1 AUGUST 2018

INVESTOR REPORT

HALF YEAR ENDED 30 JUNE 2018

Corporate information

This report contains general information in summary form which is current as at 30 June 2018. 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, “FY17” refers to the year ended 31 December 2017. All references starting with “1H” refer to the financial half year ended 30 June. For example, “1H18” refers to the half year ended 30 June 2018. All references starting with “2H” refer to the financial half year ended 31 December. For example, “2H17” refers to the half year ended 31 December 2017.

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 buyback 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 buyback 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.

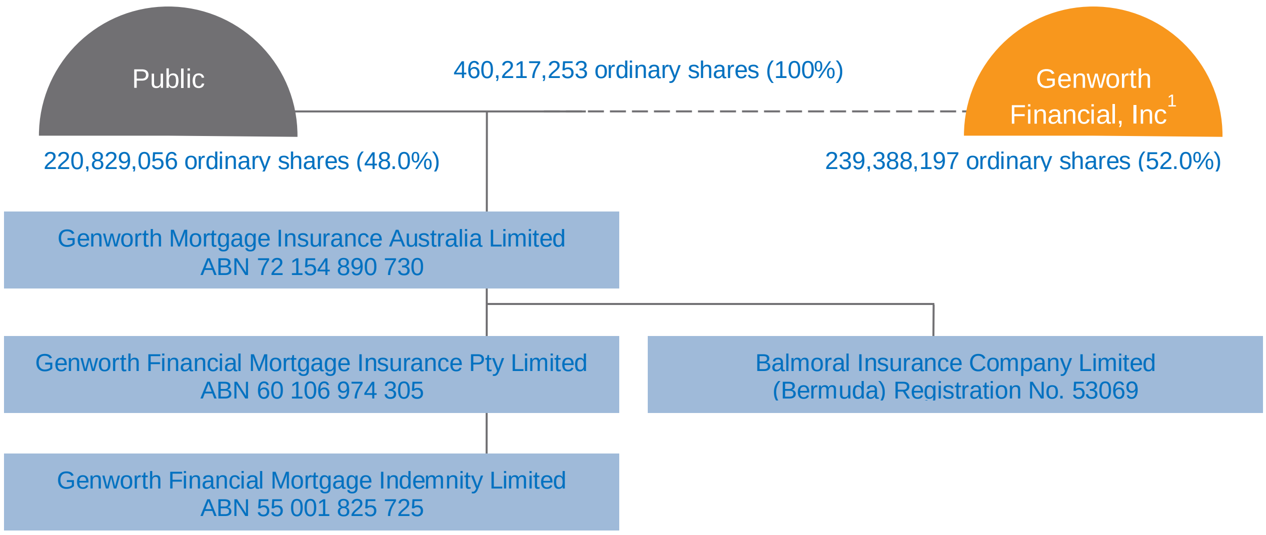
During 2H 2017 the Group undertook an on-market share buyback program. 17.0 million shares were purchased and subsequently cancelled for a total consideration of $50.9 million. Genworth Financial, Inc. participated in on-market sale transactions during the buyback program to maintain its approximately 52% stake in the Group. As at 31 December 2017, the number of Genworth shares on issue was 492.4 million.

During 1H 2018 the Group undertook an on-market share buyback program. As part of this program 32.1 million shares were purchased and subsequently cancelled for a total consideration of $84.3 million. Genworth Financial, Inc. participated in the on-market share buyback program to maintain its approximately 52% stake in the Group.

As at 30 June 2018, the number of Genworth shares on issue was 460.2 million. This amount is net of 0.6 million shares bought back on 28 June 2018, which were cancelled on 2 July 2018.

The Group has the following corporate structure:

Figure 1: Genworth corporate structure as at 30 June 2018



In 2017 the Company established an offshore entity based in Bermuda, called Balmoral Insurance Company Limited. This entity has been utilised to write new excess of loss cover for bulk portfolios across both high and low loan to value ratios.

[1] Genworth Financial, Inc.'s interest in the Company is held indirectly through the Genworth Financial Group.

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Section 1

Executive summary

1. Executive summary

1.1 Overview of the half year 2018 financial results

Genworth reported statutory net profit after tax (NPAT) of $41.9 million for 1H18. After adjusting for the after-tax mark-to-market movement in the investment portfolio of $8.4 million, underlying NPAT was $50.3 million.

Table 1: Group financial performance measures

(A$ in millions)	1H17	1Q18	2Q18	1H18	Change 1H17 vs 1H18
Gross written premium	182.3	174.1	92.7	266.8	46.4%
Gross earned premium	245.4	89.4	93.5	182.9	(25.5%)
Net earned premium	211.6	67.4	76.0	143.3	(32.3%)
Reported NPAT	88.7	8.4	33.5	41.9	(52.8%)
Underlying NPAT [1]	113.5	19.9	30.4	50.3	(55.7%)
Loss ratio	34.8%	55.9%	50.9%	53.3%	18.5%
Delinquency rate[2]	0.51%	0.49%	0.54%	0.54%	0.03%
Expense ratio	25.9%	33.5%	32.4%	32.9%	7.0%
Combined ratio	60.6%	89.5%	83.3%	86.2%	25.6%
Insurance margin	48.1%	20.3%	27.5%	24.1%	(24.0%)
Investment return	2.9%	2.6%	2.6%	2.6%	(0.3%)
ROE [3]	7.8%	5.6%	5.4%	5.4%	(2.4%)
Underlying ROE [3]	10.9%	6.6%	5.7%	5.7%	(5.2%)

The 1H18 results reflect:

1. Higher sales (gross written premium (GWP)):
   a) GWP increased 46.4% compared with the previous corresponding period due to new business written pursuant to the Company's newly established Bermudan insurance entity and its new 'micro markets LMI' offering. Genworth has retained $170.2 million of risk and placed the remainder with a consortium of global reinsurers through its Bermudan entity. Net of the premium to the consortium of global reinsurers, Genworth's GWP increased 12.0% in 1H18 as a result of this transaction. For reporting purposes this risk is not reflected in NIW.
   b) In terms of the traditional LMI business, volumes were down 7% from 1H17 with the termination of the Company's then second largest customer contract in April 2017. This was partially offset by a higher LVR mix which resulted in a higher average price for written premiums.

[1] Underlying NPAT excludes the after-tax impact of unrealised gains/ (losses) on the investment portfolio.

[2] Excludes excess of loss insurance

[3] ROE and underlying ROE are shown on a trailing 12-month basis.

1. Executive summary

2. Lower revenue (net earned premium (NEP)):
   a) NEP decreased 32.3% in 1H18 reflecting the adverse impact of the 2017 Earnings Curve Review ($60.9 million impact). Excluding this impact NEP would be down 3.5%.
   b) Also of note this half was the release of $8.2 million of unearned premium as part of a lapsed policy initiative commenced by the Company in May (Lapsed Policy Initiative). This initiative has utilized newly available data to more promptly identify loans that have been refinanced or discharged.
3. Net claims incurred:
   a) Net claims incurred were $76.4 million in the half (1H17: $73.6 million). Excluding the $8.2 million in favourable non-reinsurance recoveries on paid claims in 1H17 and the $0.9 million in 1H18, net claims incurred decreased $4.5 million in 1H18.
   b) The insurance margin decreased to 24.1% compared to 48.1% for 1H17 mainly driven by lower NEP.

1.2 Summary of financial and capital position

Table 2: Group financial position/capital measures

(A$ in millions), as at	31 Dec 17	30 Jun 18
Cash, accrued interest and investments	3,409.3	3,298.1
Total assets	3,765.9	3,677.0
Unearned premium reserve	1,108.6	1,192.5
Net assets	1,922.2	1,821.9
Net assets per share ($/share)	3.90	3.95
Net tangible assets	1,911.8	1,810.4
Regulatory capital base	2,092.4	2,071.6
Level 2 PCA coverage	1.93x	1.90x
CET1 coverage	1.74x	1.71x
Gearing (debt / equity)	10.3%	10.8%

Genworth's capital position was strong as at 30 June 2018. The Group's regulatory capital solvency level was 1.90 times the PCA and 1.71 times the common equity tier 1 (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. Executive summary

1.3 Economic and regulatory environment

1.3.1 Economic environment

The Australian domestic economy remained resilient in 1H18 with a rebound in annual Gross Domestic Product growth driven by higher levels of public infrastructure investment and a rise in export growth. Despite this growth, household consumption remained weak and a source of uncertainty. From an individual state and territory perspective, Victoria and New South Wales were the strongest performers however there has been some easing in their growth rates. Western Australia continues to face challenging conditions post the mining downturn although some signs of recovery are starting to emerge.

Whilst the latest employment figures indicate a strong labour market with ongoing solid employment, underemployment remains at elevated levels and continues to hold back wage growth.

The economic outlook for the remainder of 2018 remains positive (albeit below long-term trend). This should lead to continued growth in employment although this is not expected to be significant enough to drive wage growth and inflation. Within this environment the Reserve Bank of Australia (RBA) is likely to keep the official cash rate on hold through the second half of 2018. Despite the expectation that the RBA will leave interest rates on hold, lending institutions are anticipated to continue to implement “out-of-cycle” interest rate increases as they face higher funding costs.

In terms of housing market conditions, the moderation experienced in 1Q18 continued in 2Q18 with Sydney and Melbourne continuing to lead the decline. The exception to this has been Hobart which continues to show positive gains. Perth dwelling values has seen an improvement on the rate of decline however recovery is likely to still take some time.

It is anticipated that the moderating trend in housing market conditions will continue in the second half of the year reflecting pressure on lending as a result of macro-prudential measures, tightening credit standards and record levels of new housing supply coming onto the market. Metropolitan housing markets in Sydney and Melbourne are predicted to lead the trend whilst the rate of decline in regions linked to the mining resource industry in Queensland and Western Australia, is expected to stabilise.

1.3.2 Regulatory environment

Genworth is active in working with a range of policymakers, rating agencies and other industry participants to promote legislative and regulatory policies that promote home ownership and continued responsible credit growth.

During the first half of 2018, the major areas of focus from a regulatory and policy perspective were:

1. APRA’s consultation with residential mortgage lenders and other interested parties to obtain comment on its discussion paper on banking capital changes, in particular, the mortgage risk weights applied by APRA on lenders when they write high loan to value ratio (HLVR) loans. A discussion paper was released by APRA in February 2018, and comments provided to APRA mid-May 2018.
2. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The draft Report is expected to be finalised in September 2018, with the final Report to be delivered in February 2019.
3. The Productivity Commission inquiry into competition in the Australian financial system. In conjunction with the Insurance Council of Australia and other LMI providers, Genworth has met with the Commission in relation to LMI related topics. The Productivity Commission handed its final report to the Government on 29 June 2018. The Government has until early-mid November to table the Report before Parliament.

Genworth continues to lead industry efforts to educate policymakers about the importance of LMI to the Australian mortgage market and the wider financial system, especially as a loss absorption and capital management tool for risk management purposes.

1. Executive summary

1.4 Customer relationships

Genworth has commercial relationships with over 100 lender customers across Australia. The top three customers, excluding excess of loss agreements, accounted for approximately 66% of Genworth's total new insurance written (NIW) and 73% of GWP in 1H18. The largest customer accounted for 46% of total NIW and 51% of GWP in 1H18. The Group estimates that it had approximately 27% of the Australian HLVR LMI market by NIW for the period ended 30 June 2018.

During 2018, Genworth has maintained its partnerships with key customers and continues to work with them to provide a broader suite of risk and capital management solutions. The Company has been successful in providing these customers with new offerings that assist them in managing mortgage default risk. 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 25 May 2018, Standard & Poor's Ratings Services (S&P) reaffirmed Genworth Financial Mortgage Insurance Pty Limited's financial strength rating at 'A+' and outlook as 'negative'.

Fitch Ratings

On 13 September 2017, Fitch reaffirmed Genworth Financial Mortgage Insurance Pty's financial strength rating at 'A+' and outlook 'stable'.

Section 2
Group financial results

2. Group financial results

2.1 Statement of comprehensive income

Table 3[4]: Group statement of comprehensive income

(A$ millions)	1H17	1Q18	2Q18	1H18	Change 1H17 vs 1H18
Gross written premium	182.3	174.1	92.7	266.8	46.4%
Movement in unearned premium	63.1	(84.7)	0.8	(83.9)	(233.0%)
Gross earned premium	**245.4**	**89.4**	**93.5**	**182.9**	**(25.5%)**
Outwards reinsurance expense	(33.9)	(22.0)	(17.5)	(39.5)	(16.5%)
Net earned premium	**211.6**	**67.4**	**76.0**	**143.3**	**(32.3%)**
Net claims incurred	(73.6)	(37.7)	(38.7)	(76.4)	(3.8%)
Acquisition costs	(27.2)	(9.4)	(10.6)	(19.9)	26.8%
Other underwriting expenses	(27.5)	(13.2)	(14.0)	(27.2)	1.1%
Underwriting result	**83.3**	**7.1**	**12.7**	**19.8**	**(76.2%)**
Investment income on technical reserves [5]	18.5	6.6	8.2	14.8	(20.0%)
Insurance profit	**101.8**	**13.7**	**20.9**	**34.6**	**(66.0%)**
Net investment income on equity holders' funds [5]	30.6	1.2	28.5	29.7	(2.9%)
Financing costs	(5.7)	(2.9)	(3.0)	(5.9)	(3.5%)
Profit before income tax	**126.7**	**12.0**	**46.4**	**58.4**	**(53.9%)**
Income tax expense	(38.0)	(3.6)	(12.9)	(16.5)	56.6%
NPAT	88.7	8.4	33.5	41.9	(52.8%)
Underlying NPAT	**113.5**	**19.9**	**30.4**	**50.3**	**(55.7%)**

[4] Totals may not sum due to rounding.

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

2. Group financial results

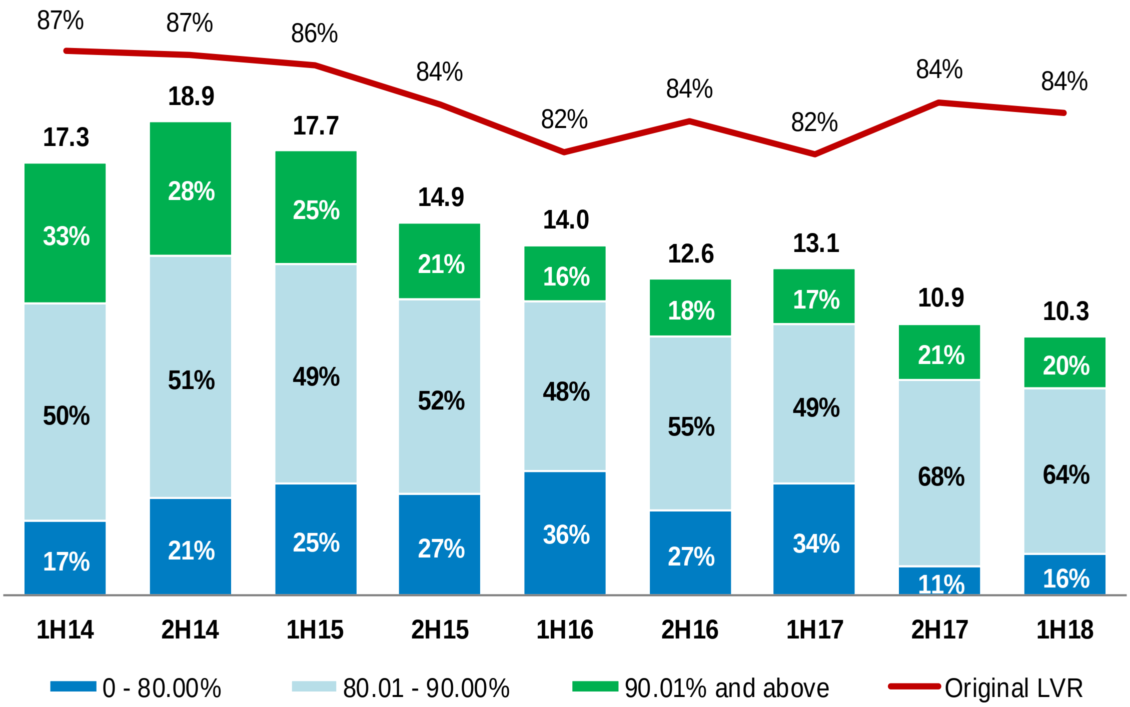
2.2 Management discussion and analysis

2.2.1 New insurance written (NIW)

NIW decreased 21.4% to $10.3 billion in 1H18 from $13.1 billion in 1H17. The composition of NIW in the 0% to 80.0% LVR segment decreased 63%, NIW in the 80.01 to 90.0% LVR increased 4% and above 90.01% segments decreased 7%. The decline in NIW in the 0% to 80% LVR segment in 1H18 compared to 1H17 reflects that fact that 1H17 included business written pursuant to an agreement with the Company's then second largest customer. This agreement terminated in April 2017 and represented $2.5 billion of NIW in 1H17.

NIW in 1H18 included $1.1 billion of bulk portfolio business versus $2.1 billion of bulk portfolio business in 1H17. NIW excludes the Company's excess of loss reinsurance and the new business written via Genworth's Bermudan entity.

Figure 2: NIW[6] by original LVR[7] band (excludes capitalised premium)



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[6] NIW includes capitalised premium. NIW excludes excess of loss insurance.

[7] Original LVR excludes capitalised premium.

2. Group financial results

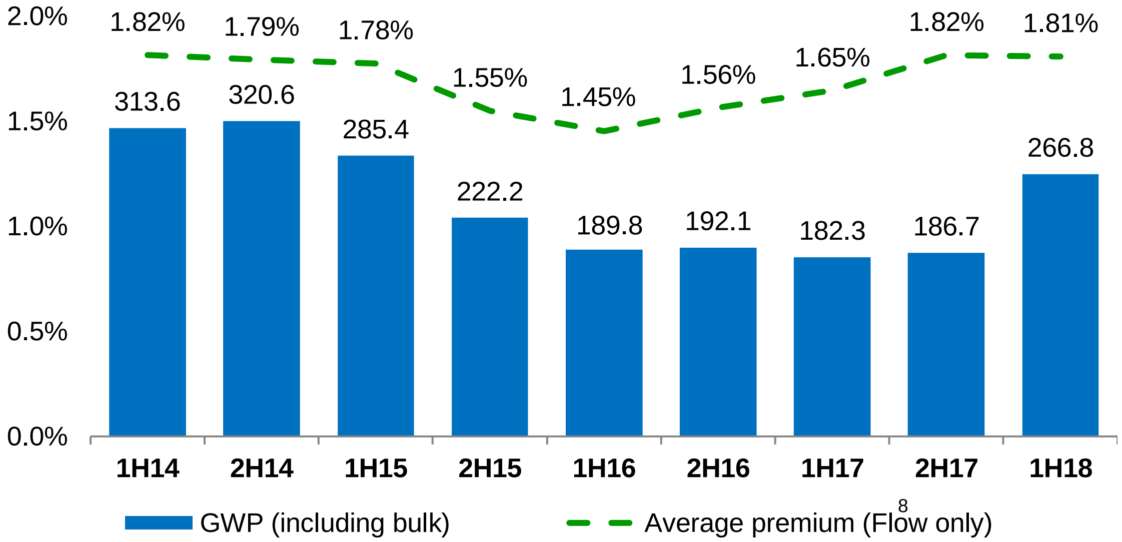
2.2.2 Gross written premium

GWP increased 46.4% compared with the previous corresponding period due to new business written pursuant to the Company's newly established Bermudan insurance entity and its new 'micro markets LMI' offering. In relation to the new business written through its Bermudan entity, Genworth has retained $170.2 million of risk and placed the remainder with a consortium of global reinsurers. Net of the premium to the consortium of global reinsurers, Genworth's GWP increased 12.0% in 1H18 as a result of this transaction. For reporting purposes this risk is not reflected in NIW.

Average price for flow (GWP/NIW) increased from 1.65% in 1H17 to 1.81% in 1H18.

The average original LVR of new flow business written in 1H18 was 84%, representing an increase of 2% on 1H17.

Figure 3: GWP ($ millions) and average price[8] of flow business



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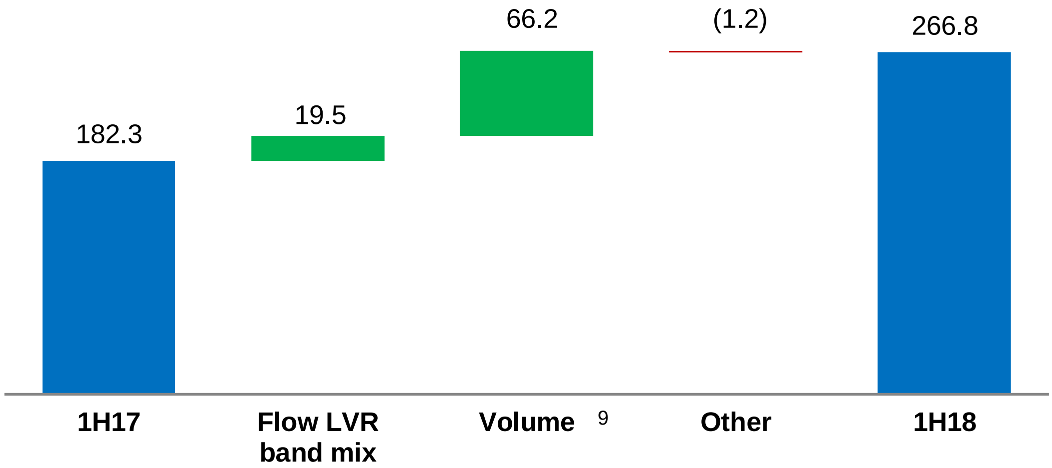
[8] Average price excludes excess of loss insurance. Historical NIW has been adjusted in the average premium calculation to reflect a risk sharing arrangement.

2. Group financial results

Figure 4: Movement of GWP 1H17 to 1H18 ($ millions)



2.2.3 Gross earned premium (GEP)

GEP decreased 25.5% from $245.4 million in 1H17 to $182.9 million in 1H18 mainly reflecting the adverse impact of the 2017 Earnings Curve Review ($60.9 million impact). The 2017 Earnings Curve Review took effect from 1 October 2017 and has the effect of lengthening the period of time over which premium is earned. It does not affect the quantum of revenue that will be earned over time.

2.2.4 Outward reinsurance expense

Outward reinsurance expense increased by $5.6 million from $33.9 million in 1H17 to $39.5 million in 1H18 driven mainly by Genworth's Bermudan entity transaction pursuant to which ceded reinsurance expense was offset by the decreased consortium reinsurance coverage on the traditional LMI business.

2.2.5 Net claims incurred and changes to reserves

Net claims incurred increased $2.8 million from $73.6 million in 1H17 to $76.4 million in 1H18, primarily driven by lower cures. In 1H17 the Company undertook a review of its non-reinsurance recoverables on paid claims. The result of this review was an improvement in its recovery process and a favourable impact of $8.2 million. Excluding the $8.2 million in non-reinsurance recoveries on paid claims in 1H17 and the $0.9 million in 1H18, net claims incurred were down $4.5 million in 1H18.

[9] Volume includes excess of loss insurance and bulk transactions.

2. Group financial results

Table 4[10]: Composition of net claims incurred

($ millions) unless otherwise stated	1H16	2H16	1H17	2H17	1H18
Number of paid claims (#)	566	633	711	761	666
Average paid claim ($'000)[11]	72.5	70.8	102.3	122.1	116.7
Claims paid[11]	**41.1**	**44.8**	**72.7**	**92.9**	**77.7**
Movement in borrower recovery receivable on paid claims	0.1	(1.0)	(8.2)	(0.9)	(0.9)
Movement in reserves	34.2	39.6	9.0	(23.9)	(0.4)
Net claims incurred	**75.4**	**83.4**	**73.6**	**68.2**	**76.4**

The average reserve per delinquency decreased from $49,500 in 1H17 to $46,400 in 1H18 primarily driven by a reduction in reserving for mining areas, particularly in Queensland.

Table 5: Movement in delinquencies[12]

	1H16	2H16	1H17	2H17	1H18
Opening delinquencies	5,552	6,413	6,731	7,285	6,696
New delinquencies	5,912	6,000	5,997	5,350	5,565
Cures	(4,485)	(5,049)	(4,732)	(5,178)	(4,289)
Claims paid	(566)	(633)	(711)	(761)	(666)
Closing delinquencies	**6,413**	**6,731**	**7,285**	**6,696**	**7,306**
Total policies outstanding	1,477,826	1,464,139	1,438,100	1,416,525	1,354,614

A decrease in the number of new delinquencies across both mining and non-mining areas was experienced in 1H18. The number of cures dropped in non-mining areas but remained stable in mining areas. The number of claims paid in 1H18 was lower than 1H17, mainly driven by a lower number of claims in the non-mining regions.

2.2.6 Acquisition costs and other underwriting expenses

Acquisition costs decreased $7.3 million from $27.2 million in 1H17 to $19.9 million in 1H18.

Other underwriting expenses decreased $0.3 million from $27.5 million in 1H17 to $27.2 million in 1H18. The total expense ratio increased from 25.9% in 1H17 to 32.9% in 1H18, reflecting the lower NEP.

[10] Totals may not sum due to rounding

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

[12] Exclude excess of loss insurance.

2. Group financial results

2.2.7 Financial income

Financial income, comprising interest income and realised and unrealised gains/losses, decreased $4.6 million from $49.1 million in 1H17 to $44.5 million in 1H18.

The 1H17 financial income of $49.1 million included a pre-tax mark-to-market unrealised loss of $35.5 million ($24.9 million after-tax). The result also included a $33.7 million pre-tax realised gain ($23.6 million after-tax) following the rebalancing of the of the investment portfolio.

The 1H18 financial income included a pre-tax mark-to-market unrealised loss of $12.0 million ($8.4 million after-tax) and pre-tax realised gains of $12.9 million ($9.1 million after-tax).

The pre-tax realised gain in 1H18 was largely due to the Company reducing its equity exposure in line with its strategic asset allocation target level. The pre-tax realised gains are included in the underlying NPAT for both halves.

As at 30 June 2018 the value of Genworth's investment portfolio was $3,278.6 million, more than 89% of which is held in cash and highly rated fixed interest securities and $160 million of which is invested in Australian equities within the Company's low volatility strategy.

2.2.8 Income tax expense

Income tax expense decreased $21.5 million (56.6%) from $38.0 million in 1H17 to $16.5 million in 1H18.

2.2.9 Net profit after tax

Reported NPAT fell 52.8% to $41.9 million in 1H18. The decline was largely driven by the adverse impact by 2017 Earnings Curve Review ($60.9 million impact pre-tax, $42.6 million after-tax).

2. Group financial results

2.3 Analysis of underwriting performance

The underwriting performance in 1H18 reflects the following key factors:

a) NEP decreased 32.3% due to adverse impact of the 2017 Earnings Curve Review ($60.9 million impact). Excluding this impact NEP would be down 3.5%;

b) GWP increased 46.4% due to new business written pursuant to Genworth's new Bermudan insurance entity and its new micro markets LMI offering;

c) The loss ratio for 1H18 was 53.3% compared to 34.8% in 1H17 due to lower NEP. Excluding the 2017 Earnings Curve Review impact the loss ratio would have been 37.4%;

d) The expense ratio increased from 25.9% in 1H17 to 32.9% in 1H18 reflecting lower NEP;

e) The insurance margin decreased to 24.1% compared with 48.1% for 1H17 driven by lower NEP.

Table 6: Key underwriting metrics

	1H16	2H16	1H17	2H17	1H18
New insurance written ($ billions)	14.0	12.6	13.1	10.9	10.3
Gross written premium ($ millions)	189.8	192.1	182.3	186.7	266.8
Net earned premium ($ millions)	228.8	224.0	211.6	158.9	143.3
Claims paid ($ millions)	41.1	44.8	72.7	92.9	77.7
Expense ratio	24.4%	27.1%	25.9%	33.7%	32.9%
Loss ratio	33.0%	37.2%	34.8%	42.9%	53.3%
Combined ratio	57.3%	64.3%	60.6%	76.7%	86.2%
Insurance margin	63.5%	32.4%	48.1%	29.3%	24.1%
Delinquency rate	0.43%	0.46%	0.51%	0.47%	0.54%

Section 3

Portfolio performance

3. Portfolio performance

3.1 Insurance portfolio

3.1.1 In-force[13] portfolio as at 30 June 2018

Genworth had an in-force portfolio of approximately $310 billion as at 30 June 2018. The Group's standard LMI product comprises the largest part of the overall in-force portfolio at 92%, 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

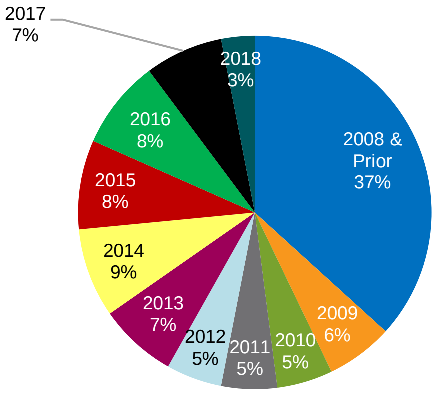


Figure 6: Insurance in-force by original LVR

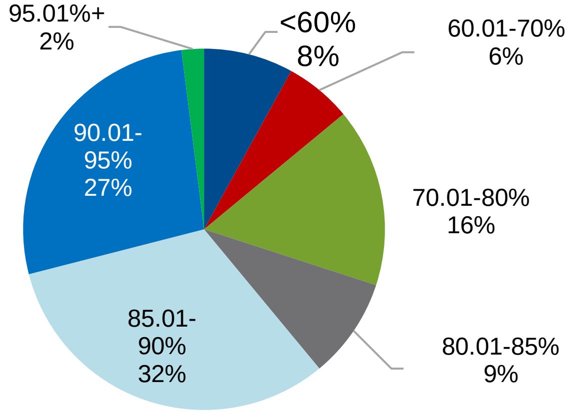


Figure 7: Insurance in-force by product

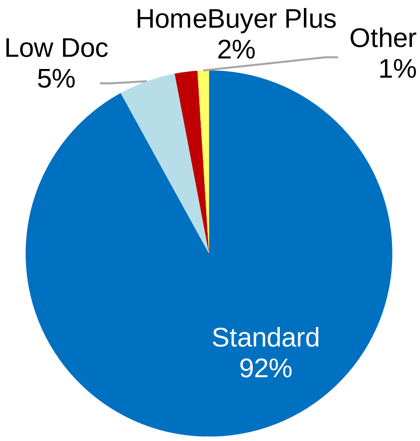
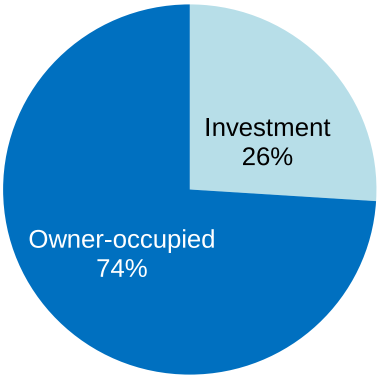


Figure 8: Insurance in-force by loan type



[13] Insurance in-force excludes excess of loss insurance. Genworth has retained $215 million of risk in relation to excess of loss insurance.

3. Portfolio performance

3.1.2 Effective LVR

The table below shows the effective LVR of the portfolio as at 30 June 2018. Genworth calculates the 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 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[14]: Effective LVR as at 30 June 2018

Book year	Insurance in-force		LVR		Portfolio change in house prices
	$ billion	%	Original	Effective	%
2009 and prior	89.5	32%	78.5%	37.5%	78%
2010	12.3	4%	81.0%	57.1%	30%
2011	13.2	5%	83.6%	58.6%	34%
2012	18.7	7%	86.3%	61.2%	36%
2013	21.7	8%	87.2%	65.8%	29%
2014	24.6	9%	87.2%	71.6%	19%
2015	24.3	9%	85.9%	75.6%	11%
2016	23.0	8%	83.9%	77.3%	7%
2017	20.4	7%	86.6%	86.4%	0%
2018	9.1	3%	87.4%	88.6%	0%
Total flow	**257.0**	**92%**	**82.3%**	**55.5%**	**46%**
Portfolio	22.9	8%	56.0%	25.1%	86%
Total / weighted avg.	**279.9**	**100%**	**79.8%**	**52.5%**	**50%**

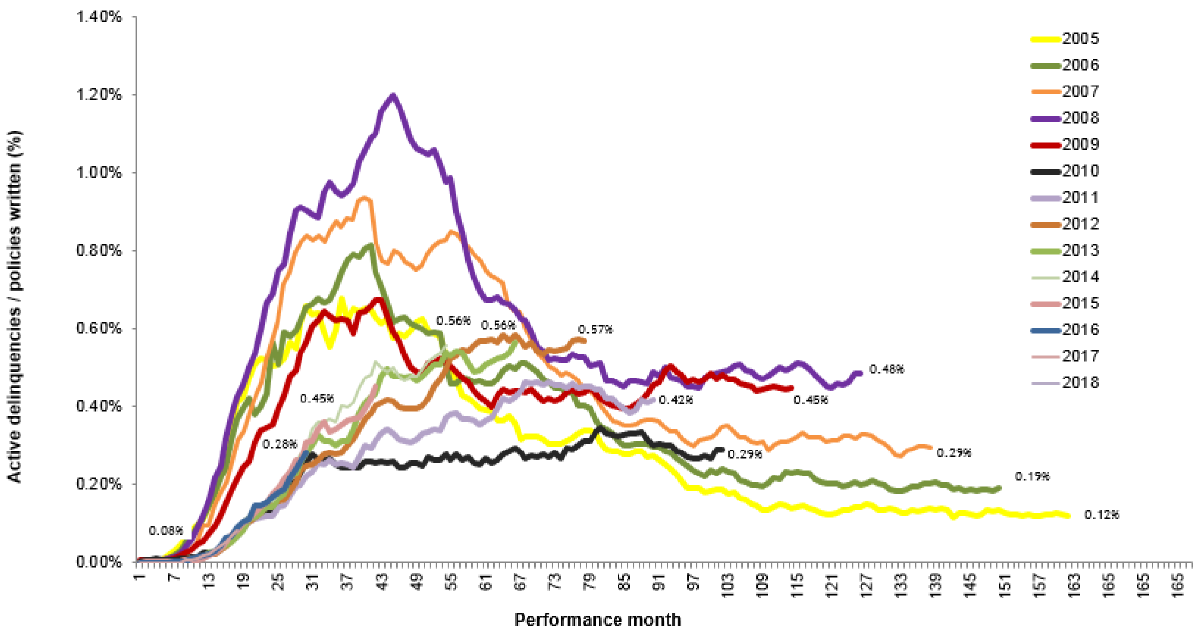
[14] Table excludes inward reinsurance, excess of loss insurance, New Zealand and Genworth Financial Mortgage Indemnity as the Group does not have comparative data available for these lines of business.

3. Portfolio performance

3.2 Delinquency rate by book year

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

Figure 9[15]: Delinquency development by book year



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

Historical performance of 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.

Post-GFC book years are seasoning at lower levels as a result of credit tightening.

Performance remains relatively stable with the exception of the 2013-14 vintages, during which WA has been a primary contributor to deterioration due to ongoing economic and housing market challenges following the downturn in the mining sector.

Whilst the 2015 and post vintages are performing in-line with seasonal trends they are being closely monitored for any adverse trends.

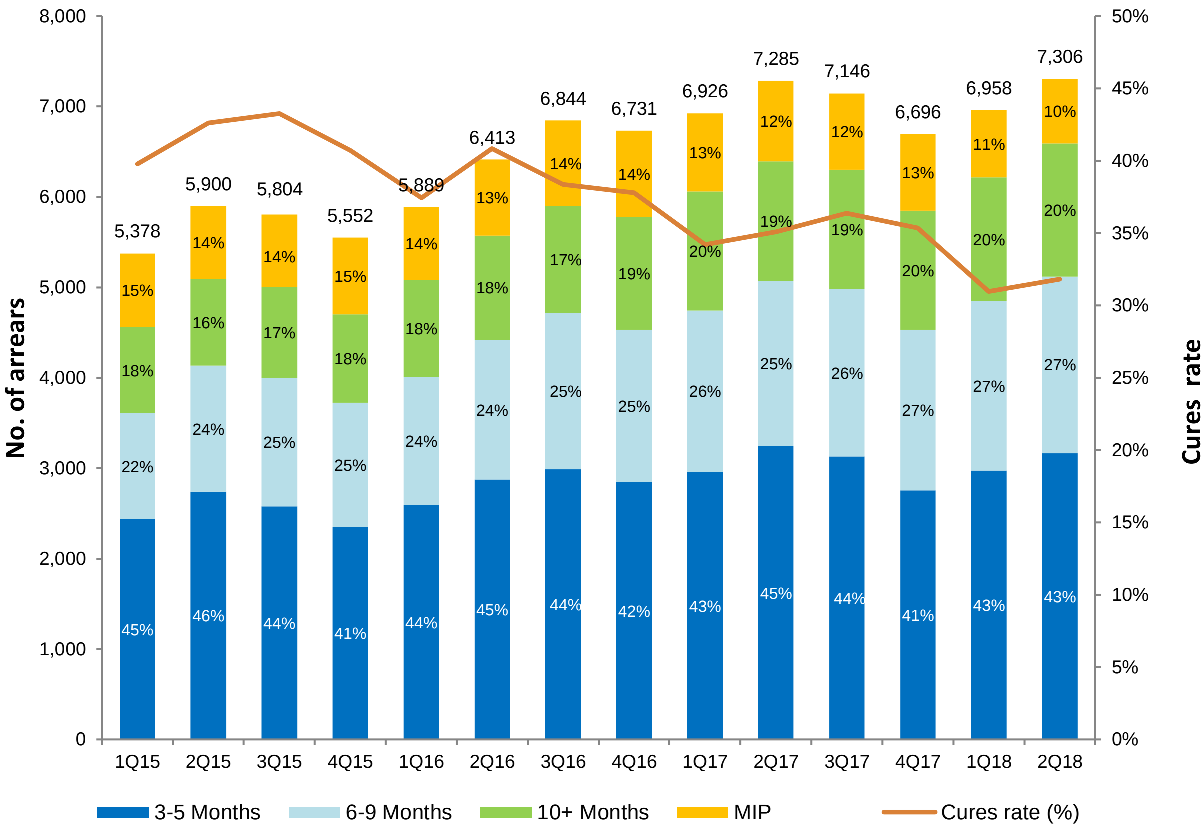
[15] Excludes excess of loss insurance and bulk. Delinquency rate is calculated as delinquencies divided by policies written which is gross of cancelled policies.

3. Portfolio performance

3.3 Delinquency population by months in arrears bucket

Figure 10: Delinquency population by months in arrears bucket[16]

The below 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 cure rate has fallen primarily from changes in lenders hardship policies. The 3-5 months MIA bucket shows a seasonal uptick in the second quarter of each year, consistent with historical observed experience.



[16] Excludes excess of loss insurance

Section 4

Balance sheet and investments

4. Balance sheet and investments

4.1 Statement of financial position

This section contains the consolidated statement of financial position for the Group as at 30 June 2018.

Table 8[17]: Consolidated statement of financial position

(A$ in millions), as at	31 Dec 17	30 Jun 18
Cash	43.0	57.3
Accrued investment income	17.8	19.5
Investments	3,348.5	3,221.4
Trade and other receivables	12.5	94.7
Prepayments	2.4	2.7
Deferred reinsurance expense	145.4	80.4
Non-reinsurance recoveries	23.6	21.8
Deferred acquisition costs	151.8	154.1
Property, plant and equipment	0.9	4.7
Deferred tax assets	9.4	9.0
Intangibles	1.3	2.4
Goodwill	9.1	9.1
Total assets[17]	**3,765.9**	**3,677.0**
Payables	31.7	33.4
Reinsurance payable[18]	160.0	85.2
Outstanding claims	339.7	339.3
Unearned premiums	1,108.6	1,192.5
Employee benefits provision	6.8	7.1
Interest bearings liabilities	197.0	197.6
Total liabilities[17]	**1,843.7**	**1,855.1**
Net assets	**1,922.2**	**1,821.9**
Share capital	1,303.2	1,218.8
Other equity	619.0	603.1
Total equity	**1,922.2**	**1,821.9**

[17] Totals may not sum due to rounding.

[18] Includes excess of loss insurance.

4. Balance sheet and investments

4.2 Total assets

Total assets of the Group as at 30 June 2018 were $3,677.0 million compared to $3,765.9 million at 31 December 2017. The decrease of $88.9 million movement includes:

- $65.1 million decrease in deferred reinsurance expense from the renewal of the treaties. The new treaties provide one-year cover compared to three years previously. Also, two remote layers of reinsurance cover have not been renewed.
- $127.2 million decrease in investments to fund the share buyback and the payment of FY17 final dividends during 1H18; and
- offset by an increase of $82.2 million in the trade and other receivables primarily due to new excess of loss insurance business written in 1H18.

4.2.1 Investment strategy

As at 30 June 2018, the Group had a $3,278.6 million cash and investments portfolio, more than 89% of which is held in cash and highly rated fixed interest 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 2018, Genworth had invested $160 million invested in Australian equities within the low volatility strategy in line with the previously stated strategy to improve investment returns on the portfolio within acceptable risk tolerances.

4.2.2 Group investment assets and cash

The Group's investments and cash totalled $3,278.6 million as at 30 June 2018 with $1,160 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 1.4 years.

4. Balance sheet and investments

4.2.3 Investment portfolio characteristics as at 30 June 2018

Figure 11: Investment assets by term to maturity

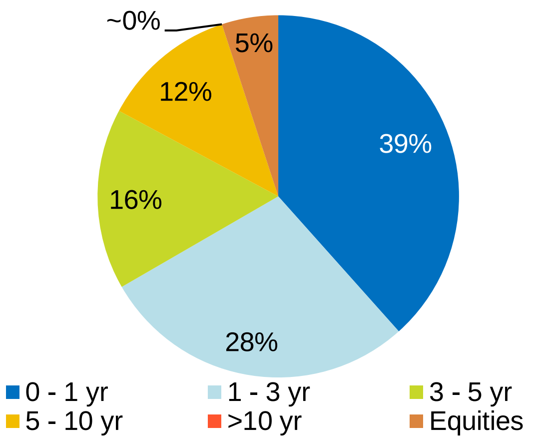


Figure 12: Investment assets by issuer type

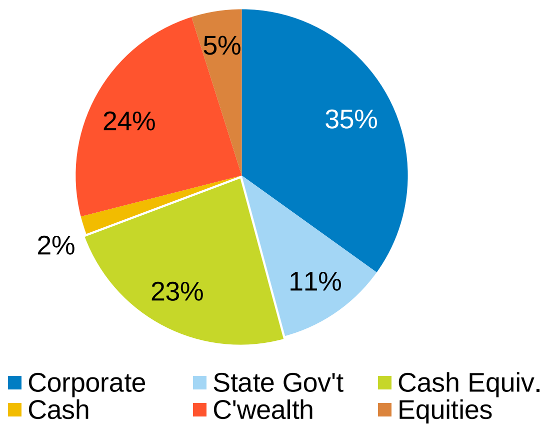


Figure 13: Investment assets by credit rating

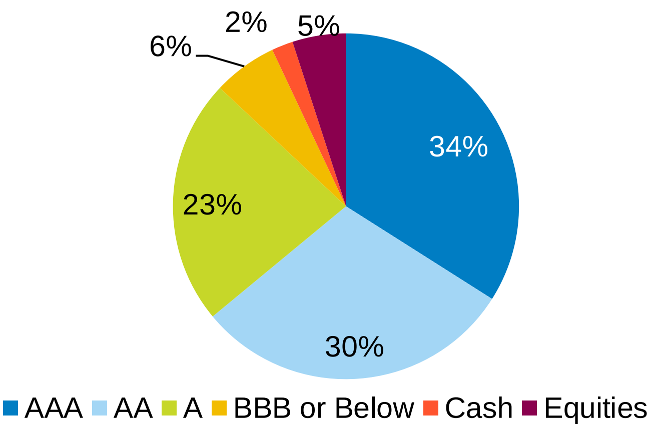
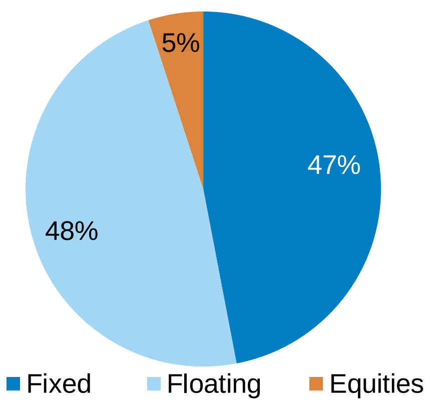


Figure 14: Investment assets by type



4. Balance sheet and investments

4.2.4 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 realised and 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 16	31 Dec 16	30 Jun 17	31 Dec 17	30 Jun 18
Cash	37.8	57.6	39.4	43.0	57.3
Accrued investment income	32.5	28.8	21.1	17.8	19.5
Investments	3,601.4	3,465.0	3,456.6	3,348.5	3,221.4
Total cash and investments	**3,671.7**	**3,551.3**	**3,517.1**	**3,409.3**	**3,298.2**

($ millions)	1H16	2H16	1H17	2H17	1H18
Interest and dividend income	67.3	60.7	50.9	47.4	43.5
Investment return[19]	**3.53%**	**3.37%**	**2.88%**	**2.72%**	**2.59%**

4.3 Total liabilities

The total liabilities of the Group as at 30 June 2018 were $1,855.1 million compared to $1,843.7 million at 31 December 2017. Notable movements contributing to the $11.4 million increase over the period include:

- Decrease in reinsurance payable of $74.8 million from $160.0 million as at 31 December 2017 to $85.2 million as at 30 June 2018. This is primarily the result of the renewal of the reinsurance programme. The new treaties provide one-year cover compared to three years previously. Also, two remote layers of reinsurance cover have not been renewed. The decision not to renew these two layers was based on the lack of internal capital credit recognition and reducing probable maximum loss.
- Increase in the unearned premiums of $83.9 million reflects the impact of the 2017 Earnings Curve Review ($60.9 million), new excess of loss insurance business written and the Company's new micro markets LMI.

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

4. Balance sheet and investments

4.3.1 Unearned premium reserve (UPR)

Table 10: Movement in unearned premium reserve by book year

Book year	As at 31 Dec 17 ($ millions)	GWP ($ millions)	GEP ($ millions)	As at 30 Jun 18 ($ millions)
2009	-	-	-	-
2010	7.6	-	(2.5)	5.1
2011	18.3	-	(5.7)	12.6
2012	48.1	-	(14.0)	34.1
2013	89.4	-	(21.1)	68.3
2014	160.7	-	(30.9)	129.8
2015	200.2	-	(33.3)	166.9
2016	245.8	-	(31.8)	214.0
2017	338.5	-	(26.7)	311.8
2018	-	266.8	(16.9)	249.9
Total	**1,108.6**	**266.8**	**(182.9)**	**1,192.5**

4. Balance sheet and investments

4.4 Equity

The Group's equity decreased by $100.3 million over the period mainly due to $56.9 million paid as dividends in 1H18 and $84.3 million utilised to fund the on-market share buybacks. This was offset by $41.9 million in current period earnings.

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)	1H16	2H16	1H17	2H17	1H18
Statutory NPAT	135.8	67.3	88.7	60.5	41.9
Adjustment for change in unrealised (gains)/losses	(32.7)	45.8	35.5	(4.2)	12.0
Adjustment for tax on change in unrealised (gains)/losses	9.8	(13.8)	(10.7)	1.3	(3.6)
Underlying NPAT	**112.9**	**99.3**	**113.5**	**57.6**	**50.3**

Table 12[20]: Reconciliation of total equity and underlying equity

($ millions), as at	30 Jun 16	31 Dec 16	30 Jun 17	31 Dec 17	30 Jun 18
Total equity	2,035.2	1,967.4	1,983.8	1,922.2	1,821.9
Adjustment for life to date unrealised (gains)/losses	(117.8)	(73.4)	(40.1)	(44.6)	(31.0)
Adjustment for tax on life to date unrealised (gains)/losses	35.3	22.0	12.0	13.3	9.3
Underlying equity	**1,952.7**	**1,916.0**	**1,955.7**	**1,890.9**	**1,800.2**

[20] Figures have been restated for 30 June 16 and 31 December 16 to include life to date unrealised (gains)/losses on derivatives.

4. Balance sheet and investments

Table 13[21]: Underlying ROE

	12 mths to Jun 16	12 mths to Dec 16	12 mths to Jun 17	12 mths to Dec 17	12 mths to Jun 18
Underlying NPAT ($ million)	244.7	212.2	212.8	171.1	107.9
Underlying equity ($ million)[22]	2,165.2	2,037.6	1,954.2	1,903.5	1,878.0
Underlying ROE (%)	**11.3%**	**10.4%**	**10.9%**	**9.0%**	**5.7%**

[21] Figures have been restated for June 16, December 16 and June 17 to include life to date unrealised (gains)/losses on derivatives.

[22] 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 2018 with a regulatory capital solvency level of 1.90 times the prescribed capital amount (PCA) on a Level 2 basis and a CET1 ratio of 1.71 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[23]: PCA coverage ratio (Level 2)

(A$ in millions), as at	31 Dec 17	30 Jun 18
Regulatory capital base		
CET1 capital (incl. excess technical provisions)	1,892.4	1,871.6
Tier 2 capital	200.0	200.0
Regulatory capital base	**2,092.4**	**2,071.6**
Capital requirement		
Probable maximum loss (PML)	2,003.8	1,847.3
Net premiums liability deduction	(291.9)	(278.6)
Allowable reinsurance	(950.5)	(791.5)
LMI concentration risk charge (LMICRC)	**761.4**	**777.2**
Asset risk charge	137.6	113.9
Asset concentration risk charge	-	-
Insurance risk charge	221.7	225.2
Operational risk charge	28.0	28.8
Aggregation benefit	(62.1)	(52.4)
PCA	**1,086.7**	**1,092.7**
PCA coverage ratio (times)	**1.93x**	**1.90x**

The decrease in CET1 capital in 1H18 mainly reflects the $56.9 million of dividends paid in 1H18 and the $84.3 million share buyback offset by $80.4 million increase in the excess technical provisions (after tax) and $41.9 million reported NPAT.

[23] Totals may not sum due to rounding.

5. Capital and dividends

Figure 15[24]: Genworth Australia's capital resources progression as at 30 June 2018 (A$ billion)

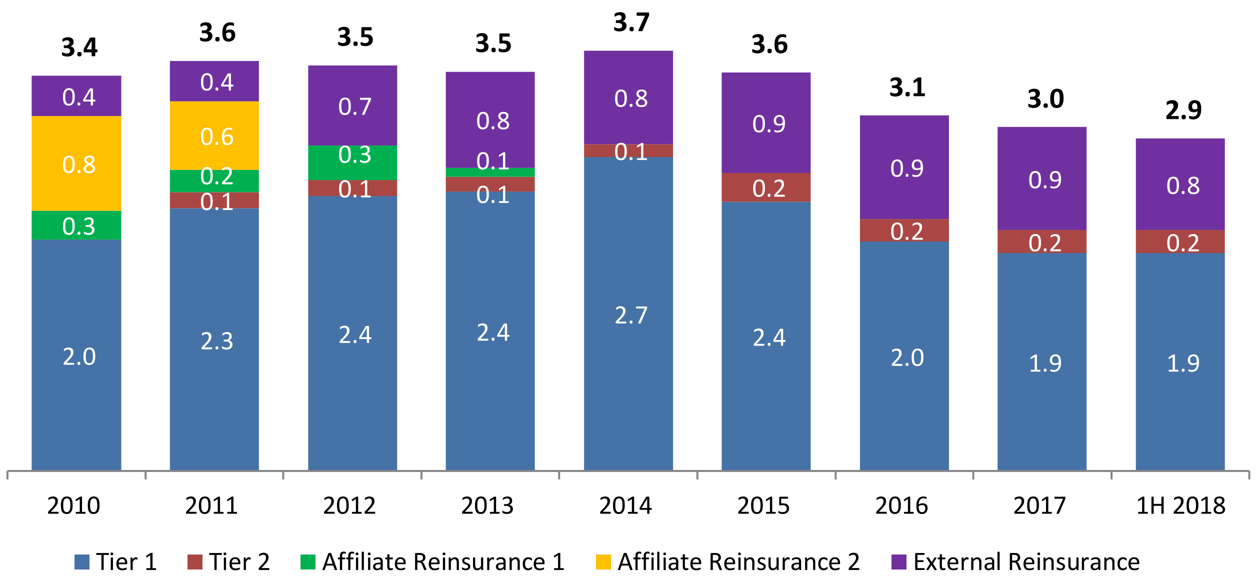


Figure 15 shows the mix of the three key components of the capital resources, including common equity (Tier 1 capital), other qualifying capital instruments (Tier 2 capital) and APRA allowable reinsurance. Since 2010, Genworth has implemented a strategy that has:

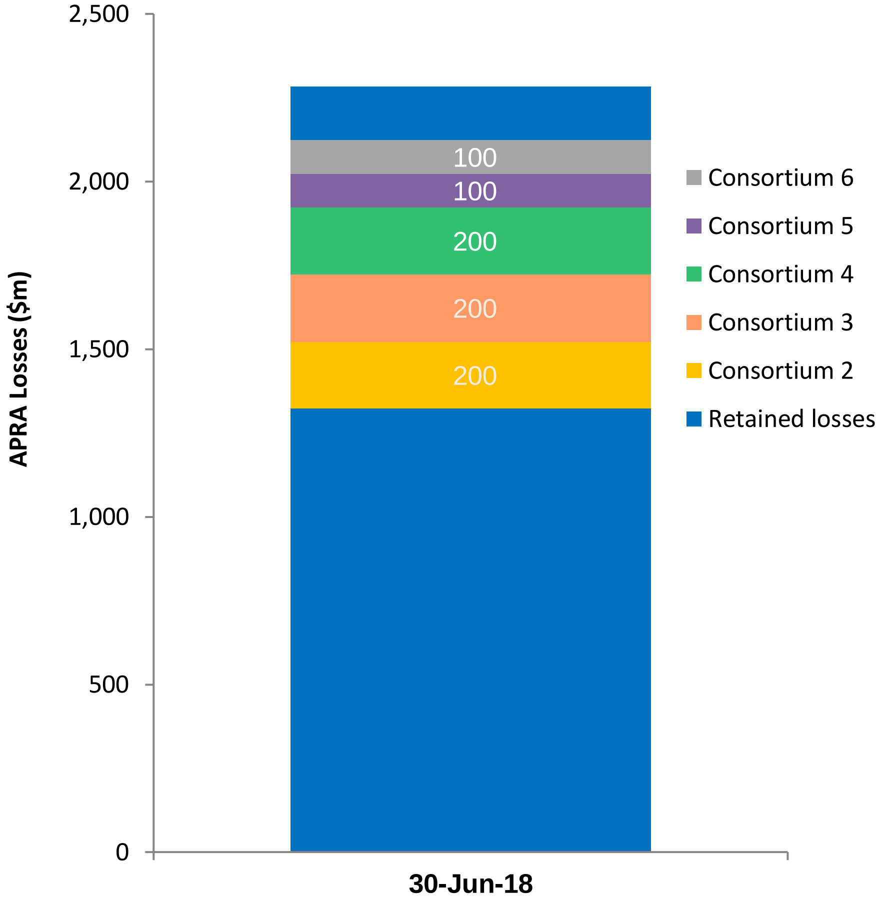
- Broadened its range of reinsurers in order to reduce concentration risk;
- Transitioned from affiliate reinsurance arrangements, the last of which was cancelled effective 1 January 2014; and
- Introduced qualifying subordinated debt, or Tier 2 capital, in 2011.

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

5. Capital and dividends

5.2 Reinsurance

Figure 16: Reinsurance program 30 Jun 2018



As at 30 June 2018, the Group had $800 million of excess of loss cover with varying durations depending on the layer. A diversified panel is in place with over 20 different reinsurers participating across the program with a minimum rating of 'A-'.

The Group decided not to renew a $100 million remote layer of reinsurance on 1 April 2018 due to a lack of internal economic capital credit recognition and reducing probable maximum loss. Despite this reduction, the new program structure has led to an increase in internal economic capital credit, an overall reduction in both lifetime and first year premiums and a lower cost of capital.

5. Capital and dividends

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 8.0 cents per share and a fully franked special dividend of 4.0 cents per share both payable on 30 August 2018 to shareholders registered on 16 August 2018.

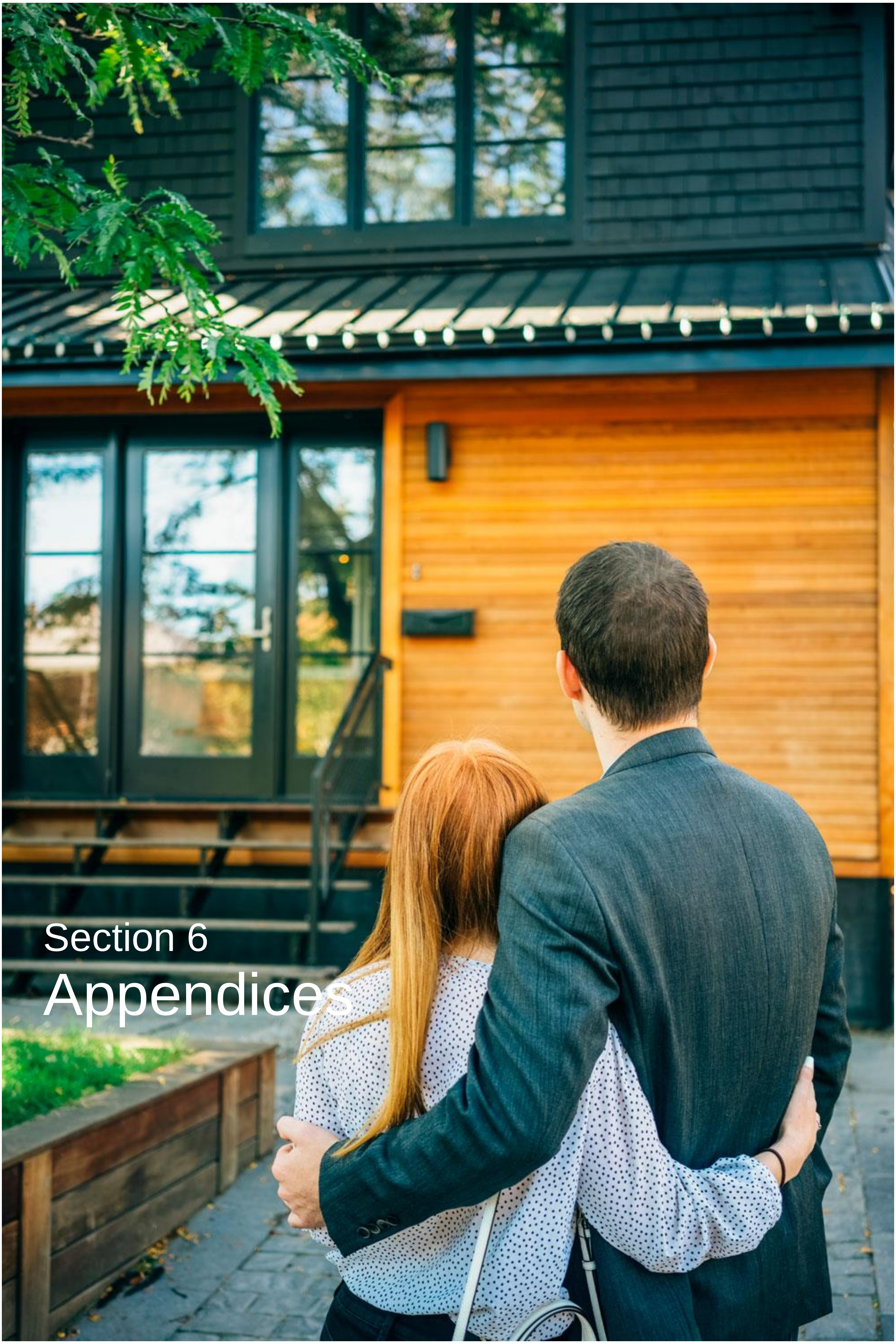
Table 15: Calculation of underlying NPAT for 1H17 and 1H18

(A$ in millions)	1H17	1H18
Reported NPAT	88.7	41.9
Adjustment for change in unrealised gains/(losses)	35.5	12.0
Adjustment for tax on change in unrealised gains/(losses)	(10.7)	(3.6)
Underlying NPAT	113.5	50.3

Table 16: Reconciliation of dividend payout ratio[25]

	1H17	1H18
Ordinary dividend (cents per share)	12.0	8.0
Ordinary dividend ($ millions)	61.1	36.8
Underlying NPAT ($ millions)	113.5	50.3
Dividend payout ratio	53.9%	73.2%

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



Section 6

Appendices

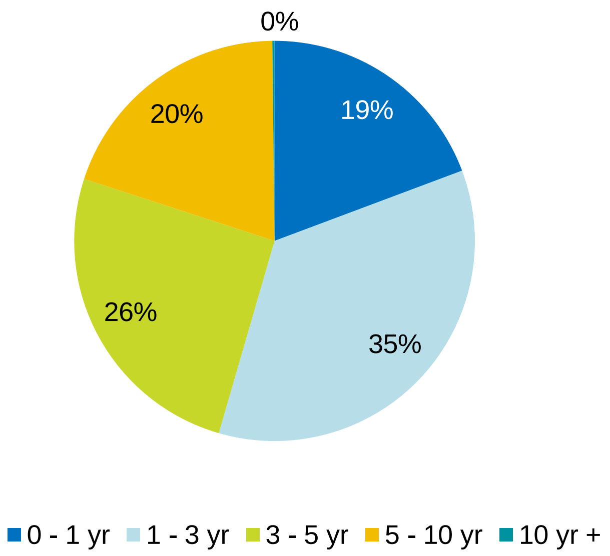
6. Appendices

Appendix A – Investment portfolio

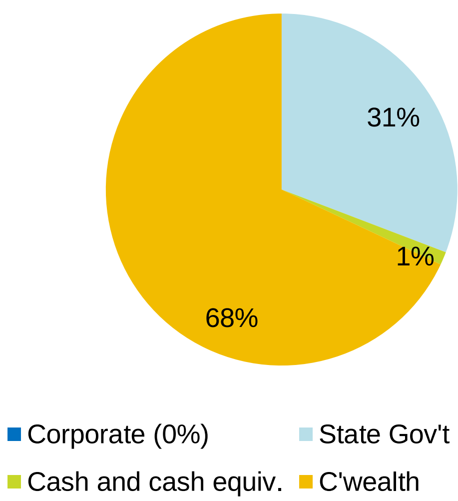
A.1 Investment assets backing technical liabilities

As at 30 June 2018, Genworth's technical funds were $1.2 billion.

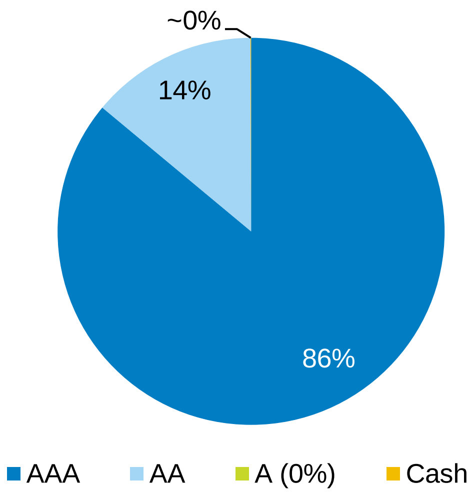
Investment assets by term to maturity



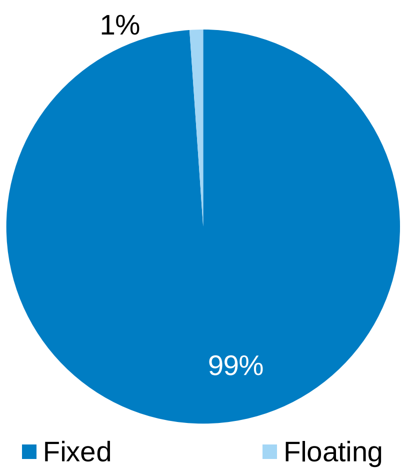
Investment assets by source



Investment assets by credit rating



Investment assets by type

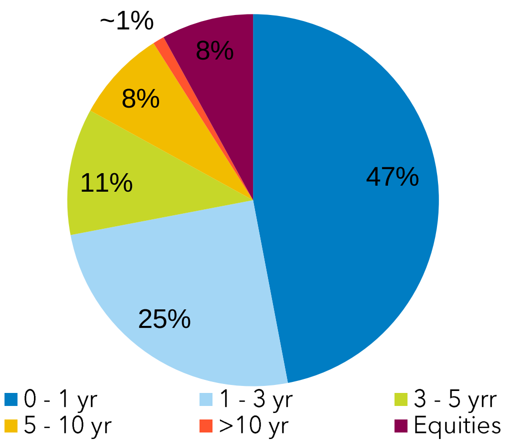


6. Appendices

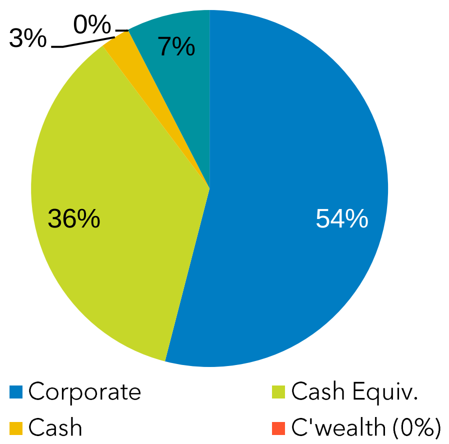
A.2 Shareholders' funds

As at 30 June 2018, Genworth shareholders' funds were $2.1 billion.

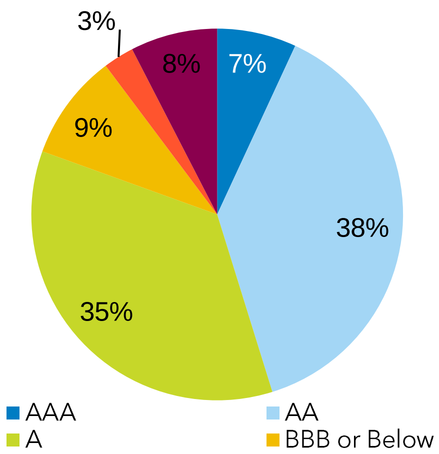
Investments assets by term to maturity



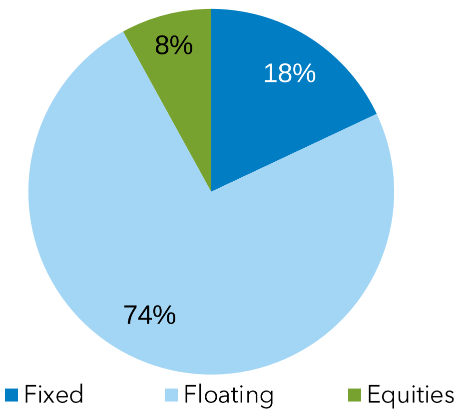
Investments assets by source



Investments assets by credit rating



Investments assets by type



6. Appendices

Appendix B – 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 Australian dollars and have been prepared in accordance with Australian accounting standards which comply with IFRS and non-IFRS basis.

	1Q16	2Q16	3Q16	4Q16	FY16	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	1H18
Net premium written ($M)[1]	66	86	75	82	310	71	77	72	81	301	152	75	227
Loss ratio[2]	27%	39%	45%	29%	35%	35%	35%	37%	53%	38%	56%	51%	53%
GAAP basis expense ratio[3]	23%	25%	26%	28%	26%	25%	27%	30%	40%	29%	34%	32%	33%
Adjusted expense ratio[4]	40%	34%	40%	38%	38%	38%	36%	41%	29%	36%	15%	33%	21%

Sales: NIW ($M)	1Q16	2Q16	3Q16	4Q16	FY16	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	1H18
Flow	6,225	6,673	6,081	6,555	25,535	5,469	5,498	4,666	5,350	20,983	4,349	4,845	9,194
Bulk	-	1,092	-	-	1,092	1,331	759	823	34	2,948	-	1148	1,148
Total NIW	**6,225**	**7,765**	**6,081**	**6,555**	**26,626**	**6,800**	**6,257**	**5,489**	**5,384**	**23,931**	**4,349**	**5,993**	**10,342**

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Primary insurance in force ($M)	322,043	324,249	323,472	324,301	322,270	322,520	321,511	321,806	320,576	310,410
Primary risk in force ($M)[5]										
Flow	104,778	105,295	104,955	105,360	104,273	104,195	103,672	103,866	103,566	100,062
Bulk	7,465	7,718	7,654	7,507	7,836	8,007	8,196	8,116	8,003	7,932
Total	**112,243**	**113,013**	**112,609**	**112,866**	**112,109**	**112,202**	**111,868**	**111,982**	**111,570**	**107,994**

Note: All figures are in $AUD and AIFRS and exclude excess of loss insurance

1. Net premium written is calculated as gross written premium, less refunds and reinsurance. This metric differs to what is disclosed in 2Q18 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 2Q18 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 2Q18 GFI FS under International MI segment Australia as outlined in point 1 and there is a portion of certain corporate

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overhead expenses allocated by GFI to Australian 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 2Q18 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 recognises 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.

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Primary insurance	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
Insured loans in-force (#)	1,479,544	1,477,826	1,470,302	1,464,139	1,443,836	1,438,100	1,422,501	1,416,525	1,407,431	1,354,614
Insured delinquent loans (#)	5,889	6,413	6,844	6,731	6,926	7,285	7,146	6,696	6,958	7,306
Insured delinquency rate (%)	0.40%	0.43%	0.47%	0.46%	0.48%	0.51%	0.50%	0.47%	0.49%	0.54%
Flow loans in-force (#)	1,366,914	1,364,756	1,358,286	1,354,616	1,332,468	1,325,477	1,308,998	1,303,928	1,296,055	1,247,229
Flow delinquent loans (#)	5,633	6,143	6,574	6,451	6,650	7,007	6,912	6,476	6,735	7,076
Flow delinquency rate (%)	0.41%	0.45%	0.48%	0.48%	0.50%	0.53%	0.53%	0.50%	0.52%	0.57%
Bulk loans in-force (#)	112,630	113,070	112,016	109,523	111,368	112,623	113,503	112,597	111,376	107,385
Bulk delinquent loans (#)	256	270	270	280	276	278	234	220	223	230
Bulk delinquency rate (%)	0.23%	0.24%	0.24%	0.26%	0.25%	0.25%	0.21%	0.20%	0.20%	0.21%

Loss metrics ($M)	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
Beginning reserves[1]	**277**	**290**	**313**	**344**	**356**	**361**	**360**	**360**	**340**	**333**
Paid claims[2]	(18)	(23)	(24)	(21)	(33)	(40)	(42)	(52)	(44)	(33)
Increase in reserves	31	46	54	33	38	40	42	31	37	39
Ending reserves	**290**	**313**	**344**	**356**	**361**	**360**	**360**	**340**	**333**	**339**

Note: All figures are in $AUD and AIFRS. Insured loans in-force, insured delinquent loans and insured delinquency rates exclude excess of loss insurance.

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	Mar 31, 2016		Jun 30, 2016		Sep 30, 2016		Dec 31, 2016		Mar 31, 2017		Jun 30, 2017		Sep 30, 2017		Dec 31, 2017		March 31, 2018		Jun 30, 2018	
	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq 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%	28%	0.31%	28%	0.31%	28%	0.33%	28%	0.37%
Queensland	23%	0.55%	23%	0.62%	23%	0.67%	23%	0.66%	23%	0.68%	23%	0.72%	23%	0.72%	23%	0.67%	23%	0.67%	23%	0.73%
Victoria	23%	0.35%	23%	0.37%	23%	0.39%	23%	0.38%	23%	0.38%	23%	0.41%	23%	0.39%	23%	0.37%	23%	0.39%	23%	0.42%
Western Australia	11%	0.53%	11%	0.61%	12%	0.69%	12%	0.74%	12%	0.78%	12%	0.86%	12%	0.88%	12%	0.83%	12%	0.88%	12%	0.99%
South Australia	6%	0.52%	6%	0.59%	6%	0.62%	6%	0.61%	6%	0.66%	6%	0.65%	6%	0.65%	6%	0.60%	6%	0.63%	6%	0.67%
ACT	3%	0.18%	3%	0.19%	3%	0.20%	3%	0.17%	3%	0.19%	3%	0.20%	3%	0.19%	3%	0.14%	3%	0.18%	3%	0.18%
Tasmania	2%	0.38%	2%	0.36%	2%	0.37%	2%	0.35%	2%	0.36%	2%	0.37%	2%	0.38%	2%	0.32%	2%	0.32%	2%	0.34%
New Zealand	2%	0.13%	2%	0.10%	2%	0.10%	2%	0.07%	2%	0.07%	2%	0.08%	2%	0.06%	2%	0.04%	2%	0.06%	2%	0.06%
Northern Territory	1%	0.21%	1%	0.27%	1%	0.33%	1%	0.36%	1%	0.42%	1%	0.44%	1%	0.50%	1%	0.48%	1%	0.52%	1%	0.61%
Total	**100%**	**0.40%**	**100%**	**0.43%**	**100%**	**0.47%**	**100%**	**0.46%**	**100%**	**0.48%**	**100%**	**0.51%**	**100%**	**0.50%**	**100%**	**0.47%**	**100%**	**0.49%**	**100%**	**0.54%**
By policy year[3]																				
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%	38%	0.40%	38%	0.37%				
2009 and prior	7%	0.73%	7%	0.84%	7%	0.93%	7%	0.87%	7%	0.95%	7%	1.00%	6%	1.01%	6%	1.00%	44%	0.45%	43%	0.49%
2010	6%	0.51%	6%	0.55%	5%	0.59%	5%	0.56%	5%	0.60%	5%	0.57%	5%	0.56%	5%	0.53%	5%	0.56%	4%	0.60%
2011	6%	0.52%	6%	0.58%	6%	0.66%	5%	0.68%	5%	0.69%	5%	0.71%	5%	0.70%	5%	0.64%	5%	0.65%	5%	0.75%
2012	8%	0.54%	8%	0.64%	8%	0.72%	8%	0.80%	7%	0.79%	7%	0.83%	7%	0.86%	7%	0.84%	7%	0.87%	6%	0.92%
2013	9%	0.47%	9%	0.54%	9%	0.62%	8%	0.61%	8%	0.66%	8%	0.74%	8%	0.77%	8%	0.74%	8%	0.77%	7%	0.87%
2014	11%	0.26%	10%	0.36%	10%	0.45%	10%	0.51%	10%	0.58%	9%	0.66%	9%	0.66%	9%	0.64%	9%	0.71%	9%	0.79%
2015	9%	0.06%	9%	0.11%	9%	0.17%	9%	0.23%	9%	0.28%	9%	0.37%	9%	0.44%	8%	0.43%	8%	0.47%	8%	0.59%
2016	2%	-	4%	-	6%	0.01%	8%	0.03%	8%	0.05%	8%	0.12%	7%	0.18%	7%	0.22%	7%	0.26%	8%	0.35%
2017	-	-	-	-	-	-	-	-	2%	0.0	3%	-	5%	0.01%	7%	0.03%	6%	0.06%	7%	0.11%
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1%	0.00%	3%	0.00%
Total	**100%**	**0.40%**	**100%**	**0.43%**	**100%**	**0.47%**	**100%**	**0.46%**	**100%**	**0.48%**	**100%**	**0.51%**	**100%**	**0.50%**	100%	**0.47%**	**100%**	**0.49%**	**100%**	**0.54%**

Note: All figures are in $AUD and AIFRS. The above table excludes excess of loss insurance.

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 2Q 2018 GFI FS under International MI Segment Australia.
2. Movement in borrower recovery receivable on paid claims is excluded from paid claim calculation.
3. March 31, 2018 percentages of primary risk in-force by policy year have been re-presented to reflect an adjustment to the related risk in-force balance.

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	1Q16	2Q16	3Q16	4Q16	Total 16	1Q17	2Q17	3Q17	4Q17	Total 17	1Q18	2Q18	Total 18
Paid claims[26] ($M), quarterly analysis													
Flow	18	23	24	21	86	33	40	42	51	166	43	35	78
Bulk	-	-	-	-	-	-	-	-	1	1	-	-	-
Total	**18**	**23**	**24**	**21**	**86**	**33**	**40**	**42**	**52**	**166**	**43**	**35**	**78**
Average paid claim[26] ($ thousands)	65.8	79.2	73.3	67.1		92.5	112.7	110.6	134.4		117.8	115.2	
Average reserve per delinquency[27] ($ thousands)	49.2	48.8	50.2	52.8		52.1	49.5	50.4	50.7		47.9	46.4	

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Loan amount (%)[28]										
Over $550K	15%	15%	15%	16%	16%	16%	17%	17%	17%	17%
$400K to $550K	20%	20%	20%	20%	20%	20%	20%	20%	21%	21%
$250K to $400K	36%	36%	36%	35%	35%	35%	35%	35%	34%	34%
$100K to $250K	24%	24%	24%	24%	24%	24%	23%	23%	23%	23%
$100K or Less	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Average primary loan size (thousands)[28]	218	219	220	221	223	224	226	227	228	229

Note: All figures are in $AUD and AIFRS

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

[27] This metric differs to what is disclosed in 2Q 2018 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.

[28] Excludes excess of loss insurance.

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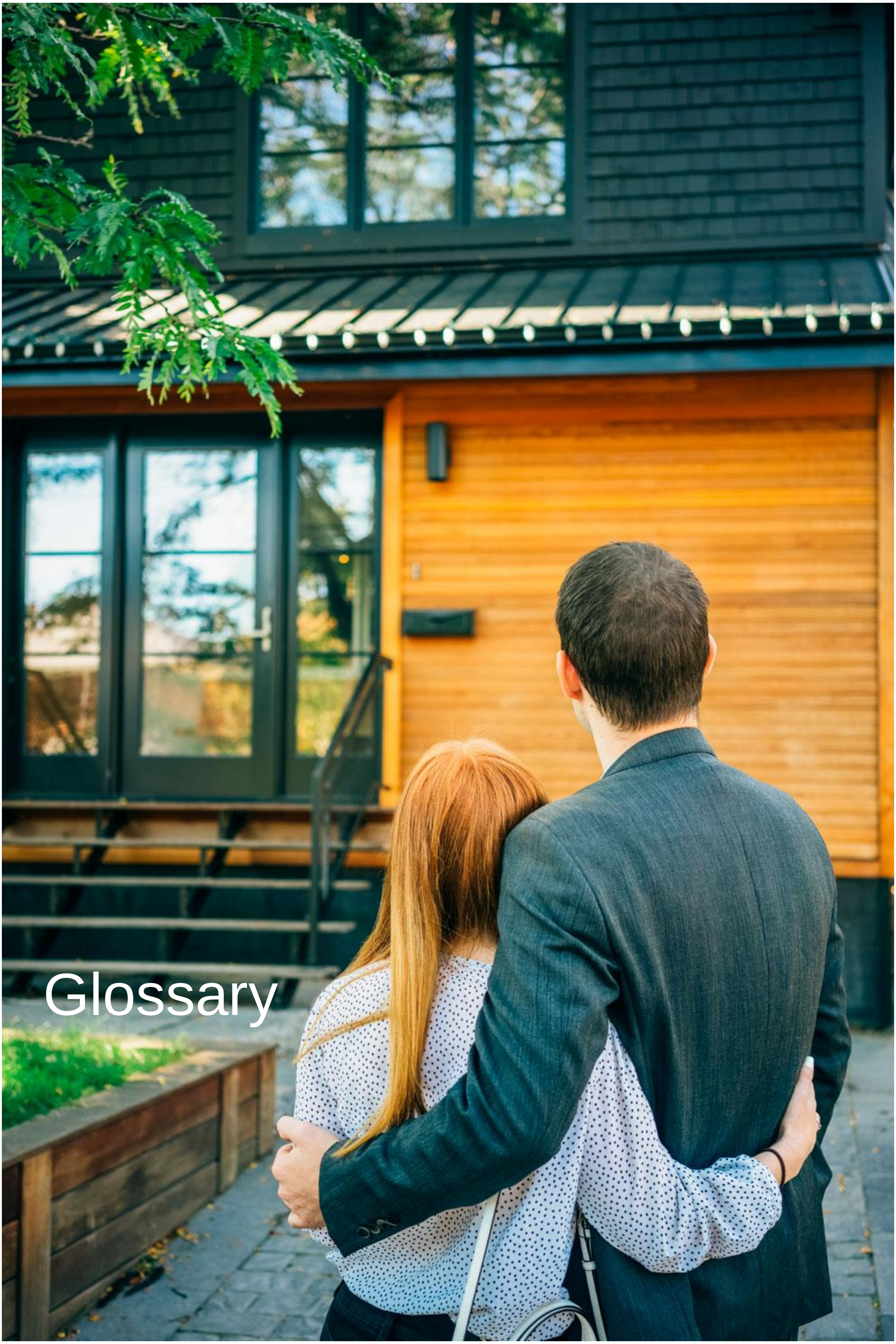
	Mar 31, 2016			June 30, 2016			Sep 30, 2016			Dec 31, 2016			Mar 31, 2017		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
Risk in force ($M) by LVR															
95.01% and above	20,336	20,335	0	19,917	19,917	-	19,487	19,487	-	19,092	19,092	-	18,742	18,742	-
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
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
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
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**

	Jun 30, 2017			Sep 30, 2017			Dec 31, 2017			Mar 31, 2018			Jun 30, 2018		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
Risk in force ($M) by LVR															
95.01% and above	18,396	18,396	-	18,017	18,016	1	17,728	17,728	-	17,390	17,390	-	16,527	16,527	-
90.01% to 95.00%	30,233	30,225	8	30,297	30,289	8	30,529	30,521	8	30,574	30,566	8	29,690	29,684	7
80.01% to 90.00%	30,669	30,577	92	30,868	30,776	92	31,393	31,303	90	31,704	31,614	90	31,063	30,978	85
80.00% and below	32,904	24,997	7,906	32,685	24,590	8,095	32,332	24,314	8,018	31,902	23,996	7,906	30,714	22,874	7,840
Total	**112,202**	**104,195**	**8,007**	**111,868**	**103,672**	**8,196**	**111,982**	**103,866**	**8,116**	**111,570**	**103,566**	**8,003**	**107,994**	**100,062**	**7,932**

Note: All figures are in $AUD and AIFRS

1. Loan amount in LVR calculation includes capitalised premiums, where applicable.
2. RIF excludes excess of loss.



Glossary

Glossary

Term	Definition
AIFRS	Australian equivalent to International Financial Reporting Standards
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	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 insurance)
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

Glossary

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 used where a borrower does not have a verifiable income and generally require the borrower to complete a statutory declaration of financial income
LVR band	Loan to value ratio band
NIW	New insurance written (excludes excess of loss insurance)
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.