

# Genworth Mortgage Insurance Australia

1H 2017 Financial Results Presentation

2 August 2017



# Disclaimer

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# Introduction

Georgette Nicholas, CEO

# 1H17 financial results summary

(A\$ millions)	1H16	1H17	Change %
Gross written premium	189.8	182.3	(4.0%)
Net earned premium	228.8	211.6	(7.5%)
Reported net profit after tax	135.8	88.7	(34.7%)
Underlying net profit after tax	112.9	113.5	0.5%
Ordinary dividends per share (cps)	14.0	12.0	(14.3%)
Ordinary dividends payout ratio	63.2%	53.9%	(9.3%)

Key financial measure	FY17 guidance	1H17 actual
NEP growth	Down 10-15 per cent	(7.5%) ✓
Full year loss ratio	40 to 50 per cent	34.8% ✓
Dividend payout ratio	50%-80%	53.9% ✓

## 1H result in line with expectations

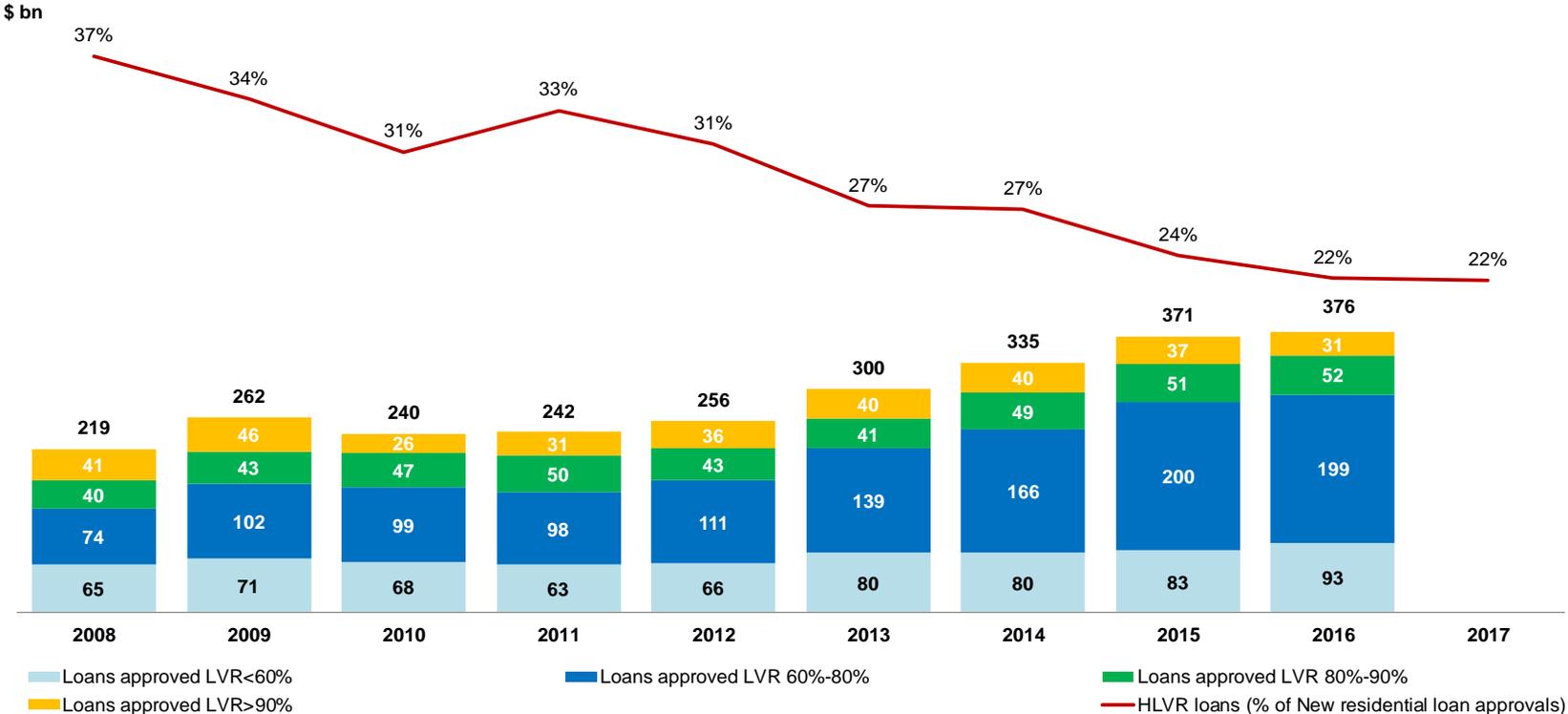
- GWP lower on changes in the customer portfolio and reflects the impact of \$2.1 billion bulk portfolio transactions
- Reported NPAT includes after-tax mark-to-market loss of \$24.8 million on the investment portfolio
- Underlying NPAT includes \$23.6 million after-tax realised gain following the rebalancing of the investment portfolio
- Loss ratio includes \$8.2 million impact of movement in non-reinsurance recoveries on paid claims, normalised loss ratio of 39%

## Risk management

- Continued pressure from mining regions on delinquency development and claims experience
- Focus on maintaining risk management discipline in a changing market

# Residential mortgage lending market

## Originations and HLVR penetration<sup>1</sup>



Note: Totals may not sum due to rounding. Total new residential loans approved in the 3 months to 31 March 2017 were \$89.3 billion, up 9.5% on the previous corresponding period.

1. Prior periods have been restated in line with market updates.

Sources: APRA Quarterly ADI property exposures statistics (ADI's new housing loan approvals), March 2017.

# Macroeconomic conditions

## Delinquency rates by geography

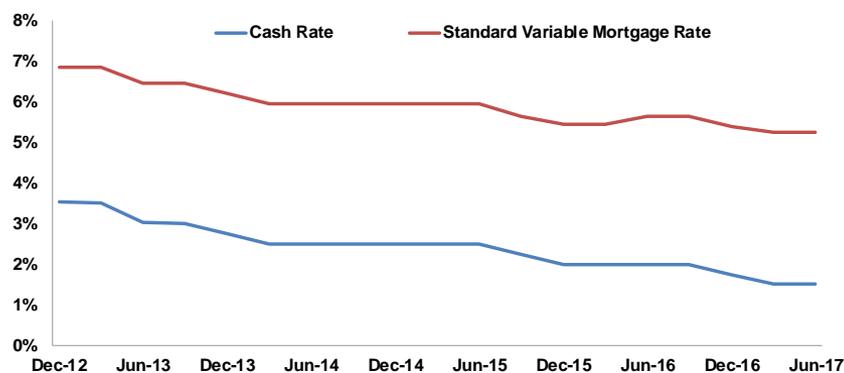
State	Jun 16	Jun 17	Change (basis points)
New South Wales	0.30%	0.32%	2 bps
Victoria	0.37%	0.41%	4 bps
Queensland	0.62%	0.72%	10 bps
Western Australia	0.61%	0.86%	25 bps
South Australia	0.59%	0.65%	6 bps
<b>Group</b>	<b>0.43%</b>	<b>0.51%</b>	<b>8 bps</b>

## Unemployment rates (seasonally adjusted)

State	Jun 16	Jun 17	Change (basis points)
New South Wales	5.2%	4.8%	(40) bps
Victoria	5.7%	5.9%	20 bps
Queensland	6.4%	6.5%	10 bps
Western Australia	5.9%	5.6%	(30) bps
South Australia	7.3%	6.6%	(70) bps
<b>National</b>	<b>5.7%</b>	<b>5.6%</b>	<b>(10) bps</b>

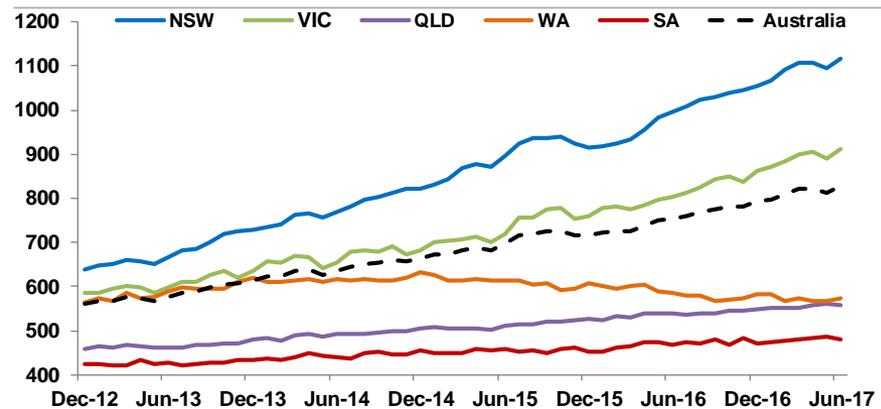
Source: Australian Bureau of Statistics

## Interest rates



Source: Reserve Bank of Australia

## House prices – Capital city dwellings (\$000)



Source: CoreLogic

# Genworth value proposition

Innovation and technology will underpin Genworth's value proposition

## Market & regulatory changes

- Changing credit cycle
- New and refined bank capital requirements
- Tighter liquidity measures
- Increased threat of competition
- Cost pressures



## Genworth value proposition

- Customer focused
- Risk management partner
- Mortgage market insights
- Regulatory advocacy
- Technology driven, lean and agile

Genworth remains focused on the strategic needs of its customers and on delivering a sustainable return on equity for its shareholders.

# Genworth's Strategic Objectives

A refined strategic plan to re-ignite profitable growth over the medium term



**Mission:** We support Australians in realising their dream of home ownership through the provision of capital and risk management solutions to mortgage lenders



**Vision:** To be the leading provider of customer-focused capital and risk management solutions in residential mortgage markets

## Immediate and Ongoing Initiatives (2017-2018)

### 1. Redefine Core Business Model



Cost Efficiency



Underwriting Efficiency



Product Enhancement



Leverage Data and Partnerships



Regulator and Policy Maker Advocacy

## Longer Term Initiatives (2019+)

### 2. Leverage Data and Technology to Add Value Across the Mortgage Value Chain



Product Innovation



Loss Management Solutions



Leverage HLVR Experience and Expertise

## Strategic Enablers



People, Organisation and Cultural Change



Data and Analytics



Technology



Stakeholder Management



# Detailed financial performance

Luke Oxenham, CFO

# 1H 2017 income statement

(A\$ millions)	1H16	1H17	Change 1H16 v 1H17
Gross written premium	189.8	182.3	(4.0%)
Movement in unearned premium	76.0	63.1	(17.0%)
<b>Gross earned premium</b>	<b>265.8</b>	<b>245.4</b>	<b>(7.7%)</b>
Outwards reinsurance expense	(36.9)	(33.9)	8.1%
<b>Net earned premium</b>	<b>228.8</b>	<b>211.6</b>	<b>(7.5%)</b>
Net claims incurred	(75.4)	(73.6)	2.4%
Acquisition costs	(25.3)	(27.2)	(7.5%)
Other underwriting expenses	(30.5)	(27.5)	9.8%
<b>Underwriting result</b>	<b>97.6</b>	<b>83.3</b>	<b>(14.7%)</b>
Investment income on technical funds <sup>1</sup>	47.6	18.5	(61.1%)
<b>Insurance profit</b>	<b>145.2</b>	<b>101.8</b>	<b>(29.9%)</b>
Investment income on shareholder funds <sup>1</sup>	56.2	30.6	(45.6%)
Financing costs	(8.2)	(5.7)	30.5%
<b>Profit before income tax</b>	<b>193.3</b>	<b>126.7</b>	<b>(34.5%)</b>
Income tax expense	(57.5)	(38.0)	33.9%
<b>Net profit after tax</b>	<b>135.8</b>	<b>88.7</b>	<b>(34.7%)</b>
<b>Underlying net profit after tax</b>	<b>112.9</b>	<b>113.5</b>	<b>0.5%</b>

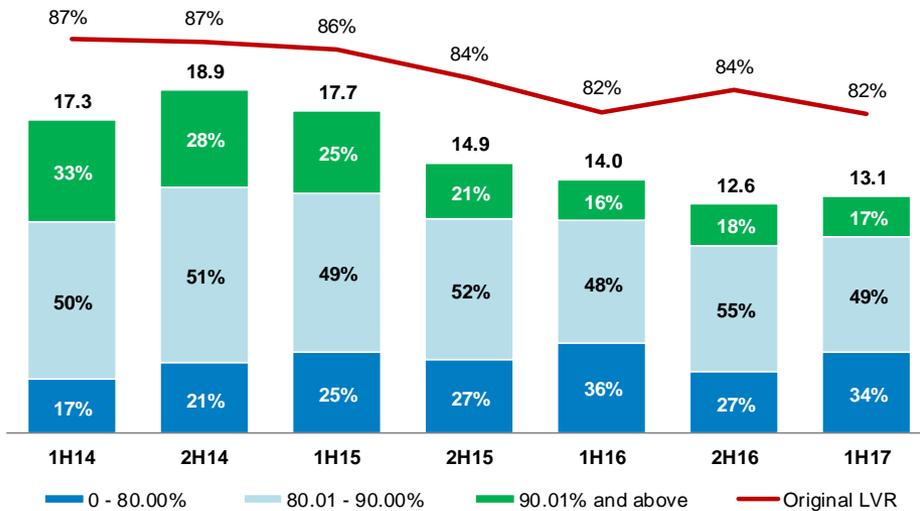
Note: Totals may not sum due to rounding.

1. Investment income on technical funds and shareholder funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

# New insurance written

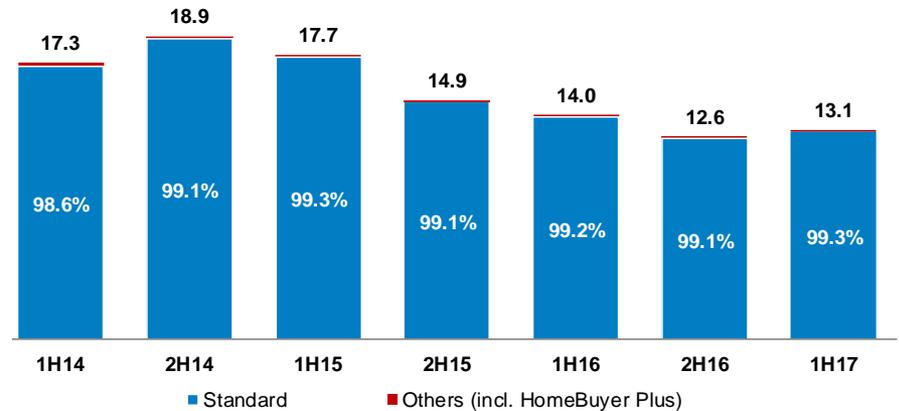
## NIW<sup>1</sup> by original LVR<sup>2</sup> band

\$ bn, %



## NIW<sup>1</sup> by product type

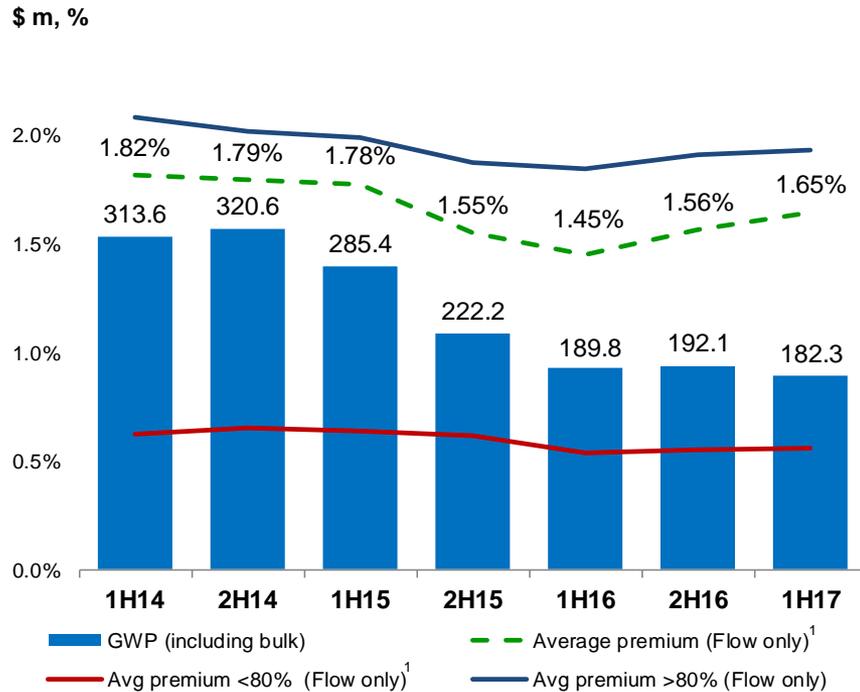
\$ bn, %



1. NIW includes capitalised premium. NIW excludes excess of loss reinsurance.
2. Original LVR excludes capitalised premium.

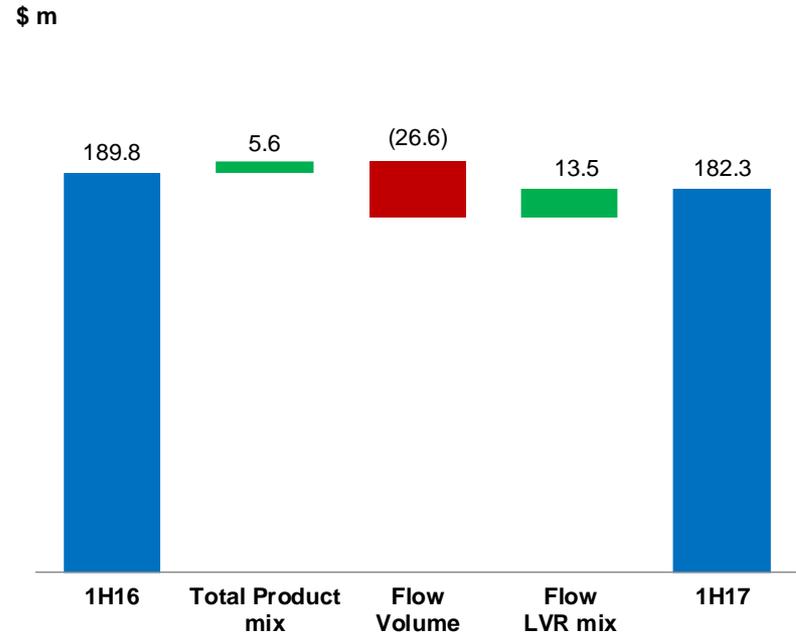
# Gross written premium

## GWP and average price of flow business



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

## GWP walk



# Net incurred claims

(A\$ millions unless otherwise stated)	1Q16	2Q16	1H16	3Q16	4Q16	2H16	1Q17	2Q17	1H17
Number of paid claims (#)	280	286	566	321	312	633	356	355	711
Average paid claim <sup>1</sup> (\$'000)	65.8	79.2	72.6	73.3	65.0	70.8	92.5	112.2	102.3
<b>Claims paid<sup>1</sup></b>	<b>18.4</b>	<b>22.7</b>	<b>41.1</b>	<b>23.5</b>	<b>21.3</b>	<b>44.8</b>	<b>32.9</b>	<b>39.8</b>	<b>72.7</b>
Movement in non-reinsurance recoveries on paid claims	0.1	-	0.1	-	(1.0)	(1.0)	-	(8.2)	(8.2)
Movement in reserves	12.2	22.0	34.2	28.9	10.6	39.5	4.6	4.4	9.0
<b>Net claims incurred</b>	<b>30.7</b>	<b>44.7</b>	<b>75.4</b>	<b>52.5</b>	<b>30.9</b>	<b>83.4</b>	<b>37.6</b>	<b>36.0</b>	<b>73.6</b>
<b>Reported loss ratio (%)</b>	<b>27.0%</b>	<b>38.8%</b>	<b>33.0%</b>	<b>45.3%</b>	<b>28.6%</b>	<b>37.2%</b>	<b>34.8%</b>	<b>34.7%</b>	<b>34.8%</b>
Movement in non-reinsurance recoveries on paid claims	(0.1)	-	(0.1)	-	1.0	1.0	-	8.2	8.2
<b>Normalised net claims incurred</b>	<b>30.6</b>	<b>44.7</b>	<b>75.3</b>	<b>52.5</b>	<b>31.9</b>	<b>84.4</b>	<b>37.6</b>	<b>44.2</b>	<b>81.8</b>
<b>Net earned premium</b>	<b>113.5</b>	<b>115.3</b>	<b>228.8</b>	<b>115.9</b>	<b>108.1</b>	<b>224.0</b>	<b>107.9</b>	<b>103.7</b>	<b>211.6</b>
<b>Normalised loss ratio (%)</b>	<b>27.0%</b>	<b>38.8%</b>	<b>32.9%</b>	<b>45.3%</b>	<b>29.5%</b>	<b>37.7%</b>	<b>34.8%</b>	<b>42.6%</b>	<b>38.7%</b>

Note: Totals may not sum due to rounding.

1. Movement in non-reinsurance recoveries on paid claims is excluded from average paid claim calculation and claims paid.

# Loss development

## Quarterly delinquency roll and incurred loss drivers

Delinquency roll	1Q16	2Q16	1H16	3Q16	4Q16	2H16	1Q17	2Q17	1H17
<b>Opening balance</b>	<b>5,552</b>	<b>5,889</b>	<b>5,552</b>	<b>6,413</b>	<b>6,844</b>	<b>6,413</b>	<b>6,731</b>	<b>6,926</b>	<b>6,731</b>
New delinquencies	2,697	3,215	5,912	3,214	2,786	6,000	2,852	3,145	5,997
Cures	(2,080)	(2,405)	(4,485)	(2,462)	(2,587)	(5,049)	(2,301)	(2,431)	(4,732)
Paid claims	(280)	(286)	(566)	(321)	(312)	(633)	(356)	(355)	(711)
<b>Closing delinquencies</b>	<b>5,889</b>	<b>6,413</b>	<b>6,413</b>	<b>6,844</b>	<b>6,731</b>	<b>6,731</b>	<b>6,926</b>	<b>7,285</b>	<b>7,285</b>
Delinquency rate	0.40%	0.43%	0.43%	0.47%	0.46%	0.46%	0.48%	0.51%	0.51%
Average reserve per delinquency (\$'000)	49.2	48.8	48.8	50.2	52.8	52.8	52.1	49.5	49.5

Net Claims Incurred (\$M)	1Q16	2Q16	1H16	3Q16	4Q16	2H16	1Q17	2Q17	1H17
New delinquencies	35	45	80	46	45	91	45	46	91
Cures	(37)	(39)	(76)	(39)	(44)	(83)	(38)	(38)	(76)
Ageing <sup>1</sup>	29	35	64	43	31	74	30	38	68
Paid claims gap <sup>2</sup>	(1)	(1)	(2)	(3)	(1)	(4)	(2)	1	(1)
Non-reinsurance recoveries on paid claims	-	-	-	-	(1)	(1)	-	(8)	(8)
Other Adjustments	5	5	10	5	1	6	3	(3)	-
<b>Net Claims Incurred</b>	<b>31</b>	<b>45</b>	<b>76</b>	<b>52</b>	<b>31</b>	<b>83</b>	<b>38</b>	<b>36</b>	<b>74</b>

1. Ageing relates to reserve movements on delinquencies that remain delinquent from prior periods

2. Paid claims gap is the difference between claim payments and reserves release on paid claims

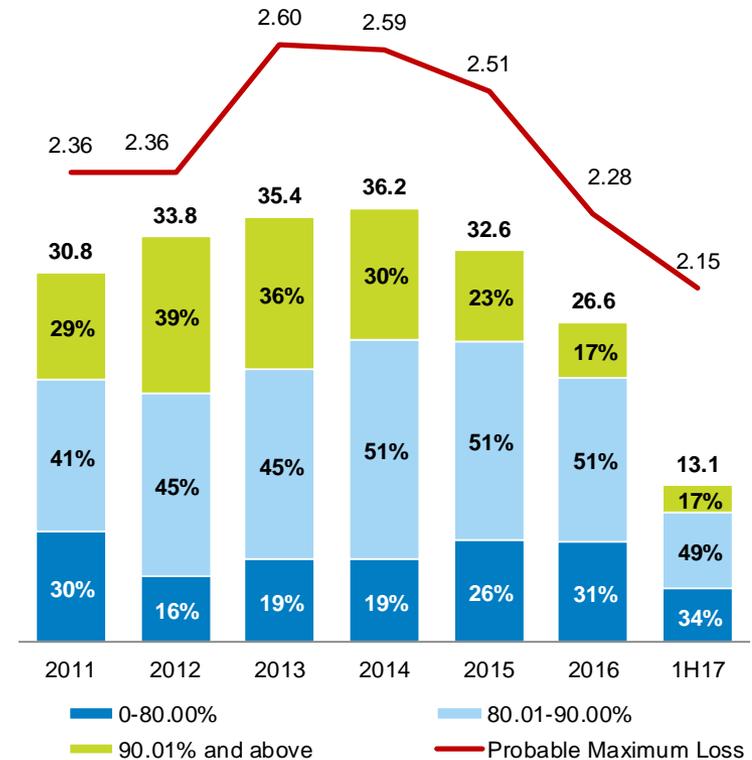
# 1H 2017 regulatory capital position

(A\$ in millions)	31 Dec 16	30 Jun 17
<b>Capital Base</b>		
Common Equity Tier 1 Capital	2,012.8	2,012.8
Tier 2 Capital	200.0	200.0
<b>Regulatory Capital Base</b>	<b>2,212.8</b>	<b>2,212.8</b>
<b>Capital Requirement</b>		
Probable Maximum Loss (PML)	2,284.6	2,148.7
Net premiums liability deduction	(288.8)	(271.5)
Allowable reinsurance	(900.5)	(950.5)
<b>LMI Concentration Risk Charge (LMICRC)</b>	<b>1,095.3</b>	<b>926.8</b>
Asset risk charge	111.0	115.8
Asset concentration risk charge	-	-
Insurance risk charge	229.8	207.2
Operational risk charge	30.0	26.4
Aggregation benefit	(52.2)	(53.7)
<b>Prescribed Capital Amount (PCA)</b>	<b>1,413.9</b>	<b>1,222.6</b>
<b>PCA Coverage ratio (times)</b>	<b>1.57 x</b>	<b>1.81 x</b>

Note: Totals may not sum due to rounding.

NIW by original LVR band and Probable Maximum Loss

\$ bn



# Ongoing program of capital management

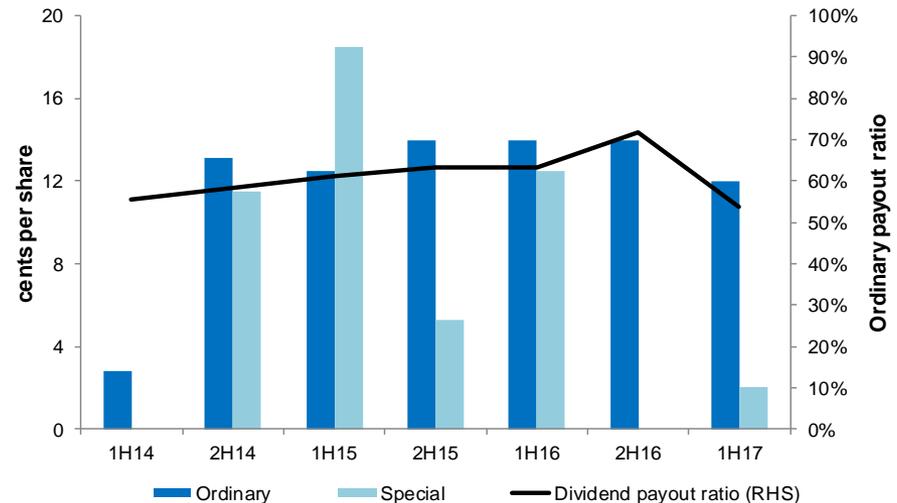
## Recent actions

- Since listing, Genworth has paid out all after-tax profits by way of ordinary and special dividends to shareholders.
- Reinsurance program of \$950 million as at 1 January 2017. Program was restructured on more favourable terms.
- Board declared fully franked dividends (12 cps Ordinary and 2 cps Special).
- Announced on-market buy-back; up to \$100 million.

## Future actions being considered

- The Company continues to actively manage its capital position and is continually evaluating its excess capital and potential uses.

## Genworth dividends



# Balance sheet and unearned premium reserve

Strong balance sheet with \$3.5bn in cash and investments and \$1.1bn in UPR

## Balance sheet as at 30 June 2017

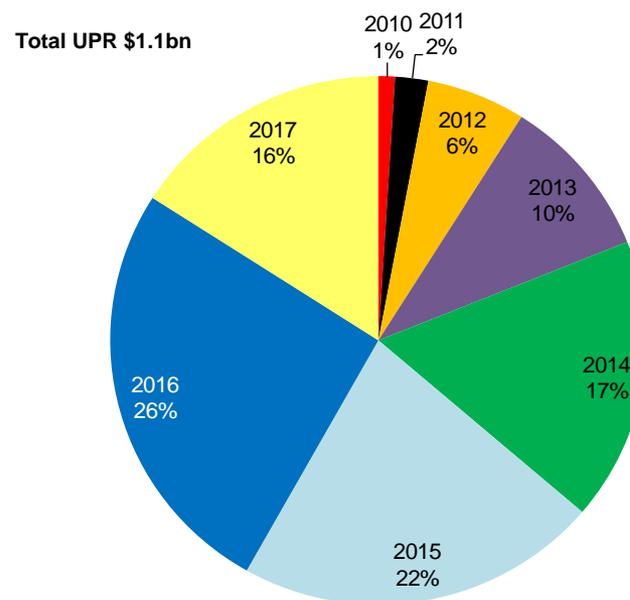
(A\$ in millions)	31 Dec 16	30 Jun 17
<b>Assets</b>		
Cash and cash equivalents	57.6	39.4
Accrued investment income	28.8	21.1
Investments	3,465.0	3,456.6
Deferred reinsurance expense	80.2	179.3
Non-reinsurance recoveries	34.4	27.5
Deferred acquisition costs	142.0	136.3
Deferred tax assets	10.0	9.5
Goodwill and Intangibles	11.1	10.9
Other assets <sup>1</sup>	4.4	4.7
<b>Total assets</b>	<b>3,833.4</b>	<b>3,885.2</b>
<b>Liabilities</b>		
Payables <sup>2</sup>	130.3	218.3
Outstanding claims	355.5	365.1
Unearned premiums	1,177.8	1,114.7
Interest bearing liabilities	196.0	196.5
Employee provisions	6.4	6.9
<b>Total liabilities</b>	<b>1,866.0</b>	<b>1,901.4</b>
<b>Net assets</b>	<b>1,967.4</b>	<b>1,983.8</b>

Note: Totals may not sum due to rounding.

1. Includes trade receivables, prepayments and plant and equipment.

2. Includes reinsurance payables.

## Unearned premium by year as at 30 June 2017



- During the second half of the year, Genworth will complete its annual review of the premium earning pattern.



# Summary and conclusion

Georgette Nicholas, CEO

# 2017 outlook

- Australian economic conditions have moderated recently as the economy continues to transition away from the mining investment boom.
- The unemployment rate posted modest improvement since year end but key labour market indicators remain mixed. Under-employment remains elevated, implying a spare capacity in the economy, particularly in certain regional economies and is elevating delinquencies in these regions.
- House price growth is likely to moderate in 2017 following regulatory measures to slow the growth in investor lending and limit the flow of new interest-only lending. Recent mortgage interest rate increases, particularly for investor loans, may also impact price growth this year.
- The Company continues to actively manage its capital position and is continually evaluating its excess capital and potential uses.

## Key financial measures - FY17 Guidance

Net earned premium growth	Down 10 to 15 per cent
Full year loss ratio	40 to 50 per cent
Ordinary dividend payout ratio	50 to 80 per cent

Full year outlook is subject to market conditions and unforeseen circumstances or economic events



# Questions

Georgette Nicholas, CEO

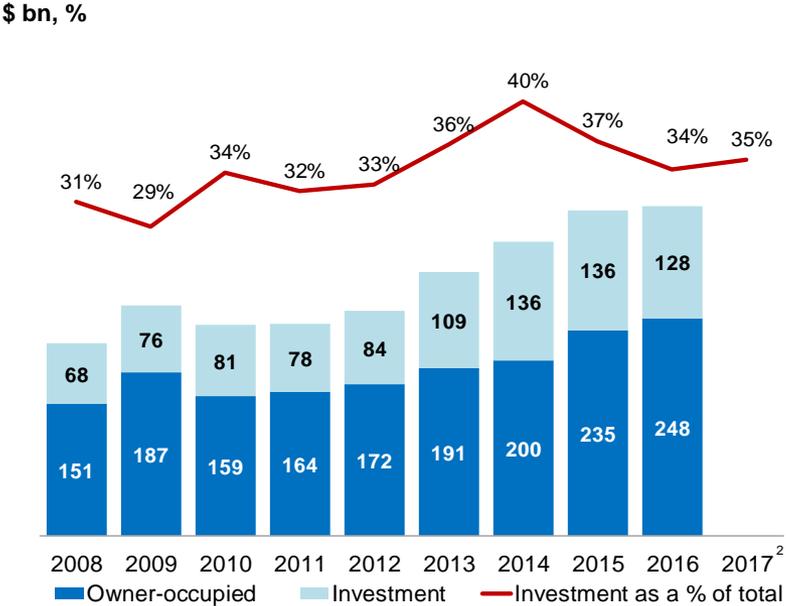
Luke Oxenham, CFO



# Supplementary slides

# Residential mortgage lending market

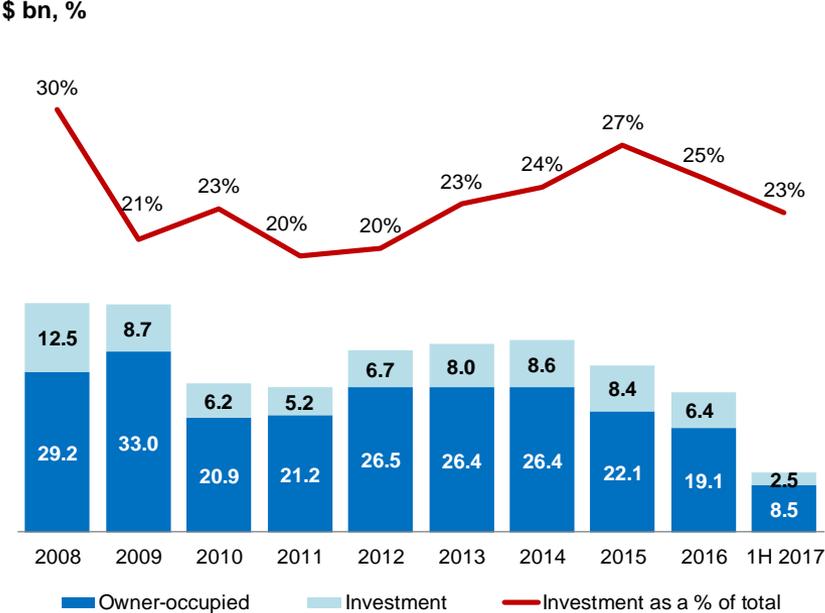
## Investment vs. owner-occupied (APRA statistics)<sup>1</sup>



- Investment property lending represented 35% of originations for the period ended 31 March 2017.

1. Prior periods have been restated in line with market updates.  
 2. 2017 data is for 3 months to March 2017 only.  
 Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), March 2017. Statistics only show ADIs mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

## Investment vs. owner-occupied<sup>3</sup> (Genworth)



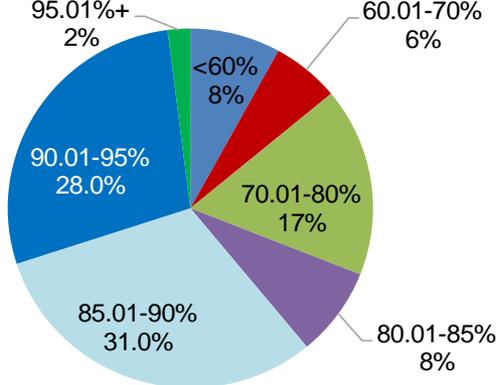
- Investment property lending represented 23% of Genworth's portfolio for the period ended 30 June 2017.

3. Flow NIW only. Owner occupied includes loans for owner occupied and other types.

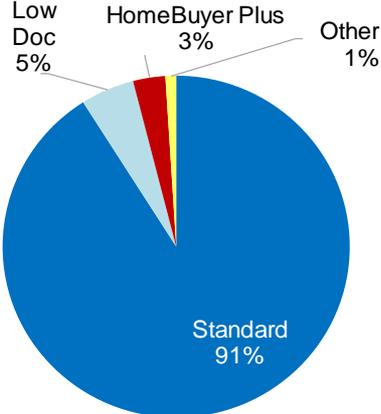
# Insurance in force and New insurance written

Insurance in force (IIF)<sup>1</sup> by original LVR<sup>2</sup> band, as at 30 June 2017

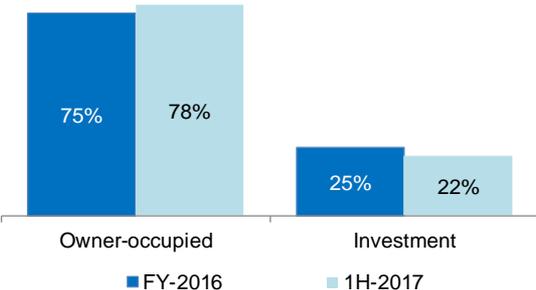
Total IIF \$323 bn



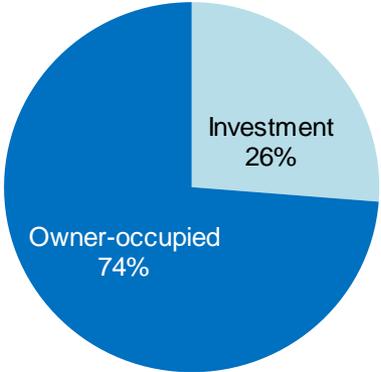
IIF<sup>1</sup> by product type, as at 30 June 2017



Flow NIW<sup>1</sup> by loan type



IIF<sup>1</sup> by loan type, as at 30 June 2017

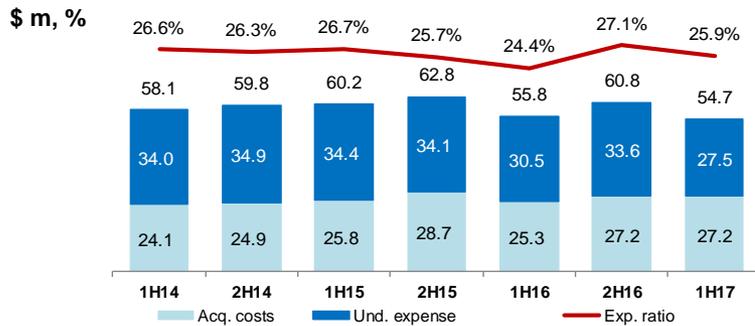


1. NIW and IIF includes capitalised premium. NIW excludes excess of loss reinsurance.  
 2. Original LVR excludes capitalised premium.



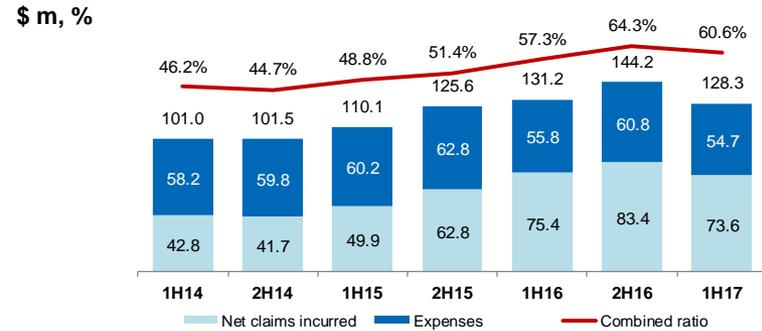
# Insurance ratio analysis

## Expenses



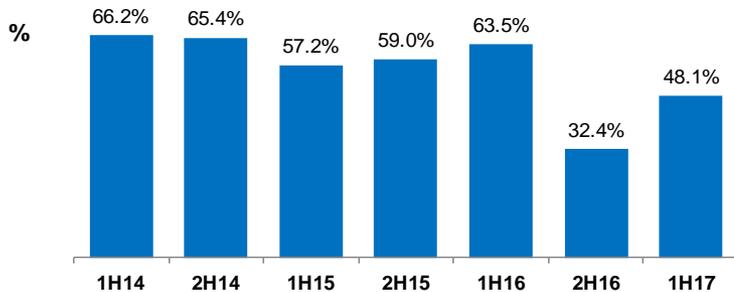
The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium.

## Combined ratio



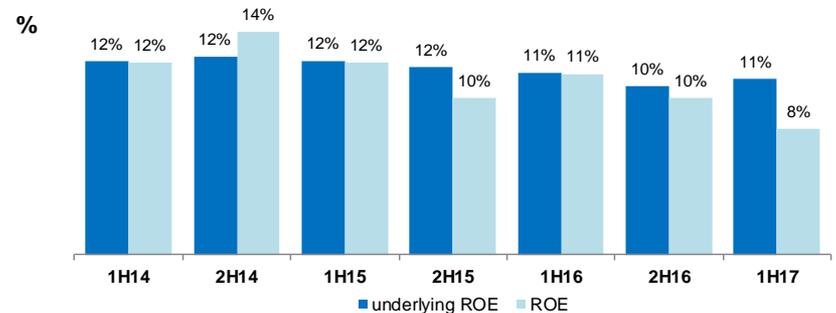
The combined ratio is the sum of the loss ratio and the expense ratio.

## 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.

## Trailing 12-month ROE and underlying ROE



The trailing twelve months underlying ROE is calculated by dividing underlying NPAT of the past 12 months by the average of the opening and closing underlying equity balance for the past 12 months. The trailing twelve months ROE is calculated by dividing NPAT of the past 12 months by the average of the opening and closing equity balance for the past 12 months.

# Delinquency development

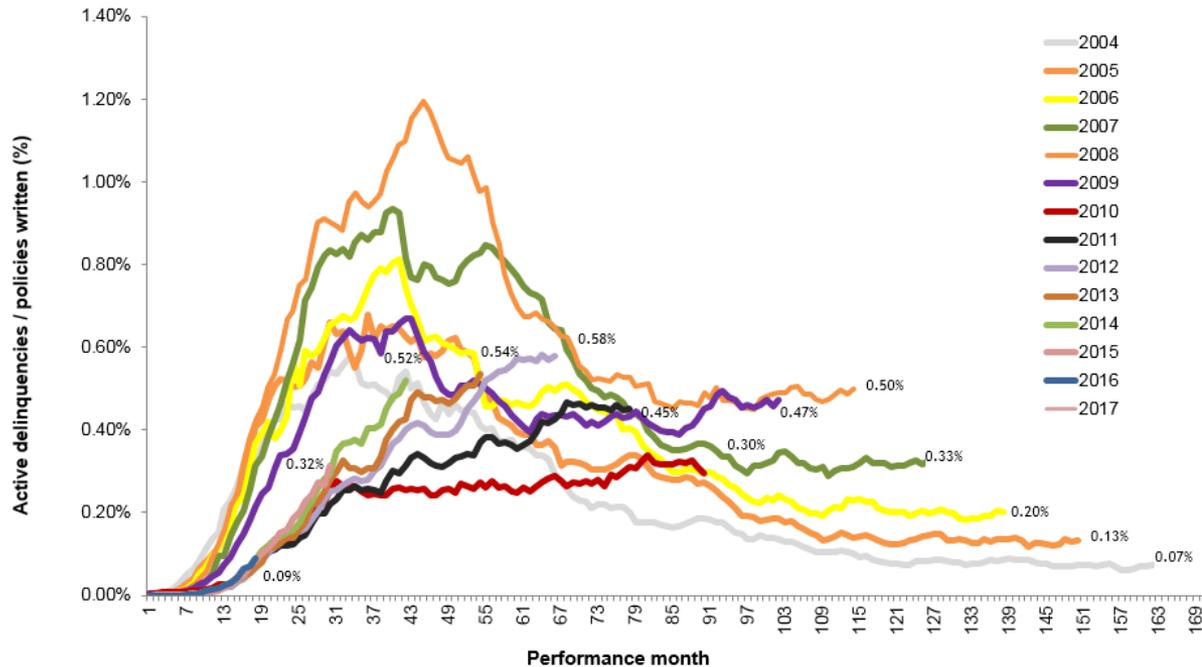
## Quarterly delinquency composition

Delinquencies by book year	Dec 16	Jun 17	
2008 and prior	2,928	3,065	0.41%
2009	882	955	1.00%
2010	430	402	0.57%
2011	470	456	0.71%
2012	710	696	0.83%
2013	563	649	0.74%
2014	528	653	0.66%
2015	199	320	0.37%
2016	21	88	0.12%
2017	-	1	0.00%
<b>TOTAL</b>	<b>6,731</b>	<b>7,285</b>	<b>0.51%</b>

Delinquencies by geography	Dec 16	Jun 17	
New South Wales	1,106	1,159	0.32%
Victoria	1,378	1,455	0.41%
Queensland	2,102	2,281	0.72%
Western Australia	1,203	1,396	0.86%
South Australia	623	648	0.65%
Australian Capital Territory	59	69	0.20%
Tasmania	175	176	0.37%
Northern Territory	56	69	0.44%
New Zealand	29	32	0.08%
	<b>6,731</b>	<b>7,285</b>	<b>0.51%</b>

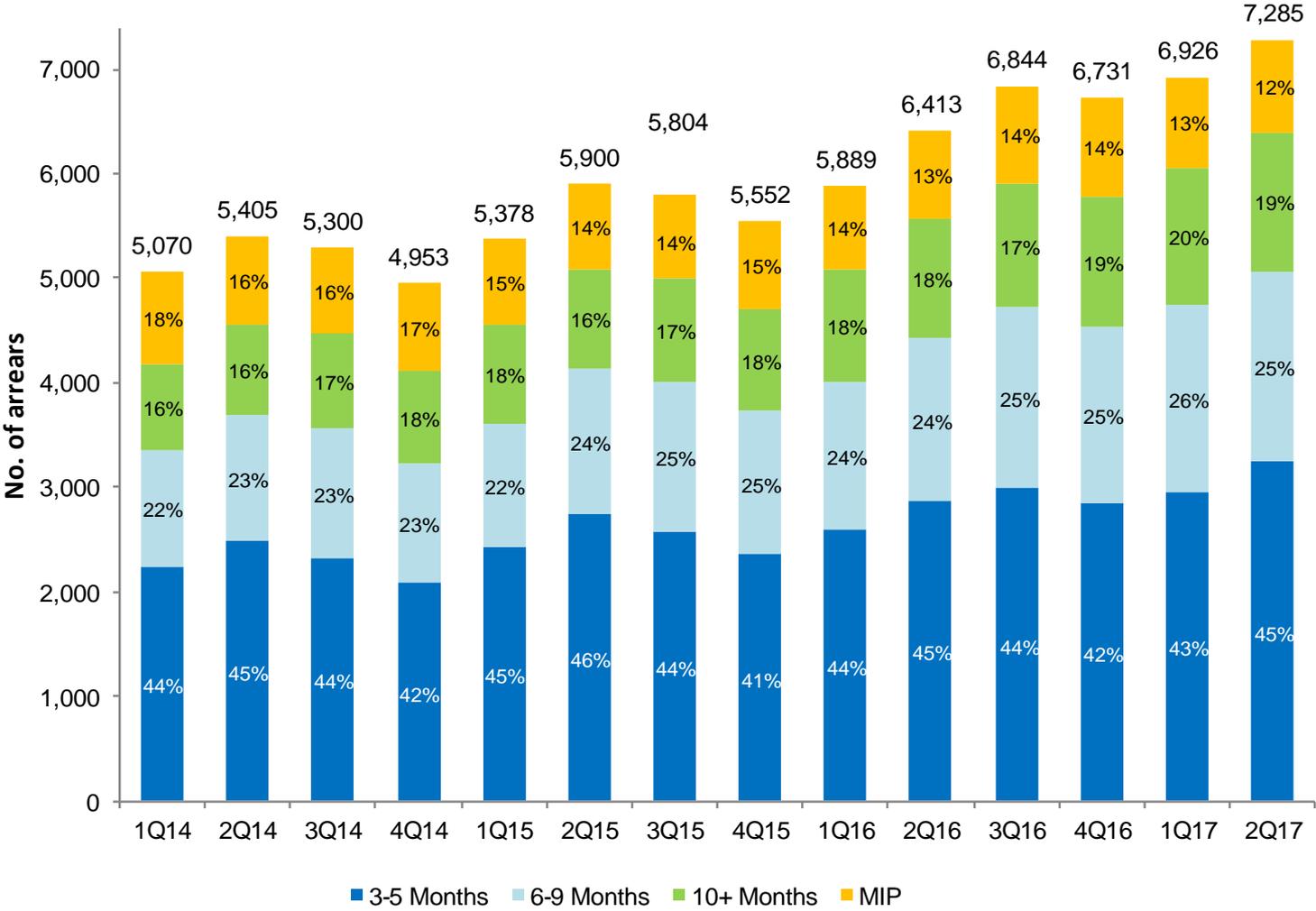
# Delinquency development<sup>1</sup>

## Favourable performance post 2009



- 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.
- Post-GFC book years seasoning at lower levels as a result of credit tightening, however ongoing deterioration for 2012-14 books have been predominantly driven by resource reliant states of QLD and WA that are continuing to face challenges following the mining sector downturn.

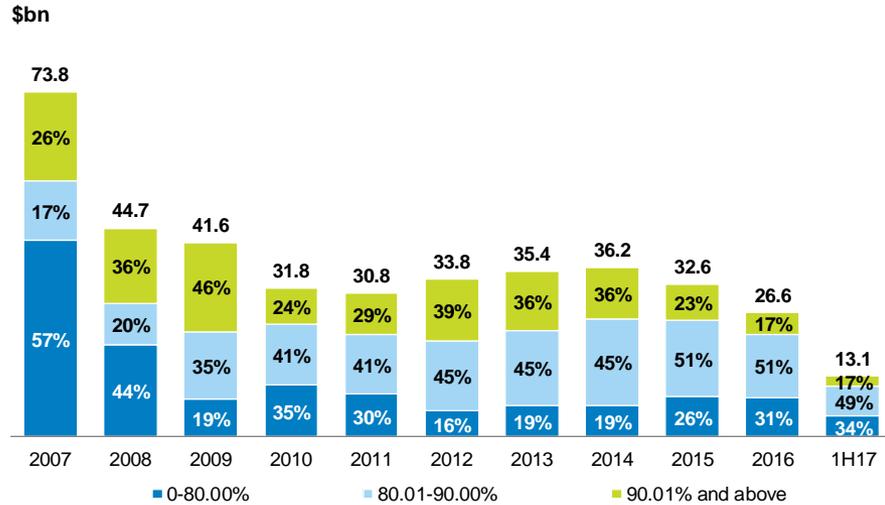
# Delinquency population by months in arrears



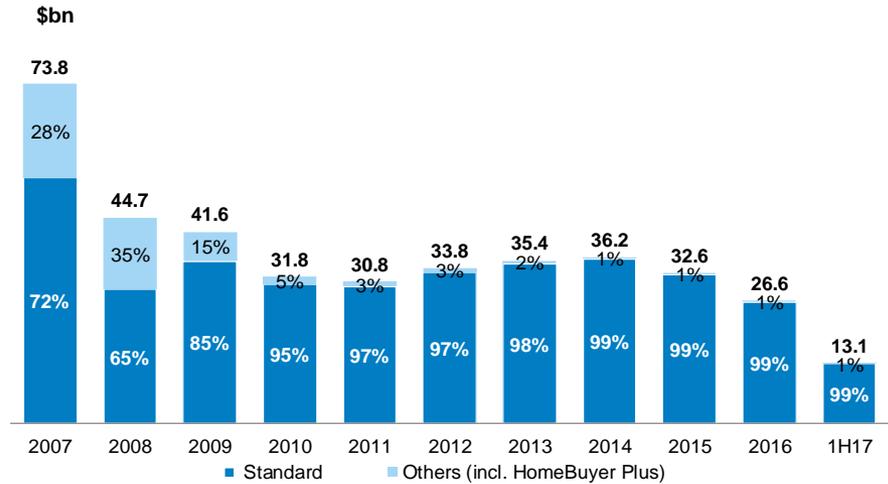
Note: Totals may not sum due to rounding.

# Portfolio evolution

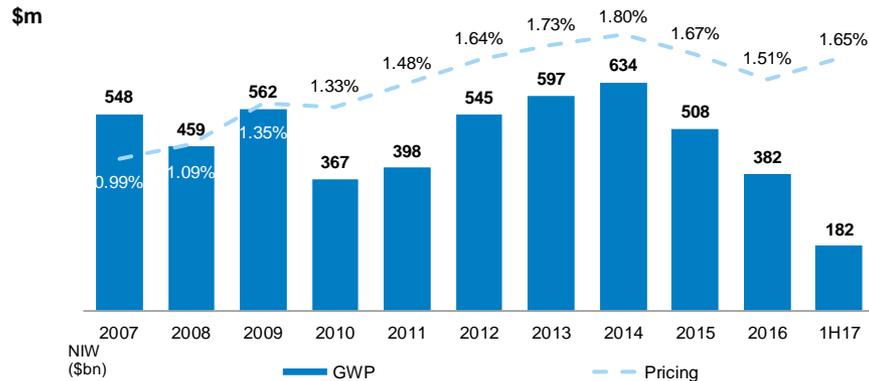
## Annual NIW<sup>1</sup> by LVR



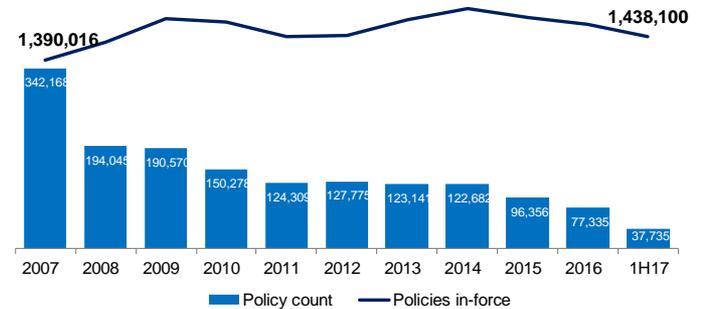
## Annual NIW<sup>1</sup> by Product Type



## Annual GWP and Average Flow Price<sup>2</sup>



## Annual number of New Policies<sup>1,3</sup>, plus policies outstanding<sup>1</sup>



1 Excludes excess of loss reinsurance.

2 Historical NIW has been adjusted in the average premium calculation to reflect risk sharing arrangement.

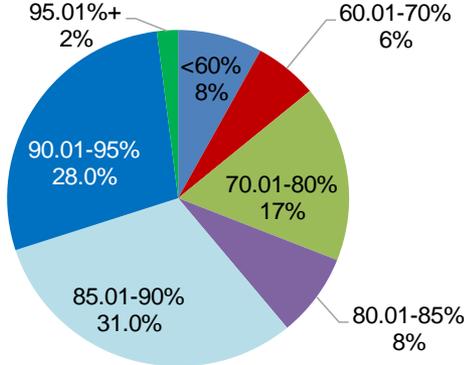
3 Annual number of new policies has been restated to show policies written rather than policies in force (includes cancellations).

# Insurance in force

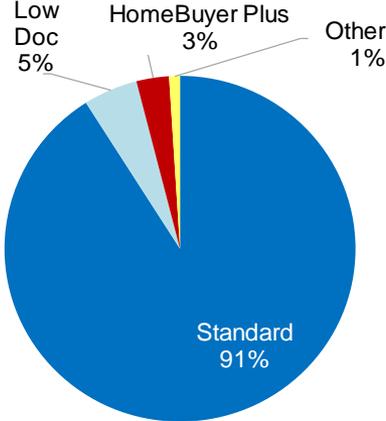
Insurance portfolio as at 30 June 2017 – total \$323 billion

## Insurance in force (IIF)<sup>1</sup> by original LVR<sup>2</sup> band

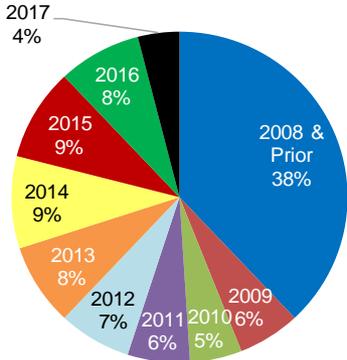
Total IIF \$323 bn



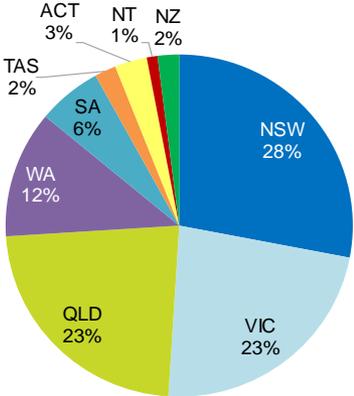
## IIF<sup>1</sup> by product type



## IIF<sup>1</sup> by book year



## IIF<sup>1</sup> by State



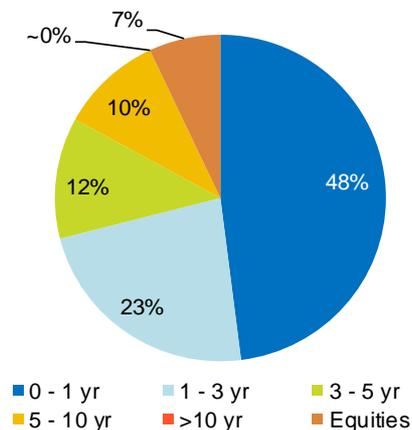
1. IIF includes capitalised premium.  
 2. Original LVR excludes capitalised premium.



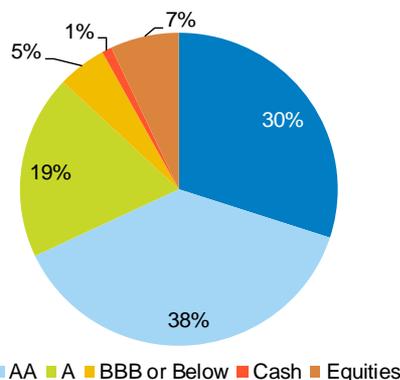
# Investment portfolio

Conservative, well-diversified portfolio with duration to maturity of 1.5 years<sup>1</sup>

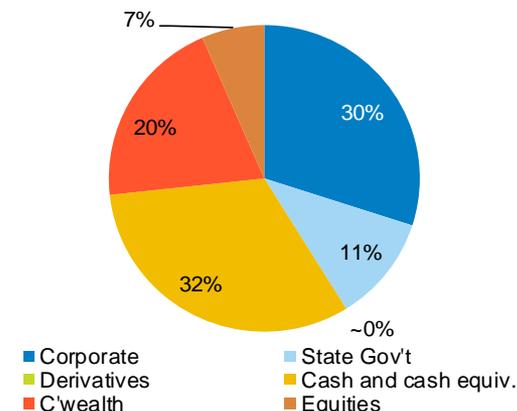
### Investment portfolio by maturity



### Investment portfolio by rating



### Investment portfolio by issuer type



### Investment portfolio by maturity

(as at)	31 Dec 16	30 Jun 17
0-1 Yr	881	1,680
1-3 Yr	1,101	807
3-5 Yr	817	431
5-10 Yrs	468	346
> 10 Yrs	68	4
Equities	188	228
<b>Total</b>	<b>3,523</b>	<b>3,496</b>

### Investment portfolio by rating

(as at)	31 Dec 16	30 Jun 17
AAA	1,541	1,049
AA	1,057	1,351
A	564	659
BBB or below	115	170
Cash	58	39
Equities	188	228
<b>Total</b>	<b>3,523</b>	<b>3,496</b>

### Investment portfolio by issuer type

(as at)	31 Dec 16	30 Jun 17
C'wealth	824	706
Corporate	1,393	1,048
State gov't	777	391
Cash equiv.	280	1,084
Cash	58	39
Equities	188	228
Derivatives	3	0
<b>Total</b>	<b>3,523</b>	<b>3,496</b>

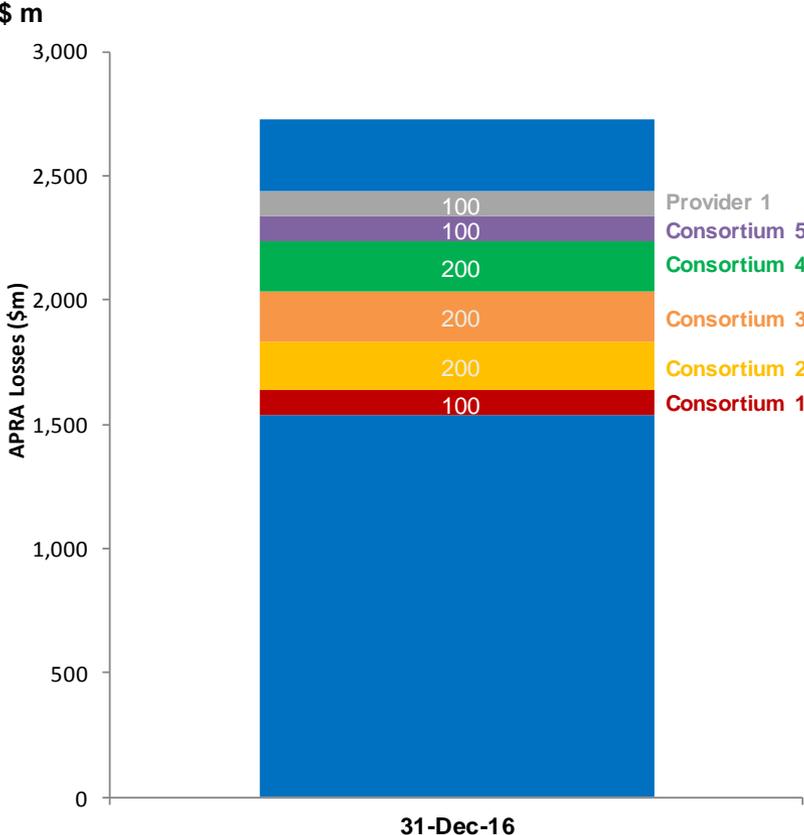
1. Maturity of 1.5 years excludes equities

Note: Derivatives has an A grading and 0-1 year maturity

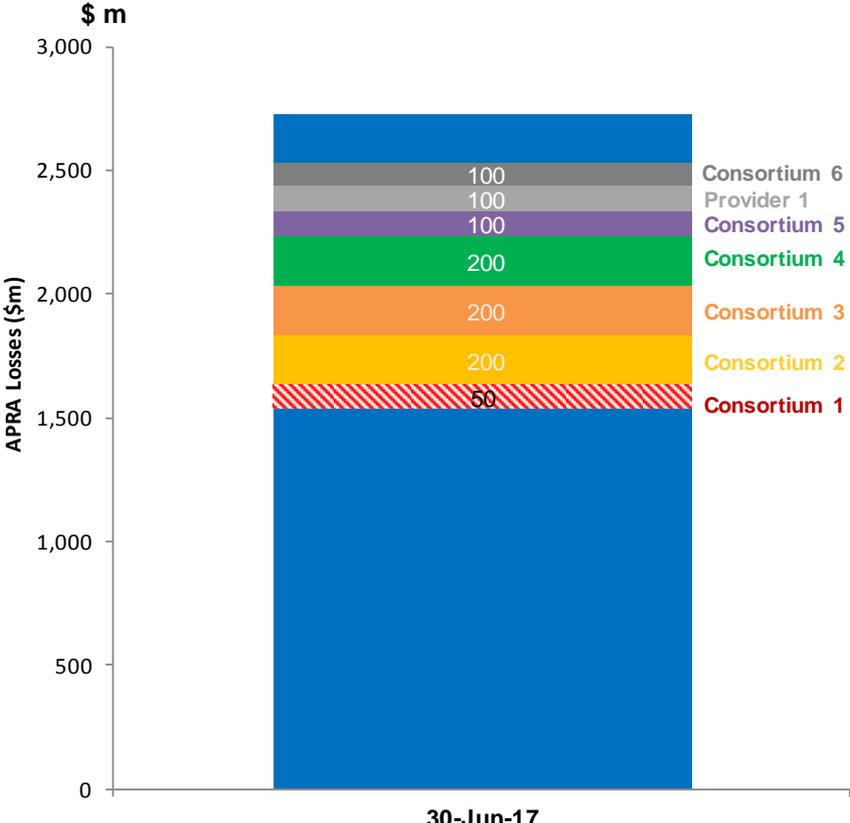
# Reinsurance program

Reinsurance program supports returns and capital objectives

Reinsurance Program 31 Dec 2016 - \$900m cover

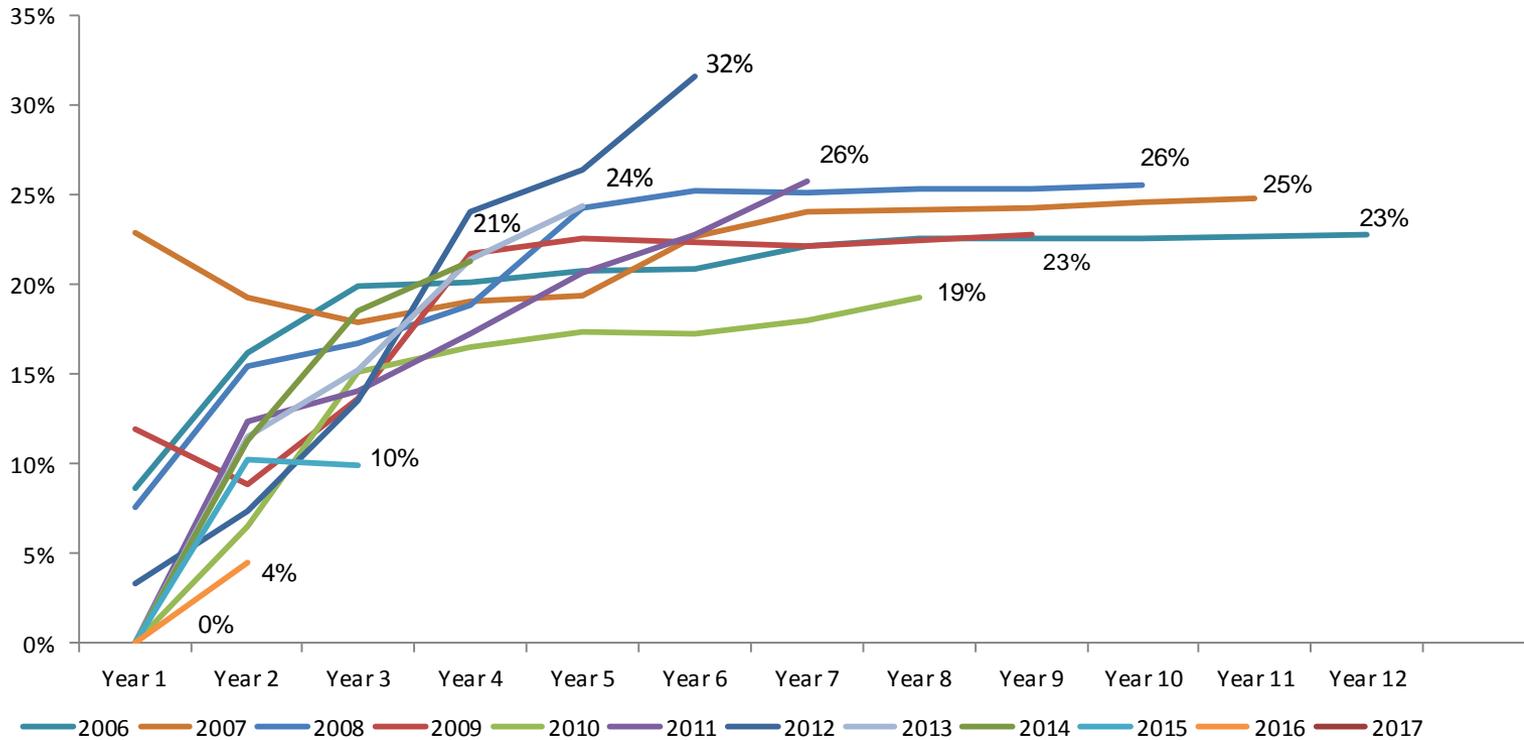


Reinsurance Program 30 Jun 2017 - \$950m cover



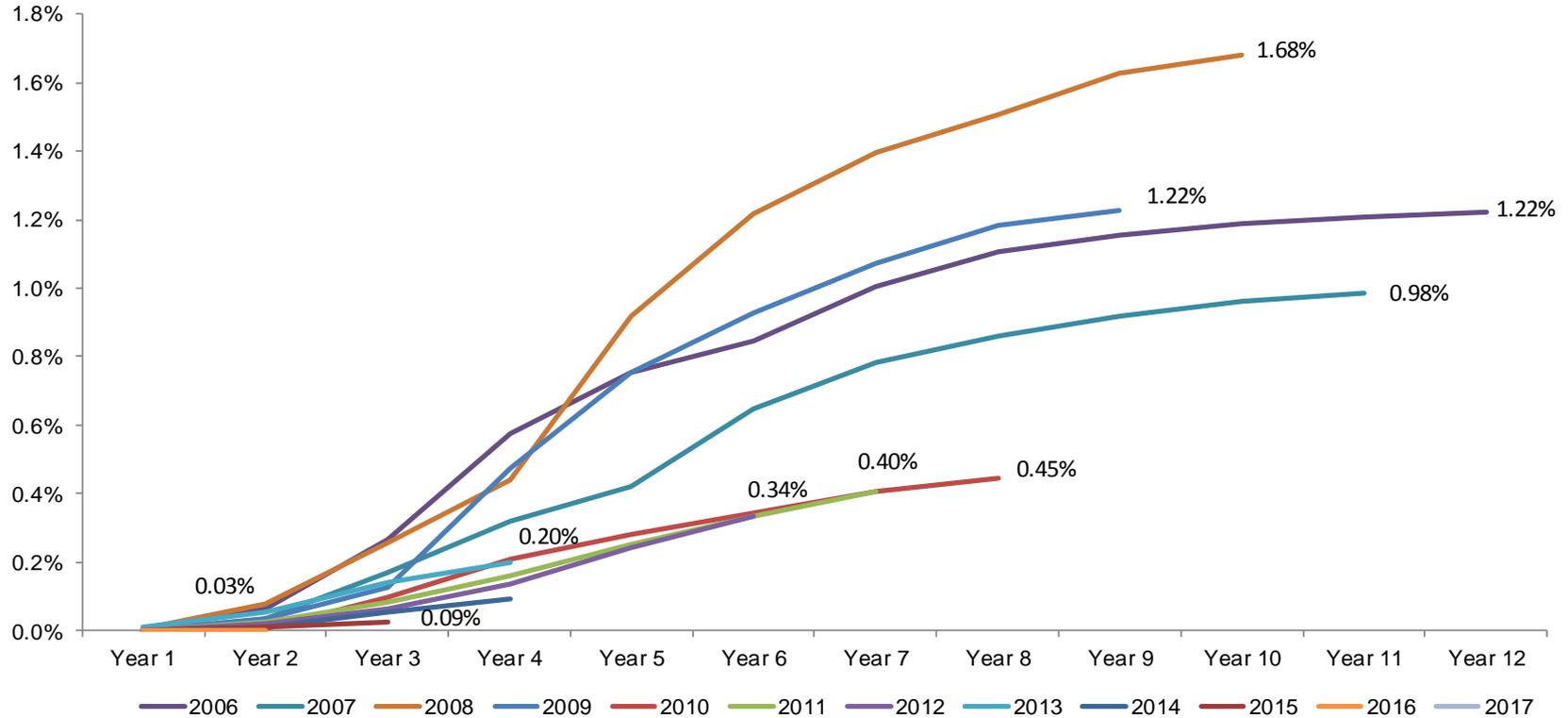
Note: Consortium 1 is \$100m coverage at 50% share

# Claims severity<sup>1</sup>



1. Claim severity refers to the size of net claims paid as a proportion of the original residential mortgage loan amount. The above figure excludes Inward Reinsurance, excess of loss reinsurance, New Zealand, Genworth Financial Mortgage Indemnity and portfolio. Book years between 2011 and 2017 are early in their development and are expected to continue to season, which may lead to an increase in claims severity for these Book Years

# Claims frequency by Book Year (%) as at 30 June 2017



Note: Excludes Inward Reinsurance, excess of loss reinsurance, New Zealand, Genworth Financial Mortgage Indemnity and portfolio

# Effective LVR

As at 30 Jun 17

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2008 & prior	83.7	29%	77.8%	34.2%	101%
2009	17.8	6%	85.0%	53.6%	46%
2010	13.9	5%	81.4%	58.0%	32%
2011	15.0	5%	83.9%	59.7%	35%
2012	21.4	7%	86.5%	61.4%	38%
2013	24.6	8%	87.2%	65.2%	33%
2014	27.9	10%	87.3%	71.4%	22%
2015	27.1	9%	85.8%	75.2%	14%
2016	24.7	9%	83.7%	78.7%	7%
2017	10.9	4%	85.0%	85.2%	1%
<b>Total Flow</b>	<b>267.0</b>	<b>92%</b>	<b>82.2%</b>	<b>53.3%</b>	<b>58%</b>
Portfolio	23.2	8%	55.6%	23.2%	107%
<b>Total/ Weighted Avg.</b>	<b>290.2</b>	<b>100%</b>	<b>79.6%</b>	<b>50.4%</b>	<b>62%</b>

As at 31 Dec 16

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2007 & prior	70.7	24%	76.6%	33.4%	96%
2008	16.9	6%	81.7%	55.8%	40%
2009	19.0	7%	84.6%	56.9%	36%
2010	15.0	5%	80.9%	61.2%	24%
2011	16.1	6%	83.5%	63.1%	27%
2012	22.8	8%	86.3%	64.8%	30%
2013	26.1	9%	87.2%	68.9%	25%
2014	29.6	10%	87.2%	75.5%	15%
2015	28.4	10%	85.7%	79.7%	7%
2016	25.2	9%	83.6%	82.9%	2%
<b>Total Flow</b>	<b>269.8</b>	<b>93%</b>	<b>81.9%</b>	<b>55.6%</b>	<b>49%</b>
Portfolio	21.8	7%	55.2%	23.6%	97%
<b>Total/ Weighted Avg.</b>	<b>291.6</b>	<b>100%</b>	<b>79.4%</b>	<b>52.6%</b>	<b>54%</b>

Note: Excludes Inward Reinsurance, Excess of loss reinsurance, NZ and Genworth Financial Mortgage Indemnity, as Genworth Australia does not have comparative available data for these businesses. Genworth Australia calculates an estimated house price adjusted effective LVR, using the CoreLogic Home Price Index that provides detail of house price movements across different geographic regions and assumes 30 year principal and interest amortising loan, with the mortgage rate remaining unchanged through the period. Effective LVR is not adjusted for prepayments, redraws or non-amortising residential mortgage loans insured.

# Income statement reconciliation

Reconciling to the US GAAP figures reported by Genworth Financial, Inc.

Walk from US GAAP AUS segment results to AIFRS Genworth Consolidated Income Statement for year ended 30 Jun 2017	Quarterly supplement	Less non-controlling interest	Quarterly supplement	AUD equivalent quarterly supplement	Adjustments						Total adjustments	Genworth group
					(a)	(b)	(c)	(d)	(e)	(f)		
					US\$	US\$	US\$	A\$M	A\$M	A\$M		
Premiums	159		159	212						(0)	(0)	212
Interest Income	38		38	51	0						0	51
Realised investment gains/losses	22		22	29			5				5	34
Unrealised gains/losses	-		0	-			(35)				(35)	(35)
Other income	(0)		(0)	0							0	0
<b>Total revenue</b>	<b>219</b>	<b>0</b>	<b>219</b>	<b>291</b>	<b>0</b>	<b>0</b>	<b>(30)</b>	<b>0</b>		<b>(0)</b>	<b>(30)</b>	<b>261</b>
Net claims incurred	55		55	72				1			1	74
Other underwriting expenses	32		32	43	(8)	(17)			10	(1)	(16)	28
Amortization of Intangibles	14		14	19					(19)		(19)	0
Acquisition costs (DAC amortisation)	7		7	9		18					18	27
Interest expenses/ financing related costs	4		4	6	(0)					0	(0)	6
<b>Total expenses</b>	<b>112</b>	<b>0</b>	<b>112</b>	<b>149</b>	<b>(8)</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>(9)</b>	<b>(1)</b>	<b>(15)</b>	<b>134</b>
<b>Total pre-tax income</b>	<b>107</b>	<b>0</b>	<b>107</b>	<b>142</b>	<b>8</b>	<b>(1)</b>	<b>(30)</b>	<b>(1)</b>	<b>9</b>	<b>1</b>	<b>(15)</b>	<b>127</b>
Total tax expense	36		36	48	(2)	(0)	(9)	(0)	3	0	(9)	38
<b>Net income</b>	<b>71</b>	<b>0</b>	<b>72</b>	<b>94</b>	<b>10</b>	<b>(1)</b>	<b>(21)</b>	<b>(1)</b>	<b>6</b>	<b>0</b>	<b>(6)</b>	<b>89</b>
Less: net income attributable to non-controlling interests	38	(38)	0	0							0	0
<b>Net income available to Genworth common stockholders</b>	<b>33</b>	<b>38</b>	<b>72</b>	<b>94</b>	<b>10</b>	<b>(1)</b>	<b>(21)</b>	<b>(1)</b>	<b>6</b>	<b>0</b>	<b>(6)</b>	<b>89</b>

Note: Totals may not sum due to rounding.

- a) Corporate overhead allocation and U.S. Shareholder tax impact for U.S. entities outside Genworth Australia Group but included as part of USGAAP Aus Segment results.
- b) Differing treatment of DAC, with AIFRS seeing a higher level of deferral and amortisation.
- c) Under AIFRS mark to market movements for all investments including derivatives are recognised as unrealised gains/losses in the income statement. Under the USGAAP, the mark to market movements for derivatives and impairment on certain equity investment assets are recognised as realised.
- d) AIFRS requires reserves to be held with a risk margin and an adjustment to the level of reserves for the non-reinsurance recoveries.
- e) Under USGAAP the mutually beneficial initiatives are treated as intangible assets and amortised evenly over the contract period whereas under AIFRS, the contract fees are expensed on an incurred basis in Other Underwriting Expenses. In Q2'17, a reclassification of the 1Q'17 amortisation expense was made from Other Underwriting Expenses to Amortisation of Intangibles.
- f) Additional local share based payments and other miscellaneous expense differences.