Investor Report
Full year ended 31 December 2016

Genworth Mortgage Insurance Australia Limited
ABN 72 154 890 730

8 February 2017

Corporate information

This report contains general information in summary form which is current as at 31 December 2016. It presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS) and non-IFRS basis. This report is not a recommendation or advice in relation to **Genworth Mortgage Insurance Australia Limited (Genworth) and its subsidiaries (collectively, the Group).** It is not intended to be relied upon as advice to investors or potential investors and does not contain all information relevant or necessary for an investment decision.

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Local currencies have been used where possible. Prevailing current exchange rates have been used to convert foreign currency amounts into Australian dollars, where appropriate.

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

Corporate information

Following completion of the allocation of 650 million ordinary shares under an IPO in May 2014, the shares in Genworth Mortgage Insurance Australia Limited successfully listed on the Australian Securities Exchange (ASX) under the code GMA on 20 May 2014, at an issue price of $2.65 per share. Under the allocation of the ordinary shares, 220 million shares, or 33.85% of the issued capital, were allocated to retail and institutional shareholders raising $583 million gross, which, net of underwriting costs, was repatriated to the ultimate major shareholder of Genworth, Genworth Financial, Inc. which owned the remaining 66.15% of the issued shares.

Immediately prior to completion of the IPO, Genworth became the new holding company of the Group with 100% control of the Australian subsidiaries through the implementation of a reorganisation plan. The Group is represented by Genworth and its subsidiaries.

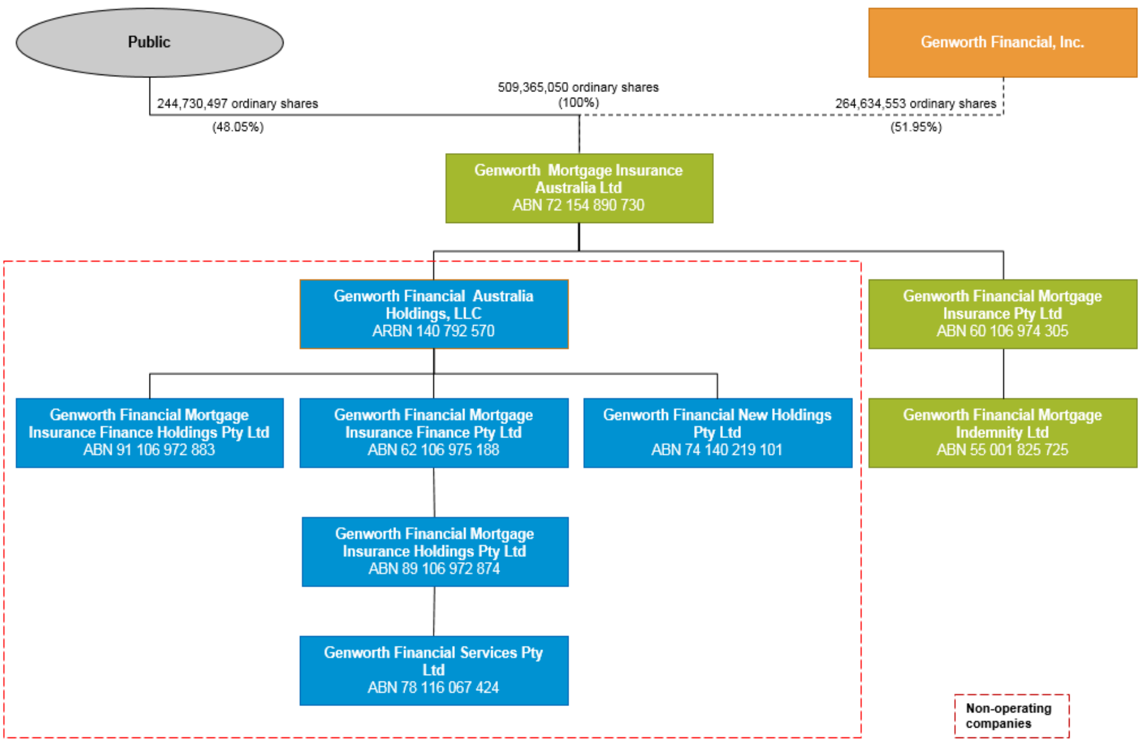
On 15 May 2015, Genworth Financial, Inc. sold 92.3 million shares in Genworth, reducing its ownership in Genworth to approximately 52%.

As at 8 December 2015, the Group completed an on-market share buy-back program. 54.6 million shares were purchased and subsequently cancelled for a total consideration of $150 million. Genworth Financial, Inc. participated in on-market sale transactions during the buy-back program to maintain its approximately 52% stake in the Group. As at 10 December 2015, the number of Genworth shares on issue was 595.4 million.

On 1 June 2016, the Group completed a $202 million capital reduction and consolidation of shares. As at 2 June 2016, the number of Genworth shares on issue was 509.4 million.

The Group has the following corporate structure:

Figure 1: Genworth Corporate Structure as at 31 December 2016



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

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Section 1

Executive Summary

1 Executive Summary

1.1 Overview of the full year 2016 financial results

Genworth reported statutory net profit after tax (NPAT) of $203.1 million for FY16. After adjusting for the after-tax mark-to-market move in the investment portfolio of $9.1 million, underlying NPAT was $212.2 million.

Table 1: Group financial performance measures

(A$ in millions)	FY15	FY16	Change FY15 vs FY16
Gross written premium	507.6	381.9	(24.8%)
Gross earned premium	549.6	524.7	(4.5%)
Net earned premium	469.9	452.9	(3.6%)
Reported NPAT	228.0	203.1	(10.9%)
Underlying NPAT[1]	264.7	212.2	(19.8%)
Loss Ratio	24.0%	35.1%	11.1%
Delinquency rate	0.38%	0.46%	0.08%
Expense Ratio	26.2%	25.7%	(0.5%)
Combined Ratio	50.2%	60.8%	10.6%
Insurance Margin	58.1%	48.1%	(10.0%)
Investment Return	3.7%	3.4%	(0.3%)
ROE[2]	9.7%	9.7%	(0.0%)
Underlying ROE[2]	11.6%	10.4%	(1.2%)

The FY16 results reflect:

(a) Lower sales (Gross Written Premium):

i. GWP declined 24.8% compared with the previous corresponding period due to a number of factors including reduced high loan-to-value (LVR) penetration in the market and a lower LVR mix of business.

(b) Lower revenue (Net Earned Premium):

i. NEP decreased 3.6% reflecting lower earned premium from current and prior book years.

(c) Higher net claims incurred

i. Net claims incurred increased due to an increase in the number of delinquent loans relative to a year ago and a higher average claim amount. The overall portfolio continues to be supported by strong performance in New South Wales and Victoria. However, the performance in Queensland and Western Australia is challenging, reflecting increased delinquencies, particularly in regions exposed to the slowdown in the resources sector.

[1] Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) and impairment losses on the investment portfolio.
[2] ROE is shown on a trailing 12-month basis.

1.2 Summary of financial and capital position

Table 2: Group financial position/capital measures

(A$ in millions), as at	31 Dec 15	31 Dec 16
Cash, accrued interest and investments	3,960.5	3,551.3
Total assets	4,232.0	3,833.4
Unearned premium reserve	1,320.6	1,177.8
Net assets	2,218.7	1,967.4
Net assets per share ($/share)	3.73	3.86
Net tangible assets	2,208.6	1,956.3
Regulatory capital base	2,600.8	2,212.8
Level 2 PCA coverage	1.59x	1.57x
CET1 coverage	1.44x	1.42x
Gearing (debt / debt plus equity)	9.9%	10.0%

Genworth's capital position was strong as at 31 December 2016 and the Group's regulatory capital solvency level was 1.57 times the PCA and 1.42 times the CET1 ratio. The regulatory solvency position is above the Board's targeted range of 1.32-1.44 times PCA and above the regulatory requirement of CET1 being 0.60 times PCA.

1.3 Economic and Regulatory Environment

1.3.1 Economic environment

Australian economic conditions moderated during 2016 as the economy continued to transition away from the mining investment boom. Economic activity decreased 0.5 per cent in the September quarter 2016, the first quarter of negative growth since the Queensland flood affected March quarter 2011. There continues to be considerable variation in economic activity across the country with continued growth in New South Wales and Victoria offset by weaker activity in Queensland and, in particular, Western Australia.

Business investment remains subdued and business confidence levels, as measured by the NAB Business Confidence Index, do not appear to be conducive to higher levels of investment activity at this time.

Household consumption expenditure remains relatively strong, supported by low interest rates, rising household wealth and further increases in employment. However, consumer confidence, as measured by the Westpac-Melbourne Institute Index of Consumer Sentiment, is at its lowest level since April 2016, likely due to renewed concerns around the economy, interest rates and the labour market.

Although the national unemployment rate has remained generally stable at 5.8 per cent in December 2016, key labour market indicators remain mixed. Employment growth is being primarily driven by an increase in part-time employment. The under-employment rate remains elevated and at near-record highs, implying a greater degree of spare capacity in the economy than indicated by the unemployment rate alone. Wage growth is also subdued, especially due to the transition away from mining-led activity and low actual and expected inflation.

In this environment of subdued economic activity and benign inflation pressures, the Reserve Bank of Australia maintains a very accommodative monetary policy stance with the official cash rate at an historic low level.

The housing market was generally strong in 2016, with national dwelling prices up 10.8 per cent on year ago levels, across the combined capital cities[1]. Sydney and Melbourne continued to perform very strongly, up 15.5 per cent and 13.7 per cent respectively. Housing credit growth in 2016 was lower than a year ago, consistent with the tightening of lending standards since then and lower turnover.

1.3.2 Regulatory environment

Genworth continues its engagement with policymakers, rating agencies and other industry participants to promote legislative and regulatory policies that support home ownership and continued responsible credit growth.

Throughout 2016, Genworth has focused on working with APRA to develop and propose suitable capital requirements for the residential mortgage industry. Genworth is leading industry efforts to develop solutions with policy makers and regulators that emphasise the importance of LMI to the Australian mortgage market and stability of the wider financial system, especially its value as a loss absorption and capital management tool for risk management purposes.

[1] CoreLogic Home Price Index data to December 2016.

1.4 Customer Relationships

Genworth has commercial relationships with over 100 lender customers across Australia and has Supply and Service Contracts with 10 of its key customers. The top three customers accounted for approximately 78 per cent of Genworth's total New Insurance Written (NIW) and 71 per cent of GWP in FY16. The largest customer accounted for 36 per cent of total NIW and 47 per cent of GWP in FY16. The Group estimates that it had approximately 34 per cent of the Australian LMI market by NIW in 2016[1].

On 3 November 2016, Genworth announced that it had renewed its Supply and Service Contract with the Commonwealth Bank of Australia for the provision of LMI for a further 3 years through to 31 December 2019.

1.5 Ratings

The controlled entities maintain their capital strength by reference to a target financial strength rating from an independent ratings agency. The ratings help to reflect the financial strength of these entities and demonstrate to stakeholders their ability to pay claims.

Standard & Poor's

On 4 November 2016, S&P reaffirmed Genworth Financial Mortgage Insurance Pty Limited's financial strength rating at 'A+' and outlook 'stable'.

Moody's

On 11 March 2016, Moody's reaffirmed the insurance financial strength rating of Genworth Financial Mortgage Insurance Pty Limited at 'A3' with an outlook of 'Negative'.

Fitch Ratings

On 25 September 2016, Fitch reaffirmed Genworth Financial Mortgage Insurance Pty's financial strength rating at 'A+' and outlook 'stable'.

[1] Market share is Genworth Australia's estimate based on the market for LMI provided by external LMI Providers and LMI Subsidiaries and includes the retention of risk by Lenders and other forms of risk mitigation or risk transfer by Lenders in relation to the credit risk of residential mortgage loans.

Section 2

Group Financial Results

2 Group Financial Results

2.1 Statement of comprehensive income

Table 3[1]: Group statement of comprehensive income

(A$ millions)	FY 15	FY16	Change FY15 vs FY16
Gross written premium	507.6	381.9	(24.8%)
Movement in unearned premium	42.0	142.8	240.0%
Gross earned premium	**549.6**	**524.7**	**(4.5%)**
Outwards reinsurance expense	(79.7)	(71.8)	(9.9%)
Net earned premium	**469.9**	**452.9**	**(3.6%)**
Net claims incurred	(112.7)	(158.8)	40.9%
Acquisition costs	(54.5)	(52.5)	(3.7%)
Other underwriting expenses	(68.5)	(64.0)	(6.6%)
Underwriting result	**234.2**	**177.6**	**(24.2%)**
Investment income on technical reserves	39.0	40.4	3.6%
Insurance profit	**273.2**	**218.0**	**(20.2%)**
Investment income on shareholders' funds	68.9	85.6	24.2%
Financing costs	(16.5)	(14.2)	(13.9%)
Profit before income tax	**325.6**	**289.3**	**(11.1%)**
Income tax expense	(97.6)	(86.2)	(11.7%)
NPAT	**228.0**	**203.1**	**(10.9%)**
Underlying NPAT	**264.7**	**212.2**	**(19.8%)**

[1] Totals may not sum due to rounding.

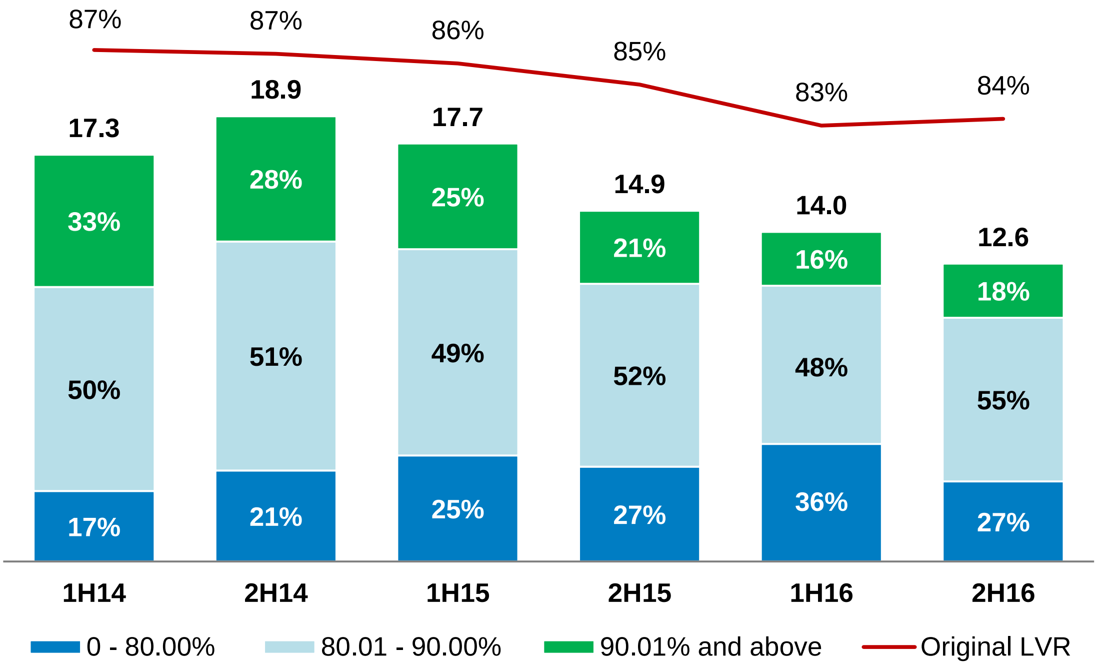
2.2 Management discussion and analysis

2.2.1 New Insurance Written (NIW)

NIW decreased 18.4% to $26.6 billion in FY16 from $32.6 billion in FY15. NIW in the greater than 90% LVR segment decreased 39.8% and NIW in the 80.01 to 90.0% LVR segment decreased 17.2%. The decline in the proportion of high loan-to-value loans originated reflects changes in lender risk appetite and focused regulatory oversight in the Australian mortgage market. It also reflects changes in the customer portfolio in FY15.

FY16 NIW includes $1.1 billion of portfolio transactions for a customer seeking risk mitigation on previously uninsured mortgage portfolios.

Figure 2: NIW by Original LVR band (excludes capitalised premium)



2.2.2 Gross Written Premium (GWP)

GWP decreased 24.8% from $507.6 million in FY15 to $381.9 million in FY16. The decline in GWP is consistent with the broader industry trend of a reduction in the proportion of mortgage originations above 90 per cent LVR. It also reflects changes in the customer portfolio in FY15.

Average price for Flow (GWP/NIW) decreased from 1.63% in FY15 to 1.51% in FY16 reflecting a lower proportion of 90-95% LVR mix of business. However, average price for Flow increased sequentially in the second half of FY16 from the first half, reflecting premium rate increases that came into effect in the first half of FY16.

The average original LVR of new flow business written in FY16 was 83.6%, down from 85.8% in FY15.

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

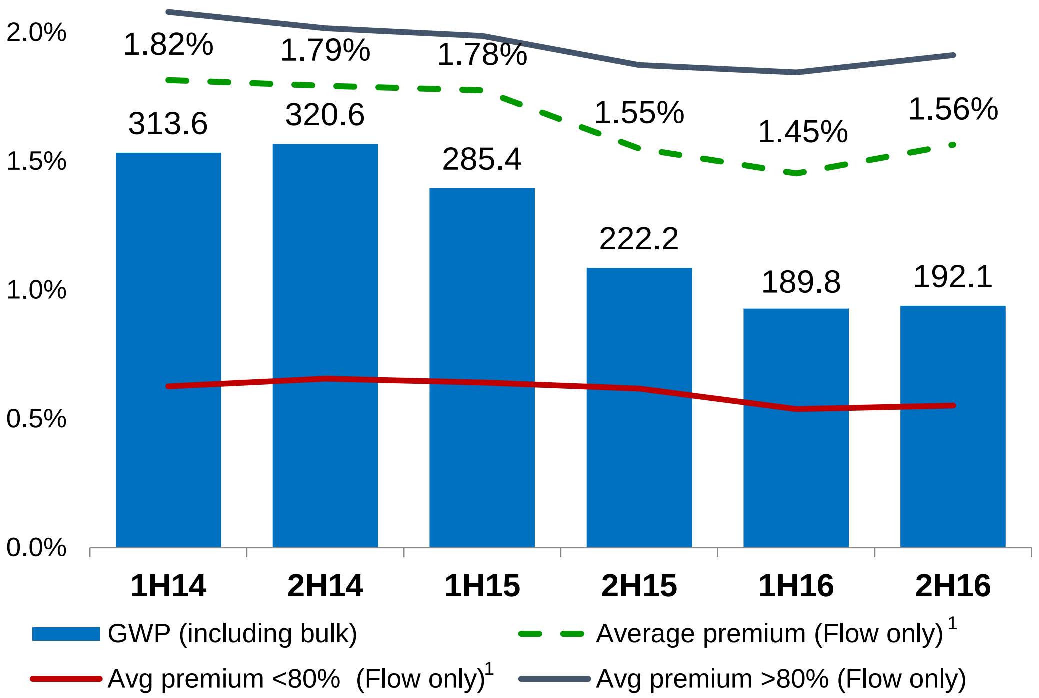
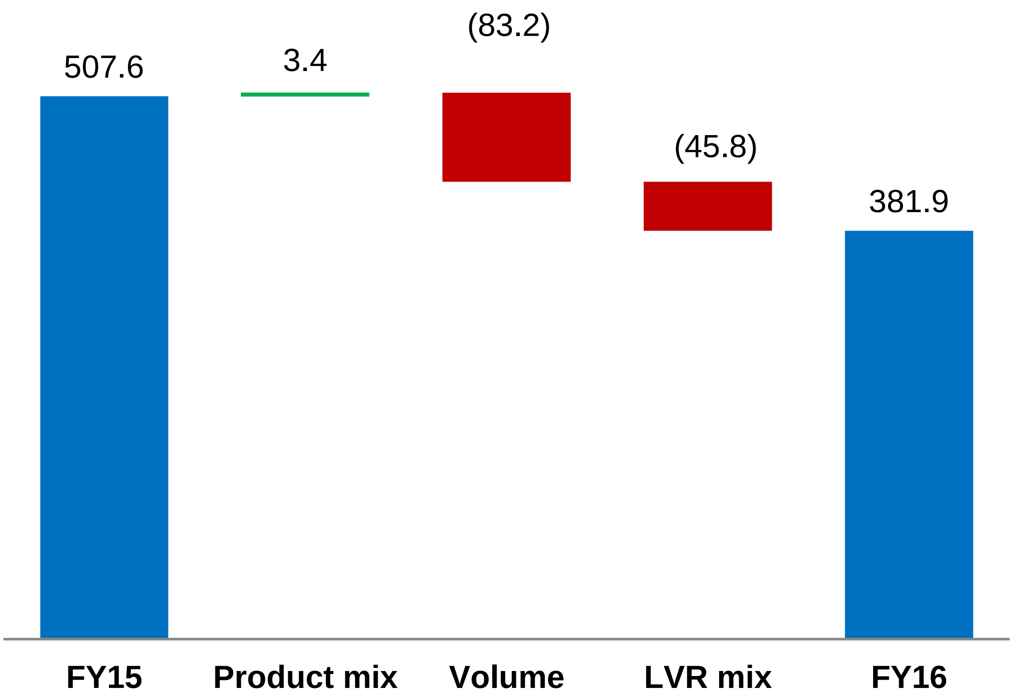


Figure 4: Movement of GWP FY15 to FY16 ($ millions)



[1] Historical NIW has been adjusted in the average premium calculation to reflect a risk sharing arrangement.

2.2.3 Gross Earned Premium (GEP)

GEP decreased 4.5% from $549.6 million in FY15 to $524.7 million in FY16 mainly reflecting lower current year GWP.

2.2.4 Outward Reinsurance Expense

Outward reinsurance expense decreased by $7.9 million from $79.7 million in FY15 to $71.8 million in FY16 driven mainly by a more favorable rate negotiated under the new reinsurance treaties.

2.2.5 Net Claims incurred and changes to reserves

Net claims incurred increased $46.1 million from $112.7 million in FY15 to $158.8 million in FY16, primarily driven by an increase in reported delinquencies, particularly in Queensland and Western Australia.

Table 4: Composition of net claims incurred

($ millions) unless otherwise stated	1H15	2H15	1H16	2H16		FY15	FY16
Number of Paid Claims (#)	568	616	566	633		1,184	1,199
Average Paid Claim ($'000)[1]	64.8	68.2	72.5	70.8		66.6	71.6
Claims Paid[1]	**36.8**	**42.0**	**41.1**	**44.8**		**78.8**	**85.9**
Movement in borrower recovery receivable on paid claims	(8.9)	(2.9)	0.1	(1.0)		(11.8)	(0.9)
Movement in Reserves	22.0	23.7	34.2	39.6		45.7	73.8
Net Claims Incurred	**49.9**	**62.8**	**75.4**	**83.4**		**112.7**	**158.8**

The average reserve per delinquency increased from $49,900 in FY15 to $52,800 in FY16 primarily driven by strengthening of reserves to reflect the expectation of higher average paid claim amounts in mining regions.

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

Table 5: Movement in delinquencies

	1H15	2H15	1H16	2H16		FY15	FY16
Opening Delinquencies	4,953	5,900	5,552	6,413		4,953	5,552
New Delinquencies	5,782	5,183	5,912	6,000		10,965	11,912
Cures	(4,267)[1]	(4,915)	(4,485)	(5,049)		(9,182)	(9,534)
Claims Paid	(568)	(616)	(566)	(633)		(1,184)	(1,199)
Closing Delinquencies	**5,900**	**5,552**	**6,413**	**6,731**		**5,552**	**6,731**
Total Policies Outstanding	1,481,755	1,478,434	1,477,826	1,464,139		1,478,434	1,464,139
Delinquency Rate	**0.40%**	**0.38%**	**0.43%**	**0.46%**		**0.38%**	**0.46%**

An increase in new delinquencies, particularly in Queensland and Western Australia, lifted the portfolio delinquency rate. Cures were slightly higher, reflecting ongoing borrower sales activity. The number of claims paid in FY16 was consistent with FY15.

2.2.6 Acquisition costs and other underwriting expenses

Acquisition costs decreased $2.0 million from $54.5 million in FY15 to $52.5 million in FY16. Other underwriting expenses decreased $4.5 million from $68.5 million in FY15 to $64.0 million in FY16. The total expense ratio decreased from 26.2% in FY15 to 25.7% in FY16.

2.2.7 Financial income

Financial income, comprising interest income and realised and unrealised gains/losses, increased $18.1 million from $107.9 million in FY15 to $126.0 million in FY16. The unrealised losses on the market value of the investment portfolio of $13.1 million recognised in FY16 compared to unrealised losses of $52.4 million recognised in FY15. The yield on the investment portfolio dropped from 3.69% in FY15 to 3.41% in FY16.

2.2.8 Income tax expense

Income tax expense decreased $11.4 million (11.7%) from $97.6 million in FY15 to $86.2 million in FY16. The effective tax rate decreased from 30.0% in FY15 to 29.8% in FY16.

2.2.9 Net profit after tax

Reported NPAT fell 10.9% to $203.1 million in FY16. The decline was largely driven by higher net claims incurred.

[1] Cures for 1H15 have been restated

2.3 Analysis of underwriting performance

The underwriting performance in FY16 reflects the following key factors:

(a) GWP fell 24.8% due to a lower average LVR mix of business;
(b) The loss ratio for FY16 was 35.1% compared to 24.0 % in FY15 due to an increase in delinquencies, especially in the mining regions;
(c) The expense ratio decreased from 26.2% in FY15 to 25.7% in FY16 as a consequence of the ongoing focus on expense management;
(d) The insurance margin decreased to 48.1% compared with 58.1% for FY15 driven by higher net claims incurred.

Table 6[1]: Key underwriting metrics

	1H15	2H15	1H16	2H16		FY15	FY16
New Insurance Written ($ billions)	17.7	14.9	14.0	12.6		32.6	26.6
Gross Written Premium ($ millions)	285.4	222.2	189.8	192.1		507.6	381.9
Net Earned Premium ($ millions)	225.7	244.2	228.8	224.0		469.9	452.9
Claims Paid[2] ($ millions)	36.8	42.0	41.1	44.8		78.8	85.9
Expense Ratio	26.7%	25.7%	24.4%	27.1%		26.2%	25.7%
Loss Ratio	22.1%	25.7%	33.0%	37.2%		24.0%	35.1%
Combined Ratio	48.8%	51.4%	57.3%	64.3%		50.2%	60.8%
Insurance Margin	57.2%	59.0%	63.5%	32.4%		58.1%	48.1%
Delinquency Rate	0.40%	0.38%	0.43%	0.46%		0.38%	0.46%

[1] Totals may not sum due to rounding.
[2] Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation and claims paid.

Section 3

Portfolio Performance

3 Portfolio Performance

3.1 Insurance portfolio

3.1.1 In-force portfolio as at 31 December 2016

Genworth had an in-force portfolio of approximately $324 billion as at 31 December 2016. The Group's Standard LMI product comprises the largest part of the overall in-force portfolio at 91%, and Low Doc product represents only 5% of the total in-force portfolio. The following charts display the segmentation of the Group's in-force portfolio.

Figure 5: Insurance in-force by book year

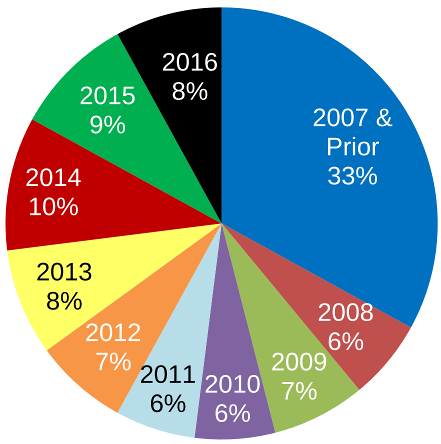


Figure 6: Insurance in-force by original LVR

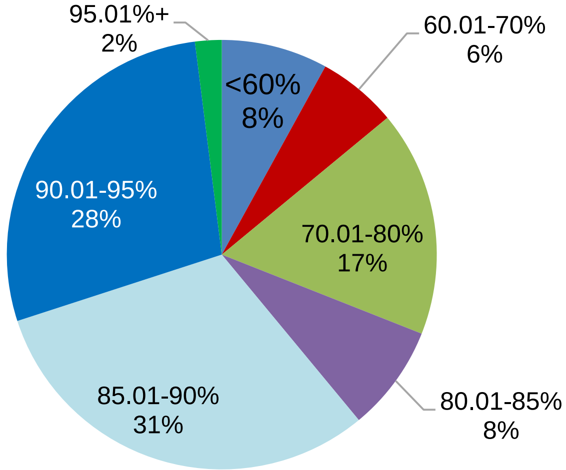


Figure 7: Insurance in-force by product

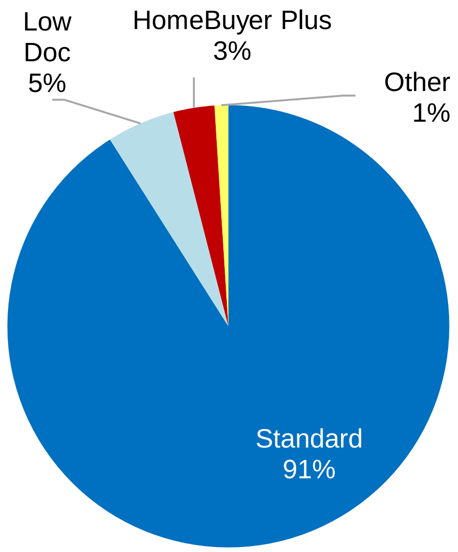
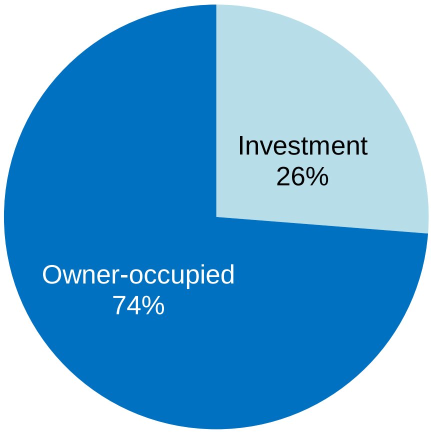


Figure 8: Insurance in-force by loan type



3.1.2 Effective LVR

The table below shows the effective LVR of the portfolio as at 31 December 2016. Genworth calculates the estimated house price-adjusted effective LVR, using the Core Logic Home Price Index that provides detail of house price movements across different geographic regions, and assumes 30-year principal and interest amortising loans, with the mortgage rate remaining unchanged through the period. Effective LVR is not adjusted for prepayments, redraws or non-amortising residential mortgage loans insured.

Table 7[1]: Effective LVR as at 31 December 2016

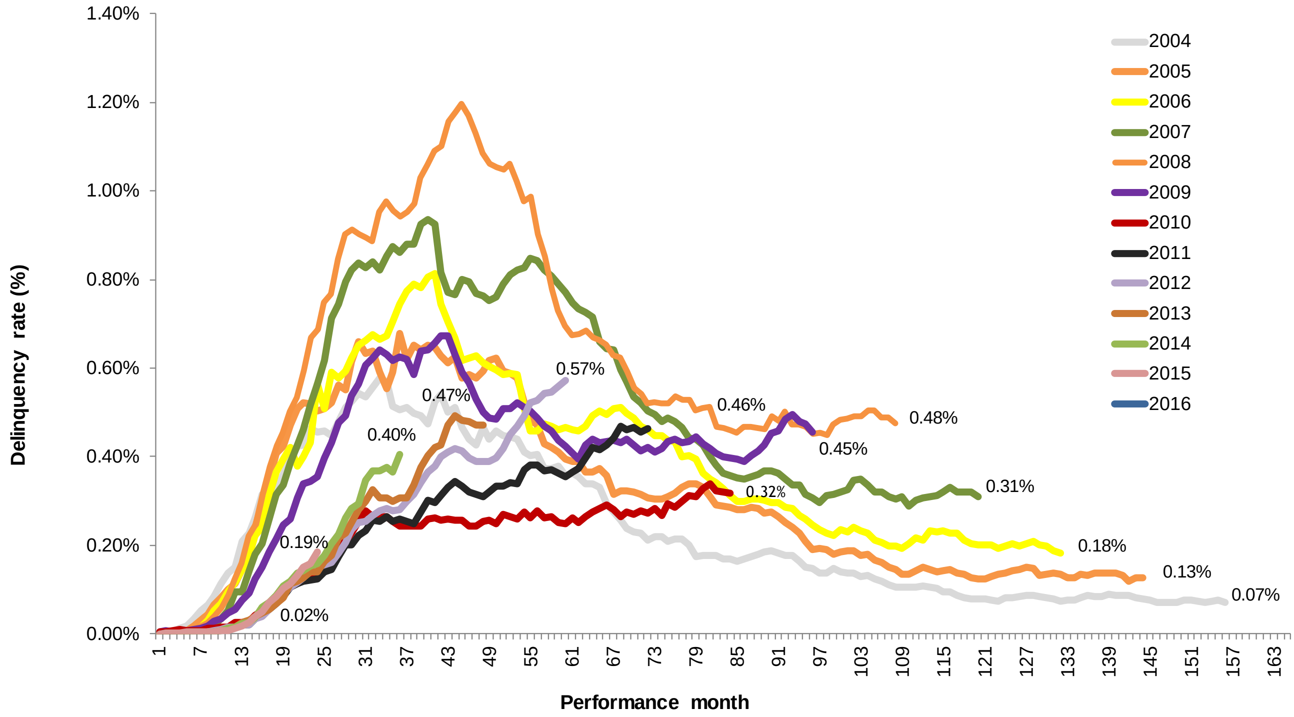
Book year	Insurance in-force		LVR		Portfolio change in house prices %
	$ billion	%	Original	Effective	
2007 & prior	70.7	24%	76.6%	33.4%	96%
2008	16.9	6%	81.7%	55.8%	40%
2009	19.0	7%	84.6%	56.9%	36%
2010	15.0	5%	80.9%	61.2%	24%
2011	16.1	6%	83.5%	63.1%	27%
2012	22.8	8%	86.3%	64.8%	30%
2013	26.1	9%	87.2%	68.9%	25%
2014	29.6	10%	87.2%	75.5%	15%
2015	28.4	10%	85.7%	79.7%	7%
2016	25.2	9%	83.6%	82.9%	2%
Total Flow	**269.8**	**93%**	**81.9%**	**55.6%**	**49%**
Portfolio	21.8	7%	55.2%	23.6%	97%
Total / Weighted Avg.	**291.6**	**100%**	**79.4%**	**52.6%**	**54%**

[1] Table excludes Inward Reinsurance, New Zealand and Genworth Financial Mortgage Indemnity as the Group does not have comparative data available for these lines of business.

3.2 Delinquency rate by Book Year

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

Figure 9: Delinquency development by book year



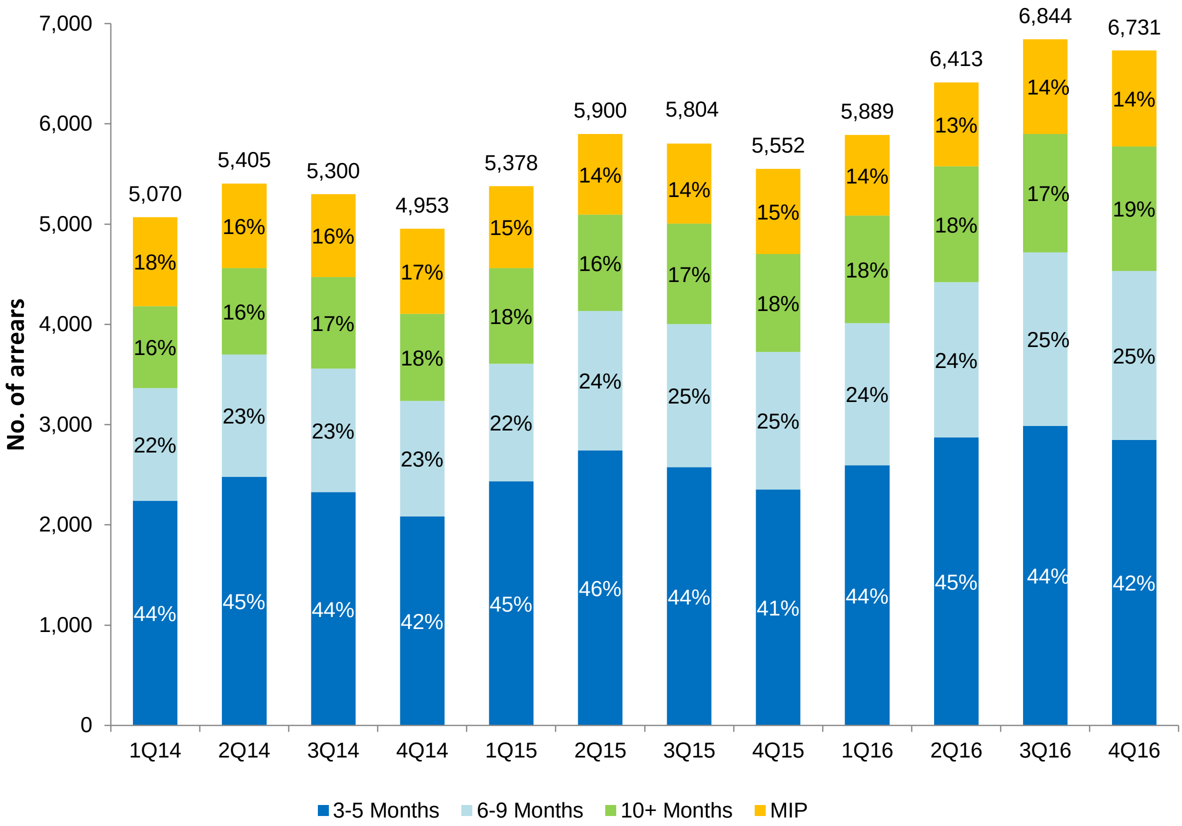
Each line illustrates the level of 3 month+ delinquencies relative to the number of months an LMI policy has been in-force for policies issued within a specific year.

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

The post-GFC book years are seasoning at lower levels as a result of credit tightening, however, accelerated increases for 2012-14 books have been predominantly driven by regional parts of Queensland and Western Australia that are continuing to face challenges as a result of the downturn in the mining sector.

3.3 Delinquency population by months in arrears bucket

Figure 10: Delinquency population by months in arrears bucket



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

Section 4

Balance Sheet and Investments

4 Balance Sheet and Investments

4.1 Statement of financial position

This section contains the consolidated statements of financial position for the Group as at 31 December 2016.

Table 8[1] Consolidated statement of financial position

(A$ in millions), as at	31 Dec 15	31 Dec 16
Cash and cash equivalents	78.1	57.6
Accrued investment income	34.6	28.8
Investments	3,847.8	3,465.0
Trade and other receivables	2.8	1.6
Prepayments	2.2	2.3
Deferred reinsurance expense	71.0	80.2
Non-reinsurance recoveries	28.8	34.4
Deferred acquisition costs	145.1	142.0
Property, plant and equipment	0.8	0.5
Deferred tax assets	10.6	10.0
Intangibles	1.0	2.0
Goodwill	9.1	9.1
Total Assets	**4,232.0**	**3,833.4**
Payables	77.6	35.0
Reinsurance payable	86.8	95.3
Outstanding claims	277.0	355.5
Unearned premiums	1,320.6	1,177.8
Employee benefit provision	6.8	6.4
Interest bearing liabilities	244.4	196.0
Total Liabilities	**2,013.2**	**1,866.0**
Net Assets	**2,218.7**	**1,967.4**
Share capital	1,556.5	1,354.0
Other equity	662.2	613.3
Total Equity	**2,218.7**	**1,967.4**

[1] Totals may not sum due to rounding.

4.2 Total assets

Total assets of the Group as at 31 December 2016 were $3,833.4 million compared to $4,232.0 million at 31 December 2015. The movement mainly reflects a $403.3 million decrease in cash and investments due to cash outflows from the final ordinary dividend and special dividend both paid in March 2016 and the $202.4 million capital reduction paid in June 2016.

4.3 Investments

4.3.1 Investment strategy

As at 31 December 2016, the Group had a $3,522.6 million cash and investments portfolio, invested 92% in Australian denominated cash, cash equivalents and fixed income securities rated A- or higher. The primary investment objective is to manage the portfolio of securities to help achieve return and income targets, whilst minimising volatility of total returns and providing liquidity to pay claims. This asset allocation and asset management strategy represents the previous long-standing approach taken by the Group to investment management.

As at 31 December 2016, Genworth had invested $187.7 million in Australian equities in line with the previously stated strategy to improve investment returns on the portfolio within acceptable risk tolerances.

4.3.2 Group investment assets

The Group's investments totalled $3,522.6 million as at 31 December 2016 with $1,318.5 million allocated to the Technical Funds to support premium liabilities and outstanding claims reserves. The duration to maturity of the total investment portfolio is estimated at 2.5 years.

4.3.3 Investment portfolio characteristics as at 31 December 2016

Figure 11: Investment assets by term to maturity

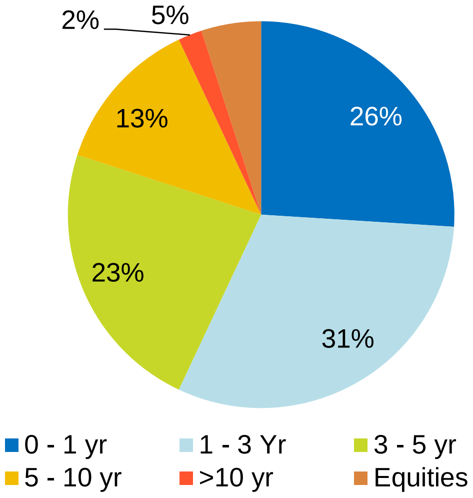


Figure 12: Investment assets by issuer type

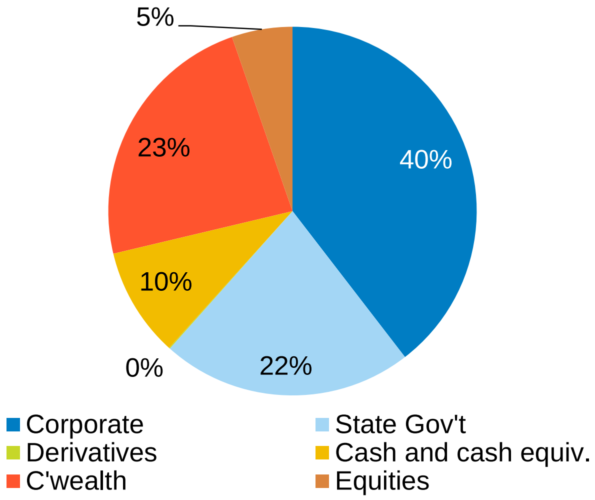


Figure 13: Investment assets by credit rating

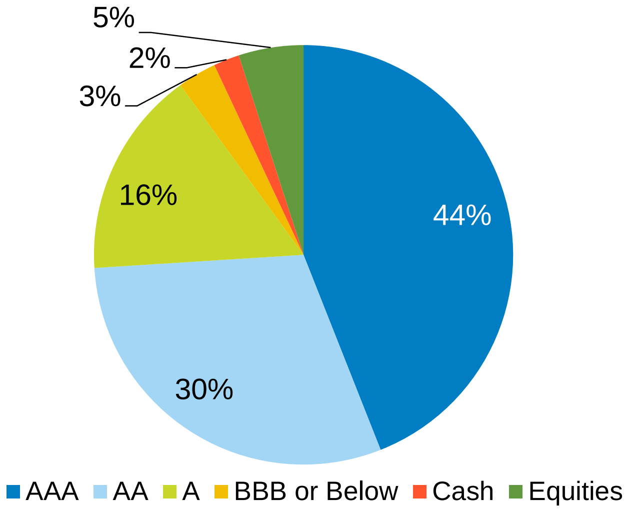
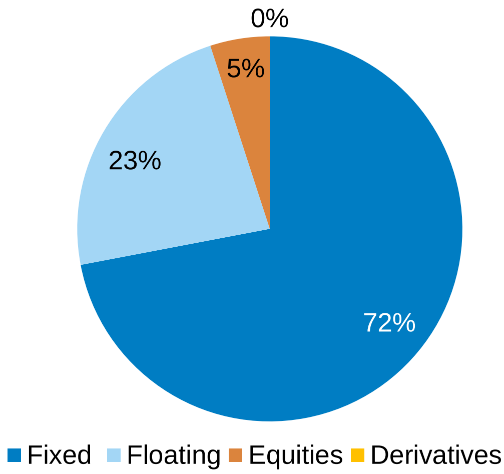


Figure 14: Investment assets by type



4.3.4 Investment Performance

The decline in the investment return is driven by both the reduction in investment balance compared to the previous period and the low interest rate environment. Fixed interest securities purchased at higher yields have gradually matured with the funds reinvested predominantly in shorter duration assets at lower yields.

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

Table 9: Investment income and investment return

($ millions), as at	30 Jun 15	31 Dec 15	30 Jun 16	31 Dec 16
Cash	300.0	78.1	37.8	57.6
Accrued investment income	37.9	34.6	32.5	28.8
Investments	3,805.8	3,847.8	3,601.4	3,465.0
Total Cash and Investments	**4,143.7**	**3,960.5**	**3,671.7**	**3,551.3**

($ millions)	1H15	2H15	1H16	2H16		FY15	FY16
Interest income	77.6	72.9	67.3	60.7		150.5	128.0
Investment return[1]	**3.72%**	**3.60%**	**3.53%**	**3.37%**		**3.69%**	**3.41%**

4.4 Total liabilities

The total liabilities of the Group as at 31 December 2016 were $1,866.0 million compared to $2,013.2 million at 31 December 2015. Notable movements contributing to the $147.2 million decrease over the period include:

- $42.6 million decrease in payables mainly related to tax installments made in FY16;
- $78.5 million increase in outstanding claims reflecting an increase in the delinquency position;
- $142.8 million decrease in unearned premium reflecting the lower level of new premium written in FY16; and
- $48.4 million decrease in interest bearing liabilities reflecting the redemption of $49.6 million of existing $140 million Tier 2 notes.

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

4.4.1 Unearned Premium Reserve (UPR)

Table 10: Movement in unearned premium reserve by book year

Book Year	As at 31 December 2015 ($ millions)	Gross written premium ($ millions)	Gross earned premium ($ millions)	As at 31 December 2016 ($ millions)
2008	2.2	-	(2.2)	-
2009	16.4	-	(13.7)	2.7
2010	32.1	-	(14.9)	17.2
2011	59.0	-	(24.6)	34.4
2012	138.2	-	(56.5)	81.7
2013	236.2	-	(87.5)	148.7
2014	388.1	-	(141.6)	246.5
2015	448.4	-	(142.6)	305.8
2016	-	381.9	(41.1)	340.8
Total	**1,320.6**	**381.9**	**(524.7)**	**1,177.8**

4.5 Equity

The Group's equity decreased by $251.4 million over the period, with current period earnings offset by dividends paid in FY16 and the $202.4 million capital reduction.

The following tables present a measure of Underlying Equity that is used for calculating the Underlying ROE.

Underlying Equity, which is a non-IFRS financial measure, is calculated by adjusting total equity to exclude any after-tax impacts of unrealised gains or losses on securities held in the Group's investment portfolio.

Table 11: Reconciliation of Statutory NPAT and Underlying NPAT

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

Table 12: Reconciliation of Total Equity and Underlying Equity

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

Table 13: Underlying ROE

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

[1] Figures have been restated due to rounding.
[2] Figures have been restated to include life to date unrealised (gains)/losses on derivatives.
[3] For the purposes of calculating Underlying ROE, Underlying Equity is defined as the average Underlying Equity between the start and end of the relevant 12-month period.

Section 5

Capital and Dividends

5 Capital and Dividends

5.1 Regulatory capital position

The capital management strategy of the Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite. The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Group as a whole, and each regulated entity, are independently capitalised to meet internal and external requirements.

The Group's capital position was strong as at 31 December 2016 with a regulatory capital solvency level of 1.57 times the Prescribed Capital Amount (PCA) on a Level 2 basis and a CET1 ratio of 1.42 times PCA.

The regulatory solvency position is above the Board's targeted range of 1.32-1.44 times the PCA and above the regulatory CET1 requirement of 0.60 times PCA.

Table 14[1]: PCA coverage ratio (Level 2)

(A$ in millions), as at	31 Dec 15	31 Dec 16
Capital Base		
Common Equity Tier 1 Capital (incl. excess technical provisions)	2,351.2	2,012.8
Tier 2 Capital	249.6	200.0
Regulatory Capital Base	**2,600.8**	**2,212.8**
Capital Requirement		
Probable Maximum Loss (PML)	2,509.7	2,284.6
Net premiums liability deduction	(290.0)	(288.8)
Allowable reinsurance	(875.5)	(900.5)
LMI Concentration Risk Charge (LMICRC)	**1,344.2**	**1,095.3**
Asset risk charge	76.9	111.0
Asset concentration risk charge	-	-
Insurance risk charge	226.6	229.8
Operational risk charge	27.7	30.0
Aggregation benefit	(37.1)	(52.2)
Prescribed Capital Amount (PCA)	**1,638.3**	**1,413.9**
PCA Coverage ratio (times)	**1.59 x**	**1.57 x**

[1] Totals may not sum due to rounding.

The decrease in CET1 capital in FY16 mainly reflects the $249.9 million of dividends paid in FY16, the $202.4 million capital reduction and an $86.5 million decrease in the excess technical provisions, offset by $203.1 million reported NPAT. Tier 2 capital decreased following the redemption of $49.6 million of the $140.0 million notes issued in 2011. The PCA coverage ratio was consistent with FY15.

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

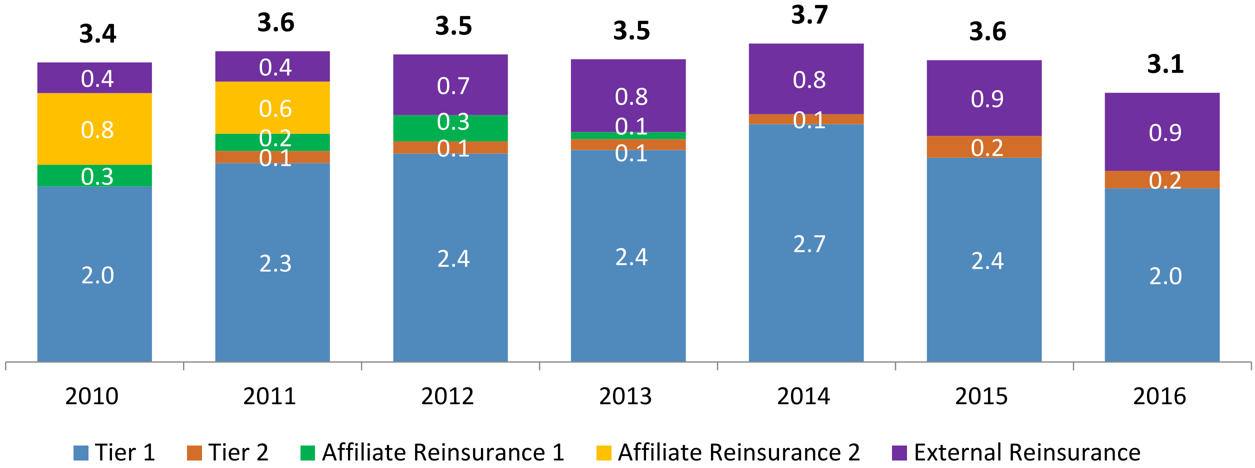


Figure 15 shows the mix of the three key components of the capital base, including common equity (Tier 1 Capital), other qualifying capital instruments (Tier 2 Capital) and APRA allowable reinsurance. Since 2010, Genworth has implemented a strategy that has:

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

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

5.2 Reinsurance

Genworth restructured and increased the Excess of Loss (XOL) reinsurance treaties by $50 million as at 1 January 2017, increasing its level of qualifying reinsurance from $900 million as at 31 December 2016 to $950 million as at 1 January 2017. Qualifying reinsurance was also $950 million as at 1 January 2016. Qualifying reinsurance is an important part of the ongoing optimisation of Genworth's capital base over the medium term.

Figure 16: Reinsurance Program 31 Dec 2016

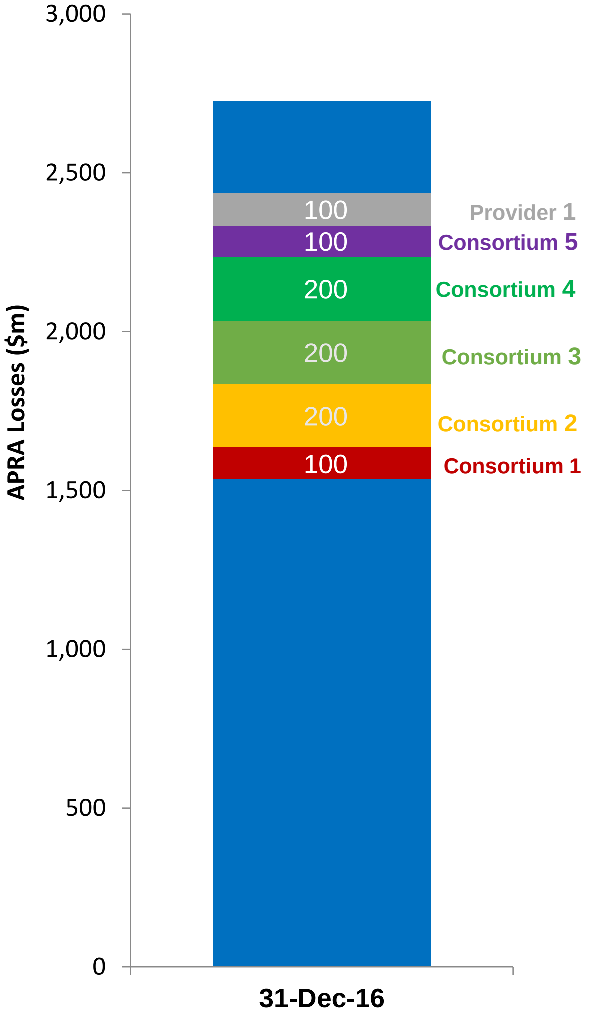
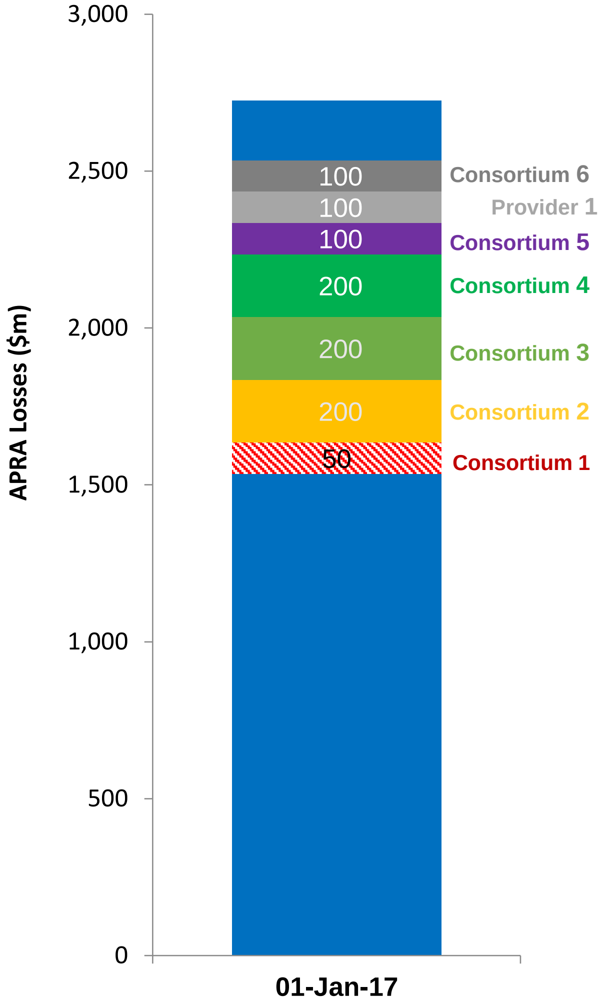


Figure 17: Reinsurance Program 1 Jan 2017[1]



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

5.3 Dividend

The Board has determined a medium-term ordinary dividend payout ratio of 50-80% of Underlying NPAT.

On 8 February 2017, the Board declared a fully franked final ordinary dividend of 14 cents per share payable on 8 March 2017 to shareholders registered on 22 February 2017.

Table 15: Calculation of Underlying NPAT for FY15 and FY16

(A$ in millions)	FY15	FY16
Reported NPAT	228.0	203.1
Adjustment for change in unrealised gains/(losses)	52.4	13.1
Adjustment for tax on change in unrealised gains/(losses)	(15.7)	(4.0)
Underlying NPAT	264.7	212.2

Table 16: Reconciliation of dividend payout ratio[1]

	FY15	FY 16
Ordinary Dividend (cents per share)	26.5	28.0
Ordinary Dividend ($ millions)	164.6	142.6
Underlying NPAT ($ millions)	264.7	212.2
Dividend Payout Ratio	62.2%	67.2%

In June 2016, the Company implemented a capital management initiative by way of a capital reduction and associated share consolidation. A distribution of 34 cents per share, representing a total payment of approximately $202 million, was paid to shareholders. The cash distribution was combined with a related share consolidation, through the conversion of each share into 0.8555 shares, which was designed to provide shareholders an earnings per share outcome similar to a share buy-back.

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

Section 6

Appendices

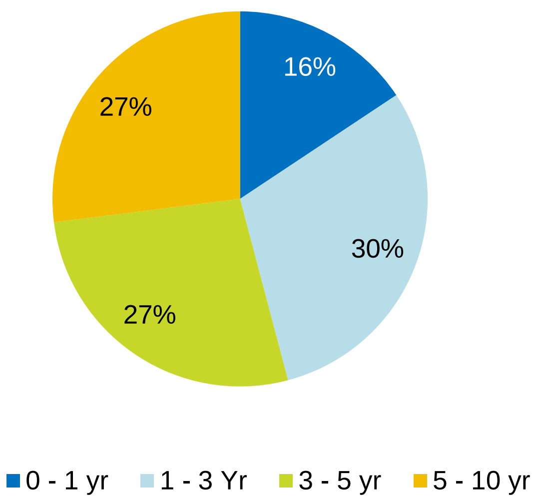
6 Appendices

Appendix A - Investment Portfolio

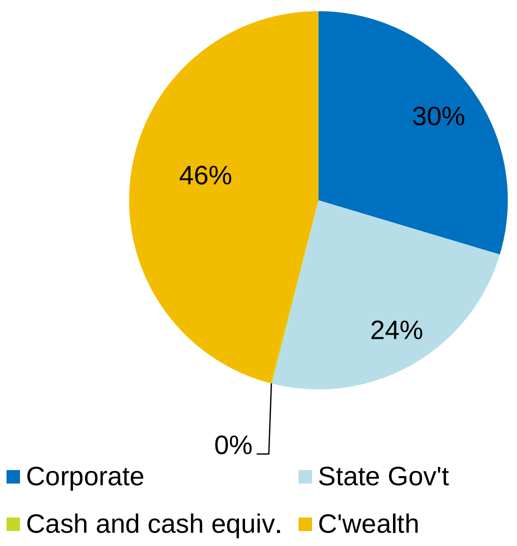
A.1 Investment assets backing technical liabilities

As at 31 December 2016, Genworth's technical funds were $1.3 billion.

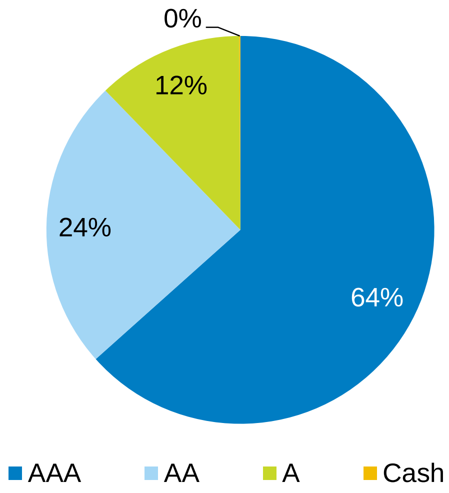
Investment assets by term to maturity



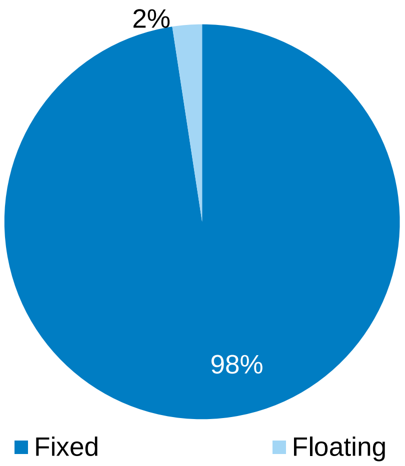
Investment assets by source



Investment asset by credit rating



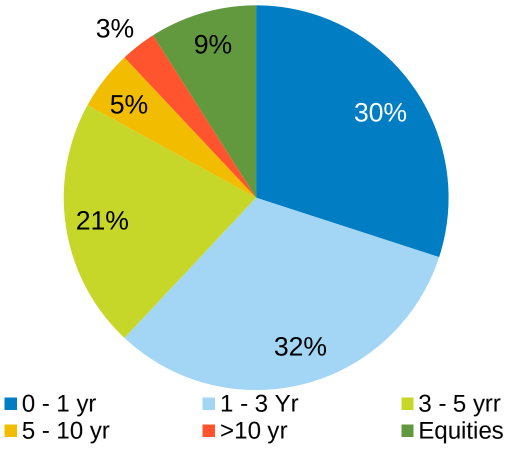
Investment assets by type



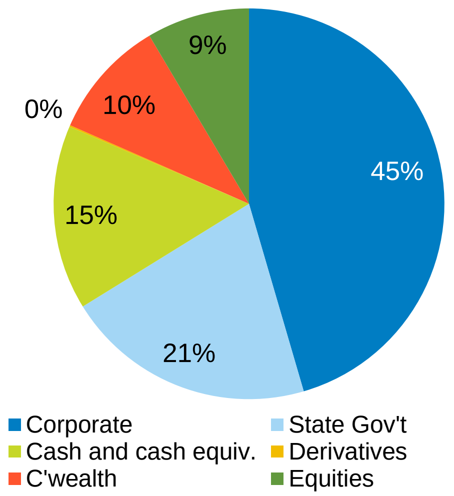
A.2 Shareholders' funds

As at 31 December 2016, Genworth shareholders' funds were $2.2 billion.

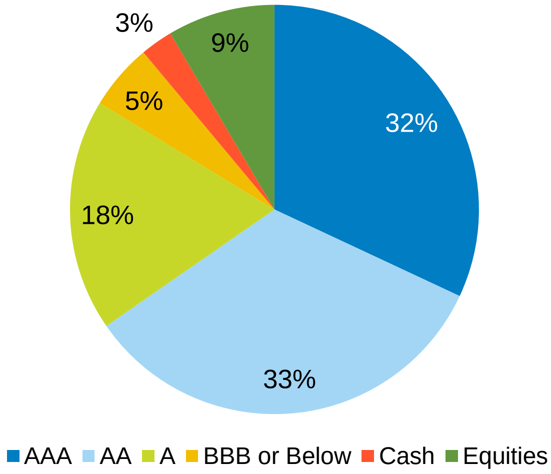
Investments assets by term to maturity



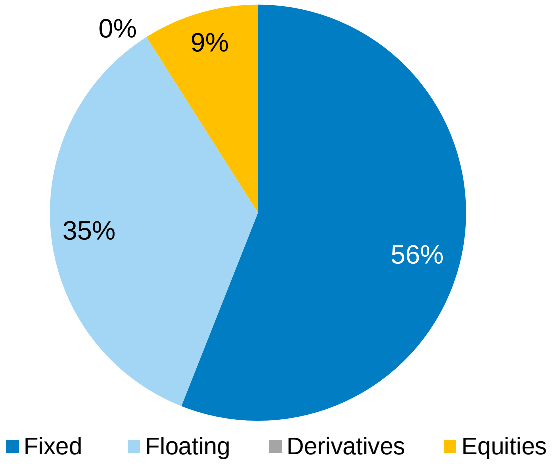
Investments assets by source



Investments assets by credit rating



Investments assets by type



Appendix B – AIFRS to USGAAP Reconciliation

The purpose of this Appendix to reconcile the USGAAP segment results to the AIFRS Genworth Consolidated Income Statement for the period ended 31 December 2016.

Walk from US GAAP AUS Segment Results to AIFRS Genworth Consolidated Income Statement for year ended 31 December 2016	Quarterly Supplement	Less: Non controlling interest	Quarterly Supplement	AUD equivalent Quarterly Supplement	Adjustments (a)	(b)	(c)	(d)	(e)	Total adjustments	Genworth Group
	U$M	U$M	U$M	A$M	A$M	A$M	A$M	A$M	A$M	A$M	A$M
Premiums	337		337	453						0	453
Interest income	94		94	126	2					2	128
Realised investment gains/ losses	9		9	12			(1)			(1)	11
Unrealised gains/ losses	-		0	-			(13)			(13)	(13)
Other income	0		0	0						0	0
Total Revenue	**440**	**0**	**440**	**591**	**2**	**0**	**(14)**	**0**	**0**	**(12)**	**579**
Net claims incurred	113		113	152				7		7	159
Other underwriting expenses	96		96	129	(17)	(47)			(1)	(65)	64
Amortization of Intangibles	0		0	1						0	1
Acquisition costs (DAC amortisation)	14		14	18		35				35	53
Interest Expense/Financing related costs	10		10	14	(0)				0	0	14
Total Expenses	**233**	**0**	**233**	**314**	**(17)**	**(12)**	**0**	**7**	**(1)**	**(23)**	**291**
Total Pre-tax Income	207	0	207	278	19	12	(14)	(7)	1	11	289
Total Tax Expense	67		67	90	(1)	4	(4)	(2)	0	(4)	86
Net income	**140**	**0**	**140**	**188**	**20**	**8**	**(10)**	**(5)**	**1**	**15**	**203**
Less: net income attributable to noncontrolling interests	75	(75)	0	0						0	0
Net income available to Genworth common stockholders	**65**	**75**	**140**	**188**	**20**	**8**	**(10)**	**(5)**	**1**	**15**	**203**

Note: Totals may not sum due to rounding.

a) Investment income and FX measurement adjustment for U.S. entities outside Genworth Australia Group but included as part of USGAAP Aus Segment results, Corporate overhead allocation and U.S. Shareholder tax impact

(b) Differing treatment of DAC, with AIFRS seeing a higher level of deferral and amortisation

(c) Under AIFRS unrealised gains/(losses) on investments are recognised in the income statement

(d) AIFRS requires reserves to be held with a risk margin and an adjustment to the level of reserves for the non-reinsurance recoveries

(e) Additional local share based payments and other misc expense differences

Appendix C – Key Performance Measures

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

All figures are $AUD and AIFRS

	2015					2016				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Net premium written ($M)[1]	108	138	105	78	428	66	86	75	82	310
Loss ratio[2]	17%	27%	33%	18%	24%	27%	39%	45%	29%	35%
GAAP basis expense ratio[3]	27%	26%	26%	26%	26%	23%	25%	26%	28%	26%
Adjusted expense ratio[4]	28%	22%	30%	40%	29%	40%	34%	40%	38%	38%

Sales: new insurance written (NIW) ($M)	2015					2016				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Flow	7,212	8,337	8,505	6,392	30,446	6,225	6,673	6,081	6,555	25,535
Bulk	-	2,185	-	-	2,185	-	1,092	0	-	1,092
Total NIW	7,212	10,522	8,505	6,392	32,631	6,225	7,765	6,081	6,555	26,626

	2015				2016			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Primary insurance in force ($M)	315,982	316,306	319,464	320,468	322,043	324,249	323,472	324,301
Primary risk in force ($M)[5]								
Flow	103,120	102,683	103,944	104,228	104,778	105,295	104,955	105,360
Bulk	7,473	8,024	7,869	7,540	7,465	7,718	7,654	7,507
Total	110,594	110,707	111,812	111,768	112,243	113,013	112,609	112,866

1) Net premium written is calculated as gross written premium, less refunds and reinsurance. This metric differs to what is disclosed in 4Q 2016 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 4Q 2016 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 2016 GFI FS under International MI segment Australia as outlined in point 1 and there is a portion of certain corporate overhead expenses allocated by GFI to Australia business for management reporting purpose, which are not included in Genworth consolidated results.
4) The ratio of an insurer's general expenses to net premiums written. This metric differs to what is disclosed in Q4 2016 GFI FS under International MI segment Australia as outlined in point 3.
5) The majority of the loans the Group insures provide 100% coverage. For representing the risk in-force, the company has computed an "effective risk in-force" amount that recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor that represents the highest expected average per-claim payment for any one underwriting year over the life of the businesses. This factor was 35% for all periods presented. The Group has certain risk share arrangements where it provides pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage amount provided is used when applying the factor.

All figures are $AUD and AIFRS

Primary Insurance	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Insured loans in-force (#)	1,498,197	1,481,755	1,479,676	1,478,434	1,479,544	1,477,826	1,470,302	1,464,139
Insured delinquent loans (#)	5,378	5,900	5,804	5,552	5,889	6,413	6,844	6,731
Insured delinquency rate (%	0.36%	0.40%	0.39%	0.38%	0.40%	0.43%	0.47%	0.46%
Flow loans in-force (#)	1,382,156	1,364,653	1,364,537	1,364,628	1,366,914	1,364,756	1,358,286	1,354,616
Flow delinquent loans (#)	5,112	5,623	5,545	5,317	5,633	6,143	6,574	6,451
Flow delinquency rate (%)	0.37%	0.41%	0.41%	0.39%	0.41%	0.45%	0.48%	0.48%
Bulk loans in-force (#)	116,041	117,102	115,139	113,806	112,630	113,070	112,016	109,523
Bulk delinquent loans (#)	266	277	259	235	256	270	270	280
Bulk delinquency rate (%)	0.23%	0.24%	0.22%	0.21%	0.23%	0.24%	0.24%	0.26%

Loss Metrics ($M)	Mar 31, 2015	Jun 30, 2015	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Beginning Reserves[1]	**232**	**242**	**254**	**275**	**277**	**290**	**313**	**344**
Paid claims[2]	(18)	(19)	(21)	(21)	(18)	(23)	(24)	(21)
Increase in reserves	28	31	42	23	31	46	54	33
Ending Reserves	**242**	**254**	**275**	**277**	**290**	**313**	**344**	**356**

	Mar 31, 2015		Jun 30, 2015		Sep 30, 2015		Dec 31, 2015		Mar 31, 2016		Jun 30, 2016		Sep 30, 2016		Dec 31, 2016	
	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate	% of primary risk in force	Primary delinquency rate
State and Territory																
New South Wales	29%	0.29%	28%	0.30%	28%	0.30%	28%	0.27%	29%	0.29%	29%	0.30%	28%	0.32%	28%	0.30%
Queensland	23%	0.50%	23%	0.57%	23%	0.57%	23%	0.53%	23%	0.55%	23%	0.62%	23%	0.67%	23%	0.66%
Victoria	23%	0.32%	23%	0.34%	23%	0.35%	23%	0.33%	23%	0.35%	23%	0.37%	23%	0.39%	23%	0.38%
Western Australia	11%	0.37%	12%	0.45%	12%	0.45%	12%	0.46%	11%	0.53%	11%	0.61%	12%	0.69%	12%	0.74%
South Australia	6%	0.48%	6%	0.52%	6%	0.50%	6%	0.51%	6%	0.52%	6%	0.59%	6%	0.62%	6%	0.61%
ACT	3%	0.13%	3%	0.14%	3%	0.15%	3%	0.17%	3%	0.18%	3%	0.19%	3%	0.20%	3%	0.17%
Tasmania	2%	0.28%	2%	0.35%	2%	0.31%	2%	0.32%	2%	0.38%	2%	0.36%	2%	0.37%	2%	0.35%
New Zealand	2%	0.27%	2%	0.27%	2%	0.23%	2%	0.17%	2%	0.13%	2%	0.10%	2%	0.10%	2%	0.07%
Northern Territory	1%	0.20%	1%	0.24%	1%	0.21%	1%	0.17%	1%	0.21%	1%	0.27%	1%	0.33%	1%	0.36%
Total	**100%**	**0.36%**	**100%**	**0.40%**	**100%**	**0.39%**	**100%**	**0.38%**	**100%**	**0.40%**	**100%**	**0.43%**	**100%**	**0.47%**	**100%**	**0.46%**
By Policy Year																
2007 and prior	39%	0.29%	37%	0.32%	36%	0.31%	36%	0.29%	36%	0.29%	35%	0.31%	34%	0.31%	34%	0.30%
2008	7%	0.87%	7%	0.97%	7%	0.93%	6%	0.89%	6%	0.98%	6%	1.01%	6%	1.07%	6%	1.03%
2009	9%	0.70%	8%	0.73%	8%	0.75%	8%	0.71%	7%	0.73%	7%	0.84%	7%	0.93%	7%	0.87%
2010	6%	0.42%	6%	0.45%	6%	0.44%	6%	0.46%	6%	0.51%	6%	0.55%	5%	0.59%	5%	0.56%
2011	7%	0.42%	7%	0.46%	6%	0.46%	6%	0.46%	6%	0.52%	6%	0.58%	6%	0.66%	5%	0.68%
2012	9%	0.40%	9%	0.49%	9%	0.51%	8%	0.49%	8%	0.54%	8%	0.64%	8%	0.72%	8%	0.80%
2013	10%	0.26%	10%	0.32%	10%	0.37%	10%	0.37%	9%	0.47%	9%	0.54%	9%	0.62%	8%	0.61%
2014	11%	0.06%	11%	0.12%	11%	0.16%	11%	0.19%	11%	0.26%	10%	0.36%	10%	0.45%	10%	0.51%
2015	2%	0.00%	5%	0.00%	7%	0.01%	9%	0.02%	9%	0.06%	9%	0.11%	9%	0.17%	9%	0.23%
2016	-	-	-	-	-	-	-	-	2%	0.00%	4%	0.00%	6%	0.01%	8%	0.03%
Total	**100%**	**0.36%**	**100%**	**0.40%**	**100%**	**0.39%**	**100%**	**0.38%**	**100%**	**0.40%**	**100%**	**0.43%**	**100%**	**0.47%**	**100%**	**0.46%**

1) Outstanding claims reserve under AIFR measurement includes a risk margin allowance and is grossed up for non-reinsurance recoveries, which are held as a separate asset on the balance sheet, which is different to what is disclosed in Q4 2016 GFI FS under International MI Segment Australia
2) Movement in borrower recovery receivable on paid claims is excluded from paid claim calculation.

All figures are $AUD and AIFRS

	1Q 2015	2Q 2015	3Q 2015	4Q 2015	Total 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	Total 2016
Paid claims[1] ($M), quarterly analysis										
Flow	17	19	21	21	78	18	23	24	21	86
Bulk	1	-	-	-	1	-	-	-	-	-
Total	18	19	21	21	79	18	23	24	21	86
Average paid claim [1] ($ thousands)	62.5	66.9	65.9	71.0		65.8	79.2	73.3	67.1	
Average reserve per delinquency [2] ($ thousands)	45.0	43.1	47.4	49.9		49.2	48.8	50.2	50.2	

	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
Loan amount (%)								
Over $550K	13%	14%	14%	15%	15%	15%	15%	16%
$400K to $550K	19%	19%	19%	19%	20%	20%	20%	20%
$250K to $400K	36%	36%	36%	36%	36%	36%	36%	35%
$100K to $250K	26%	25%	25%	25%	24%	24%	24%	24%
$100K or Less	6%	5%	5%	5%	5%	5%	5%	5%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Average primary loan size (thousands)	211	213	216	217	218	219	220	221

1) Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation.
2) This metric differs to what is disclosed in Q4 2016 GFI FS USGAAP results under International MI segment Australia as a risk margin is added to the outstanding claim provision under AIFRS measurement and the non reinsurance recoveries are grossed up and held as a separate asset on the balance sheet. This number also differs to that disclosed in the Prospectus. See the Glossary for more information.

All figures are $AUD and AIFRS

	Mar 31, 2015			June 30, 2015			Sep 30, 2015			Dec 31, 2015			Mar 31, 2016			June 30, 2016			Sep 30, 2016			Dec 31, 2016		
	Primary	**Flow**	**Bulk**	**Primary**	**Flow**	**Bulk**	**Primary**	**Flow**	**Bulk**	**Primary**	**Flow**	**Bulk**	**Primary**	**Flow**	**Bulk**	**Primary**	**Flow**	**Bulk**	**Primary**	**Flow**	**Bulk**	**Primary**	**Flow**	**Bulk**
by loan to value ratio [1]																								
95.01% and above	21,105	21,104	1	21,097	21,096	0	20,954	20,954	0	20,654	20,654	0	20,336	20,335	0	19,917	19,917	-	19,487	19,487	-	19,092	19,092	-
90.01% to 95.00%	27,707	27,698	9	27,887	27,878	9	28,348	28,340	8	28,718	28,710	8	29,023	29,015	8	29,371	29,363	8	29,584	29,576	8	29,928	29,920	8
80.01% to 90.00%	29,136	29,043	92	28,802	28,712	90	29,258	29,170	88	29,510	29,422	88	29,753	29,666	87	30,060	29,974	86	30,214	30,128	86	30,452	30,367	85
80.00% and below	32,646	25,275	7,372	32,922	24,996	7,926	33,252	25,480	7,772	32,886	25,442	7,444	33,131	25,762	7,370	33,665	26,042	7,623	33,324	25,764	7,560	33,394	25,981	7,414
Total	110,594	103,120	7,473	110,707	102,683	8,024	111,812	103,944	7,869	111,768	104,228	7,540	112,243	104,778	7,465	113,013	105,295	7,718	112,609	104,955	7,654	112,866	105,360	7,507

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

PML (A$ million)	FY11	FY12	FY13	FY14	FY15	FY16
Pre-2007	194.8	164.9	158.8	126.5	84.6	34.2
2007	353.4	102.8	101.6	91.0	81.3	74.6
2008	351.2	310.6	103.1	91.6	81.5	74.0
2009	644.0	434.3	411.1	119.7	105.3	94.2
2010	388.3	366.0	255.9	226.6	67.0	59.7
2011	410.9	404.5	394.7	263.7	232.7	68.6
2012	-	567.1	577.4	527.0	350.6	312.1
2013	-	-	582.0	568.4	518.2	343.9
2014	-	-	-	561.5	548.4	502.1
2015	-	-	-	-	429.7	418.0
2016	-	-	-	-	-	292.8
Total	**2,342.6**	**2,350.2**	**2,584.6**	**2,575.9**	**2,499.2**	**2,274.0**

GEP (A$ million)	FY11	FY12	FY13	FY14	FY15	FY16
Pre-2007	48.1	28.0	12.8	3.0	-	-
2007	38.8	37.6	22.6	13.5	3.5	-
2008	57.7	48.9	32.8	21.6	14.3	2.2
2009	121.5	79.6	57.0	43.0	32.4	13.6
2010	110.0	69.2	48.1	32.1	39.2	14.9
2011	69.5	95.2	73.9	54.3	51.0	24.6
2012	-	89.3	129.9	104.4	87.1	56.5
2013	-	-	99.7	143.2	122.4	87.5
2014	-	-	-	110.0	140.5	141.6
2015	-	-	-	-	64.2	142.6
2016	-	-	-	-	-	44.7
Total	**445.6**	**447.8**	**476.8**	**525.1**	**554.6**	**528.2**

Net claims incurred (A$ million)	FY11	FY12	FY13	FY14	FY15	FY16
Pre-2007	(34.9)	(48.4)	(12.5)	1.8	40.1	3.0
2007	(50.1)	(61.2)	(29.5)	(10.2)	11.3	(4.1)
2008	(52.9)	(79.2)	(31.9)	(22.6)	(23.7)	(8.6)
2009	(36.8)	(47.6)	(24.4)	(16.6)	(40.8)	(12.5)
2010	(7.0)	(15.0)	(9.7)	(8.1)	(24.0)	(11.7)
2011	(1.0)	(6.7)	(11.0)	(10.0)	(15.9)	(23.2)
2012	-	(1.1)	(7.8)	(11.2)	(24.5)	(43.9)
2013	-	-	(1.0)	(6.8)	(20.9)	(29.7)
2014	-	-	-	(0.8)	(12.9)	(20.3)
2015	-	-	-	-	(1.4)	(6.8)
2016	-	-	-	-	-	(0.9)
Total	**(182.7)**	**(259.2)**	**(127.8)**	**(84.5)**	**(112.7)**	**(158.8)**

Note: PML calculation excludes Genworth Financial Mortgage Indemnity.
GEP is gross of refunds and cancellations.

Glossary

7 Glossary

Term	Definition
ASX	ASX Limited ABN 98 008 624 691 or Australian Securities Exchange
Average reserve per delinquency	Average reserve per delinquency is calculated by dividing the outstanding claims balance by the number of delinquencies. This calculation differs from the average reserve per delinquency quoted in the Prospectus which was calculated by dividing the central estimate of the outstanding claims balance, net of the non-reinsurance recoveries, by the number of delinquencies
Book Year	The calendar year an LMI policy is originated
Borrower Sale	Borrower Sale is a type of loss mitigation activity initiated by Genworth by providing a dedicated team that includes a qualified real estate agent and working with borrowers and lenders on any borrower shortfall sale scenario with guidance and support. This activity is to help borrowers reduce any potential shortfall while reducing the claim size to which Genworth is exposed
Business select	Providing Self-Employed Borrowers access to residential mortgage finance by providing limited evidence of income. The borrower self certifies an income that is used to establish serviceability
Combined ratio	The combined ratio is the sum of the loss ratio and the expense ratio
Common Equity Tier 1 or CET1	The highest quality and most loss absorbing form of capital. Consists of total accounting equity, adjustments for certain reserves and adjustments for certain other items, such as intangible assets, which are excluded from the capital base
Delinquency rate	The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies
Expense ratio	The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium
Flow	On a loan by loan basis at the time of origination by the lender customer
Gearing	Gearing is calculated as debt divided by the sum of equity plus debt
Genworth Australia	Means Genworth or the Group
HLVR	High loan to value ratio (excluding capitalisation of LMI premium). Generally, a residential mortgage loan with an LVR in excess of a specified benchmark is referred to as an HLVR loan. This LVR benchmark is commonly 80%
Insurance in force	The original principal balance of all mortgage loans currently insured
Insurance margin	The insurance margin is calculated by dividing the profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses) by the net earned premium

Investment return	The investment return is calculated as the interest income on technical funds plus the interest income on shareholder funds (excluding realised and unrealised gains/(losses)) divided by the average balance of the opening and closing cash and investments balance for each financial year
Level 2	A term defined by APRA under GPS 001 referring to a consolidated insurance group
Loss ratio	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
Low Doc	Low doc loans (or low documentation loans) are generally used where a borrower does not have a verifiable income and generally require the borrower to complete a statutory declaration of financial income
NIW	New insurance written
NOHC	Non-operating holding company
PCA	Prescribed capital amount
PCA coverage	The PCA coverage is calculated by dividing the regulatory capital base by the prescribed capital amount
PCR	Prudential Capital Requirement comprising the PCA and any supervisory adjustment determined by APRA
Regulatory capital base	The regulatory capital base is the sum of Tier 1 Capital and Tier 2 Capital
Return on Equity (ROE)	The ROE is calculated by dividing NPAT by the average of the opening and closing equity balance for a financial period
Technical Funds	The investments held to support premium liabilities and outstanding claims reserves
Tier 1 Capital	As defined by GPS 112, Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: · Provide a permanent and unrestricted commitment of funds; · Are freely available to absorb losses; · Do not impose any unavoidable servicing charge against earnings; and · Rank behind claims of policyholders and creditors in the event of winding up
Underlying Equity	Underlying Equity is defined as total equity excluding the after-tax impact of unrealised gains (losses) on the investment portfolio.
Underlying NPAT	Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) and impairment losses on the investment portfolio
Underlying ROE	The Underlying ROE is calculated by dividing Underlying NPAT by the average of the opening and closing Underlying equity balance for a financial period
UPR	Unearned premium reserve