



5 FEBRUARY 2020  
**FY19 FINANCIAL  
RESULTS  
PRESENTATION**



# Disclaimer

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# Introduction

Mr Duncan West, Acting Chief Executive Officer

# FY19 results overview

## Summary

(A\$ millions)	FY18	FY19	Change %
Gross written premium	460.2	433.2	(5.9%)
Net earned premium	281.3	298.2	6.0%
Statutory net profit after tax	75.7	120.1	58.7%
Underlying net profit after tax <sup>1</sup>	93.9	97.0	3.3%
Ordinary dividends per share (cps)	17.0	16.5	(2.9%)
Ordinary dividend payout ratio <sup>2</sup>	80.0%	70.2%	(9.8%)

Key financial measure	FY19 guidance	FY19 actual	
NEP growth	-5% to +5%	6.0%	✓
Full year loss ratio	45% to 55%	50.6%	✓
Ordinary dividend payout ratio	50% to 80%	70.2%	✓

Source: Genworth

1. Underlying NPAT excludes the after tax impact of mark-to-market gains of \$24.6 million (FY18: loss of \$18.3 million) on the investment portfolio, and the after-tax impact of foreign exchange rates (net of hedge) on Genworth's investment portfolio (\$1.6 million loss). The bulk of these foreign exchange exposures are hedged.
2. FY18 adjusted to reflect actual dividend paid following on-market share buy-back.

### FY19 result in line with guidance

- **New insurance written (NIW)** of \$26.7 billion, up 20.3% (FY18: \$22.2 billion).
- **Gross Written Premium (GWP)** decreased 5.9%. Excluding the bespoke transaction written through Genworth's Bermudian insurance entity in 1Q18, GWP increased 17.1% in FY19.
- **Net Earned Premium (NEP)** up 6.0%. This result is slightly above guidance largely due to continued seasoning of FY17 and FY18 book years and policy cancellation initiatives in FY19.
- **Statutory NPAT** of \$120.1 million includes after tax unrealised gain of \$24.6 million on investment portfolio (FY18: after tax unrealised loss of \$18.3 million).
- **Underlying NPAT<sup>1</sup>** of \$97.0 million includes after tax realised gain of \$20.1 million (FY18: \$12.2 million)
- **Loss ratio** of 50.6% (FY18: 51.9%) in line with the Company's FY19 guidance.

### Strategic update

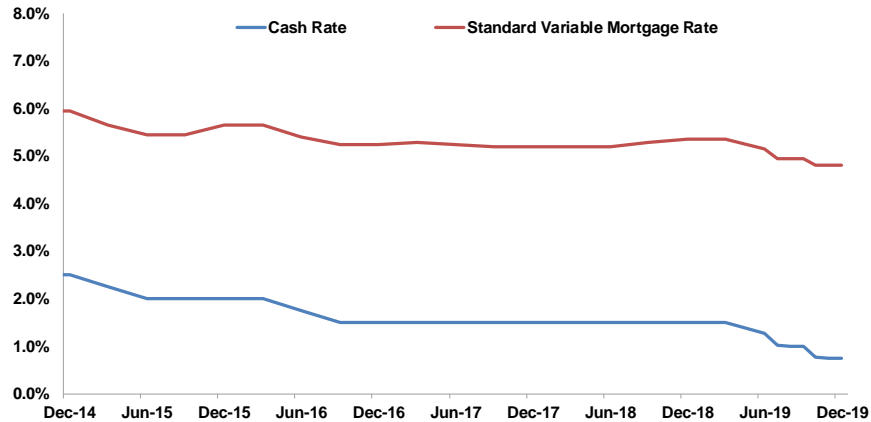
- Enhancing customer experience by leveraging data and technology capability to deliver operating and underwriting efficiencies.
- Continue to develop capital and risk management solutions, implement monthly premium LMI offering and pursue opportunities to grow and diversify revenue streams.

### Capital management

- Completed an on market share buyback of 25.0 million shares for a consideration of \$63.9 million in FY19.
- FY19 total ordinary dividend of 16.5 cps (fully franked) and total unfranked special dividend of 46.1 cps equates to yield of 17.2% (based on share price of \$3.65 as at 31 December 2019).

# Macroeconomic conditions

## Interest rates



Source: Reserve Bank of Australia

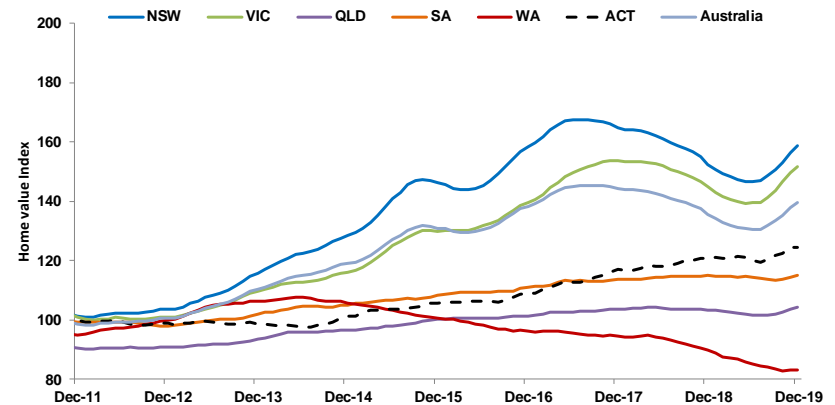
## Total delinquency\* rates by geography (Genworth)

State	Dec 18	Dec 19	Change (basis points)
New South Wales	0.38%	0.42%	4 bps
Victoria	0.40%	0.41%	1 bp
Queensland	0.70%	0.75%	5 bps
Western Australia	0.98%	1.00%	2 bps
South Australia	0.68%	0.65%	(3 bps)
<b>Group</b>	<b>0.54%</b>	<b>0.56%</b>	<b>2 bps</b>

Source: Genworth.

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

## House values – capital city dwellings



Source: CoreLogic

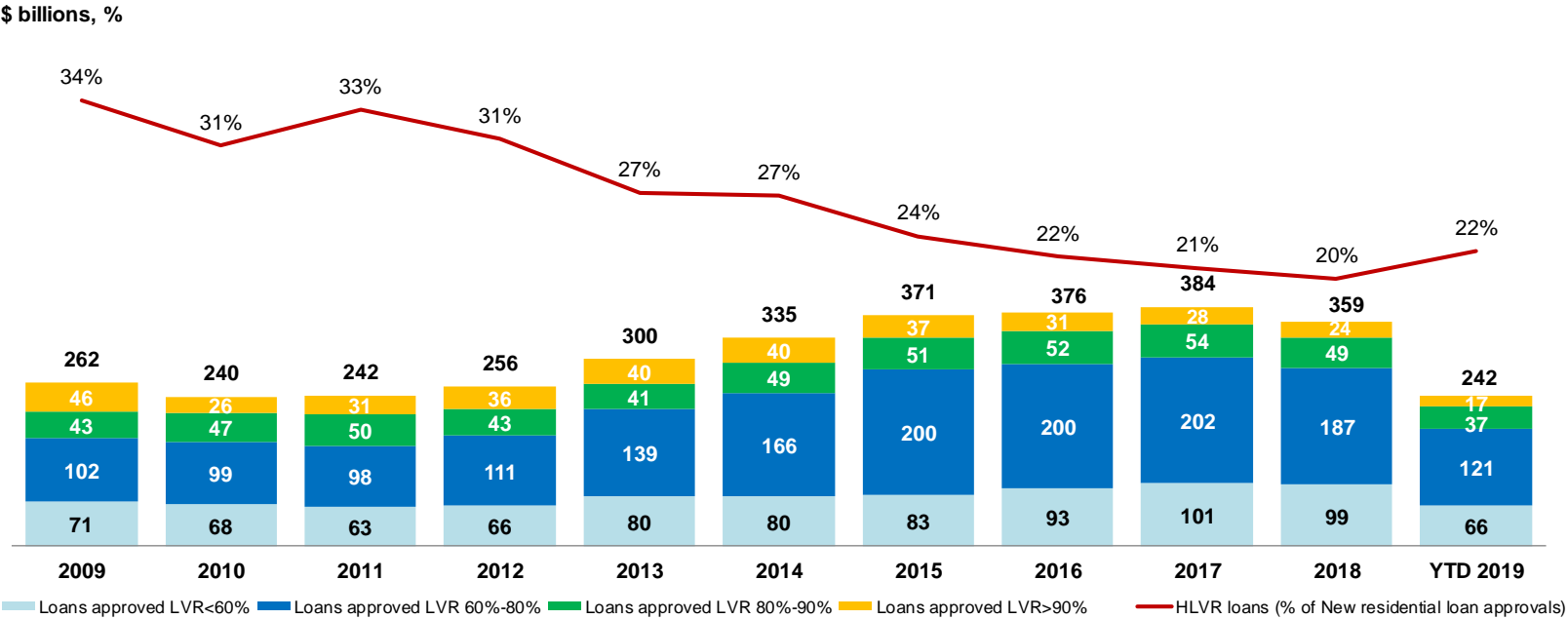
## Unemployment rates (seasonally adjusted)

State	Dec 18	Dec 19	Change (basis points)
New South Wales	4.4%	4.5%	10 bps
Victoria	4.2%	4.9%	70 bps
Queensland	6.2%	5.7%	(50 bps)
Western Australia	6.4%	5.4%	(100 bps)
South Australia	5.9%	6.2%	30 bps
<b>National</b>	<b>5.0%</b>	<b>5.1%</b>	<b>10 bps</b>

Source: Australian Bureau of Statistics.

# Residential mortgage lending market

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



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

Note: Totals may not sum due to rounding. Total new residential loans approved in the 9 months to 30 September 2019 were \$241.9 billion, down 10.8% on the previous corresponding period.  
 1. Prior periods have been restated in line with market updates.



# Detailed financial performance

Mr Michael Bencsik,  
Chief Financial Officer





# FY19 income statement

(A\$ millions)	FY18	FY19	FY19 v FY18 (%)
Gross written premium	460.2	433.2	(5.9%)
Movement in unearned premium	(103.8)	(64.8)	37.6%
<b>Gross earned premium</b>	<b>356.3</b>	<b>368.4</b>	<b>3.4%</b>
Outwards reinsurance premium expense	(75.1)	(70.2)	(6.5%)
<b>Net earned premium</b>	<b>281.3</b>	<b>298.2</b>	<b>6.0%</b>
Net claims incurred	(145.9)	(150.9)	(3.4%)
Acquisition costs	(40.6)	(46.9)	(15.5%)
Other underwriting expenses <sup>1</sup>	(53.8)	(58.3)	(8.4%)
<b>Underwriting result</b>	<b>41.0</b>	<b>42.1</b>	<b>2.7%</b>
Investment income on technical funds <sup>2</sup>	38.7	65.9	70.3%
<b>Insurance profit</b>	<b>79.7</b>	<b>108.0</b>	<b>35.5%</b>
Net investment income on shareholder funds <sup>2</sup>	39.2	73.2	86.7%
Financing costs	(12.1)	(11.8)	2.5%
<b>Profit before income tax</b>	<b>106.8</b>	<b>169.5</b>	<b>58.7%</b>
Income tax expense	(31.1)	(49.4)	(58.8%)
<b>Net profit after tax</b>	<b>75.7</b>	<b>120.1</b>	<b>58.7%</b>
<b>Underlying net profit after tax<sup>3</sup></b>	<b>93.9</b>	<b>97.0</b>	<b>3.3%</b>

Source: Genworth

Note: Totals may not sum due to rounding.

1. Net of reinsurance ceding commissions.

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

3. FY19 Underlying NPAT excludes the after-tax impact of mark-to-market gains of \$24.6 million on the investment portfolio, and the after-tax impact of foreign exchange rates (net of hedge) on Genworth's investment portfolio (\$1.6m loss). The bulk of these foreign exchange exposures are hedged.

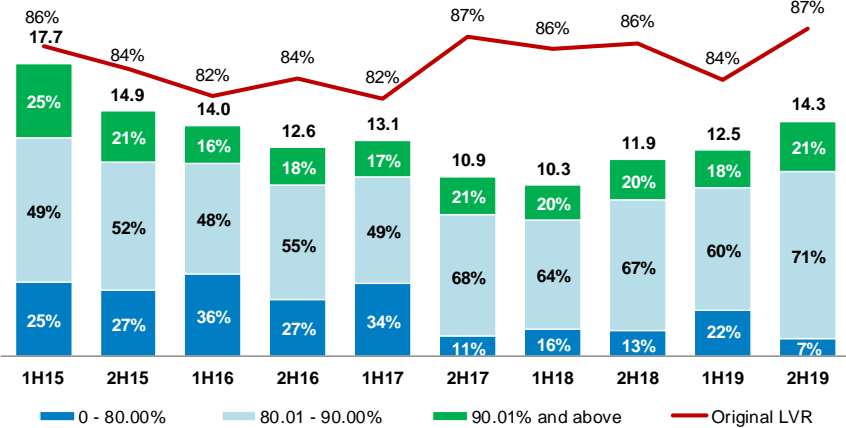
- **GWP** in FY18 included a bespoke transaction written through Genworth's Bermudian insurance entity which is also reflected in the **movement in unearned premium**. Excluding this transaction, GWP increased 17.1% reflecting growth in our traditional LMI flow business across Genworth lender customers, driven by improved market growth.
- **Gross earned premium** of \$368.4 million, up 3.4% when compared with FY18 reflecting seasoning of recent book years as well as the impact of policy cancellation initiatives in FY19.
- **Outward reinsurance expense** of \$70.2 million, down 6.5% largely driven by Genworth's Bermudian entity transaction in 1H18, and reduced reinsurance coverage on the traditional LMI business.
- **NEP** increased 6.0% attributable to continued seasoning of FY17 and FY18 book years and policy cancellation initiatives in FY19.
- **Net claims incurred** of \$150.9 million, up 3.4% from FY18 attributable to an increase in reserving of \$20.9m.
- **Acquisition costs** of \$46.9 million, up 15.5% on FY18 and broadly in line with LMI flow and bulk business written.
- **Other underwriting expenses** of \$58.3 million, up 8.4% from FY18, reflecting the depreciation of strategic projects and higher corporate insurance expenses



# New insurance written

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

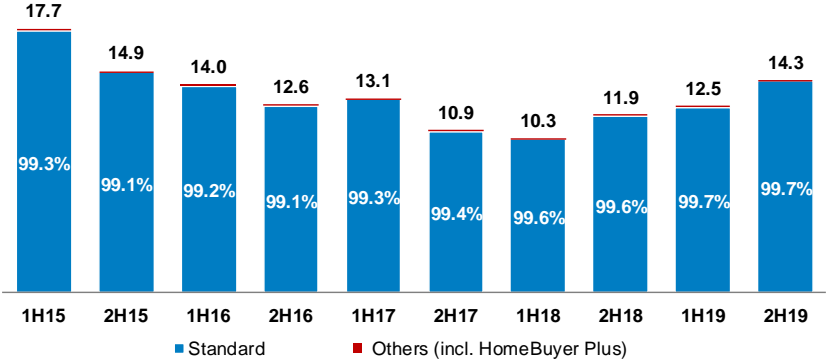
\$ billions, %



Source: Genworth

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

\$ billions



Source: Genworth

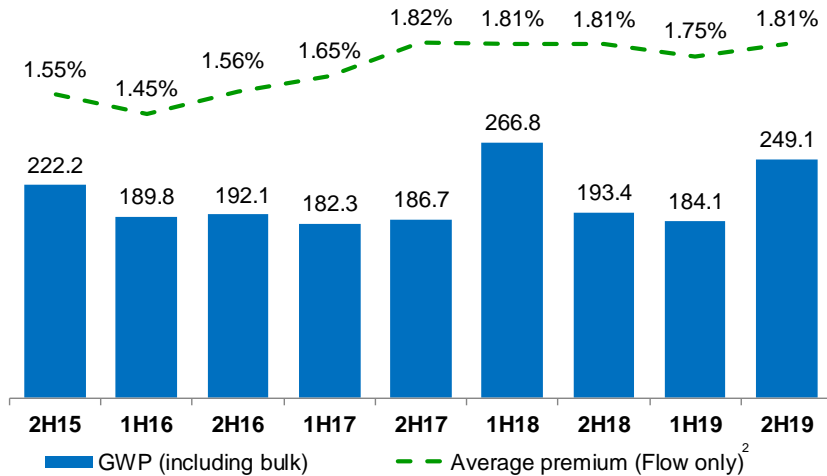
1. NIW includes capitalised premium. NIW excludes excess of loss insurance (excess of loss insurance includes the Bermudian entity transaction).  
 2. Original LVR excludes capitalised premium and excess of loss insurance.



# Gross written premium

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

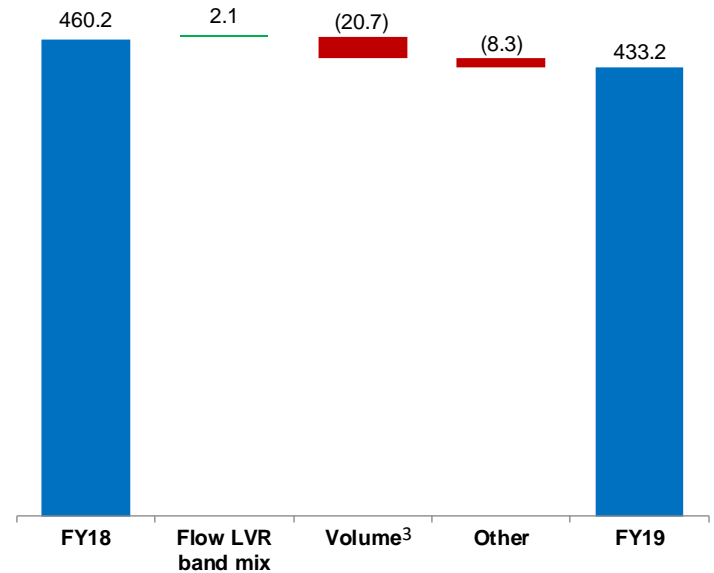
\$ millions, %



Source: Genworth

## GWP walk

\$ millions



Source: Genworth

1. Average price excludes excess of loss insurance.

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

3. GWP volume includes the Bermudian bespoke transaction reported in 1H18, excess of loss insurance and bulk transactions. Excluding this transaction, FY19 GWP increased 17.1%.

# Net claims incurred

(A\$ millions unless otherwise stated)	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
Number of paid claims (#)	365	301	320	325	1,311	319	296	361	376	1,352
Average paid claim <sup>1</sup> (\$'000)	117.8	115.2	115.7	102.1	112.8	94.2	94.1	97.9	99.4	96.6
<b>Claims paid<sup>1</sup></b>	<b>43.0</b>	<b>34.7</b>	<b>37.0</b>	<b>33.2</b>	<b>147.9</b>	<b>30.1</b>	<b>27.8</b>	<b>35.3</b>	<b>37.4</b>	<b>130.6</b>
Movement in non-reinsurance recoveries on paid claims	0.6	(1.5)	(0.5)	-	(1.4)	-	-	-	-	-
Movement in reserves	(6.0)	5.6	(0.7)	0.5	(0.6)	10.2	11.7	4.9	(6.6)	20.3
<b>Net claims incurred</b>	<b>37.7</b>	<b>38.7</b>	<b>35.8</b>	<b>33.7</b>	<b>145.9</b>	<b>40.3</b>	<b>39.6</b>	<b>40.3</b>	<b>30.8</b>	<b>150.9</b>
<b>Reported loss ratio (%)</b>	<b>55.9%</b>	<b>50.9%</b>	<b>52.6%</b>	<b>48.2%</b>	<b>51.9%</b>	<b>55.3%</b>	<b>53.0%</b>	<b>52.9%</b>	<b>41.4%</b>	<b>50.6%</b>
Movement in non-reinsurance recoveries on paid claims	(0.6)	1.5	0.5	-	1.4	-	-	-	-	-
<b>Adjusted net claims incurred [A]</b>	<b>37.1</b>	<b>40.2</b>	<b>36.3</b>	<b>33.7</b>	<b>147.3</b>	<b>40.3</b>	<b>39.6</b>	<b>40.3</b>	<b>30.8</b>	<b>150.9</b>
<b>Net earned premium (NEP)</b>	<b>67.4</b>	<b>76.0</b>	<b>68.1</b>	<b>69.9</b>	<b>281.3</b>	<b>72.9</b>	<b>74.7</b>	<b>76.2</b>	<b>74.4</b>	<b>298.2</b>
Lapsed policy initiative <sup>2</sup>	-	(8.2)	-	-	(8.2)	(4.5)	-	-	-	(4.5)
<b>NEP excluding Lapsed Policy Initiative [B]</b>	<b>67.4</b>	<b>67.8</b>	<b>68.1</b>	<b>69.9</b>	<b>273.1</b>	<b>68.4</b>	<b>74.7</b>	<b>76.2</b>	<b>74.4</b>	<b>293.6</b>
<b>Adjusted loss ratio – [A] / [B] (%)</b>	<b>55.0%</b>	<b>59.3%</b>	<b>53.3%</b>	<b>48.2%</b>	<b>53.9%</b>	<b>58.9%</b>	<b>52.9%</b>	<b>52.9%</b>	<b>41.4%</b>	<b>51.4%</b>

Source: Genworth

Note: Totals may not sum due to rounding.

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

# Loss development

## Delinquency roll and incurred loss drivers

Delinquency roll	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
<b>Opening balance</b>	<b>6,696</b>	<b>6,958</b>	<b>7,306</b>	<b>7,350</b>	<b>6,696</b>	<b>7,145</b>	<b>7,490</b>	<b>7,891</b>	<b>7,713</b>	<b>7,145</b>
New delinquencies	2,701	2,864	2,742	2,390	10,697	2,662	2,853	2,622	2,277	10,414
Cures	(2,074)	(2,215)	(2,378)	(2,270)	(8,937)	(1,998)	(2,156)	(2,439)	(2,393)	(8,986)
Paid claims	(365)	(301)	(320)	(325)	(1,311)	(319)	(296)	(361)	(376)	(1,352)
<b>Closing delinquencies</b>	<b>6,958</b>	<b>7,306</b>	<b>7,350</b>	<b>7,145</b>	<b>7,145</b>	<b>7,490</b>	<b>7,891</b>	<b>7,713</b>	<b>7,221</b>	<b>7,221</b>
Delinquency rate	0.49%	0.54%	0.55%	0.54%	0.54%	0.57%	0.60%	0.60%	0.56%	0.56%
Average reserve per delinquency (\$'000)	47.9	46.4	46.0	47.5	47.5	46.7	45.9	47.7	50.0	50.0

Net claims incurred (\$m)	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
New delinquencies	34	34	38	32	138	35	42	41	38	156
Cures	(32)	(29)	(33)	(38)	(132)	(32)	(36)	(39)	(40)	(147)
Ageing <sup>1</sup>	35	35	32	37	139	32	36	38	33	139
Paid claims gap	(2)	-	(1)	(2)	(5)	-	-	(1)	(1)	(2)
Other adjustments <sup>2</sup>	3	(1)	-	5	7	5	(2)	1	1	5
<b>Net claims incurred</b>	<b>38</b>	<b>39</b>	<b>36</b>	<b>34</b>	<b>146</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>31</b>	<b>151</b>

Source: Genworth

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

Strong balance sheet with \$3.1bn in cash and investments

## Balance sheet as at 31 December 2019

(A\$ in millions)	31 Dec 18	31 Dec 19
<b>Assets</b>		
Cash	141.5	87.3
Accrued investment income	22.1	19.5
Investments	3,083.0	3,043.8
Deferred reinsurance expense	43.3	31.8
Non-reinsurance recoveries	21.2	22.8
Deferred acquisition costs	166.8	181.2
Deferred tax assets	7.9	9.1
Goodwill and intangibles	15.3	16.5
Other assets <sup>1</sup>	88.9	65.5
<b>Total assets</b>	<b>3,590.1</b>	<b>3,477.4</b>
<b>Liabilities</b>		
Payables <sup>2</sup>	94.1	102.1
Outstanding claims	339.1	360.9
Unearned premium	1,214.2	1,280.5
Interest bearing liabilities	198.2	199.4
Employee benefit provision	7.3	7.1
<b>Total liabilities</b>	<b>1,852.8</b>	<b>1,949.9</b>
<b>Net assets</b>	<b>1,737.3</b>	<b>1,527.5</b>

Source: Genworth

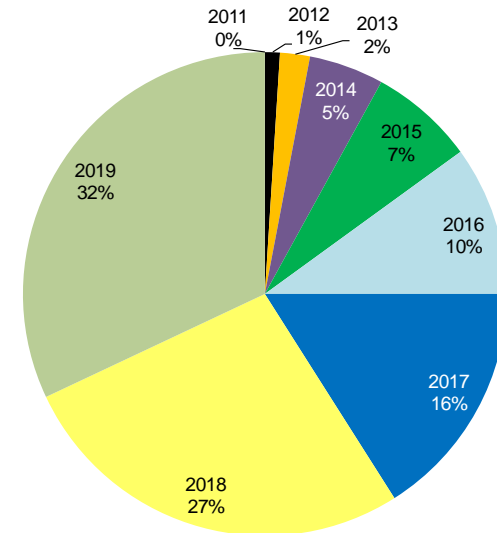
Note: Totals may not sum due to rounding.

1. Includes trade receivables, prepayments, plant and equipment and right-of-use assets.

2. Includes reinsurance payables, lease liabilities and other payables.

## Unearned premium by book year as at 31 December 2019<sup>3</sup>

Total UPR \$1.3bn



Source: Genworth

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

# 2019 regulatory capital position

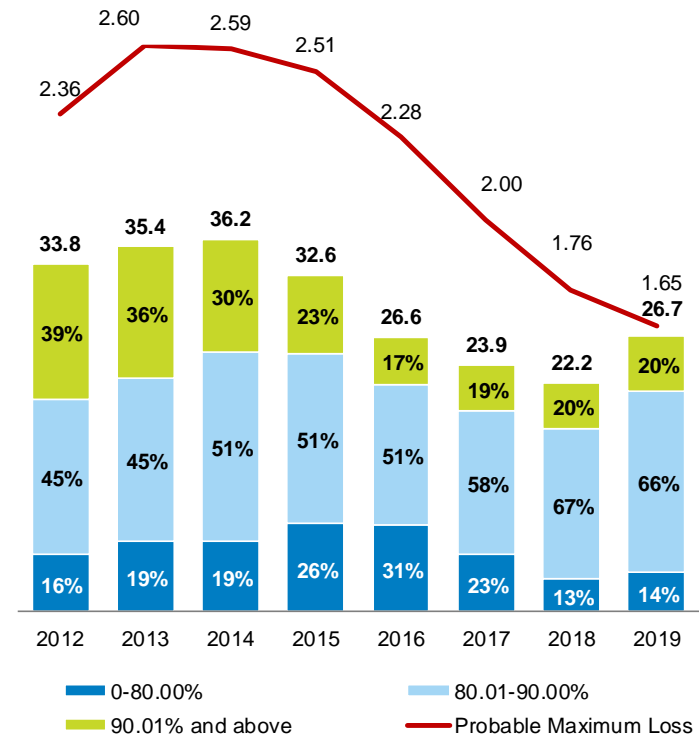
(A\$ in millions)	31 Dec 18	31 Dec 19
<b>Capital Base</b>		
Common Equity Tier 1 Capital	1,748.1	1,459.6
Tier 2 Capital	200.0	200.0
<b>Regulatory Capital Base</b>	<b>1,948.1</b>	<b>1,659.6</b>
<b>Capital requirement</b>		
Probable Maximum Loss (PML)	1,764.7	1,647.3
Net premiums liability deduction	(303.5)	(367.9)
Allowable reinsurance	(800.4)	(800.3)
<b>Insurance concentration risk charge (ICRC)</b>	<b>660.7</b>	<b>479.1</b>
Asset risk charge	124.8	125.7
Asset concentration risk charge	-	-
Insurance risk charge	245.5	284.4
Operational risk charge	31.7	35.7
Aggregation benefit	(56.4)	(55.7)
<b>Prescribed Capital Amount (PCA)</b>	<b>1,006.3</b>	<b>869.3</b>
<b>PCA Coverage ratio (times)</b>	<b>1.94 x</b>	<b>1.91 x</b>

Source: Genworth

Note: Totals may not sum due to rounding.

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

\$ billions



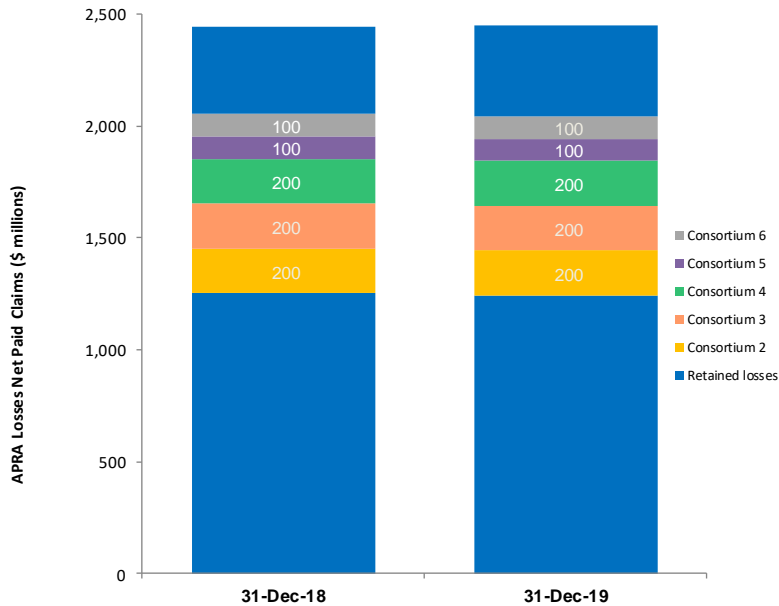
Source: Genworth

1. NIW excludes excess of loss reinsurance.

# Reinsurance

## Program continues to drive efficiency

### Reinsurance program as at 31 December 2019



Source: Genworth

Note: Excludes reinsurance on excess of loss insurance.

### Observations

- As at 31 December 2019, \$800 million of excess of loss cover with varying durations depending on the layer.
- Well diversified panel with over 20 different reinsurers participating across the program (minimum rating of A-).
- Program is structured to provide aggregate cover on a 'paid claims basis' (not structured on a book-year basis).
- Covers policies in-force plus two additional years of new insurance written.
- One year cover with option to extend cover to a full term (varying between 6-10 years depending on the layer).
- The program continues to drive efficient economic capital credit.
- Reinsurance program renewed on the same basis from 1 January 2020.



# Ongoing program of capital management

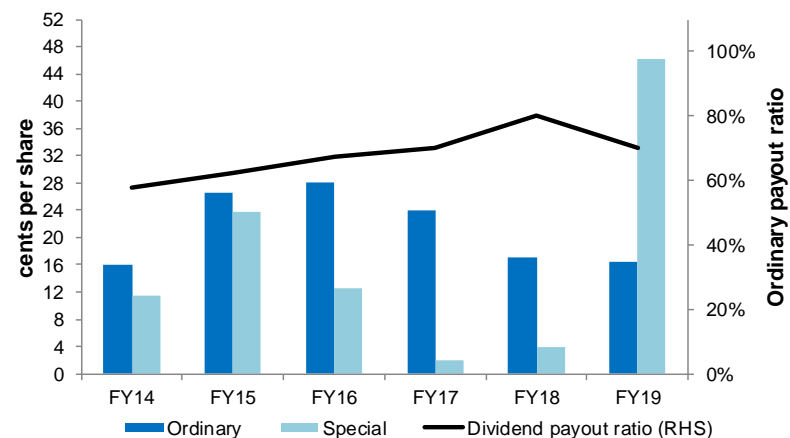
## Recent actions

- Since listing in 2014, Genworth has returned to shareholders 100% of after tax profits by way of ordinary and special dividends.
- In relation to FY19 the Board declared:
  - A fully franked final ordinary dividend of 7.5 cps
  - Interim ordinary dividend of 9.0 cps fully franked and unfranked special dividend of 21.9 cps in August 2019
  - An “out-of-cycle” 3Q19 special dividend of 24.2 cps unfranked
- This represents:
  - An ordinary dividend payout ratio of 70.2% of Underlying NPAT
  - A total (ordinary and special) dividend yield of 17.2% based on the share price as at close of trading on 31 December 2019 (\$3.65)
- On-market share buy-back completed in 2019 valued at \$63.9 million.

## Future actions being considered

The Company continues to actively optimise its capital structure and evaluate potential uses for excess capital.

## Genworth dividends



Source: Genworth



# Summary and conclusion

# 2020

## Genworth economic outlook and FY20 guidance



Australian economic environment remains sound. Historically low cash rate, tax cuts, continued infrastructure investment, recovering metropolitan housing markets, and a brighter outlook for resources sector provide positive momentum for 2020.



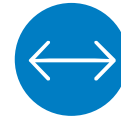
Counterbalancing this may be geo-political uncertainty and the impact of trade and geo-political tensions on global economic growth.



House prices expected to continue to recover led by strong growth in metro Sydney and Melbourne.



Early indicators of stabilisation in the Perth housing market into 2020, aided by a gradual recovery of the Western Australian economy.



Unemployment levels remained reasonably stable with continued excess capacity in the labour market continuing to impact household income growth and level of consumer confidence.



Bushfire season in late 2019 and early 2020 has impacted communities across Australia, which could have some negative impact on GDP over 2020.

### Key financial measures – FY20 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



Good progress in implementing strategic initiatives that broaden product offerings

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

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

Ordinary dividend payout ratio range of 50%-80% of Underlying NPAT

Excess capital and potential uses continue to be evaluated



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



Well positioned to continue to deliver sustainable shareholder returns over time

# Questions





# Supplementary slides

# Supplementary slides

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# Reconciliations

## Statutory NPAT and Underlying NPAT

(\$ millions)	1H18	2H18	1H19	2H19
Statutory NPAT	41.9	33.8	88.1	32.0
Adjustment for change in unrealised (gains)/losses and foreign currencies	12.0	14.1	(64.4)	31.4
Adjustment for tax (expense)/credit on change in unrealised (gains)/losses and foreign currencies	(3.6)	(4.2)	19.3	(9.4)
<b>Underlying NPAT</b>	<b>50.3</b>	<b>43.7</b>	<b>43.1</b>	<b>53.9</b>

Source: Genworth

## Total Equity and Underlying Equity

(\$ millions), as at	30 Jun 18	31 Dec 18	30 Jun 19	31 Dec 19
Total Equity <sup>1</sup>	1,821.9	1,737.3	1,722.3	1,527.5
Adjustment for life to date unrealised gains	(31.0)	(18.5)	(83.1)	(51.6)
Adjustment for tax credit on life to date unrealised gains	9.3	5.6	24.9	15.5
<b>Underlying Equity<sup>2</sup></b>	<b>1,800.2</b>	<b>1,724.3</b>	<b>1,664.2</b>	<b>1,491.4</b>

Source: Genworth

1. The Group's equity decreased by \$209.8 million over the period mainly due to \$227.3 million paid as dividends in 2H19. This was offset by \$32.0 million in current period earnings.
2. 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.

# Reconciliations

## Underlying ROE

(\$ millions)	12 mths to Jun 18	12 mths to Dec 18	12 mths to Jun 19	12 mths to Dec 19
Underlying NPAT	107.9	93.9	86.7	97.0
Underlying equity <sup>1</sup>	1,878.0	1,807.6	1,732.2	1,607.9
<b>Underlying ROE (%)</b>	<b>5.7%</b>	<b>5.2%</b>	<b>5.0%</b>	<b>6.0%</b>

Source: Genworth

## Dividend payout ratio

	FY18	FY19
Ordinary dividend (cents per share)	17.0	16.5
Ordinary dividend (\$ million) <sup>2</sup>	75.1	68.1
Underlying NPAT (\$ million)	93.9	97.0
<b>Dividend payout ratio<sup>2</sup></b>	<b>80.0%</b>	<b>70.2%</b>

Source: Genworth

1. 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.
2. FY18 adjusted to reflect actual dividend paid following on-market share buy-back. Dividends are calculated for the reported period and paid subsequent to the end of that period.

# Quarterly financial information

## Financial ratios

Key financial measures	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Loss ratio	55.9%	50.9%	52.6%	48.2%	55.3%	53.0%	52.9%	41.4%
Expense ratio <sup>1</sup>	33.5%	32.4%	32.5%	36.1%	34.0%	35.3%	35.7%	35.9%
Combined ratio	89.5%	83.3%	85.0%	84.3%	89.3%	88.4%	88.6%	77.3%
Insurance margin	20.3%	27.5%	24.4%	40.8%	56.0%	48.6%	33.6%	7.0%
Effective tax rate	30.0%	27.8%	31.6%	28.3%	29.4%	30.0%	29.1%	22.5%
Gearing (debt/equity)	10.8%	10.8%	11.5%	11.4%	11.6%	11.5%	12.3%	13.1%
ROE <sup>2</sup>	5.6%	5.4%	5.0%	4.1%	6.5%	6.9%	7.6%	7.4%
Underlying ROE	6.6%	5.7%	4.9%	5.2%	5.5%	5.0%	5.7%	6.0%

Source: Genworth

1. Includes compliance and regulatory costs.

2. ROE is presented on a trailing 12-month basis.

# Delinquency development

## Delinquency composition

Delinquencies by book year	31 Dec 18	30 Jun 19	31 Dec 19	%
2010 and prior	3,805	4,012	3,591	0.48%
2011	416	411	361	0.74%
2012	667	728	585	0.95%
2013	659	747	664	1.04%
2014	686	744	745	1.04%
2015	477	567	497	0.77%
2016	289	377	350	0.60%
2017	129	216	257	0.45%
2018	17	86	160	0.28%
2019	-	3	11	0.02%
<b>TOTAL</b>	<b>7,145</b>	<b>7,891</b>	<b>7,221</b>	<b>0.56%</b>

Source: Genworth

Delinquencies by geography	31 Dec 18	30 Jun 19	31 Dec 19	%
New South Wales	1,254	1,425	1,320	0.42%
Victoria	1,296	1,397	1,258	0.41%
Queensland	2,057	2,330	2,136	0.75%
Western Australia	1,555	1,733	1,571	1.00%
South Australia	659	646	610	0.65%
Australian Capital Territory	56	79	77	0.24%
Tasmania	143	143	133	0.29%
Northern Territory	105	128	109	0.71%
New Zealand	20	10	7	0.02%
<b>TOTAL</b>	<b>7,145</b>	<b>7,891</b>	<b>7,221</b>	<b>0.56%</b>

Source: Genworth

Note: This slide excludes excess of loss insurance.

# 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.

	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
Net premium written (\$ millions) <sup>1</sup>	152	75	75	83	385	69	80	97	117	363
Loss ratio <sup>2</sup>	56%	51%	53%	48%	52%	55%	53%	53%	41%	51%
GAAP basis expense ratio <sup>3</sup>	34%	32%	32%	36%	34%	34%	35%	36%	36%	35%
Adjusted expense ratio <sup>4</sup>	15%	33%	30%	31%	25%	36%	33%	28%	23%	29%

Sales: NIW (\$ millions)	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
Flow	4,349	4,845	5,078	5,694	19,966	4,791	5,302	6,417	7,142	23,653
Bulk	-	1,148	-	1,120	2,268	602	1,784	2	692	3,080
<b>Total NIW<sup>5</sup></b>	<b>4,349</b>	<b>5,993</b>	<b>5,078</b>	<b>6,814</b>	<b>22,234</b>	<b>5,394</b>	<b>7,086</b>	<b>6,419</b>	<b>7,834</b>	<b>26,733</b>

	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
<b>Primary insurance in force (\$ millions)</b>	<b>320,576</b>	<b>310,410</b>	<b>308,092</b>	<b>309,840</b>	<b>309,840</b>	<b>308,822</b>	<b>307,273</b>	<b>305,755</b>	<b>307,355</b>	<b>307,355</b>

Source: Genworth

1. Net premium written is calculated as gross written premium less outwards reinsurance expense.
2. The ratio of net claims incurred to net earned premium.
3. The ratio of acquisition costs and other underwriting expenses net of ceding commissions to net earned premium.
4. The ratio of acquisition costs and other underwriting expenses net of ceding commissions to net premium written.
5. NIW and primary insurance in force excludes excess of loss insurance.

# Key performance measures

(A\$ millions)	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19	FY18 v FY19 (%)
Gross written premium	174.1	92.7	92.1	101.3	460.2	86.3	97.8	114.6	134.6	433.2	(5.9%)
Movement in unearned premium	(84.7)	0.8	(6.5)	(13.4)	(103.8)	3.9	(5.1)	(20.9)	(42.7)	(64.8)	37.6%
<b>Gross earned premium</b>	<b>89.4</b>	<b>93.5</b>	<b>85.6</b>	<b>87.9</b>	<b>356.3</b>	<b>90.2</b>	<b>92.7</b>	<b>93.7</b>	<b>91.9</b>	<b>368.4</b>	<b>3.4%</b>
Outwards reinsurance expense	(22.0)	(17.5)	(17.5)	(18.0)	(75.1)	(17.4)	(17.9)	(17.5)	(17.5)	(70.2)	6.5%
<b>Net earned premium</b>	<b>67.4</b>	<b>76.0</b>	<b>68.1</b>	<b>69.9</b>	<b>281.3</b>	<b>72.9</b>	<b>74.7</b>	<b>76.2</b>	<b>74.4</b>	<b>298.2</b>	<b>6.0%</b>
Net claims incurred	(37.7)	(38.7)	(35.8)	(33.7)	(145.9)	(40.3)	(39.6)	(40.3)	(30.8)	(150.9)	(3.4%)
Acquisition costs	(9.4)	(10.6)	(10.1)	(10.6)	(40.6)	(11.0)	(11.8)	(12.1)	(12.0)	(46.9)	(15.5%)
Other underwriting expenses <sup>1</sup>	(13.2)	(14.0)	(12.0)	(14.6)	(53.8)	(13.8)	(14.6)	(15.1)	(14.7)	(58.3)	(8.4%)
<b>Underwriting result</b>	<b>7.1</b>	<b>12.7</b>	<b>10.2</b>	<b>11.0</b>	<b>41.0</b>	<b>7.8</b>	<b>8.7</b>	<b>8.7</b>	<b>16.9</b>	<b>42.1</b>	<b>2.7%</b>
Investment income on technical funds <sup>2</sup>	6.6	8.2	6.4	17.5	38.7	33.0	27.6	16.9	(11.7)	65.9	70.3%
<b>Insurance profit</b>	<b>13.7</b>	<b>20.9</b>	<b>16.6</b>	<b>28.5</b>	<b>79.7</b>	<b>40.8</b>	<b>36.3</b>	<b>25.6</b>	<b>5.2</b>	<b>108.0</b>	<b>35.5%</b>
Net investment income on shareholder funds <sup>2</sup>	1.2	28.5	15.1	(5.6)	39.2	30.1	24.2	12.6	6.4	73.2	86.7%
Financing costs	(2.9)	(3.0)	(3.1)	(3.1)	(12.1)	(3.2)	(3.1)	(2.8)	(2.7)	(11.8)	2.5%
<b>Profit before income tax</b>	<b>12.0</b>	<b>46.4</b>	<b>28.5</b>	<b>19.8</b>	<b>106.8</b>	<b>67.7</b>	<b>57.4</b>	<b>35.4</b>	<b>8.9</b>	<b>169.5</b>	<b>58.7%</b>
Income tax expense	(3.6)	(12.9)	(9.0)	(5.6)	(31.1)	(19.9)	(17.2)	(10.3)	(2.0)	(49.4)	(58.8%)
<b>Net profit after tax</b>	<b>8.4</b>	<b>33.5</b>	<b>19.6</b>	<b>14.2</b>	<b>75.7</b>	<b>47.8</b>	<b>40.3</b>	<b>25.1</b>	<b>6.9</b>	<b>120.1</b>	<b>58.7%</b>
<b>Underlying net profit after tax<sup>3</sup></b>	<b>19.9</b>	<b>30.4</b>	<b>20.4</b>	<b>23.3</b>	<b>93.9</b>	<b>22.3</b>	<b>20.8</b>	<b>26.5</b>	<b>27.4</b>	<b>97.0</b>	<b>3.3%</b>

Note: Totals may not sum due to rounding.

1. Net of reinsurance ceding commissions.

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

3. FY19 Underlying NPAT excludes the after-tax impact of mark-to-market gains of \$24.6 million on the investment portfolio, and the after-tax impact of foreign exchange rates (net of hedge) on Genworth's investment portfolio (\$1.6m loss). The bulk of these foreign exchange exposures is hedged.

# Key performance measures

Primary insurance	31 Mar 2018	30 Jun 2018	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019
Insured loans in-force (#)	1,407,431	1,354,614	1,335,133	1,332,906	1,323,172	1,308,811	1,293,961	1,290,216
Insured delinquent loans (#)	6,958	7,306	7,350	7,145	7,490	7,891	7,713	7,221
Insured delinquency rate (%)	0.49%	0.54%	0.55%	0.54%	0.57%	0.60%	0.60%	0.56%
Flow loans in-force (#)	1,296,055	1,247,229	1,229,558	1,226,219	1,217,050	1,200,603	1,192,282	1,189,019
Flow delinquent loans (#)	6,735	7,076	7,133	6,931	7,265	7,642	7,469	7,003
Flow delinquency rate (%)	0.52%	0.57%	0.58%	0.57%	0.60%	0.64%	0.63%	0.59%
Bulk loans in-force (#)	111,376	107,385	105,575	106,687	106,122	108,208	101,679	101,197
Bulk delinquent loans (#)	223	230	217	214	225	249	244	218
Bulk delinquency rate (%)	0.20%	0.21%	0.21%	0.20%	0.21%	0.23%	0.24%	0.22%

Loss metrics (\$ millions)	31 Mar 2018	30 Jun 2018	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019
<b>Beginning reserves</b>	<b>340</b>	<b>333</b>	<b>339</b>	<b>338</b>	<b>339</b>	<b>350</b>	<b>362</b>	<b>368</b>
Paid claims	(43)	(35)	(37)	(33)	(30)	(28)	(35)	(37)
Increase in reserves	37	41	36	34	41	40	41	30
<b>Ending reserves</b>	<b>333</b>	<b>339</b>	<b>338</b>	<b>339</b>	<b>350</b>	<b>362</b>	<b>368</b>	<b>361</b>

Source: Genworth

Note: All figures are in \$AUD and AIFRS. Insured loans in-force, insured delinquent loans and insured delinquency rates exclude excess of loss insurance. Additional loan components (such as top-ups) are treated as individual in-force loans.



# Key performance measures

	31 Dec 2017		31 Mar 2018		30 Jun 2018		30 Sep 2018		31 Dec 2018		31 Mar 2019		30 Jun 2019		30 Sep 2019		31 Dec 2019	
	% 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	% of primary risk in force	Primary delq rate
<b>Geography</b>																		
New South Wales	28%	0.31%	28%	0.33%	28%	0.37%	28%	0.38%	27%	0.38%	28%	0.41%	27%	0.45%	28%	0.45%	27%	0.42%
Queensland	23%	0.67%	23%	0.67%	23%	0.73%	23%	0.73%	23%	0.70%	23%	0.74%	23%	0.81%	23%	0.80%	23%	0.75%
Victoria	23%	0.37%	23%	0.39%	23%	0.42%	23%	0.42%	23%	0.40%	22%	0.42%	23%	0.45%	22%	0.43%	23%	0.41%
Western Australia	12%	0.83%	12%	0.88%	12%	0.99%	12%	1.01%	13%	0.98%	13%	1.05%	13%	1.10%	13%	1.06%	13%	1.00%
South Australia	6%	0.60%	6%	0.63%	6%	0.67%	6%	0.70%	6%	0.68%	6%	0.69%	6%	0.68%	6%	0.69%	6%	0.65%
ACT	3%	0.14%	3%	0.18%	3%	0.18%	3%	0.15%	3%	0.17%	3%	0.19%	3%	0.25%	3%	0.26%	3%	0.24%
Tasmania	2%	0.32%	2%	0.32%	2%	0.34%	2%	0.35%	2%	0.31%	2%	0.28%	2%	0.31%	2%	0.31%	2%	0.29%
New Zealand	2%	0.04%	2%	0.06%	2%	0.06%	2%	0.05%	2%	0.05%	2%	0.04%	2%	0.02%	2%	0.02%	2%	0.02%
Northern Territory	1%	0.48%	1%	0.52%	1%	0.61%	1%	0.70%	1%	0.68%	1%	0.76%	1%	0.83%	1%	0.85%	1%	0.71%
<b>Total</b>	<b>100%</b>	<b>0.47%</b>	<b>100%</b>	<b>0.49%</b>	<b>100%</b>	<b>0.54%</b>	<b>100%</b>	<b>0.55%</b>	<b>100%</b>	<b>0.54%</b>	<b>100%</b>	<b>0.57%</b>	<b>100%</b>	<b>0.60%</b>	<b>100%</b>	<b>0.60%</b>	<b>100%</b>	<b>0.56%</b>
<b>By policy year<sup>2</sup></b>																		
2008 and prior	38%	0.37%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2009 and prior	6%	1.00%	44%	0.45%	43%	0.49%	43%	0.49%	42%	0.47%	-	-	-	-	-	-	-	-
2010 and prior	5%	0.53%	5%	0.56%	4%	0.60%	4%	0.59%	4%	0.62%	44%	0.49%	44%	0.52%	43%	0.51%	43%	0.48%
2011	5%	0.64%	5%	0.65%	5%	0.75%	5%	0.75%	4%	0.77%	4%	0.78%	4%	0.80%	4%	0.77%	4%	0.74%
2012	7%	0.84%	7%	0.87%	6%	0.92%	6%	0.93%	6%	0.96%	6%	1.05%	6%	1.11%	6%	1.04%	5%	0.95%
2013	8%	0.74%	8%	0.77%	7%	0.87%	7%	0.92%	7%	0.90%	7%	0.98%	7%	1.10%	6%	1.13%	6%	1.04%
2014	9%	0.64%	9%	0.71%	9%	0.79%	8%	0.84%	8%	0.83%	8%	0.90%	8%	0.97%	8%	1.01%	7%	1.04%
2015	8%	0.43%	8%	0.47%	8%	0.59%	8%	0.64%	8%	0.65%	8%	0.74%	7%	0.82%	7%	0.86%	7%	0.77%
2016	7%	0.22%	7%	0.26%	8%	0.35%	7%	0.42%	7%	0.44%	7%	0.54%	7%	0.60%	7%	0.60%	6%	0.60%
2017	7%	0.03%	6%	0.06%	7%	0.11%	7%	0.19%	7%	0.21%	7%	0.28%	7%	0.36%	7%	0.41%	7%	0.45%
2018	-	-	1%	0.00%	3%	0.00%	5%	0.02%	7%	0.03%	7%	0.07%	7%	0.15%	7%	0.22%	7%	0.28%
2019	-	-	-	-	-	-	-	-	-	-	2%	0.00%	3%	0.01%	5%	0.01%	8%	0.02%
<b>Total</b>	<b>100%</b>	<b>0.47%</b>	<b>100%</b>	<b>0.49%</b>	<b>100%</b>	<b>0.54%</b>	<b>100%</b>	<b>0.55%</b>	<b>100%</b>	<b>0.54%</b>	<b>100%</b>	<b>0.57%</b>	<b>100%</b>	<b>0.60%</b>	<b>100%</b>	<b>0.60%</b>	<b>100%</b>	<b>0.56%</b>

Source: Genworth

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

1. Outstanding claims reserve under AIFRS 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 2019 Genworth Financial, Inc. Financial Statements under International MI Segment Australia.
2. 31 March 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.

# Key performance measures

	1Q18	2Q18	3Q18	4Q18	FY18	1Q19	2Q19	3Q19	4Q19	FY19
Paid claim <sup>1</sup> (\$ millions), quarterly analysis										
Flow	43	35	37	33	148	30	28	35	37	131
Bulk	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>43</b>	<b>35</b>	<b>37</b>	<b>33</b>	<b>148</b>	<b>30</b>	<b>28</b>	<b>35</b>	<b>37</b>	<b>131</b>
Average paid claim (\$ thousands) <sup>1</sup>	117.8	115.2	115.7	102.1	112.8	94.2	94.1	97.9	99.1	96.5
Average reserve per delinquency <sup>2</sup> (\$ thousands)	47.9	46.4	46.0	47.5	47.5	46.7	45.9	47.7	50.0	50.0

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Loan amount (%) <sup>3</sup>								
Over \$550K	17%	17%	18%	18%	18%	19%	19%	19%
\$400K to \$550K	21%	21%	21%	21%	21%	21%	22%	22%
\$250K to \$400K	34%	34%	34%	34%	34%	33%	33%	33%
\$100K to \$250K	23%	23%	22%	22%	22%	22%	21%	21%
\$100K or Less	5%	5%	5%	5%	5%	5%	5%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Average primary loan size (\$ thousands)	228	229	231	232	233	235	236	238

Source: Genworth

Note: All figures are in \$AUD and AIFRS.

1. Movement in non-reinsurance recoveries is excluded from average paid claim calculation and claims paid.
2. This metric differs to what is disclosed in 4Q 2019 Genworth Financial, Inc Financial Statements 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.
3. Excludes excess of loss insurance.

# Key performance measures

	31 Mar 2018			30 Jun 2018			30 Sep 2018			31 Dec 2018		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
<b>Risk in force (\$ millions) by LVR</b>												
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
<b>Total</b>	<b>111,570</b>	<b>103,566</b>	<b>8,003</b>	<b>107,994</b>	<b>100,062</b>	<b>7,932</b>	<b>107,240</b>	<b>99,472</b>	<b>7,767</b>	<b>107,868</b>	<b>99,841</b>	<b>8,027</b>

	31 Mar 2019			30 Jun 2019			30 Sep 2019			31 Dec 2019		
	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk	Primary	Flow	Bulk
<b>Risk in force (\$ millions) by LVR</b>												
95.01% and above	15,564	15,564	-	15,138	15,138	-	14,789	14,789	-	14,464	14,464	-
90.01% to 95.00%	29,940	29,933	7	29,835	29,826	9	29,912	29,904	7	30,323	30,313	10
80.01% to 90.00%	32,192	32,105	87	32,377	32,283	94	32,839	32,751	87	33,562	33,462	100
80.00% and below	29,832	21,857	7,974	29,651	21,265	8,386	28,948	20,973	7,975	28,716	20,719	7,997
<b>Total</b>	<b>107,528</b>	<b>99,459</b>	<b>8,069</b>	<b>107,001</b>	<b>98,512</b>	<b>8,488</b>	<b>106,487</b>	<b>98,418</b>	<b>8,069</b>	<b>107,065</b>	<b>98,959</b>	<b>8,107</b>

Source: Genworth

Note: All figures are in A\$ and AIFRS.

1. Loan amount in LVR calculation includes capitalised premiums, where applicable.
2. RIF excludes excess of loss insurance.
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 business. 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 proportion is applied in addition to the factor.

# Key performance measures

<b>PML (A \$millions)</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
Pre-2008	267.7	260.4	217.5	165.8	108.8	46.0	40.2	36.8
2008	310.6	103.1	91.6	81.5	74.0	67.0	11.6	10.5
2009	434.3	411.1	119.7	105.3	94.2	84.1	73.0	12.9
2010	366.0	255.9	226.6	67.0	59.7	53.4	46.3	41.0
2011	404.5	394.7	263.7	232.7	68.6	61.4	52.8	46.4
2012	567.1	577.4	527.0	350.6	312.1	92.8	80.6	70.8
2013	-	582.0	568.4	518.2	343.9	307.3	89.2	77.1
2014	-	-	561.5	548.4	502.1	334.4	292.2	83.7
2015	-	-	-	429.7	418.0	387.7	257.2	221.8
2016	-	-	-	-	292.8	287.8	265.9	174.2
2017	-	-	-	-	-	271.3	271.4	250.0
2018	-	-	-	-	-	-	274.4	279.2
2019	-	-	-	-	-	-	-	331.1
<b>Total</b>	<b>2,350.2</b>	<b>2,584.6</b>	<b>2,575.9</b>	<b>2,499.2</b>	<b>2,274.0</b>	<b>1,993.3</b>	<b>1,754.9</b>	<b>1,635.5</b>

Note: PML calculation excludes excess of loss insurance and Genworth Financial Mortgage Indemnity Limited.

# Key performance measures

GEP (A \$millions)	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Pre-2008	65.6	35.4	16.5	3.5	-	-	-	-
2008	48.9	32.8	21.6	14.3	2.2	-	-	-
2009	79.6	57.0	43.0	32.4	13.6	2.7	-	-
2010	69.2	48.1	32.1	39.2	14.9	9.6	4.1	2.0
2011	95.2	73.9	54.3	51.0	24.6	16.1	9.4	4.7
2012	89.3	129.9	104.4	87.1	56.5	33.6	23.7	12.5
2013	-	99.7	143.2	122.4	87.5	59.3	38.1	25.6
2014	-	-	110.0	140.5	141.6	85.8	57.1	45.3
2015	-	-	-	64.2	142.6	105.6	61.5	50.5
2016	-	-	-	-	44.7	95.0	63.3	57.5
2017	-	-	-	-	-	32.7	58.6	73.1
2018	-	-	-	-	-	-	42.6	77.7
2019	-	-	-	-	-	-	-	20.9
<b>Total</b>	<b>447.8</b>	<b>476.8</b>	<b>525.1</b>	<b>554.6</b>	<b>528.2</b>	<b>440.5</b>	<b>358.5</b>	<b>369.9</b>

Note: GEP is gross of refunds.

# Key performance measures

<b>Net claims incurred (A \$millions)</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
Pre-2008	(109.6)	(42.0)	(8.4)	51.4	(1.1)	27.0	(5.3)	(5.2)
2008	(79.2)	(31.9)	(22.6)	(23.7)	(8.6)	(13.6)	(10.7)	(9.4)
2009	(47.6)	(24.4)	(16.6)	(40.8)	(12.5)	(18.9)	(4.5)	(11.0)
2010	(15.0)	(9.7)	(8.1)	(24.0)	(11.7)	(10.9)	(8.9)	(7.5)
2011	(6.7)	(11.0)	(10.0)	(15.9)	(23.2)	(14.7)	(14.1)	(10.7)
2012	(1.1)	(7.8)	(11.2)	(24.5)	(43.9)	(34.6)	(21.3)	(13.5)
2013	-	(1.0)	(6.8)	(20.9)	(29.7)	(28.5)	(30.3)	(19.0)
2014	-	-	(0.8)	(12.9)	(20.3)	(21.1)	(20.8)	(31.0)
2015	-	-	-	(1.4)	(6.8)	(16.7)	(13.6)	(14.6)
2016	-	-	-	-	(0.9)	(8.6)	(8.7)	(8.2)
2017	-	-	-	-	-	(1.2)	(6.7)	(8.9)
2018	-	-	-	-	-	-	(1.0)	(11.2)
2019	-	-	-	-	-	-	-	(0.6)
<b>Total</b>	<b>(259.2)</b>	<b>(127.8)</b>	<b>(84.5)</b>	<b>(112.7)</b>	<b>(158.8)</b>	<b>(141.8)</b>	<b>(145.9)</b>	<b>(150.9)</b>

# Effective LVR

## As at 31 December 2018

Book year	Insurance in force		LVR		Change in house price %
	\$ billions	%	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>

Source: Genworth

Note: Excludes inward reinsurance, excess of loss insurance, NZ and Genworth Financial Mortgage Limited, 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.

## As at 31 December 2019

Book year	Insurance in force		LVR		Change in house price %
	\$ billions	%	Original	Effective	
2010 & prior	90.5	32%	78.3%	38.1%	72%
2011	11.2	4%	83.1%	58.8%	32%
2012	15.8	6%	86.1%	62.3%	33%
2013	18.0	6%	87.2%	68.0%	26%
2014	20.2	7%	87.3%	74.5%	16%
2015	20.0	7%	85.8%	77.7%	8%
2016	19.1	7%	83.9%	78.3%	5%
2017	18.2	7%	86.8%	86.2%	-1%
2018	19.2	7%	87.7%	87.8%	-1%
2019	23.5	8%	88.0%	85.3%	4%
<b>Total Flow</b>	<b>255.8</b>	<b>92%</b>	<b>82.5%</b>	<b>57.9%</b>	<b>41%</b>
Portfolio	23.3	8%	56.5%	27.5%	77%
<b>Total/ Weighted Avg.</b>	<b>279.1</b>	<b>100%</b>	<b>80.0%</b>	<b>55.0%</b>	<b>45%</b>

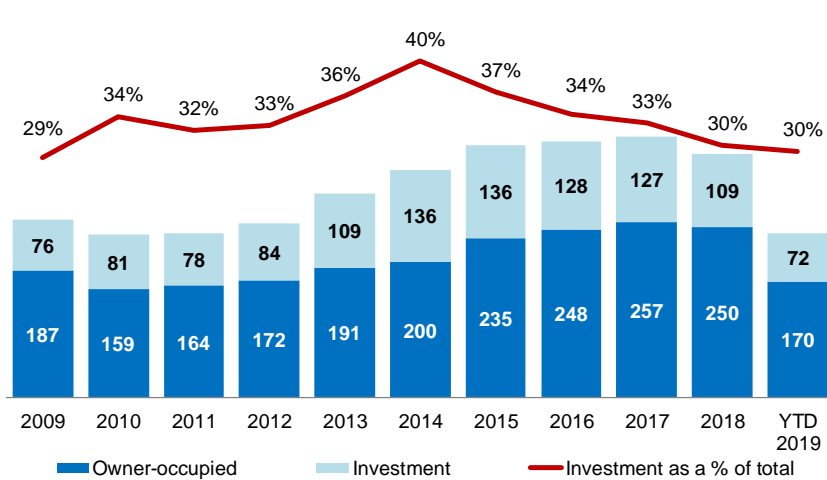
Source: Genworth



# Residential mortgage lending market

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

\$ billions, %



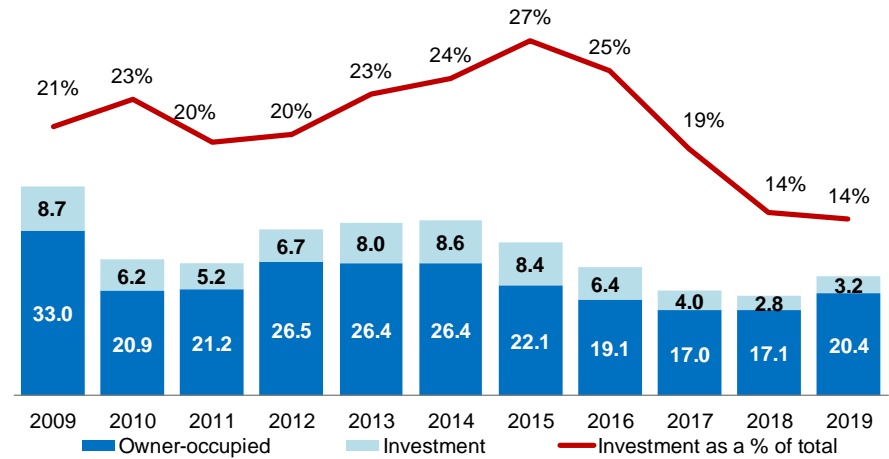
- Investment property lending represented 30% of originations for the period ended 30 September 2019.

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

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

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

\$ billions, %



Source: Genworth

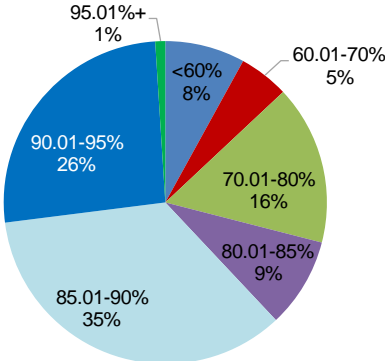
- Investment property lending represented 14% of Genworth's portfolio for the period ended 31 December 2019.

2. Flow NIW only.

# Insurance-in-force and new insurance written

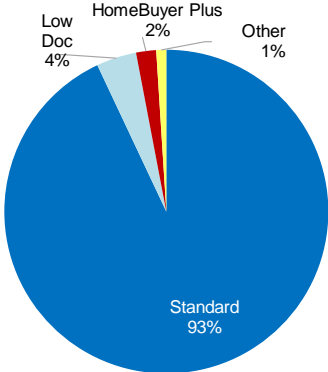
## Insurance in force (IIF)<sup>1</sup> by original LVR<sup>2</sup> band, as at 31 December 2019

Total IIF \$307 billion



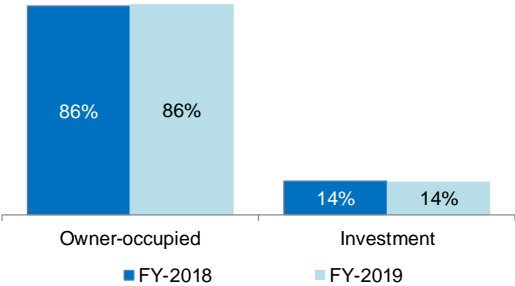
Source: Genworth

## IIF<sup>1</sup> by product type, as at 31 December 2019



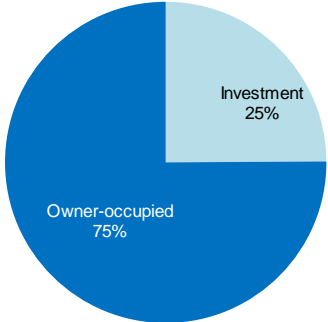
Source: Genworth

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



Source: Genworth

## IIF<sup>1</sup> by loan type, as at 31 December 2019



Source: Genworth

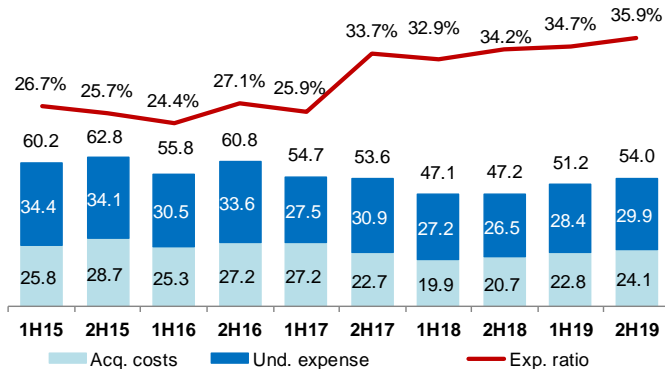
1.NIW and IIF include capitalised premium. NIW and IIF exclude excess of loss insurance. Genworth has retained \$231 million of risk in relation to excess of loss insurance.  
 2.Original LVR excludes capitalised premium.



# Insurance ratio analysis

## Expenses

\$ millions, %

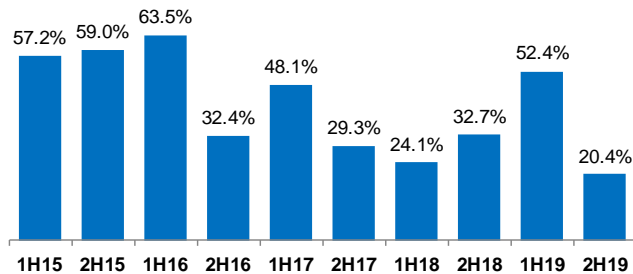


Source: Genworth

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

## Insurance margin

%

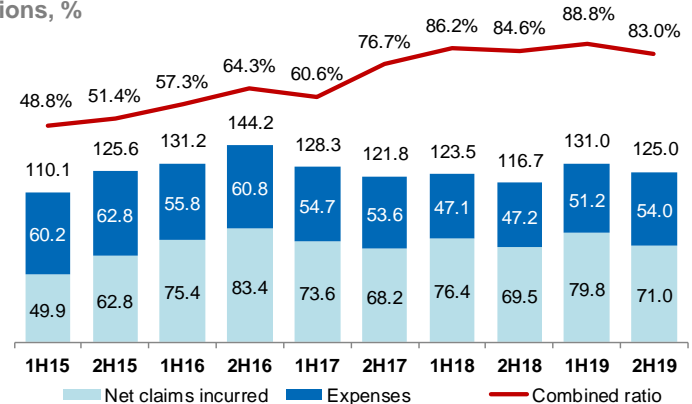


Source: Genworth

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

## Combined ratio

\$ millions, %

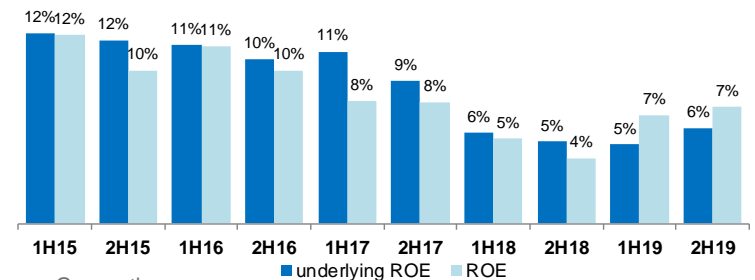


Source: Genworth

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

## Trailing 12-month ROE and underlying ROE

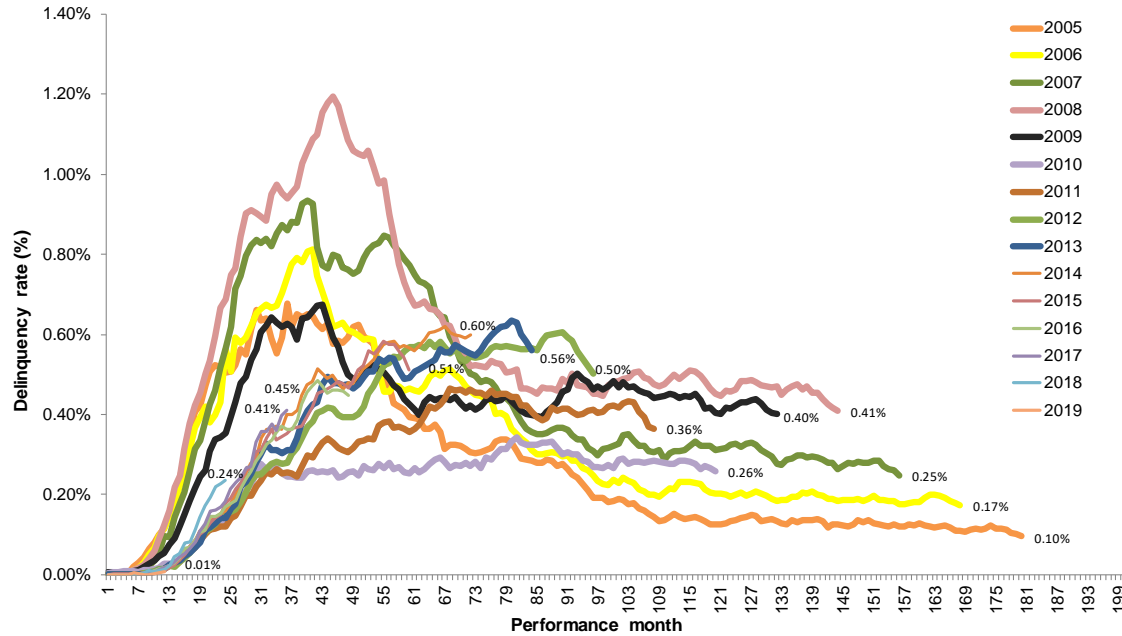
%



Source: Genworth

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

# Delinquency development



Source: Genworth

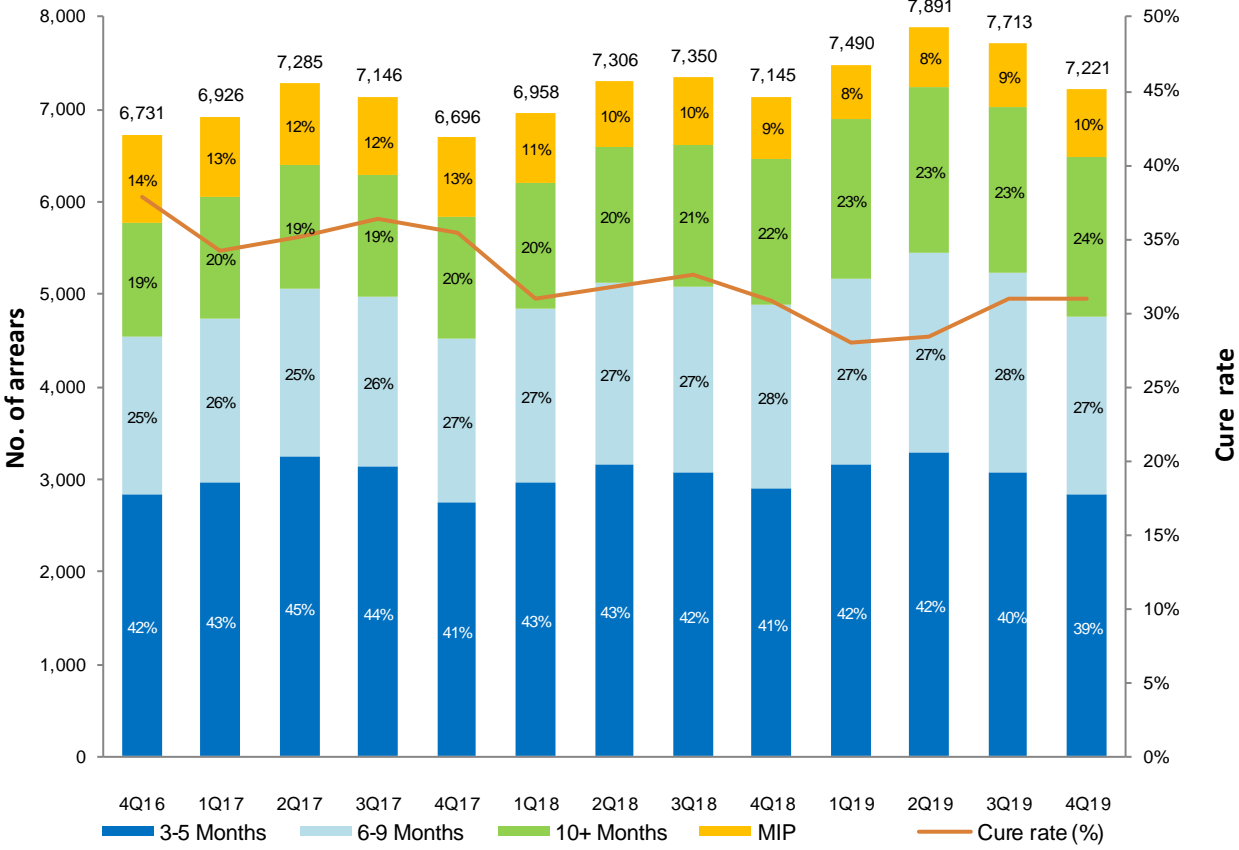
- Portfolio delinquency performance improved for most book years quarter on quarter, following seasonal trends.
- 2006 and prior book years performances affected by higher proportion of low doc lending which reduced significantly in 2009 following policy changes and decommissioning of the low doc product in the latter part of 2009
- Historical performance of 2008-09 book year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland, which has been exacerbated by recent natural disasters
- 2010-12 book year delinquencies at lower levels driven by stronger credit policies
- Deterioration in 2013-14 book years reflect downturn in mining regions resulting in ongoing economic and housing market challenges.

Note: Graph excludes excess of loss insurance and bulk.

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

# Delinquency population

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



Source: Genworth

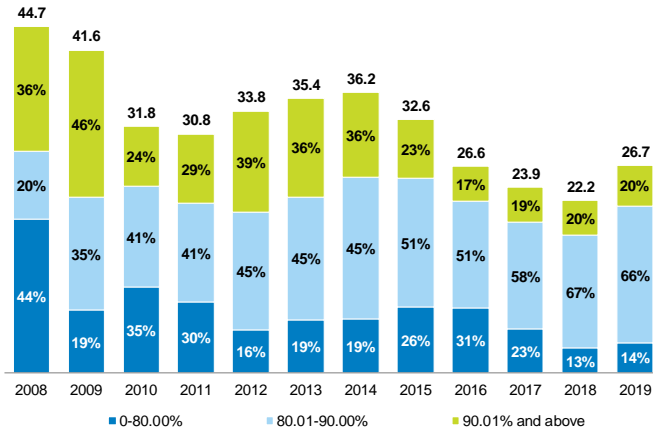
Note: Totals may not sum due to rounding.  
 1. Prior quarters cures were amended in 1Q18 to include cures as a result of hardship assistance programs.  
 2. This slide excludes excess of loss insurance.



# Portfolio evolution

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

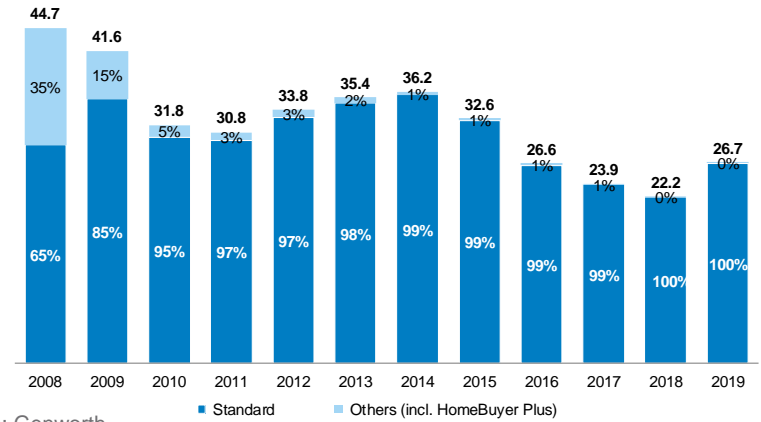
\$ billions



Source: Genworth

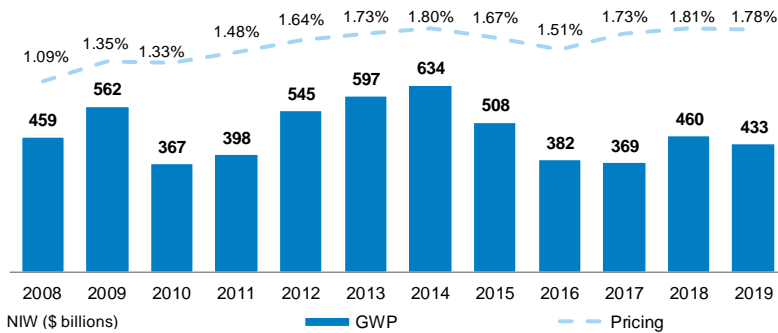
## Annual NIW<sup>1</sup> by product type

\$ billions



Source: Genworth

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

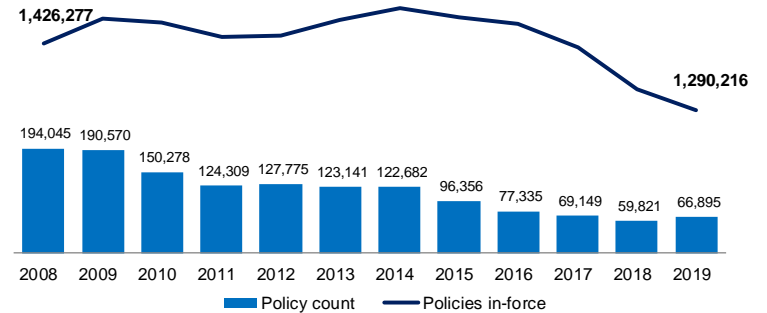


Source: Genworth

1. Excludes excess of loss insurance.

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

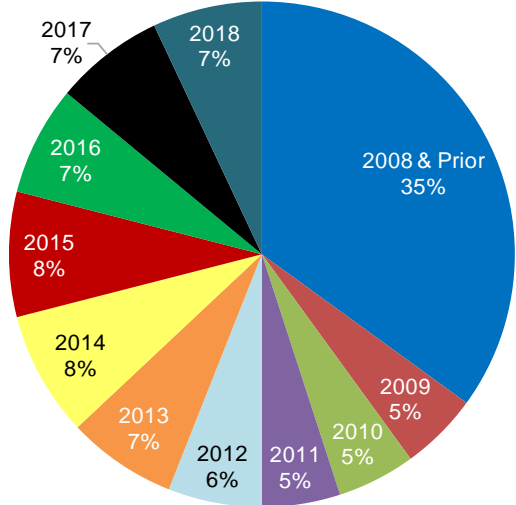
## Annual number of New Policies<sup>1</sup>, and total number of policies outstanding<sup>1</sup>



Source: Genworth

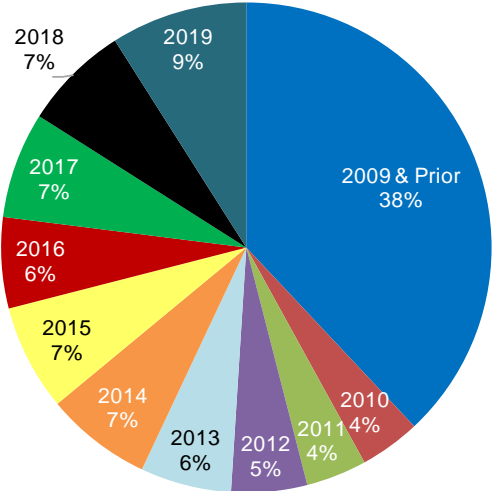
# Insurance in force

IIF<sup>1</sup> by book year (as at 31 December 2018)



Source: Genworth

IIF<sup>1</sup> by book year (as at 31 December 2019)

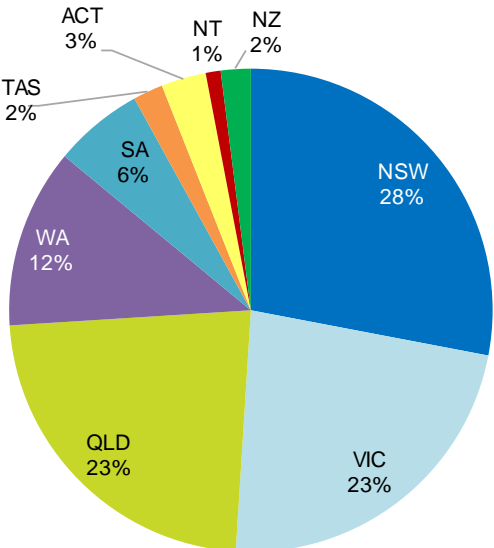


Source: Genworth

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

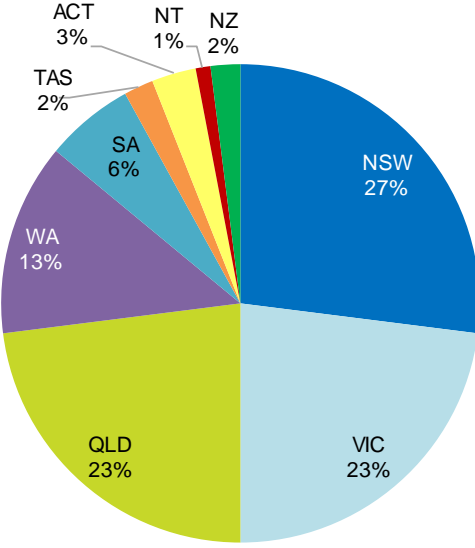
# Insurance in force

IIF<sup>1</sup> by geography (as at 31 December 2018)



Source: Genworth

IIF<sup>1</sup> by geography (as at 31 December 2019)



Source: Genworth

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



# Investment performance

The primary investment objective is to manage the portfolio of securities to pay claims as they become due, whilst achieving return and income targets with an acceptable level of volatility. The asset allocation and asset management strategy was expanded in FY18 to include exposures to non-AUD income securities to further diversify the portfolio. Otherwise, the investment management approach taken by Genworth remains largely unchanged.

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.

<b>(A\$ millions), as at</b>	<b>30 Jun 18</b>	<b>31 Dec 18</b>	<b>30 Jun 19</b>	<b>31 Dec 19</b>
Cash	57.3	141.5	57.9	87.3
Accrued investment income	19.5	22.1	22.1	19.5
Investments <sup>1</sup>	3,221.4	3,083.0	3,197.3	3,043.8
<b>Total cash and investments</b>	<b>3,298.2</b>	<b>3,246.6</b>	<b>3,277.3</b>	<b>3,150.6</b>

<b>(A\$ millions)</b>	<b>1H18</b>	<b>2H18</b>	<b>1H19</b>	<b>2H19</b>
Interest and dividend income	43.5	43.1	42.4	35.4
<b>Investment return<sup>2</sup></b>	<b>2.59%</b>	<b>2.64%</b>	<b>2.60%</b>	<b>2.20%</b>

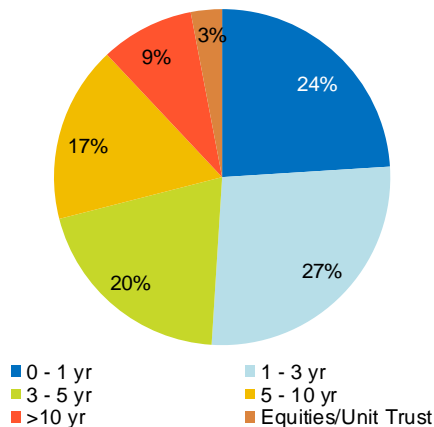
Source: Genworth

1. Investments for 31 Dec 18 and 30 Jun 19 were re-stated by excluding the derivatives liability in total investments.
2. Investment return excludes realised and unrealised gains and losses on the investment portfolio.

# Cash and Investments portfolio

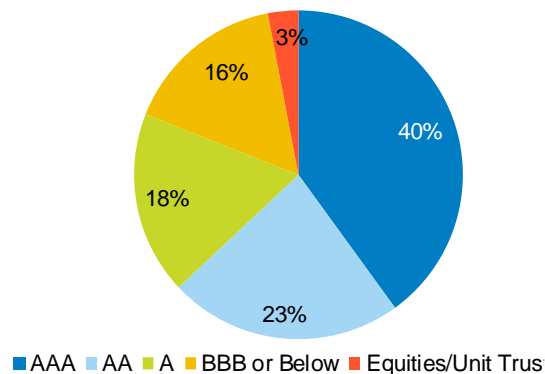
Conservative, well-diversified portfolio with average maturity of 4.1 years<sup>1</sup>

Portfolio by maturity



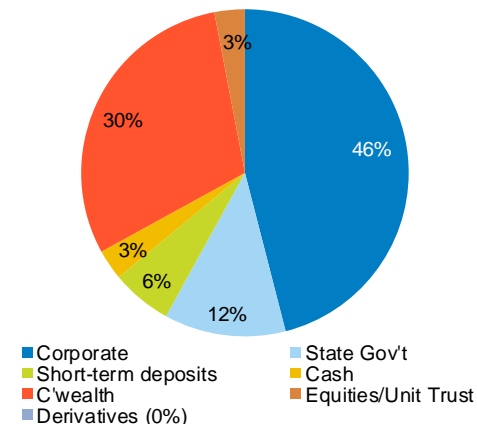
Source: Genworth

Portfolio by rating



Source: Genworth

Portfolio by issuer type



Source: Genworth

Portfolio by maturity

(as at)	31 Dec 18	31 Dec 19
0-1 Yr	850	731
1-3 Yr	1,012	851
3-5 Yr	464	628
5-10 Yrs	524	541
> 10 Yrs	251	297
Equities/Unit Trust	123	83
<b>Total<sup>3</sup></b>	<b>3,224</b>	<b>3,131</b>

Portfolio by rating

(as at)	31 Dec 18	31 Dec 19
AAA	1,238	1,256
AA	869	729
A	565	567
BBB or below	431	497
Equities/Unit Trust	123	83
<b>Total<sup>3</sup></b>	<b>3,224</b>	<b>3,131</b>

Portfolio by issuer type

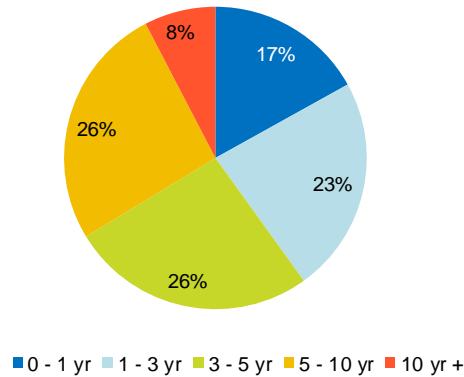
(as at)	31 Dec 18	31 Dec 19
C'wealth	792	944
State gov't	437	375
Corporate	1,473	1,439
Short-term deposits	258	193
Cash	141	87
Equities/Unit Trust	123	83
Derivatives	-	10
<b>Total<sup>3</sup></b>	<b>3,224</b>	<b>3,131</b>

1. Maturity of 4.1 years excludes equities. Note: Derivatives contracts are with AA and A rated counterparties and have a maturity of less than 1 year.
2. Fixed income and cash portfolio average duration of 2.3 years.
3. 31 Dec 18 portfolio was re-stated by excluding the derivatives liability.

# Cash and Investments portfolio – Technical funds<sup>1</sup>

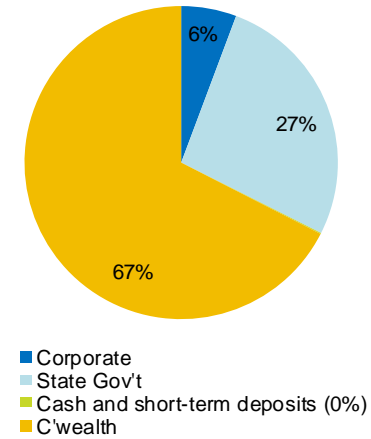
Genworth technical funds were \$1.4 billion as at 31 December 2019

## Investment assets by term to maturity



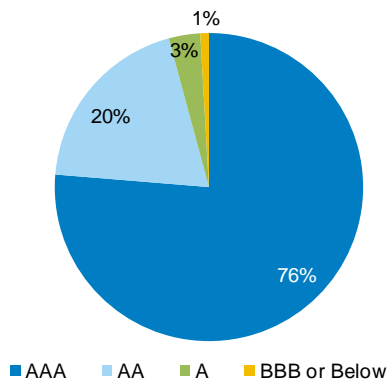
Source: Genworth

## Investment assets by source



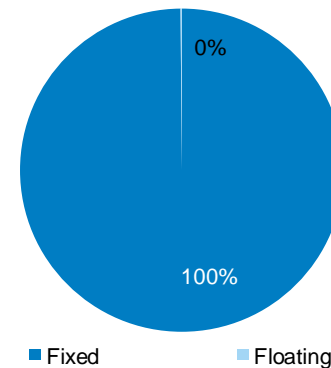
Source: Genworth

## Interest assets by credit rating



Source: Genworth

## Investment assets by type



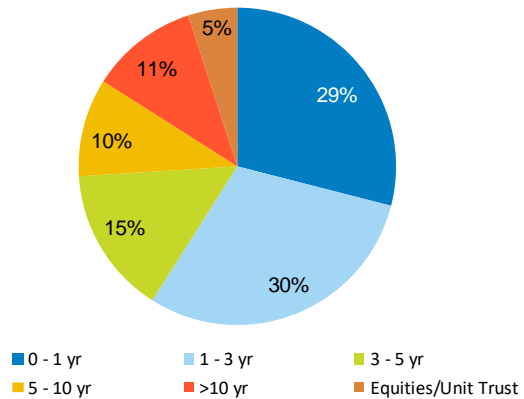
Source: Genworth

1. Technical funds refer to the investments held to support premium liabilities and outstanding claims reserves

# Cash and Investments portfolio – Shareholder funds

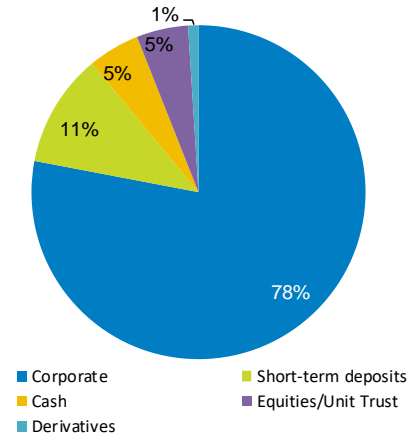
Genworth shareholder funds were \$1.7 billion as at 31 December 2019

## Investment assets by term to maturity



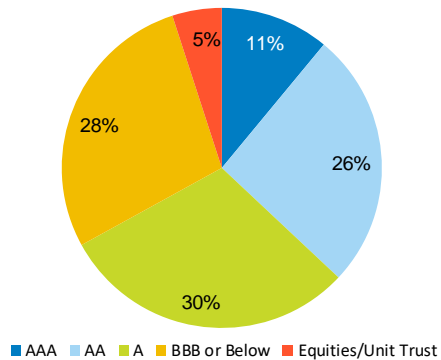
Source: Genworth

## Investment assets by source



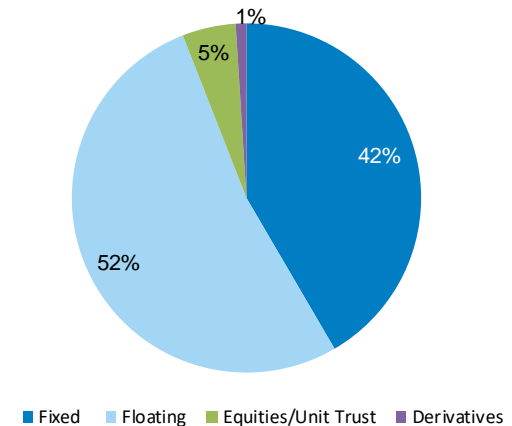
Source: Genworth

## Interest assets by credit rating



Source: Genworth

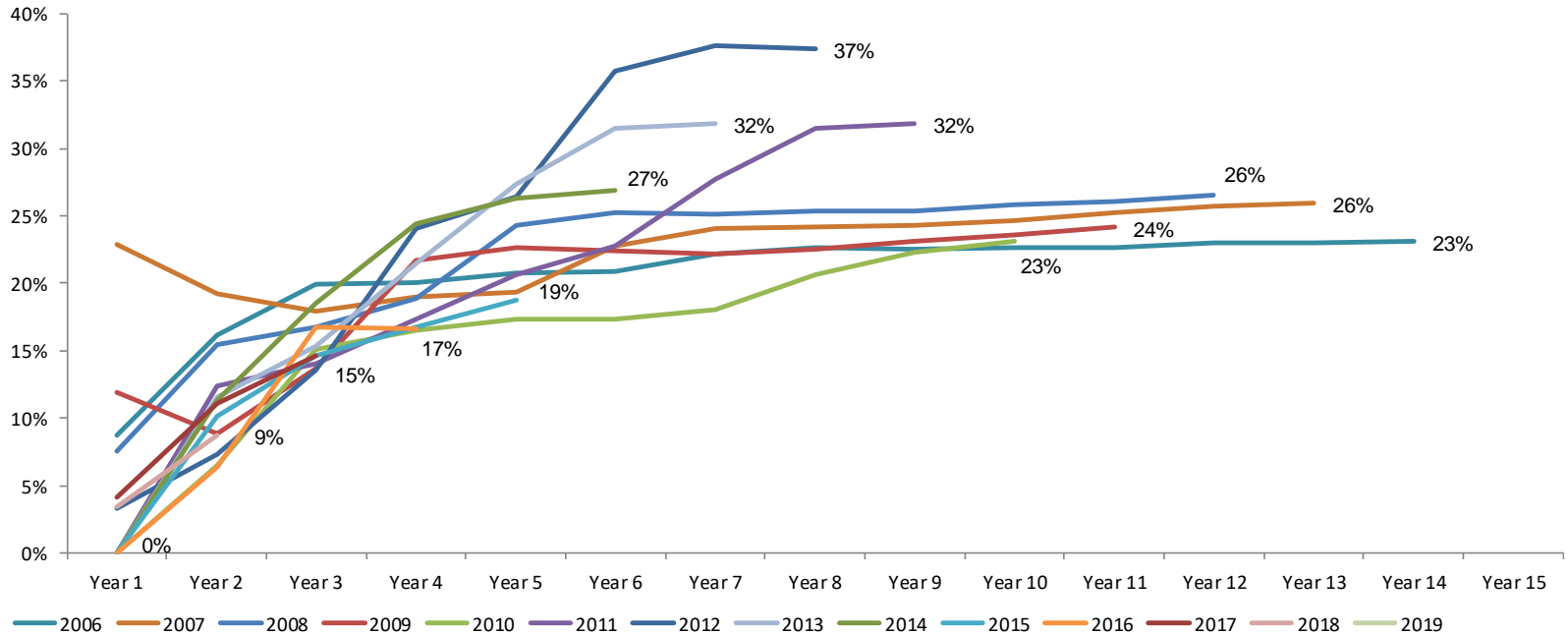
## Investment assets by type



Source: Genworth

# Claims severity

By book year (%) as at 31 December 2019

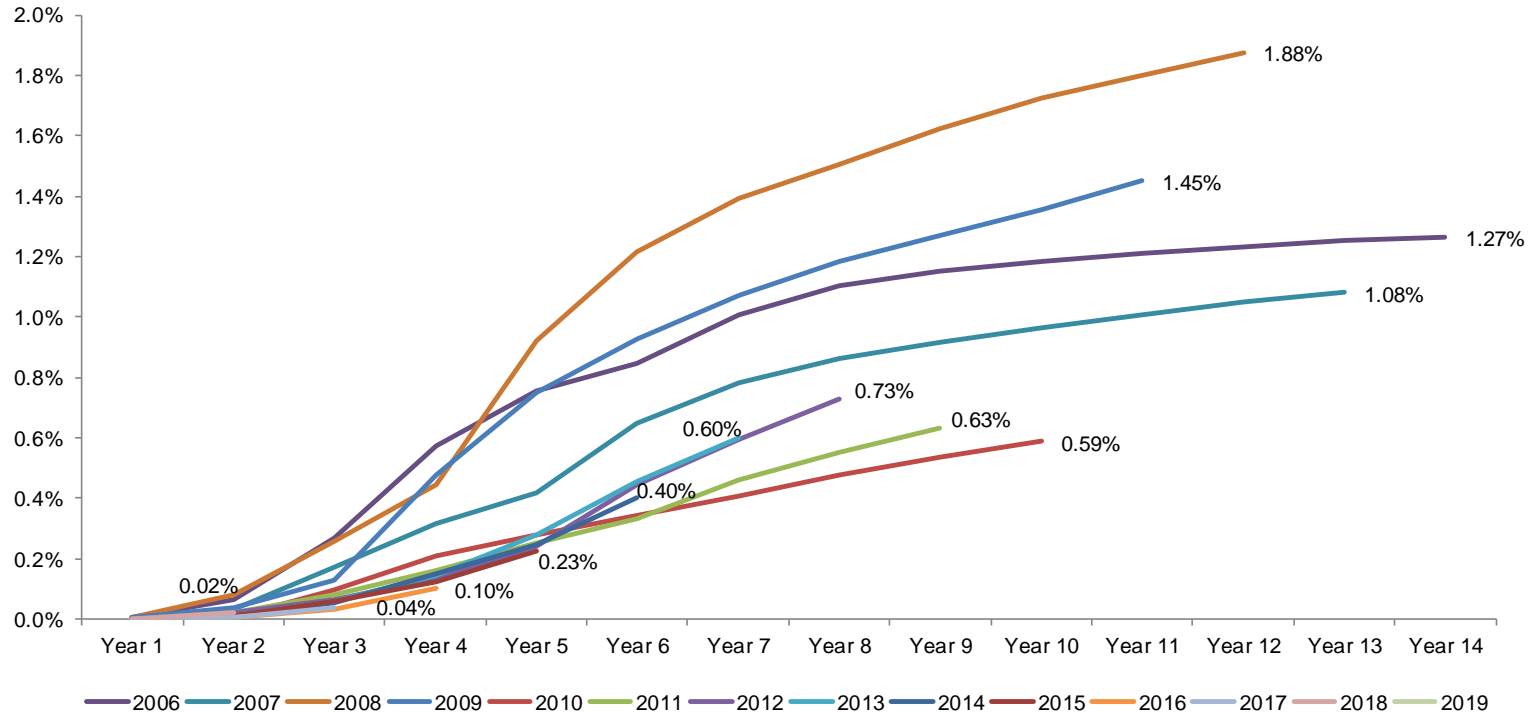


Source: Genworth

- The chart shows the claims severity by original book year and associated development period for each book year.
  - Claim severity for each year refers to the size of claims paid as a proportion of the original residential mortgage loan amount.
  - Claims paid excludes inwards reinsurance, excess of loss insurance, New Zealand, Genworth Financial Mortgage Indemnity, bulk transactions, reserves movements, recoveries and claims handling expenses.
  - GFC affected book years (2006-2010) have a higher associated severity as well as higher frequency of loss.
  - Book years at the peak of the mining boom (2011-2013) have suffered a significantly higher severity.
  - Newer book years (2015-2019) with low current severities have limited claims data to date and could experience a deterioration as these books mature.

# Claims frequency

By book year (%) as at 31 December 2019



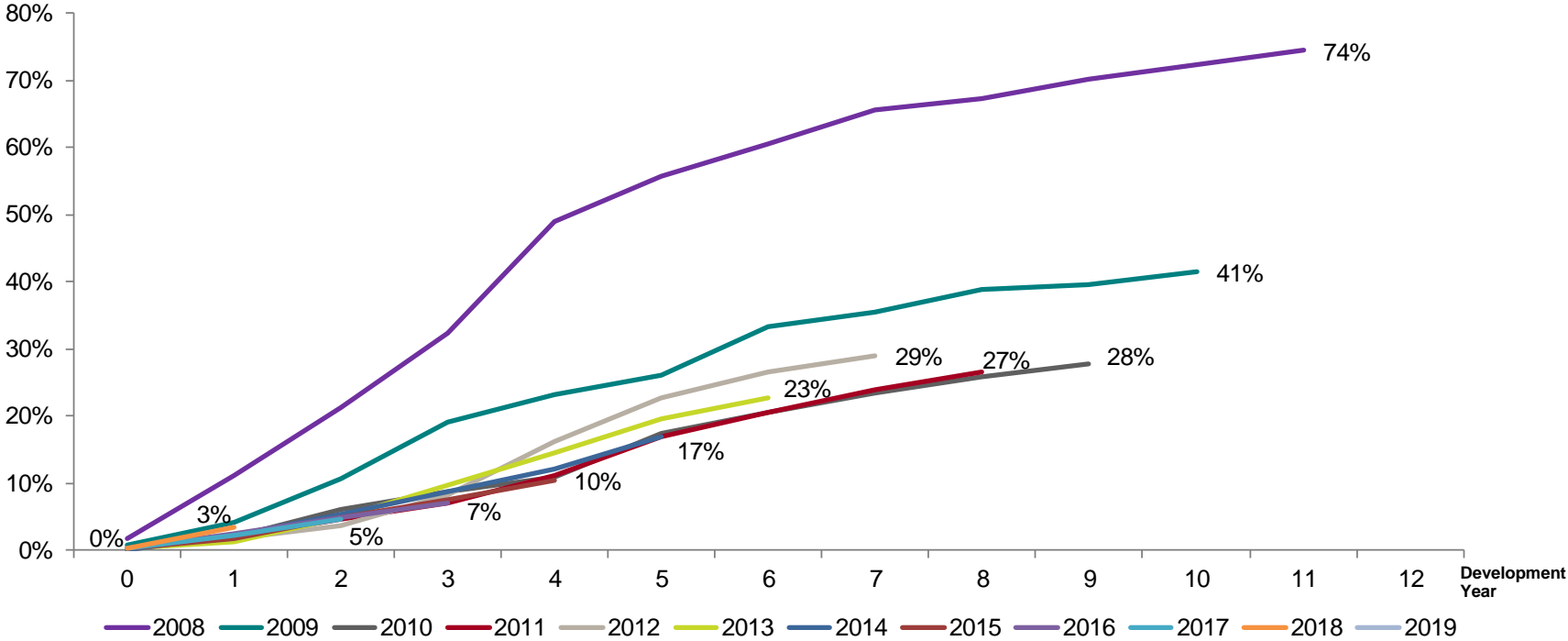
Source: Genworth

Note:

1. The claims frequency for each book year is calculated as the number of claims from policies written in the book year divided by the total number of policies in the same book year which is gross of cancelled policies.
2. Policies relating to inwards reinsurance, excess of loss insurance, New Zealand, Genworth Financial Mortgage Indemnity and bulk transactions are excluded from this chart.
3. The 2008-2009 book years have been impacted by the economic downturn from the GFC.
4. The 2010-2012 book years are performing well driven by strong credit policies and guidelines following the GFC.

# Ever to date loss ratio

By book year (%) as at 31 December 2019



Note: This slide excludes excess of loss insurance.



# Glossary

As at 31 December 2019

Term	Definition
<b>AIFRS</b>	Australian equivalent to International Financial Reporting Standards
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or Australian Securities Exchange
<b>Average reserve per delinquency</b>	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
<b>Book year</b>	The calendar year an LMI policy is originated
<b>Borrower sale</b>	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
<b>Business select</b>	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
<b>Combined ratio</b>	The combined ratio is the sum of the loss ratio and the expense ratio
<b>Common equity tier 1 or CET1</b>	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
<b>Delinquency</b>	Any insured loan which is reported as three or more months in arrears
<b>Delinquency rate</b>	The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies (excluding excess of loss insurance)

Term	Definition
<b>Expense ratio</b>	The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium
<b>Flow</b>	On a loan by loan basis at the time of origination by the lender customer
<b>Gearing</b>	Gearing is calculated as debt divided by equity
<b>Genworth Australia</b>	Genworth or the Group
<b>GFC</b>	Global financial crisis
<b>Gross earned premium (GEP)</b>	The earned premium for a given period prior to any outward reinsurance premium expense
<b>GWP</b>	Gross written premium
<b>HLVR</b>	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%
<b>HomeBuyer Plus</b>	A Genworth LMI product aimed at buyers wishing to purchase or construct an owner-occupied property with limited savings or utilising money not sourced from their own savings e.g. family gift or First Home Owners Grant
<b>IBNR</b>	Delinquent loans that have been incurred but not reported
<b>Insurance in force</b>	The original principal balance of all mortgage loans currently insured (excludes excess of loss insurance)
<b>Insurance margin</b>	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



# Glossary

As at 31 December 2019

Term	Definition
<b>Investment return</b>	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
<b>Lapsed policy initiative</b>	A strategic initiative which involves identifying and securing new data sources that enables refinanced or discharged loans to be more swiftly identified
<b>Level 2</b>	A term defined by APRA under GPS 001 referring to a consolidated insurance group
<b>Loss ratio</b>	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
<b>Low doc</b>	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
<b>LVR</b>	Loan to value ratio
<b>Mark-to-market</b>	Unrealised gains / losses (exclusive of foreign exchange)
<b>Net earned premium (NEP)</b>	The earned premium for a given period less any outward reinsurance expense
<b>NIW</b>	New insurance written reflects the total loan amount that is insured in the relevant period. NIW for Genworth reporting purposes excludes excess of loss business written
<b>PCA</b>	Prescribed capital amount is an APRA formula (set out in Prudential Standard GPS 110) designed to ensure an insurer has adequate capital against risk.
<b>PCA coverage</b>	The PCA coverage is calculated by dividing the regulatory capital base by the prescribed capital amount
<b>PCR</b>	Prudential capital requirement comprising the PCA and any supervisory adjustment determined by APRA
<b>Probable maximum loss (PML)</b>	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

Term	Definition
<b>Regulatory capital base</b>	The regulatory capital base is the sum of Tier 1 Capital and Tier 2 Capital
<b>Return on equity (ROE)</b>	The ROE is calculated by dividing NPAT by the average of the opening and closing equity balance for a financial period
<b>Technical funds</b>	The investments held to support premium liabilities and outstanding claims reserves
<b>Tier 1 Capital</b>	As defined by GPS 112, Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: <ul style="list-style-type: none"> <li>• Provide a permanent and unrestricted commitment of funds;</li> <li>• Are freely available to absorb losses;</li> <li>• Do not impose any unavoidable servicing charge against earnings; and</li> <li>• Rank behind claims of policyholders and creditors in the event of winding up.</li> </ul>
<b>Tier 2 Capital</b>	As defined by GPS 112, Tier 2 Capital comprises other components of capital that to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of a regulated institution and its capacity to absorb losses
<b>Top-ups</b>	When a lender customer purchases additional LMI policies to cover an increase in the amount of the original residential mortgage loan
<b>Underlying Equity</b>	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
<b>Underlying NPAT</b>	Underlying NPAT excludes the after-tax impact of mark-to-market gains/(losses) on the investment portfolio, and the impact of foreign exchange rates on Genworth's investment portfolio. The bulk of these foreign exchange exposures are hedged
<b>Underlying ROE</b>	The Underlying ROE is calculated by dividing Underlying NPAT by the average of the opening and closing Underlying Equity balance for a financial period
<b>UPR</b>	Unearned premium reserve



For more information, analysts, investors and other interested parties should contact:

**Iwona (Evi) Falkiner**

Head of Corporate Affairs and Investor Relations

M: +61 428 059 965

**Keshvar Seale**

Corporate Affairs and Investor Relations Manager

M: +61 499 088 640

The release of this announcement was authorised by the Board.

**Genworth**



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