

2 MAY 2018
1Q18 FINANCIAL
RESULTS
PRESENTATION

Genworth 

GROWING
TOGETHER

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Introduction

1Q18 results overview

Summary

(A\$ millions)	1Q17	4Q17	1Q18	Change % 1Q17 v 1Q18
Gross written premium	88.2	97.7	174.1	97.4%
Net earned premium	107.9	58.8	67.4	(37.5%)
Reported net profit after tax	52.2	28.4	8.4	(83.9%)
Underlying net profit after tax	68.3	17.1	19.9	(70.9%)

Key financial measure	FY18 guidance	1Q18 actual
NEP growth	Down 25 to 30%	(37.5%)
Full year loss ratio	40 to 50%	55.9%

1Q18 result in line with expectations

- Increase in GWP includes new business written pursuant to Bermudan entity and new micro markets LMI. Bermudan transaction includes a consortium of reinsurers so only a portion of premium will flow to NEP. Net of the premium to reinsurers Genworth GWP increased 26.5% in 1Q18.
- NEP adversely impacted by 2017 Earnings Curve Review (\$32.3 million impact). Excluding this impact NEP would be down 7.6%
- Reported NPAT includes after-tax mark-to-market loss of \$11.5 million on investment portfolio
- 1Q17 underlying NPAT included \$20.8 million after tax realised gains from rebalancing of the investment portfolio
- Loss ratio impacted by lower NEP. Excluding the 2017 Earnings Curve Review impact the loss ratio would have been 37.8%
- Softening in cure rates in NSW & WA – cautious outlook.

Strategic update

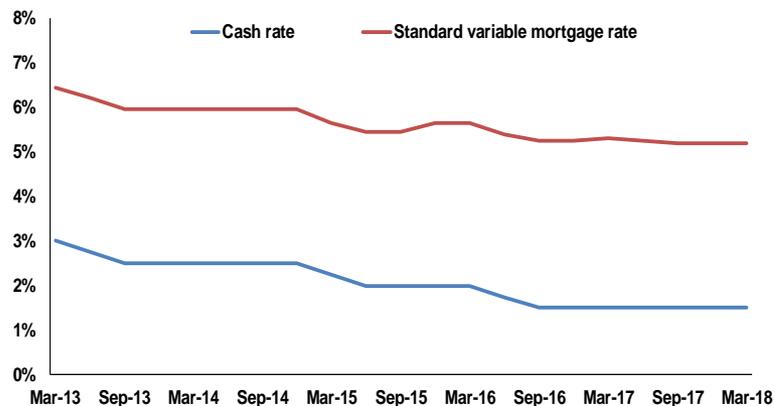
- Good progress in implementing initiatives pursuant to strategic program of work.

Capital management

- Announced on-market share buy-back (up to value of \$100 million) subject to shareholder approval at AGM.

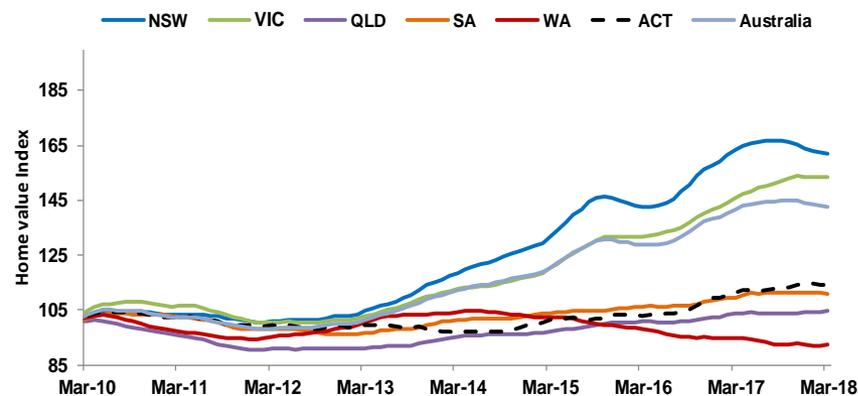
Macroeconomic conditions

Interest rates



Source: Reserve Bank of Australia

House values – capital city dwellings



Source: CoreLogic

Total delinquency rates by geography (Genworth)

State	Mar 17	Mar 18	Change (basis points)
New South Wales	0.31%	0.33%	2 bps
Victoria	0.38%	0.39%	1 bp
Queensland	0.68%	0.67%	(1 bps)
Western Australia	0.78%	0.88%	10 bps
South Australia	0.66%	0.63%	(3 bps)
Group	0.48%	0.49%	1 bps

Note: Total delinquency includes aged as well as new delinquency
Source: Genworth

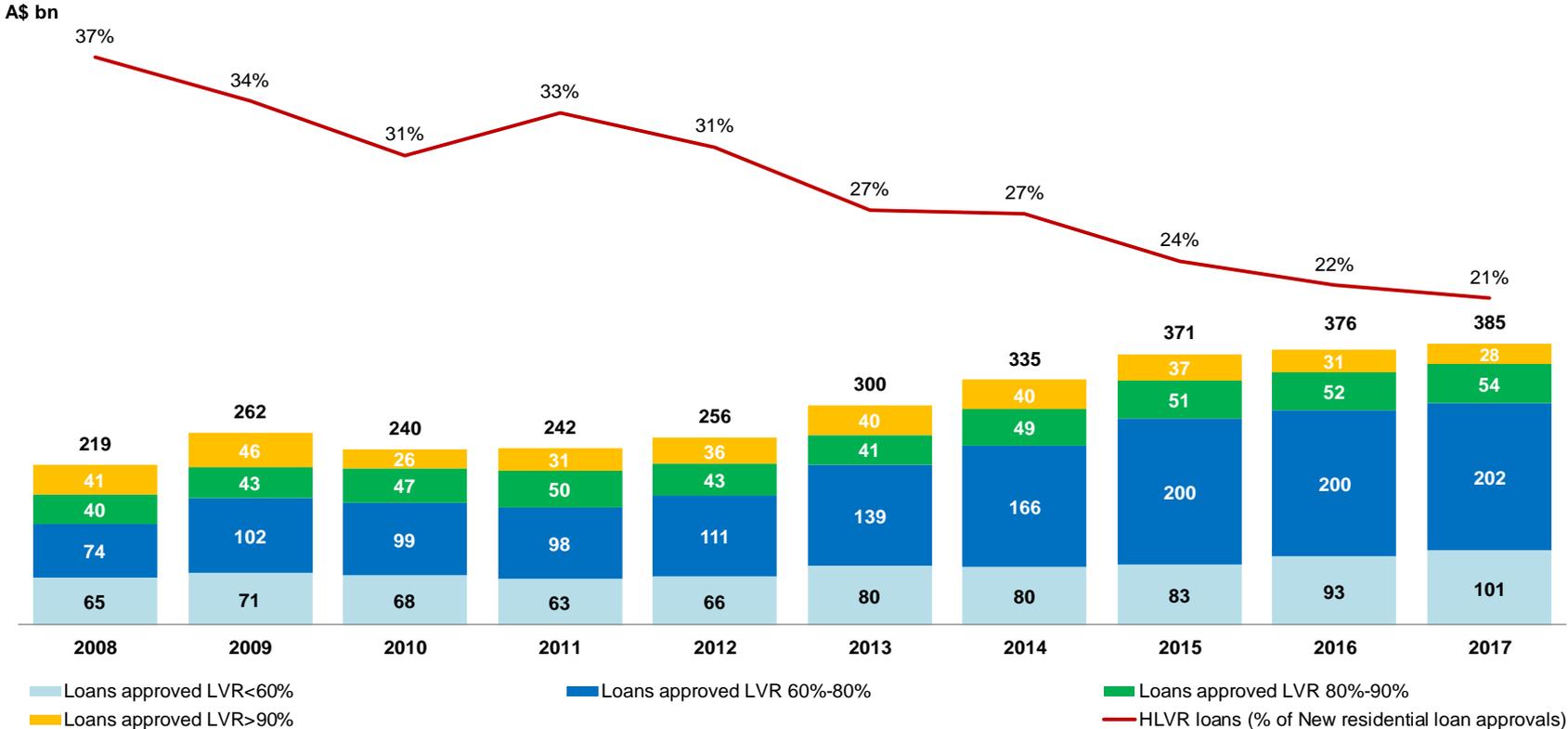
Unemployment rates (seasonally adjusted)

State	Mar 17	Mar 18	Change (basis points)
New South Wales	5.0%	5.0%	-
Victoria	6.2%	5.2%	(100 bps)
Queensland	6.2%	6.0%	(20 bps)
Western Australia	6.3%	6.9%	60 bps
South Australia	7.1%	5.6%	(150 bps)
National	5.9%	5.5%	(40 bps)

Source: Australian Bureau of Statistics

Residential mortgage lending market

Originations and HLVR penetration¹



Note: Totals may not sum due to rounding. Total new residential loans approved in the 12 months to 31 December 2017 were \$384.7 billion, up 2.3% on the previous corresponding period.

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

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



Detailed financial performance

1Q18 income statement

(A\$ millions)	1Q17	4Q17	1Q18	Change 1Q17 v 1Q18
Gross written premium	88.2	97.7	174.1	97.4%
Movement in unearned premium	36.7	(22.0)	(84.7)	(330.8%)
Gross earned premium	124.9	75.7	89.4	(28.4%)
Outwards reinsurance expense	(17.0)	(16.9)	(22.0)	(29.4%)
Net earned premium	107.9	58.8	67.4	(37.5%)
Net claims incurred	(37.6)	(31.2)	(37.7)	(0.3%)
Acquisition costs	(13.7)	(9.0)	(9.4)	31.4%
Other underwriting expenses	(13.5)	(14.9)	(13.2)	2.2%
Underwriting result	43.1	3.7	7.1	(83.5%)
Investment income on technical funds ¹	12.7	8.3	6.6	(48.0%)
Insurance profit	55.8	12.0	13.7	(75.4%)
Investment income on shareholder funds ¹	21.6	30.3	1.2	(94.4%)
Financing costs	(2.8)	(2.9)	(2.9)	(3.6%)
Profit before income tax	74.6	39.4	12.0	(83.9%)
Income tax expense	(22.5)	(11.0)	(3.6)	84.0%
Net profit after tax	52.2	28.4	8.4	(83.9%)
Underlying net profit after tax	68.3	17.1	19.9	(70.9%)

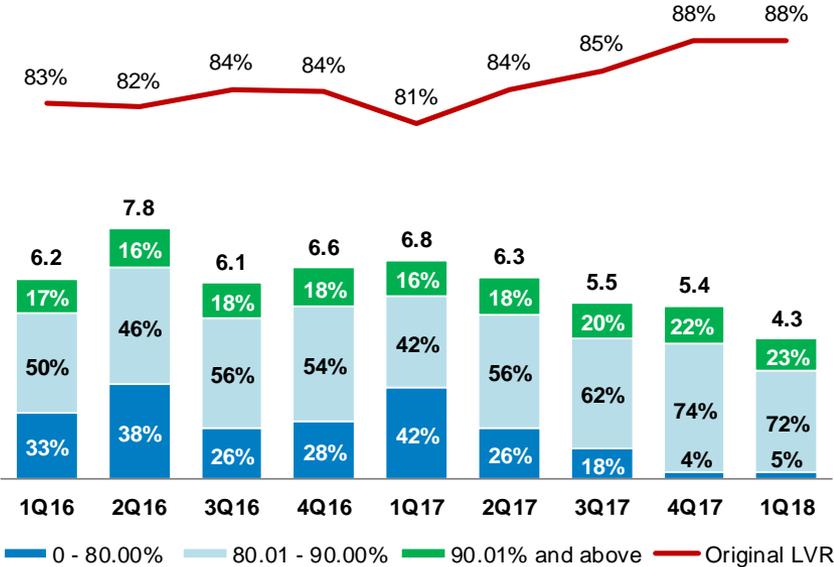
Note: Totals may not sum due to rounding.

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

New insurance written

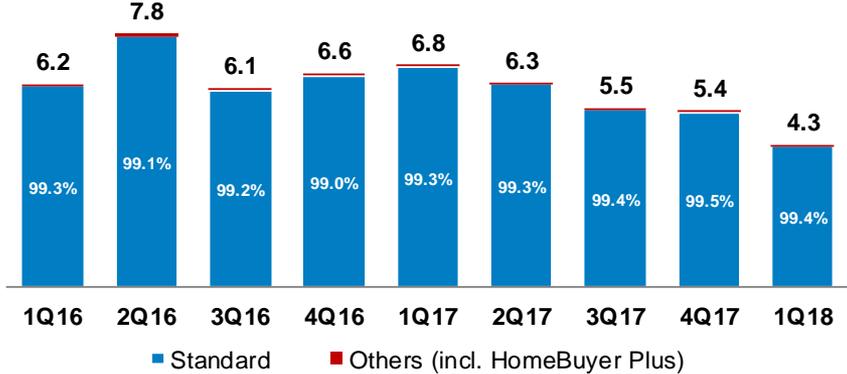
NIW¹ by original LVR² band

\$ bn, %



NIW¹ by product type

\$ bn, %

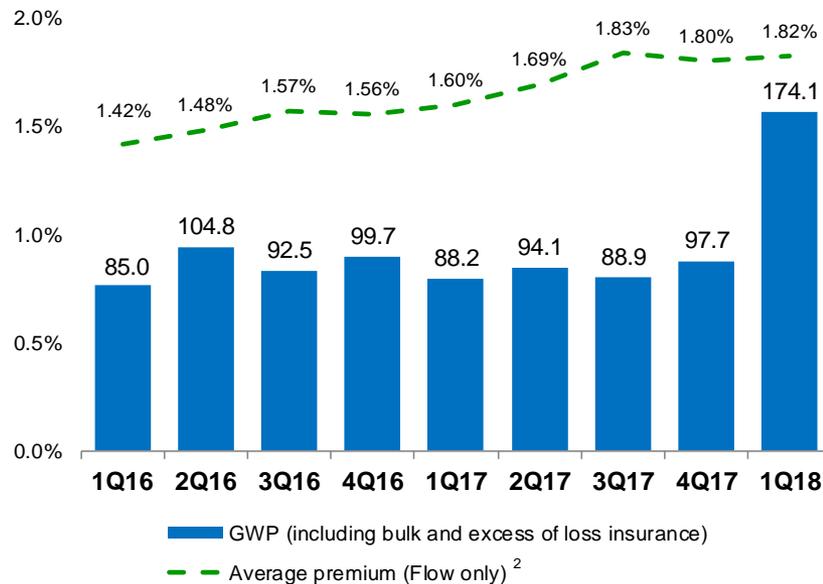


1. NIW includes capitalised premium. NIW excludes excess of loss insurance (excess of loss insurance includes the Bermudan entity transaction).
 2. Original LVR excludes capitalised premium and excess of loss insurance.

Gross written premium

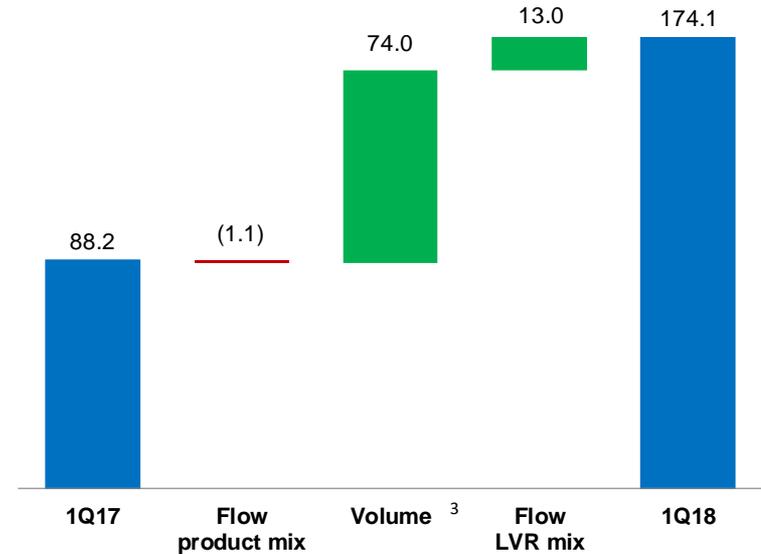
GWP and average price¹ of flow business

\$ m, %



GWP walk

\$ m



1. Average price excludes excess of loss insurance.
2. Historical NIW has been adjusted in the average premium calculation to reflect a risk sharing arrangement.
3. Volume include excess of loss insurance and bulk transactions.

Net incurred claims

(A\$ millions unless otherwise stated)	1Q17	2Q17	3Q17	4Q17	1Q18
Number of paid claims (#)	356	355	376	385	365
Average paid claim ¹ (\$'000)	92.5	112.2	110.6	131.1	119.5
Claims paid¹	32.9	39.8	41.6	50.5	43.6
Movement in non-reinsurance recoveries on paid claims	-	(8.2)	-	-	-
Movement in reserves	4.6	4.4	(4.6)	(19.3)	(6.0)
Net claims incurred	37.6	36.0	37.0	31.2	37.7
Reported loss ratio (%)	34.8%	34.7%	37.0%	53.1%	55.9%
Movement in non-reinsurance recoveries on paid claims	-	8.2	-	-	-
Adjusted net claims incurred [A]	37.6	44.2	37.0	31.2	37.7
Net earned premium (NEP)	107.9	103.7	100.1	58.8	67.4
Change in earnings curve ²	-	-	-	37.3	32.3
NEP excluding impact of change in earnings curve [B]	107.9	103.7	100.1	96.1	99.7
Adjusted loss ratio – [A] / [B] (%)	34.8%	42.6%	37.0%	32.5%	37.8%

Note: Totals may not sum due to rounding.

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

2. The 2017 Earnings Curve Review (which took effect from 1 Oct 2017) unfavorably impacted NEP in 1Q18 by \$32.3m.

Loss development

Delinquency roll and incurred loss drivers

Delinquency roll	1Q17	2Q17	3Q17	4Q17	1Q18
Opening balance	6,731	6,926	7,285	7,146	6,696
New delinquencies	2,852	3,145	2,887	2,463	2,701
Cures	(2,301)	(2,431)	(2,650)	(2,528)	(2,074)
Paid claims	(356)	(355)	(376)	(385)	(365)
Closing delinquencies	6,926	7,285	7,146	6,696	6,958
Delinquency rate	0.48%	0.51%	0.50%	0.47%	0.49%
Average reserve per delinquency (\$'000)	52.1	49.5	50.4	50.7	47.9

Net claims incurred (\$A in millions)	1Q17	2Q17	3Q17	4Q17	1Q18
New delinquencies	45	46	50	43	34
Cures	(38)	(38)	(48)	(44)	(32)
Ageing ¹	30	38	38	37	35
Other ²	1	(10)	(3)	(5)	1
Net claims incurred	38	36	37	31	38

1. Ageing relates to reserve movements on delinquencies that remain delinquent from prior periods.
2. Includes changes to actuarial assumptions and non-reinsurance recoveries on paid claims.

Balance sheet and unearned premium reserve

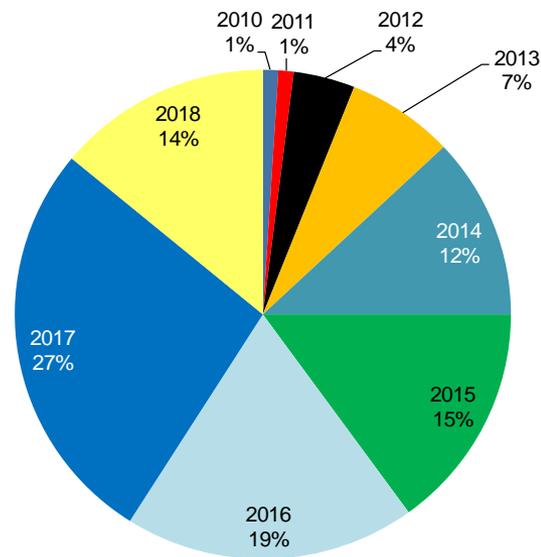
Strong balance sheet with \$3.3bn in cash and investments and \$1.2bn in UPR

Balance sheet as at 31 March 2018

(A\$ in millions)	31 Dec 17	31 Mar 18
Assets		
Cash and cash equivalents	43.0	67.5
Accrued investment income	17.8	23.1
Investments	3,348.5	3,217.9
Deferred reinsurance expense	145.4	97.9
Non-reinsurance recoveries	23.6	21.5
Deferred acquisition costs	151.8	149.2
Deferred tax assets	9.4	9.0
Goodwill and Intangibles	10.4	10.8
Other assets ¹	15.9	99.1
Total assets	3,765.9	3,695.8
Liabilities		
Payables ²	191.6	140.6
Outstanding claims	339.7	333.4
Unearned premiums	1,108.6	1,193.3
Interest bearing liabilities	197.0	197.3
Employee provisions	6.8	6.9
Total liabilities	1,843.7	1,871.5
Net assets	1,922.2	1,824.3

Unearned premium by year as at 31 March 2018

Total UPR \$1.2bn



Note: Totals may not sum due to rounding. 2018 underwriting year includes excess of loss insurance.

1. Includes trade receivables, prepayments and plant and equipment. The increase from 31 December 2017 is primarily due to the GWP of 1Q18
2. Includes reinsurance payables.

Regulatory capital position

1Q 2018

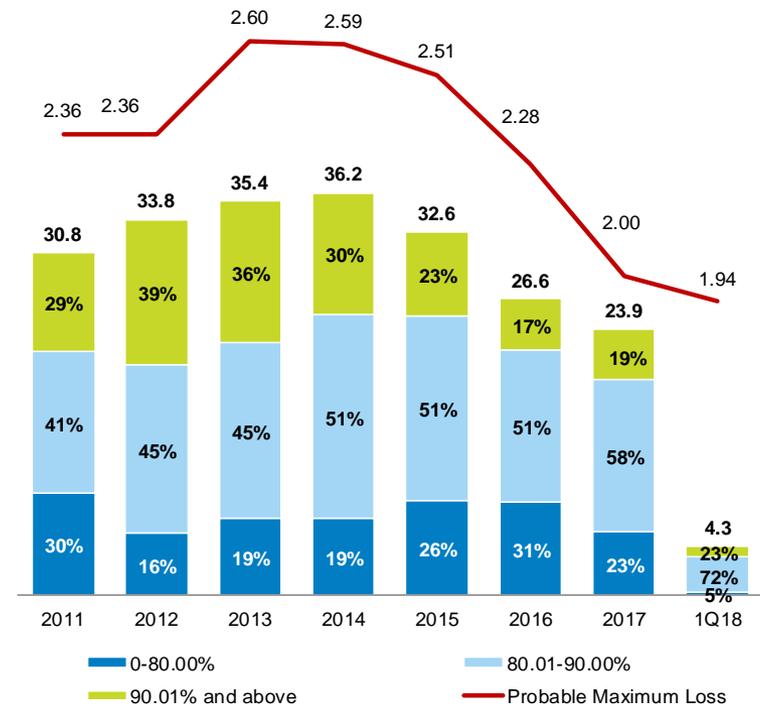
(A\$ in millions)	31 Dec 17	31 Mar 18
Capital base		
Common Equity Tier 1 capital	1,892.4	1,856.2
Tier 2 capital	200.0	200.0
Regulatory capital base	2,092.4	2,056.2
Capital requirement		
Probable Maximum Loss (PML)	2,003.8	1,938.3
Net premiums liability deduction	(291.9)	(284.8)
Reinsurance	(950.5)	(870.8) ¹
Insurance concentration risk charge (ICRC)	761.4	782.7
Asset risk charge	137.6	135.4
Asset concentration risk charge	-	-
Insurance risk charge	221.7	228.1
Operational risk charge	28.0	32.4
Aggregation benefit	(62.1)	(61.3)
Prescribed capital amount (PCA)	1,086.7	1,117.3
PCA coverage ratio (times)	1.93 x	1.84 x

Note: Totals may not sum due to rounding.

1. Adjusted to allow for future premium to extend reinsurance contract.

NIW¹ by original LVR band and Probable Maximum Loss¹

\$ bn

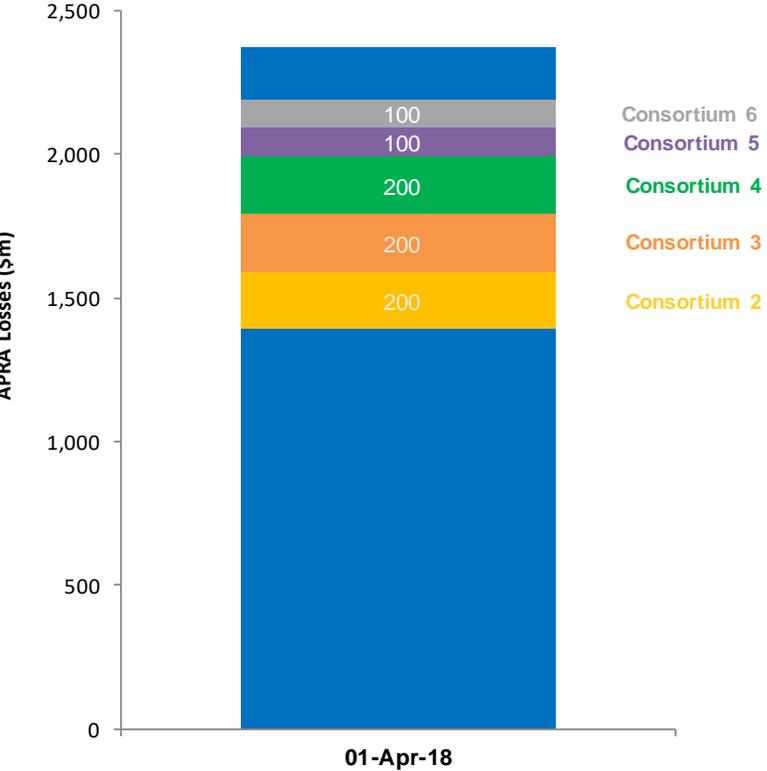


1. NIW and Probable Maximum Loss exclude excess of loss insurance.

Reinsurance

2018 Renewal has improved capital efficiency

Reinsurance program as at 1 April 2018



Observations

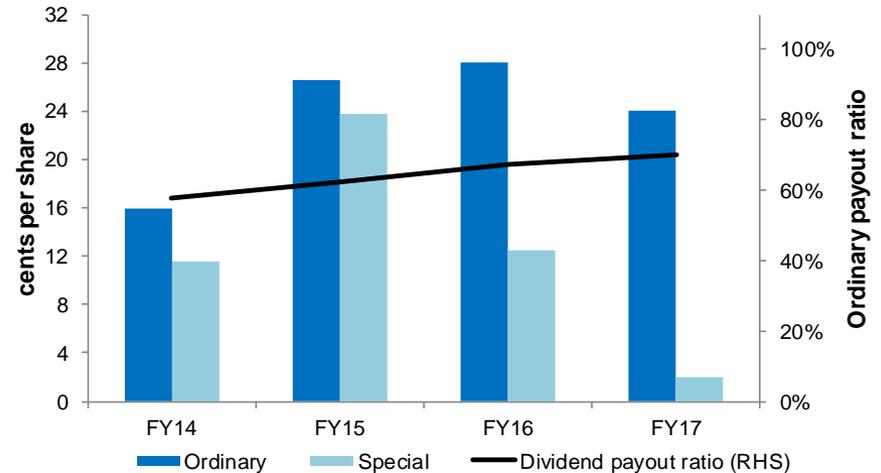
- As at 31 March 2018, \$900 million of excess of loss cover with varying durations depending on the layer
- Well diversified panel with over 20 different reinsurers participating across the program – minimum rating of A-
- Non-renewal of \$100 million remote layer of reinsurance on 1 April 2018 due to lack of internal economic capital credit recognition and reducing Probable Maximum Loss
- Despite the reduction, our new program structure has led to an increase in internal economic capital credit
- An overall reduction in both lifetime and first year premiums and lower cost of capital.

Ongoing program of capital management

Recent actions

- Since listing in 2014, Genworth has:
 - Paid out all after-tax profits by way of ordinary and special dividends to shareholders; and
 - Returned more than \$1 billion (\$2 per share) of excess capital.
- In February 2018 completed \$100 million on-market share buy-back that was commenced in 2H 2017
- Today, announced a new on-market share buy-back (up to a value of \$100 million) subject to shareholder approval at the AGM on 10 May 2018.

Genworth dividends





Summary and conclusion

2018

Genworth economic outlook and FY18 guidance



The Australian economy is expected to continue to perform relatively well in 2018 underpinned by strong infrastructure investment at a federal and state level



Housing market conditions likely to ease further in 2018 as macro-prudential measures continue to take effect and new housing supply comes onto the market



Recent data suggests strong labour market with growth in full-time jobs outpacing population growth. Expectation that this will continue in 2018



Expect Sydney and Melbourne housing markets to moderate. Continued pressure in regional markets (especially resources states) but to a lesser extent than 2017



Official cash rate likely to remain on hold due to benign wage growth and low inflation



National house price appreciation (HPA) expected to be flat in 2018

Key financial measures - FY18 guidance

Net earned premium

Down 25% to 30%

Full year loss ratio

40% to 50%

Ordinary dividend payout ratio

50% to 80%

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

Conclusion

Business is well capitalised



Track record of delivering strong profits and shareholder returns

Strategic work being undertaken to redefine core business model

Good progress in implementing strategic initiatives that broaden product offerings

Strategy designed to position Genworth as the leading provider of customer-focused capital and risk management solutions

Unique set of competencies that can be leveraged to grow our business

Dividend payout range of 50% - 80%

Excess capital and potential uses continue to be evaluated



Committed to actively managing capital position



Well positioned to continue to deliver sustainable shareholder returns over time



Questions and supplementary slides

Genworth's strategic objectives

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



Value proposition: Innovation and technology will underpin Genworth's value proposition.



Focus: To be the leading provider of customer-focused capital and risk management solutions in residential mortgage markets and deliver sustainable shareholder returns

Stage 1: Initiatives (2017 & 2018)	Stage 2: Longer-term initiatives (2019+)
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1. Redefine core business model

-  Product enhancement
-  Underwriting efficiency
-  Leverage data and partnerships
-  Cost efficiency
-  Regulator and policy maker advocacy

2. Leverage data and technology to add value across the mortgage value chain

-  Product innovation
-  Loss management solutions
-  Leverage HLVR experience and expertise

Strategic enablers



People, organisation and cultural change



Data and analytics



Technology

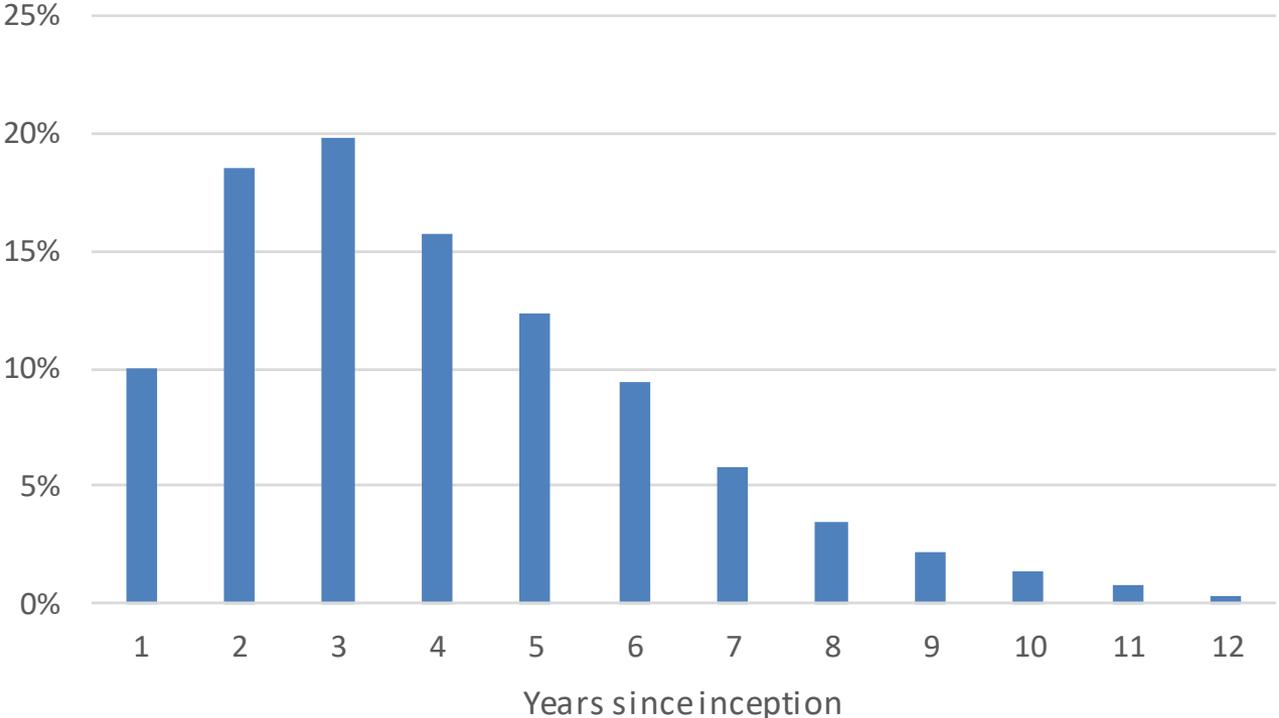


Stakeholder management

Earnings curve

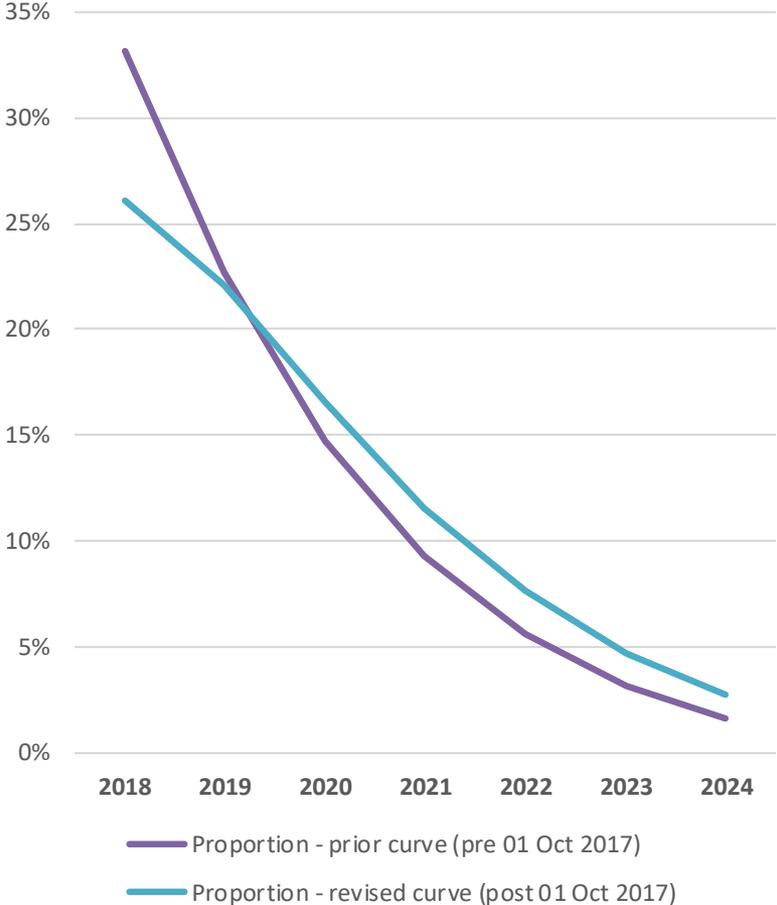
Comprehensive review of premium earning pattern completed in 2H17

Earnings pattern for premium written post 1 October 2017



Earnings curve

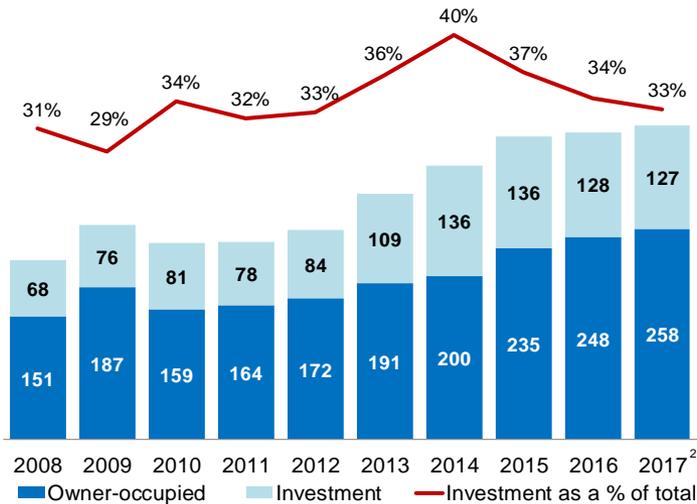
Comparative in- force earning pattern for premium written pre 1 Oct 2017



Residential mortgage lending market

Investment vs. owner-occupied (APRA statistics)¹

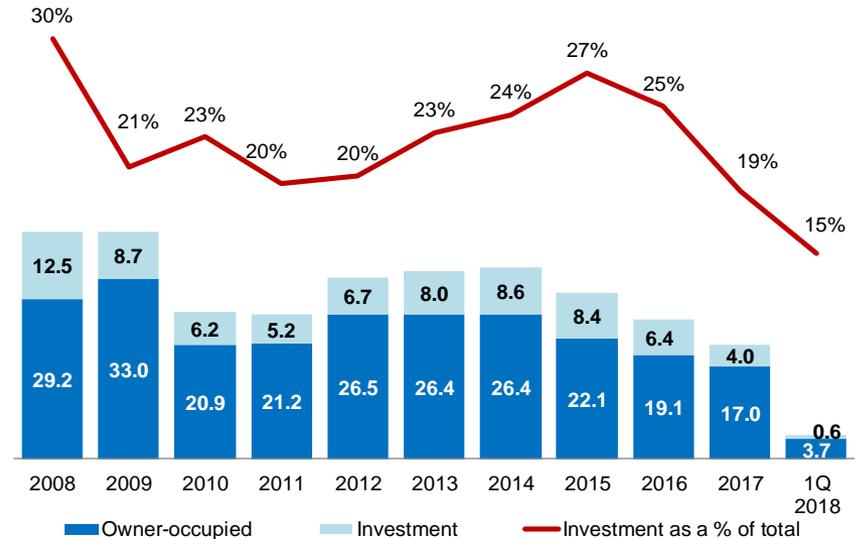
\$ bn, %



- Investment property lending represented 33% of originations for the twelve months ended 31 December 2017.

Investment vs. owner-occupied² (Genworth)

\$ bn, %



- Investment property lending represented 15% of Genworth's portfolio for the three months ended 31 March 2018.

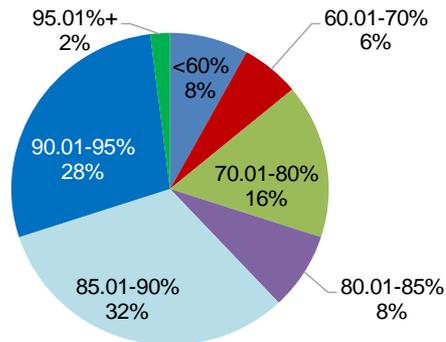
1. Prior periods have been restated in line with market updates.

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

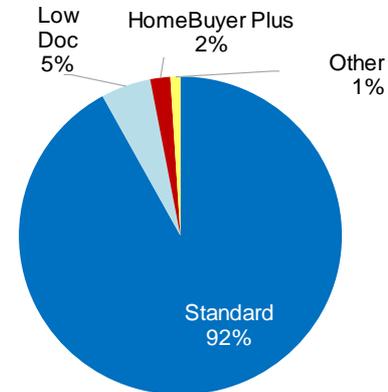
Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), December 2017. Statistics only show ADIs mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

Insurance in force and new insurance written

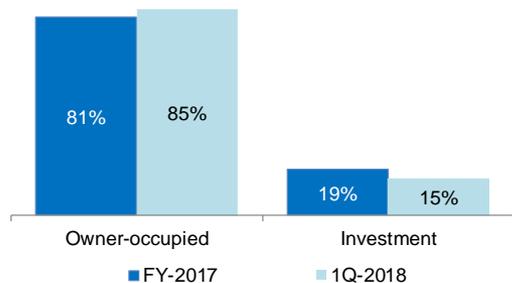
Insurance in force (IIF)¹ by original LVR² band, as at 31 March 2018



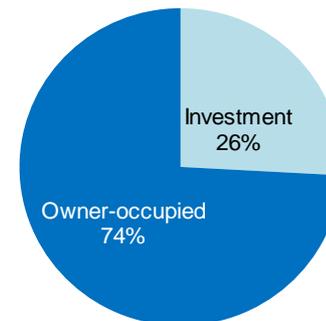
IIF¹ by product type, as at 31 March 2018



Flow NIW¹ by loan type



IIF¹ by loan type, as at 31 March 2018

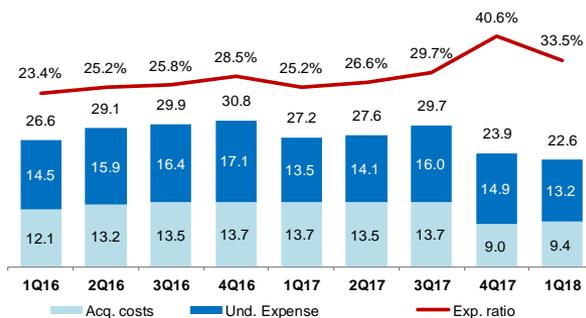


1. NIW and IIF include capitalised premium. NIW and IIF exclude excess of loss insurance. Genworth has retained \$205m of risk in relation to excess of loss insurance.
 2. Original LVR excludes capitalised premium.

Insurance ratio analysis

Expenses

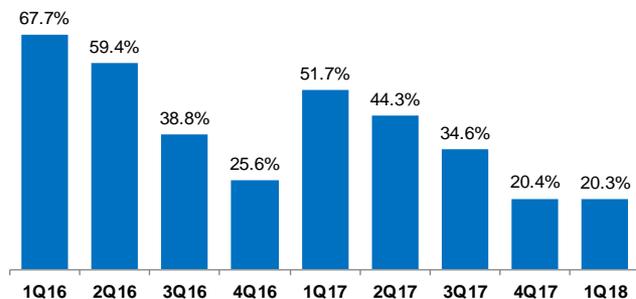
\$ m, %



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

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.

Combined ratio

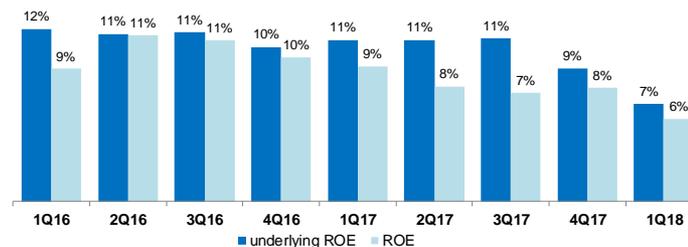
\$ m, %



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

Trailing 12-month ROE and underlying ROE

%



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

Delinquency development

Delinquency composition

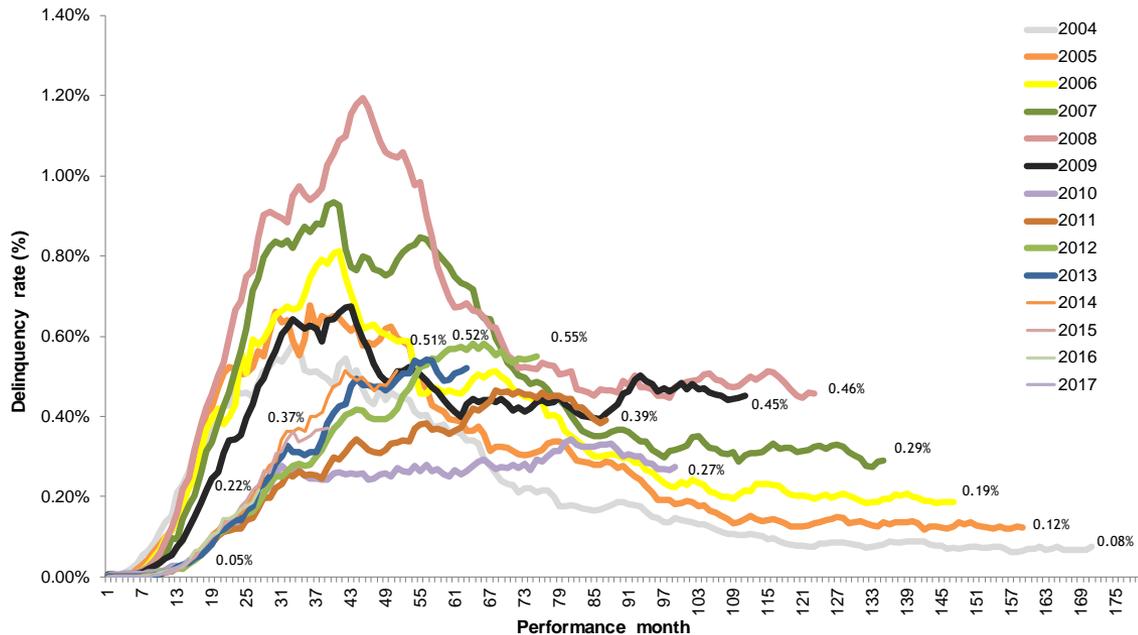
Delinquencies by book year	31 Mar 17	31 Dec 17	31 Mar 18	
2008 and prior	2,955	2,660	2,767	0.38%
2009	929	892	909	1.04%
2010	436	357	367	0.56%
2011	457	393	389	0.65%
2012	682	663	665	0.87%
2013	594	609	619	0.77%
2014	583	594	641	0.71%
2015	250	355	378	0.47%
2016	40	155	187	0.26%
2017	-	18	36	0.06%
2018	-	-	-	-
TOTAL	6,926	6,696	6,958	0.49%

Total delinquencies by geography	31 Mar 17	31 Dec 17	31 Mar 18	
New South Wales	1,139	1,088	1,156	0.33%
Victoria	1,375	1,304	1,346	0.39%
Queensland	2,151	2,083	2,100	0.67%
Western Australia	1,267	1,336	1,418	0.88%
South Australia	660	593	616	0.63%
Australian Capital Territory	64	48	60	0.18%
Tasmania	174	151	153	0.32%
Northern Territory	66	75	82	0.53%
New Zealand	30	18	27	0.06%
TOTAL	6,926	6,696	6,958	0.49%

Delinquency rate (%) is calculated as delinquencies divided by policies in force

Delinquency development

Favourable performance post 2009



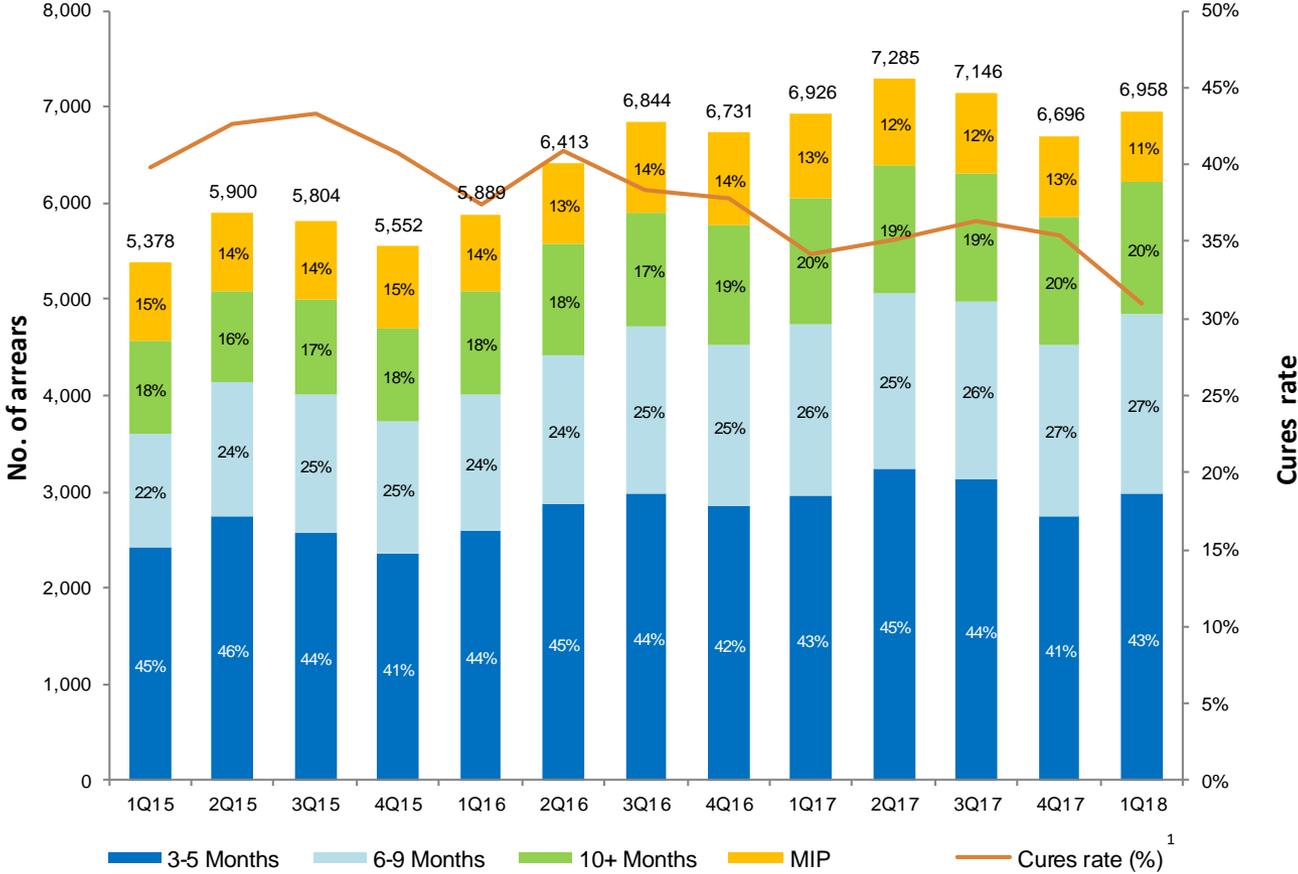
- Performance within majority of vintages remained relatively stable with the exception of 2012-14 books
- Underperformance within 2012-14 books has been predominantly driven by resources reliant states of QLD and WA following the end of the mining boom. WA and regional parts of QLD continue to experience challenging economic and housing market conditions however has seen signs of stabilising over recent months
- Historical performance of 2008 book year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland, which was exacerbated by the floods in 2011
- Post-GFC book years seasoning at lower levels as a result of credit tightening.

Note: graph excludes excess of loss insurance.

Delinquency rate is calculated as delinquencies divided by policies written which is gross of cancelled policies.

Delinquency population

By month in arrears



Note: Totals may not sum due to rounding.

1. Prior quarters cures have been amended to include cures as a result of hardship assistance programs.

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