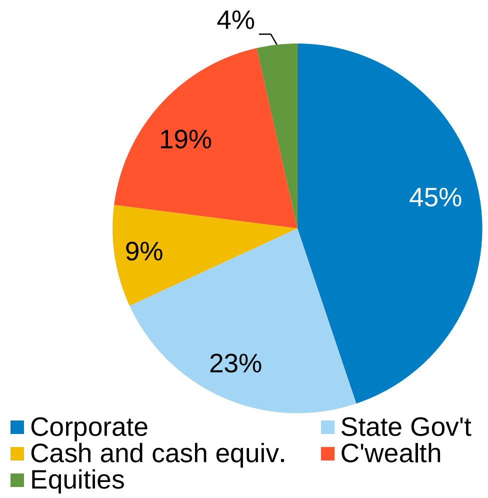


Figure 13: Investment assets by credit rating

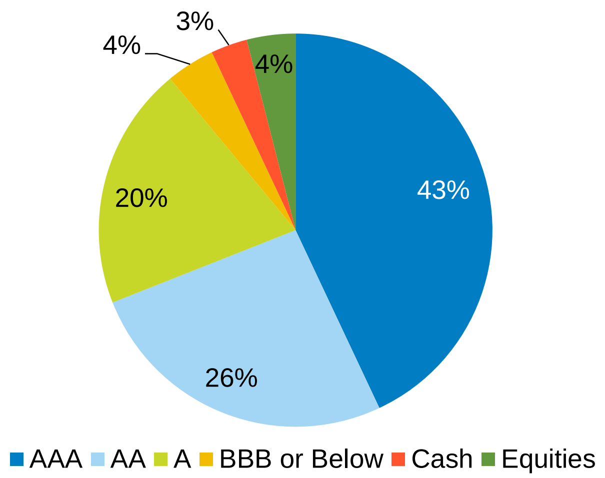
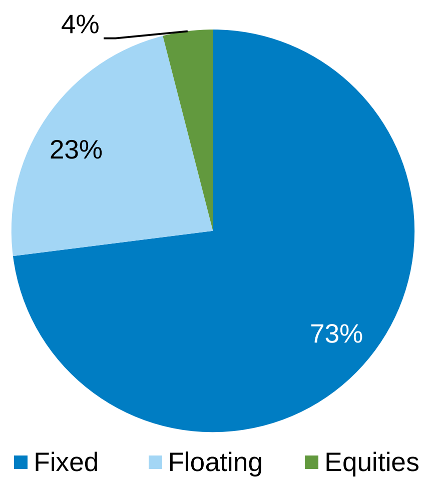


Figure 14: Investment assets by type



4.3.4 Investment Performance

The recent decline in the investment return is primarily driven by the low interest rate environment. Fixed interest securities purchased at higher yields have gradually matured with the funds reinvested predominantly in shorter duration assets at lower yields.

A summary of the investment income and the investment returns (excluding unrealised gains and losses) generated from the investment portfolio is set out in the following table.

Table 9: Investment income and investment return

($ millions), as at	30 Jun 14	31 Dec 14	30 Jun 15	31 Dec 15	30 Jun 16
Cash	77.7	88.6	300.0	78.1	37.8
Accrued investment income	35.5	40.9	37.9	34.6	32.5
Investments	3,833.7	4,071.0	3,805.8	3,847.8	3,601.4
Total Cash and Investments	**3,946.9**	**4,200.5**	**4,143.7**	**3,960.5**	**3,671.7**

($ millions)	1H14	2H14	1H15	2H15	1H16
Interest income	78.0	81.7	77.6	72.9	67.3
Investment return[1]	**4.06%**	**4.01%**	**3.72%**	**3.60%**	**3.53%**

4.4 Total liabilities

The total liabilities of the Group as at 30 June 2016 were $1,966.5 million compared to $2,013.2 million at 31 December 2015. Notable movements contributing to the $46.7 million decrease over the period include:

- $60.4 million increase in reinsurance payable from deferring further reinsurance costs from treaty renewals;
- $76.0 million decrease in unearned premium reflecting the lower level of new premium written in 1H16;
- $48.9 million decrease in interest bearing liabilities reflecting the redemption of $49.6 million of existing $140 million Tier 2 notes.

[1] Investment return excludes unrealised gains and losses on the investment portfolio.

4.4.1 Unearned Premium Reserve (UPR)

Table 10: Movement in unearned premium reserve by book year

Book Year	As at 31 December 2015 ($ millions)	Gross written premium ($ millions)	Gross earned premium ($ millions)	As at 30 June 2016 ($ millions)
2008	2.2	-	(2.0)	0.2
2009	16.4	-	(8.1)	8.3
2010	32.1	-	(8.5)	23.6
2011	59.0	-	(13.2)	45.8
2012	138.2	-	(31.3)	106.9
2013	236.2	-	(47.2)	189.0
2014	388.1	-	(76.8)	311.3
2015	448.4	-	(70.9)	377.5
2016	-	189.8	(7.8)	182.0
Total	**1,320.6**	**189.8**	**(265.8)**	**1,244.6**

4.5 Equity

The Group's equity decreased by $183.5 million over the period, with current period earnings offset by dividends paid in 1H16 and the $202.4 million capital reduction.

The following tables present a measure of Underlying Equity that is used for calculating the Underlying ROE.

Underlying Equity, which is a non-IFRS financial measure, is calculated by adjusting total equity to exclude any after-tax impacts of unrealised gains or losses on securities held in the Group's investment portfolio.

Table 11: Reconciliation of Statutory NPAT and Underlying NPAT

($ millions)	1H14	2H14	1H15	2H15	1H16
Statutory NPAT	151.4	172.7	113.0	115.0	135.8
Adjustment for change in unrealised (gains)/losses	(26.1)	(37.7)	28.4	24.0	(32.7)
Adjustment for tax on change in unrealised (gains)/losses	7.8	11.3	(8.5)	(7.2)	9.8
Underlying NPAT	**133.1**	**146.3**	**132.9**	**131.8**	**112.9**

Table 12: Reconciliation of Total Equity and Underlying Equity

($ millions), as at	30 Jun 14	31 Dec 14[1]	30 Jun 15[1]	31 Dec 15[2]	30 Jun 16[2]
Total equity	2,344.8	2,500.5	2,454.1	2,218.7	2,035.2
Adjustment for life to date unrealised (gains)/losses	(99.8)	(137.5)	(109.1)	(85.1)	(117.8)
Adjustment for tax on life to date unrealised (gains)/losses	29.9	41.2	32.7	25.5	35.3
Underlying Equity	**2,274.9**	**2,404.2**	**2,377.7**	**2,159.1**	**1,952.7**

Table 13: Underlying ROE

(%)	12 months to Jun 14	12 months to Dec 14	12 months to Jun 15[1]	12 months to Dec 15[2]	12 months to Jun 16[2]
Underlying NPAT ($ million)	259.5	279.4	279.2	264.7	244.7
Underlying Equity ($ million)[3]	2,166.0	2,281.8	2,326.3	2,281.7	2,165.2
Underlying ROE (%)	**12.0%**	**12.2%**	**12.0%**	**11.6%**	**11.3%**

[1] Figures have been restated due to rounding.
[2] Figures have been restated to include life to date unrealised (gains)/losses on derivatives.
[3] For the purposes of calculating Underlying ROE, Underlying Equity is defined as the average Underlying Equity between the start and end of the relevant 12-month period.

Section 5

Capital and Dividends

5 Capital and Dividends

5.1 Regulatory capital position

The capital management strategy of the Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite. The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Group as a whole, and each regulated entity, are independently capitalised to meet internal and external requirements.

The Group's capital position was strong as at 30 June 2016 with a regulatory capital solvency level of 1.56 times the Prescribed Capital Amount (PCA) on a Level 2 basis and a CET1 ratio of 1.43 times PCA.

The regulatory solvency position is above the Board's targeted range of 1.32 – 1.44 times the PCA and above the regulatory CET1 requirement of 0.60 times PCA.

Table 14[1]: PCA coverage ratio (Level 2)

(A$ in millions), as at	31 Dec 15	30 Jun 16
Capital Base		
Common Equity Tier 1 Capital (incl. excess technical provisions)	2,351.2	2,100.2
Tier 2 Capital	249.6	200.0
Regulatory Capital Base	2,600.8	2,300.2
Capital Requirement		
Probable Maximum Loss (PML)	2,509.7	2,420.3
Net premiums liability deduction	(290.0)	(310.2)
Allowable reinsurance	(875.5)	(950.5)
LMI Concentration Risk Charge (LMICRC)	**1,344.2**	**1,159.6**
Asset risk charge	76.9	107.4
Asset concentration risk charge	-	-
Insurance risk charge	226.6	227.6
Operational risk charge	27.7	29.7
Aggregation benefit	(37.1)	(50.7)
Prescribed Capital Amount (PCA)	**1,638.3**	**1,473.5**
PCA Coverage ratio (times)	**1.59 x**	**1.56 x**

[1] Totals may not sum due to rounding.

The decrease in CET1 capital reflects $114.9 million of dividends and the $202.4 million capital reduction paid to shareholders during 1H16, partially offset by $135.8 million reported NPAT. Tier 2 capital decreased due to the redemption of the remaining $49.6 million of the 2011 subordinated notes.

Figure 15[1]: Genworth Australia's capital base progression as at 31 December and 30 June (A$ billion)

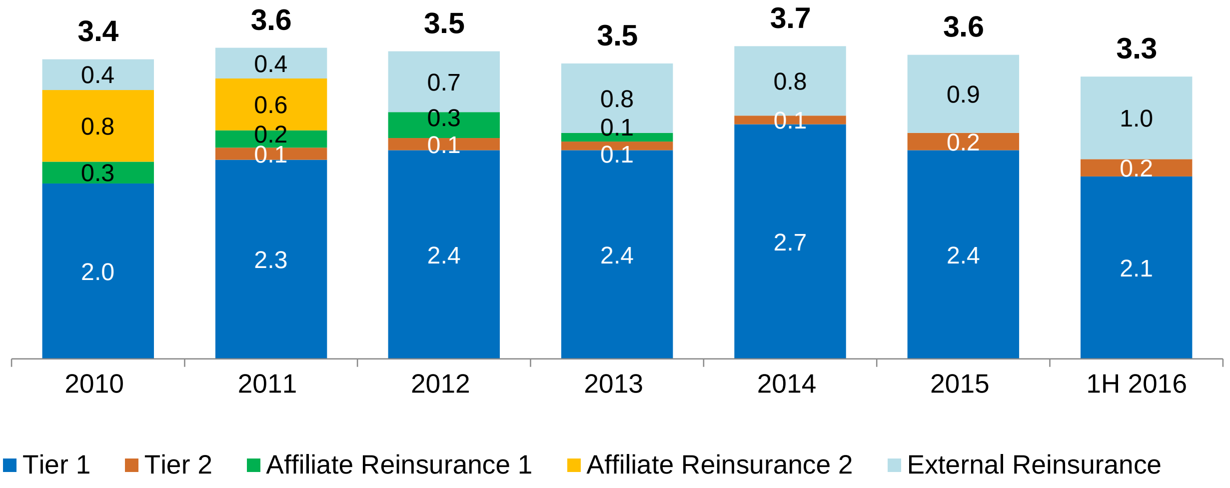


Figure 15 shows the mix of the three key components of the capital base, including common equity (Tier 1 Capital), other qualifying capital instruments (Tier 2 Capital) and APRA allowable reinsurance. Since 2010, Genworth has implemented a strategy that has:

- Broadened the range of reinsurers in order to reduce concentration risk;
- Transitioned from affiliate reinsurance arrangements, the last of which was cancelled effective 1 January 2014; and
- Introduced qualifying subordinated debt, or Tier 2 Capital, in 2011.

[1] Historical capital base has been adjusted due to rounding. Note totals may not sum due to rounding.

5.2 Reinsurance

Genworth restructured and increased the Excess of Loss (XOL) reinsurance treaties by $75 million as at 1 January 2016, increasing its level of qualifying reinsurance from $875 million at 31 December 2015 to $950 million on 1 January 2016. The increase in reinsurance coverage is part of Genworth's ongoing optimisation of its capital base over the medium term.

Figure 16: Reinsurance Program 31 Dec 2015

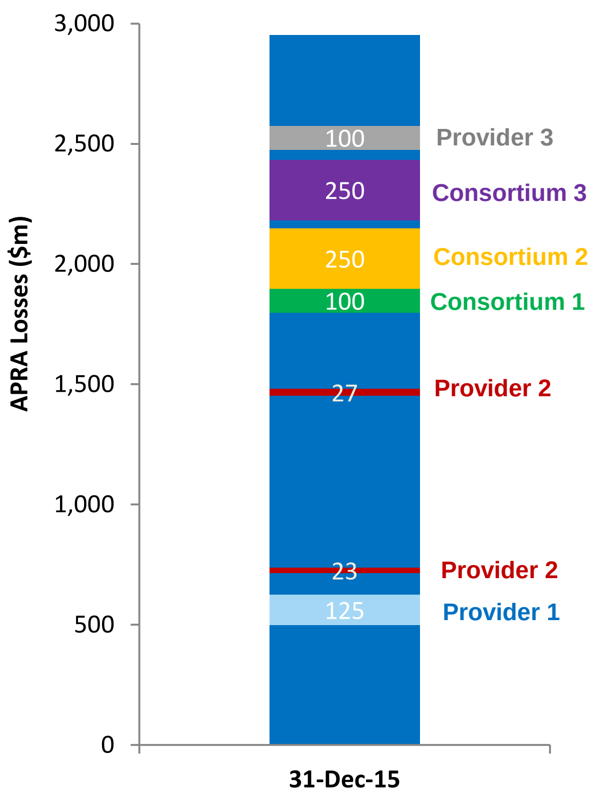
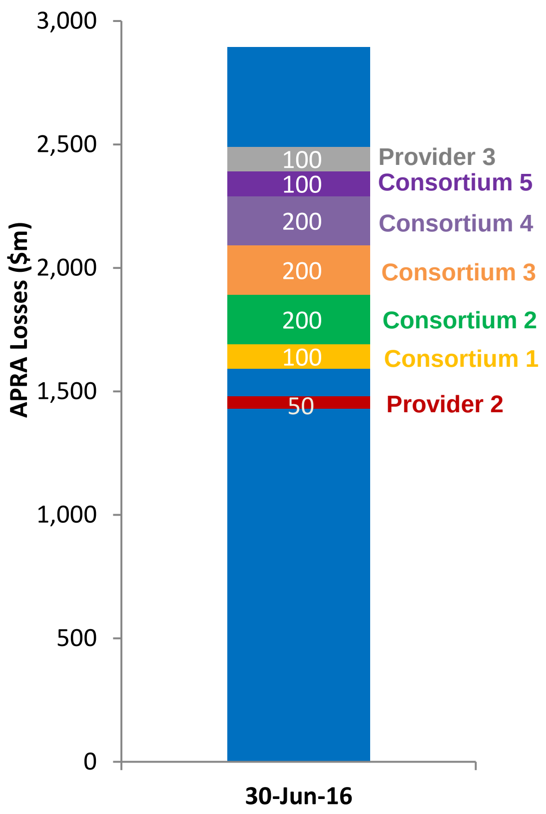


Figure 17: Reinsurance Program 30 Jun 2016



5.3 Dividend

The Board has determined a medium-term ordinary dividend payout ratio of 50-80% of Underlying NPAT.

The Board declared a fully franked interim ordinary dividend of 14.0 cents per share and a fully franked special dividend of 12.5 cents per share both payable on 31 August 2016 to shareholders registered on 17 August 2016.

Table 15: Calculation of Underlying NPAT for 1H15 and 1H16

(A$ in millions)	1H15	1H16
Reported NPAT	113.0	135.8
Adjustment for change in unrealised gains/(losses)	28.4	32.7
Adjustment for tax on change in unrealised gains/(losses)	(8.5)	(9.8)
Underlying NPAT	132.9	112.9

Table 16: Reconciliation of dividend payout ratio[1]

	1H15	1H16
Ordinary Dividend (cents per share)	12.5	14.0
Ordinary Dividend ($ millions)	81.3	71.3
Underlying NPAT ($ millions)	132.9	112.9
Dividend Payout Ratio	61.2%	63.2%

[1] Dividends are calculated for the reported period and paid subsequent to the end of that period

Section 6

Appendices

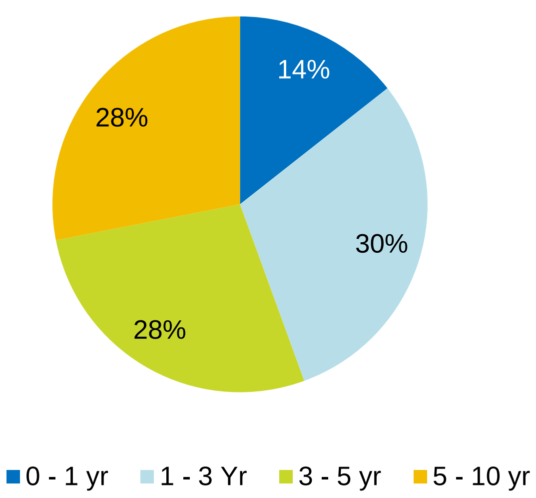
6 Appendices

Appendix A - Investment Portfolio

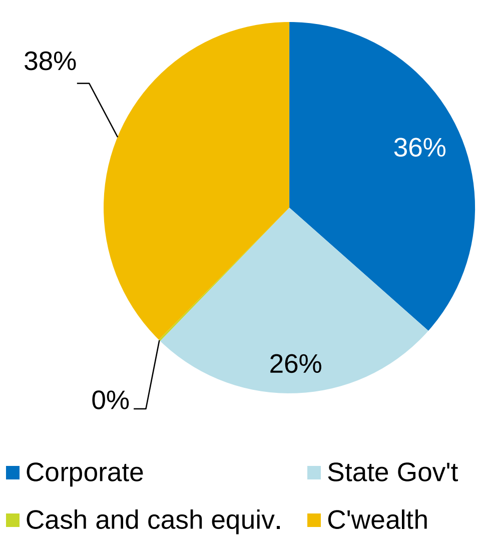
A.1 Investment assets backing technical liabilities

As at 30 June 2016, Genworth's technical funds were $1.3 billion.

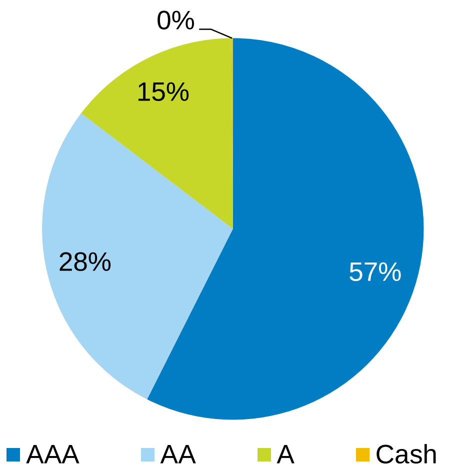
Investment assets by term to maturity



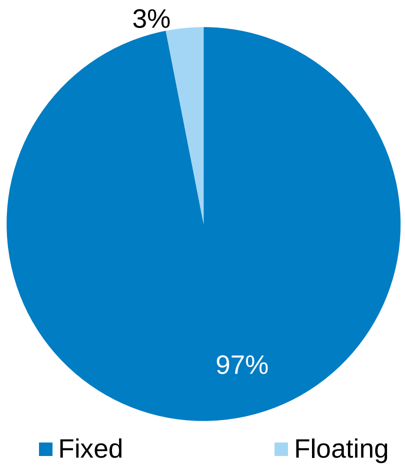
Investment assets by source



Investment asset by credit rating



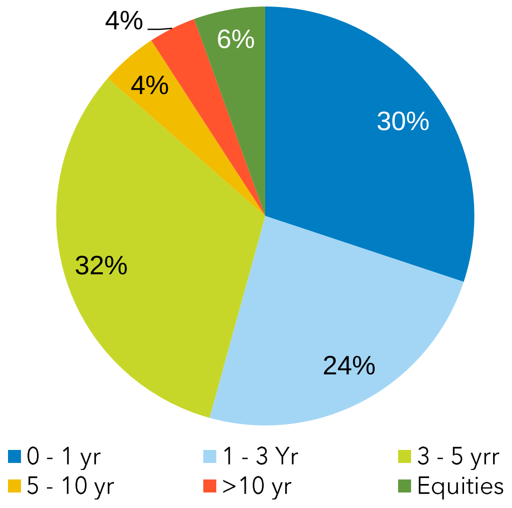
Investment assets by type



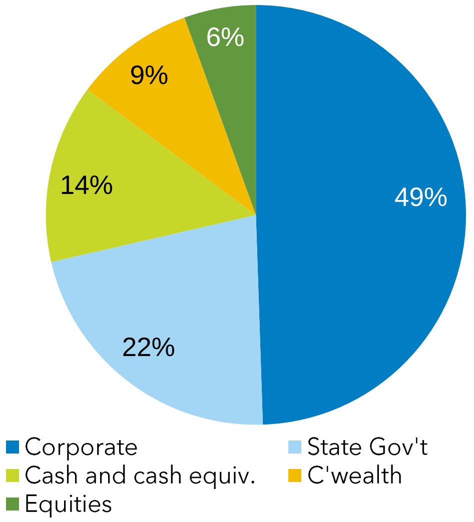
A.2 Shareholders' funds

As at 30 June 2016, Genworth shareholders' funds were $2.3 billion.

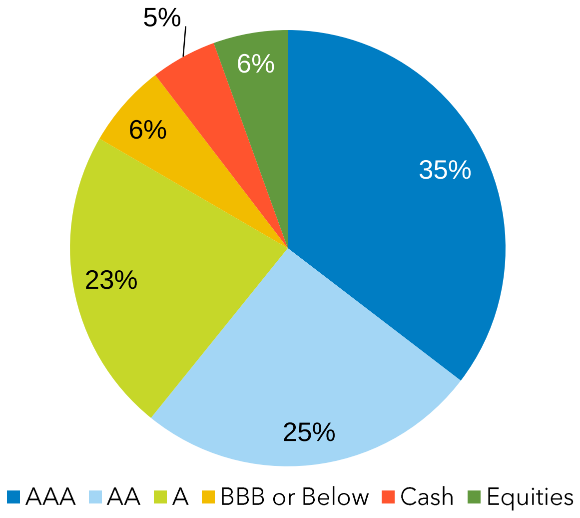
Investments assets by term to maturity



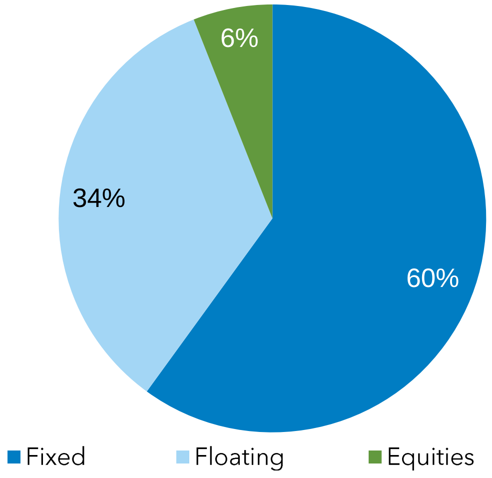
Investments assets by source



Investments assets by credit rating



Investments assets by type



Appendix B – AIFRS to USGAAP Reconciliation

The purpose of this Appendix to reconcile the USGAAP segment results to the AIFRS Genworth Consolidated Income Statement for the period ended 30 June 2016.

Walk from US GAAP AUS Segment Results to AIFRS Genworth Consolidated Income Statement for period ended 30 June 2016	**Quarterly Supplement**	**Less: Non controlling interest**	**Quarterly Supplement**	**AUD equivalent Quarterly Supplement**	**Adjustments (a)**	**(b)**	**(c)**	**(d)**	**(e)**	**Total adjustments**	**Genworth Group**
	U$M	**U$M**	**U$M**	**A$M**	**A$M**	**A$M**	**A$M**	**A$M**	**A$M**	**A$M**	**A$M**
Premiums	167		167	229						0	229
Interest income	49		49	67						0	67
Realised investment gains/ losses	2		2	2			2			2	4
Unrealised gains/ losses	-		0	-			33			33	33
Other income	0		0	(0)						0	0
Total Revenue	**218**	**0**	**218**	**298**	**0**	**0**	**34**	**0**	**0**	**34**	**333**
Net claims incurred	52		52	71				4		4	75
Other underwriting expenses	44		44	59	(9)	(20)			(1)	(29)	30
Amortization of Intangibles	0		0	0						0	0
Acquisition costs (DAC amortisation)	7		7	9		16				16	25
Interest Expense/Financing related costs	6		6	8	(0)				0	0	8
Total Expenses	**109**	**0**	**109**	**147**	**(9)**	**(4)**	**0**	**4**	**(1)**	**(8)**	**139**
Total Pre-tax Income	109	0	109	151	9	4	34	(4)	1	42	193
Total Tax Expense	35		35	49	(1)	1	10	(1)	0	9	57
Net income	**74**	**0**	**74**	**104**	**10**	**3**	**24**	**(3)**	**0**	**33**	**137**
Less: net income attributable to noncontrolling interests	39	(39)	0	0						0	0
Net income available to Genworth common stockholders	**35**	**39**	**74**	**104**	**10**	**3**	**24**	**(3)**	**0**	**33**	**137**

a) Investment income and FX measurement adjustment for U.S. entities outside Genworth Australia Group but included as part of USGAAP Aus Segment results, Corporate overhead allocation and U.S. Shareholder tax impact

(b) Differing treatment of DAC, with AGAAP seeing a higher level of deferral and amortisation

(c) Under AGAAP unrealised gains/(losses) on investments are recognised in the income statement

(d) AGAAP requires reserves to be held with a risk margin and an adjustment to the level of reserves for the non-reinsurance recoveries

(e) Additional local share based payments and other misc expense differences

Appendix C – Key Performance Measures

This section contains selected operating performance measures which are commonly used in the insurance industry as measures of operating performance. These operating performance measures enable the company to compare its operating performance across periods. All measures in this Appendix are presented in Australia dollars and prepared in accordance with Australia accounting standards which comply with IFRS and non-IFRS basis.

All figures are $AUD and AIFRS

	2015					2016		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Net premium written ($M)[1]	108	138	105	78	428	66	86	153
Loss ratio[2]	17%	27%	33%	18%	24%	27%	39%	33%
GAAP basis expense ratio[3]	27%	26%	26%	26%	26%	23%	25%	24%
Adjusted expense ratio[4]	28%	22%	30%	40%	29%	40%	34%	37%

Sales: new insurance written (NIW) ($M)	2015					2016		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Flow	7,212	8,337	8,505	6,392	30,446	6,225	6,673	12,899
Bulk	-	2,185	-	-	2,185	-	1,092	1,092
Total NIW	7,212	10,522	8,505	6,392	32,631	6,225	7,765	13,991

	2015				2016	
	1Q	2Q	3Q	4Q	1Q	2Q
Primary insurance in force ($M)	315,982	316,306	319,464	320,468	322,043	324,249
Primary risk in force ($M)[5]						
Flow	103,120	102,683	103,944	104,228	104,778	105,295
Bulk	7,473	8,024	7,869	7,540	7,465	7,718
Total	110,594	110,707	111,812	111,768	112,243	113,013

1) Net premium written is calculated as gross written premium, less refunds and reinsurance. This metric differs to what is disclosed in 2Q 2016 GFI Financial Supplement ("GFI FS") under International MI Segment Australia as a reinsurance credit related to affiliate reinsurance arrangements for historical periods are eliminated under the US segment results.
2) The ratio of incurred losses and loss adjustment expense to net earned premiums. This metric differs to what is disclosed in 2Q 2016 GFI FS under International MI Segment Australia as outlined in 1) above. In addition, under AIFRS measurement, a risk margin is added to the outstanding claims provision and the non-reinsurance recoveries are grossed up and held as a separate asset on the balance sheet.
3) The ratio of an insurer's general expenses to net earned premiums. In the business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortisation of DAC and intangibles. This metric differs to what is disclosed in Q2 2016 GFI FS under International MI segment Australia as outlined in point 1 and there is a portion of certain corporate overhead expenses allocated by GFI to Australia business for management reporting purpose, which are not included in Genworth consolidated results.
4) The ratio of an insurer's general expenses to net premiums written. This metric differs to what is disclosed in Q2 2016 GFI FS under International MI segment Australia as outlined in point 3.
5) The majority of the loans the Group insures provide 100% coverage. For representing the risk in-force, the company has computed an "effective risk in-force" amount that 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 that represents the highest expected average per-claim payment for any one underwriting year over the life of the businesses. This factor was 35% for all periods presented. The Group has certain risk share arrangements where it provides pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage amount provided is used when applying the factor.

All figures are $AUD and AIFRS

Primary Insurance	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016
Insured loans in-force (#)	1,498,197	1,481,755	1,479,676	1,478,434	1,479,544	1,477,826
Insured delinquent loans (#)	5,378	5,900	5,804	5,552	5,889	6,413
Insured delinquency rate (%	0.36%	0.40%	0.39%	0.38%	0.40%	0.43%
Flow loans in-force (#)	1,382,156	1,364,653	1,364,537	1,364,628	1,366,914	1,364,756
Flow delinquent loans (#)	5,112	5,623	5,545	5,317	5,633	6,143
Flow delinquency rate (%)	0.37%	0.41%	0.41%	0.39%	0.41%	0.45%
Bulk loans in-force (#)	116,041	117,102	115,139	113,806	112,630	113,070
Bulk delinquent loans (#)	266	277	259	235	256	270
Bulk delinquency rate (%)	0.23%	0.24%	0.22%	0.21%	0.23%	0.24%

Loss Metrics ($M)	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016
Beginning Reserves[1]	**232**	**242**	**254**	**275**	**277**	**290**
Paid claims[2]	(18)	(19)	(21)	(21)	(18)	(23)
Increase in reserves	28	31	42	23	31	46
Ending Reserves	**242**	**254**	**275**	**277**	**290**	**313**

	Mar 31, 2015		Jun 30, 2015		Sep 30, 2015		Dec 31, 2015		Mar 31, 2016		Jun 30, 2016	
	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate
State and Territory												
New South Wales	29%	0.29%	28%	0.30%	28%	0.30%	28%	0.27%	29%	0.29%	29%	0.30%
Queensland	23%	0.50%	23%	0.57%	23%	0.57%	23%	0.53%	23%	0.55%	23%	0.62%
Victoria	23%	0.32%	23%	0.34%	23%	0.35%	23%	0.33%	23%	0.35%	23%	0.37%
Western Australia	11%	0.37%	12%	0.45%	12%	0.45%	12%	0.46%	11%	0.53%	11%	0.61%
South Australia	6%	0.48%	6%	0.52%	6%	0.50%	6%	0.51%	6%	0.52%	6%	0.59%
ACT	3%	0.13%	3%	0.14%	3%	0.15%	3%	0.17%	3%	0.18%	3%	0.19%
Tasmania	2%	0.28%	2%	0.35%	2%	0.31%	2%	0.32%	2%	0.38%	2%	0.36%
New Zealand	2%	0.27%	2%	0.27%	2%	0.23%	2%	0.17%	2%	0.13%	2%	0.10%
Northern Territory	1%	0.20%	1%	0.24%	1%	0.21%	1%	0.17%	1%	0.21%	1%	0.27%
Total	**100%**	**0.36%**	**100%**	**0.40%**	**100%**	**0.39%**	**100%**	**0.38%**	**100%**	**0.40%**	**100%**	**0.43%**
By Policy Year												
2007 and prior	39%	0.29%	37%	0.32%	36%	0.31%	36%	0.29%	36%	0.29%	35%	0.31%
2008	7%	0.87%	7%	0.97%	7%	0.93%	6%	0.89%	6%	0.98%	6%	1.01%
2009	9%	0.70%	8%	0.73%	8%	0.75%	8%	0.71%	7%	0.73%	7%	0.84%
2010	6%	0.42%	6%	0.45%	6%	0.44%	6%	0.46%	6%	0.51%	6%	0.55%
2011	7%	0.42%	7%	0.46%	6%	0.46%	6%	0.46%	6%	0.52%	6%	0.58%
2012	9%	0.40%	9%	0.49%	9%	0.51%	8%	0.49%	8%	0.54%	8%	0.64%
2013	10%	0.26%	10%	0.32%	10%	0.37%	10%	0.37%	9%	0.47%	9%	0.54%
2014	11%	0.06%	11%	0.12%	11%	0.16%	11%	0.19%	11%	0.26%	10%	0.36%
2015	2%	0.00%	5%	0.00%	7%	0.01%	9%	0.02%	9%	0.06%	9%	0.11%
2016	-	-	-	-	-	-	-	-	2%	0.00%	4%	0.00%
Total	**100%**	**0.36%**	**100%**	**0.40%**	**100%**	**0.39%**	**100%**	**0.38%**	**100%**	**0.40%**	**100%**	**0.43%**

1) Outstanding claims reserve under AIFR measurement includes a risk margin allowance and is grossed up for non-reinsurance recoveries, which are held as a separate asset on the balance sheet, which is different to what is disclosed in Q2 2016 GFI FS under International MI Segment Australia
2) Movement in borrower recovery receivable on paid claims is excluded from paid claim calculation.

All figures are $AUD and AIFRS

	1Q 2015	2Q 2015	3Q 2015	4Q 2015	Total 2015	1Q 2016	2Q 2016	Total 2016
Paid claims[1] ($M), quarterly analysis								
Flow	17	19	21	21	78	18	23	41
Bulk	1	-	-	-	1	-	-	-
Total	18	19	21	21	79	18	23	41
Average paid claim [1] ($ thousands)	62.5	66.9	65.9	71.0		65.8	79.2	
Average reserve per delinquency [2] ($ thousands)	45.0	43.1	47.4	49.9		49.2	48.8	

	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016
Loan amount (%)						
Over $550K	13%	14%	14%	15%	15%	15%
$400K to $550K	19%	19%	19%	19%	20%	20%
$250K to $400K	36%	36%	36%	36%	36%	36%
$100K to $250K	26%	25%	25%	25%	24%	24%
$100K or Less	6%	5%	5%	5%	5%	5%
Total	100%	100%	100%	100%	100%	100%
Average primary loan size (thousands)	211	213	216	217	218	219

1) Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation.
2) This metric differs to what is disclosed in Q2 2016 GFI FS USGAAP results under International MI segment Australia as a risk margin is added to the outstanding claim provision under AIFRS measurement and the non reinsurance recoveries are grossed up and held as a separate asset on the balance sheet. This number also differs to that disclosed in the Prospectus. See the Glossary for more information.

All figures are $AUD and AIFRS

	Mar 31, 2015			June 30, 2015			Sep 30, 2015			Dec 31, 2015			Mar 31, 2016			June 30, 2016		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
by loan to value ratio [1]																		
95.01% and above	21,105	21,104	1	21,097	21,096	0	20,954	20,954	0	20,654	20,654	0	20,336	20,335	0	19,917	19,916	0
90.01% to 95.00%	27,707	27,698	9	27,887	27,878	9	28,348	28,340	8	28,718	28,710	8	29,023	29,015	8	29,371	29,363	8
80.01% to 90.00%	29,136	29,043	92	28,802	28,712	90	29,258	29,170	88	29,510	29,422	88	29,753	29,666	87	30,060	29,974	86
80.00% and below	32,646	25,275	7,372	32,922	24,996	7,926	33,252	25,480	7,772	32,886	25,442	7,444	33,131	25,762	7,370	33,665	26,042	7,623
Total	110,594	103,120	7,473	110,707	102,683	8,024	111,812	103,944	7,869	111,768	104,228	7,540	112,243	104,778	7,465	113,013	105,295	7,718

1) Loan amount in loan-to-value ratio calculation includes capitalised premiums, where applicable.

Appendix D – Prospectus Extract: Sections 7.1 & 7.2

7.1 Introduction

This Appendix contains a summary of the financial information for Genworth Australia, which includes:

- The pro forma historical financial information for Genworth Australia comprising:
  - The pro forma historical consolidated statement of comprehensive income for each of the years ended 31 December 2011, 2012 and 2013 ("FY11", "FY12" and "FY13") ("Pro Forma Historical Consolidated Statements of Comprehensive Income") (refer to Section 7.3);
  - The pro forma historical consolidated statement of financial position as at 31 December 2011, 2012 and 2013 ("Pro forma Historical Consolidated Statements of Financial Position") (refer to Section 7.4); and
  - The pro forma historical consolidated statement of cash flows for FY11, FY12 and FY13 ("Pro Forma Historical Consolidated Statements of Cash Flows") (refer to Section 7.5).

  (together, the "Pro Forma Historical Financial Information").

- The forecast financial information for Genworth Australia comprising:
  - The Directors' pro forma forecast consolidated statement of comprehensive income for the year ending 31 December 2014 ("FY14F") (the "Pro Forma Forecast Consolidated Statement of Comprehensive Income") (refer to Section 7.10.1); and
  - The Directors' statutory forecast profit before tax for FY14F (refer to Section 7.10.2).

  (together, the "Forecast Financial Information" and, together with the Pro Forma Historical Financial Information, the "Financial Information").

Also summarised in this Section are:

- The basis of preparation and presentation of the Financial Information (refer to Section 7.2);
- Pro forma adjustments to the Historical Financial Information (as defined in Section 7.2.2) and reconciliations between the Historical Financial Information and the Pro Forma Historical Financial Information (refer to Section 7.6 and Appendix A.5);
- Accounting policies (refer to Section 7.7);
- Key drivers of Genworth Australia's NPAT (refer to Section 7.8);
- Management discussion and analysis of the historical consolidated financial information of the GFMI Finance Group for the years ended 31 December 2011, 2012 and 2013 (refer to Section 7.9);
- The material assumptions and commentary underlying the Forecast Financial Information (refer to Section 7.11);
- Sensitivity analysis of the Forecast Financial Information to changes in key assumptions (refer to Section 7.12);
- Underlying NPAT (refer to Section 7.13); and
- Underlying Equity (refer to Section 7.14).

The Financial Information has been reviewed by KPMG Transaction Services, which has provided an Investigating Accountant's Report on the Pro Forma Historical Financial Information in Section 10 and an Investigating Accountant's Report on the Forecast Financial Information in Section 10.

The Investigating Accountant's Report on the Forecast Financial Information has been prepared solely in connection with the Retail Offer of Shares in Australia and has been intentionally omitted from the US Offering Memorandum being distributed in the US.

All amounts disclosed in this Section are presented in Australian dollars, and unless otherwise noted, are rounded to the nearest thousand dollars.

7.2 Basis of preparation and presentation of the Financial Information

7.2.1 Overview

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. Australian Accounting Standards are the same as International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Pro Forma Historical Financial Information and Forecast Financial Information presented in this Prospectus are unaudited. The Forecast Financial Information is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

Genworth Australia's accounting policies and selected notes relevant to the Historical Financial Information are included in Appendix C.

The information in this Section should also be read in conjunction with the management discussion and analysis of the Historical Financial Information in Section 7.9 and the material assumptions and commentary underlying the Forecast Financial Information in Section 7.11, in addition to the risk factors set out in Section 8 and the other information contained in this Prospectus.

7.2.2 Preparation of the Pro Forma Historical Financial Information

Under the existing (pre IPO) group structure, there is no single Australian company with 100% control of Genworth Financial's Australian subsidiaries. Prior to settlement, the Issuer will become the new holding company of the Group through the implementation of a reorganisation plan ("Reorganisation"). After the Reorganisation, the Group will consist of the Issuer and its Subsidiaries (as defined below). The Pro Forma Historical Financial Information has been derived from the historical consolidated financial statements of the GFMI Finance Group for FY11, FY12 and FY13 ("Historical Financial Information"), which have been audited in accordance with Australian Auditing Standards by KPMG.

The GFMI Finance Group's historical consolidated profit before tax for FY11, FY12 and FY13 and net assets as at 31 December 2011, 2012 and 2013 represent, in each case, approximately 99% of Genworth Australia's pro forma historical consolidated profit before tax and pro forma net assets for each of those periods. Additional information on the consolidated Historical Financial Information is presented in Appendix A. Pro forma adjustments have been made to the Historical Financial Information to reflect the impact of the Reorganisation and the Offer. Refer to Section 12.1.6 for further details on the Reorganisation and Section 7.6 for further details on the Pro Forma adjustments to the Historical Financial Information.

Genworth Australia has determined that the Reorganisation represents a business combination involving entities under "common control", and therefore Genworth Australia is not required to account for the Reorganisation as a business combination under Australian Accounting Standard AASB 3 Business Combinations. Genworth Australia has made an accounting policy election to consolidate the assets and liabilities of the Issuer and its Subsidiaries (as defined below) at their historical book values referred to in this Prospectus as a "pro forma consolidation". As a result, the Pro Forma Historical Financial Information incorporates the assets and liabilities of the Issuer and its Subsidiaries as if they had operated as a single consolidated group for FY11, FY12 and FY13.

Following the Reorganisation, the following entities will be consolidated to form Genworth Australia:

- Genworth Financial Mortgage Insurance Pty Limited, the primary LMI operating entity;
- Genworth Financial Mortgage Indemnity Limited, an LMI operating entity that has been in run-off since 2003;
- Genworth Financial Services Pty Limited, a non-operating holding company;

- Genworth Financial Mortgage Insurance Holdings Pty Limited, a non-operating holding company; and
- Genworth Financial Mortgage Insurance Finance Holdings Limited, a non-operating holding company;

  (together, the "GFMI Finance Subsidiaries");

- Genworth Financial Mortgage Insurance Finance Pty Limited, the parent holding company within the GFMI Finance Group.

  (together, consolidated with the GFMI Finance Subsidiaries, the "GFMI Finance Group");
- Genworth Financial New Holdings Pty Ltd, a non-operating holding company; and
- Genworth Financial Australia Holdings LLC, a service company,

  (together, with the entities within the GFMI Finance Group, the "Subsidiaries"); and
- Genworth Mortgage Insurance Australia Limited, the Issuer and the parent company of the Genworth Australia group,

  (together, with the Subsidiaries, the "Group" or "Genworth Australia").

The historical financial statements for each of Genworth Australia's Subsidiaries for FY11, FY12 and FY13, with the exception of Genworth Financial Australia Holdings LLC, have been audited by KPMG in accordance with Australian Auditing Standards. Genworth Financial Australia Holdings LLC is an intragroup holding company and all of its transactions are with other group companies. KPMG has performed an audit in accordance with Australian Auditing Standards of Genworth Financial Australia Holdings LLC's trial balance as at 31 December 2011, 2012 and 2013.

Investors should note that past results are not an indication of future performance.

7.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by Genworth Australia based on an assessment of economic and operating conditions and a number of best estimate assumptions regarding future events as set out in Section 7.11. The Forecast Financial Information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will be realised.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from what is assumed in preparing the Forecast Financial Information and that this may have a material negative effect on Genworth Australia's actual financial performance or financial position. In addition, the assumptions on which the Forecast Financial Information are based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of Genworth Australia and the Directors and are not reliably predictable. Investors are advised to review the material assumptions set out in Section 7.11 in conjunction with the sensitivity analysis set out in Section 7.12, the risk factors set out in Section 8, the notes relevant to the Pro Forma Historical Financial Information included in Appendix C and all other information set out in this Prospectus. Accordingly, none of Genworth Australia, the Directors or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The forecast net profit before tax for FY14F has been presented on both a pro forma and statutory basis. The statutory forecast net profit before tax is the best estimate of the financial performance that the Directors expect to report in Genworth Australia's financial statements following Completion of the Offer, for the year ending 31 December 2014. Refer to Section 7.10.2 for a reconciliation between Genworth Australia's pro forma forecast net profit before tax and statutory forecast net profit before tax for FY14F.

7.2.4 Preparation of non-IFRS financial measures

The financial metrics presented in this Section, such as those in Section 7.11, 7.13 and 7.14, include non-IFRS financial measures, such as Underlying Equity, Underlying NPAT, Loss Ratio, Expense Ratio, Combined Ratio, ROE and Underlying ROE, which Genworth Australia believes provides information that is useful for investors in understanding its performance, facilitates the comparison of results from period to period, and presents widely used industry performance measures.

However, these non-IFRS financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards.

Although Genworth Australia believes these non-IFRS measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any of the non-IFRS financial measures presented, which have not been audited or reviewed.

Glossary

7 Glossary

Term	Definition
ASX	ASX Limited ABN 98 008 624 691 or Australian Securities Exchange
Average reserve per delinquency	Average reserve per delinquency is calculated by dividing the outstanding claims balance by the number of delinquencies. This calculation differs from the average reserve per delinquency quoted in the Prospectus which was calculated by dividing the central estimate of the outstanding claims balance, net of the non-reinsurance recoveries, by the number of delinquencies
Book Year	The calendar year an LMI policy is originated
Borrower Sale	Borrower Sale is a type of loss mitigation activity initiated by Genworth by providing a dedicated team that includes a qualified real estate agent and working with borrowers and lenders on any borrower shortfall sale scenario with guidance and support. This activity is to help borrowers reduce any potential shortfall while reducing the claim size to which Genworth is exposed
Business select	Providing Self-Employed Borrowers access to residential mortgage finance by providing limited evidence of income. The borrower self certifies an income that is used to establish serviceability
Combined ratio	The combined ratio is the sum of the loss ratio and the expense ratio
Common Equity Tier 1 or CET1	The highest quality and most loss absorbing form of capital. Consists of total accounting equity, adjustments for certain reserves and adjustments for certain other items, such as intangible assets, which are excluded from the capital base
Delinquency rate	The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies
Expense ratio	The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium
Flow	On a loan by loan basis at the time of origination by the lender customer
Gearing	Gearing is calculated as debt divided by the sum of equity plus debt
Genworth Australia	Means Genworth or the Group
HLVR	High loan to value ratio (excluding capitalisation of LMI premium). Generally, a residential mortgage loan with an LVR in excess of a specified benchmark is referred to as an HLVR loan. This LVR benchmark is commonly 80%
Insurance in force	The original principal balance of all mortgage loans currently insured
Insurance margin	The insurance margin is calculated by dividing the profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses) by the net earned premium

Investment return	The investment return is calculated as the interest income on technical funds plus the interest income on shareholder funds (excluding realised and unrealised gains/(losses)) divided by the average balance of the opening and closing cash and investments balance for each financial year
Lender Customer	A lender that is a customer of the Group
Level 2	A term defined by APRA under GPS 001 referring to a consolidated insurance group
Loss ratio	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
Low Doc	Low doc loans (or low documentation loans) are generally used where a borrower does not have a verifiable income and generally require the borrower to complete a statutory declaration of financial income
LVR	Loan to value ratio
NIW	New insurance written
NOHC	Non-operating holding company
NPAT	Net profit after tax. This has been calculated on a pro forma basis
PCA	Prescribed capital amount
PCA coverage	The PCA coverage is calculated by dividing the regulatory capital base by the prescribed capital amount
PCR	Prudential Capital Requirement comprising the PCA and any supervisory adjustment determined by APRA
Regulatory capital base	The regulatory capital base is the sum of Tier 1 Capital and Tier 2 Capital
Return on Equity (ROE)	The ROE is calculated by dividing NPAT by the average of the opening and closing equity balance for a financial period
Technical Funds	The investments held to support premium liabilities and outstanding claims reserves
Tier 1 Capital	As defined by GPS 112, Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: · Provide a permanent and unrestricted commitment of funds; · Are freely available to absorb losses; · Do not impose any unavoidable servicing charge against earnings; and · Rank behind claims of policyholders and creditors in the event of winding up
Underlying Equity	Underlying Equity is defined as total equity excluding the after-tax impact of unrealised gains (losses) on the investment portfolio. This has been calculated on a pro forma basis
Underlying NPAT	Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) on the investment portfolio

Underlying ROE	The Underlying ROE is calculated by dividing Underlying NPAT by the average of the opening and closing Underlying equity balance for a financial period
UPR	Unearned premium reserve