

Genworth Mortgage Insurance Australia

1H 2016 Financial results presentation

3 August 2016



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Introduction

Georgette Nicholas, CEO

1H16 financial results summary

(A\$ millions)	1H15	1H16	Change %
Gross written premium	285.4	189.8	(33.5%)
Net earned premium	225.7	228.8	1.4%
Reported net profit after tax	113.0	135.8	20.2%
Underlying net profit after tax	132.9	112.9	(15.0%)
Ordinary dividend per share (cps)	12.5	14.0	12.0%
Ordinary dividend payout ratio	61.2%	63.2%	2.0%

Key financial measure	2016 Guidance	1H16 Actual	
NEP growth	Down approx. 5%	1.4%	✓
Full year loss ratio	25% - 35%	33.0%	✓
Dividend payout ratio	50% - 80%	63.2%	✓

Solid earnings performance

- Reported NPAT includes mark-to-market movement on investment portfolio
- Underlying NPAT resilient
- Ongoing focus on expense management

Lower GWP reflects market activity and customer portfolio changes

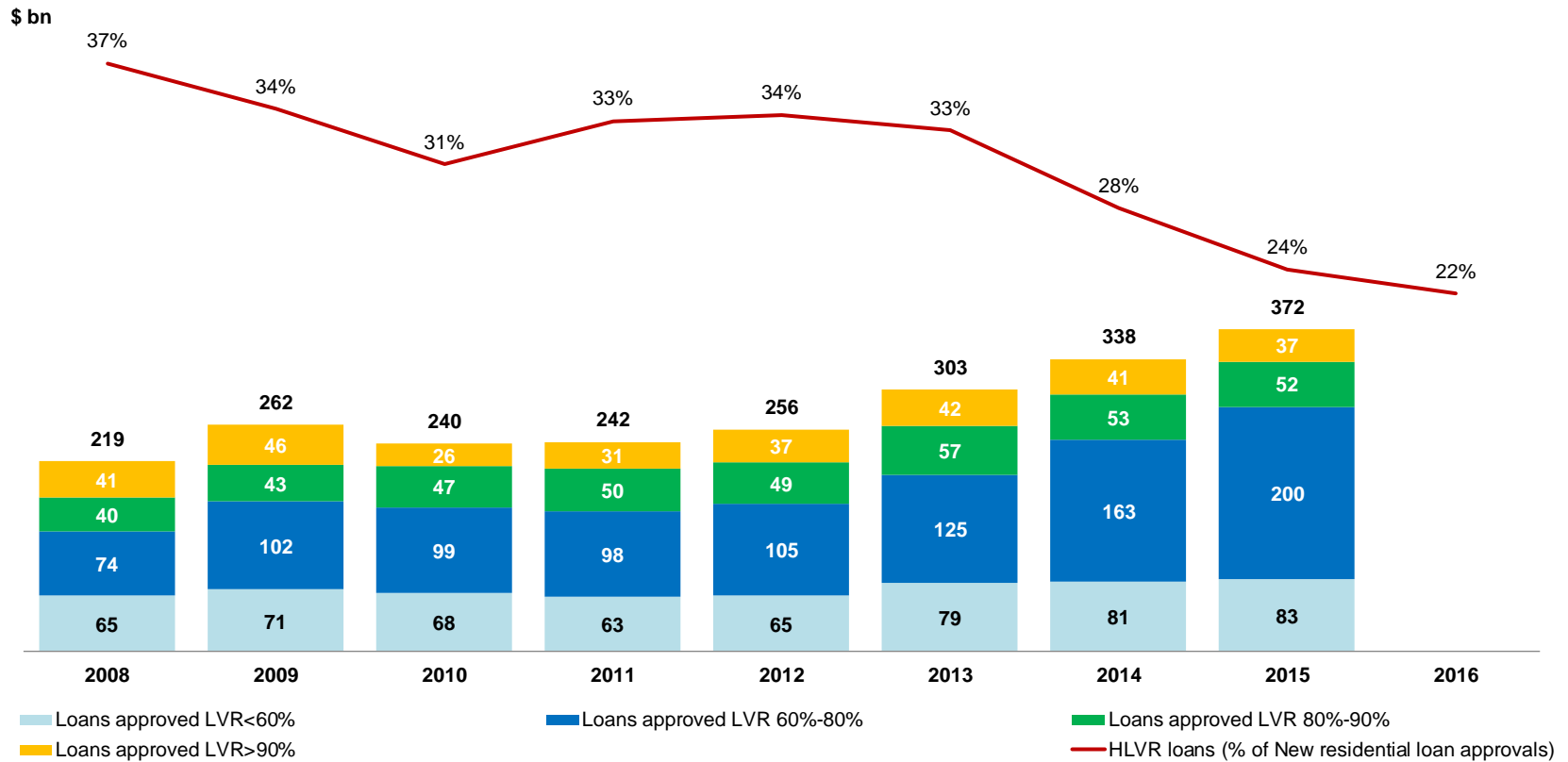
- High-LVR segment impacted by regulatory actions and reduced lender risk appetite
- Lower LVR mix of business impacting average flow price
- Maintain risk discipline in a changing market

FY16 guidance maintained

- NEP growth ahead of guidance
- Loss ratio within guidance

Residential mortgage lending market

Originations and HLVR Penetration



Note: Totals may not sum due to rounding. 2016 data is for Q1 only. Total new residential loans approved in Q1 2016 was \$81.7 billion, down 1.3% on the previous corresponding period.

Sources: APRA Quarterly ADI property exposures statistics (ADI's new housing loan approvals), March 2016. Statistics only show ADI's mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks;

Macroeconomic conditions

Delinquency rates by geography

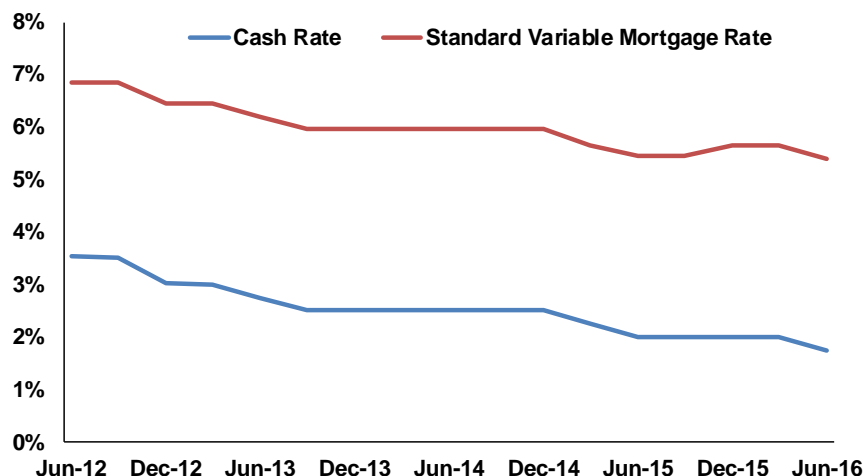
State	Jun 15	Jun 16	Change (basis points)
New South Wales	0.30%	0.30%	-
Victoria	0.34%	0.37%	3 bps
Queensland	0.57%	0.62%	5 bps
Western Australia	0.45%	0.61%	16 bps
South Australia	0.52%	0.59%	7 bps
Group	0.40%	0.43%	3 bps

Unemployment rates by geography (seasonally adjusted)

State	Jun 15	Jun 16	Change (basis points)
New South Wales	5.8%	5.3%	(50) bps
Victoria	6.0%	5.7%	(30) bps
Queensland	6.1%	6.5%	40 bps
Western Australia	5.9%	5.7%	(20) bps
South Australia	7.9%	7.0%	(90) bps
National	6.0%	5.8%	(20) bps

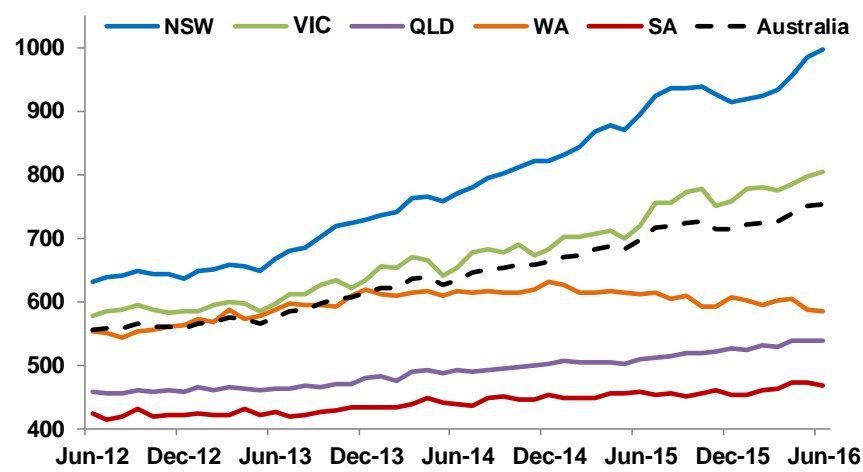
Source: Australian Bureau of Statistics

Interest rates



Source: Reserve Bank of Australia

House prices – Capital City Dwellings (\$000)



Source: CoreLogic

Genworth's strategy underpins creation of shareholder value

Target: Deliver a sustainable ROE above the cost of capital by:

1. Strengthening and growing our customer relationships and product value proposition

- Leading market position
- Focused on meeting the strategic needs of our customers

2. Targeting appropriate, risk-adjusted returns and enhance profitability

- Pricing NIW to achieve low-to-mid teens ROE over the long term
- Investment in loss mitigation processes
- Ongoing cost optimisation initiatives

3. Optimising the capital structure

- Maintain strong balance sheet and stable credit ratings
- Preference to return excess capital to shareholders where appropriate

4. Maintaining strong risk management discipline

- Effective risk decision-making
- Invest in modelling and analytical capabilities

5. Continue to work on LMI recognition

- Continued engagement with regulators
- Public policy recommendations and submissions

Generating strong earnings and dividend flows

Detailed financial performance

Luke Oxenham, CFO

1H 2016 income statement

(A\$ millions)	1H15	1H16	Change
Gross written premium	285.4	189.8	(33.5%)
Movement in unearned premium	(19.7)	76.0	(485.8%)
Gross earned premium	265.7	265.8	0.0%
Outwards reinsurance expense	(40.0)	(36.9)	(7.8%)
Net earned premium	225.7	228.8	1.4%
Net claims incurred	(49.9)	(75.4)	51.1%
Acquisition costs	(25.8)	(25.3)	(1.9%)
Other underwriting expenses	(34.4)	(30.5)	(11.3%)
Underwriting result	115.6	97.6	(15.6%)
Investment income on technical funds ¹	13.5	47.6	252.6%
Insurance profit	129.1	145.2	12.5%
Investment income on shareholder funds ¹	37.6	56.2	49.5%
Financing costs	(5.5)	(8.2)	49.1%
Profit before income tax	161.2	193.3	19.9%
Income tax expense	(48.2)	(57.5)	19.3%
Net profit after tax	113.0	135.8	20.2%
Underlying net profit after tax	132.9	112.9	(15.0%)

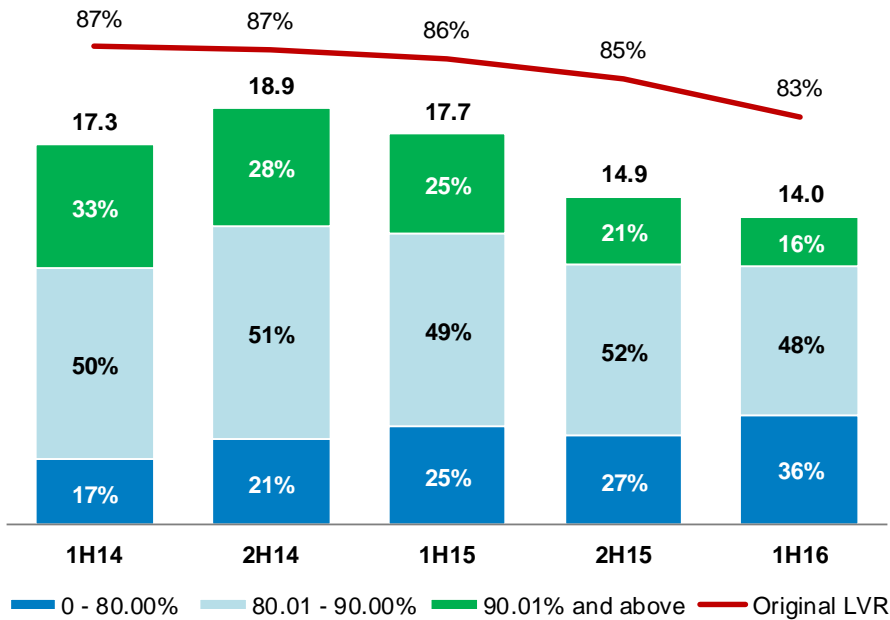
Note: Totals may not sum due to rounding

1. Investment income on Technical Funds and Shareholder Funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

New insurance written

NIW¹ by original LVR² band

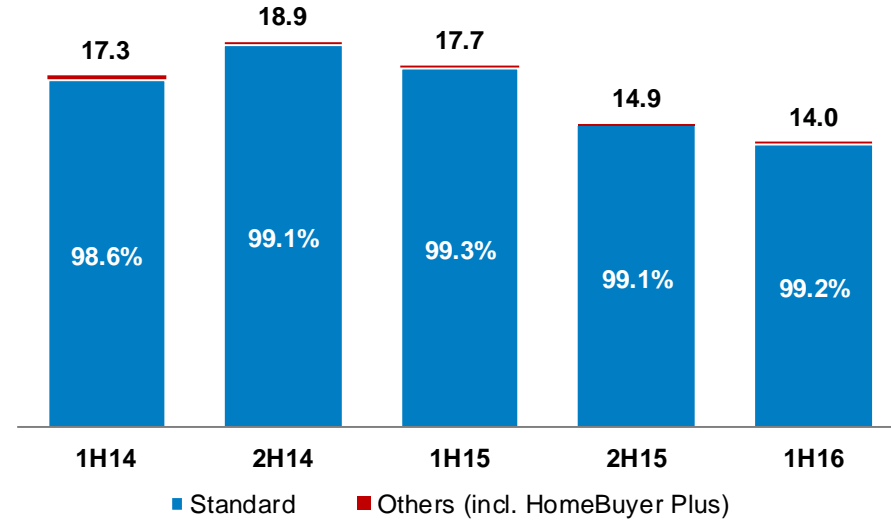
\$ bn, %



1. NIW includes capitalised premium
2. Original LVR excludes capitalised premium

NIW¹ by product type

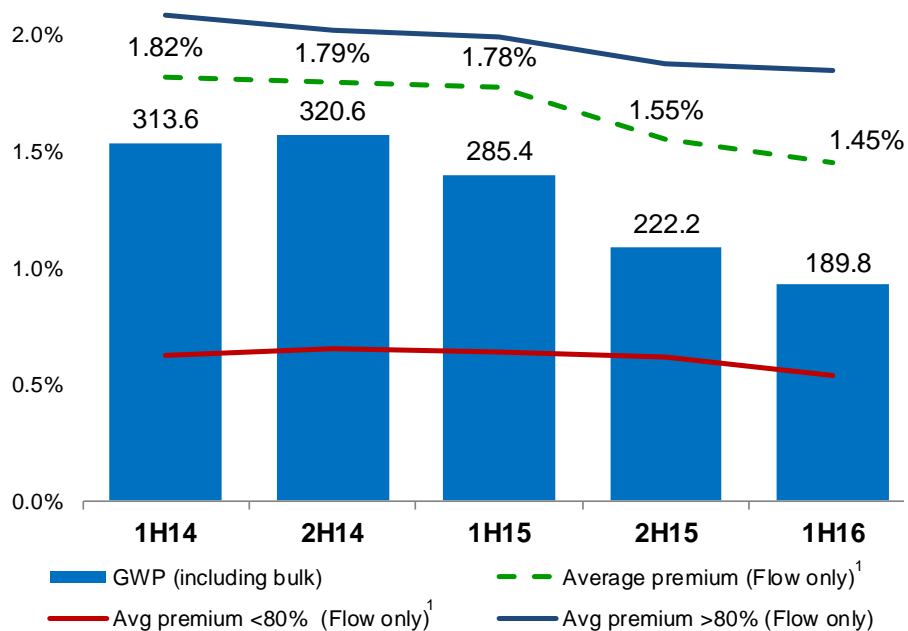
\$ bn, %



Gross written premium

GWP and average price of flow business

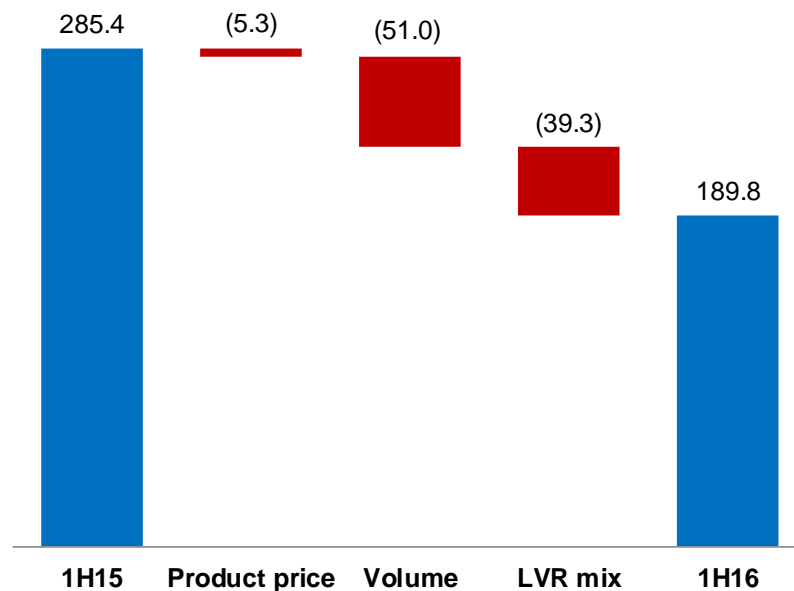
\$ m, %



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

GWP walk

\$ m



Net incurred claims

(A\$ millions unless otherwise stated)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Number of paid claims (#)	280	288	325	291	280	286
Average paid claim ¹ (\$'000)	62.5	66.9	65.9	71.0	65.8	79.2
Claims paid¹	17.5	19.3	21.4	20.6	18.4	22.7
Movement in borrower recovery receivable on paid claims	(9.6)	0.7	0.5	(3.4)	0.1	-
Movement in reserves	10.5	11.5	19.6	4.1	12.2	22.0
Net claims incurred	18.4	31.5	41.5	21.3	30.7	44.7
Reported loss ratio (%)	16.6%	27.4%	33.5%	17.8%	27.0%	38.8%
Borrower recovery receivable establishment	9.6	-	-	-	-	-
Incurred but not reported (IBNR) adjustment	-	-	(12.2)	(5.4)	-	-
Normalised net claims incurred	28.0	31.5	29.3	16.0	30.7	44.7
Net earned premium	110.8	114.9	123.9	120.3	113.5	115.3
Net earned premium earnings curve adjustment	-	-	(11.2)	-	-	-
Adjusted net earned premium	110.8	114.9	112.7	120.3	113.5	115.3
Normalised loss ratio (%)	25.3%	27.4%	26.0%	13.3%	27.0%	38.8%

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

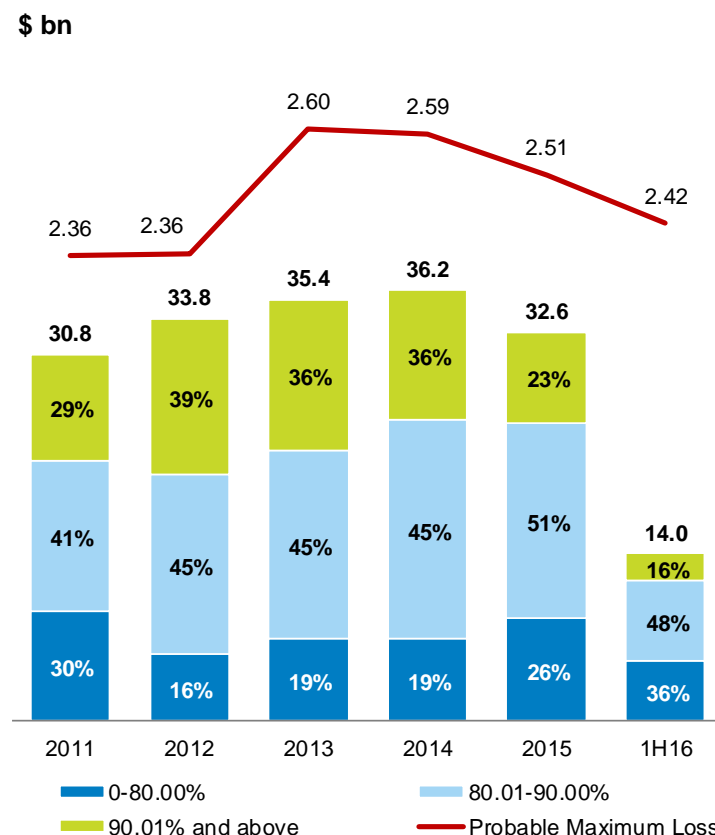
1H 2016 regulatory capital position

Solvency ratio remains above Board target range

(A\$ in millions)	31 Dec 15	30 Jun 16
Capital Base		
Common Equity Tier 1 Capital	2,351.2	2,100.2
Tier 2 Capital	249.6	200.0
Regulatory Capital Base	2,600.8	2,300.2
Capital Requirement		
Probable Maximum Loss ('PML')	2,509.7	2,420.3
Net premiums liability deduction	(290.0)	(310.2)
Allowable reinsurance	(875.5)	(950.5)
LMI Concentration Risk Charge ('LMICRC')	1,344.2	1,159.6
Asset risk charge	76.9	107.4
Asset concentration risk charge	-	-
Insurance risk charge	226.6	227.6
Operational risk charge	27.7	29.7
Aggregation benefit	(37.1)	(50.7)
Prescribed Capital Amount ('PCA')	1,638.3	1,473.5
PCA Coverage ratio (times)	1.59 x	1.56 x

Note: Totals may not sum due to rounding

NIW by original LVR band and Probable Maximum Loss



Capital management initiatives

Ongoing program of capital management actions

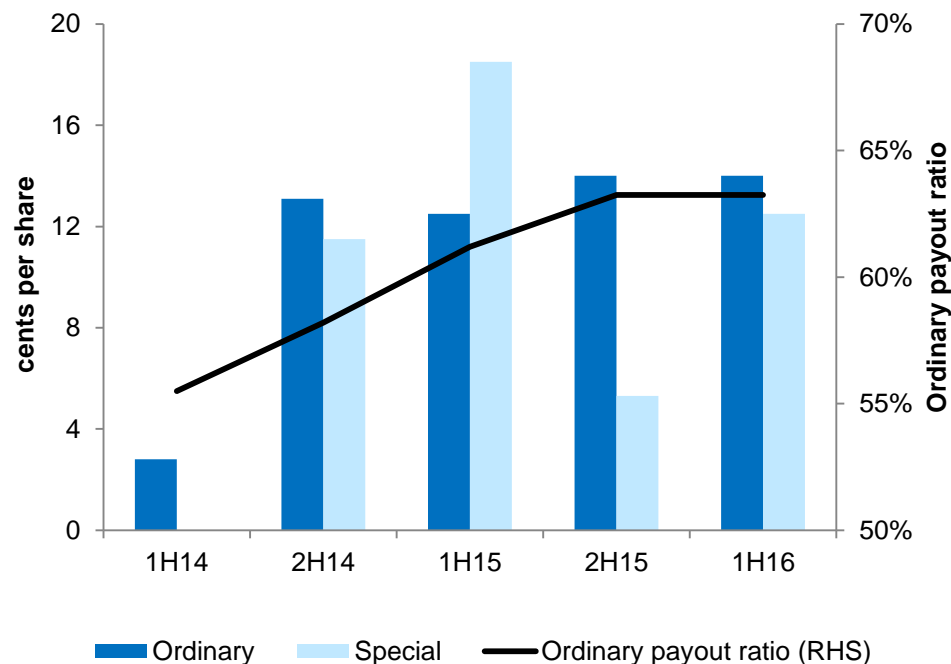
Recent actions

- Since listing, Genworth has paid out all after-tax profits by way of ordinary and special dividends to shareholders.
- Reinsurance program increased to \$950 million as at 1 January 2016. The restructure of the program offers more favourable terms and price.
- \$200 million Tier 2 notes issued in July 2015.
- \$150 million on-market share buy-back completed in December 2015.
- \$202 million capital reduction on 1 June 2016.

Future actions

- Genworth is continuing to evaluate further capital management initiatives that could be implemented in 2016.

Genworth dividends



Summary and conclusion

Georgette Nicholas, CEO

2016 outlook

Dynamic mortgage market continuing to impact new business volumes

- Outlook for the Australian residential mortgage market is supported by sound fundamentals, especially stable unemployment rates and accommodative monetary policy setting.
- House price appreciation in 2016 expected to moderate.
- The high LVR market continues to be constrained in 2016.
- Evaluation of capital management actions designed to bring Genworth's solvency ratio more in line with the Board's target capital range.

Key financial measures - FY16 Guidance

Net earned premium growth	Down approx. 5%
Full year loss ratio	25% - 35%
Ordinary dividend payout ratio	50% - 80%

Full year outlook is subject to market conditions, including expected seasonal business patterns in the second half of the year, as well as unforeseen circumstances or economic events.

Questions

Georgette Nicholas, CEO

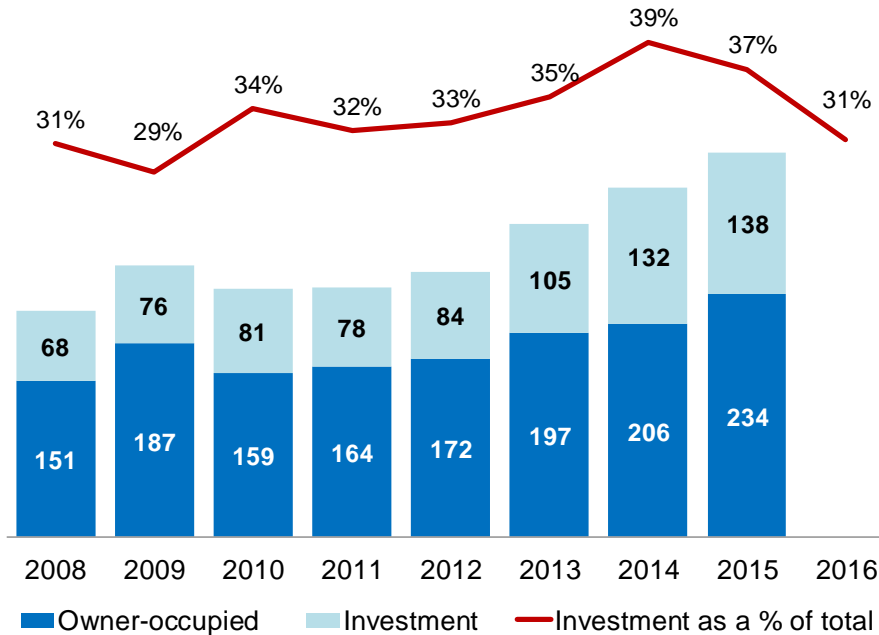
Luke Oxenham, CFO

Supplementary Slides

Residential mortgage lending market

Investment vs. owner-occupied (APRA statistics)

\$ bn, %



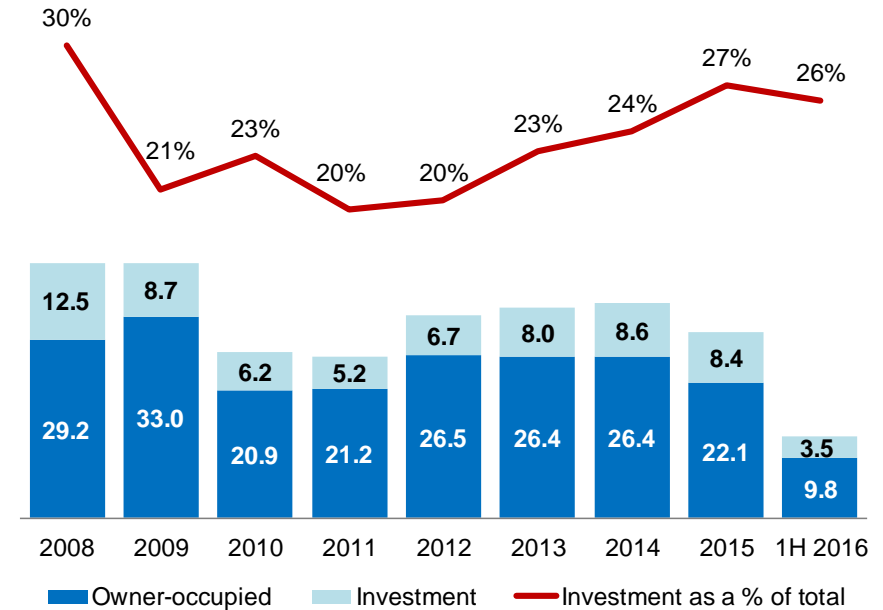
- Investment property lending represented 31% of originations for the quarter ended 31 Mar 2016

Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), March 2016. Statistics only show ADIs mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

* 2016 data is for Q1 only

Investment vs. owner-occupied¹ (Genworth)

\$bn, %



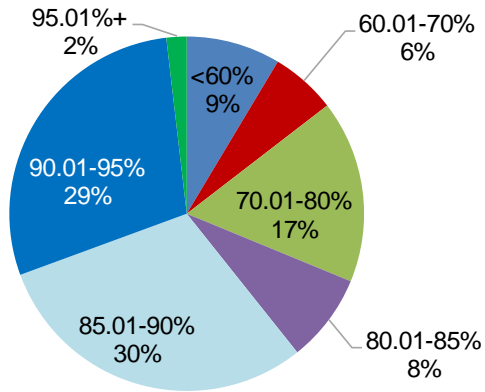
- Investment lending represented 26% of Genworth's portfolio for the half year ended 30 Jun 2016

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

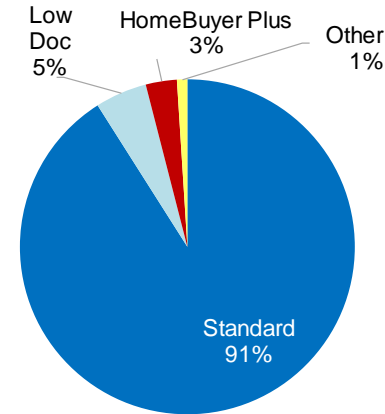
Insurance in force and New insurance written

Insurance in force (IIF)¹ by original LVR² band, as at 30 June 2016

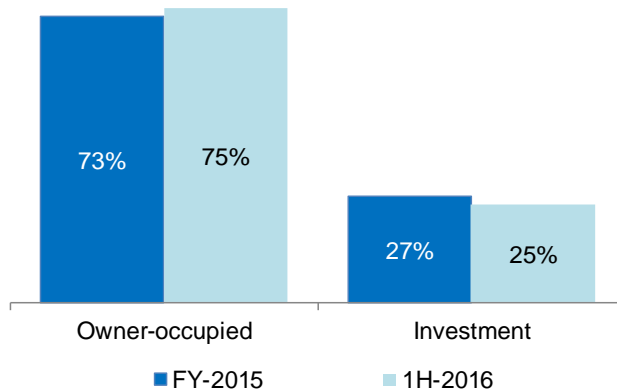
Total IIF \$324 bn



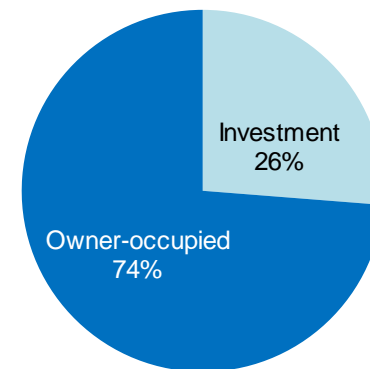
IIF¹ by product type, as at 30 June 2016



Flow NIW¹ by loan type



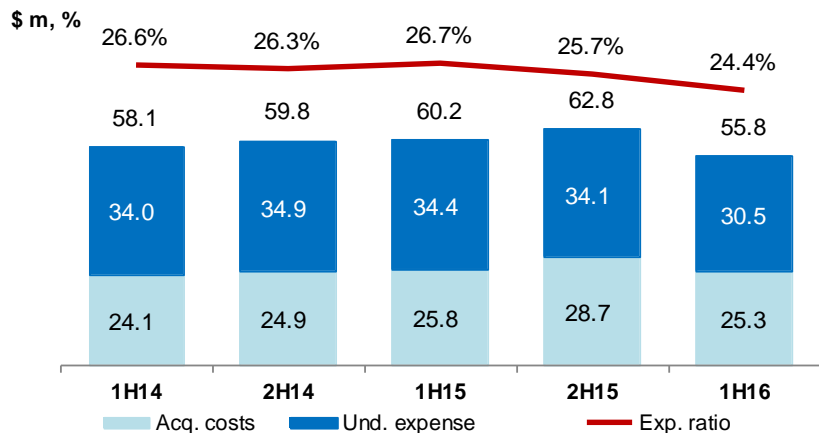
IIF¹ by loan type, as at 30 June 2016



1. NIW and IIF includes capitalised premium
 2. Original LVR excludes capitalised premium

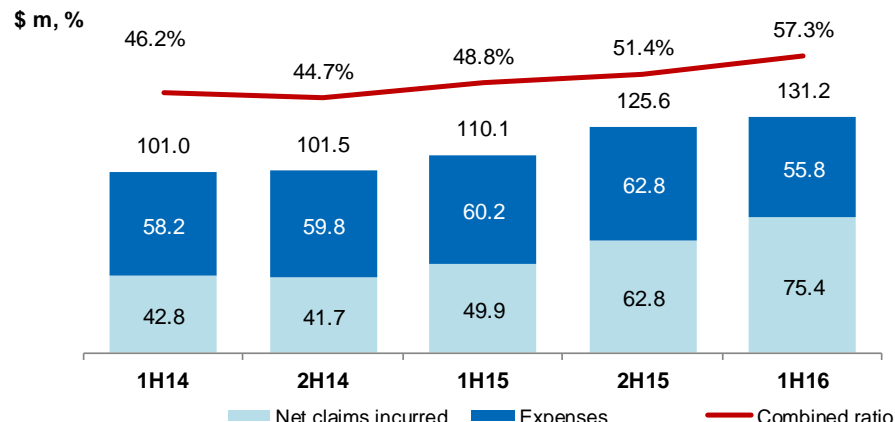
Insurance ratio analysis

Expenses



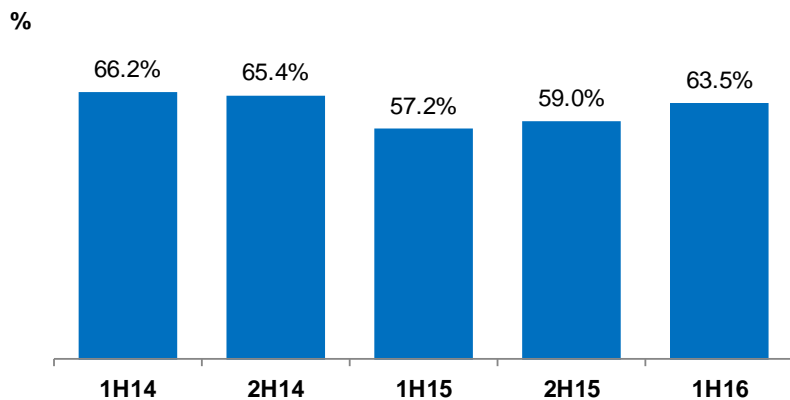
The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium

Combined ratio



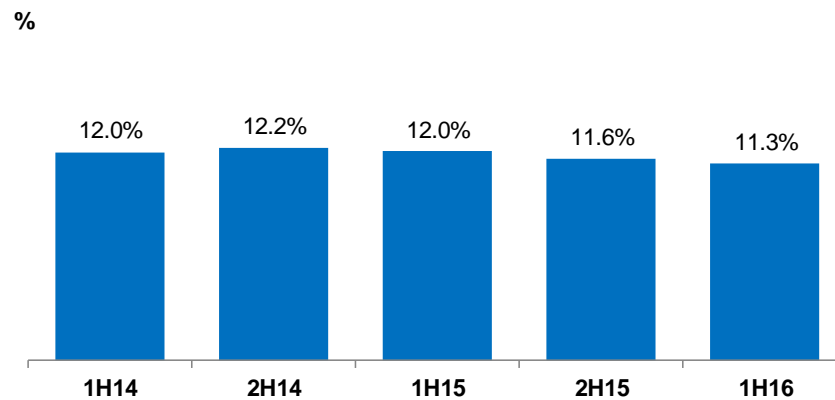
The combined ratio is the sum of the loss ratio and the expense ratio

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

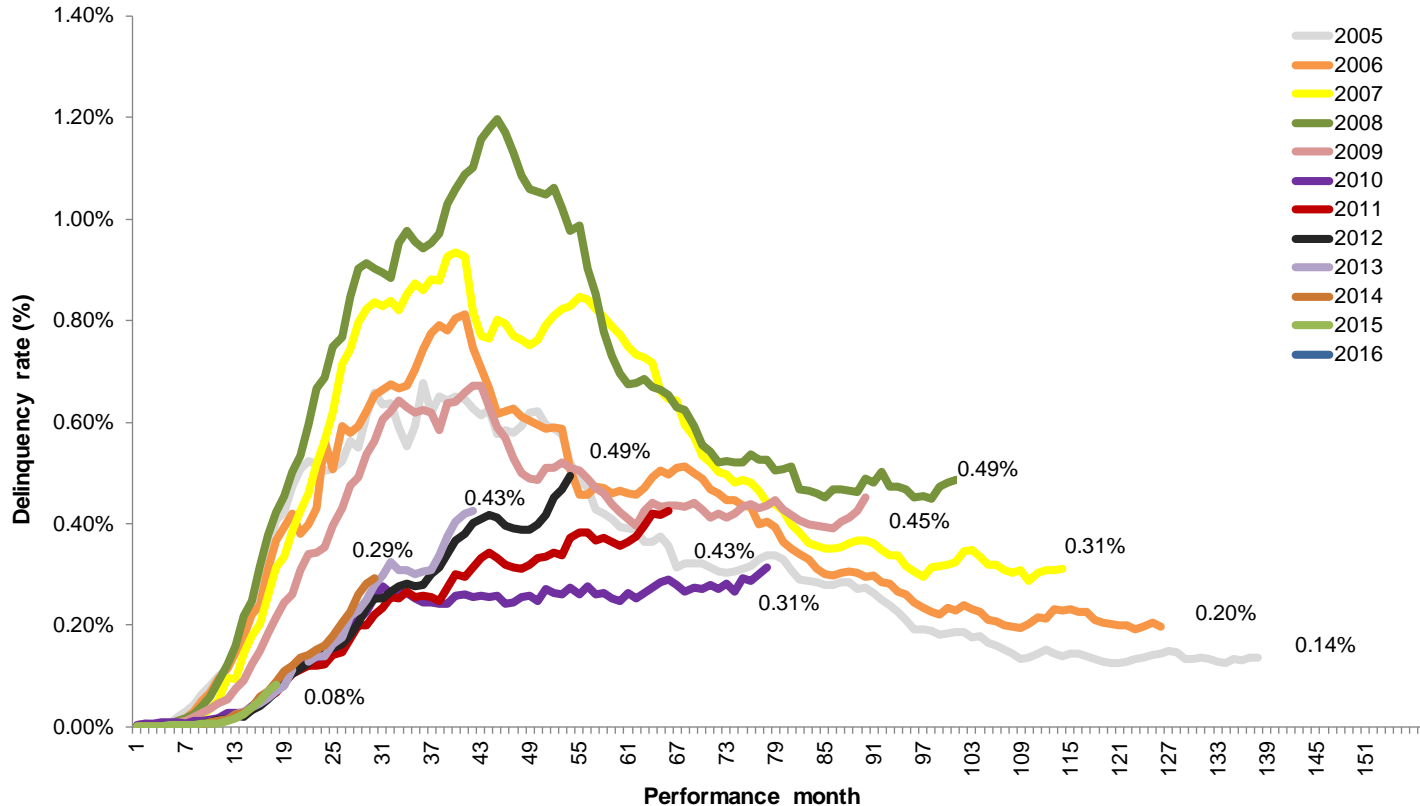
Trailing 12-month underlying ROE



The trailing twelve 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

Delinquency development

Favourable performance post 2009



- The 2008 Book Year was affected 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 to 2016 Book Years are performing favourably relative to the prior five years (2005-2009). However, the recent increase in the 2012 and 2013 book years are due to an increase in delinquencies in parts of Queensland and Western Australia.

Delinquency development

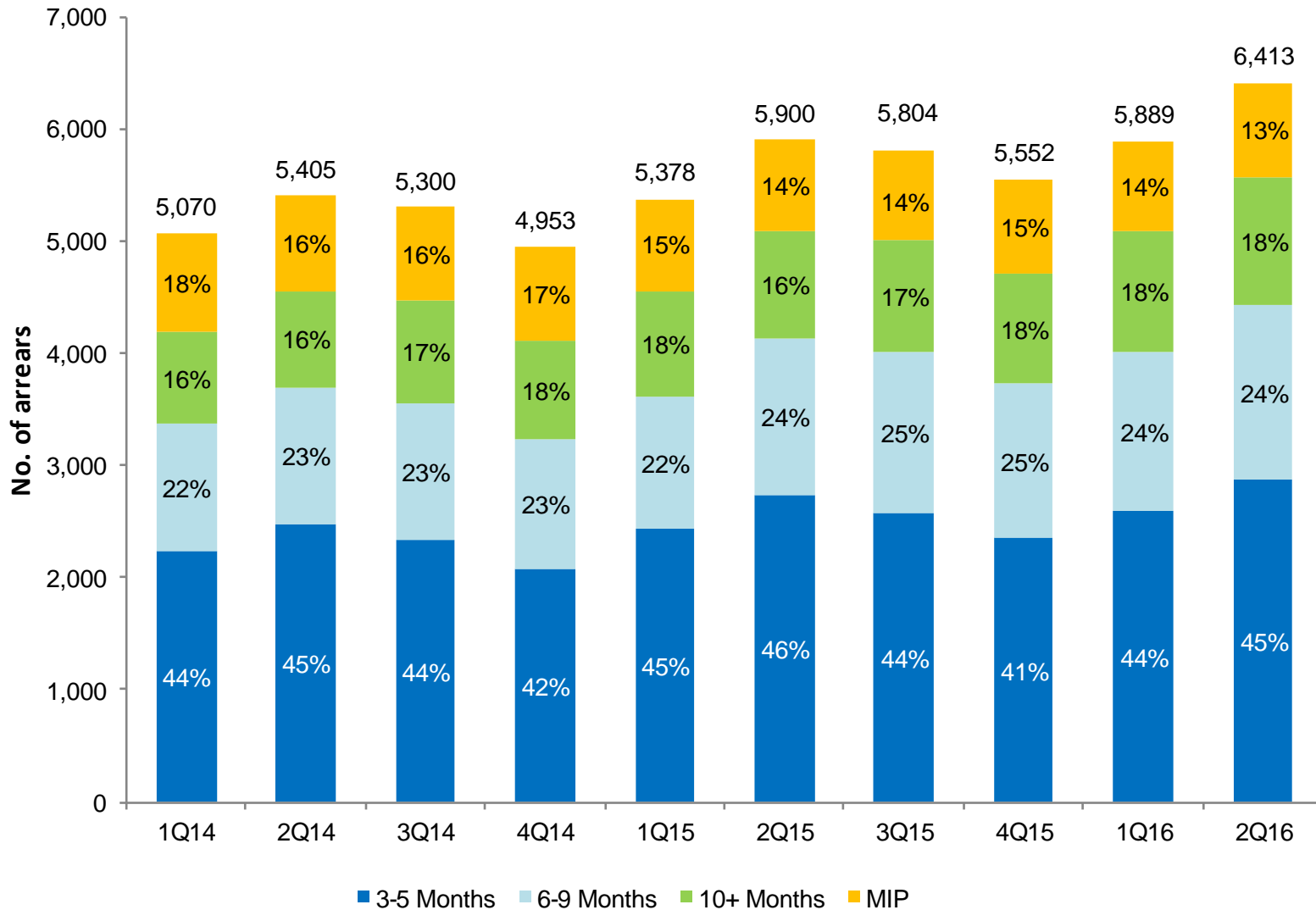
Quarterly delinquency roll and delinquency composition

Delinquency Roll	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Opening balance	4,953	5,378	5,900	5,804	5,552	5,889
New delinquencies	2,679	3,103	2,782	2,401	2,697	3,215
Cures	(1,971)	(2,293)	(2,553)	(2,362)	(2,080)	(2,405)
Paid claims	(280)	(288)	(325)	(291)	(280)	(286)
Closing delinquencies	5,378	5,900	5,804	5,552	5,889	6,413
Delinquency rate	0.36%	0.40%	0.39%	0.38%	0.40%	0.43%
Average reserve per delinquency (\$'000)	45.0	43.1	47.4	49.9	49.2	48.8

Delinquencies by book year	Dec 15	Jun 16	
2007 and prior	2,074	2,139	0.31%
2008	821	886	1.01%
2009	803	899	0.84%
2010	378	441	0.55%
2011	359	427	0.58%
2012	490	600	0.64%
2013	389	529	0.54%
2014	219	392	0.36%
2015	19	100	0.11%
2016	-	-	-
TOTAL	5,552	6,413	0.43%

Delinquencies by geography	Dec 15	Jun 16	
New South Wales	1,047	1,127	0.30%
Victoria	1,200	1,359	0.37%
Queensland	1,705	1,991	0.62%
Western Australia	751	998	0.61%
South Australia	532	605	0.59%
Australian Capital Territory	58	67	0.19%
Tasmania	160	180	0.36%
Northern Territory	27	43	0.27%
New Zealand	72	43	0.10%
	5,552	6,413	0.43%

Delinquency population by months in arrears



Balance sheet and unearned premium reserve

Strong balance sheet with \$3.7bn in Cash and Investments and \$1.2bn in UPR

(A\$ in millions)	31 Dec 15	30 Jun 16
Assets		
Cash and cash equivalents	78.1	37.8
Investments ¹	3,882.4	3,633.9
Deferred reinsurance expense	71.0	130.4
Non-reinsurance recoveries	28.8	30.4
Deferred acquisition costs	145.1	141.1
Deferred tax assets	10.6	11.4
Goodwill & Intangibles	10.1	10.7
Other assets ²	5.8	5.9
Total assets	4,232.0	4,001.7
Liabilities		
Payables ³	164.4	206.4
Outstanding claims	277.0	313.0
Unearned premiums	1,320.6	1,244.6
Interest bearing liabilities	244.4	195.5
Employee provisions	6.8	7.0
Total liabilities	2,013.2	1,966.5
Net Assets	2,218.7	2,035.2

Note: Totals may not sum due to rounding

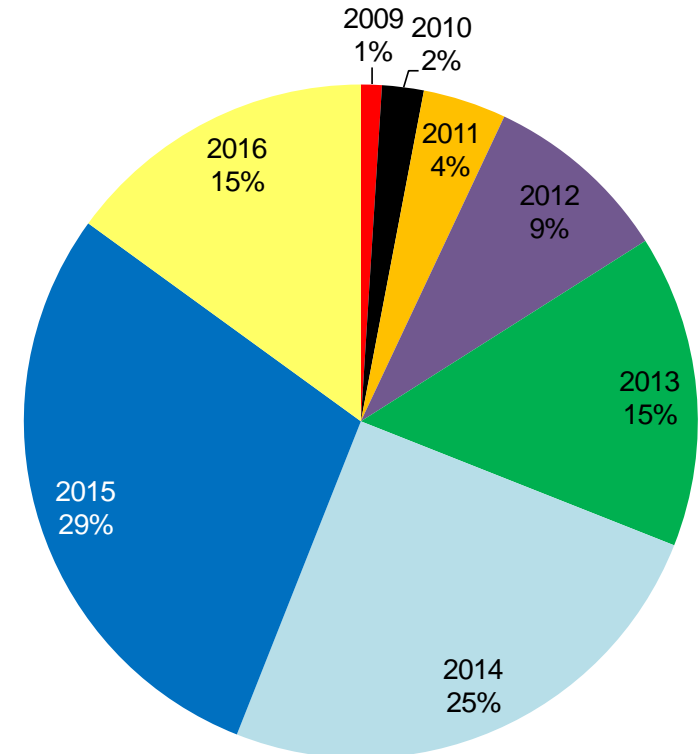
1. Includes accrued investment income

2. Includes trade receivables, prepayments and plant and equipment

3. Includes reinsurance payables

Unearned premium by book year as at 30 June 2016

Total UPR \$1.2 bn

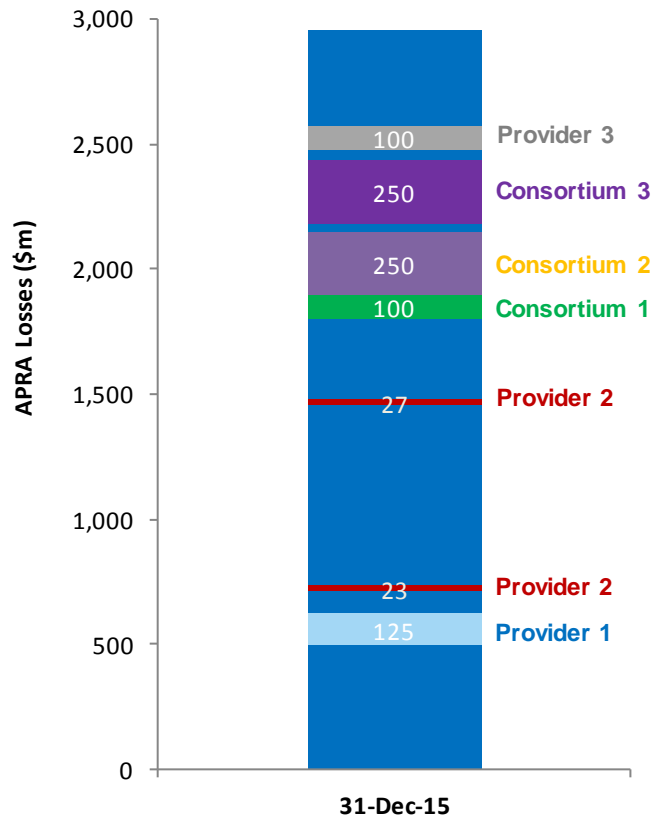


Genworth reinsurance program

Increase in reinsurance coverage part of ongoing capital optimisation

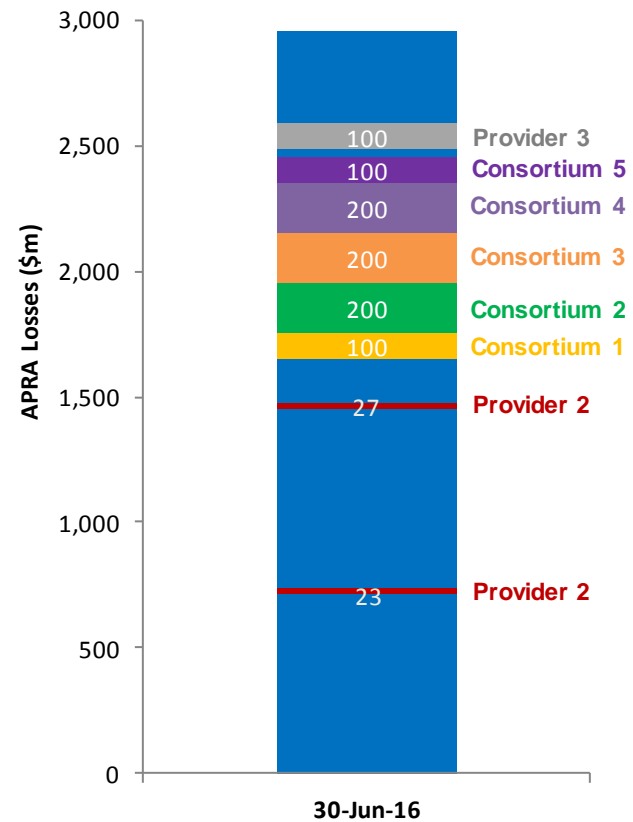
Reinsurance Program 31 Dec 2015 - \$875m cover

\$m



Reinsurance Program 30 Jun 2016 - \$950m cover

\$m



Half yearly financial information

Financial ratios¹

	Pro forma 1H14	Actual 2H14	Actual 1H15	Actual 2H15	Actual 1H16
Loss ratio	19.6%	18.4%	22.1%	25.7%	33.0%
Expense ratio	26.6%	26.3%	26.7%	25.7%	24.4%
Combined Ratio	46.2%	44.7%	48.8%	51.4%	57.3%
Insurance Margin	66.2%	65.4%	57.2%	59.0%	63.5%
Effective Tax Rate	29.9%	29.0%	29.9%	30.0%	29.7%
ROE	11.9%	13.8%	11.9%	9.7%	11.2%
Underlying ROE	12.0%	12.2%	12.0%	11.6%	11.3%

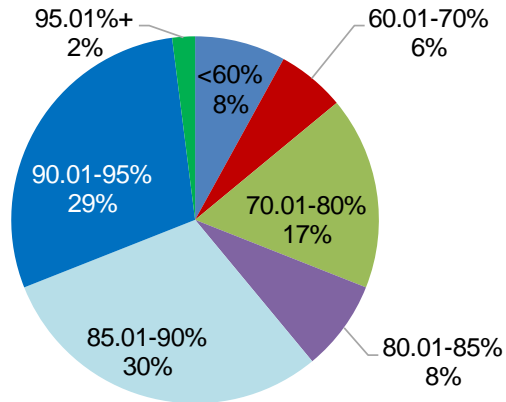
Note: ROE is presented on a trailing 12-month basis

1. The actual financial ratios of Genworth and its subsidiary companies have been prepared under a statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS)). The pro forma financial ratios have been prepared on the same basis as the financial information (including financial forecasts) disclosed in the prospectus lodged by Genworth with the Australian Securities and Investments Commission on 23 April 2014 (Prospectus), which reflected the post re-organisation structure.

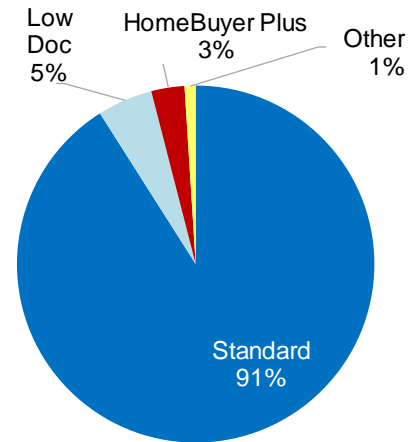
Summary portfolio characteristics

Insurance portfolio as at 30 June 2016 – total \$324 billion

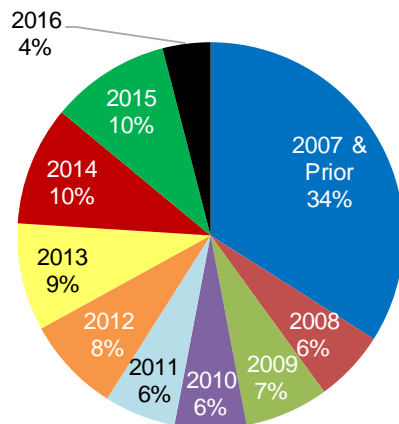
Insurance in force by LVR band (original LVR)



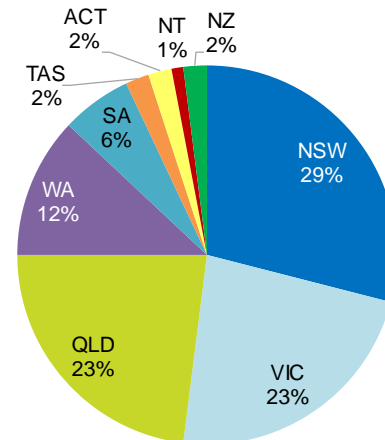
Insurance in force by product type



Insurance in force by book year



Insurance in force by State

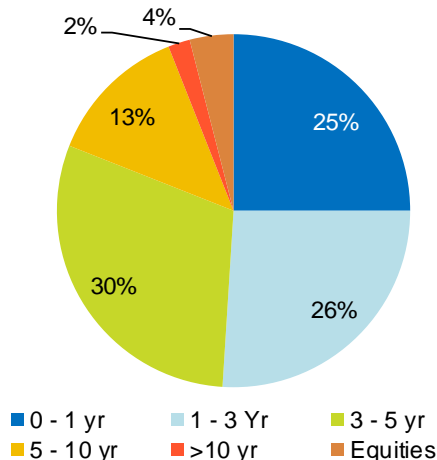


Investment portfolio

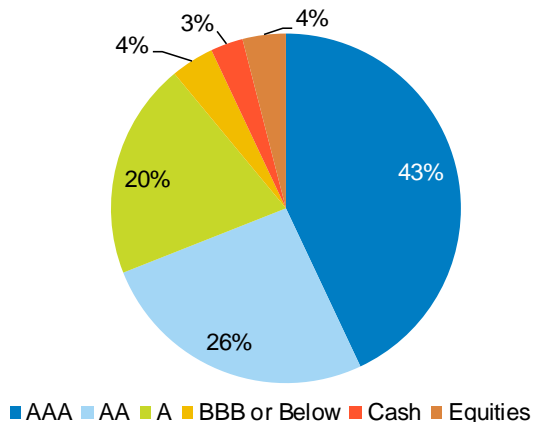
Conservative, well-diversified portfolio with duration to maturity of 2.3 years¹

Investment portfolio by maturity

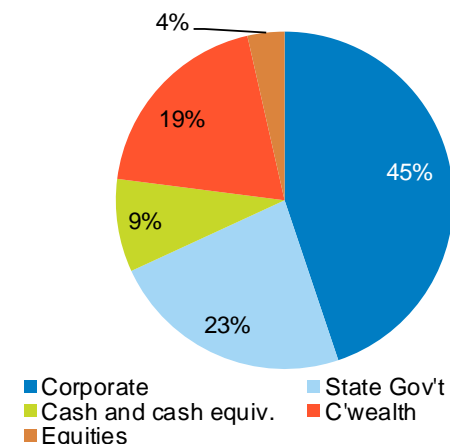
Avg. Maturity = 2.3yrs¹



Investment portfolio by rating



Investment portfolio by issuer type



Investment portfolio by maturity

(as at)	31 Dec 15	30 Jun 16
0-1 Yr	1,181	891
1-3 Yr	938	957
3-5 Yr	1,188	1,109
5-10 Yrs	536	468
> 10 Yrs	83	85
Equities	-	129
Total	3,926	3,639

Investment portfolio by rating

(as at)	31 Dec 15	30 Jun 16
AAA	1,659	1,575
AA	1,355	958
A	685	716
BBB or below	149	145
Cash	78	116
Equities	-	129
Total	3,926	3,639

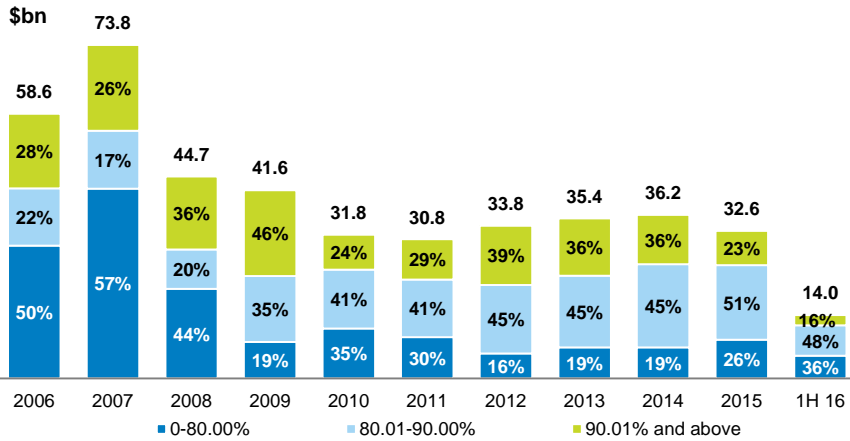
Investment portfolio by issuer type

(as at)	31 Dec 15	30 Jun 16
C'wealth	684	707
Corporate	1,692	1,632
State gov't	964	847
Cash equiv.	509	208
Cash	78	116
Equities	-	129
Total	3,926	3,639

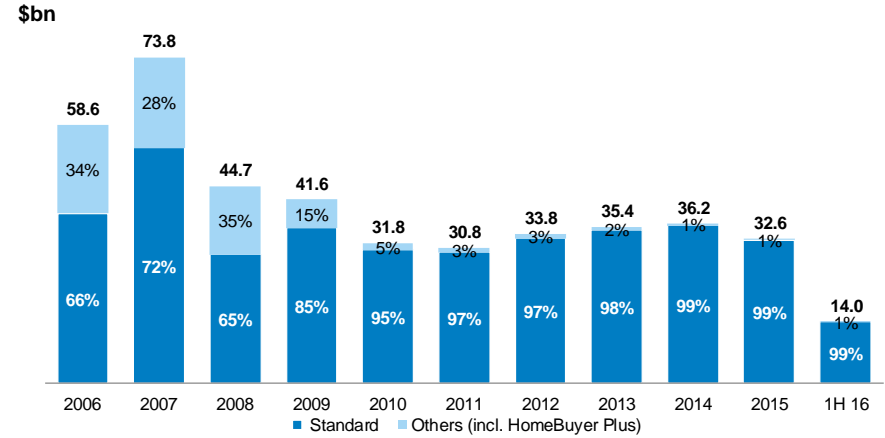
1. Maturity of 2.3 years excludes equities

Portfolio evolution (10 year history)

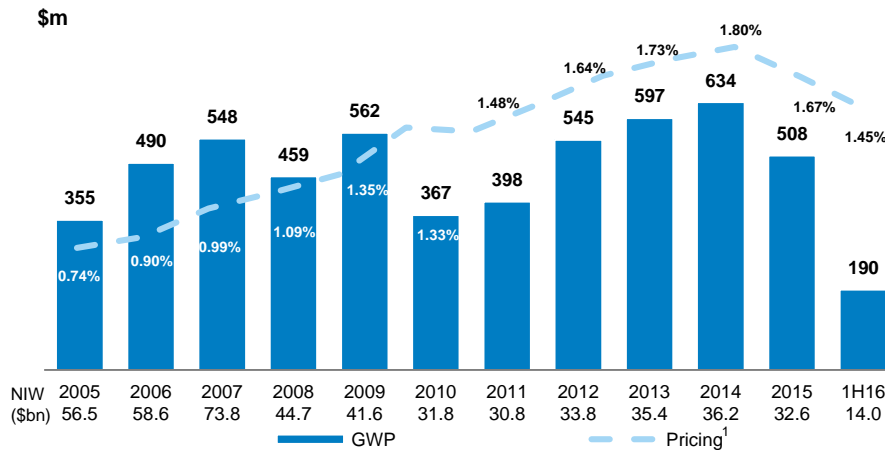
Annual NIW by LVR



Annual NIW by Product Type

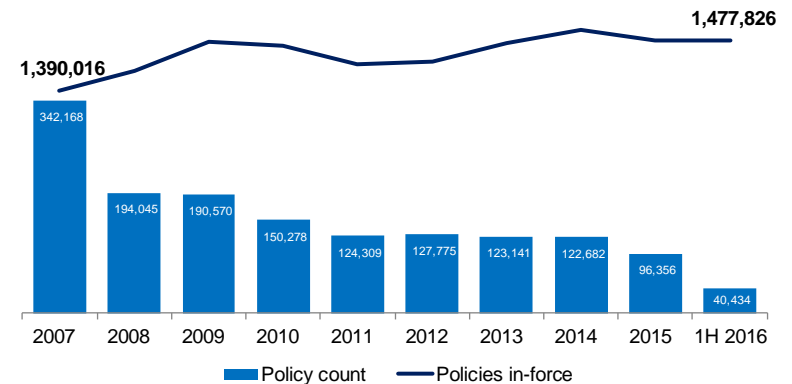


Annual GWP and Average Flow Price¹



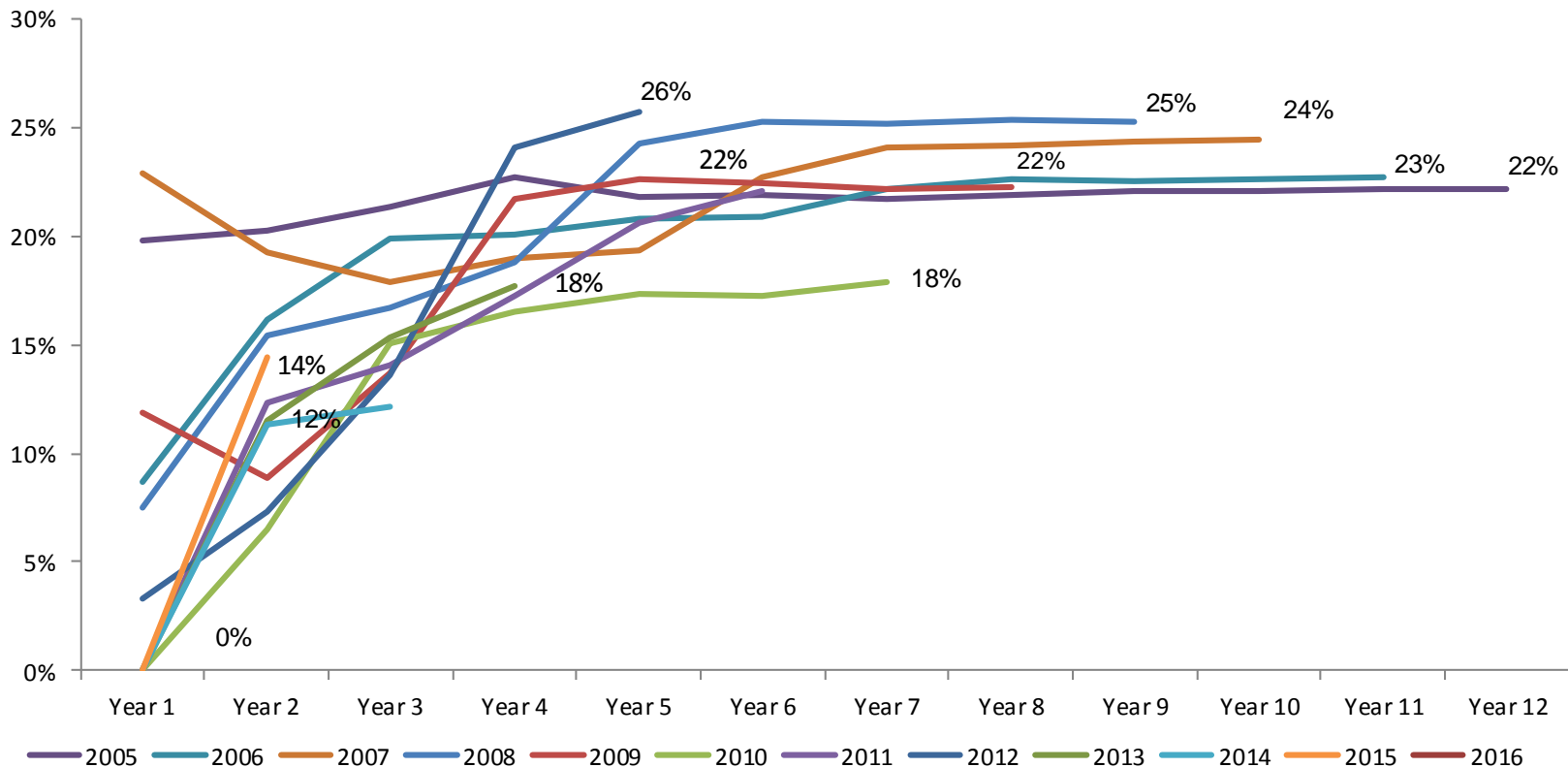
1. Historical NIW has been adjusted in the average premium calculation to reflect risk sharing arrangement

Annual number of New Policies¹, plus policies outstanding



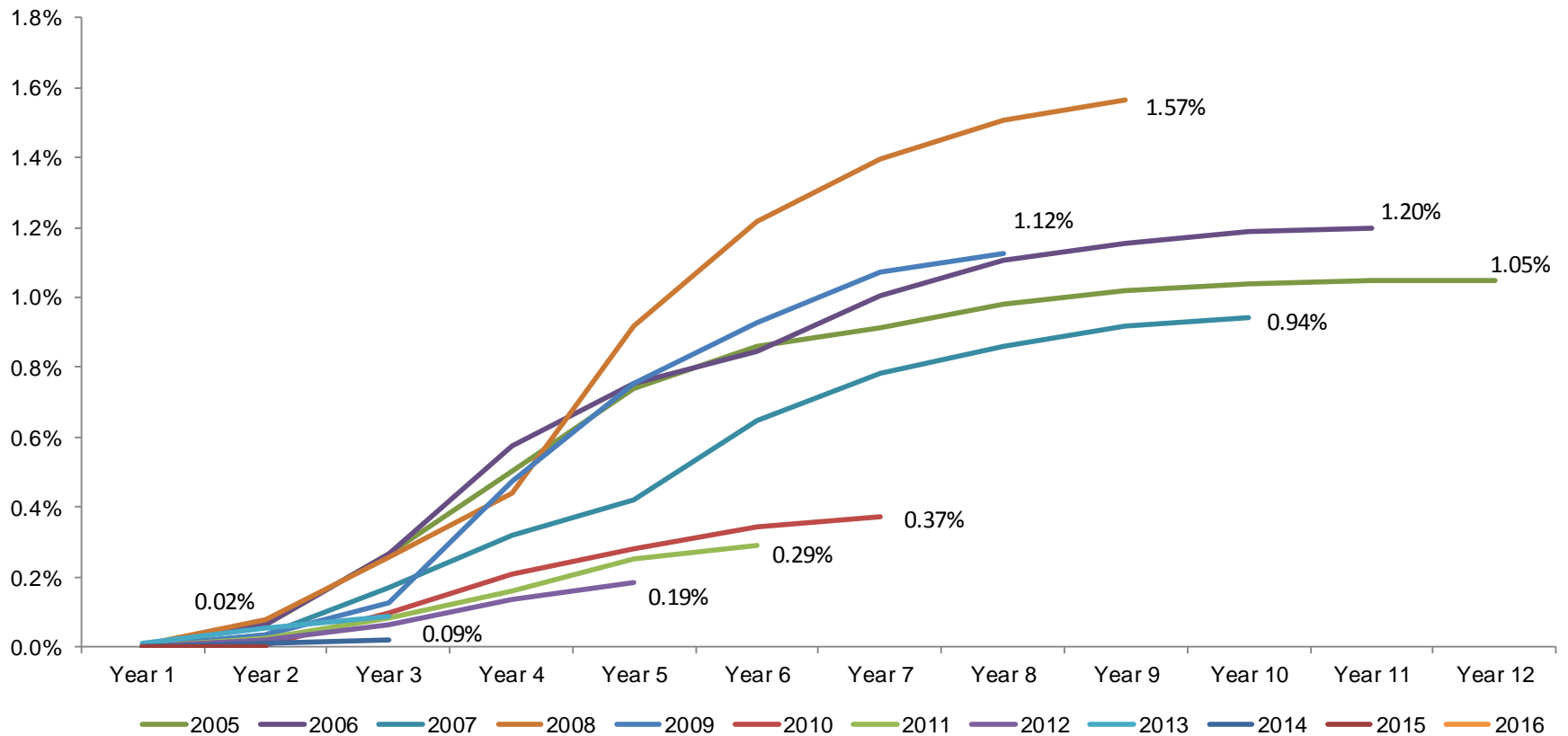
1. Annual number of new policies has been restated to show policies written rather than policies in force (includes cancellations)

Claims severity¹



1. Claim severity refers to the size of net claims paid as a proportion of the original residential mortgage loan amount. The above figure excludes Inward Reinsurance, New Zealand, Genworth Financial Mortgage Indemnity and portfolio. Book years between 2012 and 2016 are early in their development and are expected to continue to season, which may lead to an increase in claims severity for these Book Years.

Claims frequency by Book Year as at 30 June 2016



Note: The above figure excludes Inward Reinsurance, New Zealand, Genworth Financial Mortgage Indemnity and portfolio.

Effective LVR

As at 30 Jun 16

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2007 & prior	72.9	25%	76.7%	34.3%	94%
2008	17.6	6%	81.9%	56.8%	38%
2009	19.9	7%	84.7%	58.1%	35%
2010	15.7	5%	81.2%	62.5%	22%
2011	17.0	6%	83.7%	64.3%	25%
2012	24.1	8%	86.3%	65.8%	28%
2013	27.8	10%	87.1%	69.8%	24%
2014	31.3	11%	87.1%	76.4%	14%
2015	29.3	10%	85.7%	80.9%	6%
2016	12.8	4%	83.2%	82.7%	2%
Total Flow	268.5	92%	81.9%	55.7%	49%
Portfolio	22.6	8%	55.2%	24.3%	94%
Total/Weighted Avg.	291.1	100%	79.4%	52.7%	53%

As at 31 Dec 15

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2007 & prior	74.5	26%	76.8%	36.7%	87%
2008	18.2	6%	82.2%	59.8%	33%
2009	20.9	7%	84.9%	61.2%	30%
2010	16.5	6%	81.5%	65.8%	18%
2011	17.9	6%	83.9%	67.5%	21%
2012	25.3	9%	86.3%	68.6%	24%
2013	29.3	10%	87.1%	72.5%	19%
2014	32.4	11%	87.0%	79.5%	10%
2015	30.0	10%	85.8%	83.9%	3%
Total Flow	265.0	92%	82.0%	57.6%	45%
Portfolio	22.0	8%	54.9%	25.1%	87%
Total/Weighted Avg.	287.0	100%	79.4%	54.5%	49%

- Note: Excludes Inward Reinsurance, NZ and Genworth Financial Mortgage Indemnity, as Genworth Australia does not have comparative available data for these businesses. Genworth Australia calculates an estimated house price adjusted effective LVR, using the CoreLogic Home Price Index that provides detail of house price movements across different geographic regions and assumes 30 year principal and interest amortising loan, with the mortgage rate remaining unchanged through the period. Effective LVR is not adjusted for prepayments, redraws or non-amortising residential mortgage loans insured.

Income statement reconciliation

Reconciling to the US GAAP figures reported by Genworth Financial, Inc.

Walk from US GAAP AUS Segment Results to AIFRS Genworth Consolidated Income Statement for period ended 30 June 2016	Quarterly Supplement	Less: Non controlling interest	Quarterly Supplement	AUD equivalent Quarterly Supplement	Adjustments					Total adjustments	Genworth Group
					(a)	(b)	(c)	(d)	(e)		
	US\$M	US\$M	US\$M	A\$M	A\$M	A\$M	A\$M	A\$M		A\$M	A\$M
Premiums	167		167	229						0	229
Interest income	49		49	67						0	67
Realised investment gains/ losses	2		2	2			2			2	4
Unrealised gains/ losses	-		0	-			33			33	33
Other income	0		0	(0)						0	0
Total Revenue	218	0	218	298	0	0	34	0	0	34	333
Net claims incurred	52		52	71				4		4	75
Other underwriting expenses	44		44	59	(9)	(20)			(1)	(29)	30
Amortization of Intangibles	0		0	0						0	0
Acquisition costs (DAC amortisation)	7		7	9		16				16	25
Interest Expense/Financing related costs	6		6	8	(0)				0	0	8
Total Expenses	109	0	109	147	(9)	(4)	0	4	(1)	(8)	139
Total Pre-tax Income	109	0	109	151	9	4	34	(4)	1	42	193
Total Tax Expense	35		35	49	(1)	1	10	(1)	0	9	57
Net income	74	0	74	104	10	3	24	(3)	0	33	137
Less: net income attributable to noncontrolling interests	39	(39)	0	0						0	0
Net income available to Genworth common stockholders	35	39	74	104	10	3	24	(3)	0	33	137

(a) Investment Income and FX measurement adjustment for U.S. entities outside Genworth Group but included as part of USGAAP Aus Segment results, Corporate Overhead allocation and U.S. shareholder tax impact.

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

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

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

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

Note: Totals may not sum due to rounding