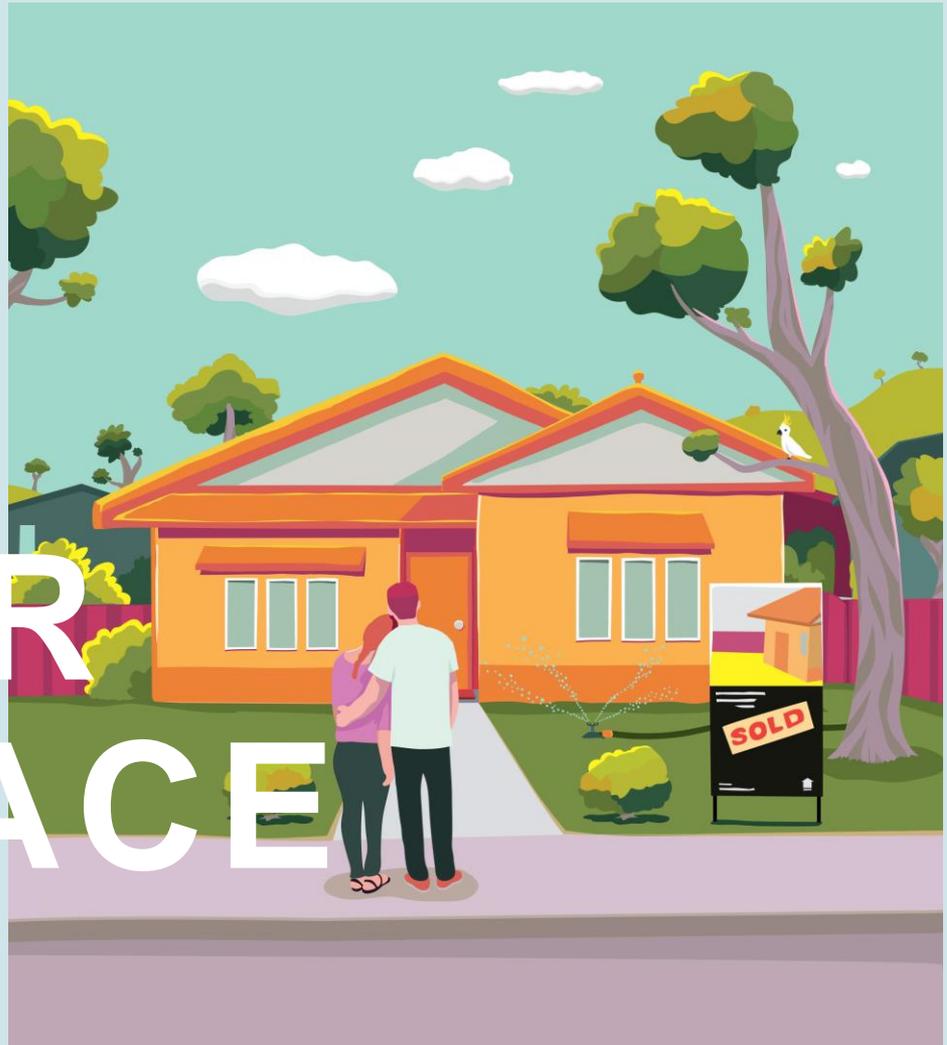




# OUR PLACE

6 FEBRUARY 2019  
**FINANCIAL RESULTS PRESENTATION**

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*Illustration by Sydney based artist and illustrator, Mike Watt*

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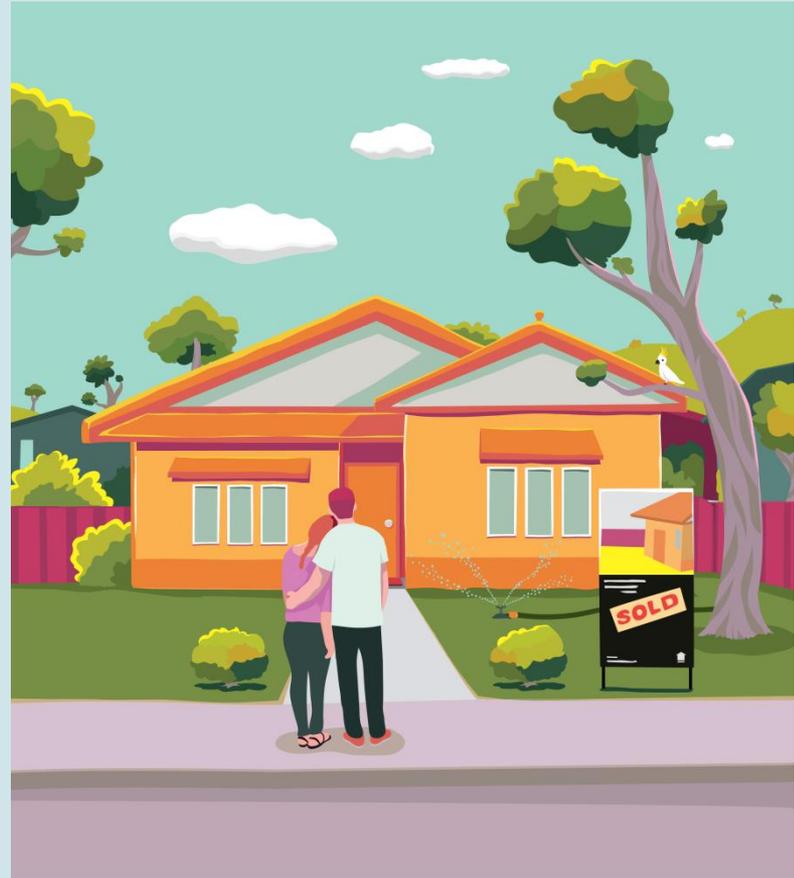
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# Introduction

Georgette Nicholas, CEO

# FY18 results overview

## Summary

(A\$ millions)	FY17	FY18	Change %
Gross written premium	369.0	460.2	24.7%
Net earned premium	370.5	281.3	(24.1%)
Reported net profit after tax	149.2	75.7	(49.3%)
Underlying net profit after tax <sup>1</sup>	171.1	93.9	(45.1%)
Ordinary dividends per share (cps)	24.0	17.0	(29.2%)
Ordinary dividends payout ratio	70.3%	80.0%	9.7%

Key financial measure	FY18 guidance	FY18 actual	
NEP growth	Down 25% to 30%	(24.1%)	✓
Full year loss ratio	50% to 55%	51.9%	✓
Dividend payout ratio	50% to 80%	80.0%	✓

1. Underlying NPAT excludes the after-tax impact of mark-to-market gains/(losses) on the investment portfolio, and the impact of unhedged movements in foreign exchange rates on Genworth's non-AUD exposures. The bulk of these foreign exchange exposures are fully hedged.
2. In October 2017 as part of its annual earnings curve review the Company adjusted the way in which it recognises premium revenue with the effect of lengthening the time period over which premium is earned (2017 Earnings Curve Review). The earning pattern was reviewed in 2018 as part of the Company's annual review process and no changes were made.

4 | Full Year 2018 financial results – produced by Genworth.

### FY18 result in line with guidance

- **GWP** increased 24.7%. Increase includes business written via Genworth's recently established Bermudan entity (utilising a consortium of global reinsurers). Only a portion of this premium will flow to NEP. Net of the premium to these reinsurers Genworth's GWP increased 8.4% in FY18
- **NEP** adversely impacted by 2017 Earnings Curve Review<sup>2</sup> (FY18: \$108.9 million and FY17: \$37.3 million). Excluding this impact NEP was down 4.3% in FY18. NEP includes release of \$8.2 million of unearned premium in 2Q18 as part of a new 'Lapsed Policy Initiative'
- **Reported NPAT** of \$75.7 million includes after-tax mark-to-market loss of \$18.3 million on investment portfolio
- **Underlying NPAT<sup>1</sup>** of \$93.9 million includes after-tax realised gain of \$12.2 million (FY17: after-tax realised gain of \$25.5 million). Excluding the 2017 Earnings Curve Review impact and realised gains on the investment portfolio Underlying NPAT was down 8.0%
- **Loss ratio** impacted by lower NEP. Excluding the 2017 Earnings Curve Review impact the FY18 loss ratio was 37.4% (FY17: 34.8%).

### Strategic update

- Significant progress in developing new products, signing new customers and implementing underwriting and operating efficiencies
- Insured 59,821 loans enabling the purchase of homes in Australia.

### Capital management

- Completed two on-market share buybacks in FY18 (valued at \$149.1 million) and announced new on-market share buyback (up to \$100.0 million) in FY19
- FY18 total ordinary dividend of 17.0 cps (fully franked) and special dividend of 4.0 cps (equates to yield of 9.6% (based on share price of \$2.19 as at 31/12/18)).

# FY18 results overview

## Summary

(A\$ millions)	4Q17	1Q18	2Q18	3Q18	4Q18	% Change 4Q17 v. 4Q18
Gross written premium	97.7	174.1	92.7	92.1	101.3	3.7%
Net earned premium	58.8	67.4	76.0	68.1	69.9	18.9%
Reported net profit after tax	28.4	8.4	33.5	19.6	14.2	(50.0%)
Underlying net profit after tax	17.1	19.9	30.4	20.4	23.3	36.3%
Loss ratio	53.1%	55.9%	50.9%	52.6%	48.2%	(490bps)

## 2017 Earnings Curve Review impact

(A\$ millions)	4Q17	1Q18	2Q18	3Q18	4Q18	FY18
Impact on NEP \$m	(37.3)	(32.3)	(28.6)	(24.8)	(23.2)	(108.9)
Loss ratio (adjusted to remove 2017 earnings curve impact)	32.5%	37.8%	37.0%	38.6%	36.2%	37.4%

## 4Q18 result

- Increase in 4Q18 GWP versus 4Q17 reflects growth in traditional LMI flow business
- Excess of loss contract signed with a new customer in 4Q18 resulting in Genworth now having commercial arrangements with Australia's five largest banks.

## 2017 Earnings Curve Review impact

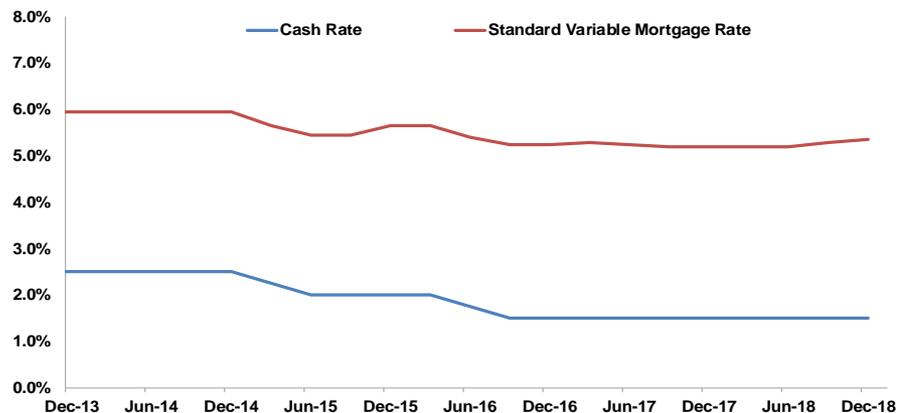
- 4Q18 is the first quarter the Company is cycling the impact of the 2017 Earnings Curve Review which took effect on 1 October 2017
- The 2017 Earnings Curve Review has the effect of lengthening the time over which premium is earned. It does not affect the quantum of revenue to be earned
- Unearned premium reserve as at 31 December 2018 was \$1.2 billion
- Adverse impact of the 2017 Earnings Curve Review on NEP is reducing quarter on quarter.

## Risk management

- Softening in cure rates experienced in 1H18 continued in 2H18
- Mining regions stabilising with signs of improvement
- Focus on maintaining risk management discipline as housing market moderates.

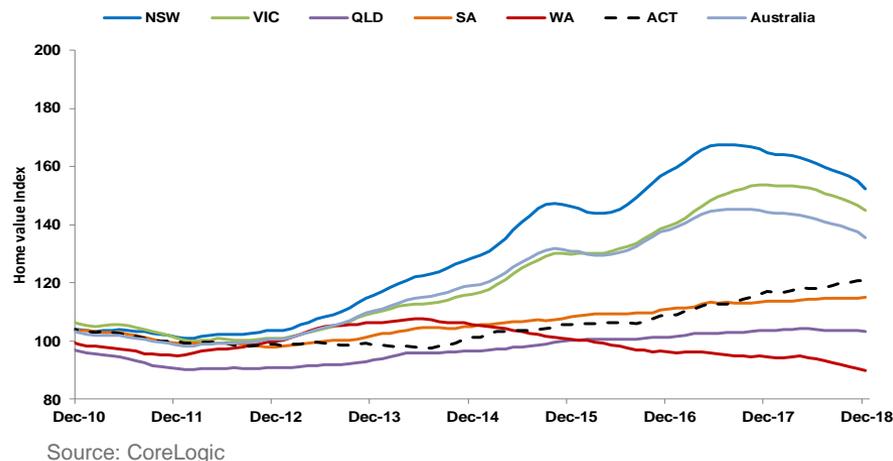
# Macroeconomic conditions

## Interest rates



Source: Reserve Bank of Australia

## House values – capital city dwellings



Source: CoreLogic

## Total delinquency rates by geography (Genworth)

State	Dec 17	Dec 18	Change (basis points)
New South Wales	0.31%	0.38%	7 bps
Victoria	0.37%	0.40%	3 bps
Queensland	0.67%	0.70%	3 bps
Western Australia	0.83%	0.98%	15 bps
South Australia	0.60%	0.68%	8 bps
<b>Group</b>	<b>0.47%</b>	<b>0.54%</b>	<b>7 bps</b>

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

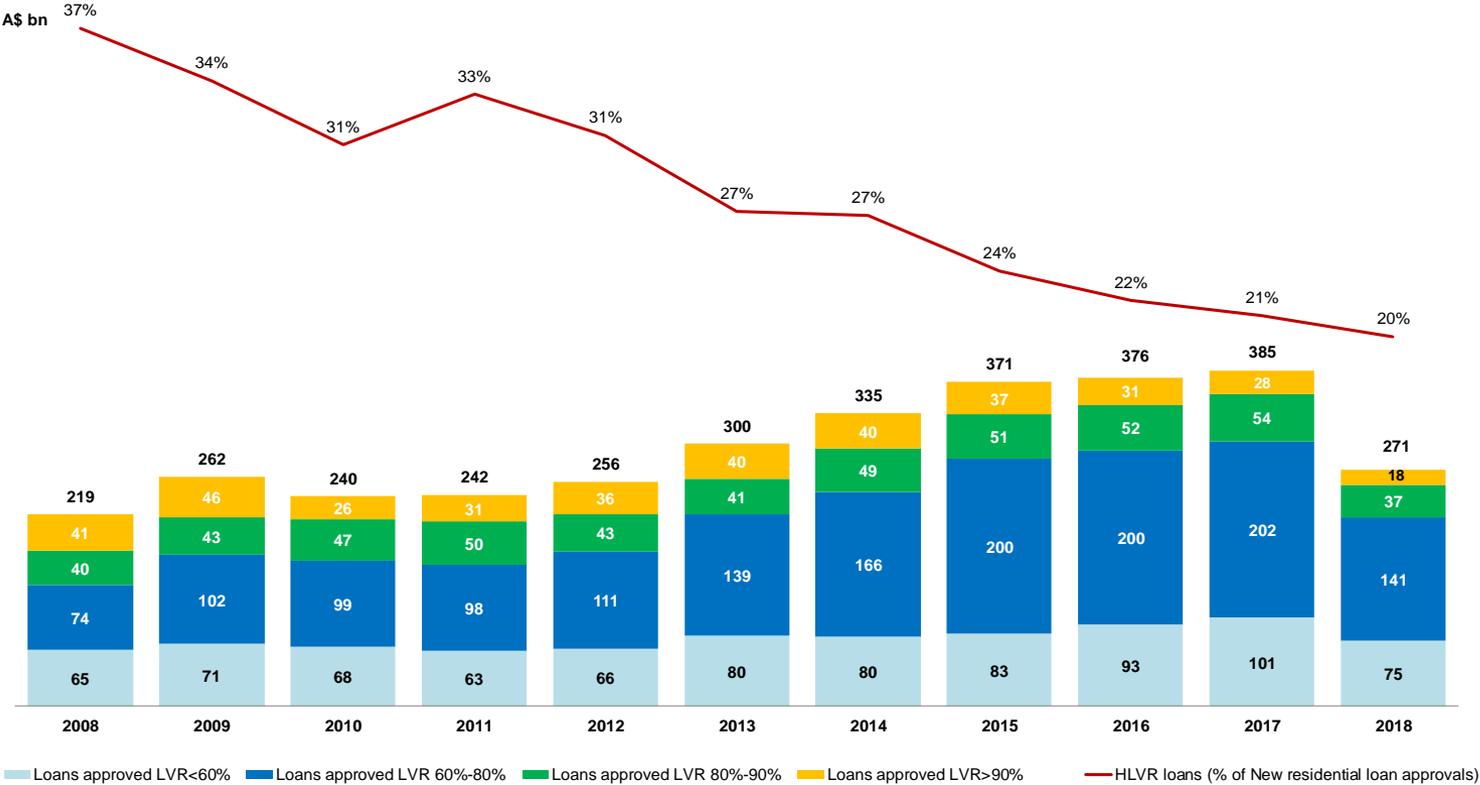
## Unemployment rates (seasonally adjusted)

State	Dec 17	Dec 18	Change (basis points)
New South Wales	4.8	4.3	(50 bps)
Victoria	6.1	4.2	(190 bps)
Queensland	6.0	6.1	10 bps
Western Australia	5.7	6.3	60 bps
South Australia	5.9	5.9	0 bp
<b>National</b>	<b>5.6</b>	<b>5.0</b>	<b>(60 bps)</b>

Source: Australian Bureau of Statistics.

# Residential mortgage lending market

## Originations and HLVR penetration<sup>1</sup>



Note: Totals may not sum due to rounding. Total new residential loans approved in the 9 months to 30 September 2018 were \$270.6 billion, down 4.8% on the previous corresponding period.

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

Sources: APRA Quarterly ADI property exposures statistics (ADI's new housing loan approvals), September 2018.

# Genworth's Strategic Program of Work

Designed to re-ignite profitable growth over the medium-term



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



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

2017 and 2018 initiatives	Longer-term initiatives (2019+)
---------------------------	---------------------------------

1. Redefine core business model

- Product enhancement
- Underwriting efficiencies
- Leverage data and partnerships
- Operating efficiencies
- Regulator and policy maker advocacy

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

- Product innovation
- Enhanced customer experience
- Leverage HLVR experience and expertise

Strategic enablers

People, organisation and cultural change

Data and analytics

Technology

Stakeholder management

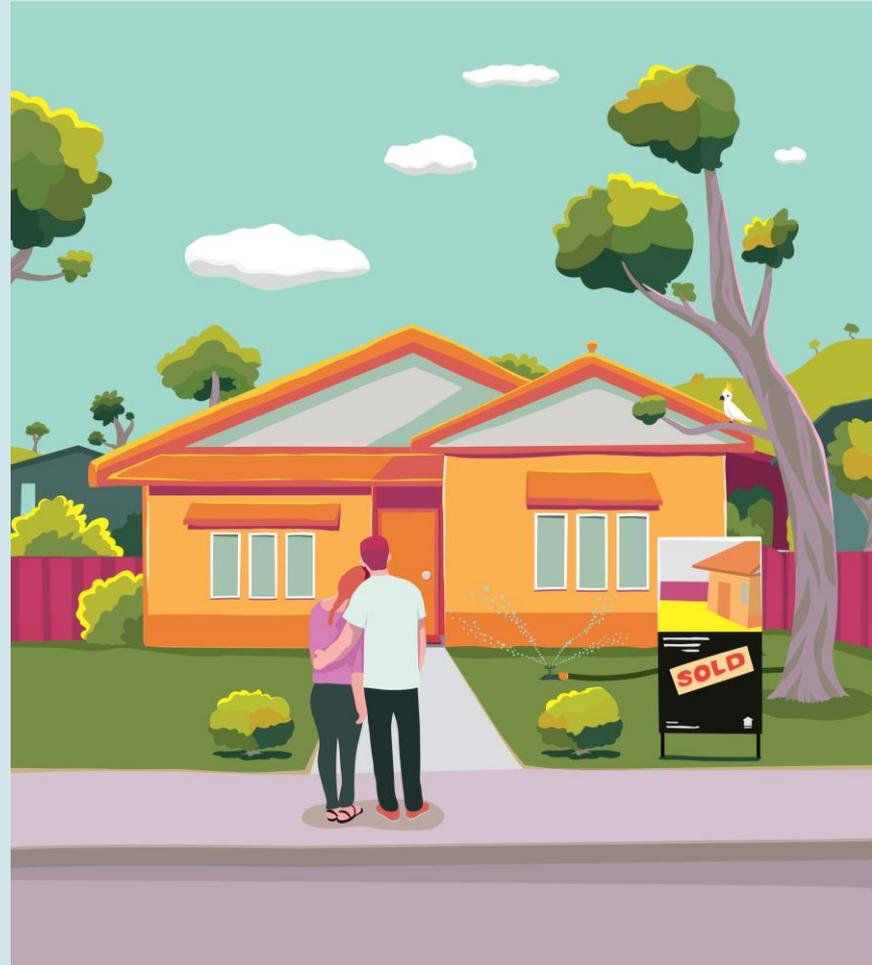
# Genworth's Strategic Program of Work

## Redefining our core business model

	Initiative	Deliverables
	<h3>Product enhancement</h3>	<p><b>Bespoke Risk Management Solutions:</b></p> <ul style="list-style-type: none"> <li>Bermudan insurance entity established enabling Genworth to offer bespoke risk management solutions for portfolio cover (across high &amp; low LVRs) utilising consortium of global reinsurers</li> <li>This “bespoke” offering has been utilised as a complementary risk management tool to traditional LMI cover and delivered significant GWP growth in FY18.</li> </ul> <p><b>Micro Markets LMI:</b></p> <ul style="list-style-type: none"> <li>Secured customer contract for provision of new borrower paid LMI in &lt;80% LVR segment on a micro markets basis.</li> </ul> <p><b>Excess of loss insurance (XOL):</b></p> <ul style="list-style-type: none"> <li>XOL agreements entered with a number of customers resulting in commercial arrangements now in place with all five of Australia's largest banks.</li> </ul>
	<h3>Underwriting efficiencies</h3>	<p><b>New auto decision platform &amp; eLMI portal:</b></p> <ul style="list-style-type: none"> <li>Launched new automated underwriting platform and data-only submission channel (eLMI portal) in October 2018</li> <li>These enable real-time LMI approval decisions to be made and deliver operating efficiencies and greater underwriting risk management insights.</li> </ul>
	<h3>Leveraging data and partnerships</h3>	<p><b>Tictoc Online Pty Limited (Tic:Toc):</b></p> <ul style="list-style-type: none"> <li>Small equity stake in Tic:Toc, a fintech in the online origination space, which operates as a direct-to-consumer and partner platform</li> <li>Appointment as Tic:Toc's exclusive LMI provider.</li> </ul>



# Detailed financial performance



# FY18 income statement

(A\$ millions)	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18	FY18 v FY17 (%)
Gross written premium	88.2	94.1	88.9	97.7	369.0	174.1	92.7	92.1	101.3	460.2	24.7%
Movement in unearned premium	36.7	26.5	28.1	(22.0)	69.2	(84.7)	0.8	(6.5)	(13.4)	(103.8)	(250.0%)
<b>Gross earned premium</b>	<b>124.9</b>	<b>120.6</b>	<b>117.0</b>	<b>75.7</b>	<b>438.2</b>	<b>89.4</b>	<b>93.5</b>	<b>85.6</b>	<b>87.9</b>	<b>356.3</b>	<b>(18.7%)</b>
Outwards reinsurance expense	(17.0)	(16.9)	(16.9)	(16.9)	(67.7)	(22.0)	(17.5)	(17.5)	(18.0)	(75.1)	10.9%
<b>Net earned premium</b>	<b>107.9</b>	<b>103.7</b>	<b>100.1</b>	<b>58.8</b>	<b>370.5</b>	<b>67.4</b>	<b>76.0</b>	<b>68.1</b>	<b>69.9</b>	<b>281.3</b>	<b>(24.1%)</b>
Net claims incurred	(37.6)	(36.0)	(37.0)	(31.2)	(141.8)	(37.7)	(38.7)	(35.8)	(33.7)	(145.9)	(2.9%)
Acquisition costs	(13.7)	(13.5)	(13.7)	(9.0)	(49.9)	(9.4)	(10.6)	(10.1)	(10.6)	(40.6)	18.6%
Other underwriting expenses <sup>1</sup>	(13.5)	(14.1)	(16.0)	(14.9)	(58.5)	(13.2)	(14.0)	(12.0)	(14.6)	(53.8)	8.0%
<b>Underwriting result</b>	<b>43.1</b>	<b>40.1</b>	<b>33.4</b>	<b>3.7</b>	<b>120.3</b>	<b>7.1</b>	<b>12.7</b>	<b>10.2</b>	<b>11.0</b>	<b>41.0</b>	<b>(65.9%)</b>
Investment income on technical funds <sup>2</sup>	12.7	5.8	1.2	8.3	28.0	6.6	8.2	6.4	17.5	38.7	38.2%
<b>Insurance profit</b>	<b>55.8</b>	<b>45.9</b>	<b>34.6</b>	<b>12.0</b>	<b>148.3</b>	<b>13.7</b>	<b>20.9</b>	<b>16.6</b>	<b>28.5</b>	<b>79.7</b>	<b>(46.3%)</b>
Net investment income on shareholder funds <sup>2</sup>	21.6	9.0	14.4	30.3	75.3	1.2	28.5	15.1	(5.6)	39.2	(47.9%)
Financing costs	(2.8)	(2.9)	(2.9)	(2.9)	(11.5)	(2.9)	(3.0)	(3.1)	(3.1)	(12.1)	(5.2%)
<b>Profit before income tax</b>	<b>74.6</b>	<b>52.1</b>	<b>46.1</b>	<b>39.4</b>	<b>212.2</b>	<b>12.0</b>	<b>46.4</b>	<b>28.5</b>	<b>19.8</b>	<b>106.8</b>	<b>(49.7%)</b>
Income tax expense	(22.5)	(15.6)	(14.0)	(11.0)	(63.0)	(3.6)	(12.9)	(9.0)	(5.6)	(31.1)	50.6%
<b>Net profit after tax</b>	<b>52.2</b>	<b>36.5</b>	<b>32.1</b>	<b>28.4</b>	<b>149.2</b>	<b>8.4</b>	<b>33.5</b>	<b>19.6</b>	<b>14.2</b>	<b>75.7</b>	<b>(49.3%)</b>
<b>Underlying net profit after tax<sup>3</sup></b>	<b>68.3</b>	<b>45.2</b>	<b>40.5</b>	<b>17.1</b>	<b>171.1</b>	<b>19.9</b>	<b>30.4</b>	<b>20.4</b>	<b>23.3</b>	<b>93.9</b>	<b>(45.1%)</b>

Note: Totals may not sum due to rounding.

1. Net of ceding commissions.

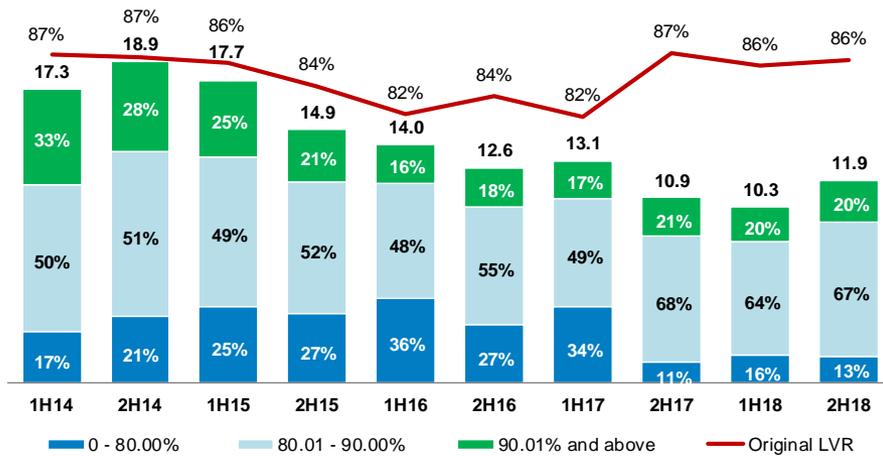
2. Investment income on technical funds and shareholder funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

3. Underlying NPAT excludes the after-tax impact of mark-to-market gains/(losses) on the investment portfolio, and the impact of unhedged movements in foreign exchange rates on our non-AUD exposures. The bulk of these foreign exchange exposures are fully hedged.

# New insurance written

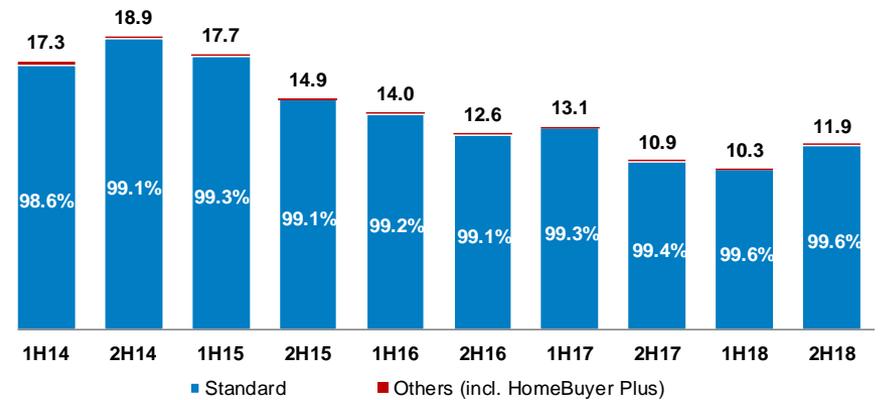
## NIW<sup>1</sup> by original LVR<sup>2</sup> band

\$ bn, %



## NIW<sup>1</sup> by product type

\$ bn

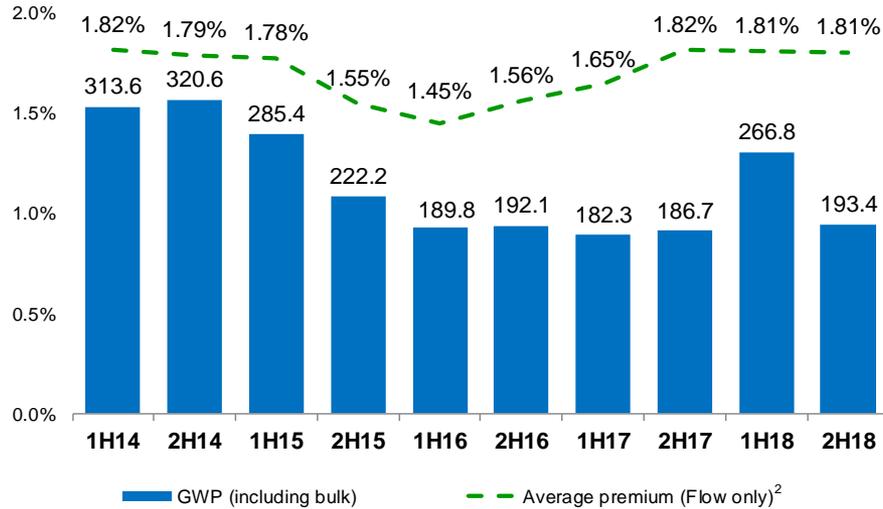


1. NIW includes capitalised premium. NIW excludes excess of loss insurance (excess of loss insurance includes the Bermudan entity transaction).
2. Original LVR excludes capitalised premium and excess of loss insurance.

# Gross written premium

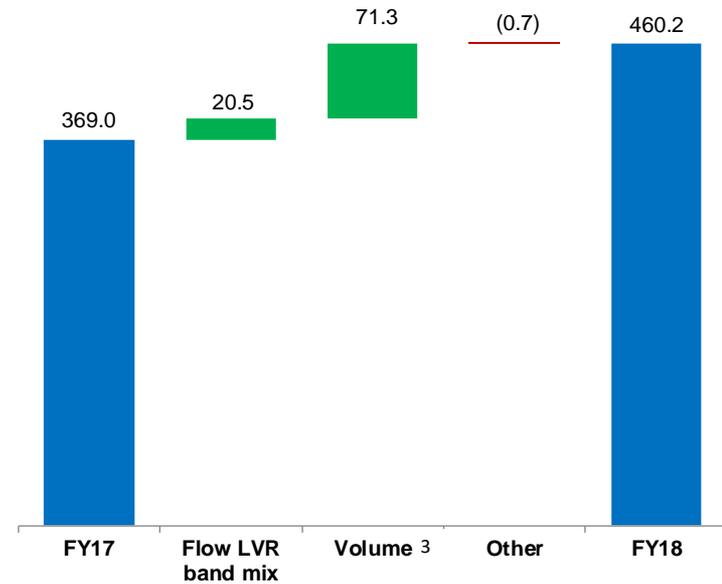
## GWP and average price<sup>1</sup> of flow business

\$ m, %



## GWP walk

\$ m



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

# Net claims incurred

(A\$ millions unless otherwise stated)	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18
Number of paid claims (#)	356	355	376	385	1,472	365	301	320	325	1,311
Average paid claim <sup>1</sup> (\$'000)	92.5	112.2	110.6	133.4	112.6	117.8	115.2	115.7	102.1	112.8
<b>Claims paid<sup>1</sup></b>	<b>32.9</b>	<b>39.8</b>	<b>41.6</b>	<b>51.4</b>	<b>165.7</b>	<b>43.0</b>	<b>34.7</b>	<b>37.0</b>	<b>33.2</b>	<b>147.9</b>
Movement in non-reinsurance recoveries on paid claims	-	(8.2)	-	(0.9)	(9.1)	0.6	(1.5)	(0.5)	-	(1.4)
Movement in reserves	4.6	4.4	(4.6)	(19.3)	(14.9)	(6.0)	5.6	(0.7)	0.5	(0.6)
<b>Net claims incurred</b>	<b>37.6</b>	<b>36.0</b>	<b>37.0</b>	<b>31.2</b>	<b>141.8</b>	<b>37.7</b>	<b>38.7</b>	<b>35.8</b>	<b>33.7</b>	<b>145.9</b>
<b>Reported loss ratio (%)</b>	<b>34.8%</b>	<b>34.7%</b>	<b>37.0%</b>	<b>53.1%</b>	<b>38.3%</b>	<b>55.9%</b>	<b>50.9%</b>	<b>52.6%</b>	<b>48.2%</b>	<b>51.9%</b>
Movement in non-reinsurance recoveries on paid claims	-	8.2	-	0.9	9.1	(0.6)	1.5	0.5	-	1.4
<b>Adjusted net claims incurred [A]</b>	<b>37.6</b>	<b>44.2</b>	<b>37.0</b>	<b>32.1</b>	<b>150.9</b>	<b>37.1</b>	<b>40.2</b>	<b>36.3</b>	<b>33.7</b>	<b>147.3</b>
<b>Net earned premium (NEP)</b>	<b>107.9</b>	<b>103.7</b>	<b>100.1</b>	<b>58.8</b>	<b>370.5</b>	<b>67.4</b>	<b>76.0</b>	<b>68.1</b>	<b>69.9</b>	<b>281.3</b>
Change in earnings curve <sup>2</sup>	-	-	-	37.3	37.3	32.3	28.6	24.8	23.2	108.9
Lapsed policy initiative <sup>3</sup>	-	-	-	-	-	-	(8.2)	-	-	(8.2)
<b>NEP excluding impact of earnings curve and lapsed policy initiative [B]</b>	<b>107.9</b>	<b>103.7</b>	<b>100.1</b>	<b>96.1</b>	<b>407.8</b>	<b>99.7</b>	<b>96.4</b>	<b>92.9</b>	<b>93.1</b>	<b>382.0</b>
<b>Adjusted loss ratio – [A] / [B] (%)</b>	<b>34.8%</b>	<b>42.6%</b>	<b>37.0%</b>	<b>33.4%</b>	<b>37.0%</b>	<b>37.2%</b>	<b>41.7%</b>	<b>39.1%</b>	<b>36.2%</b>	<b>38.6%</b>

Note: Totals may not sum due to rounding.

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

2. The 2017 earnings curve review (which took effect from 1 Oct 2017) unfavorably impacted NEP in FY18 by \$108.9m.

3. In 2Q18 a lapsed policy initiative was implemented which generated an \$8.2m release of unearned premium, in addition to BAU. The lapsed policy initiative utilised newly available data to more promptly identify loans which had been refinanced or discharged as part of a detailed portfolio review. This new data is now utilised as part of our BAU processes.

# Loss development

## Delinquency roll and incurred loss drivers

Delinquency roll	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18
<b>Opening balance</b>	6,731	6,926	7,285	7,146	6,731	6,696	6,958	7,306	7,350	6,696
New delinquencies	2,852	3,145	2,887	2,463	11,347	2,701	2,864	2,742	2,390	10,697
Cures	(2,301)	(2,431)	(2,650)	(2,528)	(9,910)	(2,074)	(2,215)	(2,378)	(2,270)	(8,937)
Paid claims	(356)	(355)	(376)	(385)	(1,472)	(365)	(301)	(320)	(325)	(1,311)
<b>Closing delinquencies</b>	<b>6,926</b>	<b>7,285</b>	<b>7,146</b>	<b>6,696</b>	<b>6,696</b>	<b>6,958</b>	<b>7,306</b>	<b>7,350</b>	<b>7,145</b>	<b>7,145</b>
Delinquency rate	0.48%	0.51%	0.50%	0.47%	0.47%	0.49%	0.54%	0.55%	0.54%	0.54%
Average reserve per delinquency (\$'000)	52.1	49.5	50.4	50.7	50.7	47.9	46.4	46.0	47.5	47.5

Net claims incurred (\$m)	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18
New delinquencies	45	46	50	43	184	34	34	38	32	138
Cures	(38)	(38)	(48)	(44)	(168)	(32)	(29)	(33)	(38)	(132)
Ageing <sup>1</sup>	30	38	38	37	143	35	35	32	37	139
Paid claims gap	(2)	1	-	(1)	(2)	(2)	-	(1)	(2)	(5)
Other adjustments <sup>2</sup>	3	(11)	(3)	(4)	(15)	3	(1)	-	5	7
<b>Net claims incurred</b>	<b>38</b>	<b>36</b>	<b>37</b>	<b>31</b>	<b>142</b>	<b>38</b>	<b>39</b>	<b>36</b>	<b>34</b>	<b>146</b>

1. Ageing relates to reserve movements on delinquencies that remain delinquent from prior periods.

2. Includes changes to actuarial assumptions.

Note: This slide excludes excess of loss insurance.

# Balance sheet and unearned premium reserve

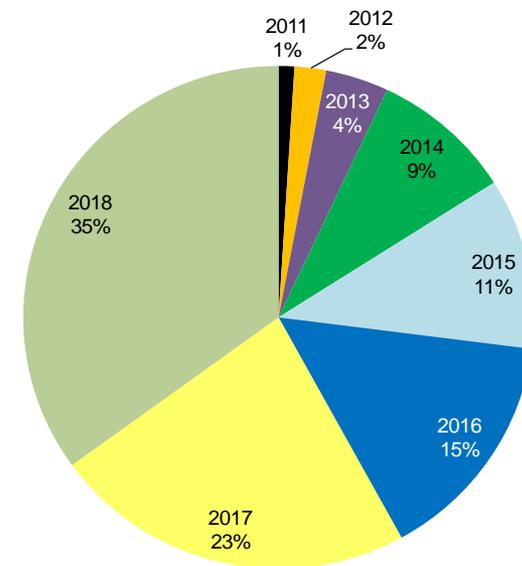
Strong balance sheet with \$3.2bn in cash and investments and \$1.2bn in UPR

## Balance sheet as at 31 December 2018

(A\$ in millions)	31 Dec 17	31 Dec 18
<b>Assets</b>		
Cash and cash equivalents	43.0	141.5
Accrued investment income	17.8	22.1
Investments	3,348.5	3,083.0
Deferred reinsurance expense	145.4	43.3
Non-reinsurance recoveries	23.6	21.2
Deferred acquisition costs	151.8	166.8
Deferred tax assets	9.4	7.9
Goodwill and Intangibles	10.4	15.3
Other assets <sup>1</sup>	15.9	88.9
<b>Total assets</b>	<b>3,765.9</b>	<b>3,590.1</b>
<b>Liabilities</b>		
Payables <sup>2</sup>	191.6	94.1
Outstanding claims	339.7	339.1
Unearned premiums	1,108.6	1,214.2
Interest bearing liabilities	197.0	198.2
Employee provisions	6.8	7.3
<b>Total liabilities</b>	<b>1,843.7</b>	<b>1,852.8</b>
<b>Net assets</b>	<b>1,922.2</b>	<b>1,737.3</b>

## Unearned premium by year as at 31 December 2018

Total UPR \$1.2bn



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

1. Includes trade receivables, prepayments and plant and equipment. The increase from 31 December 2017 is primarily due to the GWP of 2018.

2. Includes reinsurance payables.

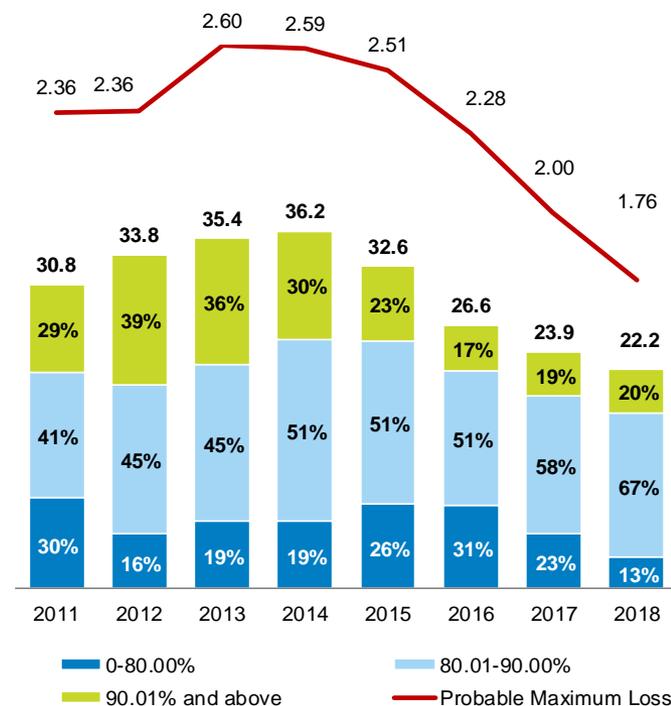
# FY 2018 regulatory capital position

(A\$ in millions)	31 Dec 17	31 Dec 18
<b>Capital Base</b>		
Common Equity Tier 1 Capital	1,892.4	1,748.1
Tier 2 Capital	200.0	200.0
<b>Regulatory Capital Base</b>	<b>2,092.4</b>	<b>1,948.1</b>
<b>Capital requirement</b>		
Probable Maximum Loss (PML)	2,003.8	1,764.7
Net premiums liability deduction	(291.9)	(303.5)
Allowable reinsurance	(950.5)	(800.4)
<b>Insurance concentration risk charge (ICRC)</b>	<b>761.4</b>	<b>660.7</b>
Asset risk charge	137.6	124.8
Asset concentration risk charge	-	-
Insurance risk charge	221.7	245.5
Operational risk charge	28.0	31.7
Aggregation benefit	(62.1)	(56.4)
<b>Prescribed Capital Amount (PCA)</b>	<b>1,086.7</b>	<b>1,006.3</b>
<b>PCA Coverage ratio (times)</b>	<b>1.93 x</b>	<b>1.94 x</b>

Note: Totals may not sum due to rounding.

## NIW<sup>1</sup> by original LVR band and Probable Maximum Loss<sup>1</sup>

\$ bn

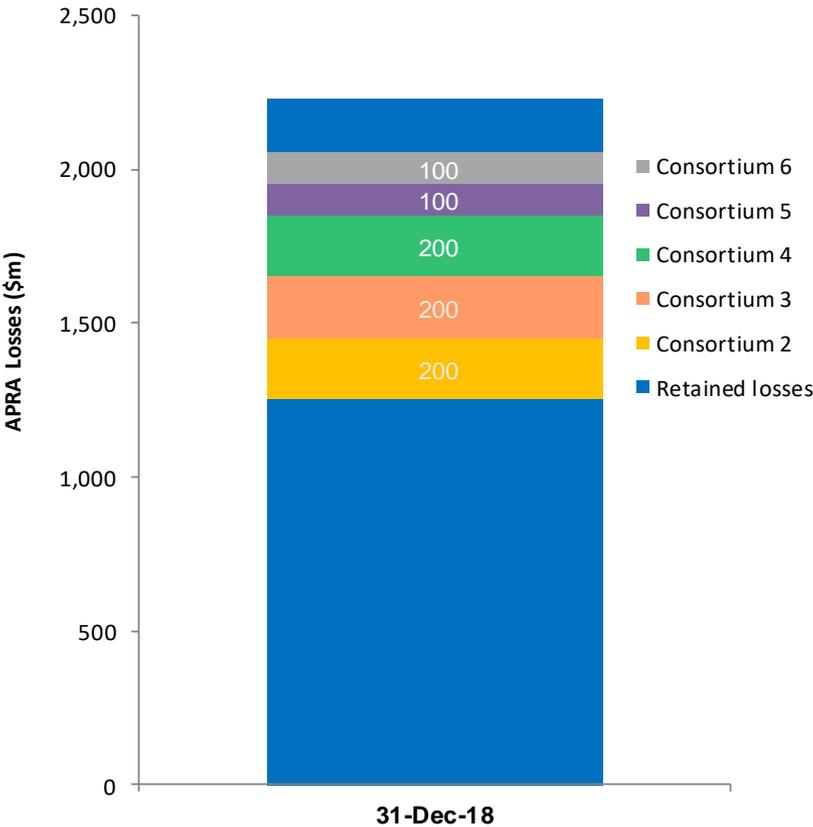


1. NIW and Probable Maximum Loss excludes excess of loss reinsurance.

# Reinsurance

## 2018 Renewal has improved capital efficiency

### Reinsurance program as at 31 Dec 2018



### Observations

- As at 31 December 2018, \$800 million of excess of loss cover with varying durations depending on the layer
- Well diversified panel with over 20 different reinsurers participating across the program (minimum rating of A-)
- Non-renewal of \$100 million remote layer of reinsurance on 1 April 2018 due to lack of internal economic capital credit recognition and reducing Probable Maximum Loss
- Despite the reduction, new program structure has led to an increase in internal economic capital credit
- An overall reduction in both lifetime and first year premiums and lower cost of capital.

# Ongoing program of capital management

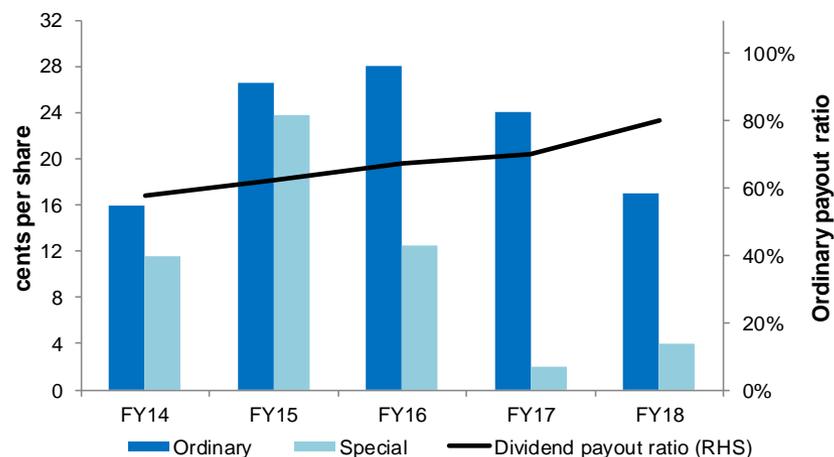
## Recent actions

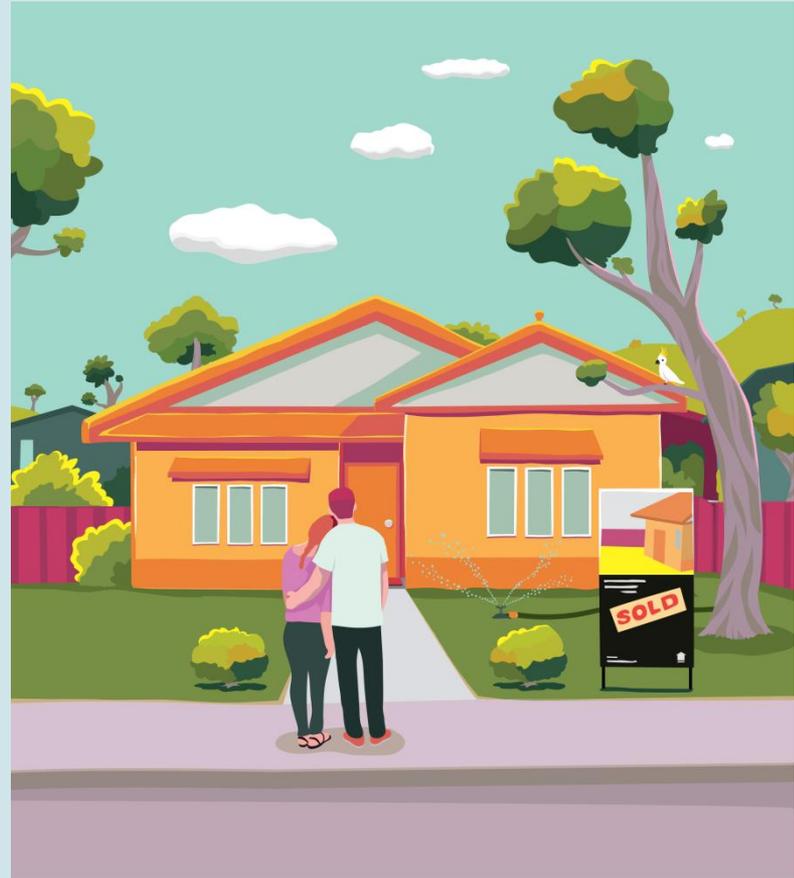
- Since listing in 2014, Genworth has paid out all after-tax profits by way of ordinary and special dividends to shareholders
- In FY18 the Board declared:
  - A fully franked final ordinary dividend of 9.0 cps
  - Interim ordinary dividend of 8.0 cps fully franked
  - A special dividend of 4.0 cps fully franked
- This represents:
  - A yield of 9.6% based on the share price as at close of trading on 31/12/18 (\$2.19)
  - A payout ratio of 80.0% (up from 70.3% in FY17)
- Two on-market share buybacks completed in 2018 valued at \$149.1 million
- New on-market share buyback (up to a value of \$100 million) announced in FY19.

## Future actions being considered

The Company continues to actively manage its capital position and is constantly evaluating its excess capital and potential uses.

## Genworth dividends





# Summary and conclusion

# 2019

## Genworth economic outlook and FY19 guidance



Economic outlook for 2019 remains positive. Ongoing investment in infrastructure and non-mining sectors plus increases in gas production and exports expected to support growth



Moderating housing market conditions to continue for most of 2019 reflecting pressure on lending due to tightened credit conditions, weak wage growth and increased levels of new housing supply



Continued employment growth anticipated in 2019, albeit at slightly slower rate than 2018



Metropolitan housing markets in Sydney and Melbourne predicted to lead price moderation trend



Official cash rate likely to remain on hold although “out-of-cycle” interest rate increases expected by lenders



Rate of decline in regions linked to mining industry expected to stabilise.

### Key financial measures – FY19 guidance

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

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

# Conclusion

Business is well capitalised



Track record of delivering profits and strong capital returns

Strategic work being undertaken to redefine core business model

Good progress in implementing strategic initiatives that broaden product offerings

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

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

Ordinary dividend payout range of 50%-80%

Excess capital and potential uses continue to be evaluated



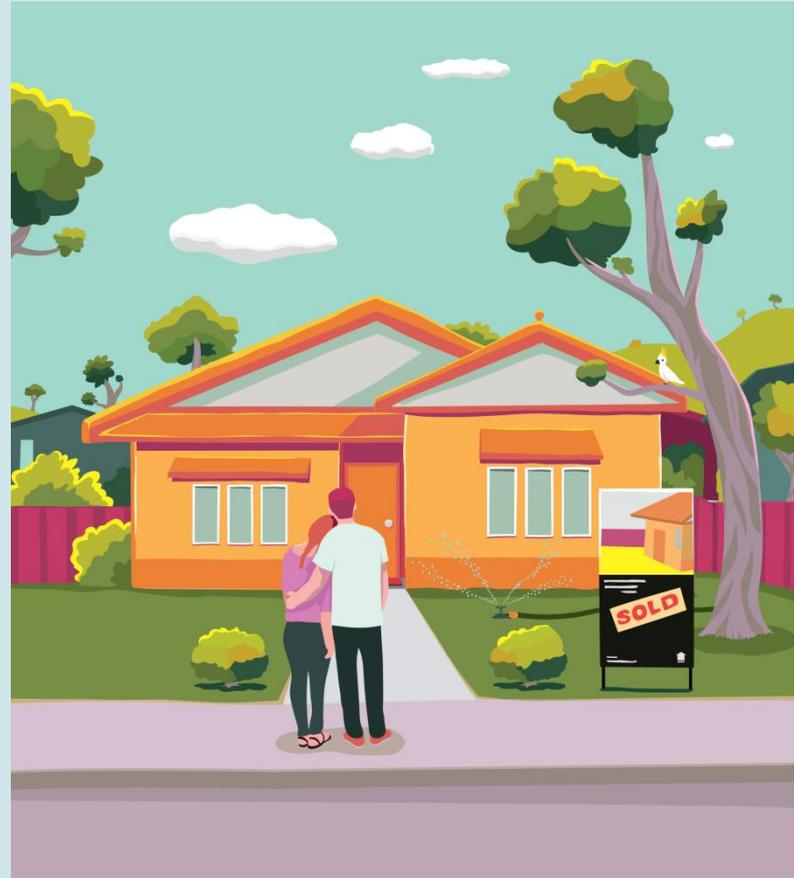
Utilising technology to deliver operational efficiencies and greater underwriting risk management insights



Well positioned to continue to deliver sustainable shareholder returns over time

# Questions



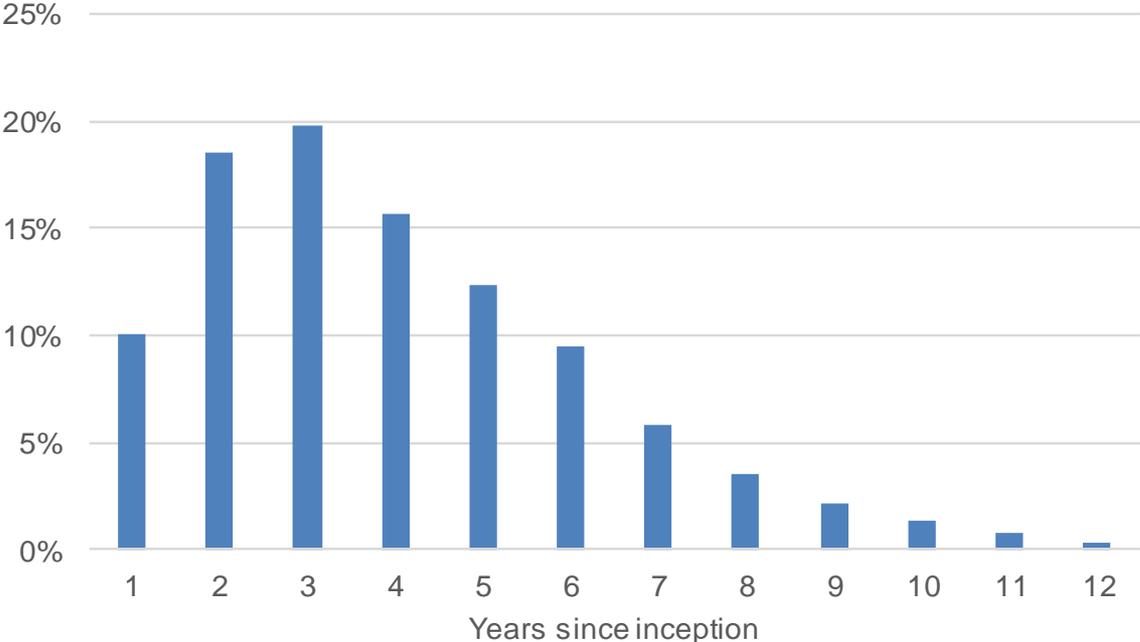


# Supplementary slides

# Earnings curve

Comprehensive review of premium earning pattern completed in 2H17

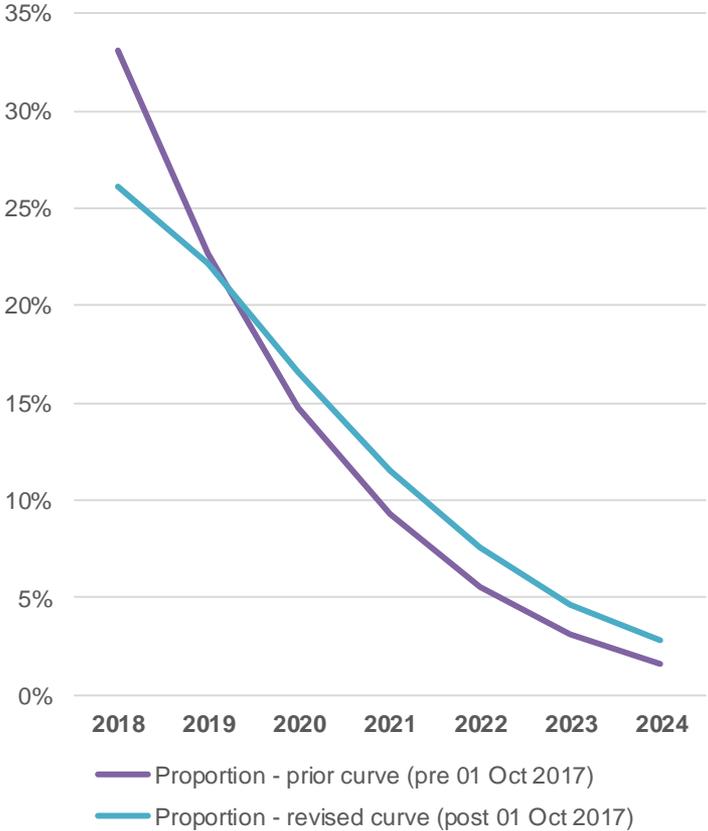
## Earnings pattern for premium written post 1 Oct 2017<sup>1</sup>



1. Earnings pattern excludes excess of loss insurance and bulk and is based on assumed cancellations.

# Earnings curve

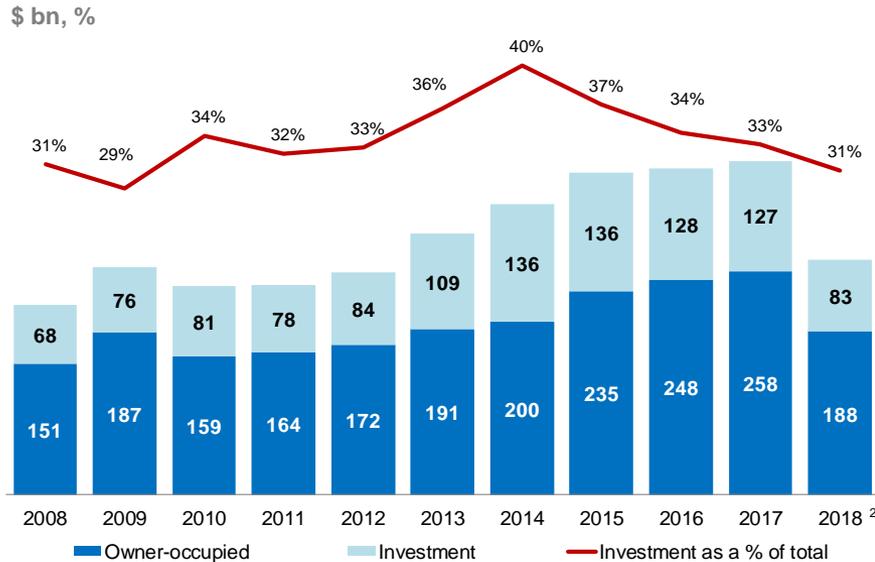
## Comparative in-force earning pattern for premium written pre-1 October 2017<sup>1</sup>



1. Earnings pattern excludes excess of loss insurance and bulk and is based on assumed cancellations.

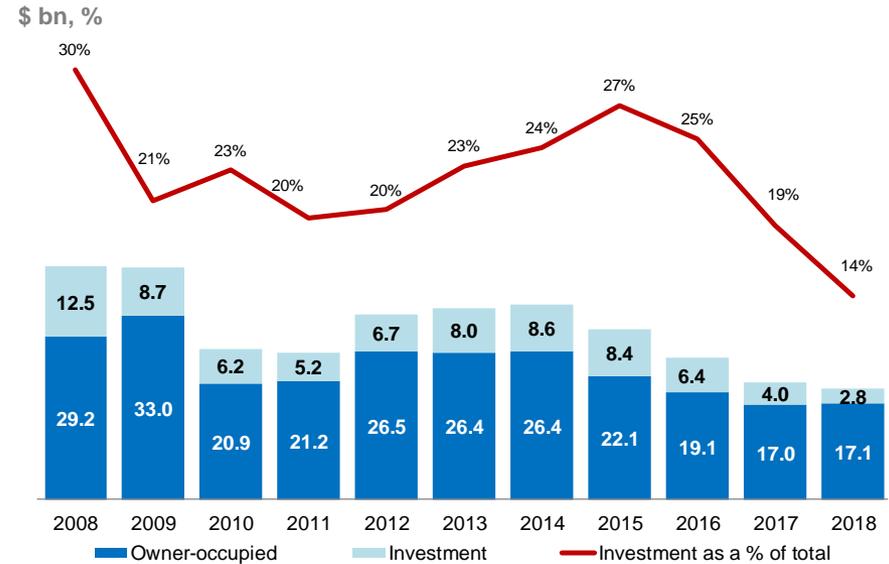
# Residential mortgage lending market

## Investment vs. owner-occupied (APRA statistics for ADI)<sup>1</sup>



- Investment property lending represented 31% of originations for the period ended 30 September 2018.

## Investment vs. owner-occupied<sup>2</sup> (Genworth)



- Investment property lending represented 14% of Genworth's portfolio for the period ended 31 December 2018.

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

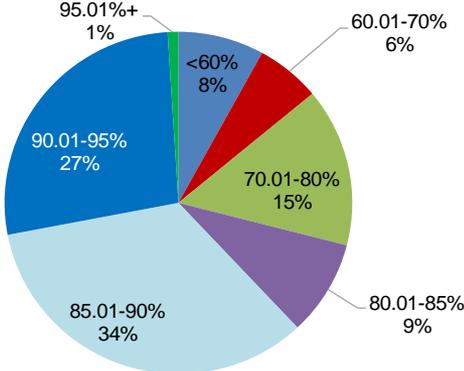
2. Flow NIW only. Owner occupied includes loans for owner occupied and other types.

Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), September 2018. Statistics only show ADIs mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

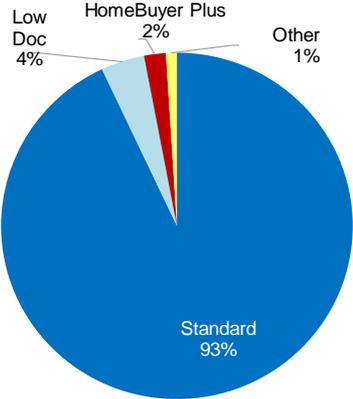
# Insurance-in-force and new insurance written

## Insurance in force (IIF)<sup>1</sup> by original LVR<sup>2</sup> band, as at 31 December 2018

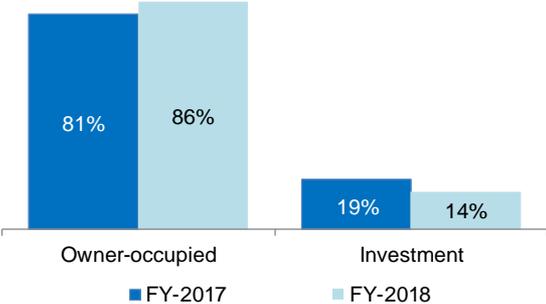
Total IIF \$310 bn



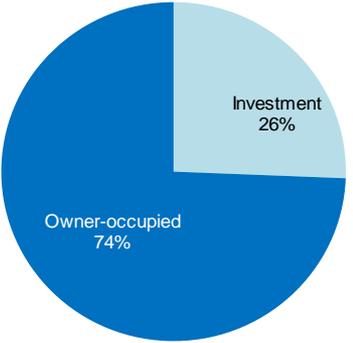
## IIF<sup>1</sup> by product type, as at 31 December 2018



## Flow NIW<sup>1</sup> by loan type



## IIF<sup>1</sup> by loan type, as at 31 December 2018

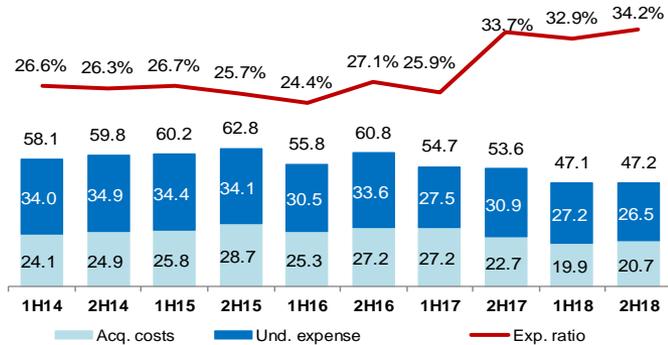


1.NIW and IIF include capitalised premium. NIW and IIF exclude excess of loss insurance. Genworth has retained \$218m of risk in relation to excess of loss insurance.  
 2.Original LVR excludes capitalised premium.

# Insurance ratio analysis

## Expenses

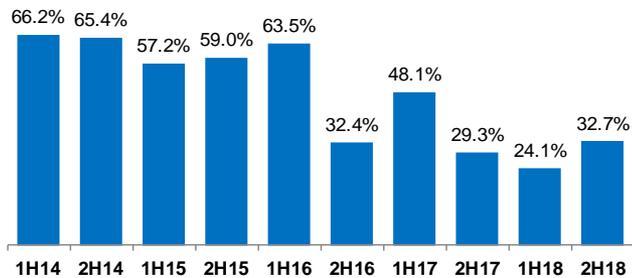
\$ m, %



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

## Insurance margin

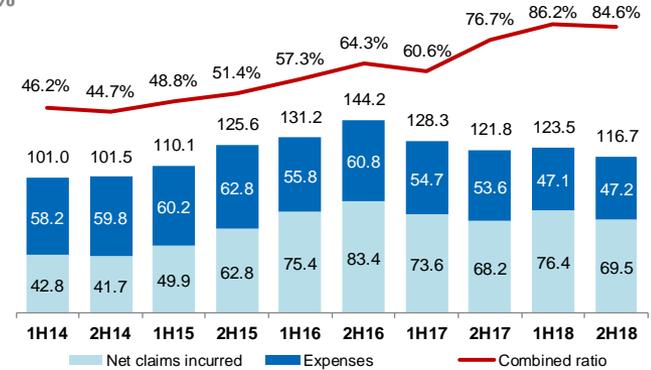
%



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

## Combined ratio

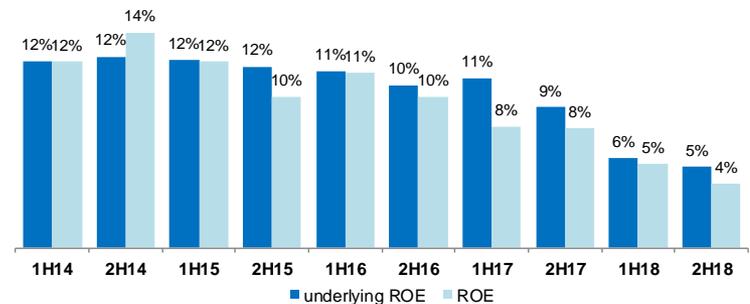
\$ m, %



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

## Trailing 12-month ROE and underlying ROE

%



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

# 2018 full year performance metrics

Key financial measures	FY17	FY18	Change FY18 vs FY17
NIW (\$ billions)	\$23.9bn	\$22.2bn	(7.0%)
Average price - Flow NIW	1.73%	1.81%	8bps
Gross written premium (\$ millions)	\$369.0m	\$460.2m	24.7%
Net earned premium (\$ millions)	\$370.5m	\$281.3m	(24.1%)
Loss ratio	38.3%	51.9%	1360bps
Underlying NPAT (\$ millions)	\$171.1m	\$93.9m	(45.1%)
Underlying ROE (trailing 12 months)	9.0%	5.2%	(380bps)
Total ordinary dividends (cents per share)	24.0	17.0	(29.2%)
Ordinary dividend payout ratio	70.3%	80.0%	970bps
Total special dividends (cents per share)	2.0	4.0	200.0%

- Strong, stable balance sheet with \$1.2bn of Unearned Premium Reserve (UPR)
- Cash and fixed interest Investment portfolio of \$3.1bn with an average duration of 2.1 years
- Regulatory capital solvency ratio 194% on a Level 2 basis, above the Board's targeted range.

# Quarterly financial information

## Financial ratios

Key financial measures	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Loss ratio	34.8%	34.7%	37.0%	53.1%	55.9%	50.9%	52.6%	48.2%
Expense ratio	25.2%	26.6%	29.7%	40.6%	33.5%	32.4%	32.5%	36.1%
Combined ratio	60.1%	61.3%	66.6%	93.7%	89.5%	83.3%	85.0%	84.3%
Insurance margin	51.7%	44.3%	34.6%	20.4%	20.3%	27.5%	24.4%	40.8%
Effective tax rate	30.2%	29.9%	30.4%	27.9%	30.0%	27.8%	31.6%	28.3%
ROE	9.1%	7.8%	7.3%	7.7%	5.6%	5.4%	5.0%	4.1%
Underlying ROE	10.9%	10.9%	11.0%	9.0%	6.6%	5.7%	4.9%	5.2%

Note: ROE is presented on a trailing 12-month basis.

# Delinquency development

## Delinquency composition

Delinquencies by book year	Dec 17	Jun 18	Dec 18	
2009 and prior	3,552	3,709	3,434	0.47%
2010	357	376	371	0.62%
2011	393	427	416	0.77%
2012	663	671	667	0.96%
2013	609	670	659	0.90%
2014	594	683	686	0.83%
2015	355	459	477	0.65%
2016	155	244	289	0.44%
2017	18	66	129	0.21%
2018	-	1	17	0.03%
<b>TOTAL</b>	<b>6,696</b>	<b>7,306</b>	<b>7,145</b>	<b>0.54%</b>

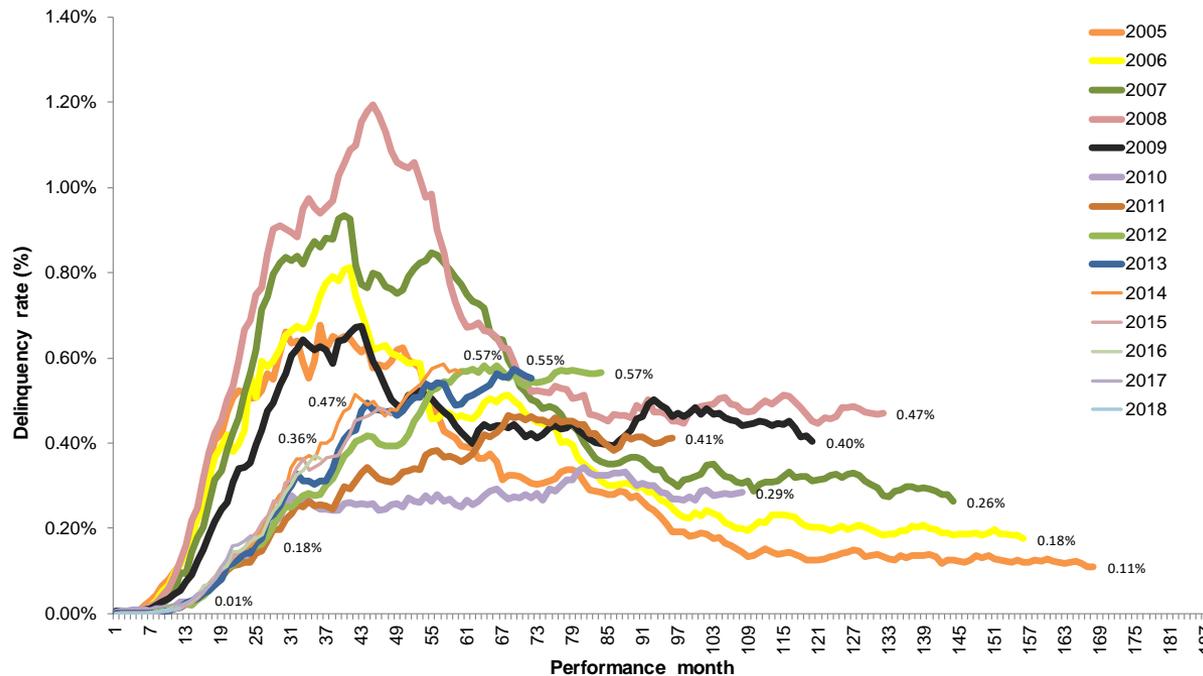
Delinquencies by geography	Dec 17	Jun 18	Dec 18	
New South Wales	1,088	1,224	1,254	0.38%
Victoria	1,304	1,368	1,296	0.40%
Queensland	2,083	2,157	2,057	0.70%
Western Australia	1,336	1,569	1,555	0.98%
South Australia	593	653	659	0.68%
Australian Capital Territory	48	58	56	0.17%
Tasmania	151	158	143	0.31%
Northern Territory	75	95	105	0.68%
New Zealand	18	24	20	0.05%
<b>TOTAL</b>	<b>6,696</b>	<b>7,306</b>	<b>7,145</b>	<b>0.54%</b>

Note: This slide excludes excess of loss insurance.

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

# Delinquency development

## Favourable performance post 2009



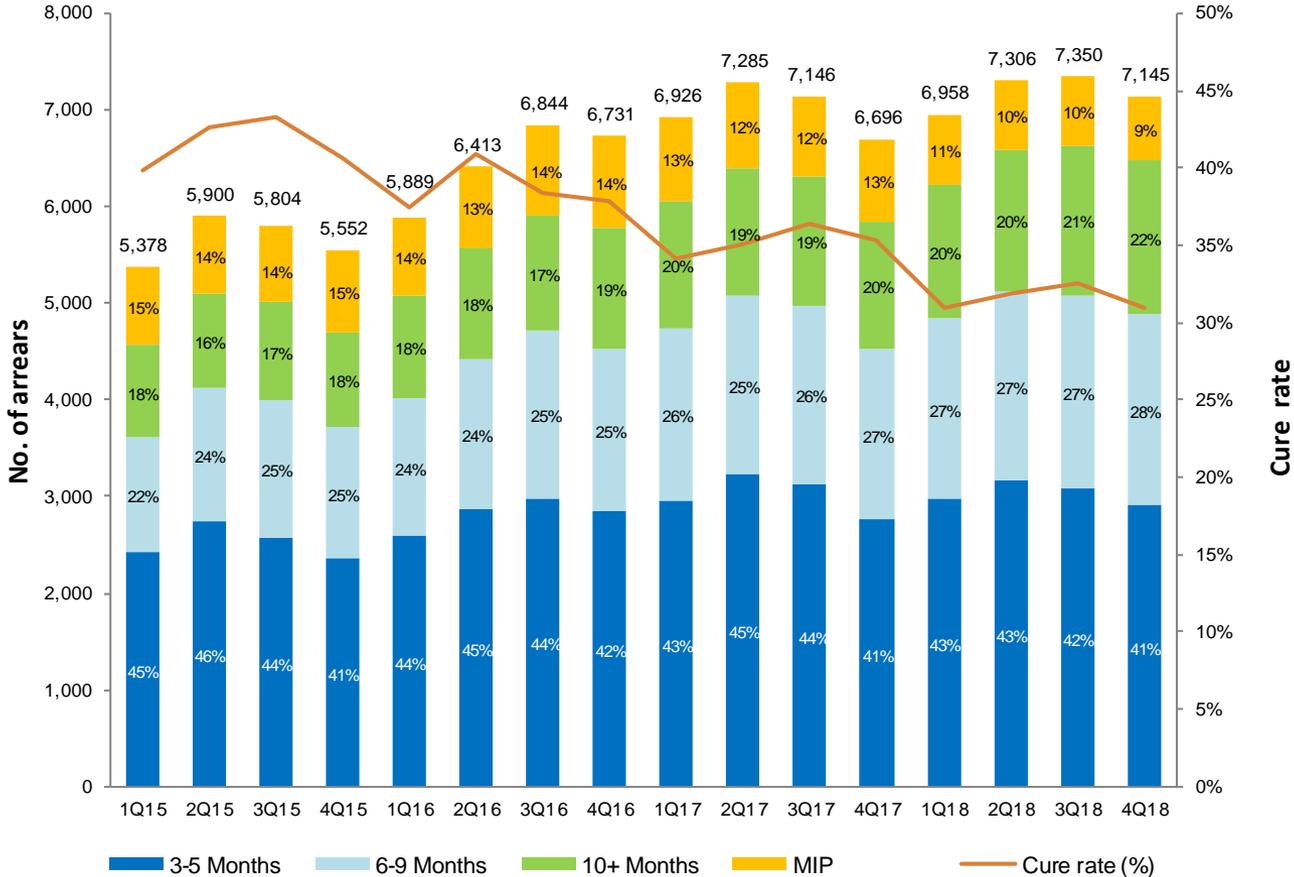
- Overall portfolio vintage delinquency performance remains relatively stable quarter on quarter, in-line with seasonal expectations
- Increasing indicators of stabilisation in 2H18 across the 2013-14 vintages which have been primarily affected by the downturn in mining regions resulting in ongoing economic and housing market challenges
- Historical performance of 2008 book year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland, exacerbated by the 2011 floods
- Post-GFC book years seasoning at lower levels as a result of credit tightening.

Note: graph excludes excess of loss insurance and bulk.

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

# Delinquency population

By month in arrears<sup>1, 2</sup>



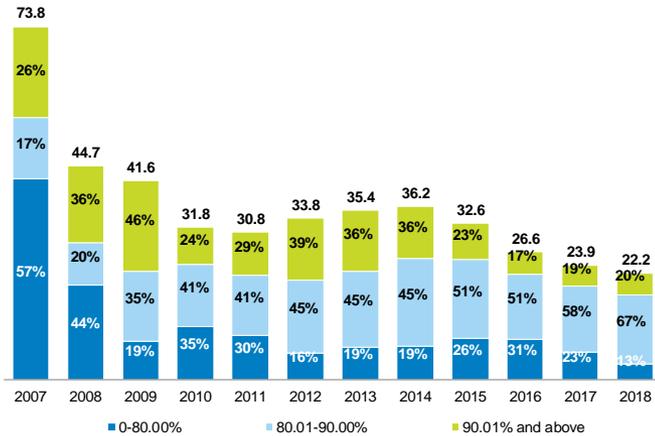
Note: Totals may not sum due to rounding.

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

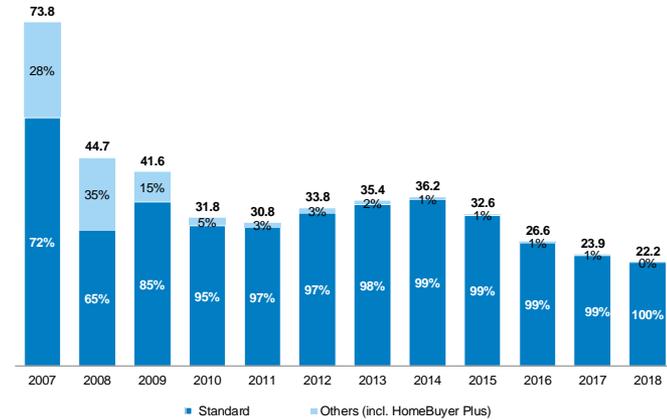


# Portfolio evolution

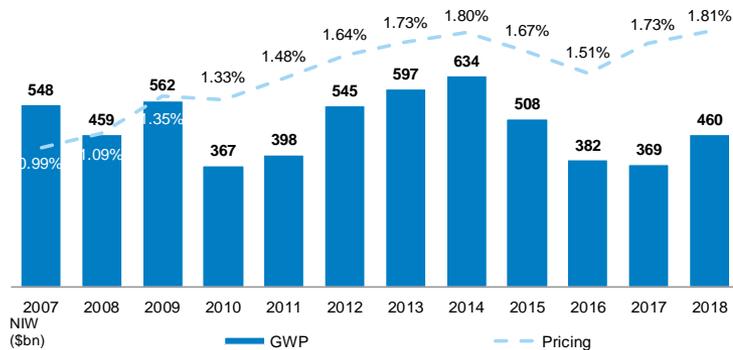
## Annual NIW<sup>1</sup> by LVR



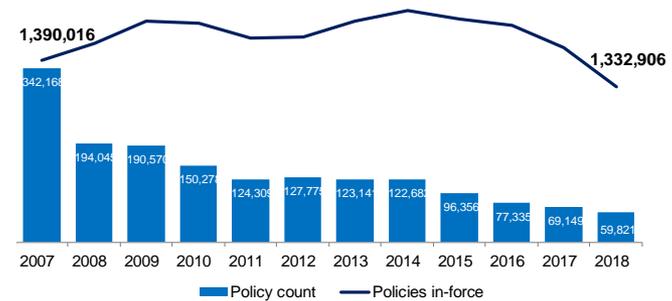
## Annual NIW<sup>1</sup> by product type



## Annual GWP and average flow price<sup>2</sup>



## Annual number of New Policies<sup>1</sup>, plus policies outstanding<sup>1</sup>

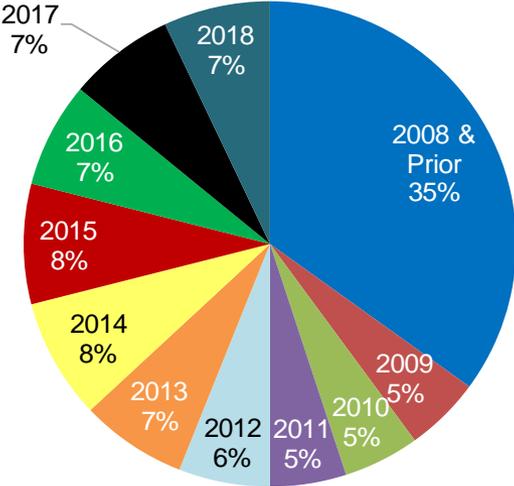


1. Excludes excess of loss insurance.

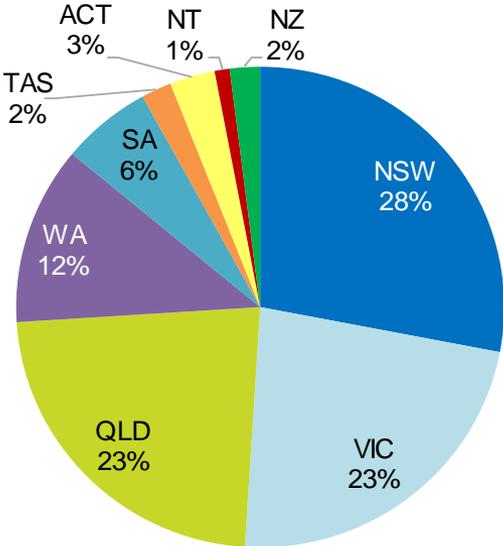
2. Average price excludes excess of loss insurance and bulk transactions.

# Insurance in force

### IIF<sup>1</sup> by book year



### IIF<sup>1</sup> by state

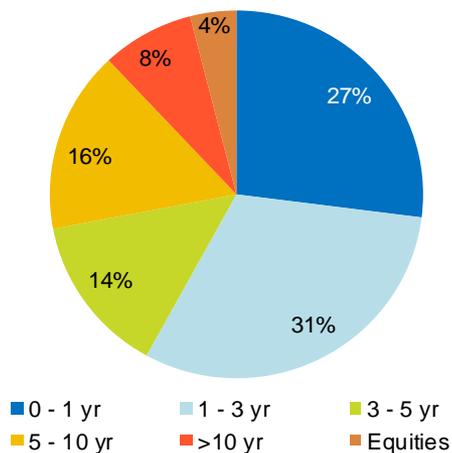


1. IIF includes capitalised premium. Excludes excess of loss insurance

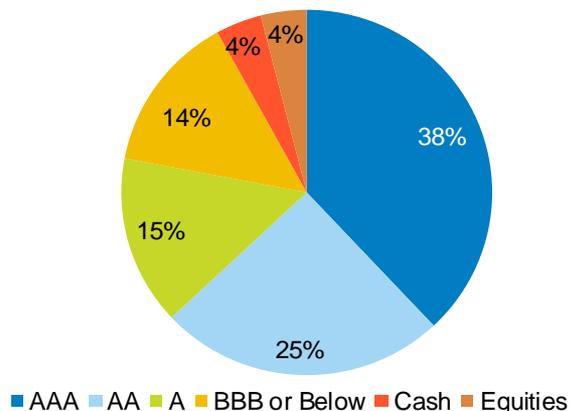
# Investment portfolio

Conservative, well-diversified portfolio with average maturity of 3.6 years<sup>1</sup>

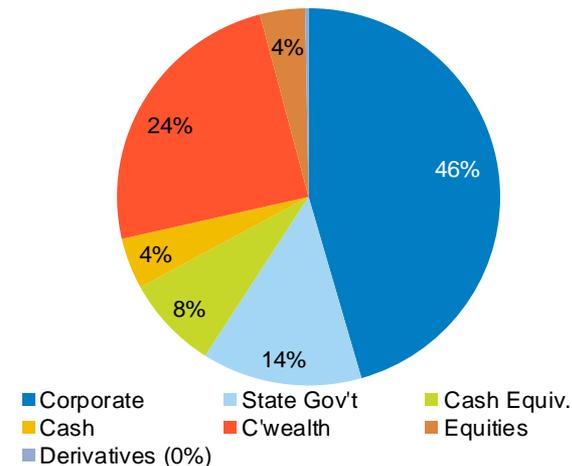
### Investment portfolio by maturity



### Investment portfolio by rating



### Investment portfolio by issuer type



### Investment portfolio by maturity

(as at)	31 Dec 17	31 Dec 18
0-1 Yr	1,435	841
1-3 Yr	945	1,012
3-5 Yr	367	464
5-10 Yrs	404	524
> 10 Yrs	4	251
Equities	237	123
<b>Total</b>	<b>3,392</b>	<b>3,215</b>

### Investment portfolio by rating

(as at)	31 Dec 17	31 Dec 18
AAA	987	1,238
AA	1,347	800
A	530	482
BBB or below	248	431
Cash	43	141
Equities	237	123
<b>Total</b>	<b>3,392</b>	<b>3,215</b>

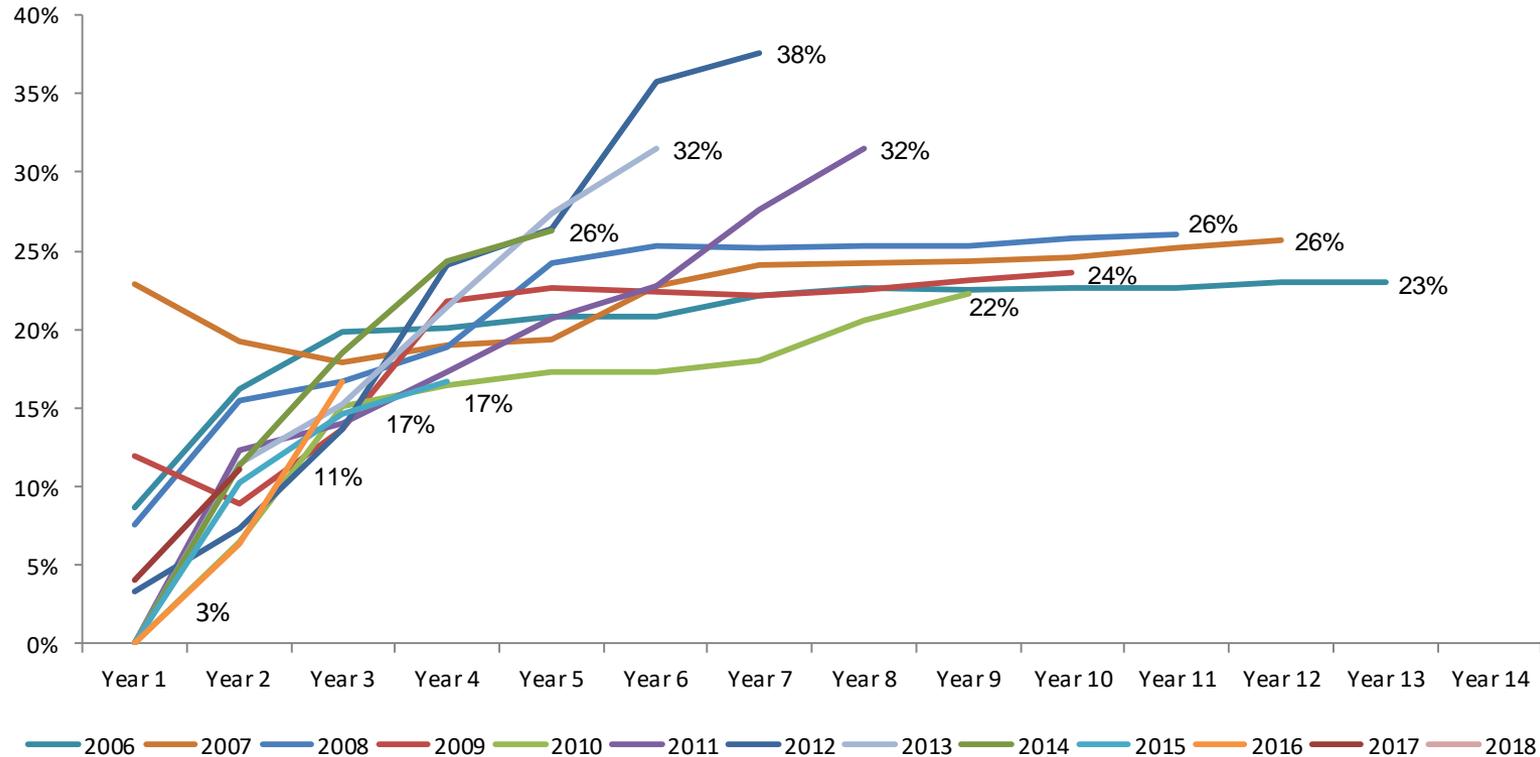
### Investment portfolio by issuer type

(as at)	31 Dec 17	31 Dec 18
C'wealth	761	792
Corporate	1,146	1,473
State gov't	301	437
Cash equiv.	904	258
Cash	43	141
Equities	237	123
Derivatives	-	(9)
<b>Total</b>	<b>3,392</b>	<b>3,215</b>

1. Maturity of 3.6 years excludes equities. Note: Derivatives contracts are with AA rated counterparties and have a maturity of less than 1 year.

2. Fixed income and cash portfolio average duration of 2.1 years.

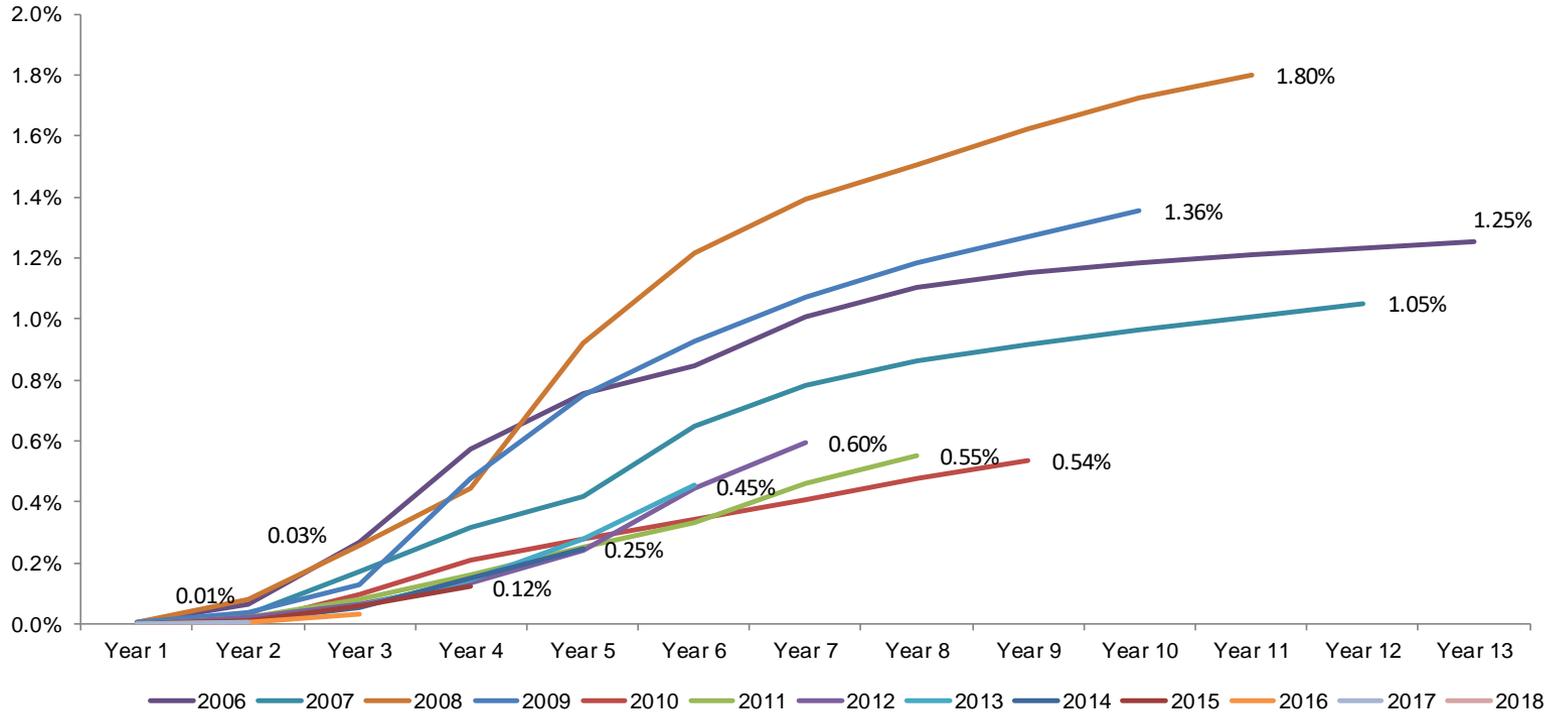
# Claims severity<sup>1</sup>



1. Claim severity refers to the size of net claims paid as a proportion of the original residential mortgage loan amount. The above figure excludes Inward Reinsurance, excess of loss reinsurance, New Zealand, Genworth Financial Mortgage Indemnity and bulk. Book years between 2011 and 2017 are early in their development and are expected to continue to season, which may lead to an increase in claims severity for these Book Years.

# Claims frequency

By book year (%) as at 31 December 2018

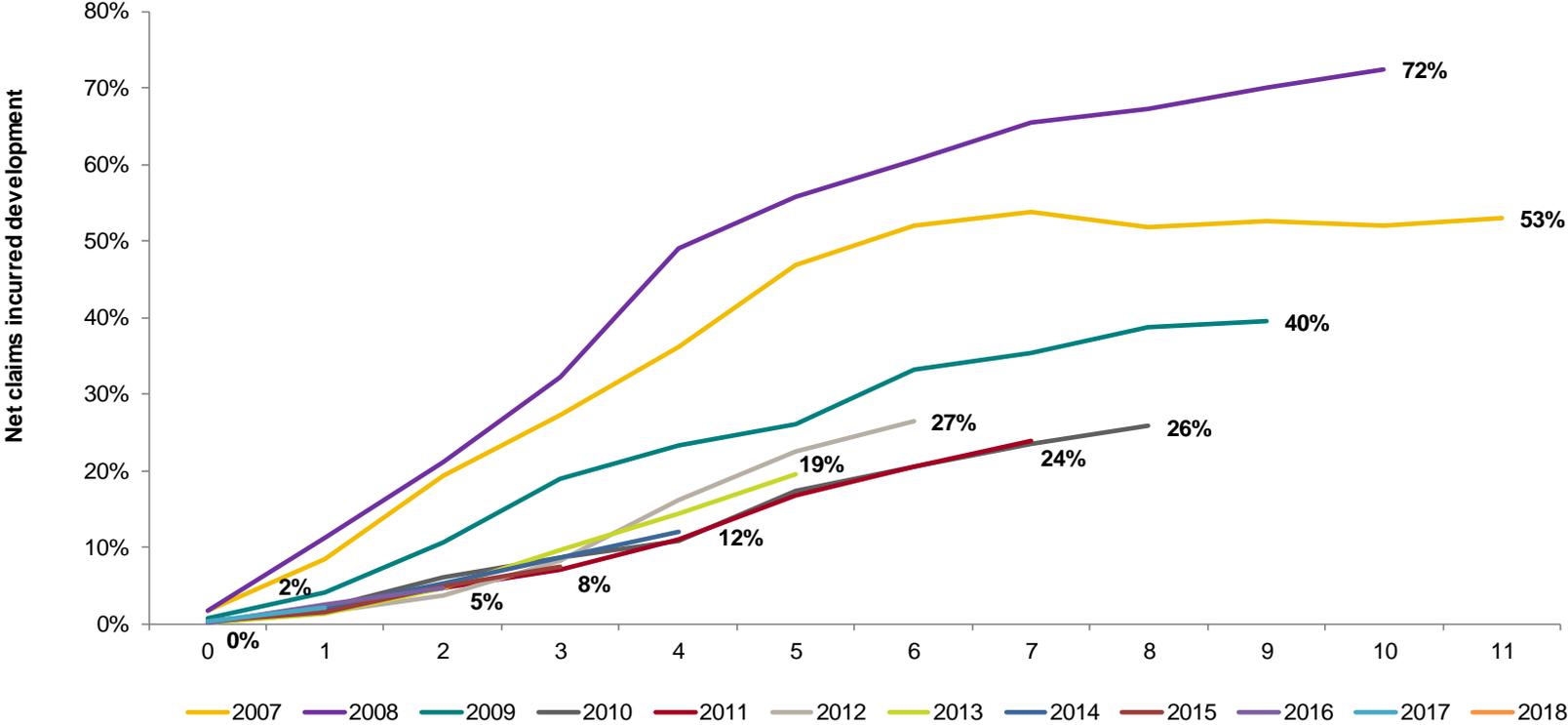


Note: Excludes inward reinsurance, excess of loss insurance, New Zealand, Genworth Financial Mortgage Indemnity and bulk.

1. The claims frequency for each year is calculated as the cumulative number of claims from policies written in a book year divided by the total number of policies in the same book year.

# Ever to date loss ratio

By book year (%) as at 31 December 2018



# Effective LVR

## As at 31 Dec 17

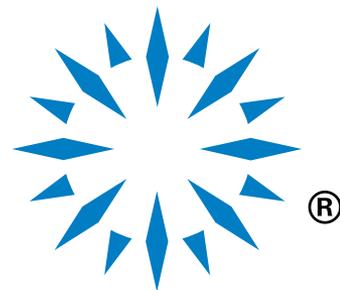
Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2008 & prior	81.8	28%	77.7%	35.3%	87%
2009	17.1	6%	84.9%	52.3%	46%
2010	13.4	5%	81.3%	57.5%	31%
2011	14.3	5%	83.8%	58.7%	36%
2012	20.4	7%	86.4%	61.1%	38%
2013	23.5	8%	87.2%	65.6%	31%
2014	26.5	9%	87.3%	71.4%	21%
2015	25.9	9%	85.9%	75.3%	13%
2016	24.0	8%	83.8%	77.1%	8%
2017	20.8	7%	86.5%	85.9%	1%
<b>Total Flow</b>	<b>268.4</b>	<b>92%</b>	<b>82.3%</b>	<b>54.3%</b>	<b>50%</b>
Portfolio	22.2	8%	55.8%	24.3%	91%
<b>Total/ Weighted Avg.</b>	<b>290.6</b>	<b>100%</b>	<b>79.7%</b>	<b>51.4%</b>	<b>54%</b>

## As at 31 Dec 18

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2009 & prior	86.9	31%	78.4%	37.4%	74%
2010	11.8	4%	80.9%	57.5%	26%
2011	12.6	4%	83.5%	59.2%	31%
2012	17.9	6%	86.3%	61.9%	32%
2013	20.6	7%	87.2%	66.7%	26%
2014	23.4	8%	87.2%	72.8%	16%
2015	23.0	8%	85.9%	76.9%	8%
2016	21.9	8%	83.9%	78.8%	4%
2017	19.9	7%	86.7%	88.1%	-2%
2018	19.8	7%	87.5%	89.9%	-2%
<b>Total Flow</b>	<b>257.8</b>	<b>92%</b>	<b>82.4%</b>	<b>56.9%</b>	<b>41%</b>
Portfolio	23.1	8%	56.2%	25.9%	80%
<b>Total/ Weighted Avg.</b>	<b>280.9</b>	<b>100%</b>	<b>79.9%</b>	<b>53.9%</b>	<b>45%</b>

Note: Excludes Inward Reinsurance, Excess of loss insurance, NZ and Genworth Financial Mortgage Indemnity, as Genworth Australia does not have comparative available data for these businesses. Genworth Australia calculates an estimated house price adjusted effective LVR, using the CoreLogic Home Price Index that provides detail of house price movements across different geographic regions and assumes 30 year principal and interest amortising 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.

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