Investor Report
Half year ended 30 June 2017

Genworth Mortgage Insurance Australia Limited
ABN 72 154 890 730

2 August 2017

Corporate information

This report contains general information in summary form which is current as at 30 June 2017. 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.

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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, “FY16” refers to the year ended 31 December 2016. All references starting with “1H” refer to the financial half year ended 30 June. For example, “1H17” refers to the half year ended 30 June 2017. All references starting with “2H” refer to the financial half year ended 31 December. For example, “2H16” refers to the half year ended 31 December 2016.

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.

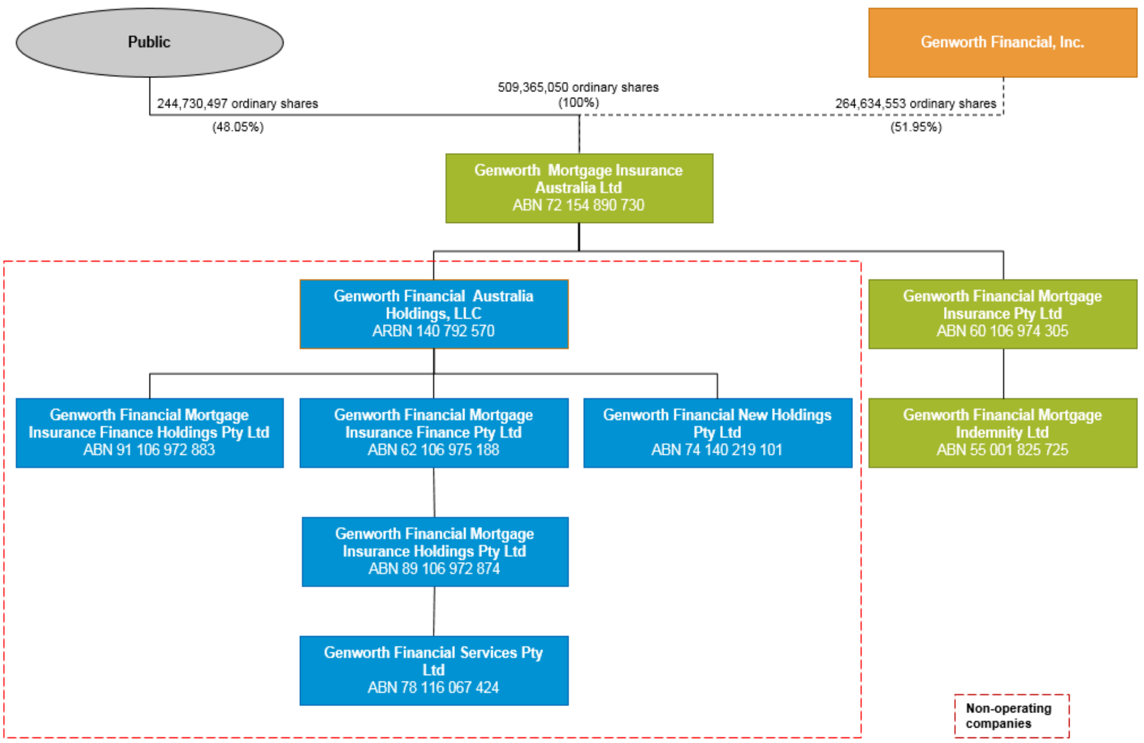
On 15 May 2015, Genworth Financial, Inc. sold 92.3 million shares in Genworth, reducing its ownership in Genworth to approximately 52%.

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 2017



In November 2016, the Group completed a reorganisation under which Genworth Financial Mortgage Insurance Pty Limited became a wholly-owned subsidiary of Genworth Mortgage Insurance Australia Limited. The de-registration of six wholly-owned entities (the 'Non-Operating Companies' identified in the chart) will occur in the second half of 2017 to simplify the current corporate structure. The actions taken will not impact any operational capabilities of the Group's insurance subsidiaries, but are intended to provide for more efficient administration.

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Section 1

Executive Summary

1 Executive summary

1.1 Overview of the half year 2017 financial results

Genworth reported statutory net profit after tax (NPAT) of $88.7 million for 1H17. After adjusting for the after-tax mark-to-market move in the investment portfolio of $24.8 million, underlying NPAT was $113.5 million.

Table 1: Group financial performance measures

(A$ in millions)	1H16	1H17	Change 1H16 vs 1H17
Gross written premium	189.8	182.3	(4.0%)
Gross earned premium	265.8	245.4	(7.7%)
Net earned premium	228.8	211.6	(7.5%)
Reported NPAT	135.8	88.7	(34.7%)
Underlying NPAT[1]	112.9	113.5	0.5%
Loss Ratio	33.0%	34.8%	1.8%
Delinquency rate	0.43%	0.51%	0.08%
Expense Ratio	24.4%	25.9%	1.5%
Combined Ratio	57.3%	60.6%	3.3%
Insurance Margin	63.5%	48.1%	(15.4%)
Investment Return	3.5%	2.88%	(0.65%)
ROE[2]	11.2%	7.8%	(3.4%)
Underlying ROE[2]	11.3%	10.9%	(0.4%)

The 1H17 results reflect:

(a) Lower sales (Gross Written Premium):

i. GWP declined 4.0% compared with the previous corresponding period due to a number of factors including changes in the customer portfolio, changes in business mix and the impact of the premium rate actions taken in 2016.

(b) Lower revenue (Net Earned Premium):

i. NEP decreased 7.5% reflecting lower earned premium from current and prior book years

(c) Higher net claims incurred:

i. Net claims incurred decreased 2.4% which included the $8.2 million favourable impact of a periodic review of its non-reinsurance recoveries on paid claims. This benefit was partially offset by an increase in delinquencies from Queensland and Western Australia, particularly in regions exposed to the slowdown in the resources sector.

[1] Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) and impairment losses on the investment portfolio.
[2] 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 16	30 Jun 17
Cash, accrued interest and investments	3,551.3	3,517.0
Total assets	3,833.4	3,885.2
Unearned premium reserve	1,177.8	1,114.7
Net assets	1,967.4	1,983.8
Net assets per share ($/share)	3.86	3.89
Net tangible assets	1,956.3	1,972.9
Regulatory capital base	2,212.8	2,212.8
Level 2 PCA coverage	1.57x	1.81x
CET1 coverage	1.42x	1.65x
Gearing (debt / equity)	10.0%	9.9%

Genworth's capital position was strong as at 30 June 2017 and the Group's regulatory capital solvency level was 1.81 times the PCA and 1.65 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

Australian economic activity has continued to moderate in the first half of 2017, but still remains in positive territory given there has been 26 years without a recession. 1Q17 saw a slow start to the year with a quarterly growth reading of 0.3 %, dragging the annual rate down by 0.7 % to 1.7 %, impacted by temporary weather-related disruptions. Most notable being the reduction in coal exports following Cyclone Debbie which was expected to impact 2Q17 readings. More recent trade data suggests that exports have rebounded sooner than expected. Differences in economic activity across the states remains with Victoria as strongest performer while Western Australia continues to contract and New South Wales and Queensland record a flat quarterly growth outcome.

Household consumption also remains an ongoing concern. However there has been some encouraging signs in recent months with an acceleration in retail trade growth following weak readings in 1Q. Consumer confidence, as measured by the Westpac-Melbourne Institute Index of Consumer Sentiment, remains in negative territory with mixed responses related to mortgage interest rates and family finances while employment expectations improved.

National unemployment rate has seen favourable movement in 1H17 to now sit at 5.6 % supported by employment growth and ongoing rise in full-time jobs. The recent strengthening in the labour force should support a pick-up in household income growth, however this will still be constrained by ongoing spare capacity in the labour market which is still being reflected in the elevated rate of underemployment.

The housing market remains generally strong with annual national dwelling prices up 9.6 % across the combined capital cities[1].Sydney and Melbourne continue to perform very strongly, up 12.2 % and 13.7 % respectively. Perth continues to be pressured, posting a market decline of 1.7 % on year ago levels.

1.3.2 Regulatory environment

Throughout 2017, Genworth has engaged with a wide range of regulators and other policymakers, rating agencies and industry participants to promote both legislative and regulatory policies to enable more Australians to achieve the dream of homeownership, within the framework of a stable financial system that prioritises prudent lending and responsible credit growth.

During the first half of 2017, Genworth worked closely with a range of regulators to demonstrate how LMI successfully enhances the Australian mortgage market and financial system, both as a source of capital for its stability and generates greater competition between mortgage lenders. Genworth continues to lead industry initiatives to deliver industry solutions to policymakers that will enhance its role as a tool for both loss absorption and capital management. With housing affordability rising as a pressing community issue, Genworth is also working to secure recognition for LMI in the taxation system, via favourable taxation treatment, as an enabler to higher levels of homeownership, especially for first home buyers.

[1] CoreLogic Home Price Index data to June 2017.

1.4 Customer relationships

Genworth has commercial relationships with over 100 lender customers across Australia and has Supply and Service Contracts with 8 of its key customers. The top three customers accounted for approximately 66 % of Genworth's total New Insurance Written (NIW) and 71 % of GWP in 1H17. The largest customer accounted for 37 % of total NIW and 51 % of GWP in 1H17. The Group estimates that it had approximately 30 % of the Australian LMI market by NIW for the six months ended 30 June 2017[1].

On 10 March 2017, Genworth announced that the exclusivity agreement for the provision of LMI with its second largest customer was terminated in April 2017. The LMI business underwritten under this contract represented 14% of Gross Written Premium (GWP) in 2016. The Company has been successful in entering into new business with that customer that assists them in managing mortgage default risk through alternative insurance arrangements.

Genworth also previously advised that its customer, the National Australia Bank, has issued a Request For Proposal relating to its LMI requirements. The Company has submitted its proposal and will provide updates as to the outcome of its proposal.

Genworth continues to pursue other profitable opportunities in the market that meet its risk appetite and return on equity profile.

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

On 19 March 2017, S&P reaffirmed Genworth Financial Mortgage Insurance Pty Limited's financial strength rating at 'A+', revising the outlook from 'Stable' to 'Negative'.

Fitch Ratings

On 10 October 2016, Fitch reaffirmed Genworth Financial Mortgage Insurance Pty's financial strength rating 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.

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)	1H16	1H17	Change 1H16 vs 1H17
Gross written premium	189.8	182.3	(4.0%)
Movement in unearned premium	76.0	63.1	(17.0%)
Gross earned premium	**265.8**	**245.4**	**(7.7%)**
Outwards reinsurance expense	(36.9)	(33.9)	8.1%
Net earned premium	**228.8**	**211.6**	**(7.5%)**
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%
Underwriting result	**97.6**	**83.3**	**(14.7%)**
Investment income on technical reserves	47.6	18.5	(61.1%)
Insurance profit	**145.2**	**101.8**	**(29.9%)**
Investment income on shareholders' funds	56.2	30.6	(45.6%)
Financing costs	(8.2)	(5.7)	30.5%
Profit before income tax	**193.3**	**126.7**	**(34.5%)**
Income tax expense	(57.5)	(38.0)	33.9%
NPAT	**135.8**	**88.7**	**(34.7%)**
Underlying NPAT	**112.9**	**113.5**	**0.5%**

[1] Totals may not sum due to rounding.

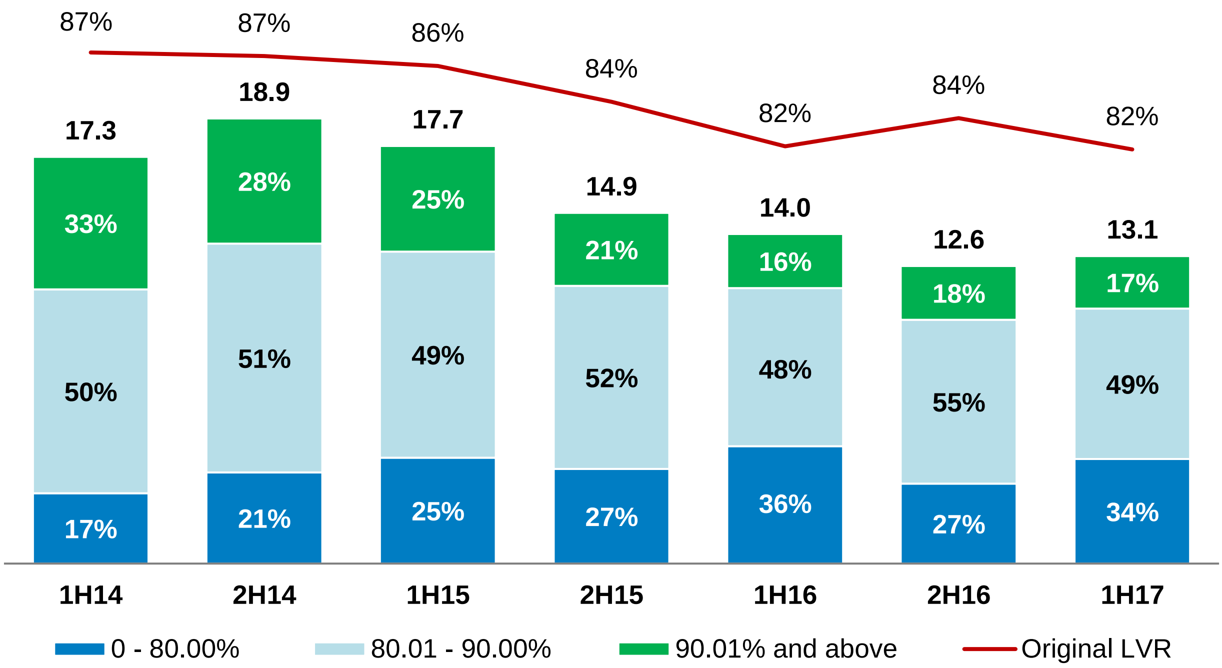
2.2 Management discussion and analysis

2.2.1 New Insurance Written (NIW)

NIW decreased 6.7% to $13.1 billion in 1H17 from $14.0 billion in 1H16. The composition of NIW in the 0 to 80.0% LVR segment decreased 2 points and NIW in the 80.01 to 90.0% LVR and 90.01% above segments both increased 1 point.

1H17 NIW includes $2.1 billion of portfolio transactions for customers 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 4.0% from $189.8 million in 1H16 to $182.3 million in 1H17. The decline in GWP reflects changes in the customer portfolio.

Average price for Flow (GWP/NIW) increased from 1.45% in 1H16 to 1.65% in 1H17.

The average original LVR of new flow business written in 1H17 was 82%, consistent with 1H16.

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

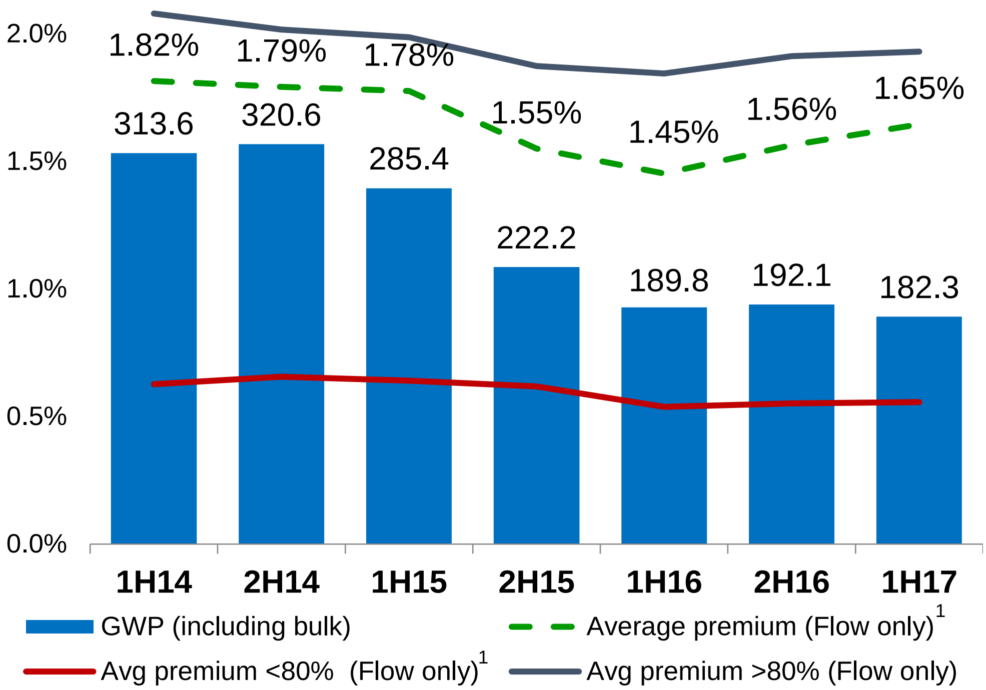
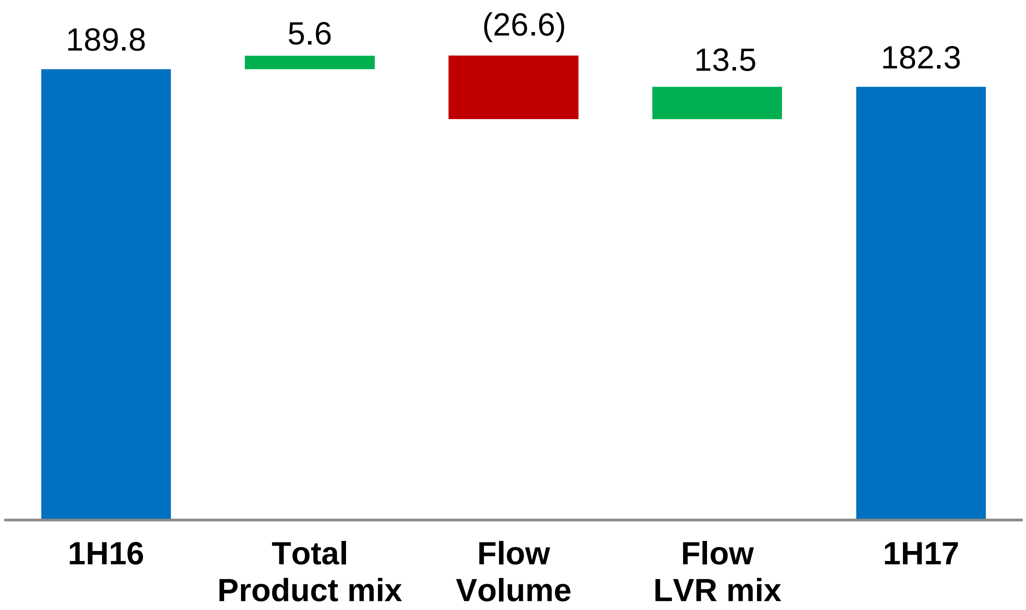


Figure 4: Movement of GWP 1H16 to 1H17 ($ millions)



[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 decreased 7.7% from $265.8 million in 1H16 to $245.4 million in 1H17 mainly reflecting the seasoning of the in-force books.

2.2.4 Outward Reinsurance Expense

Outward reinsurance expense decreased by $3.0 million from $36.9 million in 1H16 to $33.9 million in 1H17 driven mainly by a more favourable rate negotiated under the new external reinsurance arrangement in place at the end of 2016.

2.2.5 Net Claims incurred and changes to reserves

Net claims incurred decreased $1.8 million from $75.4 million in 1H16 to $73.6 million in 1H17, primarily driven by a favourable movement in non-reinsurance recoveries on paid claims as a result of a periodic review.

Table 4: Composition of net claims incurred

($ millions) unless otherwise stated	1H15	2H15	1H16	2H16	1H17
Number of Paid Claims (#)	568	616	566	633	711
Average Paid Claim ($'000)[1]	64.8	68.2	72.5	70.8	102.3
Claims Paid[1]	**36.8**	**42.0**	**41.1**	**44.8**	**72.8**
Movement in non-reinsurance recoveries on paid claims	(8.9)	(2.9)	0.1	(1.0)	(8.2)
Movement in Reserves	22.0	23.7	34.2	39.6	9.0
Net Claims Incurred	**49.9**	**62.8**	**75.4**	**83.4**	**73.6**

The average reserve per delinquency increased from $48,800 in 1H16 to $49,500 in 1H17 primarily driven by aging in the delinquent loans of mining regions.

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

Table 5: Movement in delinquencies

	1H15	2H15	1H16	2H16	1H17
Opening Delinquencies	4,953	5,900	5,552	6,413	6,731
New Delinquencies	5,782	5,183	5,912	6,000	5,997
Cures	(4,267)[1]	(4,915)	(4,485)	(5,049)	(4,732)
Claims Paid	(568)	(616)	(566)	(633)	(711)
Closing Delinquencies	**5,900**	**5,552**	**6,413**	**6,731**	**7,285**
Total Policies Outstanding	1,481,755	1,478,434	1,477,826	1,464,139	1,438,100
Delinquency Rate	**0.40%**	**0.38%**	**0.43%**	**0.46%**	**0.51%**

An increase in new delinquencies, particularly in Queensland and Western Australia, although in a slower pace, lifted the portfolio delinquency rate. Cures were higher, reflecting ongoing borrower sales activity. The number of claims paid in 1H17 was higher than 1H16, mainly driven by a higher proportion claims in the mining regions.

2.2.6 Acquisition costs and other underwriting expenses

Acquisition costs increased $1.9 million from $25.3 million in 1H16 to $ 27.2million in 1H17.

Other underwriting expenses decreased $3.0 million from $30.5 million in 1H16 to $27.5 million in 1H17. The total expense ratio increased from 24.4% in 1H16 to 25.9 % in 1H17.

2.2.7 Financial income

Financial income, comprising interest income and realised and unrealised gains/losses, decreased $54.7 million from $103.8 million in 1H16 to $49.1 million in 1H17. The unrealised losses on the market value of the investment portfolio of $35.5 million recognised in 1H17 compared to unrealised gains of $32.7 million recognised in 1H16. During the first half of 2017, the company adjusted its investment portfolio in anticipation of higher interest rates. This repositioning resulted in realised gains of $33.7m. The yield on the investment portfolio dropped from 3.53% in 1H16 to 2.88 % in 1H17.

2.2.8 Income tax expense

Income tax expense decreased $19.5 million (33.9%) from $57.5 million in 1H16 to $38.0 million in 1H17. The effective tax rate increased from 29.7 % in 1H16 to 30.0% in 1H17.

2.2.9 Net profit after tax

Reported NPAT fell 34.7% to $88.7 million in 1H17. The decline was largely driven by unfavourable mark to market movements of the investment portfolio.

[1] Cures for 1H15 have been restated

2.3 Analysis of underwriting performance

The underwriting performance in 1H17 reflects the following key factors:

(a) GWP fell 4.0 % due to changes in the customer portfolio;
(b) The loss ratio for 1H17 was 34.8 % compared to 33.0 % in 1H16 due to an increase in new delinquencies, offset by favorable movements in non-reinsurance recoveries on paid claims resulting from the periodic review;
(c) The expense ratio increased from 24.4 % in 1H16 to 25.9 % in 1H17 reflecting lower net earned premium in the current year, slightly offset by lower other underwriting expenses;
(d) The insurance margin decreased to 48.1 % compared with 63.5 % for 1H16 driven by unfavorable market to market movements of the investment portfolio.

Table 6[1]: Key underwriting metrics

	1H15	2H15	1H16	2H16	1H17
New Insurance Written ($ billions)	17.7	14.9	14.0	12.6	13.1
Gross Written Premium ($ millions)	285.4	222.2	189.8	192.1	182.3
Net Earned Premium ($ millions)	225.7	244.2	228.8	224.0	211.6
Claims Paid[2] ($ millions)	36.8	42.0	41.1	44.8	72.8
Expense Ratio	26.7%	25.7%	24.4%	27.1%	25.9%
Loss Ratio	22.1%	25.7%	33.0%	37.2%	34.8%
Combined Ratio	48.8%	51.4%	57.3%	64.3%	60.6%
Insurance Margin	57.2%	59.0%	63.5%	32.4%	48.1%
Delinquency Rate	0.40%	0.38%	0.43%	0.46%	0.51%

[1] Totals may not sum due to rounding.
[2] Movement in non-reinsurance recoveries 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 2017

Genworth had an in-force portfolio of approximately $323 billion as at 30 June 2017. 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

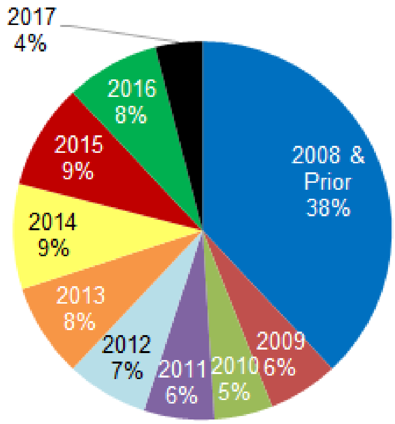


Figure 6: Insurance in-force by original LVR

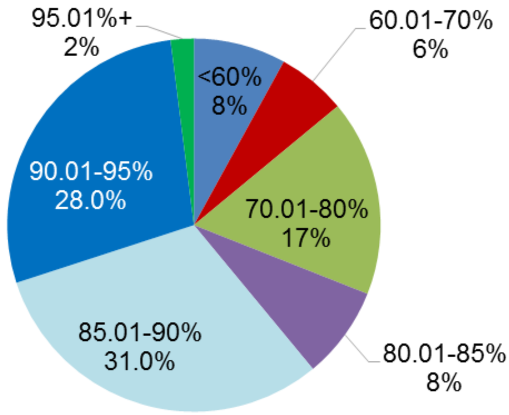


Figure 7: Insurance in-force by product

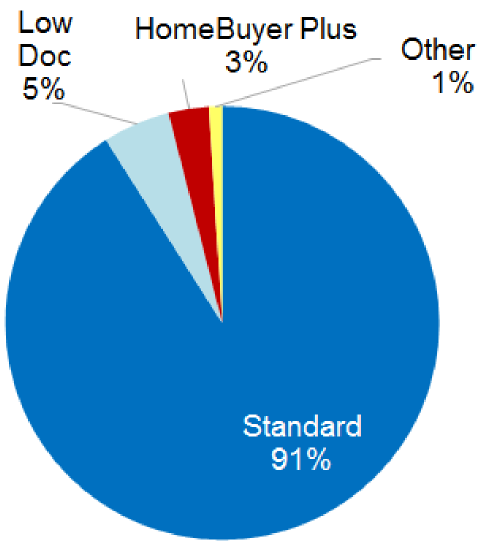
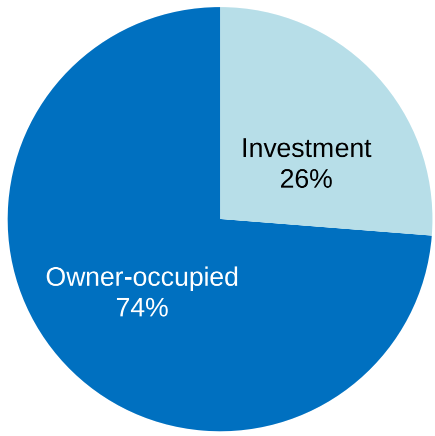


Figure 8: Insurance in-force by loan type



3.1.2 Effective LVR

The table below shows the effective LVR of the portfolio as at 30 June 2017. 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 2017

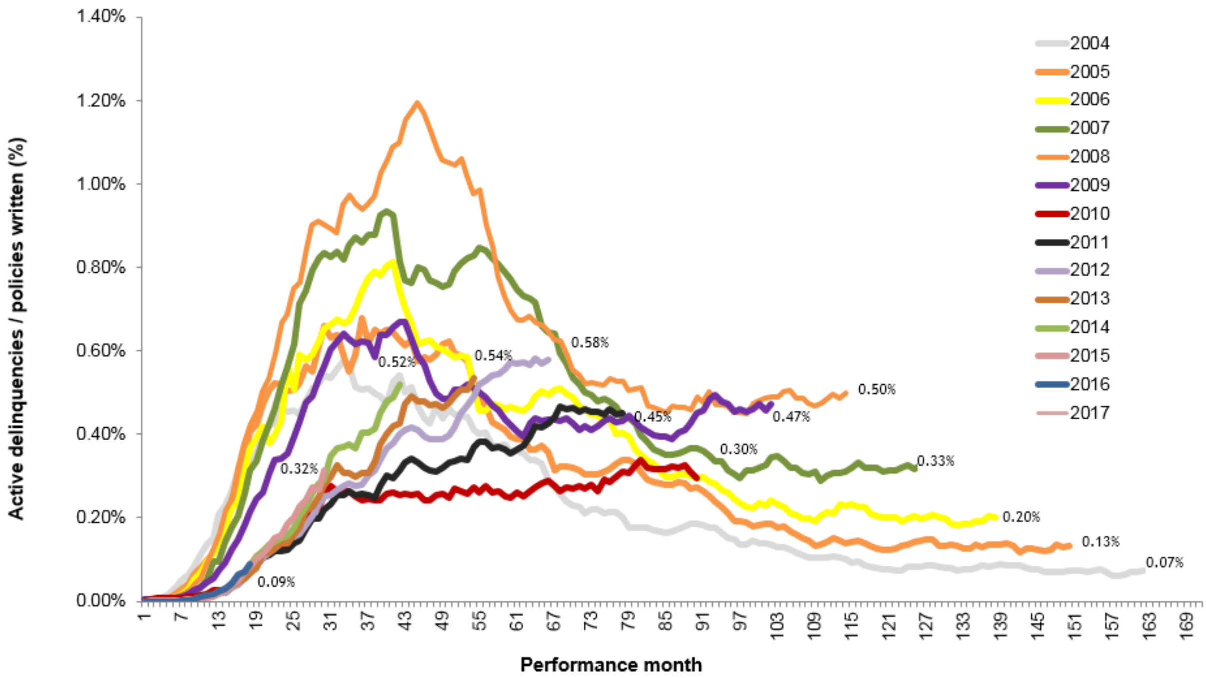
Book year	Insurance in-force		LVR		Portfolio change in house prices %
	$ billion	%	Original	Effective	
2008 & prior	83.7	29%	77.8%	34.2%	101%
2009	17.8	6%	85.0%	53.6%	46%
2010	13.9	5%	81.4%	58.0%	32%
2011	15.0	5%	83.9%	59.7%	35%
2012	21.4	7%	86.5%	61.4%	38%
2013	24.6	8%	87.2%	65.2%	33%
2014	27.9	10%	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%
Total Flow	**267.0**	**92%**	**82.2%**	**53.3%**	**58%**
Portfolio	23.2	8%	55.6%	23.2%	107%
Total / Weighted Avg.	**290.2**	**100%**	**79.6%**	**50.4%**	**62%**

[1] Table excludes Inward Reinsurance, excess of loss 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[1]: 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.

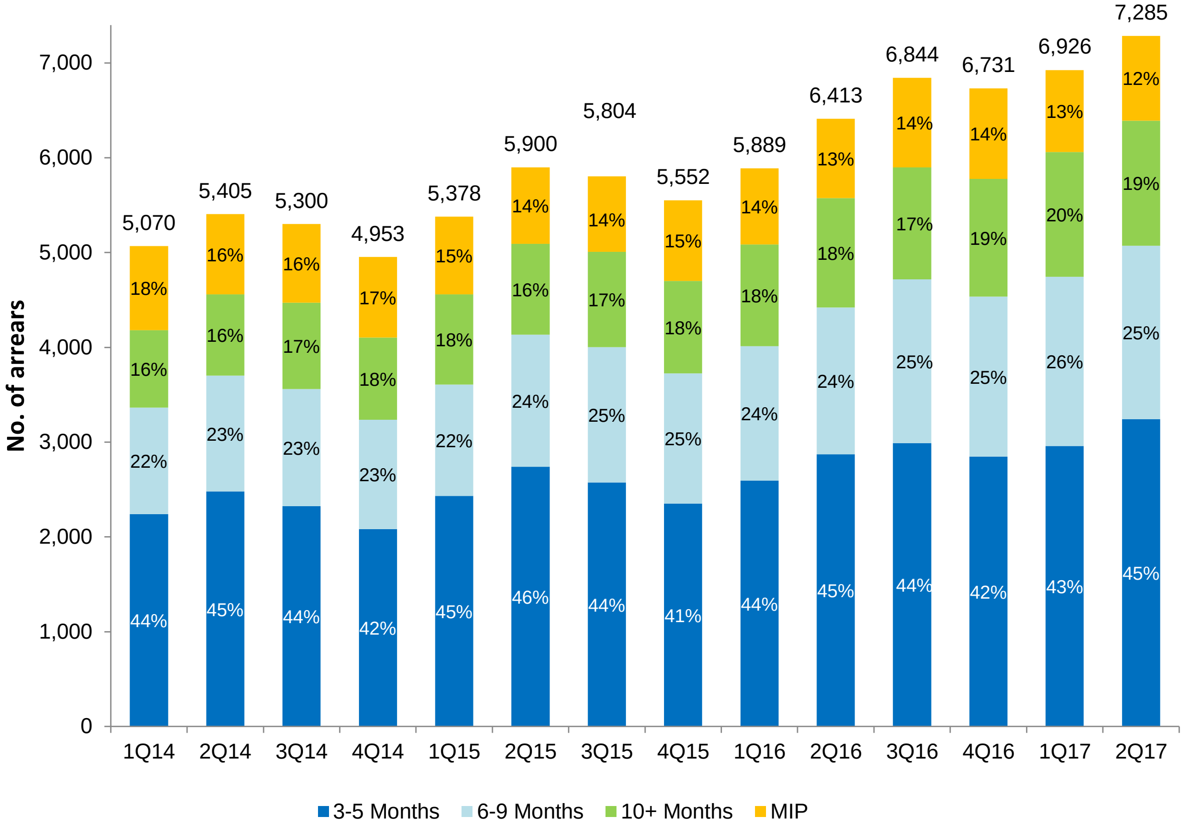
2008 Book Year was affected by the economic downturn in Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland, which was exacerbated by the floods in 2011.

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.

[1] Active delinquency rate is calculated as total number of delinquencies divided by policies written.

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 mortgagee in possession (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 MIP generally progresses faster to a claim, or sold with no claim, 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 2017.

Table 8[1] Consolidated statement of financial position

(A$ in millions), as at	31 Dec 16	30 Jun 17
Cash and cash equivalents	57.6	39.4
Accrued investment income	28.8	21.1
Investments	3,465.0	3,456.6
Trade and other receivables	1.6	1.7
Prepayments	2.3	2.1
Deferred reinsurance expense	80.2	179.3
Non-reinsurance recoveries	34.4	27.5
Deferred acquisition costs	142.0	136.3
Property, plant and equipment	0.5	0.9
Deferred tax assets	10.0	9.5
Intangibles	2.0	1.8
Goodwill	9.1	9.1
Total Assets	**3,833.4**	**3,885.2**
Payables	35.0	23.2
Reinsurance payable	95.3	195.1
Outstanding claims	355.5	365.1
Unearned premiums	1,177.8	1,114.7
Employee benefit provision	6.4	6.9
Interest bearing liabilities	196.0	196.5
Total Liabilities	**1,866.0**	**1,901.4**
Net Assets	**1,967.4**	**1,983.8**
Share capital	1,354.0	1,354.0
Other equity	613.3	629.8
Total Equity	**1,967.4**	**1,983.8**

[1] Totals may not sum due to rounding.

4.2 Total assets

Total assets of the Group as at 30 June 2017 were $3,885.2 million compared to $3,833.4 million at 31 December 2016. The movement mainly reflects a $99.1 million increase in deferred reinsurance assets from treaty renewals, offset by a $26.6 decrease in cash and investments.

4.3 Investments

4.3.1 Investment strategy

As at 30 June 2017, the Group had a $3,496 million cash and investments portfolio, invested 89% in Australian denominated cash, cash equivalents and fixed income securities rated A- or higher. 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 2017, Genworth had invested $228.2 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 $3,496 million as at 30 June 2017 with $1,137 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 1.5 years.

4.3.3 Investment portfolio characteristics as at 30 June 2017

Figure 11: Investment assets by term to maturity

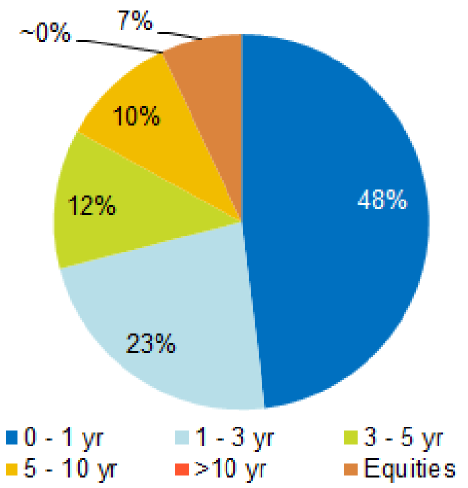


Figure 12: Investment assets by issuer type

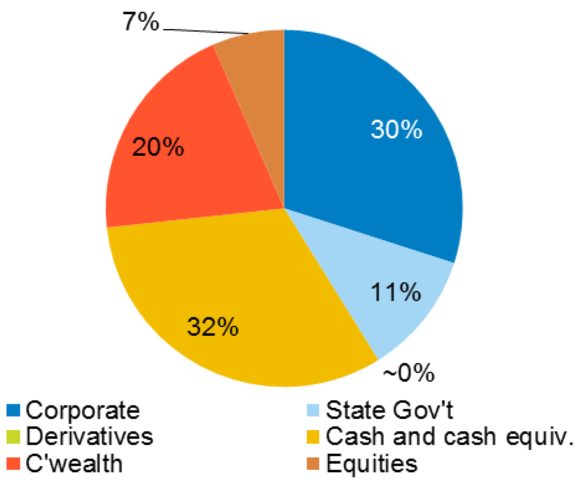


Figure 13: Investment assets by credit rating

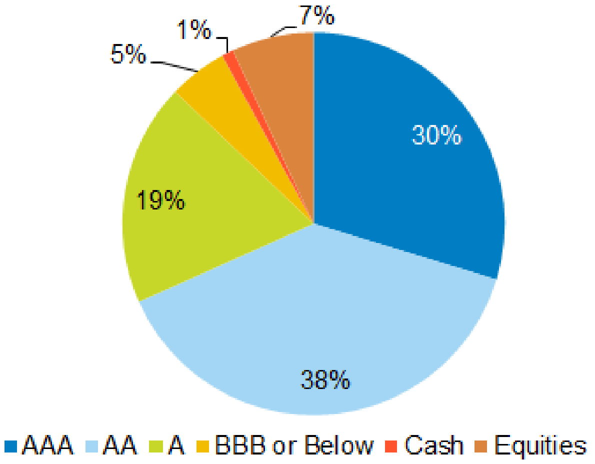
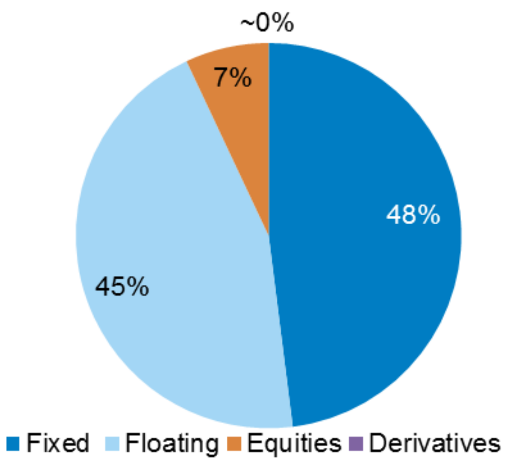


Figure 14: Investment assets by type



4.3.4 Investment Performance

The decline in the investment return is driven by both the reduction in investment balance compared to the previous period and 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 and realised 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 15	31 Dec 15	30 Jun 16	31 Dec 16	30 Jun 17
Cash	300.0	78.1	37.8	57.6	39.4
Accrued investment income	37.9	34.6	32.5	28.8	21.1
Investments	3,805.8	3,847.8	3,601.4	3,465.0	3,456.6
Total Cash and Investments	**4,143.7**	**3,960.5**	**3,671.7**	**3,551.3**	**3,517.1**

($ millions)	1H15	2H15	1H16	2H16	1H17
Interest income	77.6	72.9	67.3	60.7	50.9
Investment return[1]	**3.72%**	**3.60%**	**3.53%**	**3.37%**	**2.88%**

4.4 Total liabilities

The total liabilities of the Group as at 30 June 2017 were $1,901.4 million compared to $1,866.0 million at 31 December 2016. Notable movements contributing to the $35.4 million increase over the period include

- $99.7 million increase in reinsurance payable from deferring further reinsurance costs from treaty renewals and offset by
- $63.1 million decrease in unearned premium reflecting seasoning of the prior year in-force premium.

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

4.4.1 Unearned Premium Reserve (UPR)

Table 10[1]: Movement in unearned premium reserve by book year

Book Year	As at 31 December 2016 ($ millions)	Gross written premium ($ millions)	Gross earned premium ($ millions)	As at 30 June 2017 ($ millions)
2009	2.7	-	(2.5)	0.3
2010	17.2	-	(5.8)	11.4
2011	34.4	-	(9.3)	25.0
2012	81.7	-	(18.3)	63.4
2013	148.7	-	(34.9)	113.8
2014	246.5	-	(50.9)	195.6
2015	305.8	-	(61.8)	244.1
2016	340.8	-	(53.1)	287.7
2017	-	182.3	(8.9)	173.4
Total	**1,177.8**	**182.3**	**(245.4)**	**1,114.7**

[1] Totals may not sum due to rounding.

4.5 Equity

The Group's equity increased by $16.4 million over the period.

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)	1H15	2H15	1H16	2H16	1H17
Statutory NPAT	113.0	115.0	135.8	67.3	88.7
Adjustment for change in unrealised (gains)/losses	28.4	24.0	(32.7)	45.8	35.5
Adjustment for tax on change in unrealised (gains)/losses	(8.5)	(7.2)	9.8	(13.8)	(10.7)
Underlying NPAT	**132.9**	**131.8**	**112.9**	**99.3**	**113.5**

Table 12: Reconciliation of Total Equity and Underlying Equity

($ millions), as at	30 Jun 15[1]	31 Dec 15[2]	30 Jun 16[2]	31 Dec 16[2]	30 Jun 17
Total equity	2,454.1	2,218.7	2,035.2	1,967.4	1,983.8
Adjustment for life to date unrealised (gains)/losses	(109.1)	(85.1)	(117.8)	(73.4)	(40.1)
Adjustment for tax on life to date unrealised (gains)/losses	32.7	25.5	35.3	22.0	12.0
Underlying Equity	**2,377.7**	**2,159.1**	**1,952.7**	**1,916.0**	**1,955.7**

Table 13: Underlying ROE

(%)	12 months to Jun 15[1]	12 months to Dec 15[2]	12 months to Jun 16[2]	12 months to Dec 16[2]	12 months to Jun 17[2]
Underlying NPAT ($ million)	279.2	264.7	244.7	212.2	212.8
Underlying Equity ($ million)[3]	2,326.3	2,281.7	2,165.2	2,037.6	1,954.2
Underlying ROE (%)	**12.0%**	**11.6%**	**11.3%**	**10.4%**	**10.9%**

[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 2017 with a regulatory capital solvency level of 1.81 times the Prescribed Capital Amount (PCA) on a Level 2 basis and a CET1 ratio of 1.65 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 16	30 Jun 17
Capital Base		
Common Equity Tier 1 Capital (incl. excess technical provisions)	2,012.8	2,012.8
Tier 2 Capital	200.0	200.0
Regulatory Capital Base	**2,212.8**	**2,212.8**
Capital Requirement		
Probable Maximum Loss (PML)	2,284.6	2,148.7
Net premiums liability deduction	(288.8)	(271.5)
Allowable reinsurance	(900.5)	(950.5)
LMI Concentration Risk Charge (LMICRC)	**1,095.3**	**926.8**
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)
Prescribed Capital Amount (PCA)	**1,413.9**	**1,222.6**
PCA Coverage ratio (times)	**1.57 x**	**1.81 x**

[1] Totals may not sum due to rounding.

The CET1 capital did not materially change in 1H17 reflecting the $88.7 million Reported NPAT being offset by the $71.3m dividends paid and a $17.0 million decrease in the excess technical provisions. The PCA coverage ratio increased from 1.57x to 1.81x, mainly through a $135.8 million reduction in the PML and a $50 million increase in Allowable Reinsurance.

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

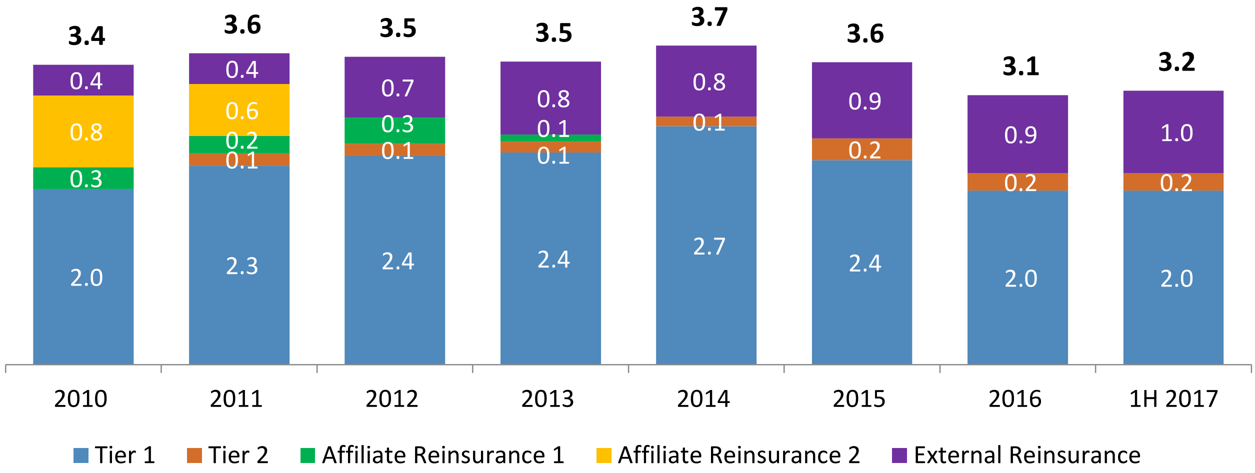


Figure 15 shows the mix of the three key components of the capital base, including common equity (Tier 1 Capital), other qualifying capital instruments (Tier 2 Capital) and APRA allowable reinsurance. Since 2010, Genworth has implemented a strategy that has:

- 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 $50 million as at 1 January 2017, increasing its level of Allowable Reinsurance from $900 million as at 31 December 2016 to $950 million as at 1 January 2017. Allowable Reinsurance was also $950 million as at 30 June 2017. Allowable Reinsurance is an important part of the ongoing optimisation of Genworth's capital base over the medium term.

Figure 16: Reinsurance Program 31 Dec 2016

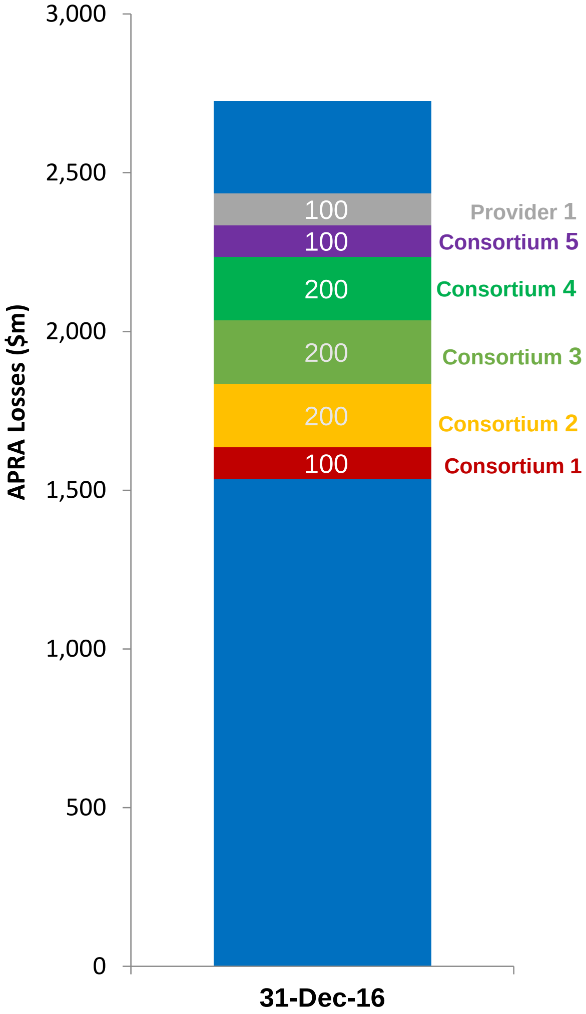
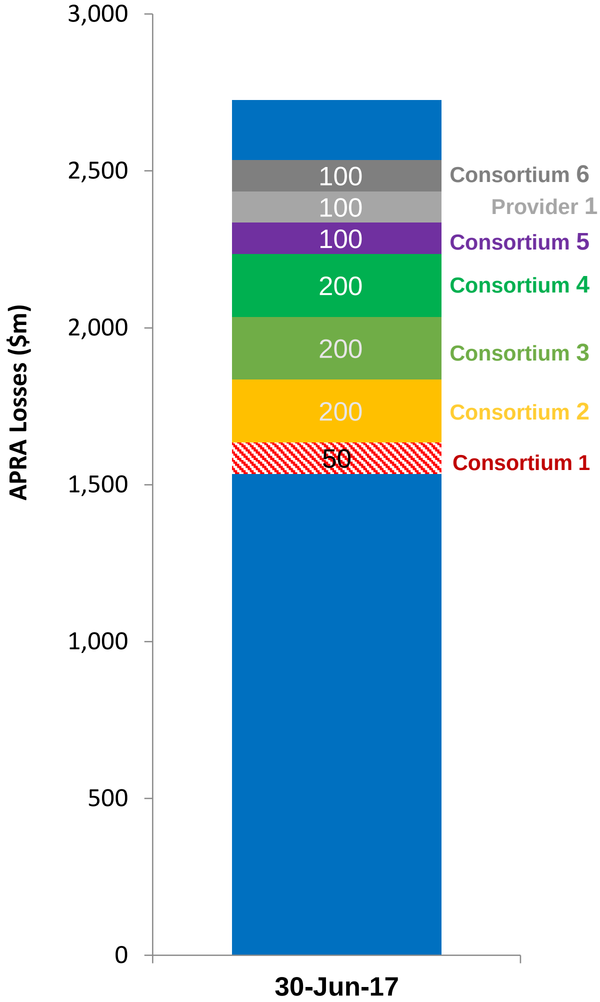


Figure 17: Reinsurance Program 30 Jun 2017[1]



[1] Consortium 1 is $100m coverage at 50% share.

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 12.0 cents per share and a fully franked special dividend of 2.0 cents per share both payable on payable on 30 August 2017 to shareholders registered on 16 August 2017.

Table 15: Calculation of Underlying NPAT for 1H16 and 1H17

(A$ in millions)	1H16	1H17
Reported NPAT	135.8	88.7
Adjustment for change in unrealised gains/(losses)	32.7	35.5
Adjustment for tax on change in unrealised gains/(losses)	(9.8)	(10.7)
Underlying NPAT	112.9	113.5

Table 16: Reconciliation of dividend payout ratio[1]

	1H16	1H17
Ordinary Dividend (cents per share)	14.0	12.0
Ordinary Dividend ($ millions)	71.3	61.1
Underlying NPAT ($ millions)	112.9	113.5
Ordinary Dividend Payout Ratio	63.2%	53.9%

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

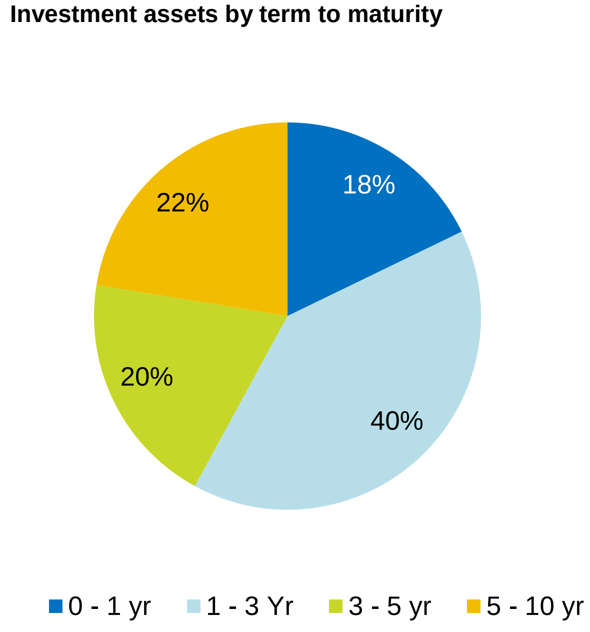
Section 6
Appendices

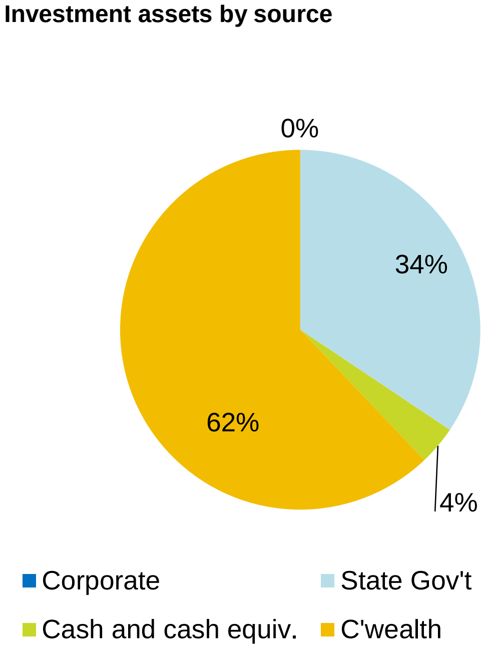
6 Appendices

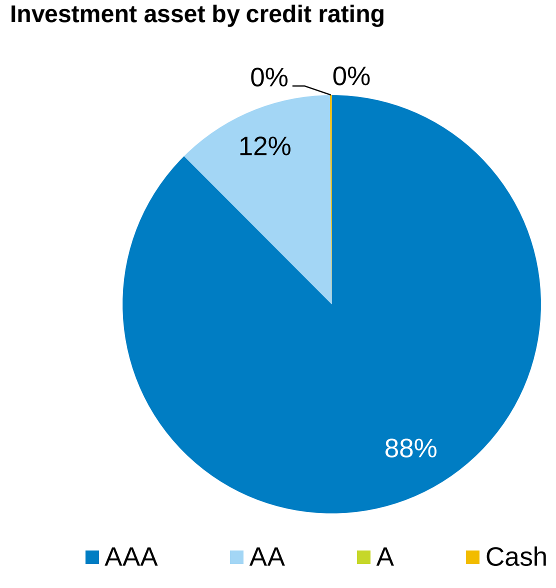
Appendix A - Investment portfolio

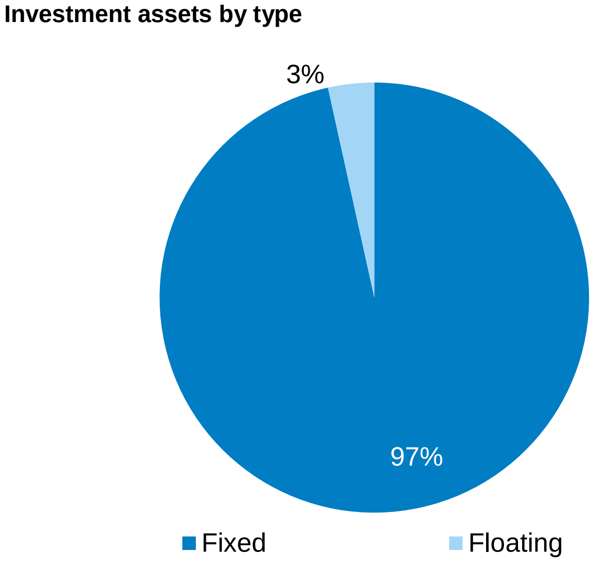
A.1 Investment assets backing technical liabilities

As at 30 June 2017, Genworth's technical funds were $1.1 billion.





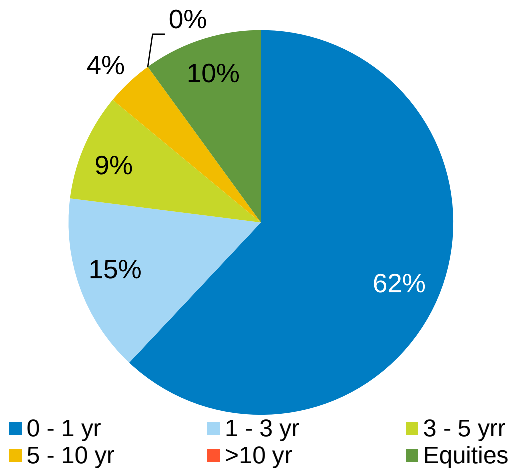




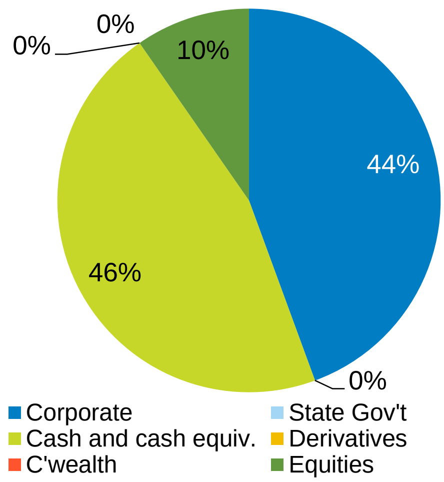
A.2 Shareholders' funds

As at 30 June 2017, Genworth shareholders' funds were $2.4 billion.

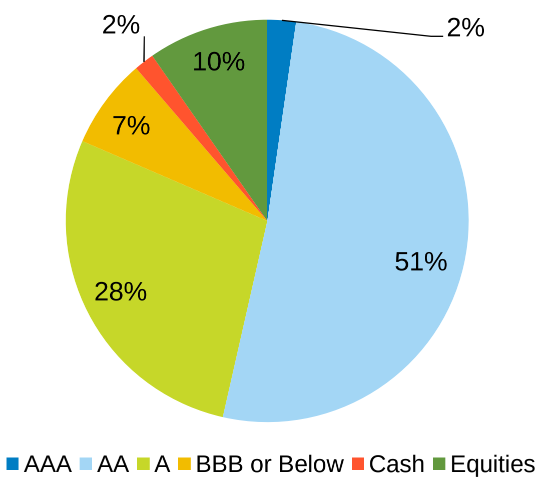
Investments assets by term to maturity



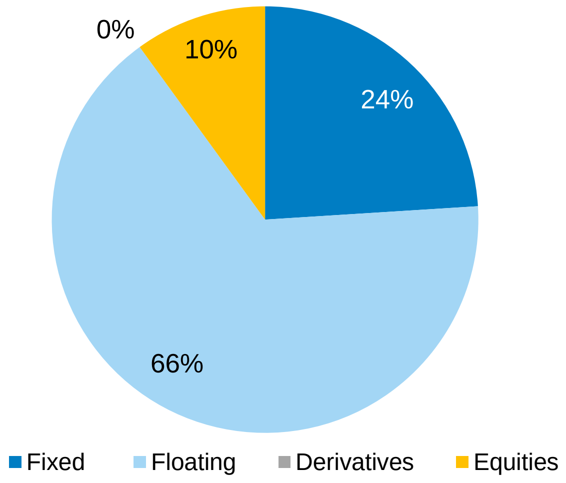
Investments assets by source



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 2017.

Walk from US GAAP AUS Segment Results to AIFRS Genworth Consolidated Income Statement for period ended 30 June 2017	Quarterly Supplement	Less: Non controlling interest	Quarterly Supplement	AUD equivalent Quarterly Supplement	Adjustments (a)	(b)	(c)	(d)	(e)	(f)	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$M	A$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
Total Revenue	**219**	**0**	**219**	**291**	**0**	**0**	**(30)**	**0**		**(0)**	**(30)**	**261**
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 Expense/Financing related costs	4		4	6	(0)					0	(0)	6
Total Expenses	**112**	**0**	**112**	**150**	**(8)**	**1**	**0**	**1**	**(9)**	**(1)**	**(15)**	**134**
Total Pre-tax Income	107	0	108	142	8	(1)	(30)	(1)	9	1	(15)	127
Total Tax Expense	36		36	48	(2)	(0)	(9)	(0)	3	0	(9)	38
Net income	**71**	**0**	**72**	**94**	**10**	**(1)**	**(21)**	**(1)**	**6**	**0**	**(6)**	**89**
Less: net income attributable to noncontrolling interests	38	(38)	0	0							0	0
Net income available to Genworth common stockholders	**33**	**38**	**72**	**94**	**10**	**(1)**	**(21)**	**(1)**	**6**	**0**	**(6)**	**89**

Note: Totals may not sum due to rounding.

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 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 market to market movements for derivatives and impairment on certain equity invesment 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) Recognition of amortisation of mutually beneficial initiatives contributions under USGAAP. A YTD adjustment was made in Q2' 17 to reclass the amortisation of customer exclusivity fees and mutual beneficial fees as Amortisation of Intangibles from Other Underwriting Expenses

(f) 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

	2016					2017		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Net premium written ($M)[1]	66	86	75	82	310	71	77	148
Loss ratio[2]	27%	39%	45%	29%	35%	35%	35%	35%
GAAP basis expense ratio[3]	23%	25%	26%	28%	26%	25%	27%	26%
Adjusted expense ratio[4]	40%	34%	40%	38%	38%	38%	36%	37%

Sales: new insurance written (NIW) ($M)	2016					2017		
	1Q	2Q	3Q	4Q	Total	1Q	2Q	Total
Flow	6,225	6,673	6,081	6,555	25,535	5,469	5,498	10,966
Bulk	-	1,092	0	-	1,092	1,331	759	2,091
Total NIW	6,225	7,765	6,081	6,555	26,626	6,800	6,257	13,057

	2016				2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Primary insurance in force ($M)	322,043	324,249	323,472	324,301	322,270	322,520
Primary risk in force ($M)[5]						
Flow	104,778	105,295	104,955	105,360	104,273	104,195
Bulk	7,465	7,718	7,654	7,507	7,836	8,007
Total	112,243	113,013	112,609	112,866	112,109	112,202

1) Net premium written is calculated as gross written premium, less refunds and reinsurance. This metric differs to what is disclosed in 2Q 2017 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 2017 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 2017 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 2017 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, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017
Insured loans in-force (#)	1,479,544	1,477,826	1,470,302	1,464,139	1,443,836	1,438,100
Insured delinquent loans (#)	5,889	6,413	6,844	6,731	6,926	7,285
Insured delinquency rate (%	0.40%	0.43%	0.47%	0.46%	0.48%	0.51%
Flow loans in-force (#)	1,366,914	1,364,756	1,358,286	1,354,616	1,332,468	1,325,477
Flow delinquent loans (#)	5,633	6,143	6,574	6,451	6,650	7,007
Flow delinquency rate (%)	0.41%	0.45%	0.48%	0.48%	0.50%	0.53%
Bulk loans in-force (#)	112,630	113,070	112,016	109,523	111,368	112,623
Bulk delinquent loans (#)	256	270	270	280	276	278
Bulk delinquency rate (%)	0.23%	0.24%	0.24%	0.26%	0.25%	0.25%

Loss Metrics ($M)	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017
Beginning Reserves[1]	**277**	**290**	**313**	**344**	**356**	**361**
Paid claims[2]	(18)	(23)	(24)	(21)	(33)	(40)
Increase in reserves	31	46	54	33	38	40
Ending Reserves	**290**	**313**	**344**	**356**	**361**	**360**

	Mar 31, 2016		Jun 30, 2016		Sep 30, 2016		Dec 31, 2016		Mar 31, 2017		Jun 30, 2017	
	% 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%	29%	0.30%	28%	0.32%	28%	0.30%	28%	0.31%	28%	0.32%
Queensland	23%	0.55%	23%	0.62%	23%	0.67%	23%	0.66%	23%	0.68%	23%	0.72%
Victoria	23%	0.35%	23%	0.37%	23%	0.39%	23%	0.38%	23%	0.38%	23%	0.41%
Western Australia	11%	0.53%	11%	0.61%	12%	0.69%	12%	0.74%	12%	0.78%	12%	0.86%
South Australia	6%	0.52%	6%	0.59%	6%	0.62%	6%	0.61%	6%	0.66%	6%	0.65%
ACT	3%	0.18%	3%	0.19%	3%	0.20%	3%	0.17%	3%	0.19%	3%	0.20%
Tasmania	2%	0.38%	2%	0.36%	2%	0.37%	2%	0.35%	2%	0.36%	2%	0.37%
New Zealand	2%	0.13%	2%	0.10%	2%	0.10%	2%	0.07%	2%	0.07%	2%	0.08%
Northern Territory	1%	0.21%	1%	0.27%	1%	0.33%	1%	0.36%	1%	0.42%	1%	0.44%
Total	**100%**	**0.40%**	**100%**	**0.43%**	**100%**	**0.47%**	**100%**	**0.46%**	**100%**	**0.48%**	**100%**	**0.51%**
By Policy Year												
2007 and prior	36%	0.29%	35%	0.31%	34%	0.31%	34%	0.30%				
2008 and prior	6%	0.98%	6%	1.01%	6%	1.07%	6%	1.03%	39%	0.39%	39%	0.41%
2009	7%	0.73%	7%	0.84%	7%	0.93%	7%	0.87%	7%	0.95%	7%	1.00%
2010	6%	0.51%	6%	0.55%	5%	0.59%	5%	0.56%	5%	0.60%	5%	0.57%
2011	6%	0.52%	6%	0.58%	6%	0.66%	5%	0.68%	5%	0.69%	5%	0.71%
2012	8%	0.54%	8%	0.64%	8%	0.72%	8%	0.80%	7%	0.79%	7%	0.83%
2013	9%	0.47%	9%	0.54%	9%	0.62%	8%	0.61%	8%	0.66%	8%	0.74%
2014	11%	0.26%	10%	0.36%	10%	0.45%	10%	0.51%	10%	0.58%	9%	0.66%
2015	9%	0.06%	9%	0.11%	9%	0.17%	9%	0.23%	9%	0.28%	9%	0.37%
2016	2%	0.00%	4%	0.00%	6%	0.01%	8%	0.03%	8%	0.05%	8%	0.12%
2017	-	-	-	-	-	-	-	-	2%	0.00%	3%	0.00%
Total	**100%**	**0.40%**	**100%**	**0.43%**	**100%**	**0.47%**	**100%**	**0.46%**	**100%**	**0.48%**	**100%**	**0.51%**

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 2017 GFI FS under International MI Segment Australia
2) Movement in non-reinsurance recoveries on paid claims is excluded from paid claim calculation.

All figures are $AUD and AIFRS

	1Q 2016	2Q 2016	3Q 2016	4Q 2016	Total 2016	1Q 2017	2Q 2017	Total 2017
Paid claims[1] ($M), quarterly analysis								
Flow	18	23	24	21	86	33	40	73
Bulk	-	-	-	-	-	-	-	-
Total	18	23	24	21	86	33	40	73
Average paid claim [1] ($ thousands)	65.8	79.2	73.3	67.1		92.5	112.7	
Average reserve per delinquency [2] ($ thousands)	49.2	48.8	50.2	52.8		52.1	49.5	

	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
Loan amount (%)						
Over $550K	15%	15%	15%	16%	16%	16%
$400K to $550K	20%	20%	20%	20%	20%	20%
$250K to $400K	36%	36%	36%	35%	35%	35%
$100K to $250K	24%	24%	24%	24%	24%	24%
$100K or Less	5%	5%	5%	5%	5%	5%
Total	100%	100%	100%	100%	100%	100%
Average primary loan size (thousands)	218	219	220	221	223	224

1) Movement in non-reinsurance recoveries on paid claims is excluded from average paid claim calculation.
2) This metric differs to what is disclosed in Q2 2017 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, 2016			June 30, 2016			Sep 30, 2016			Dec 31, 2016			Mar 31, 2017			Jun 30, 2017		
	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	20,336	20,335	0	19,917	19,917	-	19,487	19,487	-	19,092	19,092	-	18,742	18,742	-	18,396	18,396	-
90.01% to 95.00%	29,023	29,015	8	29,371	29,363	8	29,584	29,576	8	29,928	29,920	8	30,018	30,010	8	30,233	30,225	8
80.01% to 90.00%	29,753	29,666	87	30,060	29,974	86	30,214	30,128	86	30,452	30,367	85	30,364	30,278	86	30,669	30,577	92
80.00% and below	33,131	25,762	7,370	33,665	26,042	7,623	33,324	25,764	7,560	33,394	25,981	7,414	32,985	25,244	7,742	32,904	24,997	7,906
Total	112,243	104,778	7,465	113,013	105,295	7,718	112,609	104,955	7,654	112,866	105,360	7,507	112,109	104,273	7,836	112,202	104,195	8,007

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

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 equity
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 (excludes excess of loss reinsurance)
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
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
NIW	New insurance written (excludes excess of loss reinsurance)
NOHC	Non-operating holding company
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
Probable Maximum Loss (PML)	The largest cumulative loss to which an insurer will be exposed due to a concentration of policies. It is determined by applying a formula specified by APRA for LMI with specific factors for probability of default and loss given default and other components
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.
Underlying NPAT	Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) and impairment 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