Investor Report
2H (Full Year) 2014

Genworth Mortgage Insurance Australia Limited
ABN 72 154 890 730

11 Feburary 2015

Important information

This report contains general information in summary form which is current as at 31 December 2014. 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. The pro forma financial information in this report is prepared on the same basis as disclosed in the Genworth Mortgage Insurance Australia Limited (GMA or Company) prospectus lodged with the Australian Securities and Investments Commission on 23 April 2014 (Prospectus), which reflected the post reorganisation structure. Refer to Section 7.1 and 7.2 of the Prospectus for detailed information (these two sections have been included in Appendix D for your reference). As the IFRS financial result of GMA and its subsidiaries prepared on a statutory basis only represents the period from 19 May 2014 to 31 December 2014, a comprehensive review and analysis of the non-IFRS pro forma financial information throughout this report has been prepared as it may provide users with a better understanding of the financial performance of the business. This report is not a recommendation or advice in relation to GMA or any product or service offered by GMA's subsidiaries. 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, "FY14" refers to the year ended 31 December 2014. All references starting with "1H" refer to the financial half year ended 30 June. For example, "1H14" refers to the half year ended 30 June 2014. All references starting with "2H" refer to the financial half year ended 31 December. For example, "2H14" refers to second half year of financial year ended 31 December 2014.

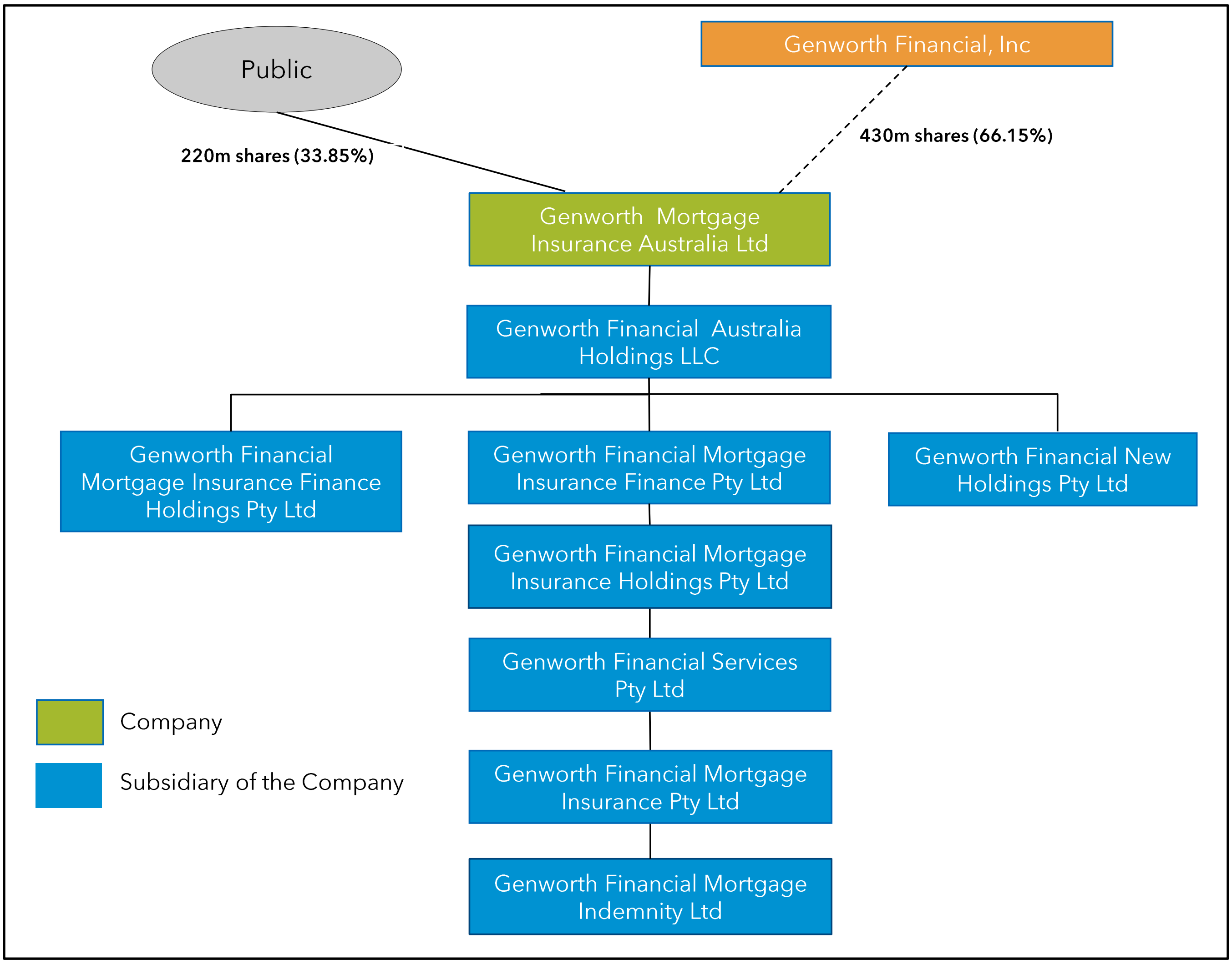
Corporate information

Following completion of the allocation of 650 million ordinary shares under an IPO in May 2014, the shares in the Company 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, has been repatriated to the major shareholder of GMA, Genworth Financial, Inc. which owns the remaining 66.15% of the issued shares.

Based on a trading price of $3.64 as at 31 December 2014, the market capitalisation of GMA was $2.4 billion.

Immediately prior to completion of the IPO, the Company became the new holding company of the Genworth Australia group of companies (Genworth Australia or Group) with 100% control of Genworth Australian subsidiaries through the implementation of a reorganisation plan. The Group is represented by GMA and its subsidiaries. The Group has the following corporate structure:

Figure 1: GMA Corporate Structure



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Section 1

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Executive summary

1.1 Overview of the full year 2014 financial results

The Group has delivered a reported net profit after tax (NPAT) of $324.1 million for the 2014 financial year on a pro forma basis. After adjusting for the after tax impact of the mark-to-market movement in the investment portfolio, the Underlying NPAT was $279.4 million, with an annual reported ROE of 13.8% and an annual Underlying Return on Equity (ROE) of 12.2%.

Table 1: Pro forma financial performance measures

(A$ in millions)	1H 13	2H 13	1H 14	2H 14	FY13	FY14	Changes **FY13 vs Y14**
Gross earned premium	228.6	242.8	256.1	264.6	471.5	520.7	10.4%
Net earned premium	192.1	205.7	218.4	227.4	397.9	445.8	12.0%
NPAT	65.7	113.7	151.4	172.7	179.4	324.1	80.7%
Underlying NPAT	94.6	126.4	133.1	146.3	221.0	279.4	26.5%
Loss Ratio	42.3%	22.6%	19.6%	18.4%	32.1%	19.0%	(13.1%)
Delinquency rate	0.40%	0.34%	0.36%	0.33%	0.34%	0.33%	(0.01%)
Expense Ratio	27.6%	27.3%	26.6%	26.3%	27.4%	26.5%	(0.9%)
Combined Ratio	69.9%	49.9%	46.2%	44.7%	59.5%	45.5%	(14.0%)
Insurance Margin	35.8%	58.1%	66.2%	65.4%	51.3%	65.8%	14.5%
Investment Return	4.6%	4.4%	4.1%	4.0%	4.5%	4.0%	(0.5%)
ROE	6.2%	10.5%	13.3%	14.3%	8.2%	13.8%	5.6%
Underlying ROE	9.2%	12.0%	12.0%	12.5%	10.4%	12.2%	1.8%

The reported results are primarily the result of:

(a) Higher sales (Gross Written Premium (GWP)) and resulting revenue (Net Earned Premium):

i. GWP for FY14 is 6.3% higher than FY13, underpinned by higher Flow premium rates attributable to a pricing increase in 2013 and increased mortgage lending by customers, owing to strong housing activity as interest rates remained low in 2014. This is offset by an overall lower average LVR mix than anticipated, primarily as a consequence of a lower volume of 90-95% LVR business and greater than expected volume of sub 80% LVR business;

ii. Net Earned Premium growth of 12.0% reflects higher volumes and GMA premium rate increases, predominantly in the 2011-2013 book years.

(b) Lower net claims incurred:

i. A strong housing market led to a lower frequency of delinquencies resulting in a claim, as evidenced by a continuation of a higher than anticipated level of 'borrower sales' and 'sold no claim' instances, and contributed to a lower average claim amount.

ii. An overall lower level of new delinquencies in FY14 compared to FY13 was a consequence of a relatively stable economic environment, especially from sustained low interest rates.

(c) Strong financial income reflecting unrealised mark-to-market gains that, on a reported basis, offset the lower interest income resulting from lower investment yields.

On a statutory basis, the NPAT for the period from 19 May 2014 (being the date of the formation of the Group) to 31 December 2014 was $215.2 million. Refer to Section 3.5 for the reconciliation between pro forma NPAT and Statutory (Reported) NPAT.

1.2 Summary of financial and capital position

Table 2: Financial position/capital measures

(A$ in millions), as at	31 Dec 12 (Pro forma)	31 Dec 13 (Pro forma)	31 Dec 14 (Actual)
Cash, accrued interest and investments	3,624.7	3,734.9	4,200.5
Total assets	3,898.8	4,009.8	4,449.3
Unearned premium reserve	1,124.1	1,249.1	1,362.6
Net assets	2,166.4	2,210.9	2,500.5
Net tangible assets	2,145.7	2,194.5	2,488.6
Regulatory capital base	2,534.9	2,566.0	2,854.1
Level 2 PCA coverage (times)	1.52x	1.50 x	1.59x
CET1 coverage (times)	1.43x	1.42 x	1.53x
Gearing	5.9%	5.9%	5.3%

The Group's capital position was strong at 31 December 2014, reflected in the Group's regulatory capital solvency level of 1.59 times PCA and a CET1 ratio of 1.53 times. The regulatory solvency position is above the Board's targeted range of 1.32 – 1.44 times PCA.

1.3 Economic and Regulatory Environment

1.3.1 Economic environment

In 2014 there has been no material change to the actual or expected competitive operating environment in which the Group operates and that was set out in the Prospectus. As at the end of September 2014, the Australian economy had performed below the long term average level Gross Domestic Product (GDP) as it transitions away from mining-led growth.

The Reserve Bank of Australia (RBA) announced a 0.25% reduction in the official cash rate following its February 2015 board meeting. The statement issued by the RBA Governor Glenn Stevens on monetary policy stated "At today's meeting, taking into account the flow of recent information and updated forecasts, the Board judged that, on balance, a further reduction in the cash rate was appropriate. This action is expected to add some further support to demand, so as to foster sustainable growth and inflation outcomes consistent with the target."

Business confidence peaked late in 2013 after the Australia federal election. It has declined steadily since then[1], reflecting falling commodity prices, a slower than expected transition from the resources driven economy and uncertainty around the introduction of some policies contained within the federal budget. The Australian dollar has traded at a six year low more recently and although the decline has not translated into any meaningful improvement in conditions, this may occur in 2015.

[1] NAB Business Confidence Index

In Australia growth is continuing at a below-trend pace, with domestic demand growth overall being quite weak. The fall in energy prices may support increased consumer spending, but at the same time the decline in the terms of trade is reducing income growth.

The official unemployment rate has moved gradually higher over the course of 2014 and was at 6.1% in December 2014 after it reached a 12 year high in November of 6.3%. GMA expects unemployment to be biased toward slightly higher levels of unemployment during the course of 2015.

The housing market has substantial momentum moving into the 2015 calendar year, with dwelling values 7.9% higher than a year ago, across the combined capital cities. The Sydney housing market continues to be the major driver with an annual growth rate of 12%. It is expected that house prices will continue to rise in 2015, albeit at subdued levels of around 3.5%, due to strong immigration, limited housing supply and the record low interest rates supporting improved affordability.

Taking all of this into account, GMA believes that there is room for caution regarding the overall economic outlook and expects that GDP growth is likely to remain below trend for at least the short term.

1.3.2 Regulatory environment

In December 2014, the final report of the Financial System Inquiry (FSI) was delivered setting out the FSI's recommendations for strengthening the financial system. This blueprint, which if implemented, is designed to ensure our financial system can meet Australia's evolving needs into the future. We recognise the FSI's recommendation to "Raise the average internal ratings-based (IRB) mortgage risk weight to narrow the difference between average mortgage risk weights for authorised deposit-taking institutions using IRB risk-weight models and those using standardised risk weights".

We support the Inquiry's acknowledgement of the importance of the mortgage market in its discussions on competition, resilience and financial stability and thoroughly endorse the observation that APRA should seek to maintain as much risk sensitivity in the capital framework as possible and recognise lenders mortgage insurance (LMI) where appropriate. As GMA highlighted in its submission to the FSI in August, the lack of recognition of LMI in IRB bank capital models may ultimately lead to higher Loan to Valuation Ratio (LVR) mortgages on a non-LMI covered basis, which, in our view, increases the system's susceptibility to significant stress events in the face of increasingly less risk diversification.

The FSI also noted "that models based on individual borrower characteristics rarely capture the systemic risk that can become the primary risk driver at the portfolio level." LMI is designed as a shock absorber with LMI providers holding specific capital - for the benefit of lenders - for such stress events. Throughout the course of 2015, we will continue to work with policy makers and regulators to ensure appropriate recognition for the additional system capital provided by the LMI providers, and the notion that without LMI there is the potential for less capital in the system to absorb the destabilising effects of an unexpected crisis.

In December 2014, APRA announced it will closely monitor "higher-risk mortgage lending", such as high-LVR loans, interest-only loans to owner-occupiers and loans with very long terms during the first part of 2015. In our view the mortgage market continues to operate on a prudent and sustainable basis, and we have seen little evidence of lending standards deteriorating, however it is always prudent for the regulator to act ahead of the curve to ensure the ongoing stability of the mortgage market.

We generally support APRA's observations in the recent prudential practice guide APG 223 and are pleased that they have acknowledged the benefits of LMI as a "second set of eyes".

Additionally we note that the Australian Securities and Investments Commission (ASIC) is taking its own action, investigating lenders to ensure they are complying with responsible lending obligations. In particular, ASIC announced that it will focus on interest-only lending to owner-occupiers, to ensure that such loans are not being given to people who will not be able to afford repayments when the interest-only period ends.

When combined, we are confident that these regulatory actions should assist to reinforce sound residential mortgage lending practices in the context of historically low interest rates, current levels of household debt and strong competition in the housing market.

1.4 Customer Relationships

Genworth Australia has commercial relationships with over 100 lender customers across Australia, including three of the four Major Banks. Genworth Australia has Supply and Service Contracts with 11 of its key lender customers. Genworth Australia's top three lender customers accounted for approximately 55% of Genworth Australia's NIW and 66% of its GWP in FY14 and its largest Lender Customer accounted for approximately 34% of its NIW and 43% of its GWP in FY14. The Group estimates that it had approximately 44% of the Australia LMI Market by NIW for the year ended 31 December 2014.

During 2014 though there were a number of contractual discussions held with a number of lender customers, including discussions regarding the inwards reinsurance business that GMA writes. As a consequence of these discussions GMA has extended a number of existing contracts and has amended one contract of another smaller Lender Customer such that they will no longer maintain a risk retention program.

In respect to the inwards reinsurance treaty GMA was provided with notification that it was unsuccessful in being considered for participation in any new arrangement, and consequently, inward reinsurance business under this treaty ceased with effect from 30 September 2014.

GMA's largest lender customer has the right to reduce the percentage of LMI business they write by a specified amount with effect from 1 January 2015. As of the date of this report, that customer had provided no formal indication to GMA of its intention in relation to this right.

Depending on whether and to what extent this lender reduces its purchase of LMI (down to the minimum agreed percentage) this could equate to a reduction of up to the equivalent of 6.9% of Full Year 2014 GWP in 2015.

1.5 Ratings

On 20 May 2014, Moody's reaffirmed the insurance financial strength rating[2] of both Genworth Financial Mortgage Insurance Pty Limited (GFMI) and Genworth Financial Mortgage Indemnity Limited (GFMIL), GMA's wholly-owned insurance subsidiaries, at 'A3' Stable. Moody's issued updates on 31 July 2014 and 6 November 2014, re-affirming these ratings post the announcement of both the first half and third quarter results.

On 7 November 2014, Standard & Poor's Ratings Services (S&P) revised the GFMI financial strength and issuer credit rating (from 'AA-' with a stable outlook to 'A+' with a negative outlook) as a consequence of the action taken by S&P relating to Genworth Financial, Inc. group of companies' core life insurance company rating, and GFMI's rating differential as an insulated subsidiary relative to this core company.

[2] Any financial strength or credit ratings provided in this report are determined by ratings agencies. They do not, and are not intended to, constitute the provision of financial product advice by any member of the Group in relation to any financial product including, without limitation, any securities of, or other financial products issued by, any member of the Group. The ratings are subject to change from time to time. You should seek your own professional advice before relying on any ratings referred to in this report.

Following the S&P action, GFMI acknowledged that certain customer contracts contained provisions that would allow them to potentially exercise termination rights within 90 days. These contracts represented between 12 per cent and 13 per cent of annual GWP, based on 2014 forecasts.

GFMI has received confirmation from the largest of these customers representing approximately 11 per cent GWP that they will be taking no action at this time and the ongoing contractual relationship will remain unchanged as a consequence of this change in S&P's rating.

On 17 December 2014, Fitch Ratings (Fitch) published an Insurer Financial Strength (IFS) rating of GFMI, assigning an 'A+' rating with a stable outlook.

1.6 Business Strategy

The Group continues to pursue the same strategic objective, which is to deliver long-term returns to Shareholders, reflected in an attractive, sustainable ROE. Those strategic priorities are:

a) Strengthen market leadership position
b) Enhance profitability
c) Optimise capital position and enhance ROE
d) Maintain strong risk management discipline
e) Continue to work with regulators, rating agencies and other industry participants

The table below highlights the key achievements of 2014 against each of the key strategic priorities.

Priority	Strategic Priority	2014 Achievements
#1 **Strengthen market leadership position**	• Genworth Australia seeks to strengthen and grow our customer relationships and product value proposition by: - Focusing on understanding and meeting the strategic needs of its customers; - Influencing the changing regulatory environment; - Addressing potential ratings and/or counterparty challenges; - Enhancing its service offerings with a focus on risk management and technology; and - Maintaining a high level of service with a continued focus on customer satisfaction.	• Maintaining and extending key customer contracts for more than 56% of GWP • End-to end process review of major DUA customers, including policy, processes and quality controls and developed risk management framework • Transitioned 56 customers to portal policy application submissions
#2 **Enhance profitability**	• Genworth Australia intends to maintain appropriate, risk adjusted returns by: - Pricing new insurance written (NIW) to achieve low-to-mid teens ROEs over the long-term and enhancing our understanding of the profitability of portfolio cohorts; - Continuing to manage underwriting and pricing to grow share of attractive market segments as they emerge; - Investing in loss mitigation tools and processes to enhance management of delinquencies and claims; - Investing in underwriting systems to deliver productivity benefits while maintaining strong risk management disciplines and enhancing customer experience; and	• 86.2% of 2014 GWP was representative of contracted customers. • Predictive delinquency modelling (PALM) which is now fully operationalised. • Progress on Loss Management mitigation techniques including Borrower Sales • Introduced Board approved mandates for policy holder and shareholder funds • Annual Pricing Review

Executive summary

Priority	Strategic Priority	2014 Achievements
	- Optimising interest income from its investment portfolio within acceptable risk standards.	
#3 **Optimise capital position and enhance ROE**	• To complement its strategy to enhance profitability, Genworth Australia intends to maintain a strong balance sheet and financial position while managing its capital relative to its risk exposure, targeted ratings and regulatory requirements. • In additional to equity, qualifying capital instruments and reinsurance form part of Genworth Australia's capital management strategy. Genworth Australia will continue to assess opportunities to optimize its capital base to enhance returns. • To the extent Genworth Australia has capital above its internal and regulatory capital requirements the Board will consider a range of options and currently has a preference to return excess capital to Shareholders, subject to regulatory approvals and market conditions.	• IPO - Successful sale of 33.85% (220M shares) of Genworth Australia was settled on May 21st 2014 • Successful renewal of $700m of reinsurance program with improved terms & price. • Special Dividend • Evaluation of other capital management initiatives
#4 **Maintain strong risk management discipline**	• Genworth Australia continues to strengthen the risk culture across the business. • Genworth Australia intends to enhance data received from customers and third parties to support granular and effective risk decisioning. • Genworth Australia will continue to invest in modelling and analytical capabilities to deliver more granular performance measures, along with improved loss forecasting, balance sheet management and stress-testing. • Genworth Australia will continue to advance its risk management framework and practices by working with regulators, Lenders Customers and other market participants to adapt to changing market conditions.	• Implementation of the new operational risk management system • Risk Culture framework was launched • High Risk Post Codes identified with successful implementation from key customers • Successful implementation of an Operational Control Framework
#5 **Continue to work with regulators, rating agencies and other industry participants**	• Genworth Australia will continue to work with regulators, rating agencies and other industry participants to promote legislative and regulatory policies that support increased levels of home ownership, continue responsible credit growth for Lender Customers, and the purchase of LMI by Lender Customers so as to continue to enable them to provide borrowers with affordable residential mortgage loans.	• Formulation of public policy recommendations with submissions to the Affordable Housing Inquiry, Competition Inquiry and Financial System Inquiry • Continue engagement with APRA in regards to APG 223 • Executed campaigns around key industry partnerships (e.g. MFAA. COBA) and thought leadership activity (*Streets Ahead*, LMI Toolkit, , *Home Grown*, LMI Factually)

Section 2

Group financial results

Group financial results

2.1 Pro forma historical FY14 results vs pro forma historical FY13 results

This section contains a summary of the pro forma historical consolidated statement of comprehensive Income for the Group for the half years ended 30 June 2013, 31 December 2013, 30 June 2014 ("1H13", "2H13" and "1H14" respectively) and full year ended 31 December 2013 and 31 December 2014 ("FY13" and "FY14" respectively). The half year ended 31 December 2014 is on a reported basis.

2.1.1 Pro forma historical consolidated statements of comprehensive income

Table 3: Pro forma and reported statement of comprehensive income

(A$ millions)	1H13	2H13	1H14	2H14	FY 13	FY 14	Change FY13vsFY14
Gross written premium	273.0	323.5	313.6	320.6	596.5	634.2	6.3%
Movement in unearned premium	(44.4)	(80.6)	(57.5)	(56.0)	(125.0)	(113.5)	(9.2%)
Gross earned premium	**228.6**	**242.9**	**256.1**	**264.6**	**471.5**	**520.7**	**10.4%**
Outwards reinsurance expense	(36.5)	(37.1)	(37.7)	(37.2)	(73.6)	(75.0)	1.9%
Net earned premium	**192.1**	**205.8**	**218.4**	**227.4**	**397.9**	**445.8**	**12.0%**
Net claims incurred	(81.2)	(46.6)	(42.8)	(41.7)	(127.8)	(84.5)	(33.9%)
Acquisition costs	(22.6)	(24.5)	(24.1)	(24.9)	(47.1)	(49.0)	4.0%
Other underwriting expenses	(30.4)	(31.6)	(34.1)	(34.9)	(62.0)	(69.0)	11.3%
Underwriting result	**57.9**	**103.1**	**117.4**	**125.9**	**161.0**	**243.3**	**51.1%**
Investment income on technical reserves	10.9	16.4	27.1	22.8	27.3	49.9	82.8%
Insurance profit	**68.8**	**119.5**	**144.5**	**148.7**	**188.3**	**293.2**	**55.7%**
Investment income on shareholders' funds	32.0	45.6	76.9	100.1	77.6	177.0	128.1%
Financing costs	(5.8)	(5.7)	(5.6)	(5.7)	(11.5)	(11.3)	(0.9%)
Profit before income tax	**95.0**	**159.4**	**215.9**	**243.1**	**254.4**	**458.9**	**80.4%**
Income tax expense	(29.3)	(45.7)	(64.5)	(70.4)	(75.0)	(134.9)	79.9%
NPAT	**65.7**	**113.7**	**151.4**	**172.7**	**179.4**	**324.1**	**80.7%**
Underlying NPAT	**94.6**	**126.3**	**133.1**	**146.3**	**220.9**	**279.4**	**26.5%**

2.2 Pro forma historical FY14 results vs Prospectus forecast FY 14

This section contains a comparison between FY14 pro forma consolidated statement of comprehensive income and pro forma FY 14 forecast consolidated statement of comprehensive income.

2.2.1 Pro forma historical consolidated statements of comprehensive income and prospectus pro forma forecast

Table 4: Pro forma statement of comprehensive income

(A$ millions)	FY 14 (Pro forma)	forecast FY14 (Pro forma)	Difference
Gross written premium	634.2	663.2	(4.4%)
Movement in unearned premium	(113.5)	(146.8)	(22.7%)
Gross earned premium	**520.7**	**516.4**	**0.8%**
Outwards reinsurance expense	(75.0)	(76.2)	(1.6%)
Net earned premium	**445.7**	**440.2**	**1.2%**
Net claims incurred	(84.5)	(133.1)	(36.5%)
Acquisition costs	(49.0)	(49.6)	(1.2%)
Other underwriting expenses	(69.0)	(71.8)	(3.9%)
Underwriting result	**243.2**	**185.7**	**31.0%**
Interest income	159.7	157.6	1.3%
Realised and unrealised gains/(losses)	67.3	-	-
Investment Income	**227.0**	**157.6**	44.0%
Financing costs	(11.2)	(11.2)	0.0%
Profit before income tax	**459.0**	**332.1**	**38.2%**
Income tax expense	(134.9)	(101.0)	33.6%
NPAT	**324.1**	**231.1**	**40.2%**
Underlying NPAT	**279.4**	**231.1**	**20.9%**

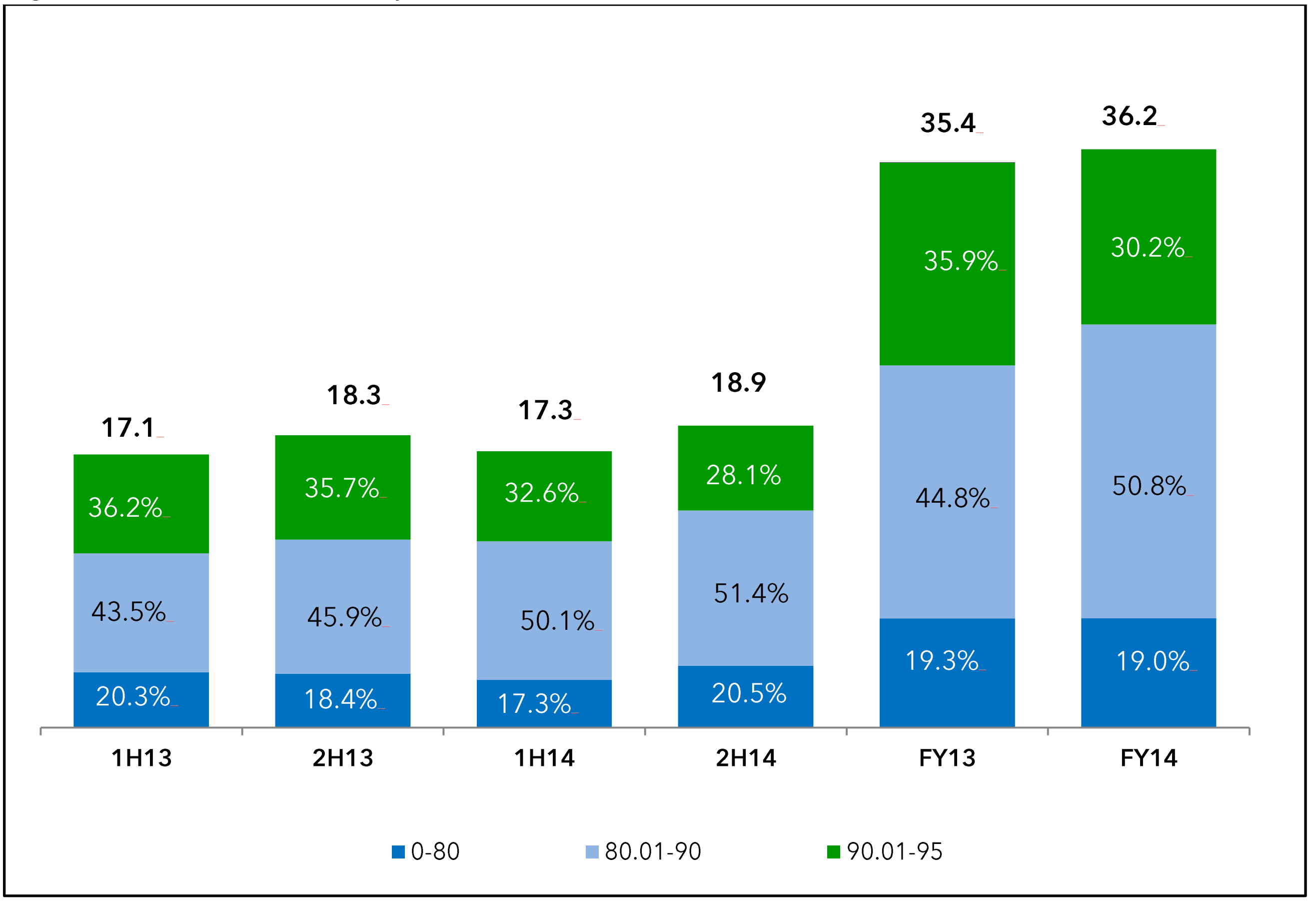
2.3 Management discussion and analysis

2.3.1 New Insurance Written

NIW increased from $35.4 billion in FY13 to $36.2 billion in FY14. This was primarily due to demand for housing as interest rates continued to remain low and volume increases across the majority of GMA's key Lender Customers.

There was a 15.9% increase in 80-90% LVR residential mortgage loans in FY14 compared to FY13 due to a change in business mix that was originated by GMA's Lender Customers. 90%+ LVR lending decreased by 5.7% in FY14 compared to FY13, which suggests there were proportionally less high-risk mortgages being written by lenders.

Figure 2: Flow and Portfolio NIW by LVR band[1]



1. The Percentages of NIW split by LVR band represent the NIW based on the LVR of the original loan prior to the capitalization of LMI premium. The total amount of NIW represented is calculated on a capitalised premium basis.

Group financial results

Table 5: NIW and GWP from Lender Customers contracted as at 31 December for the respective FYs. This table sets out NIW and GWP for Lender Customers who are party to a Supply and Service Contract.

	% Contracted Lender Customers		% Non-Contracted Lender Customers	
Year	NIW	GWP	NIW	GWP
2009	86%	86%	14%	14%
2010	70%	76%	30%	24%
2011	72%	74%	28%	26%
2012	78%	78%	22%	22%
2013	86%	85%	14%	15%
2014	82%	86%	18%	14%

Table 6: Genworth Australia Flow, Portfolio and Inward Reinsurance NIW for the 12 months ended 31 December (%).

Year	Flow	Portfolio	Inward Reinsurance
2009	87.3%	0.0%	12.7%
2010	77.6%	14.8%	7.6%
2011	82.5%	14.1%	3.4%
2012	94.4%	1.7%	3.9%
2013	94.9%	2.8%	2.3%
2014	94.7%	3.2%	2.1%

Table 7: NIW by Loan purpose as % for FY13, FY14 and Ever to Date (ETD) as at 31 December 2014.

Loan Purpose	Flow NIW FY 13	Flow NIW FY 14	Portfolio as at 31 Dec14
Construction/Build	7.2%	7.4%	6.6%
Internal Refinance	4.8%	4.7%	2.4%
Purchase	63.3%	62.8%	60.9%
Refinance/Equity Release/Debt Consolidation	23.3%	23.7%	27.7%
Other	1.4%	1.4%	2.4%
Total	100.0%	100.0%	100.0%

Group financial results

Table 8: Book Year Breakdown

Book Year	2007	2008	2009	2010	2011	2012	2013	2014
Book Year summary (A$ billion)								
Insurance in-force (A$ billion) - current*	30.2	22.8	26.3	21.9	23.3	29.5	33.3	35.8
NIW (A$ billion)	**73.8**	**44.7**	**41.6**	**31.8**	**30.8**	**33.8**	**35.4**	**36.2**
Breakdown of NIW by LVR (%)								
<80%	56.9%	44.3%	19.3%	34.7%	29.7%	16.3%	19.3%	19.0%
80-90%	17.3%	19.5%	35.0%	40.9%	41.4%	44.9%	44.8%	50.8%
90-95%	19.4%	28.3%	41.4%	22.7%	28.7%	38.8%	35.9%	30.2%
>95%	6.4%	7.9%	4.3%	1.7%	0.2%	0.0%	0.0%	0.0%
Breakdown of NIW by product (%)								
Standard Loans	72.2%	65.2%	84.7%	94.9%	96.6%	97.1%	98.0%	98.9%
Home Buyer Plus	8.0%	8.8%	6.8%	1.5%	1.3%	1.8%	1.3%	0.7%
Business Select	0.0%	0.0%	8.4%	3.5%	2.1%	1.1%	0.6%	0.5%
Low Doc	15.4%	23.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Loans	4.4%	2.8%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Breakdown of NIW by channel (%)								
Flow and Inward Reinsurance	73.4%	93.6%	100.0%	85.2%	85.9%	98.3%	97.2%	96.8%
Portfolio	26.6%	6.4%	0.0%	14.8%	14.1%	1.7%	2.8%	3.2%
Breakdown of NIW by loan type (%)								
Owner Occupied	68.5%	63.4%	72.7%	70.9%	72.8%	69.6%	67.3%	73.0%
Investment	28.8%	32.7%	24.6%	24.2%	21.5%	23.8%	26.8%	25.0%
Other type	2.7%	4.0%	2.6%	4.9%	5.7%	6.7%	5.9%	2.0%
Average Primary loan size ($'000)								
Average Primary loan size	181	186	187	188	191	197	203	210
Policy count by book year (#)								
Policy count*	112,172	100,391	123,271	91,164	86,174	109,477	113,057	117,472
Policies in force	1,390,016	1,426,277	1,475,157	1,468,773	1,437,380	1,440,719	1,474,181	1,496,616
Breakdown of GWP by channel (A$ million)								
Flow	534	455	562	360	392	544	595	632
Portfolio	14	4	0	7	7	1	2	2
GWP (A$ million)	**548**	**459**	**562**	**367**	**398**	**545**	**597**	**634**
GWP as % of NIW (%)	0.74%	1.03%	1.35%	1.15%	1.29%	1.61%	1.69%	1.75%

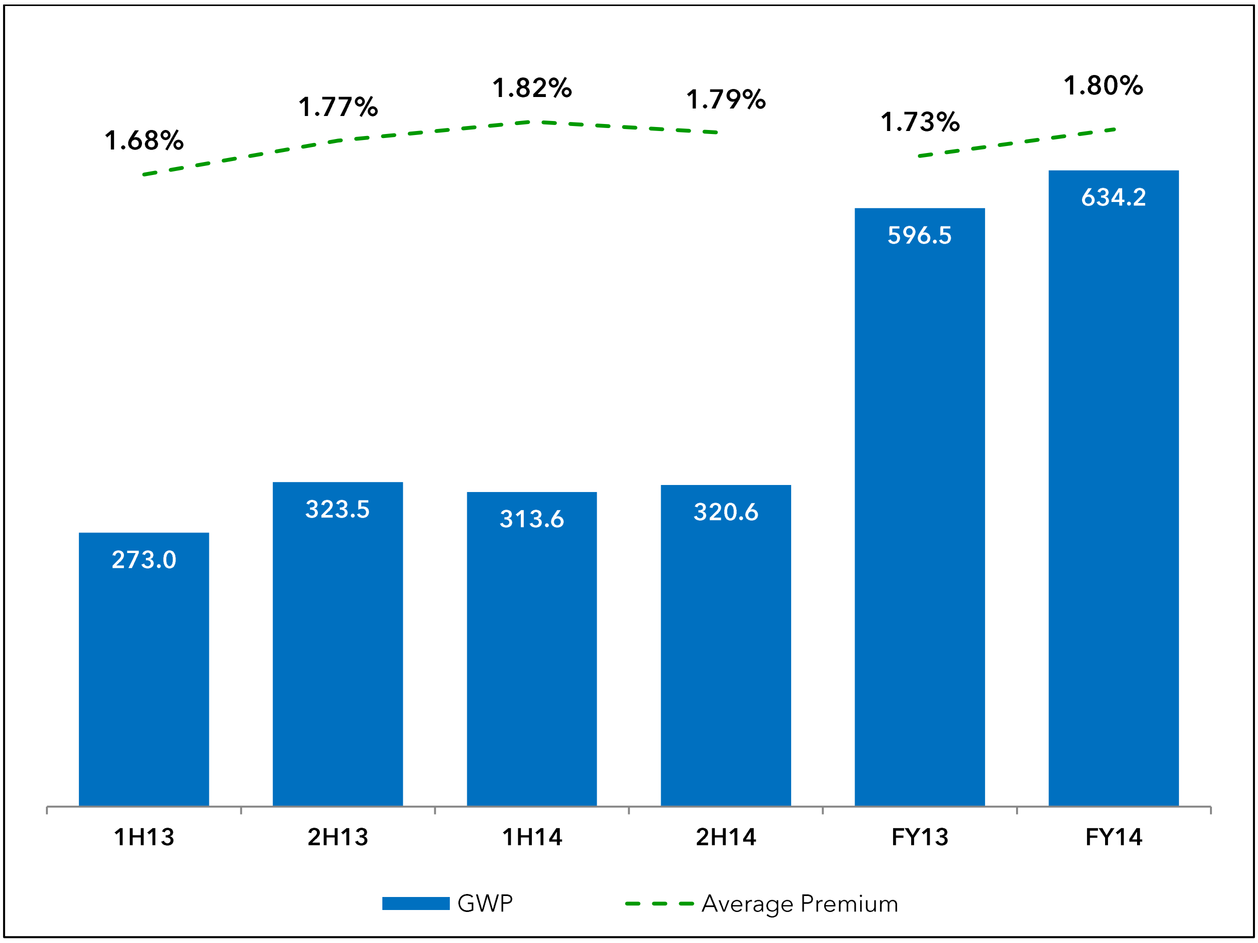
*As at 31 December 2014

2.3.2 Gross Written Premium

GWP increased $37.7 million (6.3%) from $596.5 million in FY13 to $634.2 million in FY14, primarily due to higher Flow premium rates attributable to a pricing increase in 2013. Slightly higher Flow NIW in FY14 compared to FY13 was as a consequence of high demand for housing resulting from record low interest rates, limited new supply and population growth. Average price for Flow (GWP/NIW) increased from 1.73% in FY13 to 1.80% in FY14 as a result of higher Flow premium rates reflecting the full effect of the price increase in 2013. (Refer to figure 4 for the movement between FY13 and FY14).

Group financial results

Figure 3: GWP and average price (including capitalised premium)



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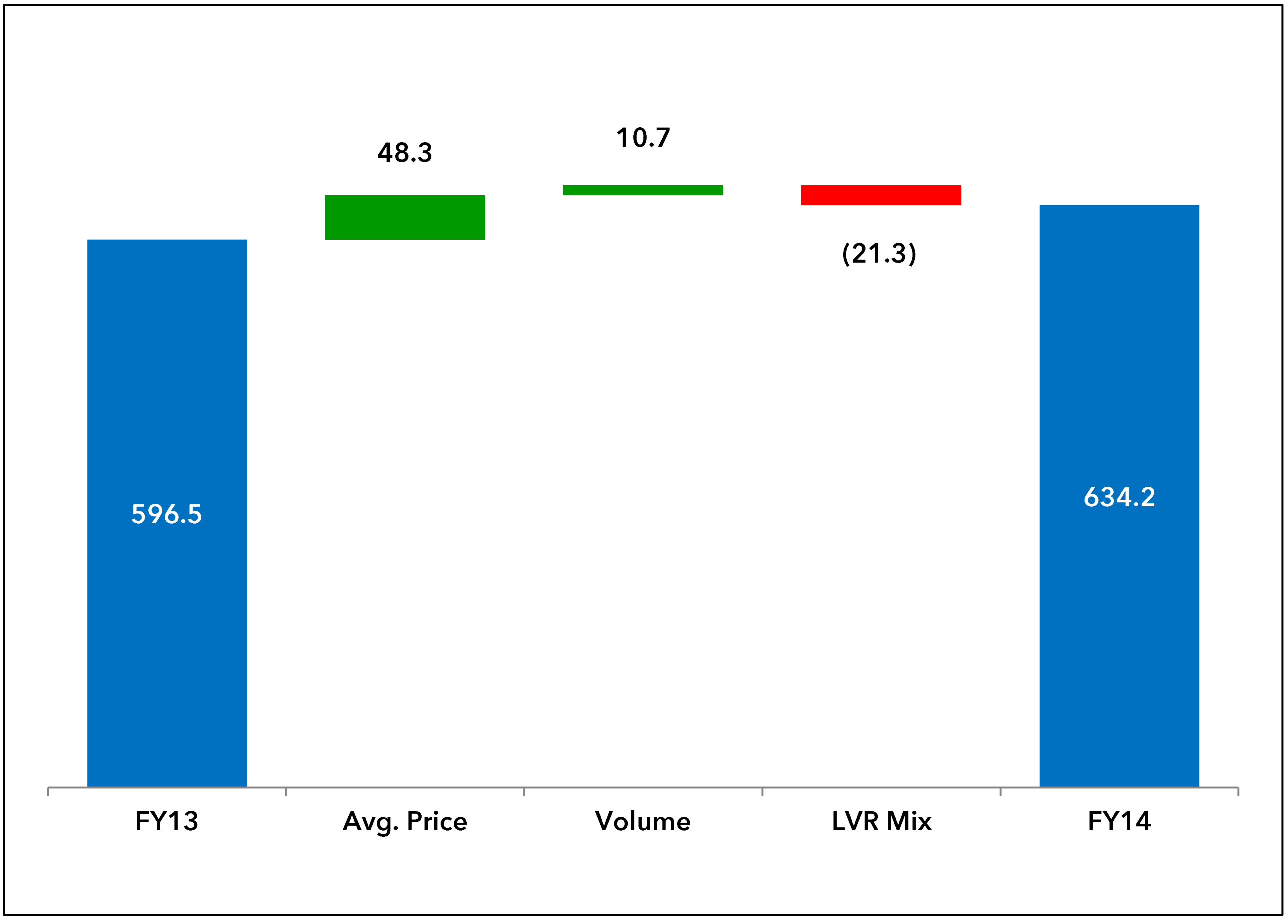
The above figure displays the Group's average premium rate over the last two years. To restore expected returns following changes in market conditions, the Group has implemented premium rate increases in four of the last six years, increasing the overall average GWP as a percentage of NIW for new business. The last premium rate increase was announced to the market in the first half of 2013 and implemented throughout the remainder of the subsequent twelve months.

As a result of the GWP being recognised as revenue over time, the earnings associated with the book years written since the premium rate increases were introduced are now forming an increasingly larger proportion of the in-force portfolio and the Unearned Premium Reserve (UPR) and consequently will make a contribution to earned premium in future years.

Group financial results

Figure 4: Movement of GWP FY13 vs FY14



2.3.3 Gross Earned Premium (GEP)

GEP increased $49.2 million (10.4%) from $471.5 million in FY13 to $520.7 million in FY14, which was primarily due to gross earned premium generated from revenue recognised from the prior years' in-force books of $415 million compared to $377 million in FY13. 79.1% of the GEP earned in FY14 came from business written in the 2013 and prior Book Years.

The FY14 GEP included the 2013 Book Year which had strong levels of NIW and GWP and was recognised as earned premium at its highest proportionate earnings period in 2014. FY13 had a lower GEP as it reflected the seasoning of older Book Years, in particular the 2010 to 2012 Book Years, which had passed their peak earnings period.

2.3.4 Outward Reinsurance Expense

Outward reinsurance expense increased by $1.4 million (1.9%) from $73.6 million in FY13 to $75.0 million in FY14, reflecting the relatively higher cost of the external reinsurance treaties that were taken out in late 2013 to replace the last remaining affiliate reinsurance treaty (terminated on 1 January 2014).

2.3.5 Net Claims incurred and changes to reserves

Net claims incurred decreased $43.3 million (33.9%) from $127.8 million in FY13 to $84.5 million in FY14, primarily driven by a strong house price appreciation, lower interest rates and stable macroeconomic conditions.

Group financial results

The level and number of paid claims in 2013 and 2014 continued to decline due to increased borrower sales activity and a reduction in the rate at which late stage delinquencies transitioned into Mortgagee in Possessions (MIP).

Table 9: Composition of net claims incurred

($ millions)	1H13	2H13	1H14	2H14	FY13	FY14
Number of Paid claims	1,271	1,091	881	664	2,362	1,545
Average Paid claim	80.9	75.4	62.9	54.4	78.2	59.2
Claims Paid	**102.8**	**82.3**	**55.4**	**36.1**	**185.1**	**91.5**
Movement in reserves	(21.6)	(35.7)	(12.6)	5.6	(57.3)	(7.0)
Net Claims incurred	**81.2**	**46.6**	**42.8**	**41.7**	**127.8**	**84.5**

The average reserve per delinquency decreased from $48,400 in FY13 to $46,600 in FY14, reflecting a strongly performing property market and lower mix of MIPs in the delinquency population.

Table 10: Movement in delinquencies

	1H13	2H13	1H14	2H14	FY13	FY14
Opening Delinquencies	5,851	5,820	4,980	5,405	5,851	4,980
New Delinquencies (net of cures)	1,240	251	1,306	212	1,491	1,518
Claims paid	(1,271)	(1,091)	(881)	(664)	(2,362)	(1,545)
Closing Delinquencies	**5,820**	**4,980**	**5,405**	**4,953**	**4,980**	**4,953**
Total Policies Outstanding	1,459,376	1,474,181	1,481,201	1,496,616	1,474,181	1,496,616
Delinquency Rate	**0.40%**	**0.34%**	**0.36%**	**0.33%**	**0.34%**	**0.33%**

An overall lower level of delinquencies in FY14 compared to FY13 was a consequence of a relatively stable economic environment, especially from sustained low interest rates. The level of natural cures which leads to a generally lower level of delinquencies was consistent between FY14 and FY13. The delinquency rate of 0.33% is slightly lower than the 0.34% as at 31 December 13.

2.3.6 Acquisition costs and other underwriting expenses

Acquisition costs increased $1.9 million from $47.1 million in FY13 to $49.0 million in FY14, which was attributable to higher amortisation expense recognised from higher acquisition costs deferred from Supply and Service Contracts signed over recent book years. Other underwriting expenses increased $7.0 million from $62.0 million in FY13 to $69.0 million in FY14, primarily resulting from higher employee compensation and benefit expenses and higher operating expenses in FY14. The total expense ratio has decreased from 27.4% in FY13 to 26.5% in FY14.

2.3.7 Financial income

Financial income, comprising interest income and realised and unrealised gains/ losses increased $122.0 million (116.3%) from $104.9 million in FY13 to $226.9 million in FY14. There was an unrealised gain on the market value of investments of $63.8 million recognised in FY14 compared to an unrealised loss of $59.3 million recognised in FY13. The yield on the investment portfolio in 2H14 was 4.01%, compared to 4.41% in 2H13.

Interest income decreased by 2.4% from $163.6 million in FY13 to $159.7 million in FY14 as a result of lower investment yields.

2.3.8 Income tax expense

Income tax expense increased $59.9 million (79.9%) from $75.0 million in FY13 to $134.9 million in FY14, driven by the increase in profit before tax. The effective tax rate fell slightly from 29.5% in FY13 to 29.4% in FY14.

2.3.9 Net Profit After Tax

NPAT increased $144.7 million (80.7%) from $179.4 million in FY13 to $324.1 million in FY14. This increase was primarily driven by higher earned premium, which resulted from the seasoning of prior years' in-force book of business, lower net claims incurred and strong investment income assisted by favourable unrealised gains on the fixed interest securities.

2.4 Analysis of underwriting performance

A strong underwriting performance was recorded in FY14 as a result of the following key factors:

- GWP for FY14 was 6.3% higher than FY13. The growth in FY14 was sourced significantly from the flow-through effect of pricing increases implemented in 2013 and origination growth in 2014.
- The strong performance in FY14 also benefited from lower net claims incurred. The contributory factors were a strong housing market, high house price appreciation, record-low interest rates and stable macroeconomic conditions. The loss ratio for FY14 was 19.0% compared to 32.1% in FY13.
- The expense ratio for FY14 of 26.5% was slightly more favorable than the 27.4% in FY13.
- The insurance margin increased to 65.8% compared with 51.3% for FY13. The significant increase was driven by strong insurance profit benefitting from higher earned premium and lower net claims incurred.

Table 11: Key underwriting metrics (Flow business)

	1H13	2H13	1H14	2H14	FY13	FY14
New Insurance Written ($ billions)	17.1	18.3	17.3	18.9	35.4	36.2
Gross Written Premium ($ millions)	273.0	323.5	313.6	320.6	596.5	634.2
Net Earned Premium ($ millions)	192.1	205.7	218.4	227.4	397.9	445.8
Claims Paid ($ millions)	102.8	82.3	55.4	36.1	185.1	91.5
Expense Ratio	27.6%	27.3%	26.6%	26.3%	27.4%	26.5%
Loss Ratio	42.3%	22.6%	19.6%	18.4%	32.1%	19.0%
Combined Ratio	69.9%	49.9%	46.2%	44.7%	59.5%	45.5%
Insurance Margin	35.8%	58.1%	66.2%	65.4%	51.3%	65.8%
Delinquency Rate	0.40%	0.34%	0.36%	0.33%	0.34%	0.33%

2.5 Reconciliation of reported (statutory) FY14 results and pro forma historical FY14 results

The pro forma historical consolidated statement of comprehensive income for the period ended 31 December 2014 is presented on the basis of twelve months of results for the Group. On a statutory basis, GMA only consolidates and accounts for the results of the Group from the date of reorganisation of 19 May 2014. The FY14 pro forma consolidated statement of comprehensive income therefore includes results that are considered "pre reorganisation" NPAT. The statutory (reported) NPAT post reorganisation represents the NPAT for the period from the formation of the Group, 19 May 2014, to 31 December 2014 (Statutory NPAT).

Table 12: Reconciliation between pro forma NPAT for FY14 and statutory NPAT for the period from 19 May 2014 to 31 December 2014

(A$ in millions)	FY 14
Pro Forma NPAT for full year to 31 December 2014	324.1
Less period prior to formation of consolidated group: 1 January to 18 May 2014	(108.7)
Pro Forma result for period 19 May to 31 December 2014	**215.4**
Add tax effected interest expense incurred on restructure of group	(0.2)
Statutory NPAT for period 19 May to 31 December 2014	**215.2**

Section 3

Portfolio performance

Portfolio performance

3.1 Insurance portfolio

3.1.1 In-force portfolio as at 31 December 2014

GMA had an in-force portfolio of approximately $314 billion as at 31 December 2014. Due to the volumes of business that have been originated since 2009, when significant pricing, policy and underwriting changes have been made, as well as the early repayment of residential mortgage loans originated prior to that time, LMI policies issued post 2009 now comprise 46% of the total in-force portfolio.

The Group's Standard LMI product comprises the largest part of the overall in-force portfolio at 89%, and the overall percentage of Business Select and Low Doc business has fallen from 8% to 7% of the total in-force portfolio. 69% of in-force policies cover residential mortgage loans with LVRs greater than 80% at the time of issuance, reflecting the importance of HLVR lending. The following charts display the segmentation of the Group's in-force portfolio.

Figure 5: Insurance in force (IIF) by book year

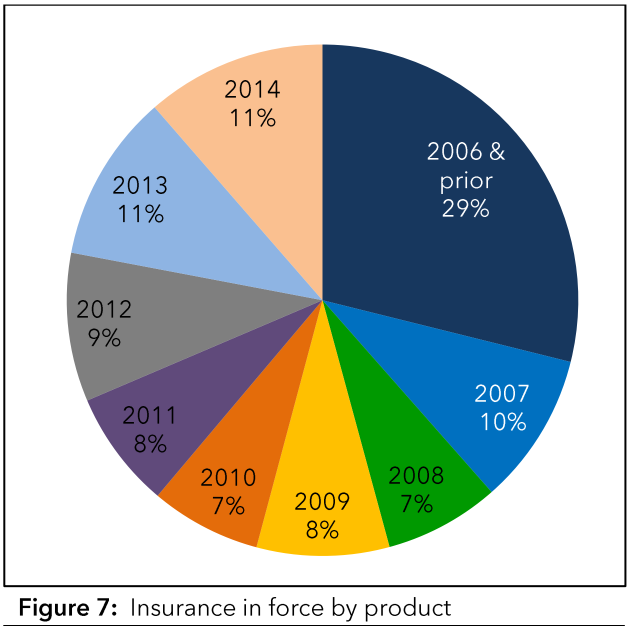


Figure 6: Insurance in force by original LVR

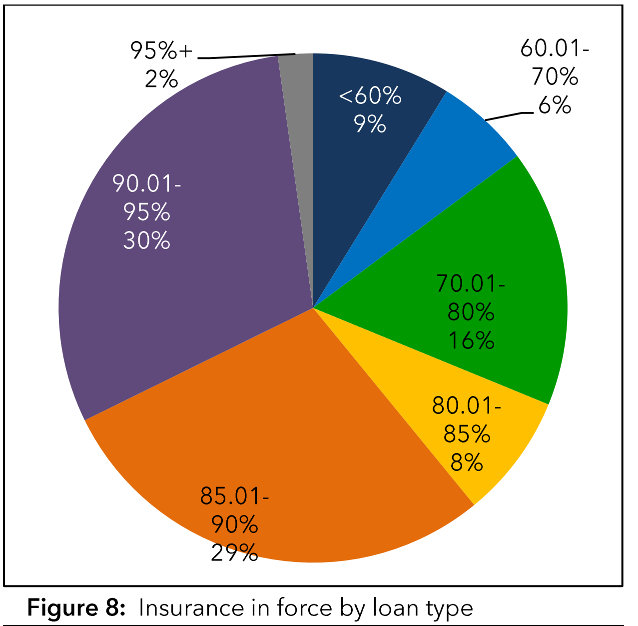


Figure 7: Insurance in force by product

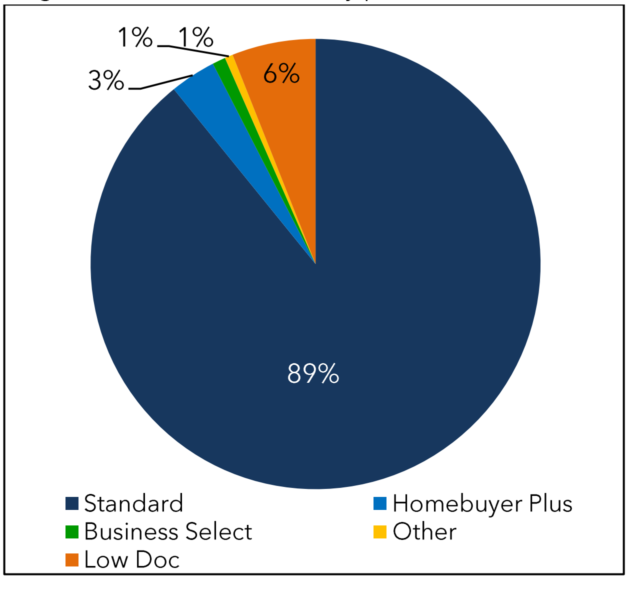
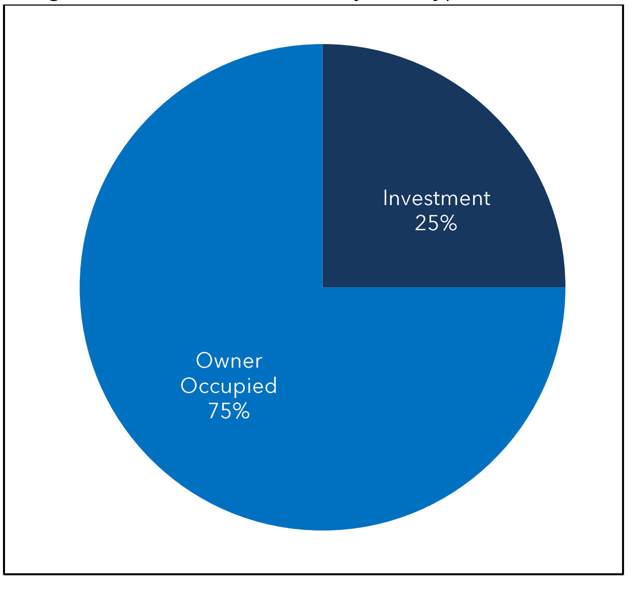


Figure 8: Insurance in force by loan type



3.1.2 Effective LVR

The table below shows the effective LVR of the portfolio as at 31 December 2014. Genworth Australia calculates the estimated house price adjusted effective LVR, using the RP Data-Rismark Home Value Index that provides detail of house price movements across different geographic regions, and assumes 30 year principal and interest amortising loan, with the mortgage rate remaining unchanged through the period. Effective LVR is not adjusted for prepayments, redraws or non-amortising residential mortgage loans insured.

Table 13: Effective LVR as at 31 December 2014

	Insurance in force		LVR		Portfolio
Book year	$ billion	%	Original	Effective	Change in house price %
2002 & prior	15.0	5%	78.1%	21.3%	154%
2003	7.7	3%	73.4%	32.3%	78%
2004	8.5	3%	71.9%	36.5%	63%
2005	12.8	5%	76.0%	41.8%	57%
2006	17.2	6%	78.4%	48.3%	46%
2007	21.1	8%	80.1%	57.4%	31%
2008	20.1	7%	82.5%	64.5%	23%
2009	23.2	8%	85.3%	66.5%	21%
2010	18.2	7%	81.9%	71.6%	10%
2011	19.8	7%	84.2%	73.3%	12%
2012	28.0	10%	86.4%	73.9%	16%
2013	31.9	11%	86.9%	78.1%	11%
2014	34.0	12%	86.7%	85.2%	3%
Total Flow	**257.5**	**92%**	**81.7%**	**60.0%**	**39%**
Portfolio	21.6	8%	54.6%	27.1%	74%
Total/ Weighted Avg.	**279.1**	**100%**	**79.0%**	**56.7%**	**42%**

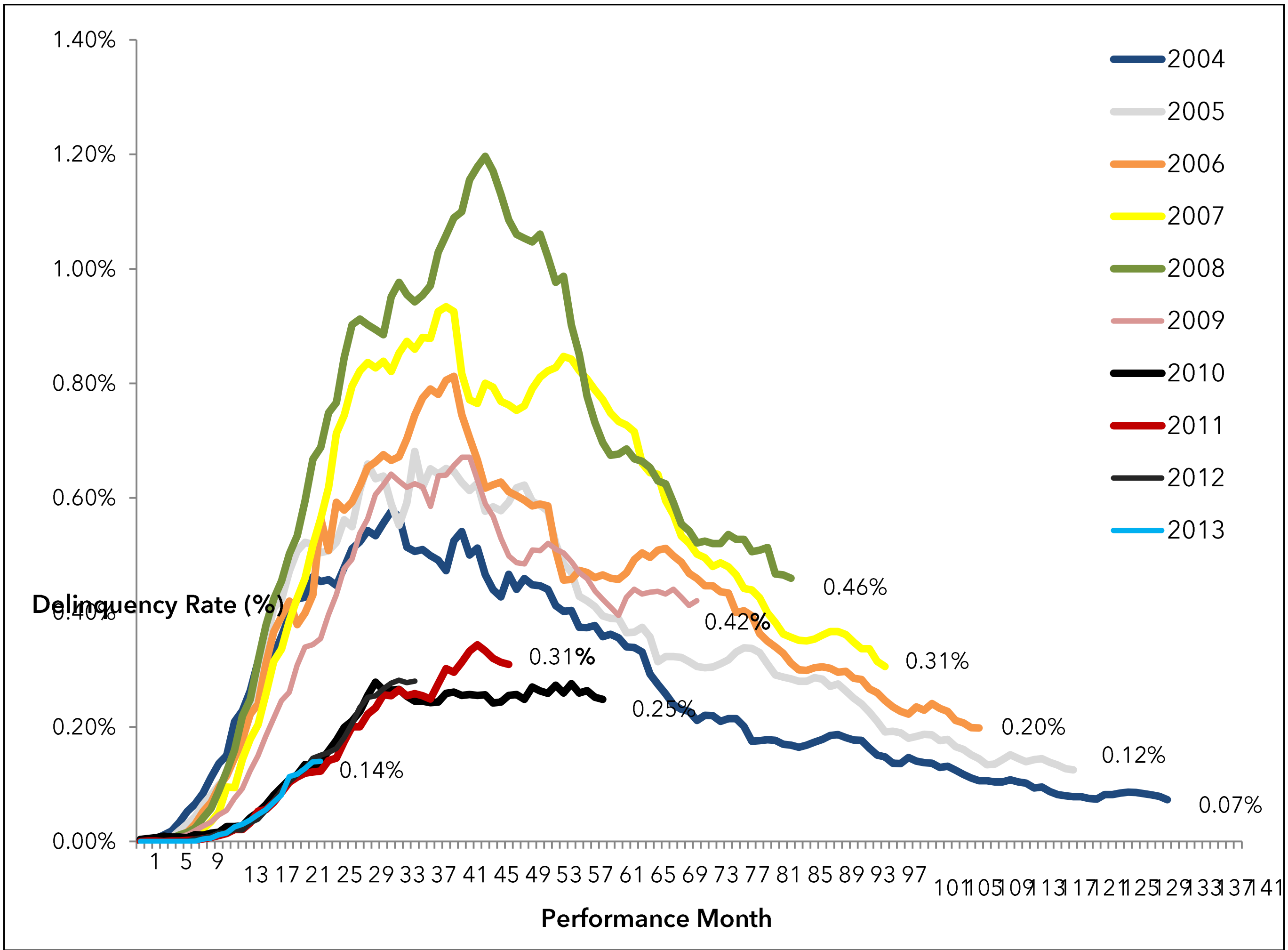
Note: Table 14 excludes Inward Reinsurance, New Zealand and Genworth Financial mortgage Indemnity, as the Group does not have comparative data available for these lines of business.

Portfolio performance

3.2 Delinquency rate by Book Year

The figure below shows the evolution of Genworth Australia's 3 month+ delinquencies (Flow only) by residential mortgage loan Book Year from the point of policy issuance.

Figure 9: Delinquency development by book year

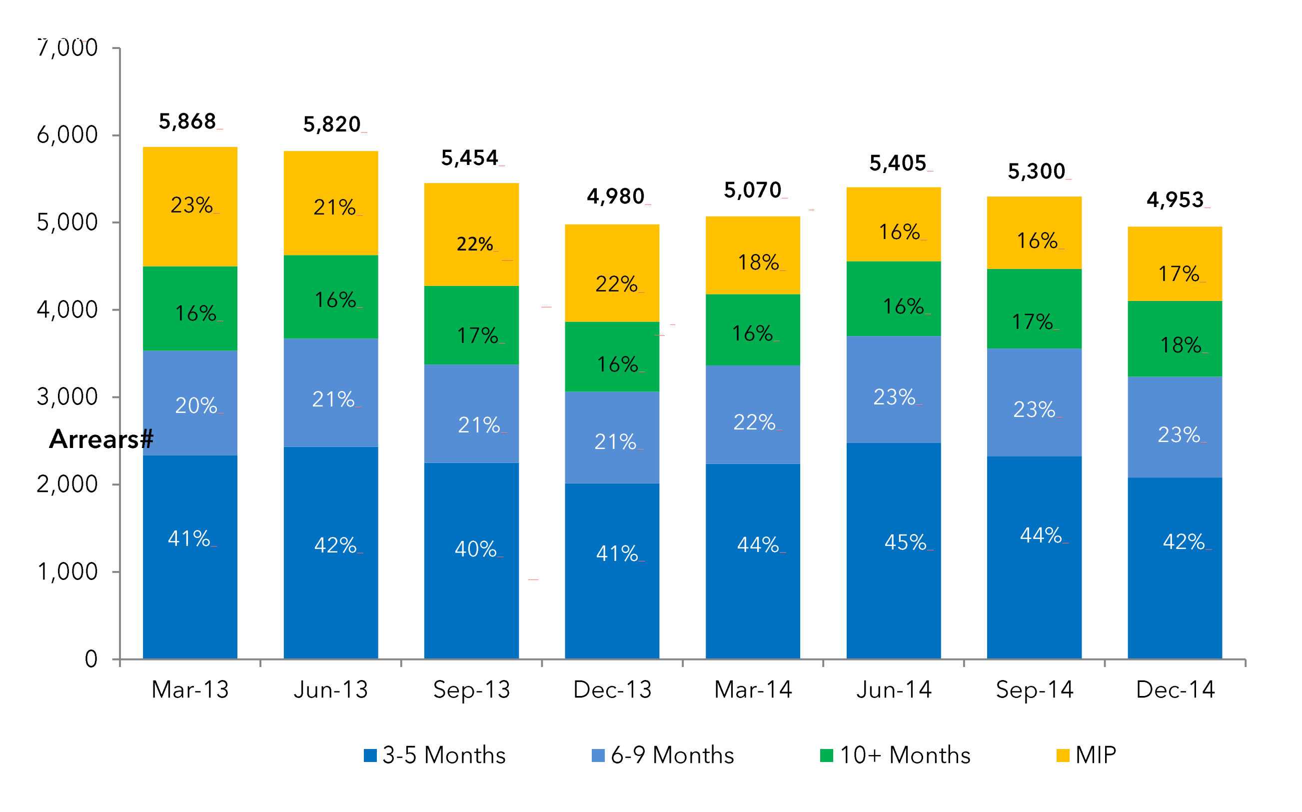


Each line illustrates the level of 3 month+ delinquencies relative to the number of months an LMI policy has been in-force for policies issued within a specific year. The 2008 Book Year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers particularly in Queensland, which was exacerbated by the floods in 2011. The 2010 to 2014 Book Years are performing favourably relative to the previous five years (2005-2009).

Portfolio performance

3.3 Delinquency population by months in arrears bucket

Figure 10: Delinquency population by mortgage in arrears aged bucket



The above chart illustrates the delinquency population by mortgage in arrears (MIA) aged bucket at the end of each reporting period. Over the past two years, the MIP percentage as a proportion of the total delinquency population has been trending down. This reflects the strong housing market under the record-low interest rate environment as a MIP generally progresses faster to a claim or sold with no claim, which leads to a relatively lower claims pipeline. The 3-5 MIA bucket, shows a seasonal uptick in the second quarter of each year, consistent with GMA's historical observed experience.

Section 4

Balance sheet and investments

Balance sheet and investments

4.1 Pro forma historical consolidated balance sheet

This section contains a summary consolidated statement of financial position for the GMA Group as at 31 December 2014 and the pro forma consolidated statements of financial position as at 31 December 2012 and 31 December 2013 respectively.

Table 14: Consolidated Statement of financial position

(A$ in millions) As at 31 December	FY12 (Pro forma)	FY13 (Pro forma)	FY14 (Actual)
Assets			
Cash and cash equivalents	33.7	113.9	88.6
Accrued investment income	41.7	40.2	40.9
Investments	3,549.3	3,580.8	4,071.0
Trade and other receivables	4.7	6.4	3.7
Prepayments	2.7	1.3	2.2
Deferred reinsurance expense	79.1	93.4	80.6
Non-reinsurance recoveries	24.8	19.7	16.4
Deferred acquisition costs	137.5	128.4	124.5
Property, plant and equipment	2.1	1.6	1.3
Deferred tax assets	2.5	7.7	8.2
Intangibles	11.6	7.3	2.8
Goodwill	9.1	9.1	9.1
Total Assets	**3,898.8**	**4,009.8**	**4,449.3**
Liabilities			
Payables	67.6	55.7	115.4
Reinsurance payable	95.6	109.1	93.9
Outstanding claims	302.0	240.9	230.9
Unearned premiums	1,124.1	1,249.1	1,362.6
Employee benefit provision	6.1	6.4	7.4
Interest bearing liabilities	137.0	137.7	138.6
Total Liabilities	**1,732.4**	**1,798.9**	**1,948.8**
Net Assets	**2,166.4**	**2,210.9**	**2,500.5**
Equity			
Share capital	1,706.5	1,706.5	1,706.5
Other equity	459.9	504.4	794.0
Total Equity	**2,166.4**	**2,210.9**	**2,500.5**

Balance sheet and investments

4.2 Total assets

The total assets of the Group as at 31 December 2014 were $4,449.3 million compared to $4,009.8 million at 31 December 2013. Notable movements within the $439.5 million increase are:

- $490.2 million increase in investments from positive cash flow from the business and investment income, assisted by $63.8 million mark-to-market unrealised gain; and
- $12.8 million decrease in deferred reinsurance expense as a result of amortising reinsurance expenses over the reinsurance contract terms, offset by deferring further reinsurance costs from treaty renewals and commencement of new treaties.

4.3 Investments

4.3.1 Investment strategy

As at 31 December 2014, the Group had a $4,159.6 million cash and investments portfolio, invested 97% in Australian denominated cash, cash equivalents and fixed income securities rated A- or higher. The primary investment objective is to manage the portfolio of securities to help achieve return and income targets, whilst minimising volatility of total returns and providing liquidity to pay claims. This asset allocation and asset management strategy represents the previous long-standing approach taken by the Group to investment management. In July 2013, the Board resolved to separate the management, objectives and strategies of the investments supporting Technical Funds from the remaining balance of investments supporting Shareholder Funds.

4.3.2 Group investment assets

Under that change, the objectives and strategies relating to the investments backing Technical Funds continue to be managed consistent with the previous investment management philosophy. For investment supporting Shareholder Funds, the Group has considered various mandate enhancements that would allow greater flexibility to generate a higher return for an appropriate level of risk. Any decision on different asset classes and asset allocation will only be taken by Genworth Australia's Capital and Investment Committee and Board following a more detailed analysis of the income, risk and capital implications.

The Group's investments totalled $4,159.6 million as at 31 December 2014 with approximately $1,100.0 million allocated to the Technical Funds to support premium liabilities and outstanding claims reserves. The duration to maturity of the investment portfolio is estimated at around 2.4 years.

Balance sheet and investments

4.3.3 Investment portfolio characteristics as at 31 December 2014

Figure 11: Investment assets by term to maturity

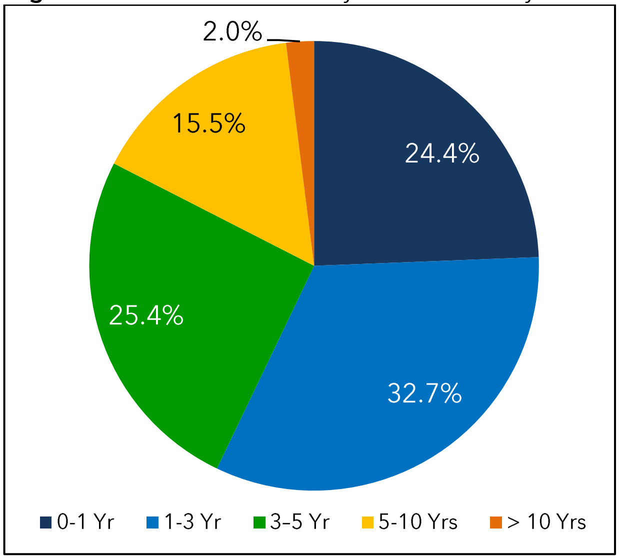


Figure 12: Investment assets by source

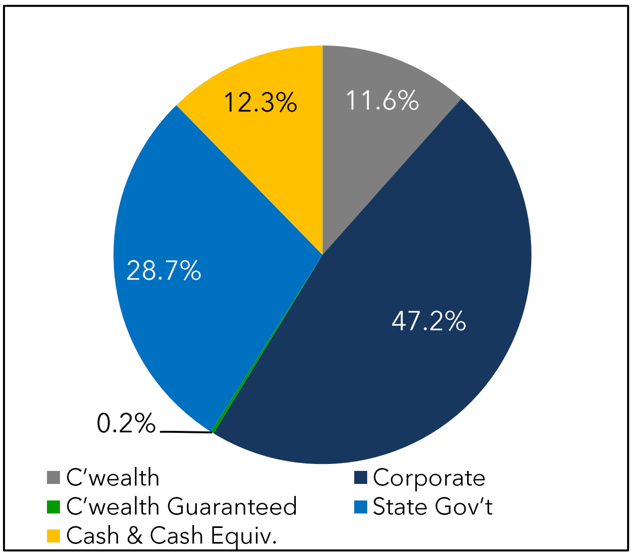


Figure 13: Investment assets by credit rating

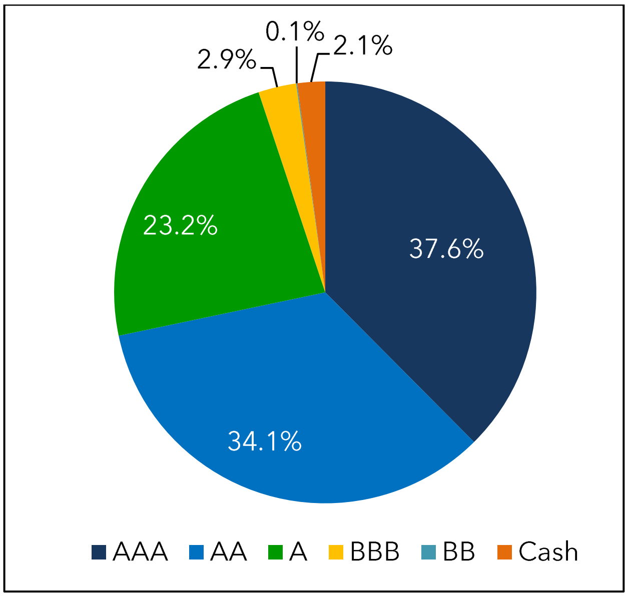
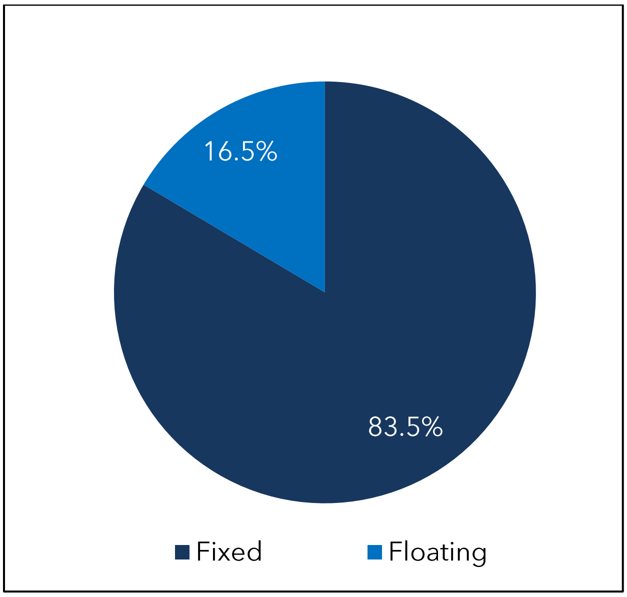


Figure 14: Investment assets by type



4.3.4 Investment Performance

The decline in investment return over the past two and half years is primarily driven by the low interest rate environment. Fixed interest securities purchased at higher yields have gradually matured with the funds reinvested predominantly in shorter duration assets at lower yields.

A summary of the investment income and the investment returns (excluding unrealised gains and losses) generated from the investment portfolio is set out in the following table.

Balance sheet and investments

Table 15: Investment income and investment return*

($ millions), as at	30 Jun 12	31 Dec 12	30 Jun 13	31 Dec 13	30 Jun 14	31 Dec 14
Cash	93.8	33.7	74.1	113.9	77.7	88.6
Accrued investment income	40.4	41.7	40.8	40.2	35.5	40.9
Investments	3,442.9	3,549.3	3,484.0	3,580.8	3,833.7	4,071.0
Total Cash and Investments	**3,577.1**	**3,624.7**	**3,598.9**	**3,734.9**	**3,946.9**	**4,200.5**
($ millions),	**1H12**	**2H12**	**1H13**	**2H13**	**1H14**	**2H14**
Interest income	90.6	86.3	82.8	80.8	78.0	81.7
Investment return*	**5.14%**	**4.79%**	**4.58%**	**4.41%**	**4.06%**	**4.01%**

*Excludes unrealised gains and losses on the investment portfolio

4.4 Total liabilities

The total liabilities of the Group as at 31 December 2014 were $1,948.8 million compared to $1,798.9 million at 31 December 2013. The $149.9 million increase over the period includes the following notable movements:

- $59.7 million increase in other trade and other payables, mainly related to the increase in income tax payable;
- $15.2 million decrease in reinsurance payable from as a result of amortising reinsurance expenses over the reinsurance contract terms, offset with deferring further reinsurance costs from treaty renewals and commencement of new treaties;
- $10.0 million decrease in outstanding claims reserve reflecting the favorable delinquency position; and
- $113.5 million increase in unearned premiums reflecting relatively higher level of new premium written in 2014, offset with the seasoning of the prior year in force premiums.

Balance sheet and investments

4.4.1 Unearned Premium Reserve (UPR)

Table 16: Movement in unearned premium balance by Book Year

Book Year	As at 31 December 2013 ($ millions)	Gross written premium ($ millions)	Gross earned premium ($ millions)	As at 31 December 201 ($ millions)
2006	3.0	-	(3.0)	0.0
2007	17.0	-	(13.5)	3.5
2008	38.1	-	(21.6)	16.5
2009	91.8	-	(43.0)	48.8
2010	103.6	-	(32.2)	71.4
2011	164.3	-	(54.4)	109.9
2012	329.6	-	(104.4)	225.2
2013	501.7	-	(143.1)	358.6
2014	-	634.2	(105.5)	528.7
Total	**1,249.1**	**634.2**	**(520.7)**	**1,362.6**

4.5 Equity

The Group's equity increased by $289.6 million mainly reflecting the FY14 NPAT less dividends paid in FY14.

Section 5

Capital and dividends

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 non-operating holding company (NOHC) is GMA.

The Group's capital position was strong at 31 December 2014, reflecting the Group's regulatory capital solvency level of 1.59 times the PCA and a CET1 ratio of 1.53 times. The regulatory solvency position is above the Board's targeted range of 1.32 – 1.44 times the PCA.

The table below shows actual 31 December 2014 vs pro forma 31 December 2013 capital position.

Table 17: PCA coverage ratio (level 2)

(A$ in millions), as at	31 Dec 13 (Pro Forma)	31 Dec 14 (Actual)
Capital Base		
Common Equity Tier 1 Capital (incl. excess technical provisions)	2,440.0	2,742.1
Tier 2 Capital	126.0	112.0
Regulatory Capital Base	2,566.0	2,854.1
Capital Requirement		
Probable Maximum Loss (PML)	2,595.0	2,586.5
Net premiums liability deduction	(225.0)	(272.4)
Allowable reinsurance	(924.0)	(815.6)
LMI Concentration Risk Charge (LMICRC)	**1,446.0**	**1498.5**
Asset risk charge	124.0	128.0
Asset concentration risk charge	0.0	0.0
Insurance risk charge	180.0	202.1
Operational risk charge	22.0	24.1
Aggregation benefit	(59.0)	(60.6)
Prescribed Capital Amount (PCA)	**1,713.0**	**1792.1**
PCA Coverage ratio (times)	**1.50 x**	**1.59 x**

The increase in the regulatory capital base of $288 million from the pro forma 31 December 2013 to actual 31 December 2014 mainly reflects an increase in retained earnings from the profit generated in FY14. This was offset by a further 10% capital credit reduction for the $140 million subordinated notes in FY14 as a result of the transitional agreement approved by APRA to phase out the capital instrument until the first call date of the loan agreement, i.e. 30 June 2016 (APRA GPS112 Attachment H Transitional arrangements for capital instruments).

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

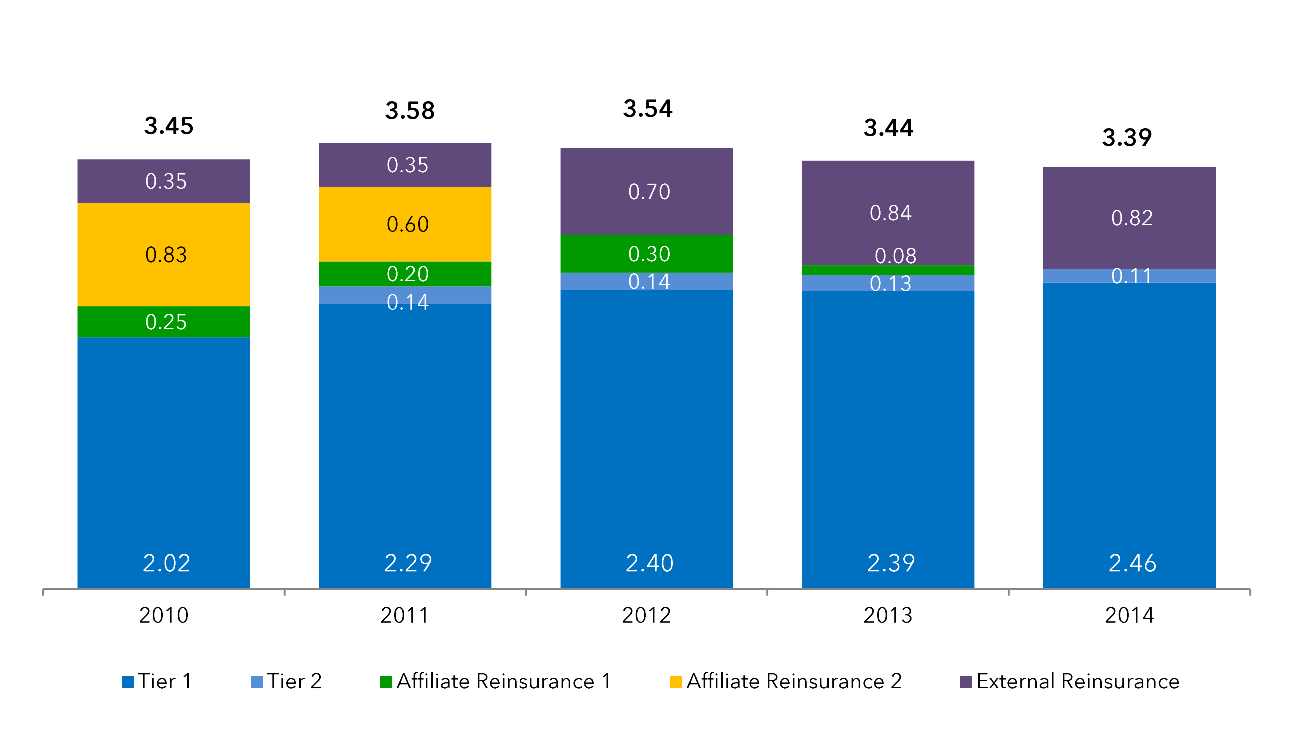


Figure 14 shows the mix of the three key components of the GMA's capital base, including common equity (Tier 1 Capital), other qualifying capital instruments (Tier 2 Capital) and APRA allowable reinsurance and how they have evolved since 2010. The figure shows that since 2010, GMA has implemented a strategy that has:

- broadened the range of reinsurers in order to reduce concentration risk from exposure to any one party;
- transitioned from affiliate reinsurance arrangements, the last of which was cancelled effective 1 January 2014; and
- Introduced qualifying subordinated debt or Tier 2 Capital on 30 June 2011 and built up the level of Tier 1 Capital supporting the Genworth Australia business.

5.2 Reinsurance

During the second half of the year, GMA successfully renegotiated a number of existing reinsurance contracts that expired. In addition, GMA has also bound coverage for new Excess of Loss (XOL) reinsurance treaty for $100m of coverage. This new coverage, combined with a small reduction in coverage on an expiring treaty has meant that GMA's level of qualifying reinsurance has increased from $844m (as at 31 December 2013) to $915 million, effective 1 January 2015.

The increase in reinsurance coverage is part of GMA's ongoing initiative to optimise its capital base over the medium term.

Capital and dividends

Figure 16: Reinsurance Program 31 Dec 2014

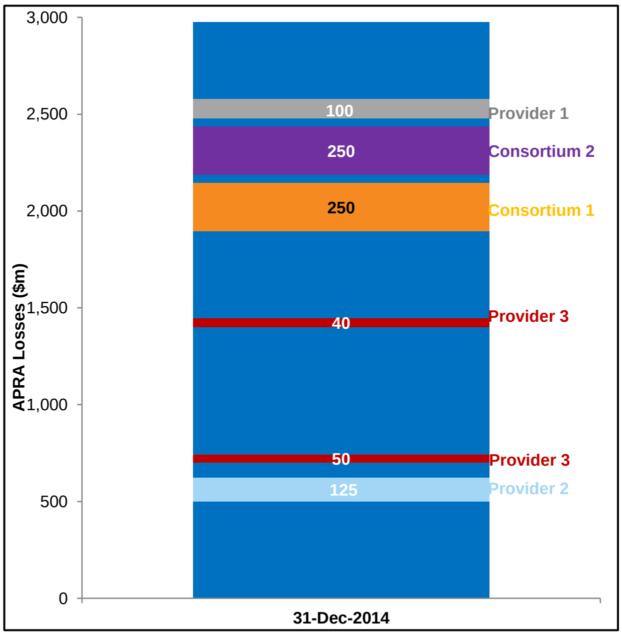
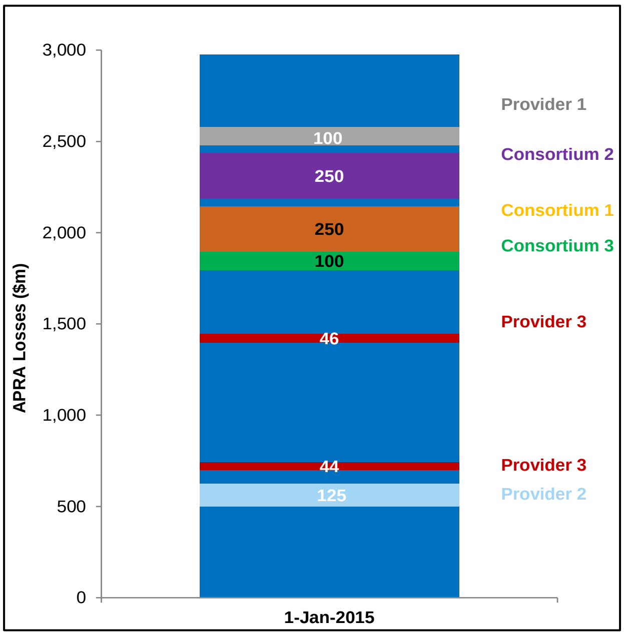


Figure 17: Reinsurance Program 1 Jan 2015



Figures 15 and 16 illustrate Genworth Australia's reinsurance arrangements as at 31 December 2014 and 1 January 2015 respectively.

5.3 Dividend

The Board of GMA has determined a medium-term dividend payout target of 50-70% of Underlying NPAT.

The Board has declared a fully franked final dividend of 13.1 cents per share and a fully franked special dividend of 11.5 cents per share and both are expected to be paid on 6 March 2015 to shareholders registered at 20 February 2015. This has reflected a solid financial performance achieved in the second half of 2014 and GMA's ongoing initiative to optimise capital to create value for shareholders.

Table 18: Calculation of Underlying NPAT for 1H, 2H and FY14

(A$ in millions)	Statutory 1H14	Statutory 2H14	Statutory FY14
Reported NPAT	42.5	172.7	215.2
Adjustment for change in unrealised gains/(losses)	(11.5)	(37.7)	(49.2)
Adjustment for tax on change in unrealised gains/(losses)	3.4	11.3	14.7
Underlying NPAT	34.4	146.3	180.7
Adjustment for number of days after completion of offer	(1.6)	-	-
Underlying NPAT after completion of offer	32.8	-	-

Capital and dividends

Table 19: Reconciliation of dividend payout ratio

	Statutory 1H14	Statutory 2H14	Statutory FY14
Dividend (cents per share)	2.8	13.1	15.9
Number of shares on issue	650,000,000	650,000,000	650,000,000
Dividend ($ millions)	18.2	85.2	103.4
Underlying NPAT	32.8	146.3	179.1
Dividend Payout Ratio	55.5%	58.2%	57.7%

The ordinary Dividend Payout Ratio (DPR) for 2015 will be within the Board's stated DPR target of 50 to 70 per cent of Underlying NPAT.

5.4 Capital Management Position

After adjusting for the additional reinsurance as well as the payment of both the ordinary and special dividends in March 2015, the adjusted regulatory solvency ratio of GMA would be 159.2 percent of the PCA on a Level 2 basis.

The GMA regulatory solvency ratio remains well above the Board's stated target capital range of 132 to 144 per cent of the PCA, and throughout the course of 2015, GMA will continue to evaluate the potential for other capital management initiatives. This evaluation would include the review of opportunities such as additional reinsurance, additional regulatory compliant capital instruments and other capital return mechanisms that would continue to support overall Return on Equity (ROE) progression over the medium term.

Section 6

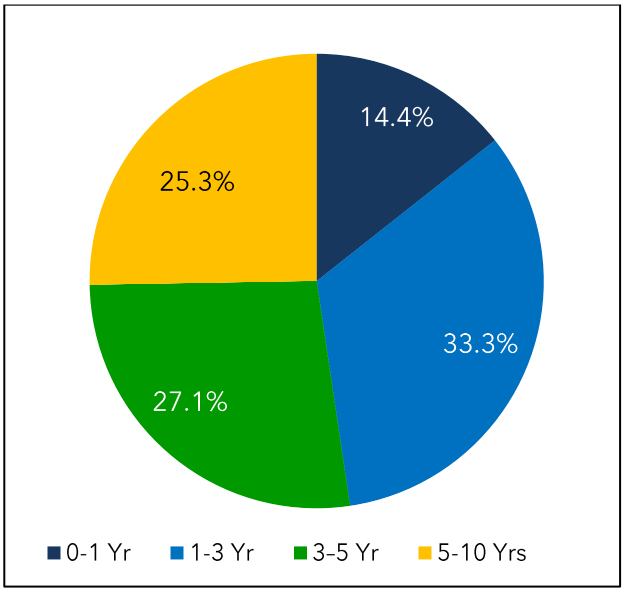
Appendices

Appendix A - Investment Portfolio

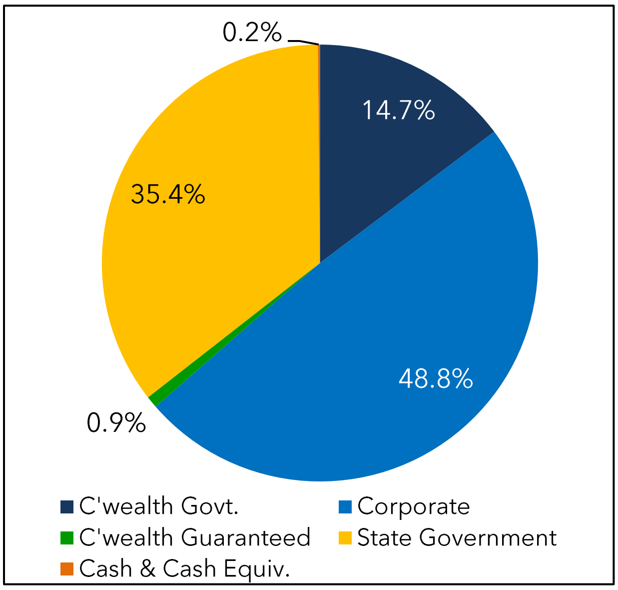
A.1 Investment assets backing technical liabilities

As at 31 December 2014, the Group's technical funds were $1.1 billion.

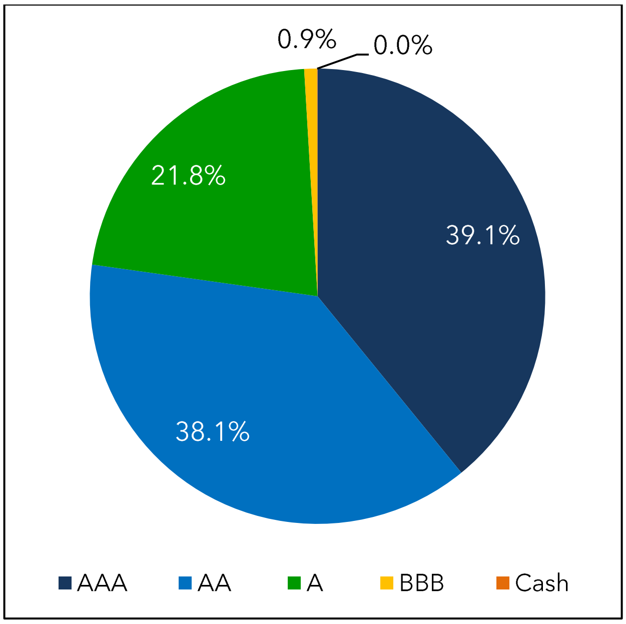
Investment assets by term to maturity



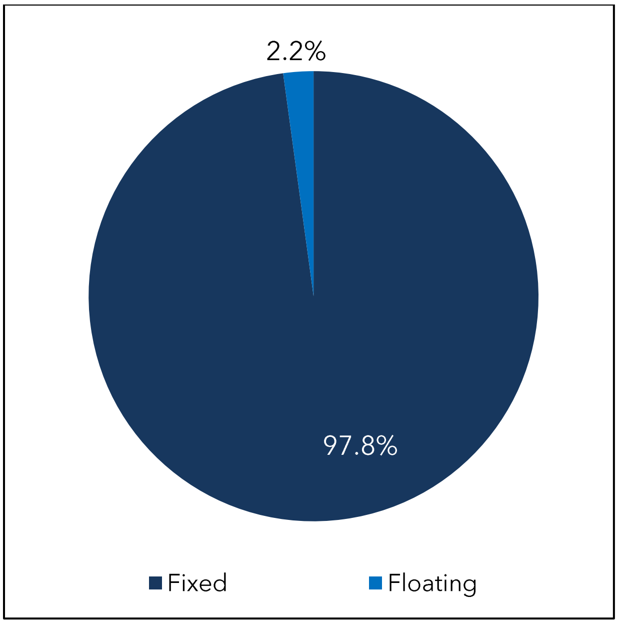
Investment assets by source



Investment asset by credit rating



Investment assets by type

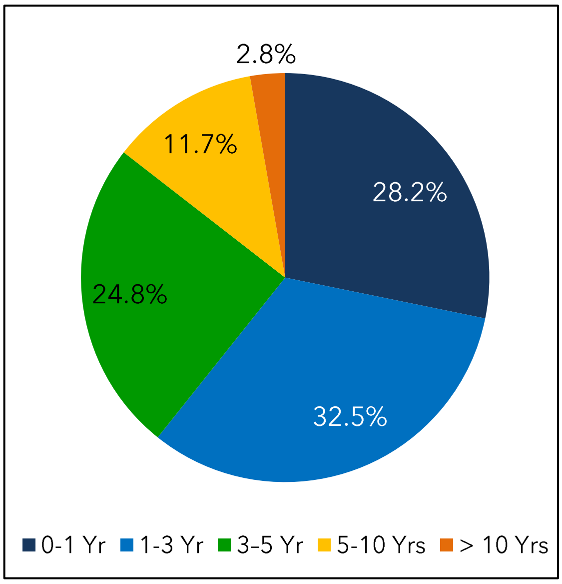


Appendix A - Investment Portfolio

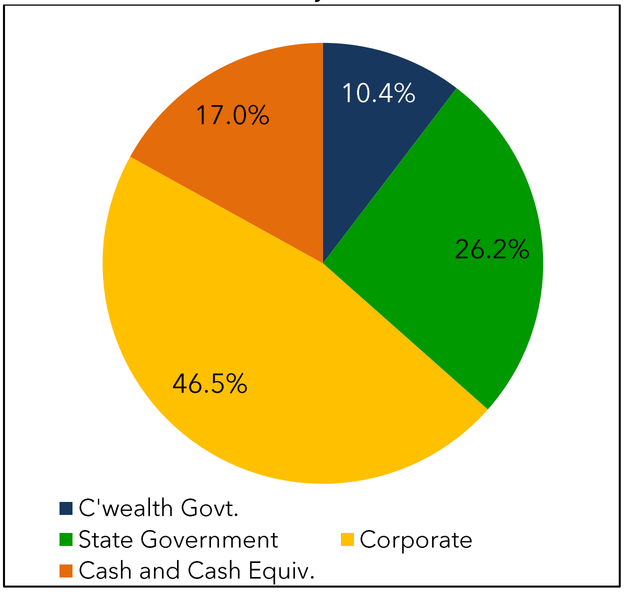
A.2 Shareholders' funds

As at 31 December 2014, the Group's shareholders' funds were $3.1 billion.

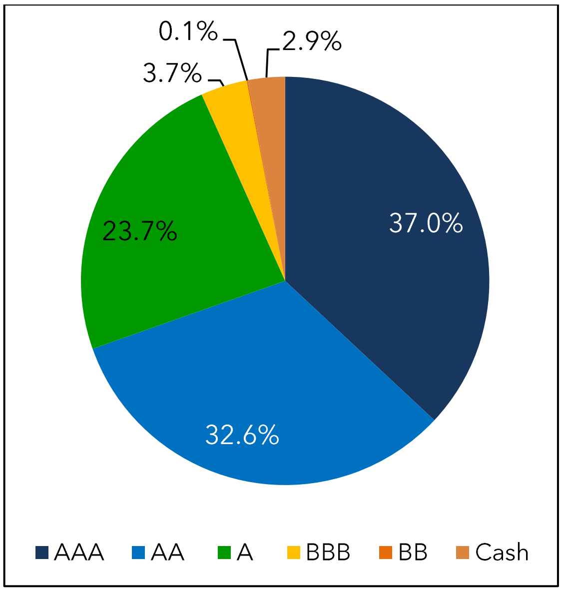
Investments assets by term to maturity



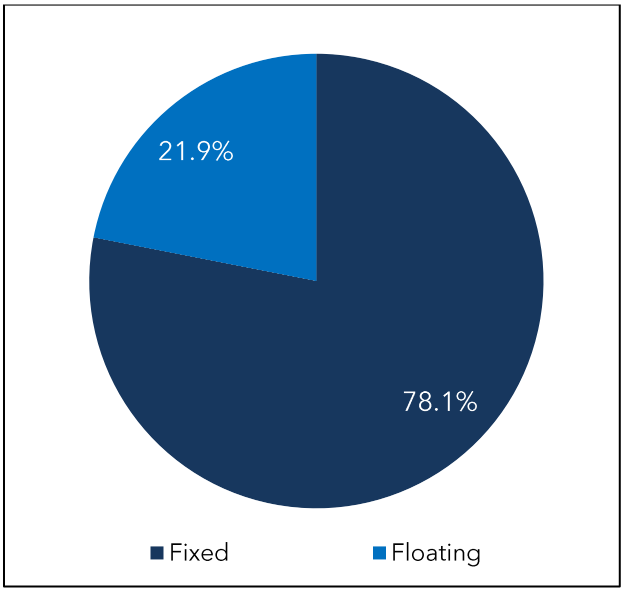
Investments assets by source



Investments assets by credit rating



Investments assets by type



Appendix B – AIFRS to USGAAP Reconciliation

The purpose of this Appendix to reconcile the USGAAP segment results to the AIFRS GMA Consolidated pro forma Income Statement for the period ended 31 December 2014.

Walk from US GAAP AUS Segment Results to AIFRS GMA Consolidated Pro Forma Income Statement for Period Ended 31 December 2014	USGAAP Aus Segment Results in USD	Add back: Non Controlling Interest (NCI)	USGAAP Aus Segment Results + NCI	USGAAP Aus Segment Results + NCI	Adjustments (a)	(b)	(c)	(d)	(e)	Total adjustments	GMA Group Pro Forma
in $m	U$m	U$m	U$m	A$m	A$m	A$m	A$m	A$m	A$M	A$m	A$m
Premiums	406	-	406	447	(1)	-	-	-	-	(1)	446
Interest income	144	-	144	158	1	-	-	-	-	1	159
Realised investment gains/ losses	3	-	3	4	-	-	-	-	-	-	4
Unrealised gains/ losses	-	-	0	-	-	-	64	-	-	64	64
Other income	(16)	-	(16)	(17)	18	-	-	(1)	-	17	-
Total Revenue	**537**	**-**	**537**	**592**	**18**	**-**	**64**	**(1)**	**-**	**81**	**673**
Net claims incurred	78	-	78	85	-	-	-	(1)	-	(1)	84
Other underwriting expenses	97	-	97	106	(13)	(29)	-	-	-	(42)	64
Amortization of Intangibles	4	-	4	5	-	-	-	-	-	-	5
Acquisition costs (DAC amortisation)	17	-	17	19	-	31	-	-	-	31	50
Interest Expense	10	-	10	11	-	-	-	-	-	-	11
Total Expenses	**206**	**-**	**206**	**226**	**(13)**	**2**	**-**	**(1)**	**-**	**(12)**	**214**
Total Pre-tax Income	331	-	331	366	31	(2)	64	-	-	93	459
Total Tax Expense	248	-	248	284	9	(1)	19	-	(176)	(149)	135
Net income	**83**	**-**	**83**	**82**	**22**	**(1)**	**45**	**-**	**176**	**242**	**324**
Less: net income attributable to noncontrolling interests	56	(56)	-	-	-	-	-	-	-	-	-
Net income available to GNW common stockholders	**27**	**56**	**83**	**82**	**22**	**(1)**	**45**	**-**	**176**	**242**	**324**

(a)Interest Income and FX measurement adjustment for GFI entities outside GMA Australia Group but included as part of USGAAP Aus Segment results, and Corporate Overhead allocation

(b)Different treatment of DAC - higher deferrals and amortisation

(c)Unrealised gains/(losses) on investments recognised in the income statement

(d)Actuarial risk margin and non reinsurance recovery reserve adjustment

(e)U.S. Shareholder Taxes, primarily comprising a U.S. federal deferred tax liability recognised by GFI under ASC 740-30 on undistributed GMA Australia Group earnings, due to the conditions for the permanently reinvested income concession no longer being met

Appendix C – Various Key Performance Measures

This section contains selected operating performance measures which are commonly used in the insurance industry as measures of operating performance. These operating performance measures enable the company to compare its operating performance across periods. All measures in this Appendix are presented in Australia dollars and prepared in accordance with Australia accounting standards which comply with IFRS and non-IFRS basis.

All figures are $AUD and AIFRS

	2014					2013				
	4Q	3Q	2Q	1Q	Total	4Q	3Q	2Q	1Q	Total
Net premium written ($B)[1]	145	139	135	141	559	155	132	127	109	523
Loss ratio[2]	15%	21%	23%	16%	20%	18%	27%	37%	47%	32%
GAAP basis expense ratio[3]	27%	26%	27%	27%	27%	29%	26%	28%	28%	28%
Adjusted expense ratio[4]	21%	21%	22%	21%	21%	19%	20%	21%	24%	21%

Sales: new insurance written (NIW) ($M)	2014					2013				
	4Q	3Q	2Q	1Q	Total	4Q	3Q	2Q	1Q	Total
Flow	8,568	8,568	8,569	8,698	34,404	9,567	8,673	8,531	7,627	34,398
Bulk	-	-	-	-	-	-	99	902	-	1,001
Total NIW	8,568	8,568	8,569	8,698	34,404	9,567	8,772	9,433	7,627	35,399

	2014				2013			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Primary insurance in force ($M)	313,689	309,810	305,952	303,100	299,866	295,102	291,946	287,142
Primary risk in force ($M) [5]								
Flow	102,160	100,647	99,490	98,303	97,012	95,148	93,844	92,319
Bulk	7,631	7,787	7,593	7,782	7,941	8,138	8,337	8,181
Total	109,791	108,434	107,083	106,085	104,953	103,286	102,181	100,500

[1]Net premium written is calculated as gross written premium, less refunds and reinsurance. This metric differs to what is disclosed in Q4 2014 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 Q4 2014 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 Q4 2014 GFI FS under International MI segment Australia as outlined in point [1] and there is a portion of certain corporate overhead expenses allocated by GFI to Australia business for management reporting purpose, which are not included in GMA consolidated results.

[4]The ratio of an insurer's general expenses to net premiums written. This metric differs to what is disclosed in Q4 2014 GFI FS under International MI segment Australia as outlined in point [3].

[5]The majority of the loans the Company insure provide 100% coverage. For the purpose of representing the risk in-force, the company has computed an "effective risk in-force" amount which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor that represents the highest expected average per-claim payment for any one underwriting year over the life of the businesses. This factor was 35% for all periods presented.

Delinquency roll

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Opening balance	**5,851**	**5,868**	**5,820**	**5,454**	**4,980**	**5,070**	**5,405**	**5,300**
New Delinquencies	2,928	3,095	2,901	2,383	2,689	2,913	2,734	2,357
Paid Claims	(722)	(549)	(510)	(581)	(462)	(419)	(350)	(314)
Cures	(2,189)	(2,594)	(2,757)	(2,276)	(2,137)	(2,159)	(2,489)	(2,390)
Closing Delinquencies	**5,868**	**5,820**	**5,454**	**4,980**	**5,070**	**5,405**	**5,300**	**4,953**

Appendix C – Various Key Performance Measures

All figures are $AUD and AIFRS

Primary Insurance	December 31, 2014	Sep 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Insured loans in-force (#)	1,496,616	1,490,221	1,481,201	1,477,063	1,474,181	1,463,148	1,459,376
Insured delinquent loans (#)	4,953	5,300	5,405	5,070	4,980	5,454	5,820
Insured delinquency rate (%)	0.33%	0.36%	0.36%	0.34%	0.34%	0.37%	0.40%
Flow loans in-force (#)	1,378,584	1,370,136	1,362,236	1,355,635	1,350,571	1,336,901	1,330,157
Flow delinquent loans (#)	4,714	5,031	5,125	4,813	4,760	5,192	5,513
Flow delinquency rate (%)	0.34%	0.37%	0.38%	0.36%	0.35%	0.39%	0.41%
Bulk loans in-force (#)	118,032	120,085	118,965	121,428	123,610	126,247	129,219
Bulk delinquent loans (#)	239	269	280	257	220	262	307
Bulk delinquency rate (%)	0.20%	0.22%	0.24%	0.21%	0.18%	0.21%	0.24%

Loss Metrics ($M)	December 31, 2014	Sep 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Beginning Reserves[1]	**230**	**225**	**225**	**241**	**265**	**279**	**286**
Paid claims	(16)	(21)	(25)	(30)	(42)	(41)	(44)
Increase in reserves	18	26	25	14	18	27	37
Ending Reserves	**232**	**230**	**225**	**225**	**241**	**265**	**279**

	Dec 31, 2014		Sep 30, 2014		June 30, 2014		March 31, 2013		June 30, 2013	
	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate
State and Territory										
New South Wales	29%	0.27%	29%	0.30%	29%	0.33%	29%	0.31%	30%	0.38%
Victoria	23%	0.30%	23%	0.32%	23%	0.34%	23%	0.31%	23%	0.33%
Queensland	23%	0.47%	23%	0.49%	23%	0.48%	23%	0.45%	22%	0.54%
Western Australia	11%	0.32%	11%	0.34%	11%	0.34%	11%	0.33%	11%	0.36%
South Australia	6%	0.44%	6%	0.43%	6%	0.43%	6%	0.42%	6%	0.45%
New Zealand	2%	0.28%	2%	0.26%	2%	0.34%	2%	0.34%	2%	0.54%
Australian Capital Territory	3%	0.16%	3%	0.13%	3%	0.13%	3%	0.11%	3%	0.10%
Tasmania	2%	0.25%	2%	0.31%	2%	0.30%	2%	0.29%	2%	0.35%
Northern Territory	1%	0.16%	1%	0.21%	1%	0.20%	1%	0.20%	1%	0.16%
Total	**100%**	**0.33%**	**100%**	**0.36%**	**100%**	**0.36%**	**100%**	**0.34%**	**100%**	**0.40%**
By Policy Year										
2006 and prior	32%	0.20%	32%	0.22%	33%	0.23%	34%	0.22%	36%	0.26%
2007	8%	0.63%	8%	0.68%	8%	0.72%	9%	0.69%	10%	0.82%
2008	7%	0.87%	8%	0.93%	8%	0.95%	8%	0.89%	9%	0.98%
2009	9%	0.66%	9%	0.70%	9%	0.66%	10%	0.64%	11%	0.73%
2010	6%	0.38%	7%	0.38%	7%	0.39%	7%	0.36%	8%	0.33%
2011	7%	0.40%	7%	0.41%	8%	0.39%	8%	0.34%	9%	0.27%
2012	9%	0.32%	10%	0.33%	10%	0.29%	10%	0.22%	11%	0.10%
2013	11%	0.18%	11%	0.15%	11%	0.10%	11%	0.05%	6%	0.01%
2014	11%	0.02%	8%	0.01%	6%	0.00%	3%	0.00%	0%	0.00%
Total	**100%**	**0.33%**	**100%**	**0.36%**	**100%**	**0.36%**	**100%**	**0.34%**	**100%**	**0.40%**

[1]Outstanding claims reserve under AIFR measurement includes a risk margin allowance and are 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 Q4 2014 GFI FS under International MI Segment Australia.

Appendix C – Various Key Performance Measures

All figures are $AUD and AIFRS

	4Q 2014	3Q 2014	2Q 2014	1Q 2014	Total 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013	Total 2013
Paid claims ($M), quarterly analysis										
Flow	15	20	25	30	90	41	39	44	59	183
Bulk	1	1	0	0	3	0	2	0	0	2
Total	16	21	25	30	92	41	41	44	59	185
Average paid claim ($ thousands)	49.5	58.6	60.5	65.1		71.5	79.9	80.3	81.4	
Average reserve per delinquency ($ thousands)[1]	46.6	43.3	41.7	44.4		48.4	48.6	47.9	48.7	

	4Q 2014	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
Loan amount (%)								
Over $550K	13%	13%	12%	12%	12%	12%	12%	12%
$400K to $550K	19%	18%	18%	18%	17%	17%	17%	16%
$250K to $400K	36%	37%	37%	37%	37%	37%	37%	37%
$100K to $250K	26%	26%	27%	27%	28%	28%	28%	29%
$100K or Less	6%	6%	6%	6%	6%	6%	6%	6%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Average primary loan size (thousands)	210	208	207	205	203	202	200	198

All figures are $AUD and AIFRS

	4Q 2014	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
Average effective loan to value ratios by policy year [2, 3]								
2006 and prior	36%	36%	38%	40%	41%	43%	47%	48%
2007	57%	58%	61%	63%	64%	66%	67%	68%
2008	65%	66%	68%	70%	72%	74%	74%	76%
2009	67%	68%	70%	73%	75%	77%	77%	79%
2010	72%	73%	76%	78%	80%	83%	83%	85%
2011	73%	74%	77%	80%	82%	85%	85%	87%
2012	74%	75%	78%	80%	82%	85%	85%	86%
2013	78%	79%	82%	84%	85%	87%	87%	0%
2014	85%	86%	87%	0%	0%	0%	0%	0%
Total Flow	60%	60%	61%	62%	64%	65%	68%	69%
Total Bulk	27%	28%	29%	30%	31%	32%	37%	38%
Total	56%	57%	58%	59%	60%	61%	65%	66%

	Dec 31, 2014			Sep 30, 2014			June 30, 2014			March 31, 2014		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
Risk in force by loan to value ratio[4]												
95.01% and above	21,008	21,008	1	20,799	20,798	1	20,615	20,614	1	20,344	20,343	1
90.01% to 95.00%	27,215	27,206	9	26,529	26,521	9	25,948	25,939	9	25,373	25,364	9
80.01% to 90.00%	28,777	28,684	94	28,236	28,143	94	27,837	27,741	96	27,481	27,382	99
80.00% and below	32,791	25,263	7,528	32,869	25,185	7,684	32,683	25,195	7,488	32,887	25,213	7,674
Total	109,791	102,161	7,632	108,433	100,647	7,788	107,083	99,489	7,594	106,085	98,302	7,783

[1]This metric differs to w hat is disclosed in Q4 2014 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.

[2]Loan amounts (including capitalised premiums) reflect interest rates at time of loan origination and estimated scheduled principal repayments since loan origination. Home price estimates based on regional home price appreciation/depreciation data from RP Data. All data used in the effective loan-to-value ratio calculation reflects conditions as of the end of the previous quarter. Effective loan-to-value ratios exclude New Zealand and inw ard reinsurance policies.

[3]Beginning in the third quarter of 2013, data from RP Data extended back to 1999. Previously, the data extended back to 2002. Previous periods w ere not re-presented for this change.

[4]Loan amount in loan-to-value ratio calculation includes capitalised premiums, w here applicable.

Appendix C – Various Key Performance Measures

PML, GEP and net claims incurred development by Book Year and financial year (A$ million)

PML (A$ million)	**FY11**	**FY12**	**FY13**	**FY14**
Pre-2007	194.8	164.9	158.8	126.5
2007	353.4	102.8	101.6	91.0
2008	351.2	310.6	103.1	91.6
2009	644.0	434.3	411.1	119.7
2010	388.3	366.0	255.9	226.6
2011	410.9	404.5	394.7	263.7
2012	-	567.1	577.4	527.0
2013	-	-	582.0	568.4
2014	-	-	-	561.5
Total	**2,342.6**	**2,350.2**	**2,584.6**	**2,575.9**
GEP (A$ million)	**FY11**	**FY12**	**FY13**	**FY14**
Pre-2007	48.1	28.0	12.8	3.0
2007	38.8	37.6	22.6	13.5
2008	57.7	48.9	32.8	21.6
2009	121.5	79.6	57.0	43.0
2010	110.0	69.2	48.1	32.1
2011	69.5	95.2	73.9	54.3
2012	-	89.3	129.9	104.4
2013	-	-	99.7	143.2
2014	-	-	-	110.0
Total	**445.6**	**447.8**	**476.8**	**525.1**
Net claims incurred (A$ million)	**FY11**	**FY12**	**FY13**	**FY14**
Pre-2007	(34.9)	(48.4)	(12.5)	(1.8)
2007	(50.1)	(61.2)	(29.5)	10.2
2008	(52.9)	(79.2)	(31.9)	22.6
2009	(36.8)	(47.6)	(24.4)	16.6
2010	(7.0)	(15.0)	(9.7)	8.1
2011	(1.0)	(6.7)	(11.0)	10.0
2012	0.0	(1.1)	(7.8)	11.2
2013	0.0	0.0	(1.0)	6.8
2014	0.0	0.0	0.0	0.8
Total	**(182.7)**	**(259.2)**	**(127.8)**	**84.5**

Note: Excludes Genworth Financial Mortgage Indemnity Limited and refunds.
The GEP amounts presented are gross of refunds and cancellations
of $5 million in FY11, $4 million in FY12 and $6 million in FY13.

Appendix D – Prospectus Extract: Sections 7.1 & 7.2

7.1 Introduction

This Section contains a summary of the financial information for Genworth Australia, which includes:

- The pro forma historical financial information for Genworth Australia comprising:
  - The pro forma historical consolidated statement of comprehensive income for each of the years ended 31 December 2011, 2012 and 2013 ("FY11", "FY12" and "FY13") ("Pro Forma Historical
    Consolidated Statements of Comprehensive Income") (refer to Section 7.3);
  - The pro forma historical consolidated statement of financial position as at 31 December 2011, 2012 and 2013 ("Pro forma Historical Consolidated Statements of Financial Position") (refer to Section 7.4); and
  - The pro forma historical consolidated statement of cash flows for FY11, FY12 and FY13 ("Pro Forma Historical Consolidated Statements of Cash Flows") (refer to Section 7.5).
    (together, the "Pro Forma Historical Financial Information").

- The forecast financial information for Genworth Australia comprising:
  - The Directors' pro forma forecast consolidated statement of comprehensive income for the year ending 31 December 2014 ("FY14F") (the "Pro Forma Forecast Consolidated Statement of Comprehensive Income") (refer to Section 7.10.1); and
  - The Directors' statutory forecast profit before tax for FY14F (refer to Section 7.10.2).
    (together, the "Forecast Financial Information" and, together with the Pro Forma Historical Financial Information, the "Financial Information").

Also summarised in this Section are:

- The basis of preparation and presentation of the Financial Information (refer to Section 7.2);
- Pro forma adjustments to the Historical Financial Information (as defined in Section 7.2.2) and reconciliations between the Historical Financial Information and the Pro Forma Historical Financial Information (refer to Section 7.6 and Appendix A.5);
- Accounting policies (refer to Section 7.7);
- Key drivers of Genworth Australia's NPAT (refer to Section 7.8);
- Management discussion and analysis of the historical consolidated financial information of the GFMI Finance Group for the years ended 31 December 2011, 2012 and 2013 (refer to Section 7.9);
- The material assumptions and commentary underlying the Forecast Financial Information (refer to Section 7.11);
- Sensitivity analysis of the Forecast Financial Information to changes in key assumptions (refer to Section 7.12);
- Underlying NPAT (refer to Section 7.13); and
- Underlying Equity (refer to Section 7.14).

The Financial Information has been reviewed by KPMG Transaction Services, which has provided an Investigating Accountant's Report on the Pro Forma Historical Financial Information in Section 10 and an Investigating Accountant's Report on the Forecast Financial Information in Section 10.

The Investigating Accountant's Report on the Forecast Financial Information has been prepared solely in connection with the Retail Offer of Shares in Australia and has been intentionally omitted from the US Offering Memorandum being distributed in the US.

All amounts disclosed in this Section are presented in Australian dollars, and unless otherwise noted, are rounded to the nearest thousand dollars.

7.2 Basis of preparation and presentation of the Financial Information

7.2.1 Overview

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the

Corporations Act. Australian Accounting Standards are the same as International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The Pro Forma Historical Financial Information and Forecast Financial Information presented in this Prospectus are unaudited. The Forecast Financial Information is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

Genworth Australia's accounting policies and selected notes relevant to the Historical Financial Information are included in Appendix C.

The information in this Section should also be read in conjunction with the management discussion and analysis of the Historical Financial Information in Section 7.9 and the material assumptions and commentary underlying the Forecast Financial Information in Section 7.11, in addition to the risk factors set out in Section 8 and the other information contained in this Prospectus.

7.2.2 Preparation of the Pro Forma Historical Financial Information

Under the existing (pre IPO) group structure, there is no single Australian company with 100% control of Genworth Financial's Australian subsidiaries. Prior to settlement, the Issuer will become the new holding company of the Group through the implementation of a reorganisation plan ("Reorganisation"). After the Reorganisation, the Group will consist of the Issuer and its Subsidiaries (as defined below). The Pro Forma Historical Financial Information has been derived from the historical consolidated financial statements of the GFMI Finance Group for FY11, FY12 and FY13 ("Historical Financial Information"), which have been audited in accordance with Australian Auditing Standards by KPMG.

The GFMI Finance Group's historical consolidated profit before tax for FY11, FY12 and FY13 and net assets as at 31 December 2011, 2012 and 2013 represent, in each case, approximately 99% of Genworth Australia's pro forma historical consolidated profit before tax and pro forma net assets for each of those periods. Additional information on the consolidated Historical Financial Information is presented in Appendix A. Pro forma adjustments have been made to the Historical Financial Information to reflect the impact of the Reorganisation and the Offer. Refer to Section 12.1.6 for further details on the Reorganisation and Section 7.6 for further details on the Pro Forma adjustments to the Historical Financial Information.

Genworth Australia has determined that the Reorganisation represents a business combination involving entities under "common control", and therefore Genworth Australia is not required to account for the Reorganisation as a business combination under Australian Accounting Standard AASB 3 Business Combinations. Genworth Australia has made an accounting policy election to consolidate the assets and liabilities of the Issuer and its Subsidiaries (as defined below) at their historical book values referred to in this Prospectus as a "pro forma consolidation". As a result, the Pro Forma Historical Financial Information incorporates the assets and liabilities of the Issuer and its Subsidiaries as if they had operated as a single consolidated group for FY11, FY12 and FY13.

Following the Reorganisation, the following entities will be consolidated to form Genworth Australia:

- Genworth Financial Mortgage Insurance Pty Limited, the primary LMI operating entity;
- Genworth Financial Mortgage Indemnity Limited, an LMI operating entity that has been in run-off since 2003;
- Genworth Financial Services Pty Limited, a non-operating holding company;
- Genworth Financial Mortgage Insurance Holdings Pty Limited, a non-operating holding company; and
- Genworth Financial Mortgage Insurance Finance Holdings Limited, a non-operating holding company;

  (together, the "GFMI Finance Subsidiaries");
- Genworth Financial Mortgage Insurance Finance Pty Limited, the parent holding company within the
  GFMI Finance Group.

  (together, consolidated with the GFMI Finance Subsidiaries, the "GFMI Finance Group");
- Genworth Financial New Holdings Pty Ltd, a non-operating holding company; and
- Genworth Financial Australia Holdings LLC, a service company,

(together, with the entities within the GFMI Finance Group, the "Subsidiaries"); and

- Genworth Mortgage Insurance Australia Limited, the Issuer and the parent company of the Genworth Australia group,

(together, with the Subsidiaries, the "Group" or "Genworth Australia").

The historical financial statements for each of Genworth Australia's Subsidiaries for FY11, FY12 and FY13, with the exception of Genworth Financial Australia Holdings LLC, have been audited by KPMG in accordance with Australian Auditing Standards. Genworth Financial Australia Holdings LLC is an intragroup holding company and all of its transactions are with other group companies. KPMG has performed an audit in accordance with Australian Auditing Standards of Genworth Financial Australia Holdings LLC's trial balance as at 31 December 2011, 2012 and 2013.

Investors should note that past results are not an indication of future performance.

7.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by Genworth Australia based on an assessment of economic and operating conditions and a number of best estimate assumptions regarding future events as set out in Section 7.11. The Forecast Financial Information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will be realised.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from what is assumed in preparing the Forecast Financial Information and that this may have a material negative effect on Genworth Australia's actual financial performance or financial position. In addition, the assumptions on which the Forecast Financial Information are based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of Genworth Australia and the Directors and are not reliably predictable. Investors are advised to review the material assumptions set out in Section 7.11 in conjunction with the sensitivity analysis set out in Section 7.12, the risk factors set out in Section 8, the notes relevant to the Pro Forma Historical Financial Information included in Appendix C and all other information set out in this Prospectus. Accordingly, none of Genworth Australia, the Directors or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The forecast net profit before tax for FY14F has been presented on both a pro forma and statutory basis. The statutory forecast net profit before tax is the best estimate of the financial performance that the Directors expect to report in Genworth Australia's financial statements following Completion of the Offer, for the year ending 31 December 2014. Refer to Section 7.10.2 for a reconciliation between Genworth Australia's pro forma forecast net profit before tax and statutory forecast net profit before tax for FY14F.

7.2.4 Preparation of non-IFRS financial measures

The financial metrics presented in this Section, such as those in Section 7.11, 7.13 and 7.14, include non-IFRS financial measures, such as Underlying Equity, Underlying NPAT, Loss Ratio, Expense Ratio, Combined Ratio, ROE and Underlying ROE, which Genworth Australia believes provides information that is useful for investors in understanding its performance, facilitates the comparison of results from period to period, and presents widely used industry performance measures.

However, these non-IFRS financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards.

Although Genworth Australia believes these non-IFRS measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any of the non-IFRS financial measures presented, which have not been audited or reviewed.

Glossary

Glossary

Term	Definition
ASX	ASX Limited ABN 98 008 624 691 or Australian Securities Exchange
Average reserve per delinquency	Average reserve per delinquency is calculated by dividing the outstanding claims balance by the number of delinquencies. This calculation differs from the average reserve per delinquency quoted in the Prospectus which was calculated by dividing the central estimate of the outstanding claims balance, net of the non-reinsurance recoveries, by the number of delinquencies
Book Year	The calendar year an LMI policy is originated
Borrower Sales	Borrower Sale is a type of loss mitigation activity initiated by GMA by providing a dedicated team that includes 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 which GMA is exposed
Business Select	Providing Self-Employed Borrowers access to residential mortgage finance by providing limited evidence of income. The borrowers self certifies an income that is used to establish serviceability
CBA	Commonwealth Bank of Australia
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 the sum of equity plus debt
HLVR	High loan to valuation 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	Insurance in-force. Original principal balance of all mortgage loans currently insured
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
Lender Customer	A lender that is a customer of the Group
Level 2	A term defined by APRA under GPS 001 referring to a consolidated insurance group
Loss ratio	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
Low Doc	Low doc loans (or low documentation loans) are generally used where a

Glossary

	borrower does not have a verifiable income and generally require the borrower to complete a statutory declaration of financial income
LVR	Loan to valuation ratio
NAB	National Australia Bank Limited
NIW	New insurance written
NOHC	Non-operating holding company
NPAT	Net profit after tax. This has been calculated on a pro forma basis
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
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 the 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. This has been calculated on a pro forma basis
Underlying NPAT	Underlying NPAT excludes the after-tax impact of unrealised gains/ (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