6 FEBRUARY 2019

INVESTOR REPORT

FULL YEAR ENDED 31 DECEMBER 2018

OUR PLACE

Illustration by Sydney based artist and illustrator, Mike Watt

Corporate information

This report contains general information in summary form which is current as at 31 December 2018. 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, “FY18” refers to the year ended 31 December 2018. All references starting with “1H” refer to the financial half year ended 30 June. For example, “1H18” refers to the half year ended 30 June 2018. All references starting with “2H” refer to the financial half year ended 31 December. For example, “2H18” refers to the half year ended 31 December 2018.

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.

During 2H17 the Group commenced an on-market share buy-back program. 17.0 million shares were purchased and subsequently cancelled for a total consideration of $50.9 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 31 December 2017, the number of Genworth shares on issue was 492.4 million.

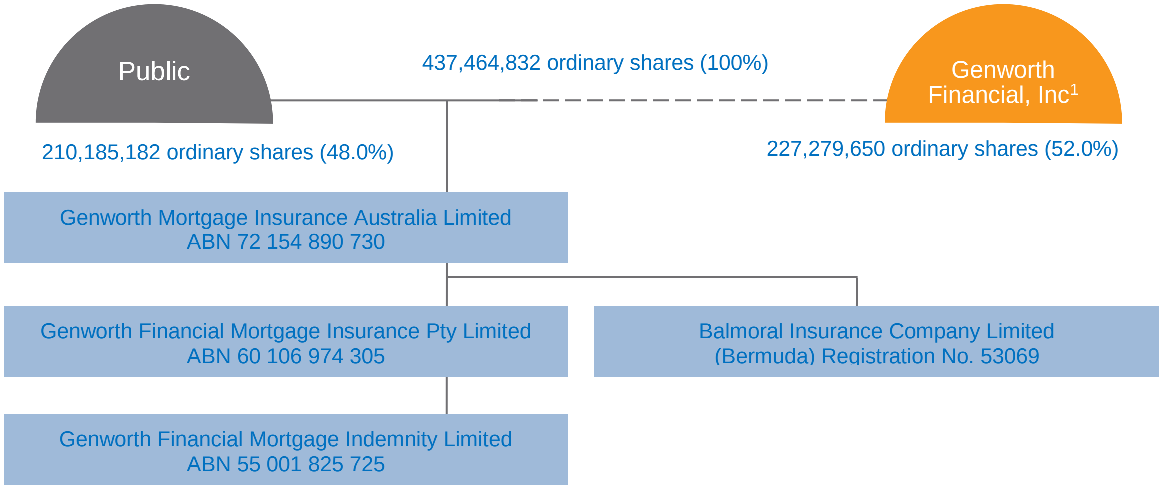
In February 2018, the Group re-commenced the 2017 share buy-back program purchasing and subsequently cancelling 18.5 million shares.

In May 2018, a new share buy-back program was undertaken. Between May 2018 and August 2018, 36.3 million shares were purchased and cancelled pursuant to this initiative.

In total 54.9 million shares were purchased in FY18, for a total consideration of $149.1 million, as part of the Group's on market share buy-back programs. Genworth Financial, Inc. participated in the on-market share buy-back programs to maintain its approximately 52% stake in the Group. As at 31 December 2018, the number of Genworth shares on issue was 437.5 million.

The Group has the following corporate structure:

Figure 1: Genworth corporate structure as at 31 December 2018



In 2017 the Company established an offshore entity based in Bermuda, called Balmoral Insurance Company Limited. This entity has been utilised to write new excess of loss cover for bulk portfolios across both high and low loan to value ratios.

[1] Genworth Financial, Inc.'s interest in the Company is held indirectly through the Genworth Financial Group.

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Section 1
Executive summary

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1. Executive summary

1.1 Overview of the full year 2018 financial results

Genworth reported statutory net profit after tax (NPAT) of $75.7 million for FY18. After adjusting for the after-tax mark-to-market movement in the investment portfolio of $18.3 million and the impact of unhedged movements in foreign exchange rates on our non-AUD exposures, Underlying NPAT was $93.9 million.

Table 1: Group financial performance measures

(A$ in millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2017 vs 2018
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%
Gross earned premium	124.9	120.6	117.0	75.7	438.2	89.4	93.5	85.6	87.9	356.3	(18.7%)
Net earned premium	107.9	103.7	100.1	58.8	370.5	67.4	76.0	68.1	69.9	281.3	(24.1%)
Reported NPAT	52.2	36.5	32.1	28.4	149.2	8.4	33.5	19.6	14.2	75.7	(49.3%)
Underlying NPAT[1]	68.3	45.2	40.5	17.1	171.1	19.9	30.4	20.4	23.3	93.9	(45.1%)
Loss ratio	34.8%	34.7%	37.0%	53.1%	38.3%	55.9%	50.9%	52.6%	48.2%	51.9%	13.6pts
Delinquency rate[2]	0.48%	0.51%	0.50%	0.47%	0.47%	0.49%	0.54%	0.55%	0.54%	0.54%	6bps
Expense ratio	25.2%	26.6%	29.7%	40.6%	29.3%	33.5%	32.4%	32.5%	36.1%	33.6%	4.3pts
Combined ratio	60.1%	61.3%	66.6%	93.7%	67.5%	89.5%	83.3%	85.0%	84.3%	85.4%	17.9pts
Insurance margin	51.7%	44.3%	34.6%	20.4%	40.0%	20.3%	27.5%	24.4%	40.8%	28.3%	(11.7pts)
Investment return	3.1%	2.7%	2.8%	2.7%	2.8%	2.6%	2.6%	2.7%	2.6%	2.6%	(20bps)
ROE[3]	9.1%	7.8%	7.3%	7.7%	7.7%	5.6%	5.4%	5.0%	4.1%	4.1%	(3.5pts)
Underlying ROE[3]	10.9%	10.9%	11.0%	9.0%	9.0%	6.6%	5.7%	4.9%	5.2%	5.2%	(3.8pts)

The FY18 results reflect:

1. Higher sales (gross written premium (GWP)):
   a) GWP increased 24.7% compared with the previous corresponding period and includes business written as part of the Company's new product offerings (including business written by Genworth's Bermudan insurance entity, excess of loss insurance and its new 'micro markets LMI' offering). In relation to the Bermudan transaction Genworth has retained $170.2 million of risk and placed the remainder with a consortium of global reinsurers through its Bermudan entity. Net of the premium to the consortium of global reinsurers, Genworth's GWP increased 8.4% in FY18 due to this transaction. For reporting purposes this risk is not reflected in NIW.
   b) In the traditional LMI business, GWP attributable to bulk portfolio transactions was down 15.9% (FY18: $6.9 million versus FY17: $8.2 million). GWP resulting from flow LMI was slightly up (FY18:

[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] Excludes excess of loss insurance.
[3] ROE and Underlying ROE are shown on a trailing 12-month basis.

$362.6 million versus FY17: $360.6 million). This was achieved despite FY17 including flow business written under a contract with Genworth's then second largest customer.

2. Lower revenue (net earned premium (NEP)):
   a) NEP decreased 24.1% in FY18. This is in line with the Company's guidance and reflects the full year impact of the 2017 Earnings Curve Review versus a three month impact in 4Q17 (FY18: $108.9 million and FY17: $37.3 million). Excluding this impact NEP declined 4.3%.
   b) Also of note this year was the release of $8.2 million of unearned premium following implementation of a new lapsed policy initiative in 2Q18 (Lapsed Policy Initiative). This initiative enabled the Company to utilise newly available data to more promptly identify loans that have been refinanced or discharged.
3. Net claims incurred:
   a) Net claims incurred were $145.9 million in FY18 (FY17: $141.8 million). In FY17, the Company reviewed its non-reinsurance recoveries on paid claims. This review resulted in an improvement in the recovery process with a favourable impact of $9.1 million in FY17 ($1.4 million in FY18). Excluding these favourable non-reinsurance recoveries Net Claims Incurred decreased in FY18.
   b) The insurance margin decreased to 28.3% compared to 40.0% for FY17 mainly driven by lower NEP reflecting the adverse impact of the 2017 Earnings Curve Review.

1.2 Summary of financial and capital position

Table 2: Group financial position/capital measures

(A$ in millions), as at	31 Dec 17	31 Dec 18
Cash, accrued interest and investments	3,409.3	3,246.6
Total assets	3,765.9	3,590.1
Unearned premium reserve	1,108.6	1,214.2
Net assets	1,922.2	1,737.3
Net assets per share ($/share)	3.90	3.97
Net tangible assets	1,911.8	1,722.0
Regulatory capital base	2,092.4	1,948.1
Level 2 PCA coverage	1.93x	1.94x
CET1 coverage	1.74x	1.74x
Gearing (debt / equity)	10.3%	11.4%

Genworth's capital position was strong as at 31 December 2018. The Group's regulatory capital solvency level was 1.94 times the PCA and 1.74 times the common equity tier 1 (CET1) ratio. The regulatory solvency position is above the Board's targeted range of 1.32–1.44 times PCA on a level 2 basis and above the regulatory requirement of CET1 being 0.60 times PCA.

1. Executive summary

1.3 Economic and regulatory environment

1.3.1 Economic environment

The Australian economy remained on a stable trajectory throughout 2018. The economic growth experienced during the year benefitted the labour market with strong employment levels (particularly in full time jobs) and a reduction in underemployment from historic, elevated levels. Despite the solid economic performance, uncertainty remained within the household sector due to weak wage growth, high debt levels and lower growth in household wealth.

The economic outlook for 2019 remains positive. Continued investment in infrastructure and non-mining sectors combined with anticipated increases in gas production and exports are expected to support ongoing growth. This should promote continued employment growth in 2019, albeit at a slightly slower pace than 2018, resulting in a modest increase in wages and benign inflation growth. Within this environment, the official cash rate is likely to remain on hold throughout 2019 but lending institutions are expected to continue implementing “out-of-cycle” interest rate increases due to higher funding costs.

Housing market moderation continued in 4Q18, closing out 2018 with 14 consecutive months of abating house prices. The downward pressure on national dwelling values was largely confined to Sydney and Melbourne with Perth continuing to experience challenging market conditions following the end of the mining boom. Genworth expects the moderating trend in 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. Metropolitan housing markets in Sydney and Melbourne are predicted to lead the trend, whilst the rate of decline in regions linked to the mining resource industry in Queensland and Western Australia is expected to stabilise.

1.3.2 Regulatory environment

Genworth continues to work with a range of policymakers, rating agencies and other industry participants to advocate for policy solutions that facilitate home ownership and continued responsible credit growth.

During 2018 the major areas of focus from a regulatory and policy perspective were:

1. APRA’s discussion paper on banking capital changes, in particular, the mortgage risk weights applied by APRA on lenders when they write high loan to value ratio (HLVR) loans. A discussion paper was released by APRA in February 2018 and comments provided to APRA in mid May 2018. It is anticipated that APRA will release its response in the first half of 2019.
2. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Commission’s Final Report and Recommendations was delivered on 4February 2019.
3. The Productivity Commission’s inquiry into competition in the Australian financial system, which delivered its final report to the Government on 29 June 2018. The Government tabled the Report in Parliament but has not given a timeframe on when it will release its response.

Genworth continues to be active in industry efforts to educate policymakers about the importance of LMI to the Australian mortgage market and the wider financial system including its role as a loss absorption and capital management tool for risk management purposes in the HLVR lending space.

1.4 Customer relationships

Genworth has commercial relationships with over 100 lender customers across Australia. The top three customers, excluding excess of loss agreements, accounted for approximately 72.9% of GWP in FY18[4]

[4] Excludes excess of loss insurance.

(FY17: 72.7%). The Group estimates that it had approximately 30% of the Australian HLVR LMI market by NIW[5] for the period ended 31 December 2018.

During 2018, Genworth has maintained its partnerships with key customers and continues to work with them to provide a broader suite of risk and capital management solutions. The Company has been successful in providing these customers with new offerings that assist them in managing mortgage default risk. Genworth continues to pursue other profitable opportunities in the market that meet its risk appetite and return on equity profile.

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 25 May 2018, Standard & Poor's Ratings Services reaffirmed Genworth Financial Mortgage Insurance Pty Limited's financial strength rating at 'A+' and outlook as 'negative'.

Fitch Ratings

On 11 October 2018, Fitch reaffirmed Genworth Financial Mortgage Insurance Pty's financial strength rating at 'A+' and outlook 'stable'.

[5] Estimates based on flow market.

Section 2
Group financial results

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2. Group financial results

2.1 Statement of comprehensive income

Table 3[6]: Group statement of comprehensive income

(A$ millions)	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2017 vs 2018
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%)
Gross earned premium	**124.9**	**120.6**	**117.0**	**75.7**	**438.2**	**89.4**	**93.5**	**85.6**	**87.9**	**356.3**	**(18.7%)**
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%
Net earned premium	**107.9**	**103.7**	**100.1**	**58.8**	**370.5**	**67.4**	**76.0**	**68.1**	**69.9**	**281.3**	**(24.1%)**
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	(13.5)	(14.1)	(16.0)	(14.9)	(58.5)	(13.2)	(14.0)	(12.0)	(14.6)	(53.8)	8.0%
Underwriting result	**43.1**	**40.1**	**33.4**	**3.7**	**120.3**	**7.1**	**12.7**	**10.2**	**11.0**	**41.0**	**(65.9%)**
Investment income on technical reserves[7]	12.7	5.8	1.2	8.3	28.0	6.6	8.2	6.4	17.5	38.7	38.2%
Insurance profit	**55.8**	**45.9**	**34.6**	**12.0**	**148.3**	**13.7**	**20.9**	**16.6**	**28.5**	**79.7**	**(46.3%)**
Net investment income on equity holders' funds[7]	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%)
Profit before income tax	**74.6**	**52.1**	**46.1**	**39.4**	**212.2**	**12.0**	**46.4**	**28.5**	**19.8**	**106.8**	**(49.7%)**
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%
NPAT	52.2	36.5	32.1	28.4	149.2	8.4	33.5	19.6	14.2	75.7	(49.3%)
Underlying NPAT	**68.3**	**45.2**	**40.5**	**17.1**	**171.1**	**19.9**	**30.4**	**20.4**	**23.3**	**93.9**	**(45.1%)**

[6] Totals may not sum due to rounding.
[7] Investment income on technical funds and shareholder funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

2. Group financial results

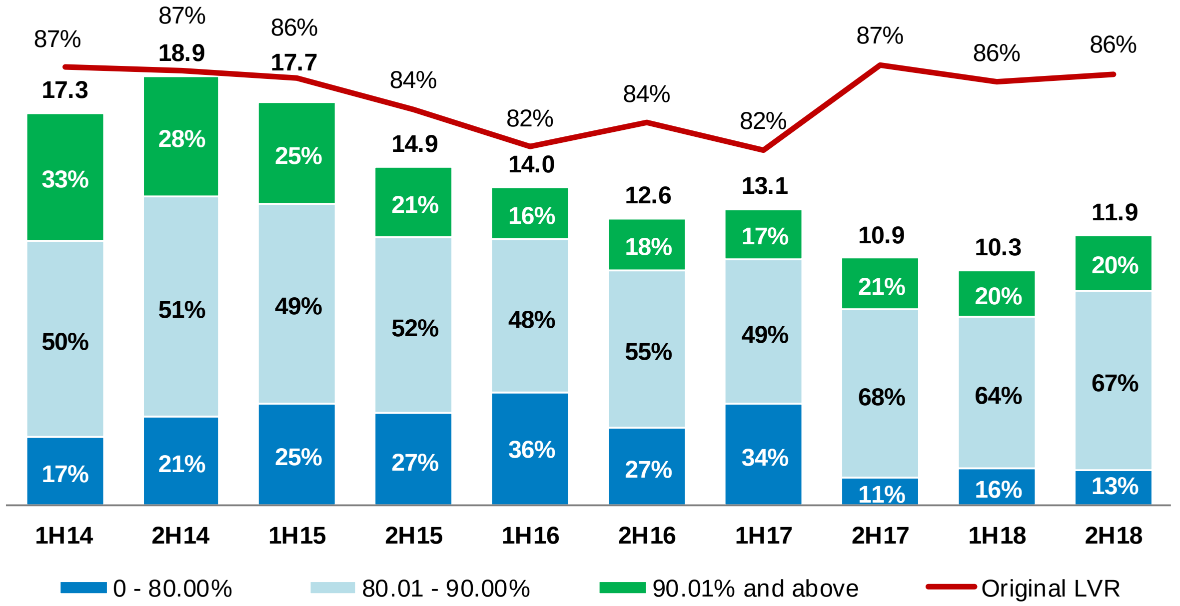
2.2 Management discussion and analysis

2.2.1 New insurance written (NIW)

NIW decreased 7.1% to $22.2 billion in FY18 from $23.9 billion in FY17. NIW in the 0% to 80.0% LVR segment decreased 43.9%, in the 80.01 to 90.0% LVR segment increased 5.7% and above 90.01% segments is broadly unchanged. The decline in NIW in the 0% to 80% LVR segment in FY18 compared to FY17 is largely attributable to the fact that FY17 included business written pursuant to an agreement with the Company's then second largest customer. This agreement terminated in April 2017 and represented $2.5 billion of NIW in FY17.

NIW in FY18 included $2.3 billion of bulk portfolio business (FY17: $2.9 billion). NIW excludes the Company's excess of loss reinsurance and the new business written via Genworth's Bermudan entity.

Figure 2: NIW[8] by original LVR[9] band (excludes capitalised premium)



[8] NIW includes capitalised premium. NIW excludes excess of loss insurance.
[9] Original LVR excludes capitalised premium.

2. Group financial results

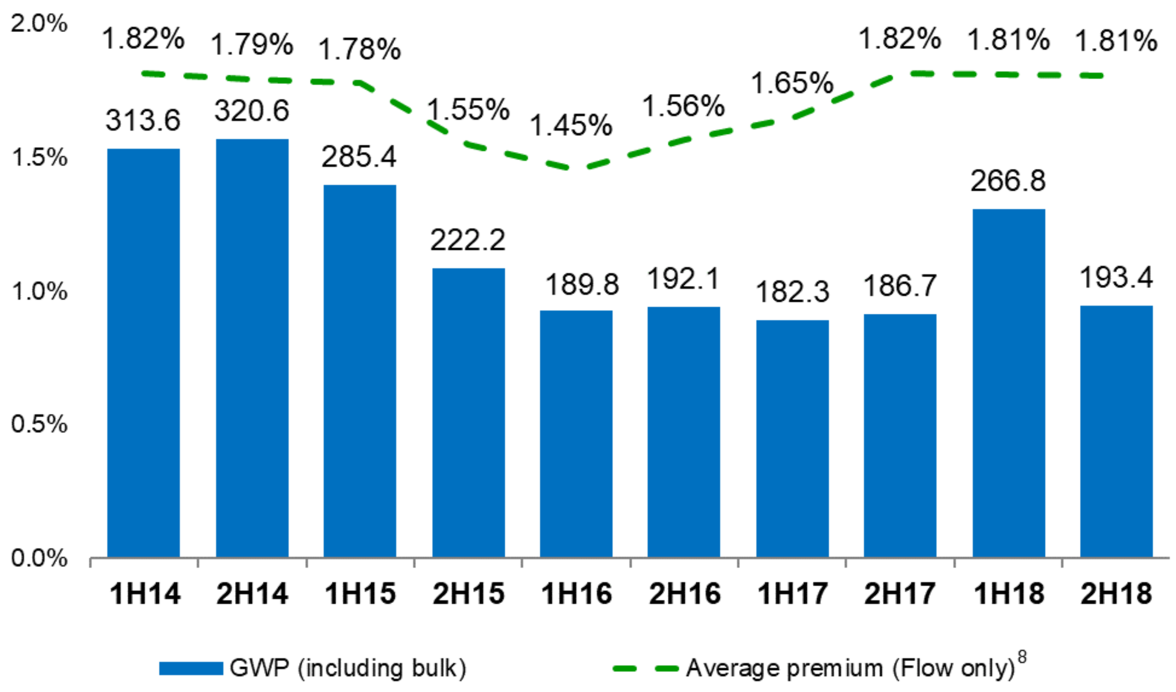
2.2.2 Gross written premium

GWP increased 24.7% compared with FY17. This includes business written as part of the Company's new product offerings (including business written by Genworth's Bermudan entity, excess of loss reinsurance and 'micro markets LMI'). In relation to the Bermudan transaction Genworth has retained $170.2 million of risk and placed the remainder with a consortium of global reinsurers. Net of the premium to the consortium of global reinsurers, Genworth's GWP increased 8.4% in FY18, largely due to this transaction. For reporting purposes this risk is not reflected in NIW.

Average price for flow (GWP/NIW) increased from 1.73% in FY17 to 1.81% in FY18.

The average original LVR of new flow business written in FY18 was 86.1% (FY17: 84.3%).

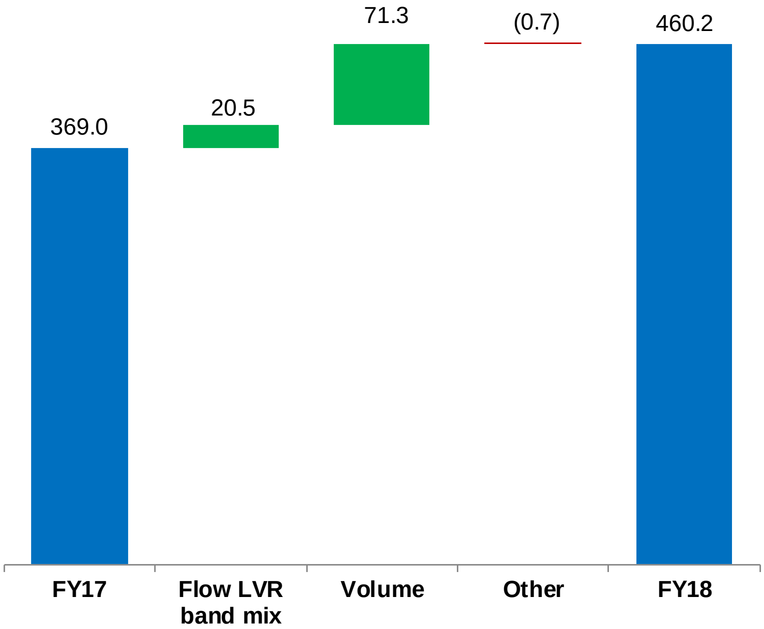
Figure 3: GWP ($ millions) and average price[10] of flow business



[10] Average price excludes excess of loss insurance. Historical NIW has been adjusted in the average premium calculation to reflect a risk sharing arrangement.

2. Group financial results

Figure 4: Movement of GWP FY17 to FY18 ($ millions)[11]



2.2.3 Gross earned premium (GEP)

GEP decreased 18.7% from $438.2 million in FY17 to $356.3 million in FY18 mainly reflecting the adverse impact of the 2017 Earnings Curve Review (FY18: $108.9 million and FY17: $37.3 million). The 2017 Earnings Curve Review took effect from 1 October 2017 and has the effect of lengthening the time period over which premium is earned. It does not affect the quantum of revenue that will be earned over time.

2.2.4 Outward reinsurance expense

Outward reinsurance expense increased by $7.4 million from $67.7 million in FY17 to $75.1 million in FY18 driven mainly by Genworth's Bermudan entity transaction pursuant to which ceded reinsurance expense was partially offset by the decreased consortium reinsurance coverage on the traditional LMI business.

2.2.5 Net claims incurred and changes to reserves

Net claims incurred increased $4.1 million to $145.9 million in FY18. In FY17, the Company reviewed its non-reinsurance recoveries on paid claims. The result of this review was an improvement in the recovery process with a favourable impact of $9.1 million in FY17 and $1.4 million in FY18. Excluding these favourable non-reinsurance recoveries net claims incurred decreased in FY18.

[11] Volume includes excess of loss insurance and bulk transactions.

2. Group financial results

Table 4[12]: Composition of net claims incurred

($ millions) unless otherwise stated	1H17	2H17	1H18	2H18	2017	2018
Number of paid claims (#)	711	761	666	645	1,472	1,311
Average paid claim ($'000)[13]	102.3	122.1	116.7	108.9	112.6	112.8
Claims paid[13]	**72.8**	**93.0**	**77.7**	**70.2**	**165.7**	**147.9**
Movement in borrower recovery receivable on paid claims	(8.2)	(0.9)	(0.9)	(0.5)	(9.1)	(1.4)
Movement in reserves	9.0	(23.9)	(0.4)	(0.2)	(14.9)	(0.6)
Net claims incurred	**73.6**	**68.2**	**76.4**	**69.5**	**141.8**	**145.9**

The average reserve per delinquency decreased from $50,700 in FY17 to $47,500 in FY18 primarily driven by a reduction in the proportion of delinquencies in mining areas, particularly in Queensland.

Table 5: Movement in delinquencies[14]

	1H17	2H17	1H18	2H18	2017	2018
Opening delinquencies	6,731	7,285	6,696	7,306	6,731	6,696
New delinquencies	5,997	5,350	5,565	5,132	11,347	10,697
Cures	(4,732)	(5,178)	(4,289)	(4,648)	(9,910)	(8,937)
Claims paid	(711)	(761)	(666)	(645)	(1,472)	(1,311)
Closing delinquencies	**7,285**	**6,696**	**7,306**	**7,145**	**6,696**	**7,145**
Total policies outstanding	1,438,100	1,416,525	1,354,614	1,332,906	1,416,525	1,332,906

New delinquencies were down for the year with mining regions showing signs of improvement. In non-mining regions, the softening in cures experienced in 1H18 continued in 2H18 with the traditional seasonal uplift in the second half of the year being more subdued than prior years.

2.2.6 Acquisition costs and other underwriting expenses

Acquisition costs decreased $9.3 million from $49.9 million in FY17 to $40.6 million in FY18.

Other underwriting expenses of $53.8 million decreased 8.0% in FY18. This was mainly driven by expenses such as salaries and wages which were capitalised because they directly relate to the development phase of various strategic initiatives including technology projects.

The total expense ratio increased from 29.3% in FY17 to 33.6% in FY18, reflecting the lower NEP.

[12] Totals may not sum due to rounding.
[13] Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation and claims paid.
[14] Excludes excess of loss insurance.

2. Group financial results

2.2.7 Financial income

Financial income of $77.9 million in FY18 included a pre-tax realised gain of $17.4 million[15] ($12.2 million after tax) versus a pre-tax realised gain of $36.4 million ($25.5 million after tax) in FY17.

The FY18 Investment Income also included a mark-to-market loss of $26.1 million ($18.3 million after-tax).

After adjusting for realised and unrealised gains and losses, the FY18 investment return was 2.60% per annum, (FY17: 2.82% per annum) reflecting the fact that returns are being pressured by the low interest environment.

As at 31 December 2018, the value of Genworth's investment portfolio was $3.2 billion, more than 82% of which continues to be held in cash and highly rated fixed interest securities. As at year end the Company had $122.8 million invested in Australian equities and diversified its assets with $535.0 million invested in non-AUD income securities[16]. The non-AUD investment was held in collateralised loan obligations denominated in USD and investment grade credits denominated in USD and EURO. The foreign exchange (FX) exposures of the non-AUD investments are fully hedged through FX forward contracts.

2.2.8 Income tax expense

Income tax expense decreased $31.9 million (50.6%) from $63.0 million in FY17[17] to $31.1 million in FY18. The effective tax rate decreased from 29.7% in FY17 to 29.1% in FY18.

2.2.9 Net profit after tax

Reported NPAT fell 49.3% to $75.7 million in FY18. The decline was largely driven by the adverse impact of the 2017 Earnings Curve Review ($108.9 million impact pre-tax, $76.2 million after-tax in FY18). Underlying NPAT of $93.9 million in FY18 (FY17: $171.1 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%.

[15] Excludes foreign exchange gains / losses. This amount has been excluded from Underlying NPAT.
[16] Includes cash to be invested.
[17] FY17 income tax expense not restated.

2. Group financial results

2.3 Analysis of underwriting performance

The underwriting performance in FY18 reflects the following key factors:

a) NEP decreased 24.1% due to adverse impact of the 2017 Earnings Curve Review (FY18: $108.9 million and FY17: $37.3 million). Excluding this impact NEP declined 4.3%.

b) GWP increased 24.7% and included business written as part of the Company's new product offerings (such as business written by Genworth's Bermudan insurance entity, excess of loss reinsurance and 'micro markets LMI'). In relation to the Bermudan transaction Genworth has retained $170.2 million of risk and placed the remainder with a consortium of reinsurers. Net of the premium to the consortium of global reinsurers Genworth's GWP increased 8.4% in FY18.

c) The loss ratio for FY18 was 51.9% compared to 38.3% in FY17. This reflected lower NEP resulting from the 2017 Earnings Curve Review. Excluding the impact of the 2017 Earnings Curve Review, non-reinsurance recoveries on paid claims and the Lapsed Policy Initiative, the adjusted loss ratio was 38.6% in FY18 and comparable to FY17 (37.0%).

d) The expense ratio increased from 29.3% in FY17 to 33.6% in FY18 reflecting lower NEP.

e) The insurance margin decreased to 28.3% compared with 40.0% for FY17 driven by lower NEP.

Table 6: Key underwriting metrics

	1H17	2H17	1H18	2H18	2017	2018
New insurance written ($ billions)	13.1	10.9	10.3	11.9	23.9	22.2
Gross written premium ($ millions)	182.3	186.7	266.8	193.4	369.0	460.2
Net earned premium ($ millions)	211.6	158.9	143.3	137.9	370.5	281.3
Claims paid ($ millions)	72.7	92.9	77.7	70.2	165.7	147.9
Expense ratio	25.9%	33.7%	32.9%	34.2%	29.3%	33.6%
Loss ratio	34.8%	42.9%	53.3%	50.4%	38.3%	51.9%
Combined ratio	60.6%	76.7%	86.2%	84.6%	67.5%	85.4%
Insurance margin	48.1%	29.3%	24.1%	32.7%	40.0%	28.3%
Delinquency rate	0.51%	0.47%	0.54%	0.54%	0.47%	0.54%

Section 3
Portfolio performance

3. Portfolio performance

3.1 Insurance portfolio

3.1.1 In-force[18] portfolio as at 31 December 2018

Genworth had an in-force portfolio of approximately $310 billion as at 31 December 2018. The Group's standard LMI product comprises the largest part of the overall in-force portfolio at 93%, and low doc product represents only 4% 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

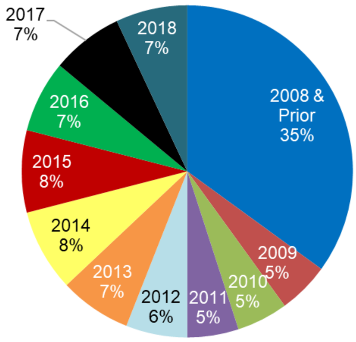


Figure 6: Insurance in-force by original LVR

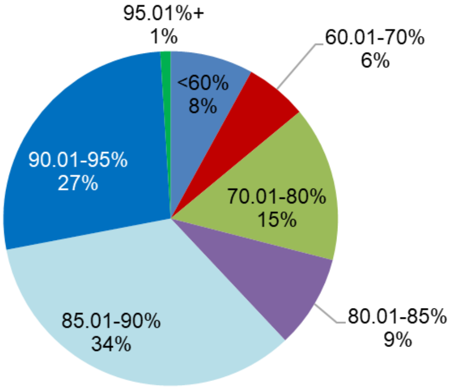


Figure 7: Insurance in-force by product

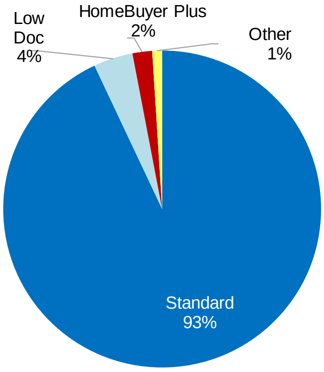
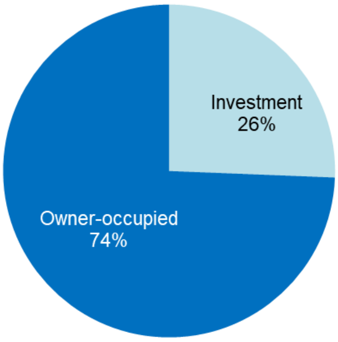


Figure 8: Insurance in-force by loan type



[18] Insurance in-force excludes excess of loss insurance. Genworth has retained $218 million of risk in relation to excess of loss insurance.

3. Portfolio performance

3.1.2 Effective LVR

The table below shows the effective LVR of the portfolio as at 31 December 2018. Genworth calculates the 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 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[19]: Effective LVR as at 31 December 2018

Book year	Insurance in-force		LVR		Portfolio change in house prices
	$ billion	%	Original	Effective	%
2009 and 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%)
Total flow	**257.8**	**92%**	**82.4%**	**56.9%**	**41%**
Portfolio	23.1	8%	56.2%	25.9%	80%
Total / weighted avg.	**280.9**	**100%**	**79.9%**	**53.9%**	**45%**

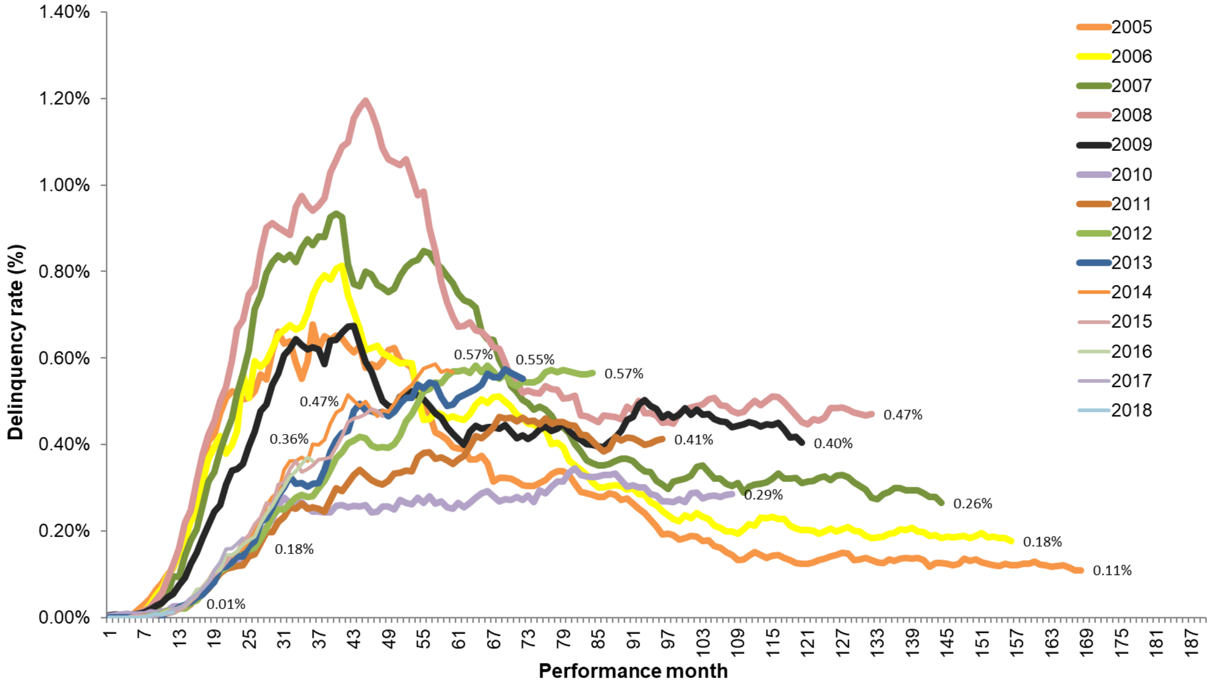
[19] Table excludes inward reinsurance, excess of loss insurance, New Zealand and Genworth Financial Mortgage Indemnity as the Group does not have comparative data available for these lines of business.

3. Portfolio performance

3.2 Delinquency rate by book year

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

Figure 9[20]: Delinquency development by book year



Overall portfolio vintage delinquency performance remains relatively stable quarter on quarter, in-line with seasonal expectations.

Across the 2013-14 vintages, there are increasing indicators of stabilisation in 2H18 which have been primarily affected by the downturn in mining regions resulting in ongoing economic and housing market challenges.

Historical performance of the 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.

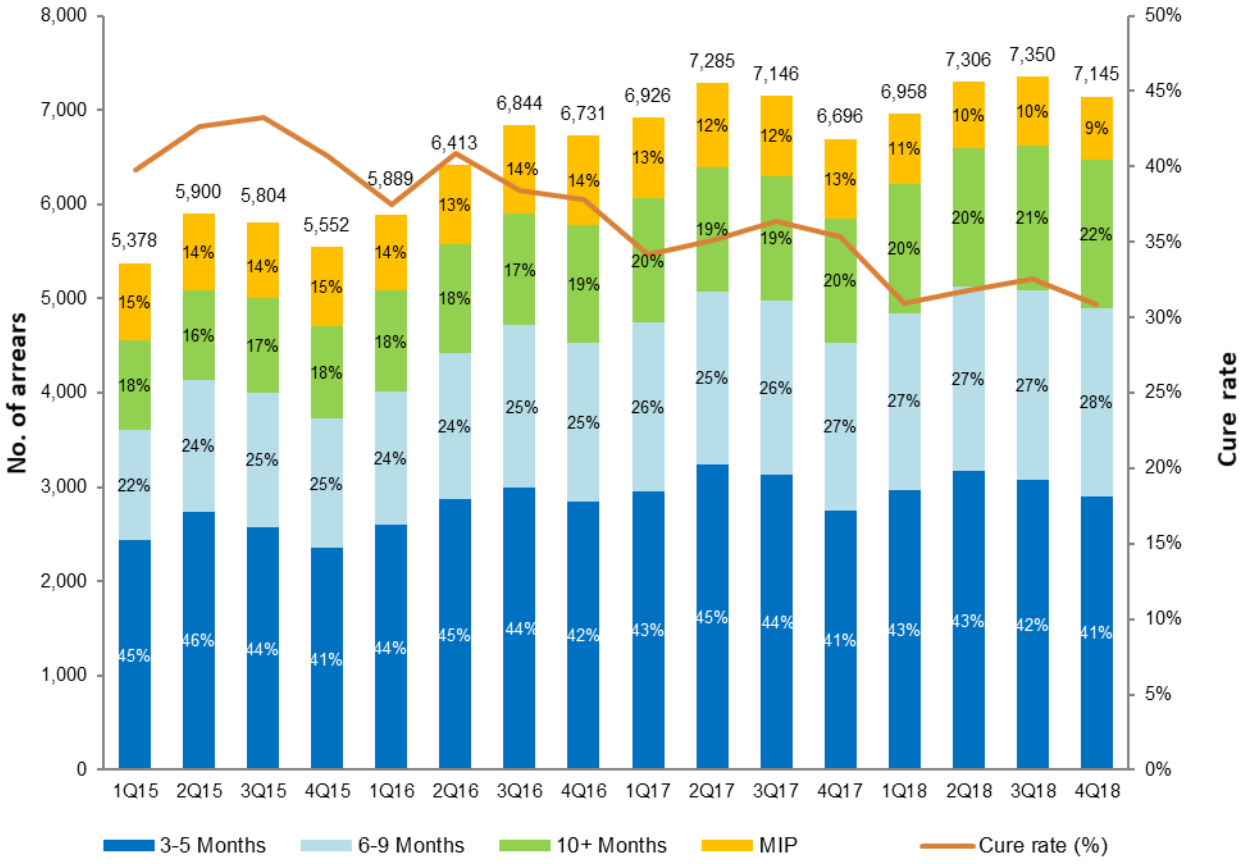
[20] Excludes excess of loss insurance and bulk. Delinquency rate is calculated as delinquencies divided by policies written which is gross of cancelled policies.

3. Portfolio performance

3.3 Delinquency population by months in arrears bucket

Figure 10: Delinquency population by months in arrears bucket[21, 22]

The below 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 cure rate has fallen primarily from changes in lenders hardship policies. In non-mining regions, the softening in cures experienced in 1H18 continued in 2H18 with the traditional seasonal uplift in the second half of the year being more subdued than prior years.



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[21] Prior quarters cures were amended in 1Q18 to include cures as a result of hardship assistance programs.
[22] Excludes excess of loss insurance.

Section 4
Balance sheet and investments

4. Balance sheet and investments

4.1 Statement of financial position

This section contains the consolidated statement of financial position for the Group as at 31 December 2018.

Table 8[23]: Consolidated statement of financial position

(A$ in millions), as at	31 Dec 17	31 Dec 18
Cash	43.0	141.5
Accrued investment income	17.8	22.1
Investments	3,348.5	3,083.0
Trade and other receivables[24]	12.5	80.6
Prepayments	2.4	1.8
Deferred reinsurance expense[24]	145.4	43.3
Non-reinsurance recoveries	23.6	21.2
Deferred acquisition costs	151.8	166.8
Property, plant and equipment	0.9	6.6
Deferred tax assets	9.4	7.9
Intangibles	1.3	6.2
Goodwill	9.1	9.1
Total assets[23]	**3,765.9**	**3,590.1**
Payables	31.7	51.9
Reinsurance payable[24]	160.0	42.2
Outstanding claims	339.7	339.1
Unearned premiums[24]	1,108.6	1,214.2
Employee benefits provision	6.8	7.3
Interest bearings liabilities	197.0	198.2
Total liabilities[23]	**1,843.7**	**1,852.8**
Net assets	**1,922.2**	**1,737.3**
Share capital	1,303.2	1,154.1
Other equity	619.0	583.2
Total equity	**1,922.2**	**1,737.3**

[23] Totals may not sum due to rounding.
[24] Includes excess of loss insurance.

4. Balance sheet and investments

4.2 Total assets

Total assets of the Group as at 31 December 2018 of $3,590.1 million, decreased $175.8 million from 31 December 2017. The movement includes:

- $102.1 million decrease in deferred reinsurance expense from the renewal of the treaties. The new treaties provide one-year cover compared to three years previously. Also, two remote layers of reinsurance cover have not been renewed.
- $167.0 million decrease in cash and investments to fund the share buy-back and the payment of the FY17 final and FY18 interim dividends.
- offset by an increase of $68.0 million in trade and other receivables primarily due to new excess of loss insurance business written in FY18.

4.2.1 Investment strategy

As at 31 December 2018, the Group had a cash and investments portfolio of $3,224.4 million. More than 82% is held in cash and highly rated fixed interest securities.

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 2018, Genworth had $122.8 million invested in Australian equities and diversified its assets by investing $535.0 million in non-AUD income securities[25].

4.2.2 Group investment assets and cash

The Group's investments and cash totalled $3,224.4 million as at 31 December 2018 with $1,238.9 million allocated to technical funds to support premium liabilities and outstanding claims reserves. The average maturity is estimated to be 3.6 years.

[25] Includes cash to be invested.

4. Balance sheet and investments

4.2.3 Investment portfolio characteristics as at 31 December 2018

Figure 11: Investment assets by term to maturity

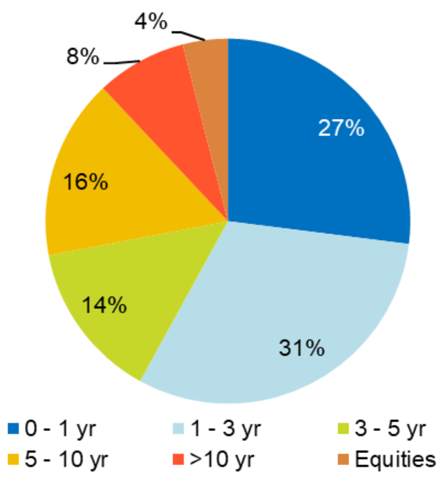


Figure 12: Investment assets by issuer type

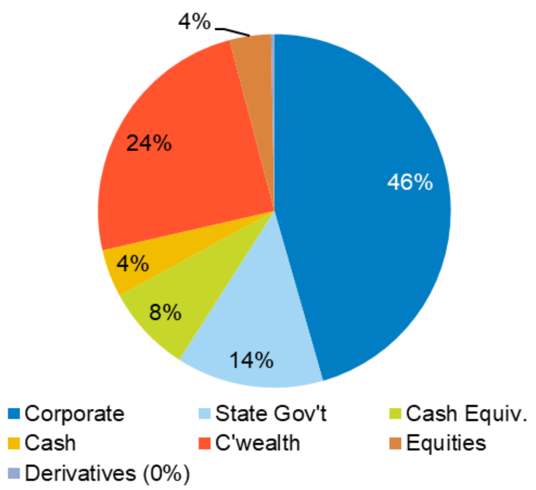


Figure 13: Investment assets by credit rating

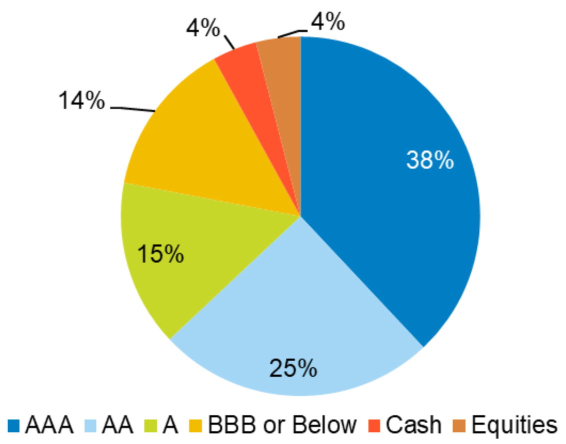
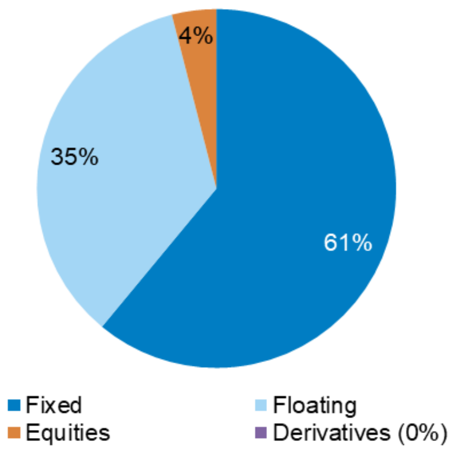


Figure 14: Investment assets by type



4. Balance sheet and investments

4.2.4 Investment performance

The decline in the investment return reflects the fact that returns are being pressured by the low interest 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 investment income and returns (excluding realised and 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	31 Dec 16	30 Jun 17	31 Dec 17	30 Jun 18	31 Dec 18
Cash	57.6	39.4	43.0	57.3	141.5
Accrued investment income	28.8	21.1	17.8	19.5	22.1
Investments	3,465.0	3,456.6	3,348.5	3,221.4	3,083.0
Total cash and investments	**3,551.3**	**3,517.1**	**3,409.3**	**3,298.2**	**3,246.6**

($ millions)	1H17	2H17	1H18	2H18	FY17	FY18
Interest and dividend income	50.9	47.4	43.5	43.1	98.2	86.6
Investment return[26]	**2.88%**	**2.72%**	**2.59%**	**2.64%**	**2.82%**	**2.60%**

4.3 Total liabilities

The total liabilities of the Group as at 31 December 2018 of $1,852.8 million, up from $1,843.7 million at 31 December 2017. Notable movements contributing to the $9.1 million increase over the period include:

- Decrease in reinsurance payable from $160.0 million as at 31 December 2017 to $42.2 million as at 31 December 2018. This is primarily the result of the renewal of the reinsurance programme. The new treaties provide one-year cover compared to three years previously. Also, two remote layers of reinsurance cover have not been renewed. The decision not to renew these two layers was based on the lack of internal capital credit recognition and reducing probable maximum loss.
- Increase in unearned premiums of $105.6 million reflects the impact of the 2017 Earnings Curve Review ($108.9 million in FY18), new excess of loss insurance business written and the Company's new 'micro markets LMI'.

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

4. Balance sheet and investments

4.3.1 Unearned premium reserve (UPR)

Table 10: Movement in unearned premium reserve by book year

Book year	As at 31 Dec 17 ($ millions)	GWP ($ millions)	GEP ($ millions)	As at 31 Dec 18 ($ millions)
2010	7.6	-	(4.1)	3.6
2011	18.3	-	(9.4)	8.9
2012	48.1	-	(23.5)	24.5
2013	89.4	-	(37.9)	51.5
2014	160.7	-	(56.7)	104.0
2015	200.2	-	(61.2)	139.1
2016	245.8	-	(63.0)	182.8
2017	338.5	-	(58.3)	280.2
2018	-	460.2	(40.8)	419.7
Total	**1,108.6**	**460.2**	**(354.5)**[27]	**1,214.2**

[27] The total GEP presented in the table above does not include a $1.8m credit from the discounting of premiums.

4. Balance sheet and investments

4.4 Equity

The Group embarked on various capital management initiatives during FY18 including the payment of $110.6 million as dividends and $149.1 million to fund on-market share buy-backs. This was offset by $75.7 million in current period earnings.

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 and impacts (net of hedge) from exposure to foreign currencies.

Table 11: Reconciliation of statutory NPAT and Underlying NPAT

($ millions)	1H17	2H17	1H18	2H18
Statutory NPAT	88.7	60.5	41.9	33.8
Adjustment for change in unrealised (gains)/losses and foreign currencies	35.5	(4.2)	12.0	14.1
Adjustment for tax on change in unrealised (gains)/losses and foreign currencies	(10.7)	1.3	(3.6)	(4.2)
Underlying NPAT	**113.5**	**57.6**	**50.3**	**43.7**

Table 12: Reconciliation of total equity and Underlying Equity

($ millions), as at	30 Jun 17	31 Dec 17	30 Jun 18	31 Dec 18
Total equity	1,983.8	1,922.2	1,821.9	1,737.3
Adjustment for life to date unrealised (gains)/losses	(40.1)	(44.6)	(31.0)	(18.5)
Adjustment for tax on life to date unrealised (gains)/losses	12.0	13.3	9.3	5.6
Underlying Equity	**1,955.7**	**1,890.9**	**1,800.2**	**1,724.3**

4. Balance sheet and investments

Table 13[28]: Underlying ROE

	12 mths to Jun 17	12 mths to Dec 17	12 mths to Jun 18	12 mths to Dec 18
Underlying NPAT ($ million)	212.8	171.1	107.9	93.9
Underlying Equity ($ million)[29]	1,954.2	1,903.5	1,878.0	1,807.6
Underlying ROE (%)	**10.9%**	**9.0%**	**5.7%**	**5.2%**

[28] Figures have been restated for June 16, December 16 and June 17 to include life to date unrealised (gains)/losses on derivatives.
[29] 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 2018 with a regulatory capital solvency level of 1.94 times the prescribed capital amount (PCA) on a Level 2 basis and a CET1 ratio of 1.74 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[30]: PCA coverage ratio (Level 2)

(A$ in millions), as at	31 Dec 17	31 Dec 18
Regulatory capital base		
CET1 capital (incl. excess technical provisions)	1,892.4	1,748.1
Tier 2 capital	200.0	200.0
Regulatory capital base	**2,092.4**	**1,948.1**
Capital requirement		
Probable maximum loss (PML)	2,003.8	1,764.7
Net premiums liability deduction	(291.9)	(303.5)
Allowable reinsurance	(950.5)	(800.4)
LMI concentration risk charge (LMICRC)	**761.4**	**660.7**
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)
PCA	**1,086.7**	**1,006.3**
PCA coverage ratio (times)	**1.93x**	**1.94x**

The decrease in CET1 capital in FY18 mainly reflects the $110.6 million of dividends paid in FY18 and the $149.1 million share buy-back offset by $44.0 million increase in the excess technical provisions (after tax) and $75.7 million reported NPAT.

[30] Totals may not sum due to rounding.

5. Capital and dividends

Figure 15[31]: Genworth Australia's capital resources progression as at 31 December 2018 (A$ billion)

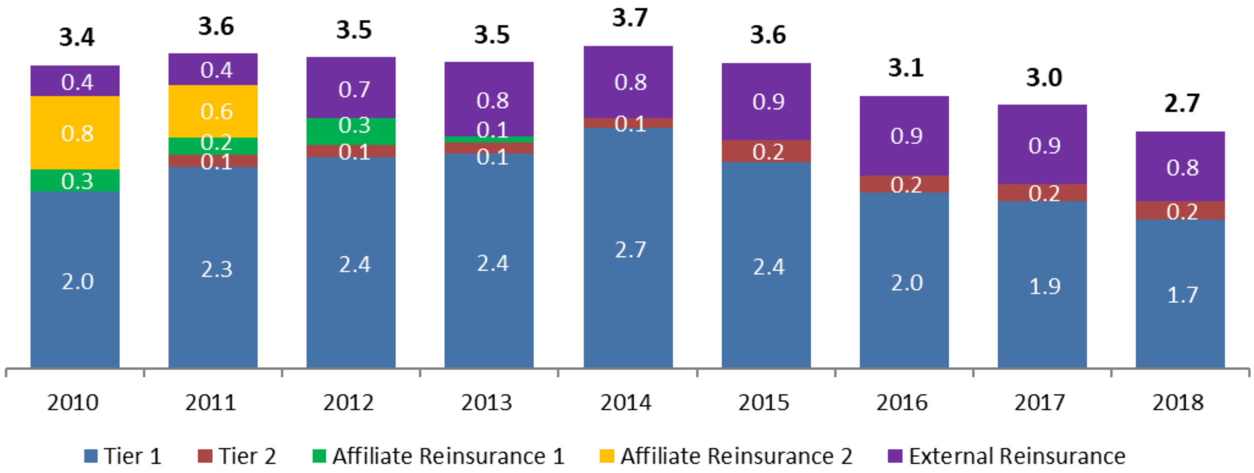


Figure 15 shows the mix of the three key components of the capital resources, including common equity (Tier 1 capital), other qualifying capital instruments (Tier 2 capital) and APRA allowable reinsurance. Since 2010, Genworth has implemented a strategy that has:

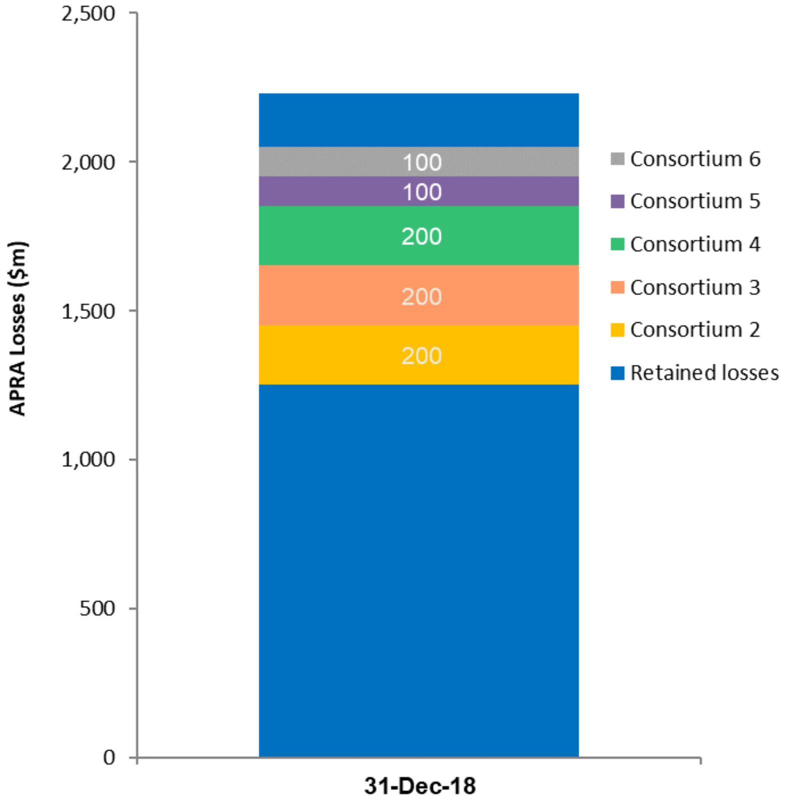
- Broadened its range of reinsurers in order to reduce concentration risk.
- Transitioned from affiliate reinsurance arrangements, the last of which was cancelled effective 1 January 2014.
- Introduced qualifying subordinated debt, or Tier 2 capital, in 2011.

[31] Historical capital base has been adjusted due to rounding. Totals may not sum due to rounding.

5. Capital and dividends

5.2 Reinsurance

Figure 16: Reinsurance program 31 December 2018



As at 31 December 2018, the Group had $800 million of excess of loss cover with varying durations depending on the layer. A diversified panel is in place with over 20 different reinsurers participating across the program with a minimum rating of ‘A-‘.

The Group decided not to renew a $100 million remote layer of reinsurance on 1 April 2018 due to a lack of internal economic capital credit recognition and reducing probable maximum loss. Despite this reduction, the new program structure has led to an increase in internal economic capital credit, an overall reduction in both lifetime and first year premiums and a lower cost of capital.

5. Capital and dividends

5.3 Dividends

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

On 6 February 2019, the Board declared a fully franked final ordinary dividend of 9.0 cents per share payable on 18 March 2019 to shareholders registered on 4 March 2019. Total dividends of 21.0 cents per share fully franked (17.0cps total ordinary dividend and 4.0 cps special dividend) were declared during FY18.

Table 15: Calculation of Underlying NPAT for FY17 and FY18

(A$ in millions)	FY17	FY18
Reported NPAT	149.2	75.7
Adjustment for change in unrealised gains/(losses) and foreign currencies	31.3	26.1
Adjustment for tax on change in unrealised gains/(losses) and foreign currencies	(9.4)	(7.8)
Underlying NPAT	171.1	93.9

Table 16: Reconciliation of dividend payout ratio[32]

	FY17	FY18
Ordinary dividend (cents per share)	24.0	17.0
Ordinary dividend ($ millions)	120.2	75.1
Underlying NPAT ($ millions)	171.1	93.9
Dividend payout ratio	70.3%	80.0%

32 Dividends are calculated for the reported period and paid subsequent to the end of that period.

Section 6
Appendices

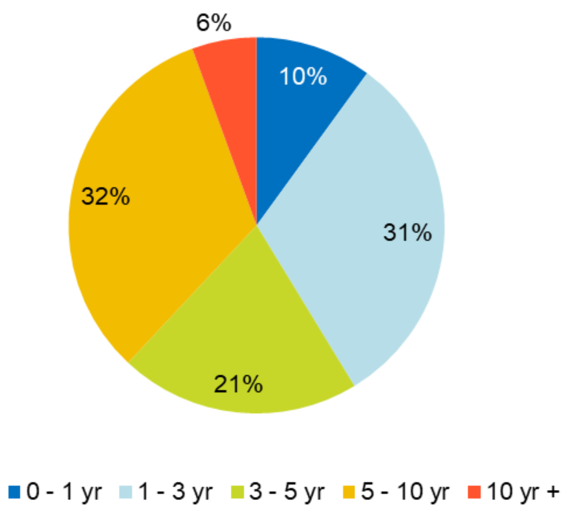
6. Appendices

Appendix A – Investment portfolio

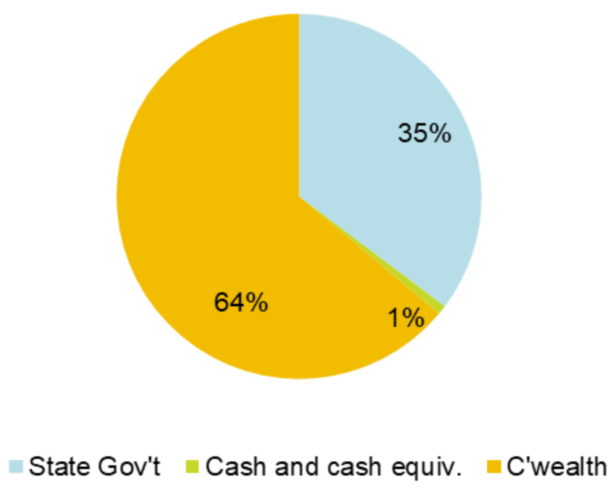
A.1 Investment assets backing technical liabilities

As at 31 December 2018, Genworth's technical funds were $1.2 billion.

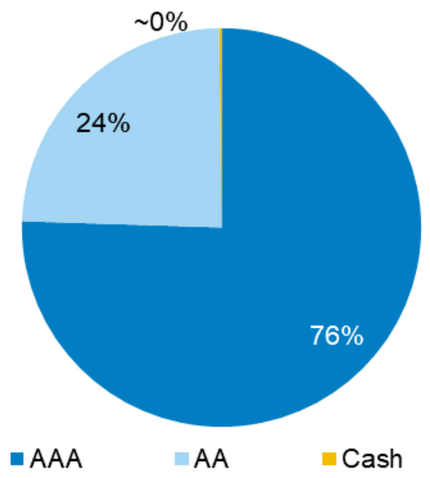
Investment assets by term to maturity



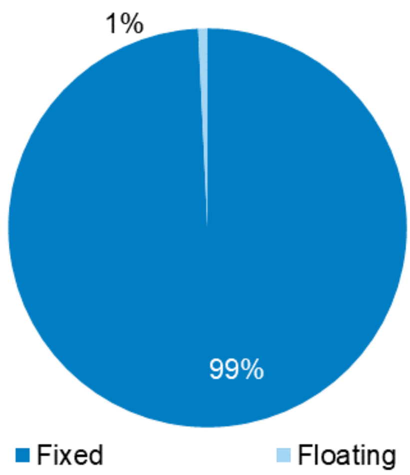
Investment assets by source



Investment assets by credit rating



Investment assets by type

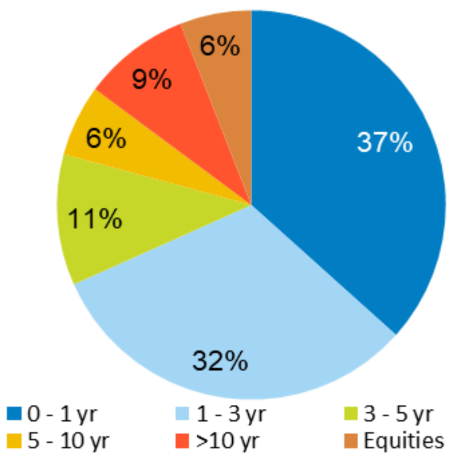


6. Appendices

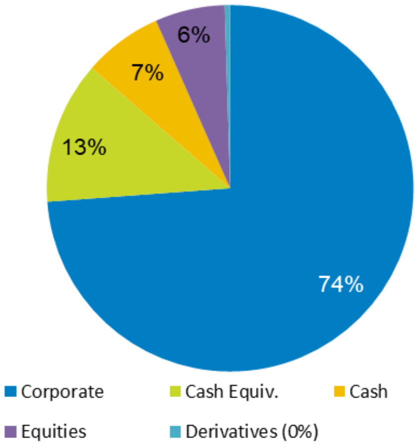
A.2 Shareholders' funds

As at 31 December 2018, Genworth shareholders' funds were $2.0 billion.

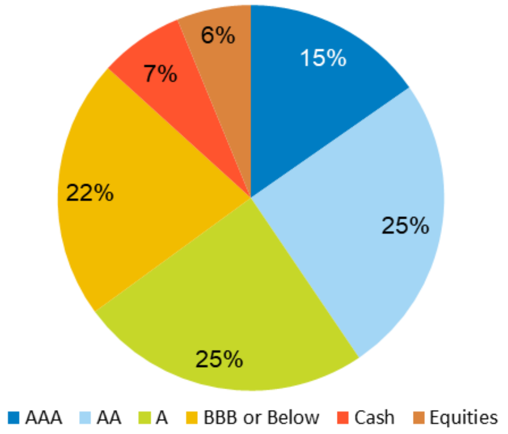
Investments assets by term to maturity



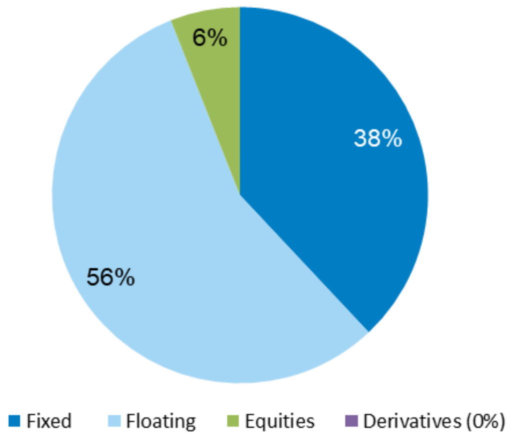
Investments assets by source



Investments assets by credit rating



Investments assets by type



6. Appendices

Appendix B – 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 Australian dollars and have been prepared in accordance with Australian accounting standards which comply with IFRS and non-IFRS basis.

	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18
Net premium written ($M)[1]	71	77	72	81	301	152	75	75	83	385
Loss ratio[2]	35%	35%	37%	53%	38%	56%	51%	53%	48%	52%
GAAP basis expense ratio[3]	25%	27%	30%	41%	29%	34%	32%	32%	36%	34%
Adjusted expense ratio[4]	38%	36%	41%	29%	36%	15%	33%	30%	31%	25%

Sales: NIW ($M)	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	3Q18	4Q18	FY18
Flow	5,469	5,498	4,666	5,350	20,983	4,349	4,845	5,078	5,694	19,966
Bulk	1,331	759	823	34	2,948	-	1,148	-	1,120	2,268
Total NIW	**6,800**	**6,257**	**5,489**	**5,384**	**23,931**	**4,349**	**5,993**	**5,078**	**6,814**	**22,234**

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Primary insurance in force ($M)	**322,270**	**322,520**	**321,511**	**321,806**	**320,576**	**310,410**	**308,092**	**309,840**

Note: All figures are in $AUD and AIFRS and exclude excess of loss insurance

1. Net premium written is calculated as gross written premium, less refunds and reinsurance. This metric differs to what is disclosed in 4Q18 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 net claims incurred expense to net earned premiums. This metric differs to what is disclosed in 4Q18 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, exchange commission and amortisation of DAC and intangibles. This metric differs to what is disclosed in 4Q18 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 Australian 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 4Q18 GFI FS under International MI segment Australia as outlined in point 3.

6. Appendices

Primary insurance	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 Jun 2018	30 Sep 2018	31 Dec 2018
Insured loans in-force (#)	1,443,836	1,438,100	1,422,501	1,416,525	1,407,431	1,354,614	1,335,133	1,332,906
Insured delinquent loans (#)	6,926	7,285	7,146	6,696	6,958	7,306	7,350	7,145
Insured delinquency rate (%)	0.48%	0.51%	0.50%	0.47%	0.49%	0.54%	0.55%	0.54%
Flow loans in-force (#)	1,332,468	1,325,477	1,308,998	1,303,928	1,296,055	1,247,229	1,229,558	1,226,219
Flow delinquent loans (#)	6,650	7,007	6,912	6,476	6,735	7,076	7,133	6,931
Flow delinquency rate (%)	0.50%	0.53%	0.53%	0.50%	0.52%	0.57%	0.58%	0.57%
Bulk loans in-force (#)	111,368	112,623	113,503	112,597	111,376	107,385	105,575	106,687
Bulk delinquent loans (#)	276	278	234	220	223	230	217	214
Bulk delinquency rate (%)	0.25%	0.25%	0.21%	0.20%	0.20%	0.21%	0.21%	0.20%

Loss metrics ($M)	31 Mar 2017	30 Jun 2017	30 Sep 2017	31 Dec 2017	31 Mar 2018	30 Jun 2018	30 Sep 2018	31 Dec 2018
Beginning reserves	**356**	**361**	**360**	**360**	**340**	**333**	**339**	**338**
Paid claims	(33)	(40)	(42)	(52)	(43)	(35)	(37)	(33)
Increase in reserves	38	40	42	31	37	41	36	34
Ending reserves	**361**	**360**	**360**	**340**	**333**	**339**	**338**	**339**

Note: All figures are in $AUD and AIFRS. Insured loans in-force, insured delinquent loans and insured delinquency rates exclude excess of loss insurance.

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	31 Mar 2017		30 Jun 2017		30 Sep 2017		31 Dec 2017		31 Mar 2018		30 Jun 2018		30 Sep 2018		31 Dec 2018	
	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate	% of primary risk in force	Primary delq rate
State and territory																
New South Wales	28%	0.31%	28%	0.32%	28%	0.31%	28%	0.31%	28%	0.33%	28%	0.37%	28%	0.38%	27%	0.38%
Queensland	23%	0.68%	23%	0.72%	23%	0.72%	23%	0.67%	23%	0.67%	23%	0.73%	23%	0.73%	23%	0.70%
Victoria	23%	0.38%	23%	0.41%	23%	0.39%	23%	0.37%	23%	0.39%	23%	0.42%	23%	0.42%	23%	0.40%
Western Australia	12%	0.78%	12%	0.86%	12%	0.88%	12%	0.83%	12%	0.88%	12%	0.99%	12%	1.01%	13%	0.98%
South Australia	6%	0.66%	6%	0.65%	6%	0.65%	6%	0.60%	6%	0.63%	6%	0.67%	6%	0.70%	6%	0.68%
ACT	3%	0.19%	3%	0.20%	3%	0.19%	3%	0.14%	3%	0.18%	3%	0.18%	3%	0.15%	3%	0.17%
Tasmania	2%	0.36%	2%	0.37%	2%	0.38%	2%	0.32%	2%	0.32%	2%	0.34%	2%	0.35%	2%	0.31%
New Zealand	2%	0.07%	2%	0.08%	2%	0.06%	2%	0.04%	2%	0.06%	2%	0.06%	2%	0.05%	2%	0.05%
Northern Territory	1%	0.42%	1%	0.44%	1%	0.50%	1%	0.48%	1%	0.52%	1%	0.61%	1%	0.70%	1%	0.68%
Total	**100%**	**0.48%**	**100%**	**0.51%**	**100%**	**0.50%**	**100%**	**0.47%**	**100%**	**0.49%**	**100%**	**0.54%**	**100%**	**0.55%**	**100%**	**0.54%**
By policy year[2]																
2008 and prior	39%	0.39%	39%	0.41%	38%	0.40%	38%	0.37%	-	-	-	-	-	-	-	-
2009 and prior	7%	0.95%	7%	1.00%	6%	1.01%	6%	1.00%	44%	0.45%	43%	0.49%	43%	0.49%	42%	0.47%
2010	5%	0.60%	5%	0.57%	5%	0.56%	5%	0.53%	5%	0.56%	4%	0.60%	4%	0.59%	4%	0.62%
2011	5%	0.69%	5%	0.71%	5%	0.70%	5%	0.64%	5%	0.65%	5%	0.75%	5%	0.75%	4%	0.77%
2012	7%	0.79%	7%	0.83%	7%	0.86%	7%	0.84%	7%	0.87%	6%	0.92%	6%	0.93%	6%	0.96%
2013	8%	0.66%	8%	0.74%	8%	0.77%	8%	0.74%	8%	0.77%	7%	0.87%	7%	0.92%	7%	0.90%
2014	10%	0.58%	9%	0.66%	9%	0.66%	9%	0.64%	9%	0.71%	9%	0.79%	8%	0.84%	8%	0.83%
2015	9%	0.28%	9%	0.37%	9%	0.44%	8%	0.43%	8%	0.47%	8%	0.59%	8%	0.64%	8%	0.65%
2016	8%	0.05%	8%	0.12%	7%	0.18%	7%	0.22%	7%	0.26%	8%	0.35%	7%	0.42%	7%	0.44%
2017	2%	0.00%	3%	0.00%	5%	0.01%	7%	0.03%	6%	0.06%	7%	0.11%	7%	0.19%	7%	0.21%
2018	-	-	-	-	-	-	-	-	1%	0.00%	3%	0.00%	5%	0.02%	7%	0.03%
Total	**100%**	**0.48%**	**100%**	**0.51%**	**100%**	**0.50%**	**100%**	**0.47%**	**100%**	**0.49%**	**100%**	**0.54%**	**100%**	**0.55%**	**100%**	**0.54%**

Note: All figures are in $AUD and AIFRS. The above table excludes excess of loss insurance.

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 4Q 2018 GFI FS under International MI Segment Australia.
2. March 31, 2018 percentages of primary risk in-force by policy year have been re-presented to reflect an adjustment to the related risk in-force balance.

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	1Q17	2Q17	3Q17	4Q17	Total 17	1Q18	2Q18	3Q18	4Q18	Total 18
Paid claims[33] ($M), quarterly analysis										
Flow	33	40	42	51	166	43	35	37	33	148
Bulk	-	-	-	1	1	-	-	-	-	-
Total	**33**	**40**	**42**	**52**	**166**	**43**	**35**	**37**	**33**	**148**
Average paid claim ($ thousands)	92.5	112.7	110.6	134.4		117.8	115.2	115.7	102.1	
Average reserve per delinquency[34] ($ thousands)	52.1	49.5	50.4	50.7		47.9	46.4	46.0	47.5	

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Loan amount (%)[35]								
Over $550K	16%	16%	17%	17%	17%	17%	18%	18%
$400K to $550K	20%	20%	20%	20%	21%	21%	21%	21%
$250K to $400K	35%	35%	35%	35%	34%	34%	34%	34%
$100K to $250K	24%	24%	23%	23%	23%	23%	22%	22%
$100K or Less	5%	5%	5%	5%	5%	5%	5%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Average primary loan size (thousands)	223	224	226	227	228	229	231	232

Note: All figures are in $AUD and AIFR

[33] Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation.
[34] This metric differs to what is disclosed in 2Q 2018 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.
[35] Excludes excess of loss insurance.

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	31 Mar 2017			30 Jun 2017			30 Sep 2017			31 Dec 2017		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
Risk in force ($M) by LVR												
95.01% and above	18,742	18,742	-	18,396	18,396	-	18,017	18,016	1	17,728	17,728	-
90.01% to 95.00%	30,018	30,010	8	30,233	30,225	8	30,297	30,289	8	30,529	30,521	8
80.01% to 90.00%	30,364	30,278	86	30,669	30,577	92	30,868	30,776	92	31,393	31,303	90
80.00% and below	32,985	25,244	7,742	32,904	24,997	7,906	32,685	24,590	8,095	32,332	24,314	8,018
Total	**112,109**	**104,273**	**7,836**	**112,202**	**104,195**	**8,007**	**111,868**	**103,672**	**8,196**	**111,982**	**103,866**	**8,116**

	31 Mar 2018			30 Jun 2018			30 Sep 2018			31 Dec 2018		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
Risk in force ($M) by LVR												
95.01% and above	17,390	17,390	-	16,527	16,527	-	16,258	16,258	-	15,986	15,986	-
90.01% to 95.00%	30,574	30,566	8	29,690	29,684	7	29,639	29,632	7	29,930	29,923	7
80.01% to 90.00%	31,704	31,614	90	31,063	30,978	85	31,276	31,193	83	31,909	31,821	88
80.00% and below	31,902	23,996	7,906	30,714	22,874	7,840	30,067	22,390	7,677	30,043	22,111	7,932
Total	**111,570**	**103,566**	**8,003**	**107,994**	**100,062**	**7,932**	**107,240**	**99,472**	**7,767**	**107,868**	**99,841**	**8,027**

Note: All figures are in $AUD and AIFRS

1. Loan amount in LVR calculation includes capitalised premiums, where applicable.
2. RIF excludes excess of loss.
3. 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 recognises 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.

PML (A $million)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Pre - 2007	194.8	164.9	158.8	126.5	84.6	34.2	32.3	28.3
2007	353.4	102.8	101.6	91.0	81.3	74.6	13.7	11.9
2008	351.2	310.6	103.1	91.6	81.5	74.0	67.0	11.6
2009	644.0	434.3	411.1	119.7	105.3	94.2	84.1	73.0
2010	388.3	366.0	255.9	226.6	67.0	59.7	53.4	46.3
2011	410.9	404.5	394.7	263.7	232.7	68.6	61.4	52.8
2012	-	567.1	577.4	527.0	350.6	312.1	92.8	80.6
2013	-	-	582.0	568.4	518.2	343.9	307.3	89.2
2014	-	-	-	561.5	548.4	502.1	334.4	292.2
2015	-	-	-	-	429.7	418.0	387.7	257.2
2016	-	-	-	-	-	292.8	287.8	265.9
2017	-	-	-	-	-	-	271.3	271.4
2018	-	-	-	-	-	-	-	274.4
Total	**2,342.6**	**2,350.2**	**2,584.6**	**2,575.9**	**2,499.2**	**2,274.0**	**1,993.3**	**1,754.9**

GEP (A$ million)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
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	2.7	-
2010	110.0	69.2	48.1	32.1	39.2	14.9	9.6	4.1
2011	69.5	95.2	73.9	54.3	51.0	24.6	16.1	9.4
2012	-	89.3	129.9	104.4	87.1	56.5	33.6	23.7
2013	-	-	99.7	143.2	122.4	87.5	59.3	38.1
2014	-	-	-	110.0	140.5	141.6	85.8	57.1
2015	-	-	-	-	64.2	142.6	105.6	61.5
2016	-	-	-	-	-	44.7	95.0	63.3
2017	-	-	-	-	-	-	32.7	58.6
2018	-	-	-	-	-	-	-	42.6
Total	**445.6**	**447.8**	**476.8**	**525.1**	**554.6**	**528.2**	**440.5**	**358.5**

Net claims incurred (A$ million)	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Pre - 2007	(34.9)	(48.4)	(12.5)	1.8	40.1	3.0	23.6	0.5
2007	(50.1)	(61.2)	(29.5)	(10.2)	11.3	(4.1)	3.4	(5.8)
2008	(52.9)	(79.2)	(31.9)	(22.6)	(23.7)	(8.6)	(13.6)	(10.7)
2009	(36.8)	(47.6)	(24.4)	(16.6)	(40.8)	(12.5)	(18.9)	(4.5)
2010	(7.0)	(15.0)	(9.7)	(8.1)	(24.0)	(11.7)	(10.9)	(8.9)
2011	(1.0)	(6.7)	(11.0)	(10.0)	(15.9)	(23.2)	(14.7)	(14.1)
2012	-	(1.1)	(7.8)	(11.2)	(24.5)	(43.9)	(34.6)	(21.3)
2013	-	-	(1.0)	(6.8)	(20.9)	(29.7)	(28.5)	(30.3)
2014	-	-	-	(0.8)	(12.9)	(20.3)	(21.1)	(20.8)
2015	-	-	-	-	(1.4)	(6.8)	(16.7)	(13.6)
2016	-	-	-	-	-	(0.9)	(8.6)	(8.7)
2017	-	-	-	-	-	-	(1.2)	(6.7)
2018	-	-	-	-	-	-	-	(1.0)
Total	(182.7)	(259.2)	(127.8)	(84.5)	(112.7)	(158.8)	(141.8)	(145.9)

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

Glossary

OUR PLACE

Term	Definition
AIFRS	Australian equivalent to International Financial Reporting Standards
ASX	ASX Limited ABN 98 008 624 691 or Australian Securities Exchange
Average reserve per delinquency	Average reserve per delinquency is calculated by dividing the outstanding claims balance by the number of delinquencies. This calculation differs from the average reserve per delinquency quoted in the Prospectus which was calculated by dividing the central estimate of the outstanding claims balance, net of the non-reinsurance recoveries, by the number of delinquencies
Book year	The calendar year an LMI policy is originated
Borrower sale	Borrower Sale is a type of loss mitigation activity initiated by Genworth by providing a dedicated team that includes a qualified real estate agent and working with borrowers and lenders on any borrower shortfall sale scenario with guidance and support. This activity is to help borrowers reduce any potential shortfall while reducing the claim size to which Genworth is exposed
Business select	Providing self-employed borrowers access to residential mortgage finance by providing limited evidence of income. The borrower self certifies an income that is used to establish serviceability
Combined ratio	The combined ratio is the sum of the loss ratio and the expense ratio
Common equity tier 1 or CET1	The highest quality and most loss absorbing form of capital. Consists of total accounting equity, adjustments for certain reserves and adjustments for certain other items, such as intangible assets, which are excluded from the capital base
Delinquency rate	The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies
2017 Earnings Curve Review	In October 2017 as part of its annual earnings curve review, the Company adjusted the way in which it recognises premium revenue with the effect of lengthening the time period over which premium is earned. The earning pattern was reviewed again in 2018 as part of the Company's annual review process and no changes were made.
Expense ratio	The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium
Flow	On a loan by loan basis at the time of origination by the lender customer
Gearing	Gearing is calculated as debt divided by equity
Genworth Australia	Genworth or the Group
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 (excludes excess of loss insurance)
Insurance margin	The insurance margin is calculated by dividing the profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses) by the net earned premium

Term	Definition
Investment return	The investment return is calculated as the interest income on technical funds plus the interest income on shareholder funds (excluding realised and unrealised gains/(losses)) divided by the average balance of the opening and closing cash and investments balance for each financial year
Level 2	A term defined by APRA under GPS 001 referring to a consolidated insurance group
Loss ratio	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
Low doc	Low doc loans (or low documentation loans) are used where a borrower does not have a verifiable income and generally require the borrower to complete a statutory declaration of financial income
LVR band	Loan to value ratio band
Mark-to-market	Unrealised gains / losses (exclusive of foreign exchange)
NIW	New insurance written (excludes excess of loss insurance)
NOHC	Non-operating holding company
ROE	Return on equity
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
Probable maximum loss (PML)	The largest cumulative loss to which an insurer will be exposed due to a concentration of policies. It is determined by applying a formula specified by APRA for LMI with specific factors for probability of default and loss given default and other components
Regulatory capital base	The regulatory capital base is the sum of tier 1 capital and tier 2 capital
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 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

Term	Definition
Underlying NPAT	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
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.