

Investor Report

Half Year ended 30 June 2014

Genworth Mortgage Insurance Australia Limited
ABN 72 154 890 730

30 July 2014

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Important information

This report contains general information in summary form which is current as at 30 July 2014. It presents financial information on both a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS) and non-IFRS basis. The Pro Forma financial information in this report is prepared on the same basis as disclosed in the Genworth Mortgage Insurance Australia Limited (GMA) prospectus lodged by the Company with the Australian Securities and Investments Commission on 23 April 2014 (prospectus), which reflected the post reorganisation structure. Refer to Section 7.1 and 7.2 of the Prospectus for detailed information (these two sections have been included in Appendix E for your reference). As the IFRS financial result of the Group prepared on a statutory basis only represents the period from 19 May 2014 to 30 June 2014, a comprehensive review and analysis of the non-IFRS Pro Forma financial information throughout this report has been prepared as it may provide users with a better understanding of the financial condition and performance of the business. This report is not a recommendation or advice in relation to GMA or any product or service offered by GMA's subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not contain all information relevant or necessary for an investment decision. It should be read in conjunction with GMA's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange (ASX), and in particular the Half Year Financial Report for the half year ended 30 June 2014. These are also available at www.genworth.com.au.

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

All references starting with "FY" refer to the financial year ended 31 December. For example, "FY14" refers to the year ended 31 December 2014. All references starting with "1H" refer to the financial half year ended 30 June. For example, "1H14" refers to the half year ended 30 June 2014.

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Section 1
Background

Background

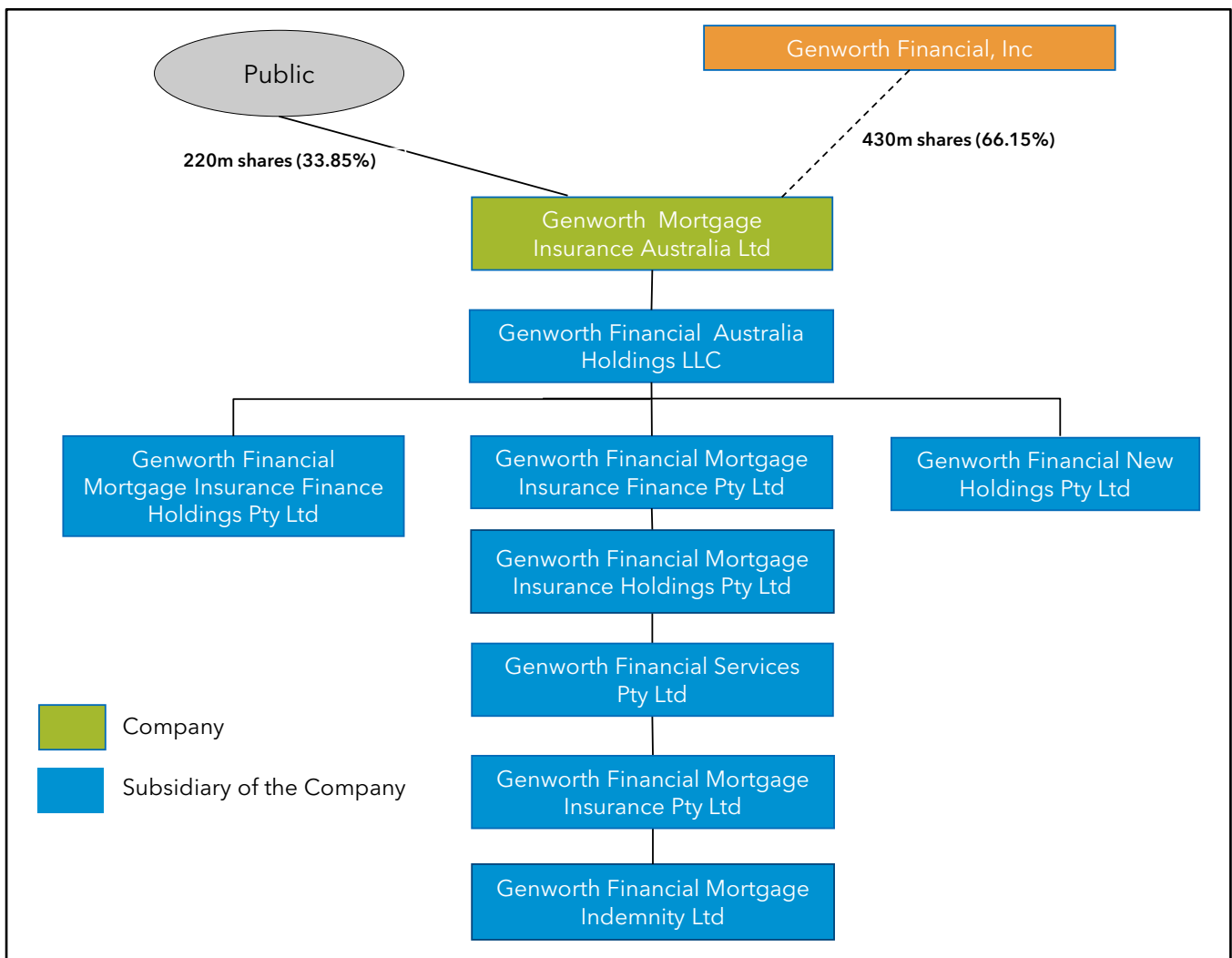
1.1 Initial Public Offer (IPO)

Following completion of the allocation of 650 million ordinary shares under an IPO in May 2014, the shares in Genworth Mortgage Insurance Australia Limited (the Company) successfully listed on the Australian Securities Exchange (ASX) under the code GMA on 20 May 2014, at an issue price of \$2.65 per share. Under the allocation of the ordinary shares, 220 million shares, or 33.8% of the issued capital, were allocated to retail and institutional shareholders raising \$583 million gross, which, net of underwriting costs, has been repatriated to the major shareholder of GMA, Genworth Financial Inc. who owns the remaining 66.2% of the issued shares.

Based on a trading price of \$3.28 as at 30 June 2014, the market capitalisation of GMA was \$2.1 billion.

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

Figure 1: GMA Corporate Structure



Background

1.2 General conditions and trends affecting our business

In the first half of 2014, there has been no material change to the actual or expected competitive operating environment in which the Group operates that were set out in the Prospectus. The business environment has remained relatively stable. There has also been no material change to the GMA lender customer base.

Economic growth in Australia has been somewhat firmer in first half of 2014 compared with 2013, with March quarter Gross Domestic Product (GDP) of 3.5%. Economic growth has been based on increases in resource exports as additional capacity created during the 'resource boom' has begun to translate to increased production. Additionally, moderate growth has been occurring in consumer demand and some signs of expansion in housing construction are now more evident.

At the Reserve Bank of Australia (RBA)'s July 2014 Monetary Policy meeting, the RBA once again decided to maintain the cash rate at 2.5% for the 11th consecutive month. The cash rate has been set at 2.5% since reducing from 2.75% in August 2013. The effect of the RBA's monetary policy action appears to have positively influenced the housing sector and consumer sentiment. The Governor's statement accompanying the July decision indicated that "the current accommodative stance of policy was likely to be appropriate for some time yet". GMA continues to expect that the RBA will keep the official cash rate unchanged for the remainder of the 2014 calendar year.

Employment growth has remained modest over the first half of 2014 and at a level below the underlying workforce growth. Consequently, there has been a modest rise in the unemployment rate to 6.0% as at June 2014, up from 5.9% in December 2013. This outcome is still in line with GMA's expectation for an average unemployment rate of 6.1% for the 2014 calendar year.

House prices are up 3.4% since 31 December 2013¹. The rate of house price growth has slowed since the second half of 2013 and is reflective of an orderly slowdown in that sector.

¹ Based on RP data June monthly release

Section 2

Executive summary

Executive summary

2.1 Overview of half year 2014 pro forma financial results

The GMA Group has delivered a reported NPAT of \$151.4 million for the first half of the 2014 financial year on a pro forma basis. After adjusting for the after tax impact of the mark to market movement in the investment portfolio, this represents an Underlying NPAT of \$133.1million, with an annualised reported ROE of 13.3% and an annualised Underlying ROE of 12.0%.

Table 1: Pro Forma financial performance measures

(A\$ in millions)	1H12	1H13	1H14
Gross earned premium	222.8	228.6	256.1
Net earned premium	177.4	192.1	218.4
Net profit after tax (NPAT)	58.9	65.7	151.4
Underlying NPAT	57.8	94.6	133.1
Loss Ratio	106.5%	42.3%	19.6%
Expense Ratio	28.0%	27.6%	26.6%
Delinquency rate	0.52%	0.40%	0.36%
Combined Ratio	134.5%	69.9%	46.2%
Insurance Margin	(9.6%)	35.8%	66.2%
Investment Return	5.1%	4.6%	4.1%
Return on Equity (ROE)	5.5%	6.2%	13.3%
Underlying ROE	1.6%	9.2%	12.0%

The reported results are primarily the result of:

- (a) Higher sales (Gross Written Premium) and resulting revenue (Earned Premium):
 - i. GWP growth of 15% is higher than 1H13 underpinned by premium rate increases that were implemented in 2013, offset slightly by a marginal change in the LVR mix of business that was written in 1H14;
 - ii. Net Earned Premium growth of 13.7% reflects higher volumes and GMA premium rate increases predominantly in the 2010-2013 book years
- (b) Lower net claims incurred:
 - i. A robust and stable housing market led to a lower frequency of delinquencies rolling through to ultimate claim, as evidenced by a continuation of a higher than anticipated level of 'borrower sales' and 'sold no claim' instances, and also contributed to a lower average claim amount, which was also characterised by a higher proportion of the overall claims numbers being paid in respect of the inward reinsurance treaty.
 - ii. The overall level of delinquencies as at 30 June 2014 reflects the typical seasonally higher level of new delinquencies in the first and second quarter of the year.
- (c) Strong financial income reflecting favorable unrealised mark to market gains that, on a reported basis, offset the lower interest income resulting from lower investment yields.

Executive summary

On a statutory basis the financial result for the period from 19 May 2014 to 30 June 2014 was \$42.5 million, representing the NPAT from the formation of the GMA Group to the half year end. Refer to Section 2.4 for reconciliation between pro forma NPAT and Statutory (Reported) NPAT.

2.2 Summary of financial and capital position

Table 2: Financial position/capital measures

(A\$ in millions), as at	30 Jun 13 (Pro forma)	31 Dec 13 (Pro forma)	30 June 14 (Actual)
Cash, accrued interest and investments	3,598.9	3,734.9	3,946.9
Total assets	3,858.7	4,009.8	4,222.1
Unearned premium reserve	1,168.4	1,249.1	1,306.6
Net assets	2,121.2	2,210.9	2,344.8
Net tangible assets	2,102.8	2,194.5	2,330.8
Regulatory capital base	2,515.7	2,566.0	2,710.7
PCA coverage (Level 2) (times)	1.37 x	1.50 x	1.54 x
CET1 coverage (times)	1.30 x	1.42 x	1.48 x
Gearing	6.1%	5.9%	5.6%

The Group's capital position was solid at 30 June 2014, reflected in the Group's regulatory capital solvency level of 1.54 times PCA and a CET1 ratio of 1.48 times. The regulatory solvency position is above the Board's targeted solvency range of 1.32 - 1.44 times PCA.

On 20 May 2014 Moody's reaffirmed the insurance financial strength rating² of Genworth Financial Mortgage Insurance Pty Ltd (GFMI) and Genworth Financial Mortgage Indemnity Limited (GFMIIL) GMA's wholly-owned operating insurance subsidiaries at both 'A3' Stable.

On 23 May 2014 Standard & Poor's Ratings Services affirmed the AA-/stable financial strength and issuer credit ratings² on GFMI and revised the outlook from negative to stable.

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

Executive summary

2.3 Outlook

Based on the first half results, and subject to business conditions and unforeseen economic events, Genworth Australia now expects to deliver a full year Underlying NPAT of between \$231.1 and \$250.0 million. This improved performance is likely to equate to an Underlying ROE of between 10.2% and 11.0% and is primarily as a result of a loss ratio which is now expected to be between 25.0% and 30.0%.

Table 3: GMA revised outlook FY14

	Prospectus Forecast	Revised Target
Flow NIW (\$ billions)	33.8	33.8
Portfolio NIW (\$ billions)	4.0	4.0
Average price - flow NIW (%)	1.93	1.93
Gross written premium (\$ millions)	663.2	663.2
Net earned premium (\$ millions)	440.2	440.2
Loss ratio (%)	30.2	25.0 to 30.0
Underlying NPAT (\$ millions)	231.1	231.1 to 250.0
Underlying ROE (%)	10.2	10.2 to 11.0
Dividend payout ratio (%)	55	55

Section 3
Group results

Group results

3.1 Pro forma historical HY14 results vs pro forma historical HY13 results

This section contains a summary of the Pro Forma Historical Consolidated Statement of Comprehensive Income for the GMA Group for the half years ended 30 June 2012, 30 June 2013 and 30 June 2014 ("1H12", "1H13" and "1H14", respectively).

3.1.1 Pro forma historical consolidated statements of comprehensive income

Table 4: Pro forma statement of comprehensive income

(A\$ millions)	1H12	1H13	1H14	Change
Gross written premium	237.4	273.0	313.6	14.9%
Movement in unearned premium	(14.6)	(44.4)	(57.5)	29.7%
Gross earned premium	222.8	228.6	256.1	12.0%
Outwards reinsurance expense	(45.4)	(36.5)	(37.7)	3.3%
Net earned premium	177.4	192.1	218.4	13.6%
Net claims incurred	(188.8)	(81.2)	(42.8)	(47.3%)
Acquisition costs	(22.9)	(22.6)	(24.1)	6.5%
Other underwriting expenses	(26.8)	(30.4)	(34.1)	12.0%
Underwriting result	(61.1)	57.9	117.4	102.8%
Investment income on technical reserves	44.1	10.9	27.1	148.4%
Insurance profit	(17.0)	68.8	144.5	110.0%
Investment income on equityholders' funds	109.3	32.0	76.9	140.6%
Financing costs	(6.8)	(5.8)	(5.6)	(4.3%)
Profit before income tax	85.5	95.0	215.8	127.3%
Income tax expense	(26.6)	(29.3)	(64.4)	120.2%
NPAT	58.9	65.7	151.4	130.5%

Group results

3.2 Management discussion and analysis

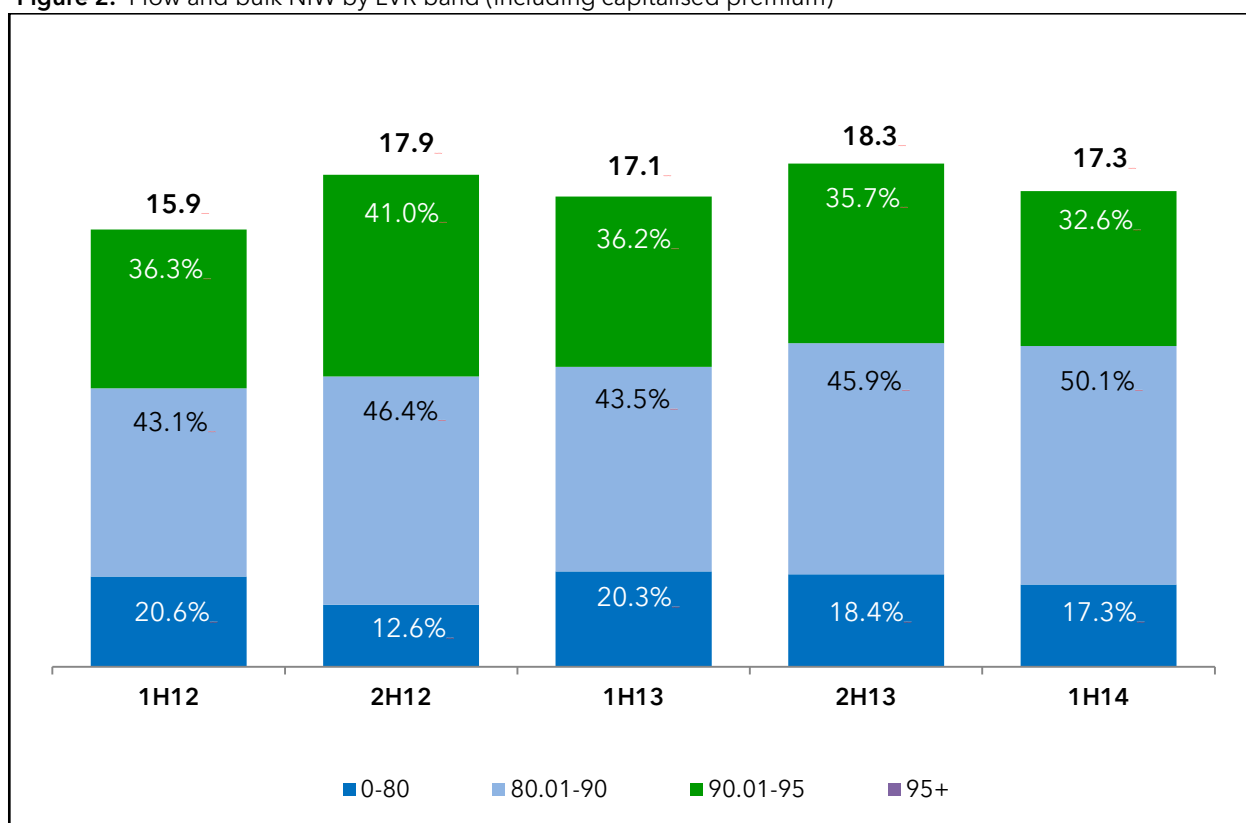
3.2.1 New Insurance Written (NIW)

NIW increased from \$17.1 billion in 1H13 to \$17.3 billion in 1H14 primarily due to demand for housing as interest rates continue to remain low and volume increases across the majority of our key Lender customers. The 1H13 NIW figure included a \$1.0 billion portfolio transaction.

There was a 15.2% increase in 80-90% LVR residential mortgage loans in 1H14 compared to 1H13 due to a change in business mix that was originated by GMA's lender customers.

The below figure illustrates the Group NIW by LVR bands over the past two and half years. It shows the significant growth in residential mortgage originations over the years which led to a corresponding increase in HLVR loans.

Figure 2: Flow and bulk NIW by LVR band (including capitalised premium)

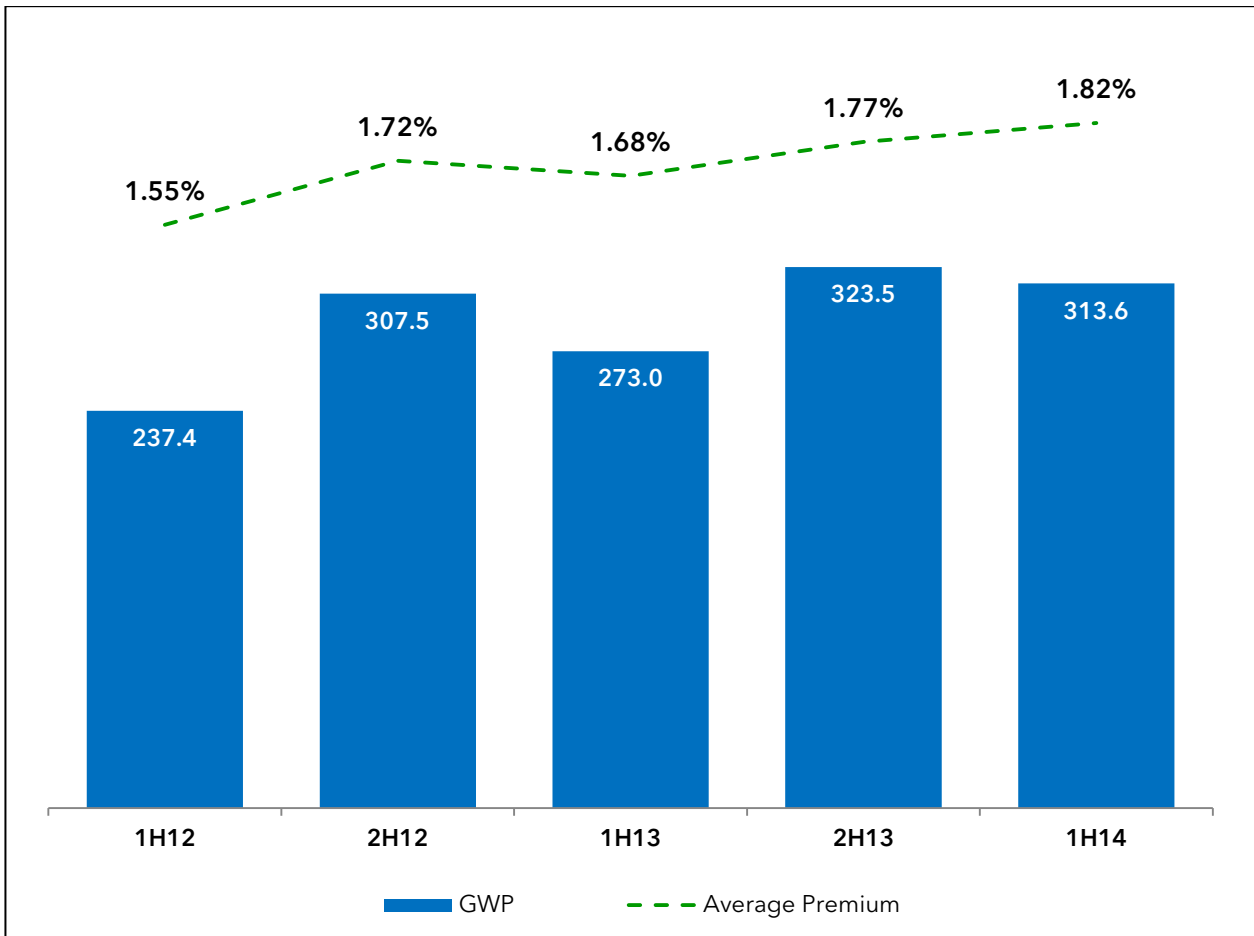


3.2.2 Gross Written Premium (GWP)

GWP increased \$40.6 million (14.9%) from \$273.0 million in 1H13 to \$313.6 million in 1H14, primarily due to higher Flow NIW written by our key Lender Customers. Higher flow NIW was largely driven by high demand for housing as a result of record low interest rates, limited new supply and population growth. Average price for flow (GWP/NIW) increased from 1.68% in 1H13 to 1.82% in 1H14 as a result of higher flow premium rates which were fully reflected by a full flow-through effect of the pricing increase in 2013.

Group results

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

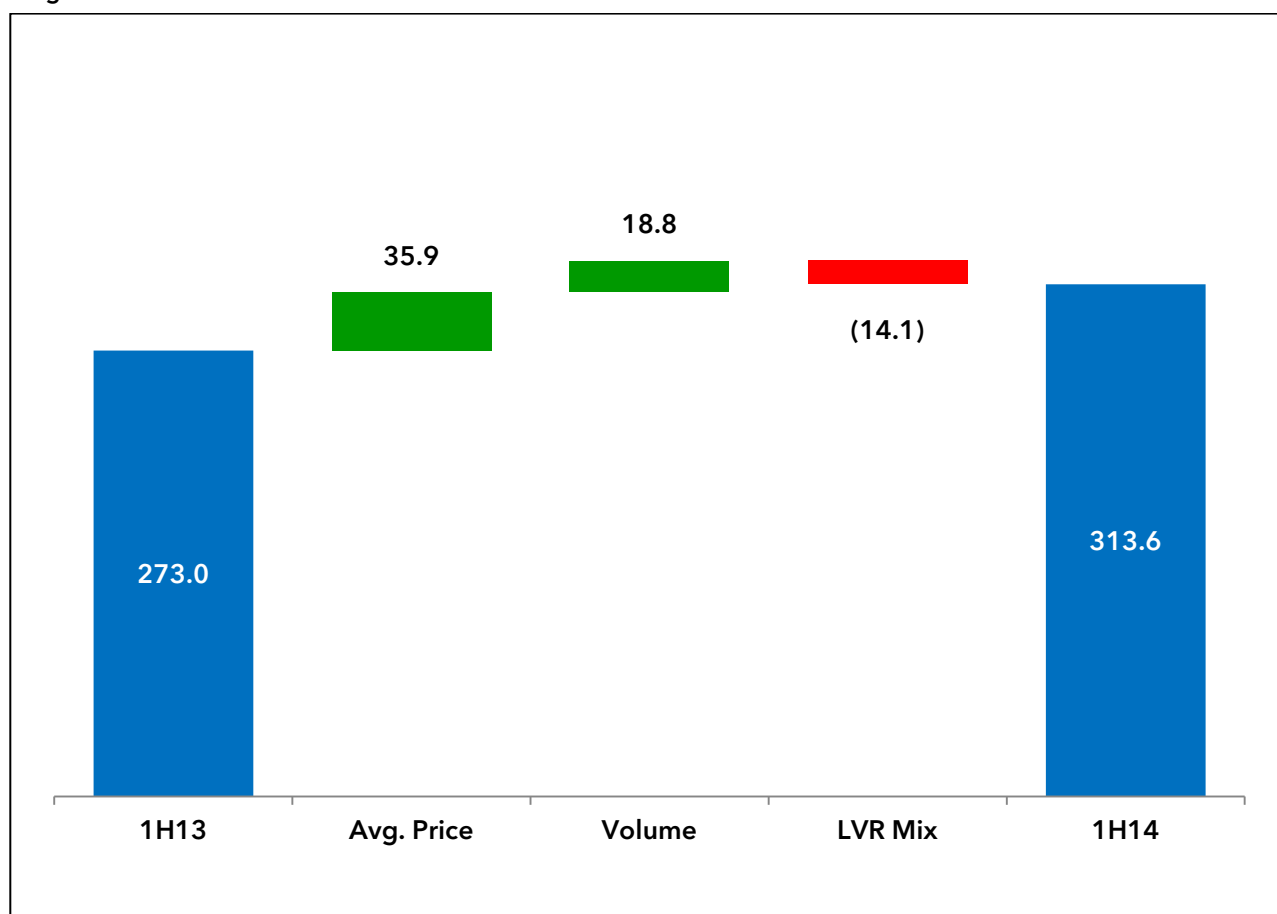


The above figure displays the Group's average premium rate over the last two and half years. To restore expected returns following changes in market conditions, the Group has implemented premium rate increases over the last two and half years, increasing the overall average GWP as a percentage of NIW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

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

Group results

Figure 4: Walk of movement of GWP 1H13 vs 1H14



3.2.3 Gross Earned Premium (GEP)

GEP increased \$27.5 million (12.0%) from \$228.6 million in 1H13 to \$256.1 million in 1H14, which was primarily due to gross earned premium generated from revenue recognised from the prior years' in-force books of \$224.2 million compared to \$202 million in 1H13. 87.5% of the GEP earned in 1H14 came from business written in the 2013 and prior Book Years.

The 1H14 GEP included the 2013 Book Year which had strong levels of NIW and GWP and was recognised as earned premium at its highest proportionate earnings period in 2014. 1H13 had a lower GEP as it reflected the seasoning of older Book Years, in particular the 2009 to 2012 Book Years, which had passed their peak earnings period.

3.2.4 Outwards Reinsurance expense

The outward reinsurance expense increased by \$1 million (3.3%) from \$36.5 million in 1H13 to \$37.7 million in 1H14, reflecting slightly higher costs of replacing the last remaining affiliate reinsurance treaty (terminated on 1 January 2014) with new external reinsurance treaties executed in late 2013.

3.2.5 Net Claims incurred and changes to reserves

Net claims incurred decreased \$38.4 million (47.3%) from \$81.2 million in 1H13 to \$42.8 million in 1H14, primarily driven by a strong housing market with house price appreciation, lower interest rates and stable macroeconomic conditions.

Group results

The level and number of paid claims in 2013 and the first half of 2014 continued to decline due to increased borrower sales activity, and a reduction in the rate at which late stage delinquencies transitioned into Mortgagee in Possession.

Table 5: Composition of net claims incurred

(\$ millions)	1H12	2H12	1H13	2H13	1H14
Number of Paid claims	1,622	1,841	1,271	1,091	881
Average Paid claim	83.8	82.2	80.9	75.4	62.9
Claims paid	135.9	151.4	102.8	82.3	55.4
Movement in reserves	52.9	(81.0)	(21.6)	(35.8)	(12.6)
Net Claims incurred	188.8	70.4	81.2	46.5	42.8

There was a seasonal increase in number of delinquencies, leading to a greater proportion of the delinquency population in the early stage arrears, which was consistent with our historically observed experience. The average reserve per delinquency decreased from \$47,900 in 1H13 to \$41,700 in 1H14, reflecting favourable claims experience and higher mix of early term delinquencies.

Table 6: Movement in delinquencies

	1H12	2H12	1H13	2H13	1H14
Opening balance	7,874	7,527	5,851	5,820	4,980
New Delinquencies (net of cures)	1,275	165	1,240	251	1,306
Paid Claims	(1,622)	(1,841)	(1,271)	(1,091)	(881)
Closing Delinquencies	7,527	5,851	5,820	4,980	5,405

The overall delinquency rate of 0.36% is lower than the 0.40% as at 30 June 13, but is up from 0.34% as at 31 December 13. The increase in delinquencies in the first half of 2014 compared with the second half of 2013 is mainly driven by a seasonal increase in early-stage arrears, which is consistent with historically observed trends in reporting.

3.2.6 Acquisition costs and other underwriting expenses

Acquisition costs increased \$1.5 million from \$22.6 million in 1H13 to \$24.1 million in 1H14, which was attributable to higher amortisation expense recognised from higher acquisition costs deferred from Supply and Service Contracts signed over recent book years. Other underwriting expenses increased \$3.7 million from \$30.4 million in 1H13 to \$34.1 million in 1H14, primarily resulting from higher employee compensation and benefit expenses and higher operating expenses in 1H14. The total expense ratio however has fallen from 27.6% in 1H13 to 26.6% in 1H14.

3.2.7 Financial income

Financial income comprising interest income, realised and unrealised gains/ losses, increased \$61.1 million (142.4%) from \$42.9 million in 1H13 to \$104.0 million in 1H14. The unrealised gain on the market value of investments of \$26.0 million recognised in 1H14 compared to unrealised losses of \$41.3 million recognised in 1H13.

Interest income decreased by 6.2% from \$82.8 million in 1H13 to \$78.0 million in 1H14 as a result of lower investment yields.

Group results

3.2.8 Income tax expense

Income tax expense increased \$35.2 million (120.1%) from \$29.3 million in 1H13 to \$64.5 million in 1H14. The increase was driven by an increase in profit before tax in 1H14. The effective tax rate fell slightly from 30.8% in 1H13 to 29.9% in 1H14 primarily due to the GFMI New Zealand branch returning to profitability with no associated tax expense.

3.2.9 Net Profit After Tax

NPAT increased \$85.7 million (130.4%) from \$65.7 million in 1H13 to \$151.4 million in 1H14. This increase was primarily driven by higher earned premiums, which resulted from the seasoning of prior years' in-force book of business, lower net claims incurred and strong investment income assisted by favourable unrealised gains on the fixed securities.

3.3 Analysis of underwriting performance

A strong underwriting performance was recorded in 1H14 as a result of the following key factors:

- GWP growth of 14.9% is higher than the same period prior year and marginally lower than the preceding period. The growth in 1H14 was sourced significantly from the flow-through effect of pricing increases that were implemented in 2013.
- The strong performance in 1H14 has also benefited from lower net claims incurred. The contributory factors were a strong housing market, high HPA, record-low interest rates and stable macroeconomic conditions. The loss ratio for 1H14 is 19.6% compared to 42.3% in 1H13.
- The expense ratio for 1H14 of 26.6% was slightly more favourable than the 27.6% in 1H13
- Insurance margin increased to 66.2% compared with 35.8% for 1H13. The significant increase is driven by strong insurance profit benefits from stable earned premium and lower net claims incurred

Table 7: Key underwriting metrics (flow business)

	1H12	2H12	1H13	2H13	1H14
New Insurance Written (\$ billions)	15.9	17.9	16.2	18.3	17.3
Gross Written Premium (\$ millions)	237.6	307.3	273.0	323.5	313.6
Claims paid (\$ millions)	135.9	151.4	102.8	82.3	55.4
Expense ratio	28.0%	27.2%	27.6%	27.3%	26.6%
Loss ratio	106.5%	37.9%	42.3%	22.6%	19.6%
Combined ratio	134.5%	65.1%	69.9%	49.9%	46.2%
Insurance margin	(9.6%)	49.3%	35.8%	58.1%	66.2%
Delinquency rate	0.52%	0.41%	0.40%	0.34%	0.36%

Group results

3.4 Reconciliation of reported (statutory) HY14 results and pro forma historical HY14 results

The Pro Forma historical Consolidated Statement of Comprehensive Income for the period ended 30 June is presented on the basis of a full six months of results for the Group. On a statutory basis GMA will only consolidate and account for the results of the Group from the date of Reorganisation on 19 May 2014. The 1H14 Pro Forma Consolidated Statement of Comprehensive Income therefore includes the results that will be considered "pre Reorganisation" NPAT. The statutory (reported) NPAT post reorganisation represents the NPAT for the period from the formation of the Group, 19 May 2014 to 30 June 2014 (Statutory NPAT).

Table 8: Reconciliation between pro forma NPAT for 1H14 and statutory NPAT for the period from 19 May 2014 to 30 June 2014

(A\$ in millions)	
Pro Forma NPAT for half year to 30 June 2014	151.4
Less period prior to formation of consolidated group: 1 Jan to 18 May 2014	(108.7)
Pro Forma result for period 19 May to 30 June 2014	42.7
Add tax effected interest expense incurred on restructure of group	(0.2)
Statutory NPAT for period 19 May to 30 June 2014	42.5

Section 4

Portfolio performance

Portfolio performance

4.1 Insurance portfolio

4.1.1 In-force portfolio

The Group had an in-force portfolio of approximately \$306 billion as at 30 June 2014. Due to the volumes of business that have been originated since 2009, when significant pricing, policy and underwriting changes were made, as well as the early repayment of residential mortgage loans originated prior to that time, LMI policies issued since 2009 now comprise 43% of the total in-force portfolio.

The Group's Standard LMI product comprises the largest part of the overall in-force portfolio at 88%, and the overall percentage of low-doc business has fallen from 7% to 6% of the total in-force portfolio. 68% of in-force policies cover residential mortgage loans with LVRs greater than 80% at the time of issuance, reflecting the importance of HLVR lending. The following charts display the segmentation of the Group's in-force portfolio of approximately \$306 billion as at 30 June 2014.

Figure 5: Insurance in force by book year

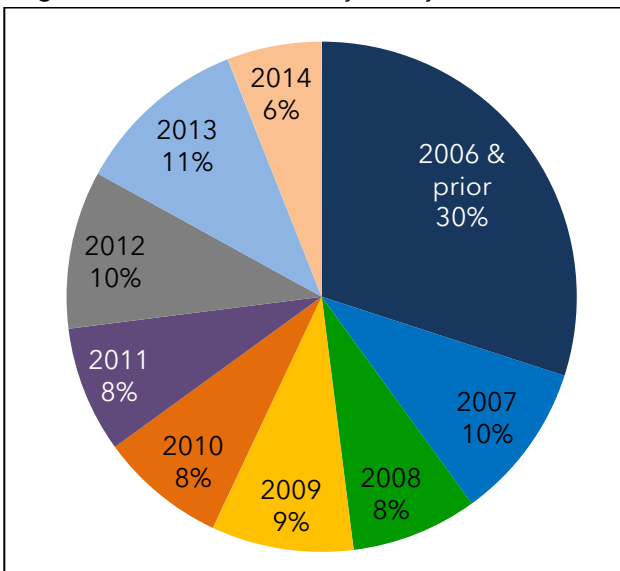


Figure 6: Insurance in force by original LVR

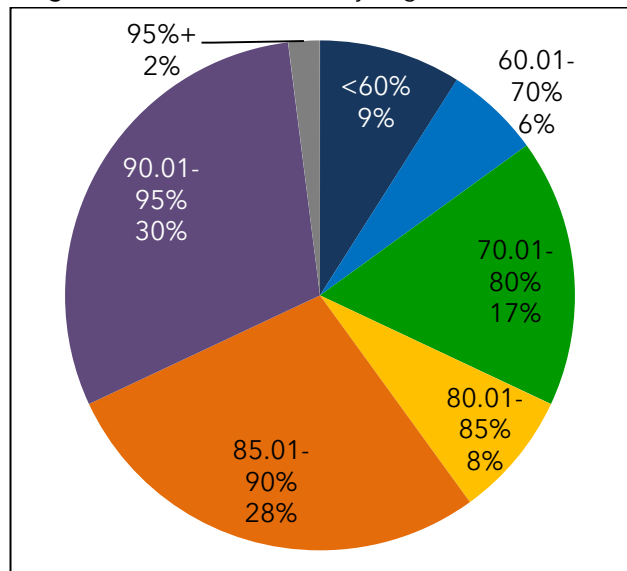


Figure 7: Insurance in force by product

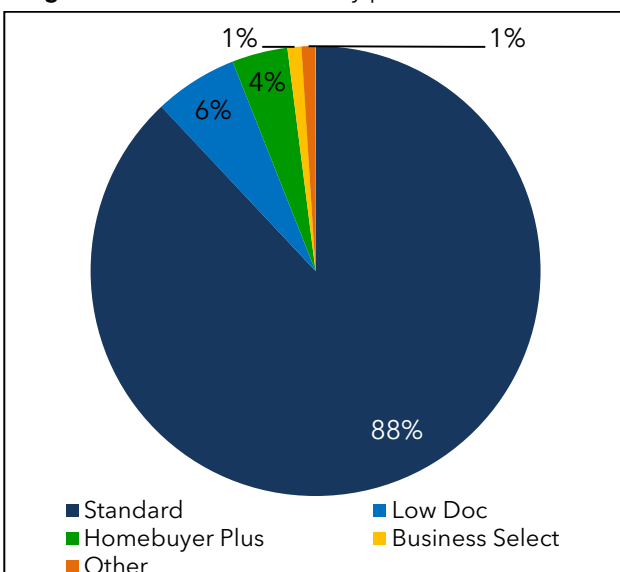
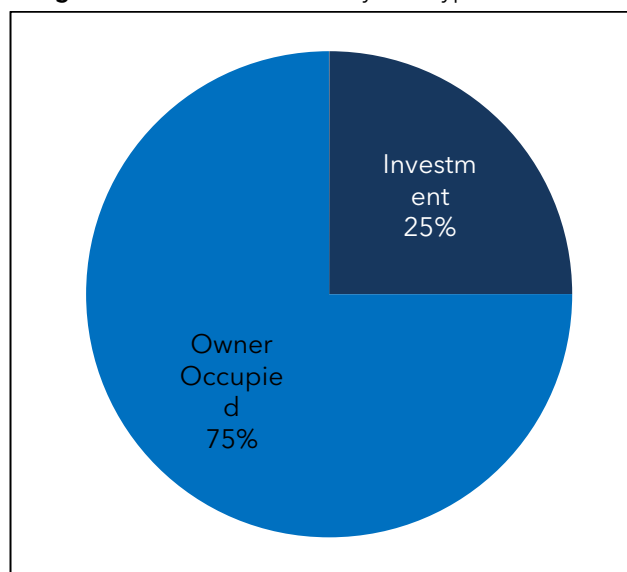


Figure 8: Insurance in force by loan type



Portfolio performance

4.1.2 Effective LVR

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

Table 9: Effective LVR as at 30 June 2014

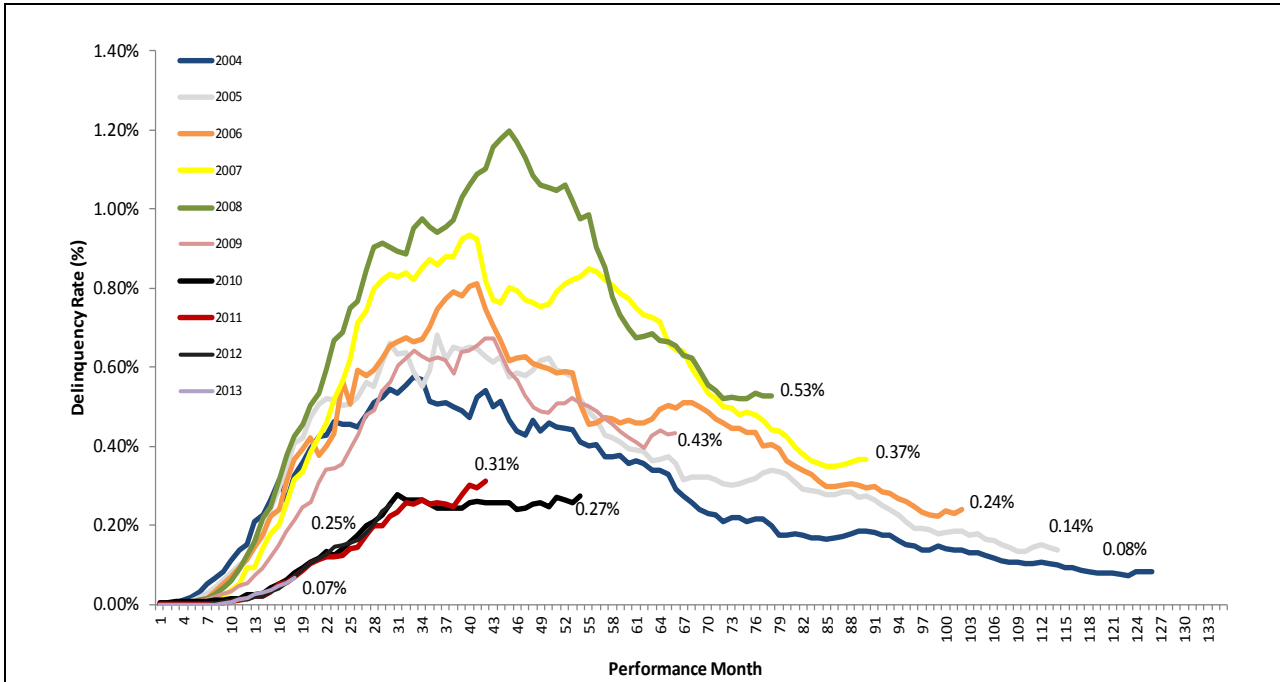
Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2002 & prior	15.1	6%	78.1%	22.8%	146%
2003	7.9	3%	73.5%	34.1%	73%
2004	8.7	3%	72.1%	38.4%	57%
2005	13.2	5%	76.0%	43.8%	52%
2006	17.8	7%	78.6%	50.5%	41%
2007	22.1	8%	80.4%	59.8%	27%
2008	21.2	8%	82.7%	67.0%	19%
2009	24.6	9%	85.5%	69.3%	16%
2010	19.2	7%	82.2%	74.5%	6%
2011	20.9	8%	84.4%	76.3%	9%
2012	29.4	11%	86.3%	76.8%	12%
2013	32.8	12%	86.7%	81.2%	7%
2014	16.8	6%	86.4%	86.8%	1%
Total Flow	249.6	92%	81.5%	61.2%	36%
Portfolio	21.5	8%	54.4%	28.1%	69%
Total/ Weighted Avg.	271.1	100%	78.4%	57.8%	39%

Portfolio performance

4.2 Delinquency rate by Book Year (3 month+)

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

Figure 9: Delinquency development by book year



Each line illustrates the level of 3 month+ delinquencies relative to the number of months an LMI policy has been in-force for policies issued within a specific year. The 2008 Book Year has been impacted by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers particularly in Queensland, which was exacerbated by the floods in 2011. The 2010, 2011, 2012, 2013 and 1H 2014 Book Years are performing favourably relative to the prior five years (2005-2009).

Section 5
Balance sheet and
investments

Balance sheet and investments

5.1 Pro forma historical consolidated balance sheet

This section contains a summary of Historical Consolidated Statement of Financial Position for the GMA Group as at 30 June 2014, and the Pro Forma Consolidated Statements of Financial Position as at 31 December 2012 and 31 December 2013 respectively.

Table 10: Statement of financial position

(A\$ in millions), as at	31 Dec 12	31 Dec 13	30 Jun 14
Assets			
Cash and cash equivalents	33.7	113.9	77.7
Accrued investment income	41.7	40.2	35.5
Investments	3,549.3	3,580.8	3,833.7
Trade and other receivables	4.7	6.4	2.8
Prepayments	2.7	1.3	1.5
Deferred reinsurance expense	79.1	93.4	108.3
Non-reinsurance recoveries	24.8	19.7	16.6
Deferred acquisition costs	137.5	128.4	122.7
Property, plant and equipment	2.1	1.6	1.5
Deferred tax assets	2.5	7.7	7.8
Intangibles	11.6	7.3	4.9
Goodwill	9.1	9.1	9.1
Total Assets	3,898.8	4,009.8	4,222.1
Liabilities			
Payables	67.6	55.7	78.5
Reinsurance payable	95.6	109.1	121.9
Outstanding claims	302.0	240.9	225.3
Unearned Premiums	1,124.1	1,249.1	1,306.6
Employee benefit provision	6.1	6.4	6.9
Interest bearing liabilities	137.0	137.7	138.1
Total liabilities	1,732.4	1,798.9	1,877.3
Net Assets	2,166.4	2,210.9	2,344.8
Equity			
Share capital	1,706.5	1,706.5	1,706.5
Other equity	459.9	504.4	638.3
Total equity	2,166.4	2,210.9	2,344.8

Balance sheet and investments

5.2 Total assets

The total assets of the Group as at 30 June 2014 were \$4,222.1 million compared to \$4,009.8 million at 31 December 2013. Notable movements within the \$212.3 million increase are:

- \$36.2 million decrease in cash and cash equivalents as a result of surplus cash transferred to investments;
- \$252.9 million increase in investments from positive cash flow from the business and investment income, assisted by \$26.0 million favorable mark to market unrealised gains; and
- \$14.9 million increase in deferred reinsurance expense following the capitalisation of completion of 2014 reinsurance treaty renewals and commencement of new treaties.

5.3 Investments

5.3.1 Investment strategy

As at 30 June 2014, the Group had a \$3,911.4 million cash and investments portfolio, invested 98% in Australian denominated cash, cash equivalents and fixed income securities rated A- or higher. The primary investment objective is to manage the portfolio of securities to help achieve return and income targets, whilst minimising volatility of total returns and providing liquidity to pay claims. This asset allocation and investment management philosophy represents the previous long-standing approach taken by the Group to investment management.

5.3.2 Group investment assets

In July 2013, the Board resolved to separate the management, objectives and strategies of the investments supporting Technical Funds, from the remaining balance of investments supporting Shareholder Funds. Under that change, the objectives and strategies relating to the investments backing Technical Funds will continue to be managed consistent with the previous investment management philosophy. For investment supporting Shareholder Funds, the GMA Group has considered various mandate enhancements that would allow greater flexibility to generate a higher return for an appropriate level of risk. Any decision on different asset classes and asset allocation will only be taken by the Capital and Investment Committee and the Board following a more detailed analysis of the income, risk and capital implications.

The Group's investment totalled \$3,911.4 million as at 30 June 2014 with approximately \$1,000.0 million allocated to the Technical Funds to support premium liabilities and outstanding claims reserves. The duration to maturity of the investment portfolio is estimated at around 2.0 years.

Balance sheet and investments

5.3.3 Investment portfolio characteristics

Figure 10: Investments assets by term to maturity

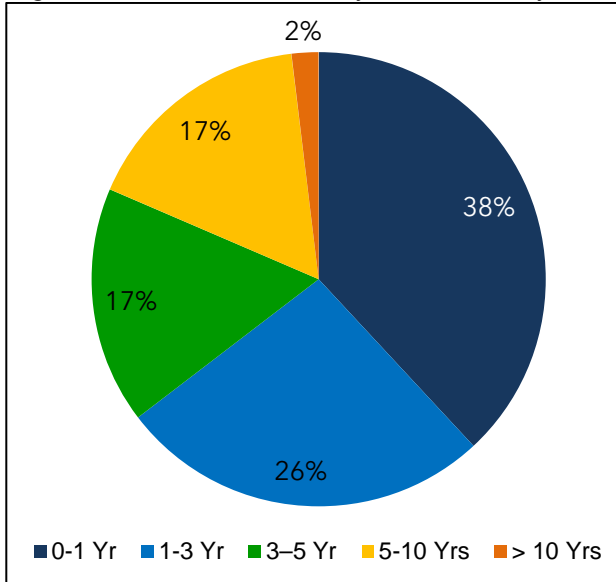


Figure 11: Investments assets by source

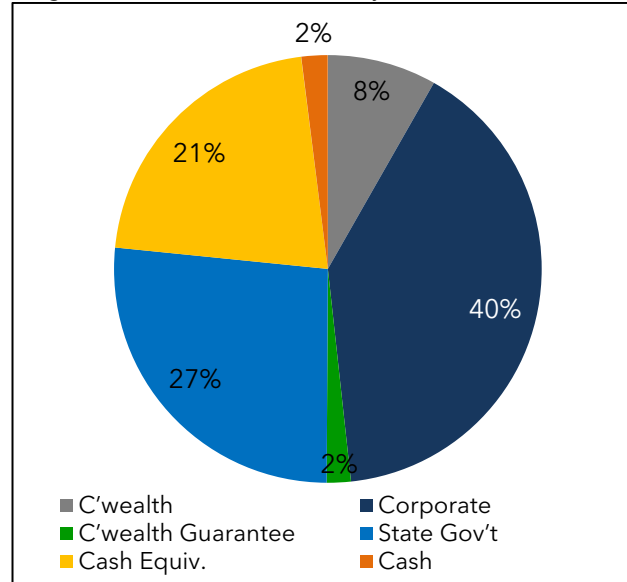


Figure 12: Investments assets by credit rating

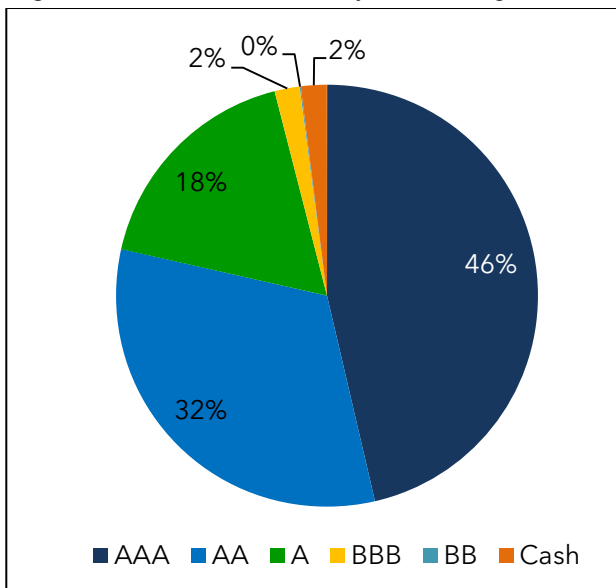
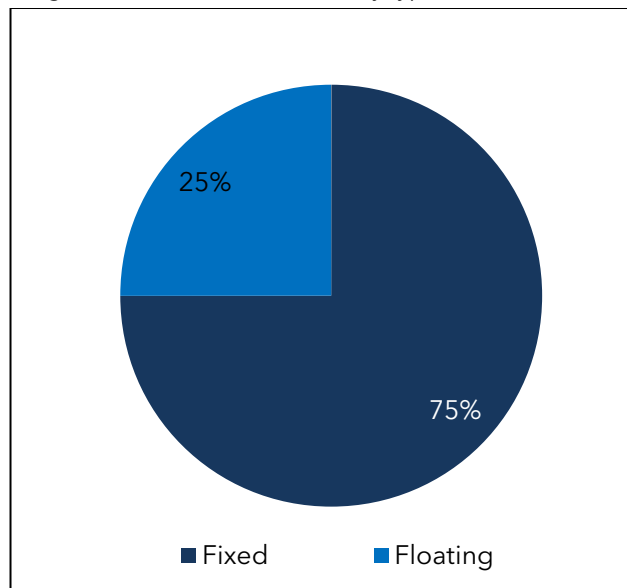


Figure 13: Investments assets by type



5.3.4 Investment Performance

The decline in investment return over the past two and half years is primarily driven by the low interest rate environment. Fixed securities purchased at higher yields in the investment portfolio gradually matured and have been reinvested predominantly in shorter duration assets of lower yields. Reinvestment in shorter duration assets is in line with our current investment strategy to minimise any unfavorable mark to market movements.

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

Balance sheet and investments

Table 11: Investment income and investment return*

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

*Excludes unrealised gains and losses on the investment portfolio

5.4 Total liabilities

The total liabilities of the Group as at 30 June 2014 were \$1,877.3 million compared to \$1,798.9 million at 31 December 2013. The \$78.4 million increase over the period includes the following notable movements:

- \$22.8 million increase in other trade and other payables, mainly related to increase in income tax payable;
- \$12.8 million increase in reinsurance payable following the capitalisation of completion of the 2014 reinsurance treaty renewals and commencement of new treaties;
- \$15.6 million decrease in outstanding claims reserving reflecting the favorable delinquency position compared with prior year; and
- \$57.5 million increase in unearned premiums reflecting the new premium written offset with seasonality of prior year in force premiums.

5.4.1 Unearned Premium Reserve (UPR)

Table 12: Movement in unearned premium balance by Book Year

Book Year	As at 31 December 2013 (\$ millions)	Gross written premium (\$ millions)	Gross earned premium (\$ millions)	As at 30 June 2014 (\$ millions)
2006	3.0	-	(2.5)	0.5
2007	17.0	-	(7.8)	9.2
2008	38.1	-	(12.0)	26.1
2009	91.8	-	(23.5)	68.3
2010	103.6	-	(17.5)	86.1
2011	164.3	-	(30.2)	134.1
2012	329.6	-	(55.3)	274.3
2013	501.7	-	(75.4)	426.3
2014	-	313.6	(31.9)	281.7
Total	1,249.1	313.6	(256.1)	1,306.6

Balance sheet and investments

5.5 Equity

The GMA Group's equity increased by \$134 million mainly reflecting the 1H14 NPAT.

Section 6
Capital and dividends

Capital and dividends

6.1 Regulatory capital position

The capital management strategy of the GMA 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, is independently capitalised to meet internal and external requirements. The NOHC is GMA.

The Group's capital position was solid at 30 June 2014, reflected in the Group's regulatory capital solvency level of 1.54 times the PCA and a CET1 ratio of 1.48 times. The regulatory solvency position is above the Board's targeted solvency range of 1.32 - 1.44 times the PCA.

The table below shows actual 30 June 2014 vs Pro forma capital position as at 31 December 2013

Table 13: PCA coverage ratio (level 2)

(A\$ in millions), as at	31 Dec 13	30 Jun 14
Capital Base		
Common Equity Tier 1 Capital (incl. excess technical provisions)	2,440.0	2,598.7
Tier 2 Capital	126.0	112.0
Regulatory Capital Base	2,566.0	2,710.7
Capital Requirement		
Probable Maximum Loss (PML)	2,595.2	2,587.5
Net premiums liability deduction	(225.2)	(240.4)
Allowable reinsurance	(924.0)	(844.7)
LMI Concentration Risk Charge (LMICRC)	1,446.0	1,502.4
Asset risk charge	124.0	97.6
Asset concentration risk charge	0.0	0.0
Insurance risk charge	180.0	182.0
Operational risk charge	22.0	21.8
Aggregation benefit	(59.0)	(46.7)
Prescribed Capital Amount (PCA)	1,713.0	1,757.1
PCA Coverage ratio (times)	1.50 x	1.54 x

The increase in the regulatory capital base of \$145 million from the Pro Forma capital base as at 31 December 2013 to 30 June 2014 mainly reflects an increase in retained earnings from the first half year profit. This was offset by a further 10 % capital credit reduction for the \$140 million subordinated notes in FY14 as a result of the transitional agreement approved by APRA to phase out the capital instrument until the first call date of the loan agreement, i.e. 30 June 2016 (APRA GPS112 Attachment H Transitional arrangements for capital instruments).

Capital and dividends

6.2 Interim dividend

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

The first interim dividend of 2.8 cents per share (in respect of earnings from Completion of the offer, 21 May 2014 to 30 June 2014) will be fully franked and is expected to be paid on 29 August 2014.

Any dividend paid in August in respect of earnings on the first half 2014 will be pro rata for the number of days in the first half of the financial year from completion of the offer, i.e. 21 May 2014.

Table 14: Calculation of Underlying NPAT since completion of the offer on 21 May 2014

(A\$ in millions)	Pro Forma 1H13	Pro Forma 1H14	Statutory 1H14
Reported NPAT	65.7	151.4	42.5
Adjustment for change in unrealised gains/(losses)	41.3	(26.1)	(11.5)
Adjustment for tax on change in unrealised gains/(losses)	(12.4)	7.8	3.4
Underlying NPAT	94.6	133.1	34.4
Adjustment for number of days since completion of offer	-	-	(1.6)
Underlying NPAT since completion of offer			32.8

Table 15: Reconciliation of dividend payout ratio

	21 May 14 to 30 June 14
Dividend (cents per share)	2.8
Number of Shares on issue	650,000,000
Dividend (\$ millions)	18.2
Underlying NPAT since completion of offer	32.8
Dividend Payout Ratio	55.5%

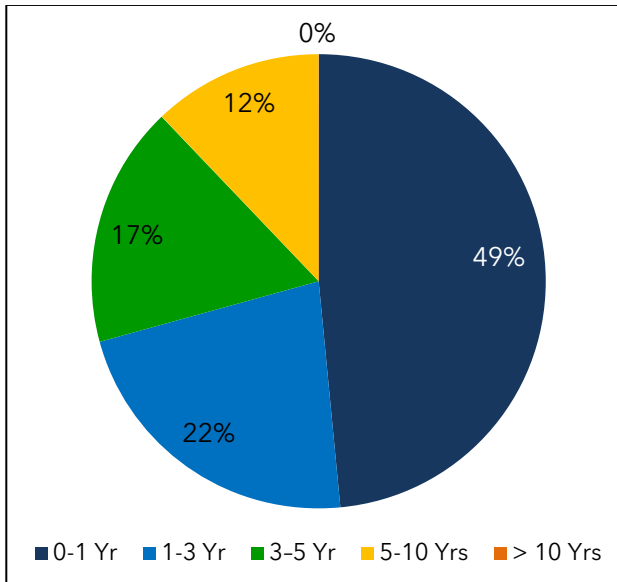
Section 7
Appendices

Appendix A – Investment Portfolio

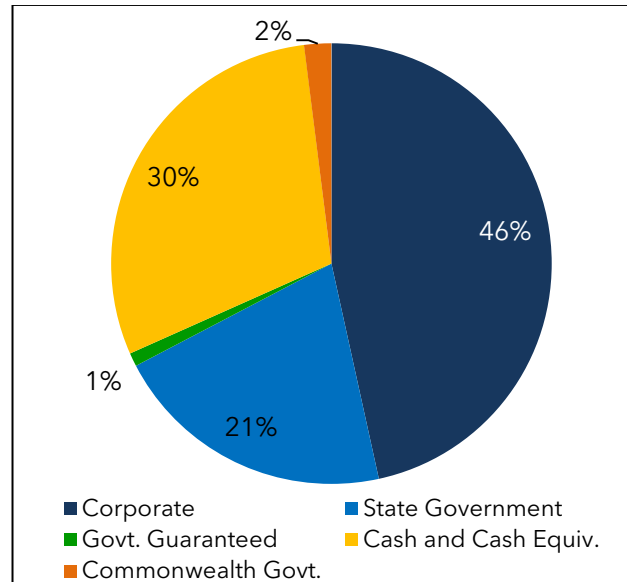
A.1 Investment Assets backing technical liabilities

As at 30 June 2014, the GMA Group’s technical funds were \$1.0 billion.

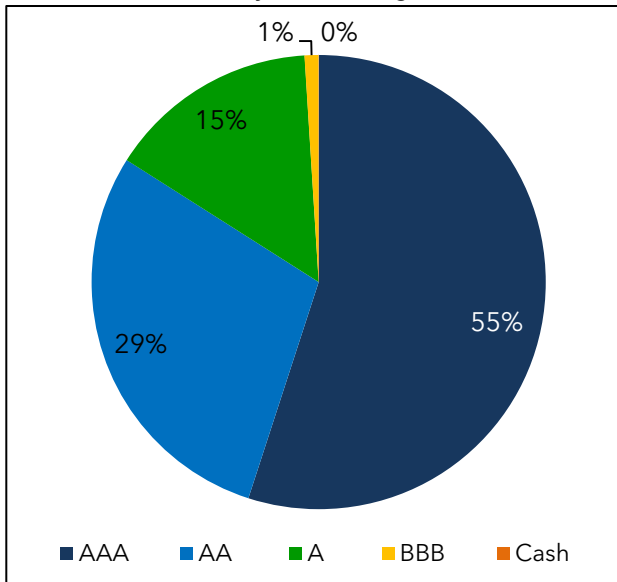
Investments assets by term to maturity



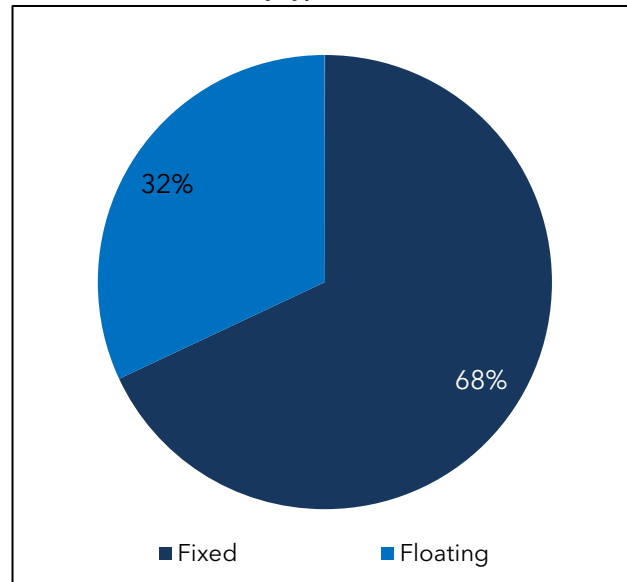
Investments assets by source



Investments assets by credit rating



Investments assets by type

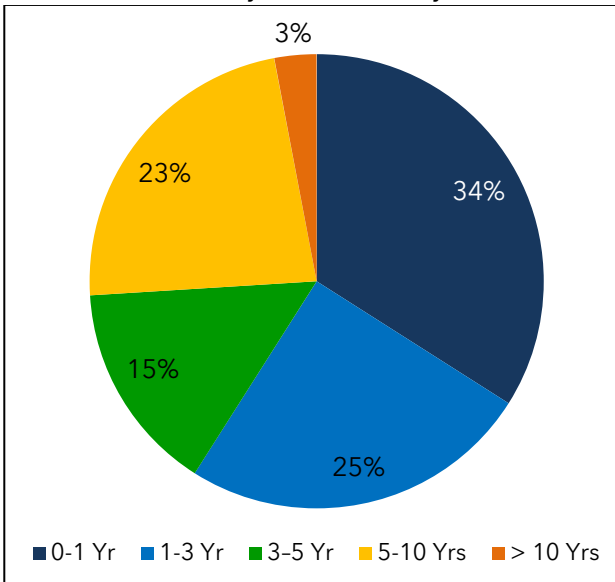


Appendix A – Investment Portfolio

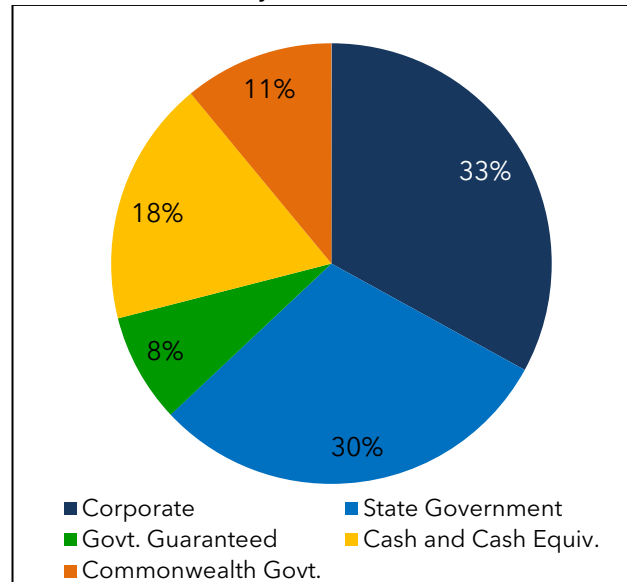
A.2 Equityholders' funds

As at 30 June 2014, the GMA Group's shareholder funds were \$2.9 billion

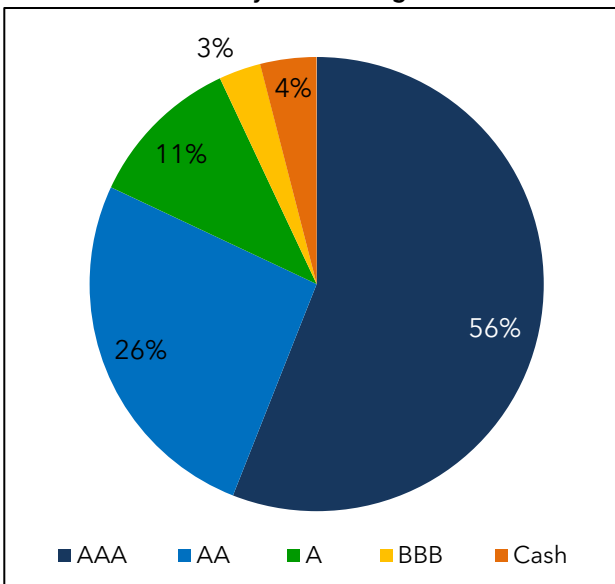
Investments assets by term to maturity



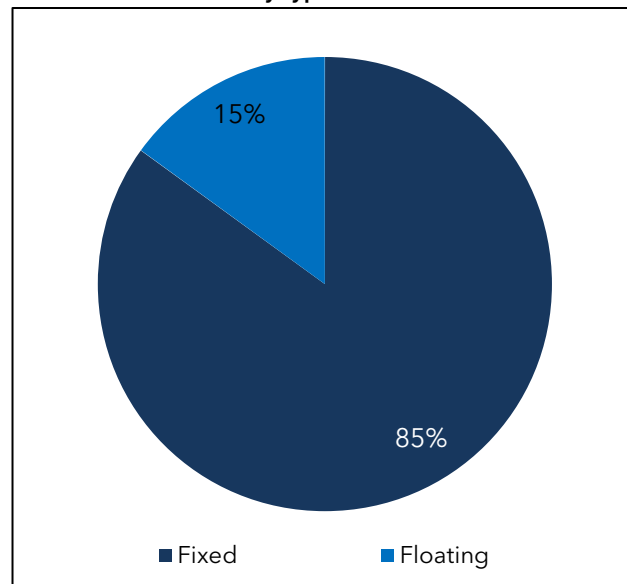
Investments assets by source



Investments assets by credit rating



Investments assets by type



Appendix B – Prospectus Forecast

B.1 Selected Consolidated Statements of Comprehensive Income (per section 7 of the Prospectus)

(A\$ in millions)	FY12	FY13	FY14
Gross written premium	544.9	596.5	663.2
Movement in unearned premium	(101.1)	(125.0)	(146.8)
Gross earned premium	443.8	471.5	516.4
Outwards reinsurance expense	(80.5)	(73.6)	(76.2)
Net earned premium	363.3	397.9	440.2
Net claims incurred	(259.2)	(127.8)	(133.1)
Acquisition costs	(44.5)	(47.2)	(49.6)
Other underwriting expenses	(55.7)	(62.0)	(71.8)
Profit from underwriting	3.9	160.9	185.7
Interest income	176.9	163.6	157.6
Realised and unrealized gains/(losses)	72.7	(58.6)	-
Financial income	249.6	105.0	157.6
Earnings before interest expense and income tax	253.5	265.9	343.3
Financing costs	(12.9)	(11.5)	(11.2)
Profit before income tax	240.6	254.4	332.1
Income tax expense	(76.6)	(75.0)	(101.0)
Net profit after tax	164.0	179.4	231.1

Appendix C - AIFRS to USGAAP Reconciliation

Walk from US GAAP AUS Segment Results to AIFRS GMA Consolidated Pro Forma Income Statement for Period Ended 30 June 2014	USGAAP	Add back:	USGAAP	USGAAP	Adjustments				Total adjustments	GMA Group Pro Forma
	Aus Segment Results in USD	Non Controlling Interest (NCI)	Aus Segment Results + NCI	Aus Segment Results + NCI	(a)	(b)	(c)	(d)		
in \$m	U\$m	U\$m	U\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Premiums	199	-	199	218	-	-	-	-	-	218
Interest income	70	-	70	77	1	-	-	-	1	78
Realised investment gains/ losses	-	-	0	-	-	-	-	-	-	-
Unrealised gains/ losses	-	-	0	-	-	-	26	-	26	26
Other income	(4)	-	(4)	(5)	5	-	-	-	5	-
Total Revenue	265	-	265	290	6	-	26	-	32	322
Net claims incurred	41	-	41	45	-	-	-	(2)	(2)	43
Other underwriting expenses	42	-	42	46	(5)	(10)	-	-	(15)	31
Amortization of Intangibles	2	-	2	3	-	-	-	-	-	3
Acquisition costs (DAC amortisation)	9	-	9	9	-	15	-	-	15	24
Interest Expense	5	-	5	6	-	-	-	-	-	6
Total Expenses	99	-	99	109	(5)	5	-	(2)	(2)	107
Total Pre-tax Income	166	-	166	181	11	(5)	26	2	34	215
Total Tax Expense	36	-	36	39	18	(1)	8	-	25	64
Net income	130	-	130	142	(7)	(4)	18	2	9	151
Less: net income attributable to noncontrolling interests	11	(11)	-	-	-	-	-	-	-	-
Net income available to GNW common stockholders	119	11	130	142	(7)	(4)	18	2	9	151
<p>(a)Interest Income, FX measurement adjustment for US entities outside GMA Australia Group but included as part of USGAAP Aus Segment results, Corporate overhead allocation and U.S. Shareholder tax impact</p> <p>(b)Different treatment of DAC - higher deferrals and amortisation</p> <p>(c)Unrealised gains/(losses) on investments recognised in the income statement</p> <p>(d)Actuarial risk margin and non reinsurance recovery reserve adjustment</p>										

Appendix C - AIFRS to USGAAP Reconciliation

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.

	2014			2013				
	2Q	1Q	Total	4Q	3Q	2Q	1Q	Total
Net premium written ¹	135	141	276	155	132	127	109	523
Loss ratio ²	23%	16%	20%	18%	27%	37%	47%	32%
GAAP basis expense ratio ³	27%	27%	27%	29%	26%	28%	28%	28%
Adjusted expense ratio ⁴	22%	21%	21%	19%	20%	21%	24%	21%

Sales: new insurance written (NIW) (\$M)	2014			2013				
	2Q	1Q	Total	4Q	3Q	2Q	1Q	Total
Flow	8,569	8,698	17,267	9,567	8,673	8,531	7,627	34,398
Bulk	-	-	-	-	99	902	-	1,001
Total NIW	8,569	8,698	17,267	9,567	8,772	9,433	7,627	35,399

	2014		2013			
	2Q	1Q	4Q	3Q	2Q	1Q
Primary insurance in force	305,952	303,100	299,866	295,102	291,946	287,142
Primary risk in force ⁵						
Flow	99,490	98,303	97,012	95,148	93,844	92,319
Bulk	7,593	7,782	7,941	8,138	8,337	8,181
Total	107,083	106,085	104,953	103,286	102,181	100,500

¹Net premium written is calculated as gross written premium, less refunds and reinsurance. This metric differs to what is disclosed in Q2 2014 GFI Financial Supplement ("GFI FS") under International MI Segment Australia as a reinsurance credit related to affiliate reinsurance arrangements for historical periods are eliminated under the US segment results.

²The ratio of incurred losses and loss adjustment expense to net earned premiums. This metric differs to what is disclosed in Q2 2014 GFI FS under International MI Segment Australia as outlined in ¹ above. In addition, under AIFRS measurement, a risk margin is added to the outstanding claims provision and the non reinsurance recoveries are grossed up and held as a separate asset on the balance sheet.

³The ratio of an insurer's general expenses to net earned premiums. In the business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortisation of DAC and intangibles. This metric differs to what is disclosed in Q2 2014 GFI FS under International MI segment Australia as outlined in point ¹ and there is a portion of certain corporate overhead expenses allocated by GFI to Australia business for management reporting purpose, which are not included in GMA consolidated results.

⁴The ratio of an insurer's general expenses to net premiums written. This metric differs to what is disclosed in Q2 2014 GFI FS under International MI segment Australia as outlined in point ³.

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

Delinquency roll

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

Appendix D - Various Key Performance Measures

Primary Insurance	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Insured loans in-force	1,481,201	1,477,063	1,474,181	1,463,148	1,459,376
Insured delinquent loans	5,405	5,070	4,980	5,454	5,820
Insured delinquency rate	0.36%	0.34%	0.34%	0.37%	0.40%
Flow loans in-force	1,362,236	1,355,635	1,350,571	1,336,901	1,330,157
Flow delinquent loans	5,125	4,813	4,760	5,192	5,513
Flow delinquency rate	0.38%	0.36%	0.35%	0.39%	0.41%
Bulk loans in-force	118,965	121,428	123,610	126,247	129,219
Bulk delinquent loans	280	257	220	262	307
Bulk delinquency rate	0.24%	0.21%	0.18%	0.21%	0.24%

Loss Metrics (\$M)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Beginning Reserves¹	225	241	265	279	286
Paid claims	(25)	(30)	(42)	(41)	(44)
Increase in reserves	25	14	18	27	37
Ending Reserves	225	225	241	265	279

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

¹Outstanding claims reserve under AIFR measurement includes a risk margin allowance and are grossed up for non reinsurance recoveries, which are held as a separate asset on the balance sheet, which is different to what is disclosed in Q2 2014 GFI FS under International MI Segment Australia.

Appendix D – Various Key Performance Measures

	2Q 2014	1Q 2014	Total 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013	Total 2013
Paid claims (\$M)								
Flow	25	30	55	41	39	44	59	183
Bulk	0	0	0	0	2	0	0	2
Total	25	30	55	41	41	44	59	185
Average paid claim (\$ thousands)	60.5	65.1		71.5	79.9	80.3	81.4	
Average reserve per delinquency (\$ thousands) ¹	41.7	44.4		48.4	48.6	47.9	48.7	

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

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

	June 30, 2014			March 31, 2014		
	Primary	Flow	Bulk	Primary	Flow	Bulk
Risk in force by loan to value ratio⁴						
95.01% and above	20,615	20,614	1	20,344	20,343	1
90.01% to 95.00%	25,948	25,939	9	25,373	25,364	9
80.01% to 90.00%	27,837	27,741	96	27,481	27,382	99
80.00% and below	32,683	25,195	7,488	32,887	25,213	7,674
Total	107,083	99,489	7,594	106,085	98,302	7,783

¹This metric differs to what is disclosed in Q2 2014 GFI FS USGAAP results under International MI segment Australia as a risk margin is added to the outstanding claim provision under AIFRS measurement and the non reinsurance recoveries are grossed up and held as a separate asset on the balance sheet. This number also differs to that disclosed in the Prospectus. See the Glossary for more information.

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

³Beginning in the third quarter of 2013, data from RP Data extended back to 1999. Previously, the data extended back to 2002. Previous periods were not represented for this change.

⁴Loan amount in loan-to-value ratio calculation includes capitalized premiums, where applicable.

Appendix E – Prospectus Extract: Sections 7.1 & 7.2

7.1 Introduction

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

- The pro forma historical financial information for Genworth Australia comprising:
 - The pro forma historical consolidated statement of comprehensive income for each of the years ended 31 December 2011, 2012 and 2013 (“FY11”, “FY12” and “FY13”) (“Pro Forma Historical Consolidated Statements of Comprehensive Income”) (refer to Section 7.3);
 - The pro forma historical consolidated statement of financial position as at 31 December 2011, 2012 and 2013 (“Pro Forma Historical Consolidated Statements of Financial Position”) (refer to Section 7.4); and
 - The pro forma historical consolidated statement of cash flows for FY11, FY12 and FY13 (“Pro Forma Historical Consolidated Statements of Cash Flows”) (refer to Section 7.5). (together, the “Pro Forma Historical Financial Information”).
- The forecast financial information for Genworth Australia comprising:
 - The Directors’ pro forma forecast consolidated statement of comprehensive income for the year ending 31 December 2014 (“FY14F”) (the “Pro Forma Forecast Consolidated Statement of Comprehensive Income”) (refer to Section 7.10.1); and
 - The Directors’ statutory forecast profit before tax for FY14F (refer to Section 7.10.2). (together, the “Forecast Financial Information” and, together with the Pro Forma Historical Financial Information, the “Financial Information”).

Also summarised in this Section are:

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

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

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

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

7.2 Basis of preparation and presentation of the Financial Information

7.2.1 Overview

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

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

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

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

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

7.2.2 Preparation of the Pro Forma Historical Financial Information

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

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

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

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

- Genworth Financial Mortgage Insurance Pty Limited, the primary LMI operating entity;
- Genworth Financial Mortgage Indemnity Limited, an LMI operating entity that has been in run-off since 2003;
- Genworth Financial Services Pty Limited, a non-operating holding company;
- Genworth Financial Mortgage Insurance Holdings Pty Limited, a non-operating holding company; and
- Genworth Financial Mortgage Insurance Finance Holdings Limited, a non-operating holding company; (together, the “GFMI Finance Subsidiaries”);
- Genworth Financial Mortgage Insurance Finance Pty Limited, the parent holding company within the GFMI Finance Group. (together, consolidated with the GFMI Finance Subsidiaries, the “GFMI Finance Group”);
- Genworth Financial New Holdings Pty Ltd, a non-operating holding company; and
- Genworth Financial Australia Holdings LLC, a service company,

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- (together, with the entities within the GFMI Finance Group, the “Subsidiaries”); and Genworth Mortgage Insurance Australia Limited, the Issuer and the parent company of the Genworth Australia group, (together, with the Subsidiaries, the “Group” or “Genworth Australia”).

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

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

7.2.3 Preparation of Forecast Financial Information

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

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

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

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

7.2.4 Preparation of non-IFRS financial measures

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

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

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

Glossary

Glossary

Term	Definition
ASX	ASX Limited ABN 98 008 624 691 or Australian Securities Exchange
Average reserve per delinquency	Average reserve per delinquency is calculated by dividing the outstanding claims balance by the number of delinquencies. This calculation differs from the average reserve per delinquency quoted in the Prospectus which was calculated by dividing the central estimate of the outstanding claims balance, net of the non-reinsurance recoveries, by the number of delinquencies
Book Year	The calendar year an LMI policy is originated
CBA	Commonwealth Bank of Australia
Combined ratio	The combined ratio is the sum of the loss ratio and the expense ratio
Common Equity Tier 1 or CET1	The highest quality and most loss absorbing form of capital. Consists of total accounting equity, adjustments for certain reserves and adjustments for certain other items, such as intangible assets, which are excluded from the capital base
Delinquency rate	The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies
Expense ratio	The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium
Gearing	Gearing is calculated as debt divided by the sum of equity plus debt
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	Insurance in-force. Original principal balance of all mortgage loans currently insured
Insurance margin	The insurance margin is calculated by dividing the profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses) by the net earned premium
Investment return	The investment return is calculated as the interest income on technical funds plus the interest income on shareholder funds (excluding realised and unrealised gains/(losses)) divided by the average balance of the opening and closing cash and investments balance for each financial year
Lender Customer	A Lender that is a customer of the Group
Level 2	A term defined by APRA under GPS 001 referring to a consolidated insurance group
Loss ratio	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
Low Doc	Low doc loans (or low documentation loans) are generally used where a borrower does not have a verifiable income and generally require the borrower to complete a statutory declaration of financial income
LVR	Loan to value ratio
NAB	National Australia Bank Limited
NIW	New insurance written
NOHC	Non-operating holding company
NPAT	Net profit after tax. This has been calculated on a pro forma basis

Glossary

PCA	Prescribed capital amount
PCA coverage	The PCA coverage is calculated by dividing the regulatory capital base by the prescribed capital amount
PCR	Prudential Capital Requirement comprising the PCA and any supervisory adjustment determined by APRA
Regulatory capital base	The regulatory capital base is the sum of Tier 1 Capital and Tier 2 Capital
Return on Equity (ROE)	The ROE is calculated by dividing NPAT by the average of the opening and closing equity balance for a financial period
Technical Funds	The investments held to support premium liabilities and outstanding claims reserves
Tier 1 Capital	As defined by GPS 112, Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: <ul style="list-style-type: none"> • Provide a permanent and unrestricted commitment of funds; • Are freely available to absorb losses; • Do not impose any unavoidable servicing charge against earnings; and • Rank behind the claims of policyholders and creditors in the event of winding up
Tier 2 Capital	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
Underlying Equity	Underlying Equity is defined as total equity excluding the after-tax impact of unrealised gains (losses) on the investment portfolio. This has been calculated on a pro forma basis
Underlying NPAT	Underlying NPAT excludes the after-tax impact of unrealised gains/ (losses) on the investment portfolio
Underlying ROE	The underlying ROE is calculated by dividing underlying NPAT by the average of the opening and closing underlying equity balance for a financial period
UPR	Unearned premium reserve
WBC	Westpac Banking Corporation