Genworth

30 OCTOBER 2019

3Q19 FINANCIAL RESULTS PRESENTATION

Illustration by Sydney based artist and illustrator, Mike Watt

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Introduction

Georgette Nicholas, CEO and MD

Genworth

3Q19 results overview

Summary

(A$ millions)	3Q18	3Q19	Change %
Gross written premium	92.1	114.6	24.4%
Net earned premium	68.1	76.2	11.9%
Reported net profit after tax	19.6	25.1	28.1%
Underlying net profit after tax[1]	20.4	26.5	29.9%

(A$ millions)	YTD 30 Sep-18	YTD 30 Sep-19	Change %
Gross written premium	358.9	298.7	(16.8%)
Net earned premium	211.5	223.8	5.8%
Reported net profit after tax	61.5	113.2	84.1%
Underlying net profit after tax[2]	70.7	69.6	(1.6%)

Key financial measure	FY19 guidance	YTD 30 Sep-19 actual
NEP growth	-5% to +5%	5.8%
Full year loss ratio	45% to 55%	53.7%
Dividend payout ratio	50% to 80%	86.2%

1. 3Q19 Underlying NPAT excludes the after-tax impact of mark-to-market losses of $0.6 million (3Q18: $0.8 million) on the investment portfolio, and the after-tax impact of foreign exchange rates (net of hedge) on Genworth's investment portfolio ($0.9 million loss). The bulk of these foreign exchange exposures are hedged.
2. YTD 30 Sep-19 Underlying NPAT excludes the after-tax impact of mark-to-market gains of $44.8 million (YTD 30 Sep-18: after-tax losses of $9.2 million) on the investment portfolio, and the after-tax impact of foreign exchange rates (net of hedge) on Genworth's investment portfolio ($1.2 million loss). The bulk of these foreign exchange exposures are hedged.

3Q19 results in line with or above guidance

- **New insurance written (NIW)** of $6.4 billion, up 26.4% (3Q18: $5.1 billion)
- **GWP** increased 24.4%. Reflects strong performance in traditional LMI flow business across Genworth lender customers, driven by improved sentiment in most major capital cities
- **NEP** increased 11.9%. The strong growth is attributable to the seasoning of FY17 and FY18 book years and policy cancellation initiatives
- **Reported NPAT** of $25.1 million includes after-tax unrealised loss of $0.6 million on investment portfolio (3Q18: $0.8 million)
- **Underlying NPAT**[1] of $26.5 million includes after-tax realised gain of $8.9 million (3Q18: $0.4 million)
- **Loss ratio** of 52.9% (3Q18: 52.6%) in line with the Company's FY19 guidance – seasonal uplift offset by weakness in WA and to a lesser extent QLD.

Strategic update

- Continued product innovation and enhancement
- Leveraging technology and data to deliver operating and underwriting efficiencies
- In discussions with multiple customers to offer new regular (monthly) premium LMI product as well as strong support from brokers.

Capital management

- Unfranked special dividend of 24.2 cps declared
- Paid fully franked interim ordinary dividend of 9.0 cps and unfranked special dividend of 21.9 cps in August 2019
- Completed on-market share buy-back in 1H19 of 25.0 million shares for a consideration of $63.9 million commenced in February 2019.

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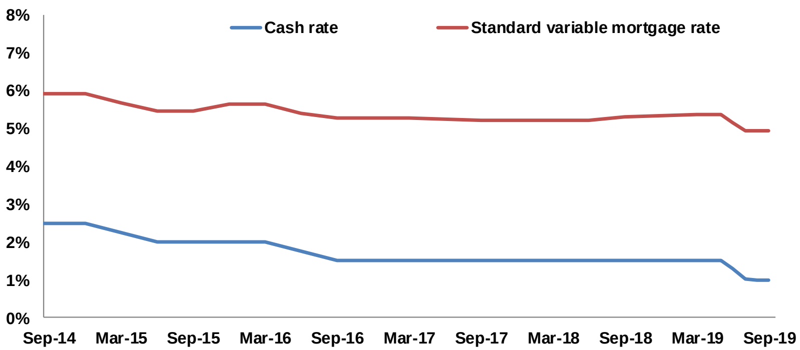
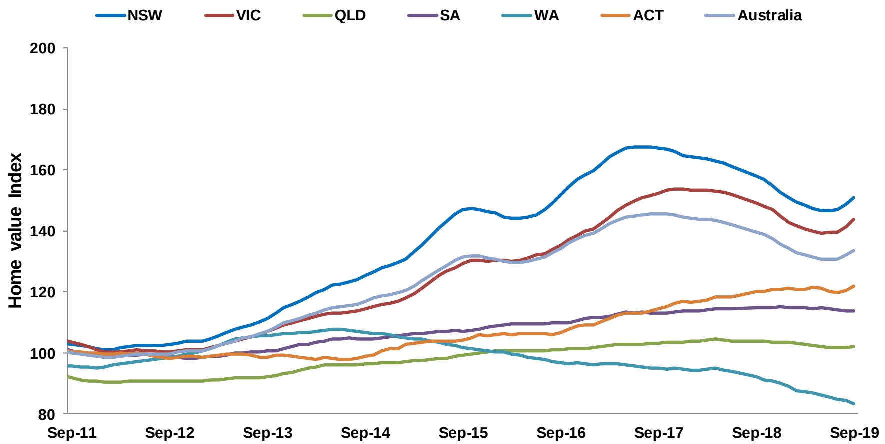
Macroeconomic conditions

Interest rates



Source: Reserve Bank of Australia

House values – capital city dwellings



Source: CoreLogic

Total delinquency* rates by geography (Genworth)

State	Sep 18	Sep 19	Change (basis points)
New South Wales	0.38%	0.45%	7 bps
Victoria	0.42%	0.43%	1 bp
Queensland	0.73%	0.80%	7 bps
Western Australia	1.01%	1.06%	5 bps
South Australia	0.70%	0.69%	(1 bp)
Group	**0.55%**	**0.60%**	**5 bps**

Source: Genworth.

Unemployment rates (seasonally adjusted)

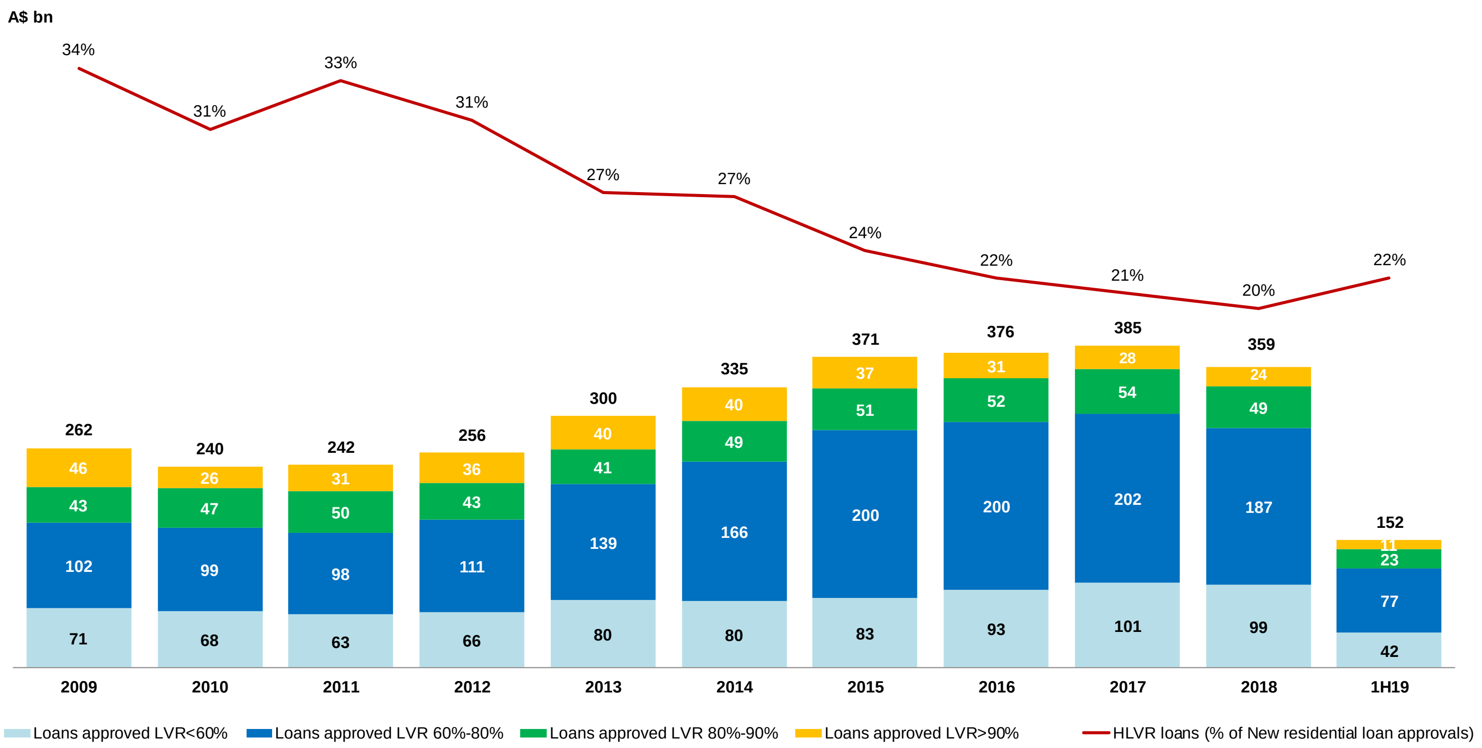
State	Sep 18	Sep 19	Change (basis points)
New South Wales	4.4%	4.5%	10 bps
Victoria	4.6%	4.7%	10 bps
Queensland	6.0%	6.5%	50 bps
Western Australia	6.1%	5.7%	(40 bps)
South Australia	5.6%	6.3%	70 bps
National	**5.0%**	**5.2%**	**20 bps**

Source: Australian Bureau of Statistics.

Note: *Total delinquency includes aged as well as new delinquencies but excludes excess of loss insurance.

Residential mortgage lending market

Originations and HLVR penetration[1]



Source: APRA Quarterly ADI property exposures statistics (ADI's new housing loan approvals), June 2019.

Note: Totals may not sum due to rounding. Total new residential loans approved in the 6 months to 30 June 2019 were $152.5 billion, down 15.9% on the previous corresponding period.

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

Detailed financial performance

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YTD 30 Sep-19 income statement

(A$ millions)	3Q18	3Q19	3Q19 v 3Q18 (%)	YTD 30 Sep-18	YTD 30 Sep-19	YTD Sep-19 v YTD Sep-18 (%)
Gross written premium	92.1	114.6	24.4%	358.9	298.7	(16.8%)
Movement in unearned premium	(6.5)	(20.9)	(221.5%)	(90.4)	(22.1)	75.6%
Gross earned premium	**85.6**	**93.7**	**9.5%**	**268.5**	**276.6**	**3.0%**
Outwards reinsurance expense	(17.5)	(17.5)	0.0%	(57.0)	(52.8)	7.4%
Net earned premium	**68.1**	**76.2**	**11.9%**	**211.5**	**223.8**	**5.8%**
Net claims incurred	(35.8)	(40.3)	(12.6%)	(112.2)	(120.1)	(7.0%)
Acquisition costs	(10.1)	(12.1)	(19.8%)	(30.1)	(34.9)	(15.9%)
Other underwriting expenses[1]	(12.0)	(15.1)	(25.8%)	(39.2)	(43.5)	(11.0%)
Underwriting result	**10.2**	**8.7**	**(14.7%)**	**30.0**	**25.3**	**(15.7%)**
Investment income on technical funds[2]	6.4	16.9	164.1%	21.2	77.5	265.6%
Insurance profit	**16.6**	**25.6**	**54.2%**	**51.2**	**102.8**	**100.8%**
Net investment income on shareholder funds[2]	15.1	12.6	(16.6%)	44.8	66.9	49.3%
Financing costs	(3.1)	(2.8)	9.7%	(9.0)	(9.1)	(1.1%)
Profit before income tax	**28.5**	**35.4**	**24.2%**	**86.9**	**160.6**	**84.8%**
Income tax expense	(9.0)	(10.3)	(14.4%)	(25.5)	(47.4)	(85.9%)
Net profit after tax	**19.6**	**25.1**	**28.1%**	**61.5**	**113.2**	**84.1%**
Underlying net profit after tax[3]	**20.4**	**26.5**	**29.9%**	**70.7**	**69.6**	**(1.6%)**

Note: Totals may not sum due to rounding.
1. Net of reinsurance ceding commissions.
2. Investment income on technical funds and shareholder funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.
3. YTD 30 Sep-19 Underlying NPAT excludes the after-tax impact of mark-to-market gains of $44.8 million on the investment portfolio, and the after-tax impact of foreign exchange rates (net of hedge) on Genworth's investment portfolio ($1.2m loss). The bulk of these foreign exchange exposures are hedged.

YTD 30 Sep-19 commentary

- **GWP** in YTD 30 Sep-18 included a bespoke transaction written through Genworth's Bermudian insurance entity. Excluding this transaction, GWP increased 12.6% in YTD 30 Sep-19. **Movement in unearned premium** reflects this bespoke Bermudian transaction
- **Gross earned premium** of $276.6 million, up 3.0% reflecting seasoning of more recent book years as well as the impact of the policy cancellation initiatives across YTD 30 Sep-18 and YTD 30 Sep-19
- **Outward reinsurance expense** of $52.8 million, down 7.4% driven by Genworth's Bermudian entity transaction in the nine months to 30 September 2018, and decreased reinsurance coverage on the traditional LMI business
- **Net earned premium** of $223.8 million increased 5.8%
- **Net claims incurred** of $120.1 million, up 7.0% and driven by an increase in reserving of $26.8 million
- **Acquisition costs** of $34.9 million, up 15.9% and broadly in line with LMI flow and bulk business written
- **Other underwriting expenses** of $43.5 million, up 11.0%, reflecting the depreciation of strategic projects, higher professional indemnity insurance expenses and provisions for more normalised employee incentive payments.

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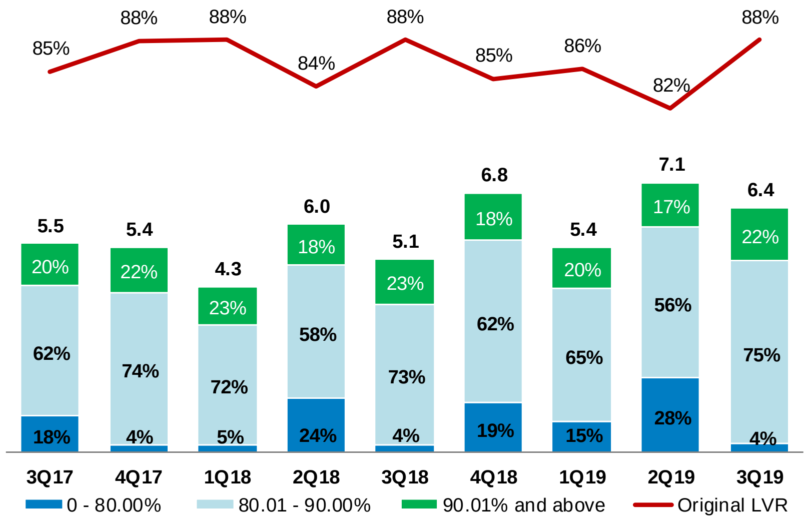
New insurance written

NIW[1] by original LVR[2] band

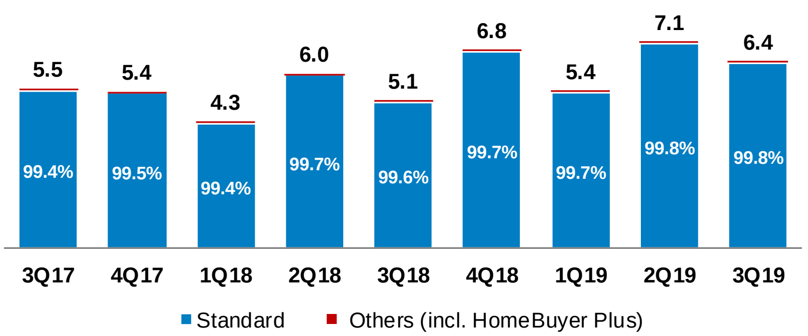
$ bn, %



Source: Genworth

NIW[1] by product type

$ bn



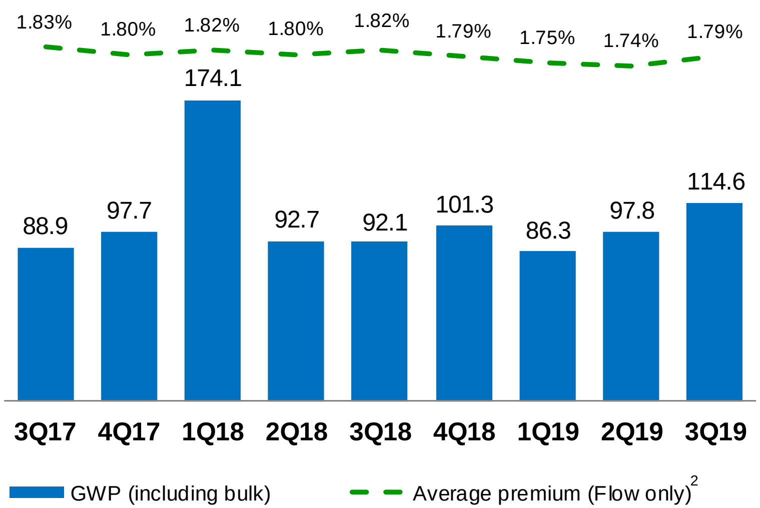
Source: Genworth

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

Gross written premium

GWP and average price[1] of flow business

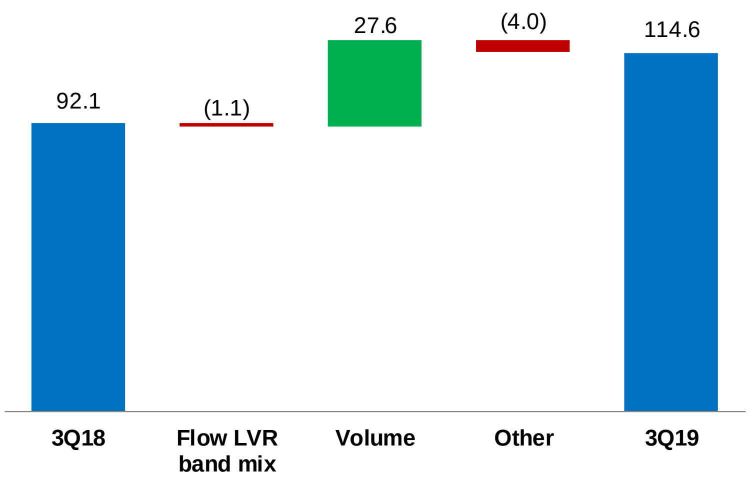
$ m, %



Source: Genworth

GWP walk

$ m



Source: Genworth

1. Average price excludes excess of loss insurance.
2. Historical NIW has been adjusted in the average premium calculation to better reflect Genworth's exposure associated with a risk sharing arrangement.
3. GWP volume includes the excess of loss insurance and bulk transactions.

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Net claims incurred

(A$ millions unless otherwise stated)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Number of paid claims (#)	**365**	**301**	**320**	**325**	**319**	**296**	**361**
Average paid claim[1] ($'000)	117.8	115.2	115.7	102.1	94.2	94.1	97.9
Claims paid[1]	**43.0**	**34.7**	**37.0**	**33.2**	**30.1**	**27.8**	**35.3**
Movement in non-reinsurance recoveries on paid claims	0.6	(1.5)	(0.5)	-	-	-	-
Movement in reserves	(6.0)	5.6	(0.7)	0.5	10.2	11.7	4.9
Net claims incurred	**37.7**	**38.7**	**35.8**	**33.7**	**40.3**	**39.6**	**40.3**
Reported loss ratio (%)	**55.9%**	**50.9%**	**52.6%**	**48.2%**	**55.3%**	**53.0%**	**52.9%**
Movement in non-reinsurance recoveries on paid claims	(0.6)	1.5	0.5	-	-	-	-
Adjusted net claims incurred [A]	**37.1**	**40.2**	**36.3**	**33.7**	**40.3**	**39.6**	**40.3**
Net earned premium (NEP)	**67.4**	**76.0**	**68.1**	**69.9**	**72.9**	**74.7**	**76.2**
Lapsed policy initiative[2]	-	(8.2)	-	-	(4.5)	-	-
NEP excluding Lapsed Policy Initiative [B]	**67.4**	**67.8**	**68.1**	**69.9**	**68.4**	**74.7**	**76.2**
Adjusted loss ratio – [A] / [B] (%)	**55.0%**	**59.3%**	**53.3%**	**48.2%**	**58.9%**	**52.9%**	**52.9%**

Source: Genworth

Note: Totals may not sum due to rounding.

1. Movement in non-reinsurance recoveries is excluded from average paid claim calculation and claims paid.
2. In 1Q19 the Company continued to progress its Strategic Program of Work by leveraging technology and data. This has included securing new data sources that have further enhanced the benefits of the Lapsed Policy Initiative implemented in 1H18 which enabled refinanced or discharged loans to be more swiftly identified. This new data is now utilised as part of our BAU processes.

Loss development

Delinquency roll and incurred loss drivers

Delinquency roll	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Opening balance	**6,696**	**6,958**	**7,306**	**7,350**	**7,145**	**7,490**	**7,891**
New delinquencies	2,701	2,864	2,742	2,390	2,662	2,853	2,622
Cures	(2,074)	(2,215)	(2,378)	(2,270)	(1,998)	(2,156)	(2,439)
Paid claims	(365)	(301)	(320)	(325)	(319)	(296)	(361)
Closing delinquencies	**6,958**	**7,306**	**7,350**	**7,145**	**7,490**	**7,891**	**7,713**
Delinquency rate	0.49%	0.54%	0.55%	0.54%	0.57%	0.60%	0.60%
Average reserve per delinquency ($'000)	47.9	46.4	46.0	47.5	46.7	45.9	47.7

Net claims incurred ($m)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
New delinquencies	34	34	38	32	35	42	41
Cures	(32)	(29)	(33)	(38)	(32)	(36)	(39)
Ageing[1]	35	35	32	37	32	36	38
Paid claims gap	(2)	-	(1)	(2)	-	-	(1)
Other adjustments[2]	3	(1)	-	5	5	(2)	1
Net claims incurred	**38**	**39**	**36**	**34**	**40**	**40**	**40**

Source: Genworth

1. Ageing relates to reserve movements on delinquencies that remain delinquent from prior periods.
2. Includes changes in actuarial assumptions.

Note: This slide excludes excess of loss insurance.

Balance sheet

Strong balance sheet with $3.2bn in cash and investments

Balance sheet as at 30 September 2019

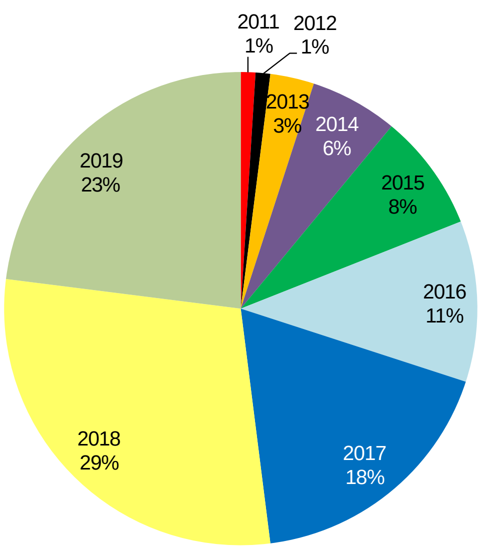
(A$ in millions)	31 Dec 18	30 Sep 19
Assets		
Cash and cash equivalents	141.5	26.1
Accrued investment income	22.1	25.9
Investments	3,083.0	3,176.0
Deferred reinsurance expense	43.3	49.1
Non-reinsurance recoveries	21.2	23.2
Deferred acquisition costs	166.8	175.1
Deferred tax assets	7.9	8.8
Goodwill and Intangibles	15.3	15.9
Other assets[1]	88.9	88.0
Total assets	**3,590.1**	**3,588.1**
Liabilities		
Payables[2]	94.1	155.7
Outstanding claims	339.1	367.9
Unearned premiums	1,214.2	1,237.6
Interest bearing liabilities	198.2	199.1
Employee provisions	7.3	7.5
Total liabilities	**1,852.8**	**1,967.7**
Net assets	**1,737.3**	**1,620.3**

Note: Totals may not sum due to rounding.

1. Includes trade receivables, prepayments, plant and equipment and right-of-use asset.
2. Includes reinsurance payables, lease liabilities and other payables.

Unearned premium by year as at 30 September 2019[3]

Total UPR $1.2bn



3. Totals may not sum due to rounding. The above chart includes excess of loss insurance.

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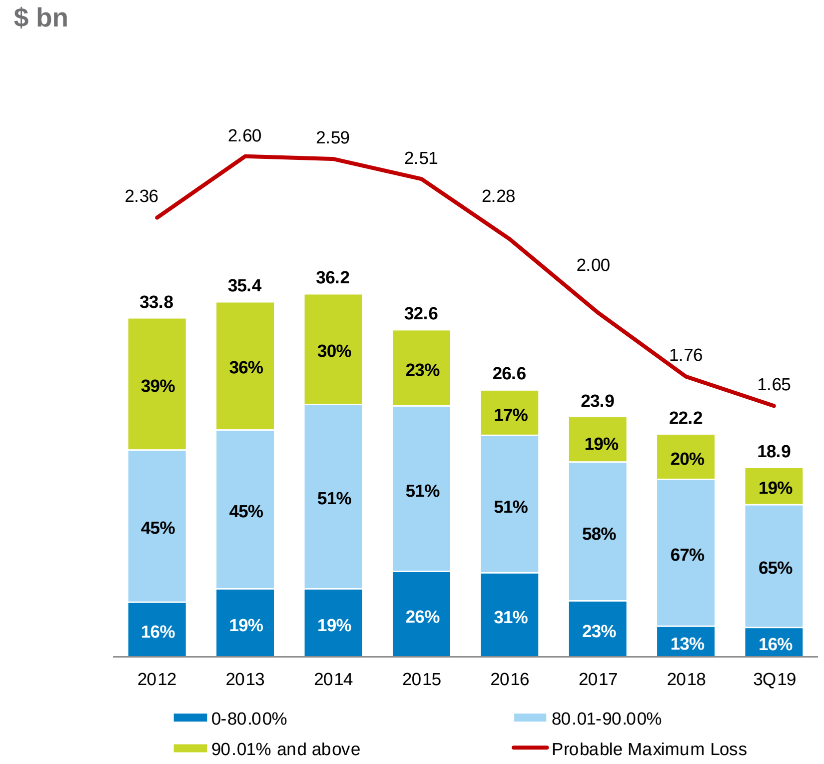
3Q 2019 regulatory capital position

(A$ in millions)	31 Dec 18	30 Sep 19
Capital Base		
Common Equity Tier 1 Capital	1,748.1	1,542.5
Tier 2 Capital	200.0	200.0
Regulatory Capital Base	**1,948.1**	**1,742.5**
Capital requirement		
Probable Maximum Loss (PML)	1,764.7	1,653.5
Net premiums liability deduction	(303.5)	(357.1)
Allowable reinsurance	(800.4)	(800.3)
Insurance concentration risk charge (ICRC)	**660.7**	**496.1**
Asset risk charge	124.8	125.5
Asset concentration risk charge	-	-
Insurance risk charge	245.5	277.4
Operational risk charge	31.7	35.0
Aggregation benefit	(56.4)	(55.7)
Prescribed Capital Amount (PCA)	**1,006.3**	**878.3**
PCA Coverage ratio (times)	**1.94 x**	**1.98 x**

Source: Genworth

Note: Totals may not sum due to rounding.

NIW[1] by original LVR band and Probable Maximum Loss[1]



Source: Genworth

1. NIW excludes excess of loss insurance.

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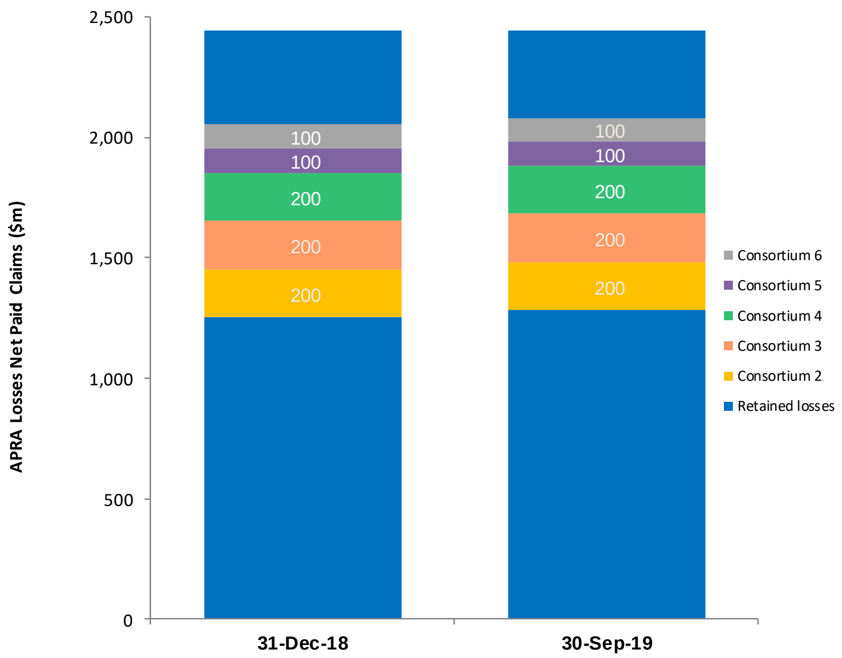
Reinsurance

Program continues to drive efficiency

Reinsurance program as at 30 Sep 2019



Observations

- As at 30 September 2019, $800 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-)
- Program is structured to provide aggregate cover on a 'paid claims basis' (not structured on a book-year basis)
- Covers policies in-force plus two additional years of new insurance written
- One year cover with option to extend cover to a full term (varying between 6-10 years depending on the layer)
- The program continues to drive efficient economic capital credit.

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Summary and conclusion

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2019

Genworth economic outlook and FY19 guidance

Economic growth continued to slow through 3Q19, driven by subdued household consumption and ongoing slow growth in household income coupled with cost of living pressures and continued subdued business investment

Unemployment of 5.2% has remained reasonably stable through 2019 although excess capacity in the labour market continues to impact wages growth which remains low

Sydney, Melbourne and Brisbane all recorded house price appreciation over 3Q19

Australian economic fundamentals remain sound with stimuli on multiple fronts including a historically low cash rate, tax cuts and continued infrastructure investment at a state and federal level providing positive momentum into 4Q19 which is expected to extend through 2020

Counterbalancing this is the continued geopolitical uncertainty and the impact of trade tensions between the United States and China

Metro housing market conditions expected to stabilise in 4Q19 followed by slow-paced recovery. Challenging market conditions in Perth expected to continue into 1H20.

Key financial measures – FY19 guidance

Net earned premium	-5% to +5%
Full year loss ratio	45% to 55%
Ordinary dividend payout ratio	50% to 80%

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

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Conclusion

Business is well capitalised

Track record of delivering profits and strong capital returns

Strategic work to deliver profitable growth over the medium term

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

Ordinary dividend payout ratio range of 50%-80%

Excess capital and potential uses continue to be evaluated

Utilising technology and data to deliver operational efficiencies and greater underwriting risk management insights

Well positioned to continue to deliver sustainable shareholder returns over time

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Questions

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Supplementary slides

Supplementary slides

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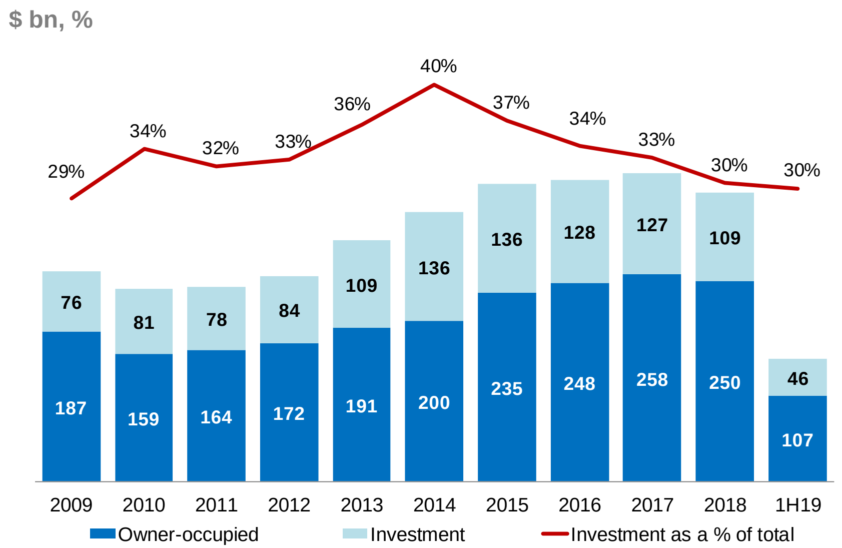
Residential mortgage lending market

NIW: Investment vs. owner-occupied (APRA statistics for ADI)[1]



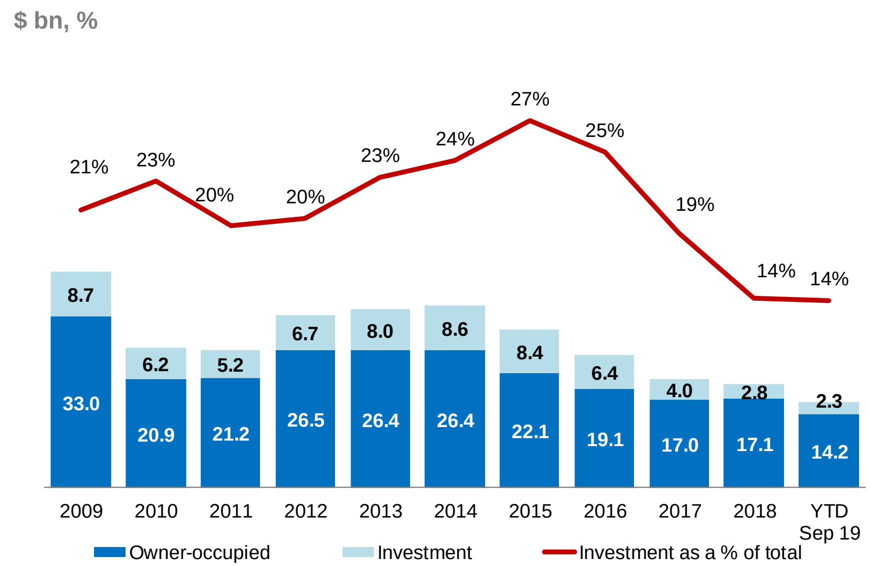
Source: APRA

- Investment property lending represented 30% of originations for the period ended 30 June 2019.

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

Source: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), June 2019. Statistics only show ADIs mortgage portfolios above $1 billion, thereby excluding small lenders and non-banks.

NIW: Investment vs. owner-occupied[2] (Genworth)



Source: Genworth

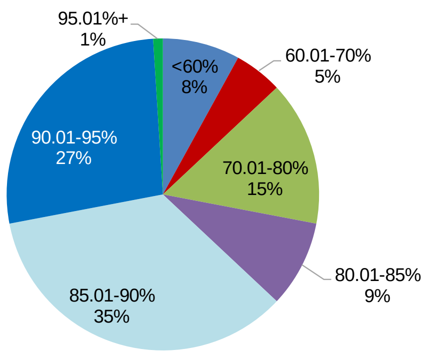
- Investment property lending represented 14% of Genworth's portfolio for the period ended 30 September 2019.

2. Flow NIW only.

Insurance-in-force and new insurance written

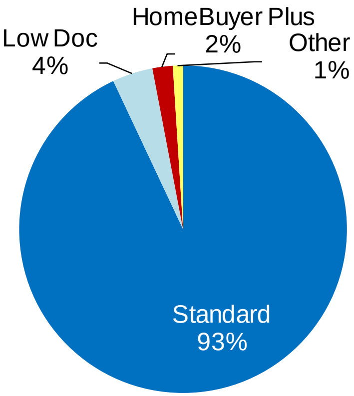
Insurance in force (IIF)[1] by original LVR[2] band, as at 30 September 2019

Total IIF $306 bn



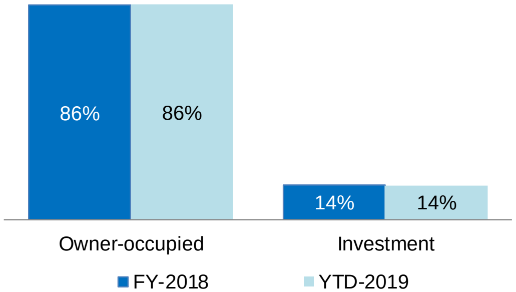
Source: Genworth

IIF[1] by product type, as at 30 September 2019



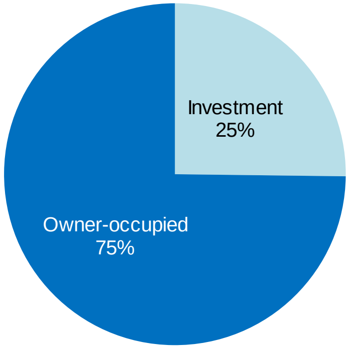
Source: Genworth

Flow NIW[1] by loan type



Source: Genworth

IIF[1] by loan type, as at 30 September 2019



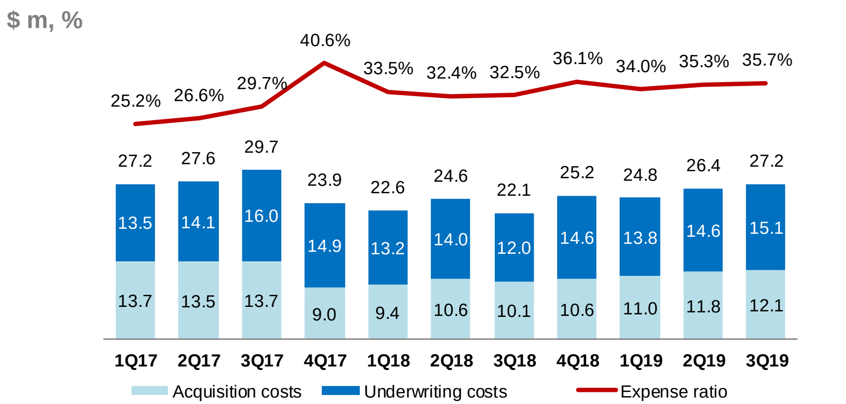
Source: Genworth

1.NIW and IIF include capitalised premium. NIW and IIF exclude excess of loss insurance. Genworth has retained $225m of risk in relation to excess of loss insurance.
2.Original LVR excludes capitalised premium.

Genworth

Insurance ratio analysis

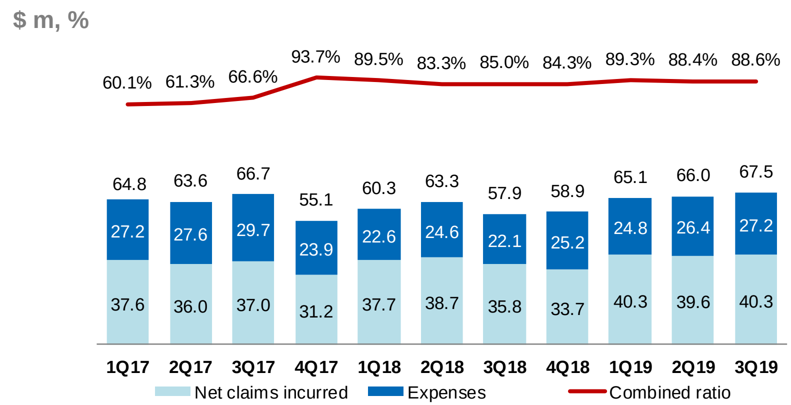
Expenses



Source: Genworth

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

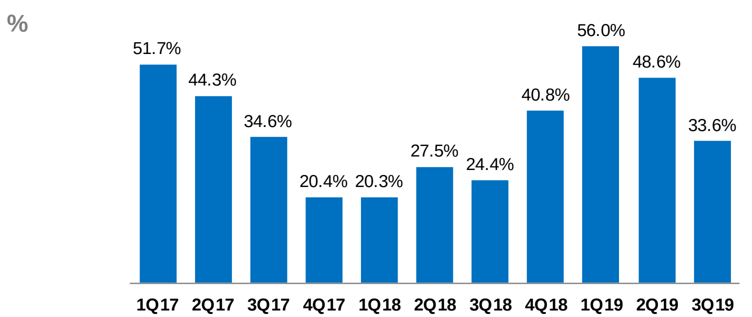
Combined ratio



Source: Genworth

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

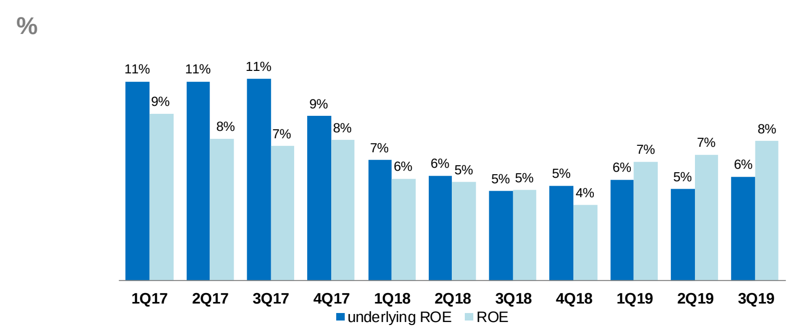
Insurance margin



Source: Genworth

The insurance margin is calculated by dividing the profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses) by the net earned premium.

Trailing 12-month ROE and underlying ROE



Source: Genworth

The trailing 12 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.

Genworth

Delinquency development

Delinquency composition

Delinquencies by book year	Sep 18	%	Dec 18	%	Sep 19	%
2010 and prior	3,998	0.50%	3,805	0.48%	3,869	0.51%
2011	415	0.75%	416	0.77%	386	0.77%
2012	659	0.93%	667	0.96%	661	1.04%
2013	685	0.92%	659	0.90%	746	1.13%
2014	708	0.84%	686	0.83%	747	1.01%
2015	481	0.64%	477	0.65%	570	0.86%
2016	282	0.42%	289	0.44%	363	0.60%
2017	115	0.19%	129	0.21%	238	0.41%
2018	7	0.02%	17	0.03%	129	0.22%
2019	-	-	-	-	4	0.01%
TOTAL	**7,350**	**0.55%**	**7,145**	**0.54%**	**7,713**	**0.60%**

Source: Genworth

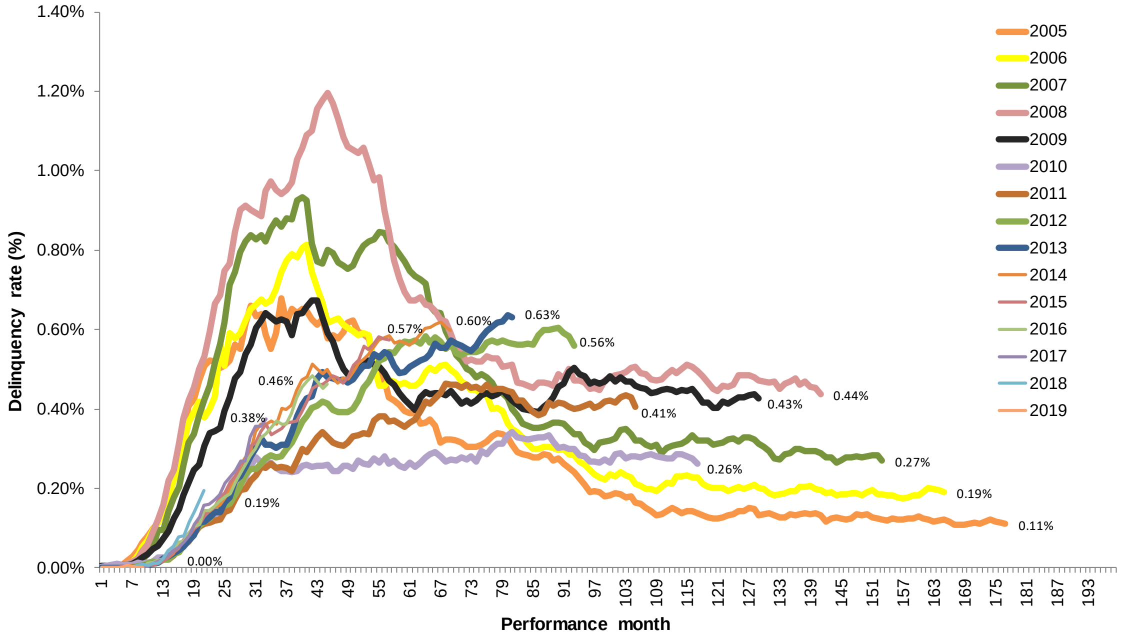
Delinquencies by geography	Sep 18	%	Dec 18	%	Sep 19	%
New South Wales	1,235	0.38%	1,254	0.38%	1,422	0.45%
Victoria	1,356	0.42%	1,296	0.40%	1,320	0.43%
Queensland	2,126	0.73%	2,057	0.70%	2,292	0.80%
Western Australia	1,610	1.01%	1,555	0.98%	1,659	1.06%
South Australia	679	0.70%	659	0.68%	656	0.69%
Australian Capital Territory	50	0.15%	56	0.17%	84	0.26%
Tasmania	164	0.35%	143	0.31%	140	0.31%
Northern Territory	109	0.70%	105	0.68%	131	0.85%
New Zealand	21	0.05%	20	0.05%	9	0.02%
TOTAL	**7,350**	**0.55%**	**7,145**	**0.54%**	**7,713**	**0.60%**

Source: Genworth

Note: This slide excludes excess of loss insurance.

Genworth

Delinquency development



Source: Genworth

- Portfolio delinquency performance remained relatively steady quarter on quarter, following seasonal trends. Despite the overall stability, impacts from ageing delinquencies continue, but early signs of faster loss mitigation processing by lenders are emerging
- 2006 and prior book years performances affected by higher proportion of low doc lending which reduced significantly in 2009 following policy changes and decommissioning of the low docs product in the latter part of 2009
- Historical performance of 2008-09 book year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland, which has been exacerbated by recent natural disasters
- 2010-12 book year delinquencies at lower levels driven by stronger credit policies
- Deterioration in 2013-14 book years reflect downturn in mining regions resulting in ongoing economic and housing market challenges.

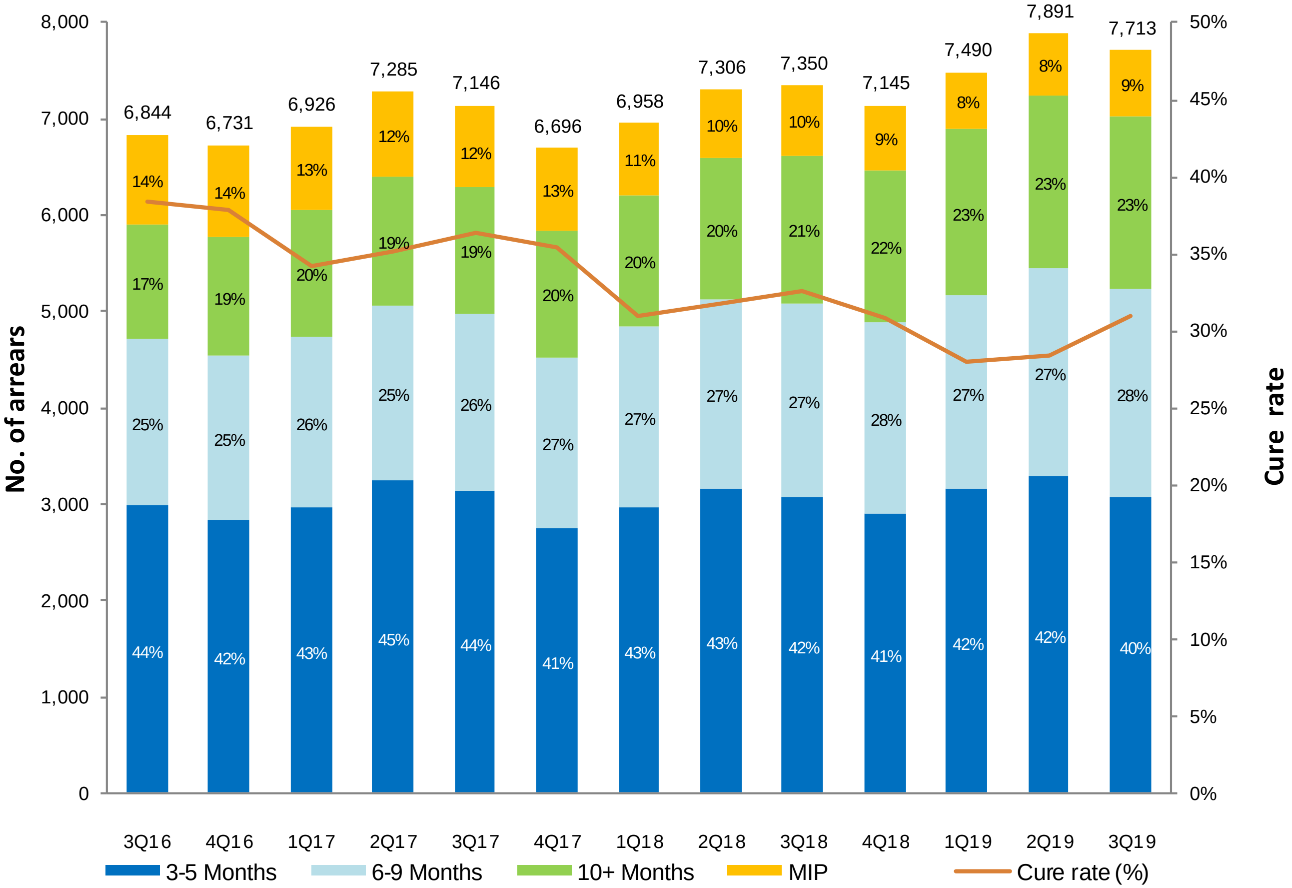
Note: Graph excludes excess of loss insurance and bulk.

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

Genworth

Delinquency population

By month in arrears[1, 2]



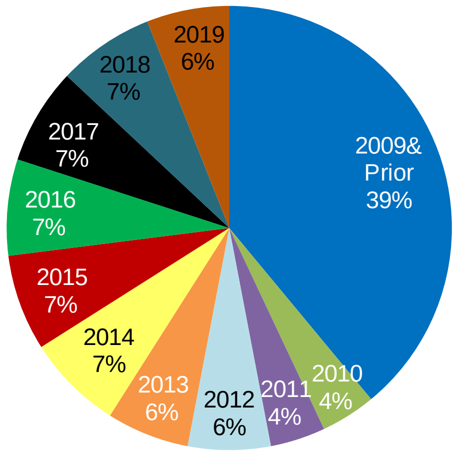
Source: Genworth

Note: Totals may not sum due to rounding.

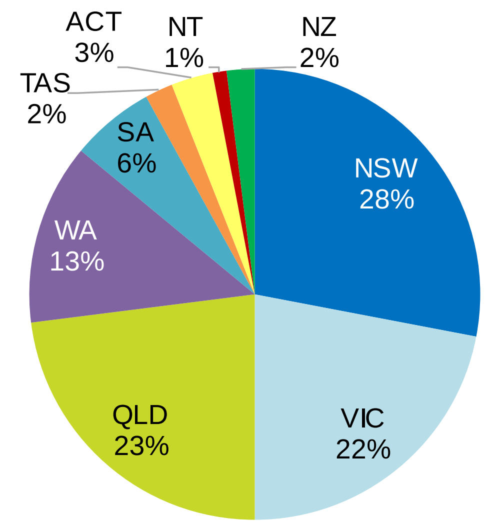
1. Prior quarters cures were amended in 1Q18 to include cures as a result of hardship assistance programs.
2. This slide excludes excess of loss insurance.

Insurance in force

IIF[1] by book year



IIF[1] by state

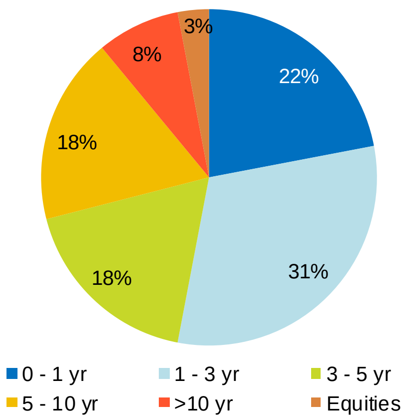


1.IIF includes capitalised premium. Excludes excess of loss insurance

Investment portfolio

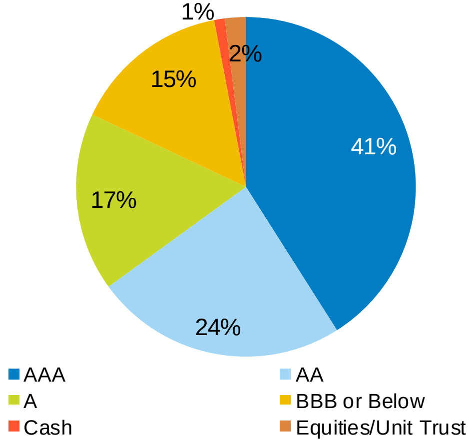
Conservative, well-diversified portfolio with average maturity of 3.6 years[1]

Investment portfolio by maturity



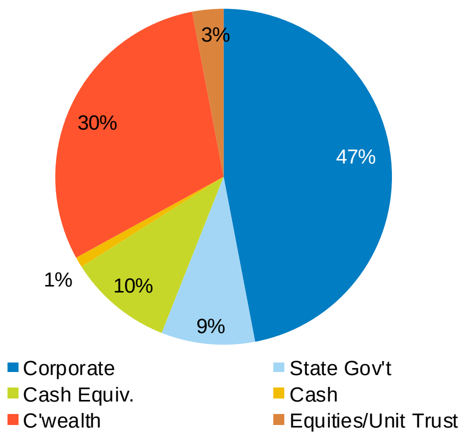
Source: Genworth

Investment portfolio by rating



Source: Genworth

Investment portfolio by issuer type



Source: Genworth

Investment portfolio by maturity

(as at)	31 Dec 18	30 Sep 19
0-1 Yr	841	720
1-3 Yr	1,012	984
3–5 Yr	464	567
5-10 Yrs	524	562
> 10 Yrs	251	280
Equities/Unit Trust	123	83
Total	**3,215**	**3,196**

Investment portfolio by rating

(as at)	31 Dec 18	30 Sep 19
AAA	1,238	1,306
AA	800	756
A	482	544
BBB or below	431	480
Cash	141	26
Equities/Unit Trust	123	83
Total	**3,215**	**3,196**

Investment portfolio by issuer type

(as at)	31 Dec 18	30 Sep 19
C'wealth	792	981
Corporate	1,473	1,517
State gov't	437	289
Cash equiv.	258	306
Cash	141	26
Equities/Unit Trust	123	83
Derivatives	(9)	(6)
Total	**3,215**	**3,196**

1. Maturity of 3.6 years excludes equities. Note: Derivatives contracts are with AA rated counterparties and have a maturity of less than 1 year.
2. Fixed income and cash portfolio average duration of 2.2 years.

Genworth

Glossary

As at 30 September 2019

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	Any insured loan which is reported as three (3) or more months in arrears
Delinquency rate	The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies (excluding excess of loss insurance)
2017 Earnings Curve Review	In October 2017 as part of its annual earnings curve review, the Company adjusted the way in which it recognises premium revenue with the effect of lengthening the time period over which premium is earned. The earning pattern was reviewed again in 2018 as part of the Company’s annual review process and no changes were made

Term	Definition
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
GFC	Global financial crisis
Gross earned premium or GEP	The earned premium for a given period prior to any outward reinsurance expense
GWP	Gross written premium
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%
HomeBuyer Plus	A Genworth LMI product aimed at buyers wishing to purchase or construct an owner-occupied property with limited savings or utilising money not sourced from their own savings e.g. family gift or First Home Owners Grant
IBNR	Delinquent loans that have been incurred but not reported
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

Genworth

Glossary

As at 30 September 2019

Term	Definition
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
Lapsed Policy Initiative	A strategic initiative first implemented by the Company which involved identifying and securing new data sources that enabled refinanced or discharged loans to be more swiftly identified.
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
Mark-to-market	Unrealised gains / losses (exclusive of foreign exchange)
Net earned premium or NEP	The earned premium for a given period less any outward reinsurance expense
NIW	New insurance written reflects the total loan amount that is insured in the defined period. NIW for Genworth reporting purposes excludes excess of loss business written
PCA	Prescribed capital amount is an APRA formula (set out in Prudential Standard GPS 110) designed to ensure an insurer has adequate capital against risk.
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

Term	Definition
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.
Tier 2 capital	As defined by GPS 112, Tier 2 Capital comprises other components of capital that to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of a regulated institution and its capacity to absorb losses
Top-ups	When a lender customer purchases additional LMI policies to cover an increase in the amount of the original residential mortgage loan
Underlying Equity	Underlying Equity is defined as total equity excluding the after-tax impact of mark-to-market gains/(losses) on the investment portfolio, and the impact of unhedged movements in foreign exchange rates on Genworth's non-AUD exposures
Underlying NPAT	Underlying NPAT excludes the after-tax impact of mark-to-market gains/(losses) on the investment portfolio, and the impact of foreign exchange rates on Genworth's investment portfolio. The bulk of these foreign exchange exposures are hedged
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.

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