

Genworth Mortgage Insurance Australia

1Q 2015 Financial results presentation

29 April 2015



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Overview of 1Q 2015 financial performance

- Underlying Net Profit After Tax (NPAT¹) for 1Q15 of \$69.7m
- Reported NPAT for 1Q15 of \$89.5m and includes \$19.8m of post tax mark-to-market gains
- New Insurance Written (NIW) for 1Q15 of \$7.2bn compared to \$8.7bn for the pcp
- Gross Written Premium (GWP) for 1Q15 of \$127.7m, down 20.0% compared to pcp
- Net Earned Premium (NEP) for 1Q15 of \$110.8m, an increase of 2.4% compared to pcp
- Closing delinquencies of 5,378 up from 4,953 as at 31 December 2014
 - Delinquencies up by 425 to 5,378 as at 31 March 2015 reflecting seasonality
 - Delinquency rate up 0.03% to 0.36% compared to last quarter and up 0.02% compared to pcp
- The normalised 1Q15 loss ratio is 25.3%² which excludes a \$9.6m accrual for expected recoveries related to paid claims, up from 15.9% in the pcp. The reported loss ratio for the quarter is 16.6%.
- Investment income for 1Q15 of \$68.7m pre tax (includes \$28.3m (pre tax) of mark-to-market gains)
- Strong stable balance sheet with \$1.4bn of Unearned Premium Reserve (UPR)
- Cash and fixed interest Investment portfolio of \$4.1bn with 2.5 year duration
- Regulatory capital solvency ratio 163% on a level 2 basis³

1. Underlying NPAT excludes the after tax impact of unrealised gains/(losses) on the investment portfolio.

2. When claims are paid, GMA (through its operating subsidiaries) typically obtains a legally enforceable assignment of the borrowers' debt from the lender. Where there is a reasonable prospect of recovery, GMA will actively engage in collection activities to recover monies owed as a result of these assignments. Based on a history of successful collection activities over the last few years and the current economic conditions, an expected recovery rate was established and a recovery accrual related to claims paid was recorded.

3. Level 2 solvency ratio is only required to be calculated and submitted to APRA on a semi-annual basis. Quarterly estimates have not been audited.

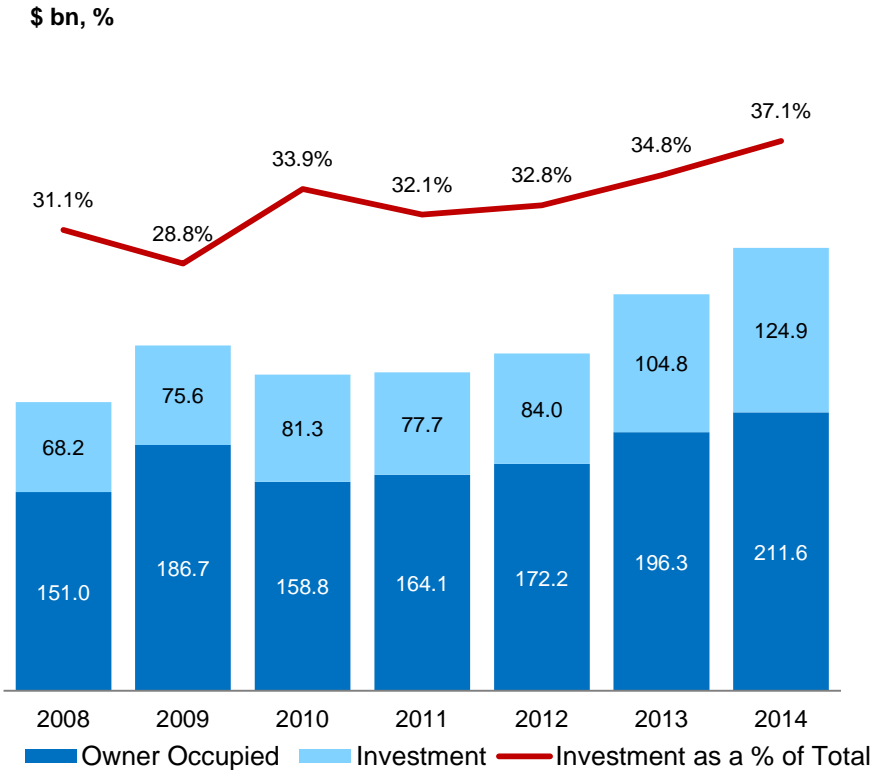
1Q 2015 income statement

(A\$ millions)	Pro Forma 1Q14	Actual 1Q15	Change
Gross written premium	159.7	127.7	(20.0%)
Movement in unearned premium	(32.6)	3.0	(109.2%)
Gross earned premium	127.1	130.7	2.9%
Outwards reinsurance expense	(18.9)	(19.9)	5.6%
Net earned premium	108.2	110.8	2.4%
Net claims incurred	(17.3)	(18.4)	6.2%
Acquisition costs	(12.1)	(12.8)	5.4%
Other underwriting expenses	(15.3)	(17.5)	14.4%
Underwriting result	63.6	62.1	(2.3%)
Investment income on technical funds ¹	9.9	12.1	21.8%
Insurance profit	73.5	74.2	0.9%
Investment income on shareholder funds ¹	27.9	56.7	103.1%
Financing costs	(2.8)	(2.8)	0.7%
Profit before income tax	98.7	128.1	29.7%
Income tax expense	(29.4)	(38.6)	31.2%
Net profit after tax	69.3	89.5	29.2%
Underlying net profit after tax	69.7	69.7	0.0%

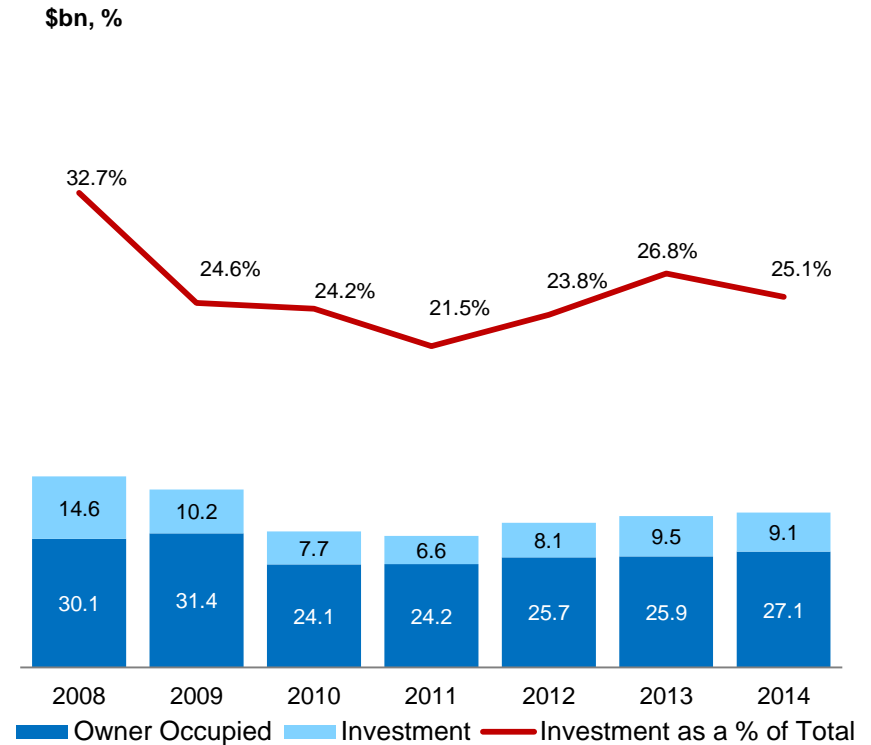
1. Interest income on Technical Funds and Shareholder Funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

Residential mortgage lending market

Investment vs. Owner Occupied (APRA statistic)



Investment vs. Owner Occupied¹ (GMA)



- Investment property lending represented 37.1% of originations for the year ended 31 Dec 2014

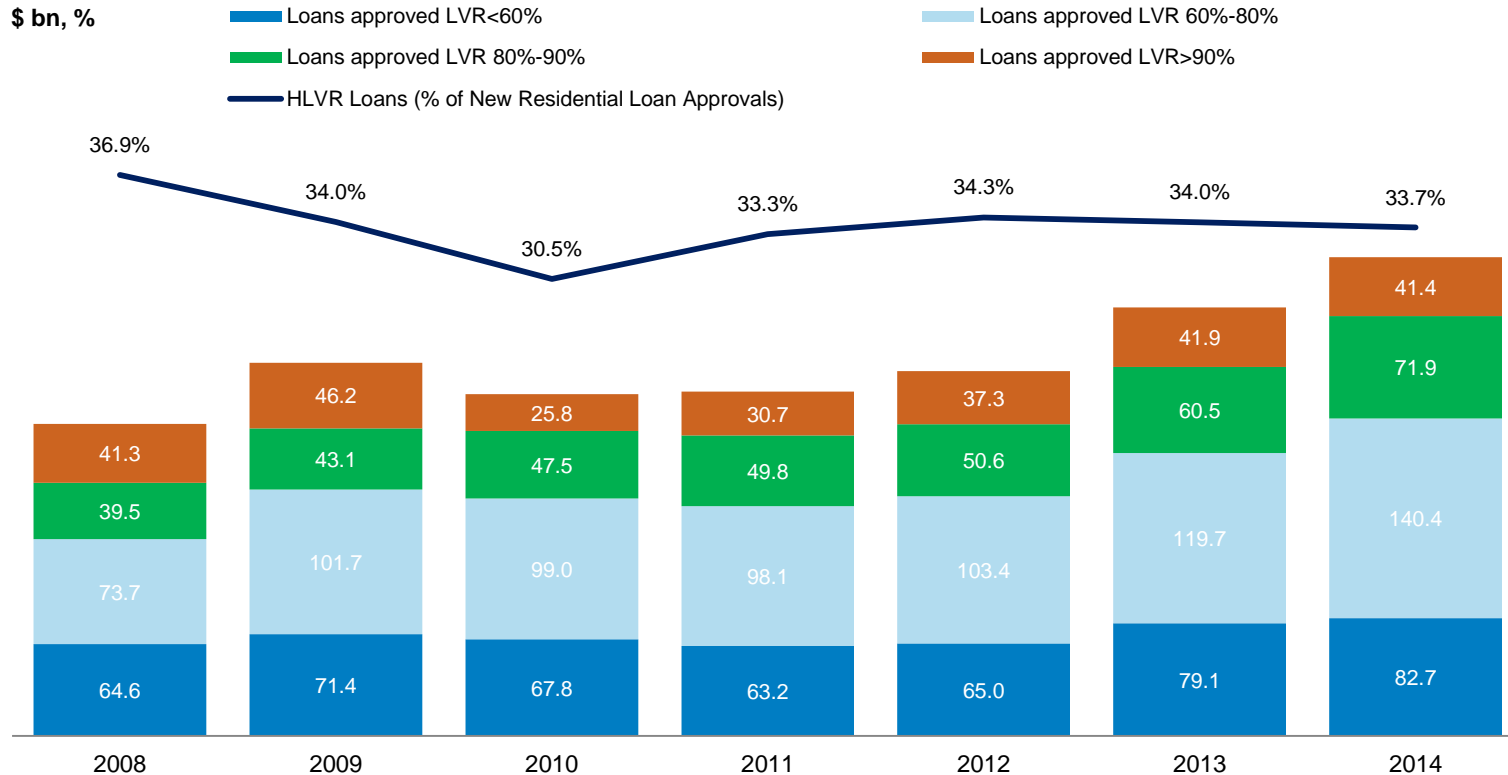
Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), December 2014. Statistics are as per information reported to APRA by ADIs with greater than \$1 billion in housing term loans as at the end of the relevant quarter, thereby excluding small lenders and non-banks.

- Investment property lending represented 25.1% of originations for the year ended 31 Dec 2014

1. Owner occupied includes loans for owner occupied and other types.

Residential mortgage lending market

HLVR Penetration



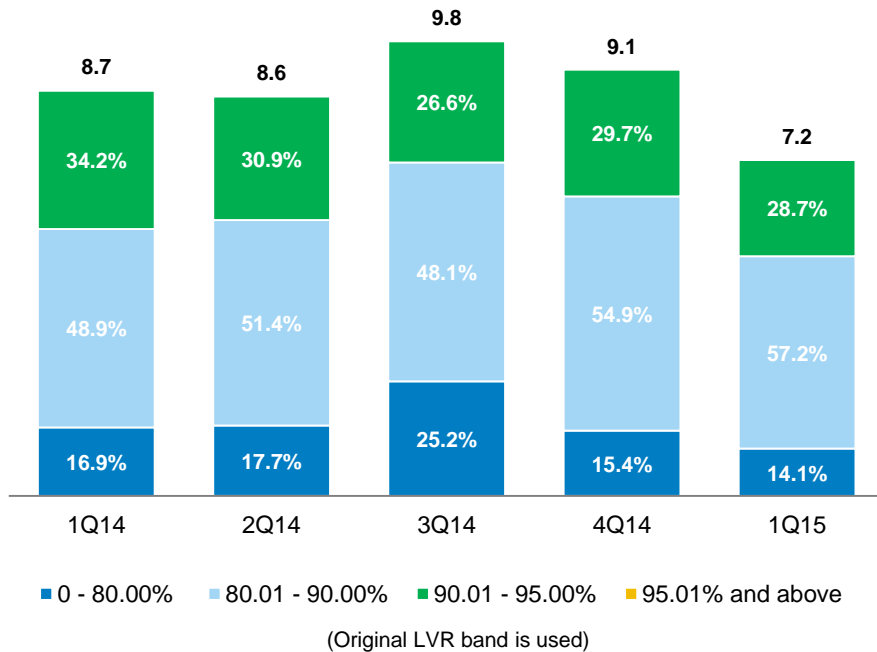
Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), December 2014. Statistics are as per information reported to APRA by ADIs with greater than \$1 billion in housing term loans as at the end of the relevant quarter, thereby excluding small lenders and non-banks.

- Penetration of lending in the HLVR space has remained relatively stable as a percentage of overall lending over the last 4 years

New insurance written

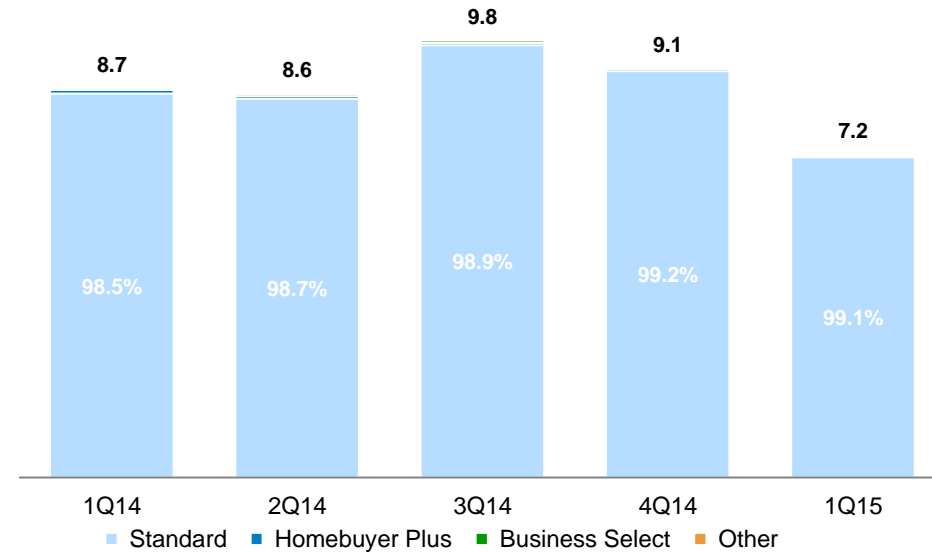
NIW¹ by original LVR² band (quarterly)

\$ billions, %



NIW¹ by product type (quarterly)

\$ billions, %

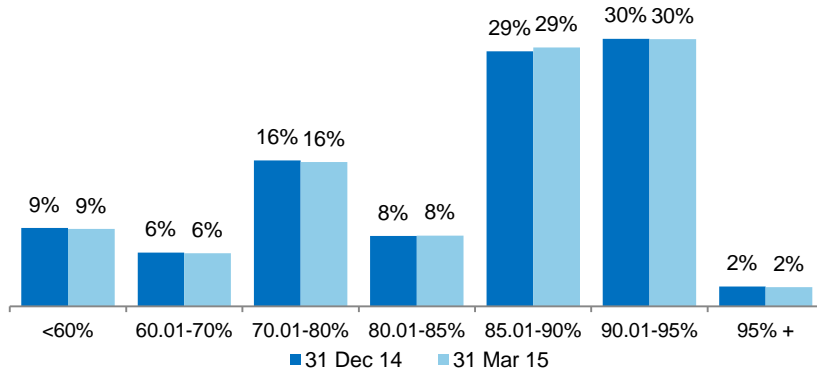


1. NIW includes capitalised premium
2. Original LVR excludes capitalised premium

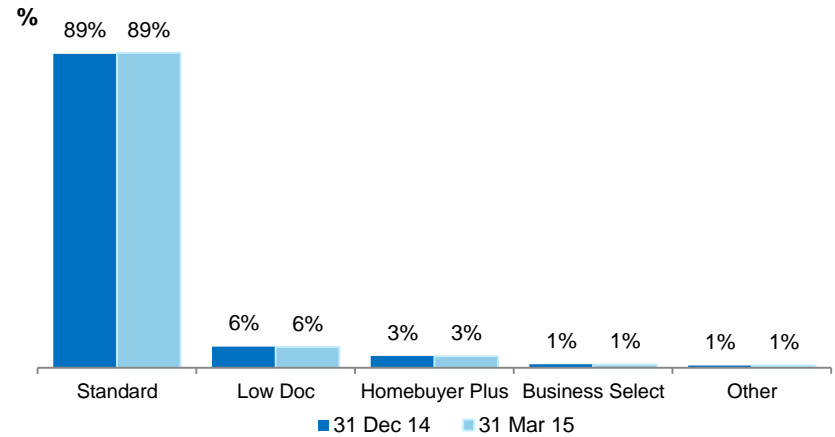
Insurance in force

Insurance in force (IIF)¹ by original LVR² band as at 31 December 2014 and 31 March 2015

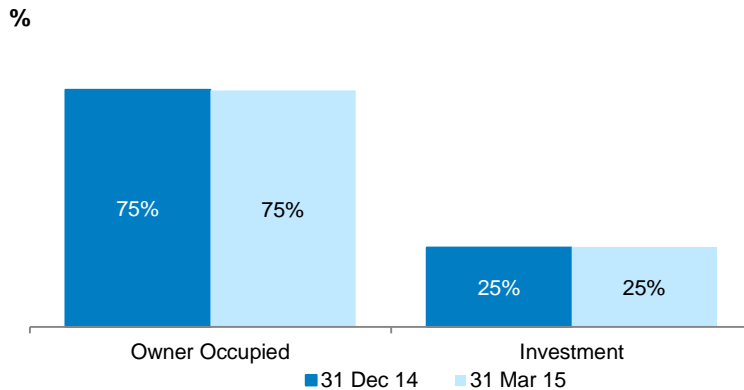
Total IIF \$316 billion as at 31 March 2015



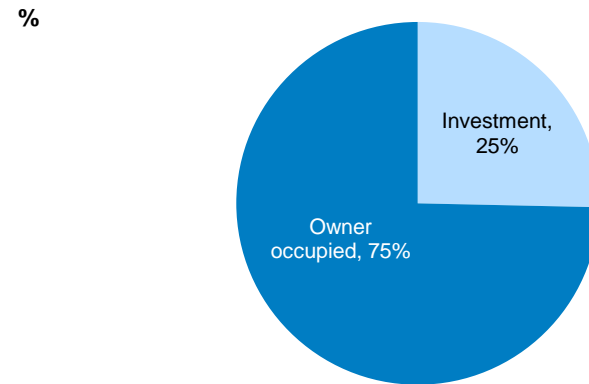
IIF¹ by product type, as at 31 December 2014 and 31 March 2015



NIW¹ by loan type, as at 31 December 2014 and 31 March 2015



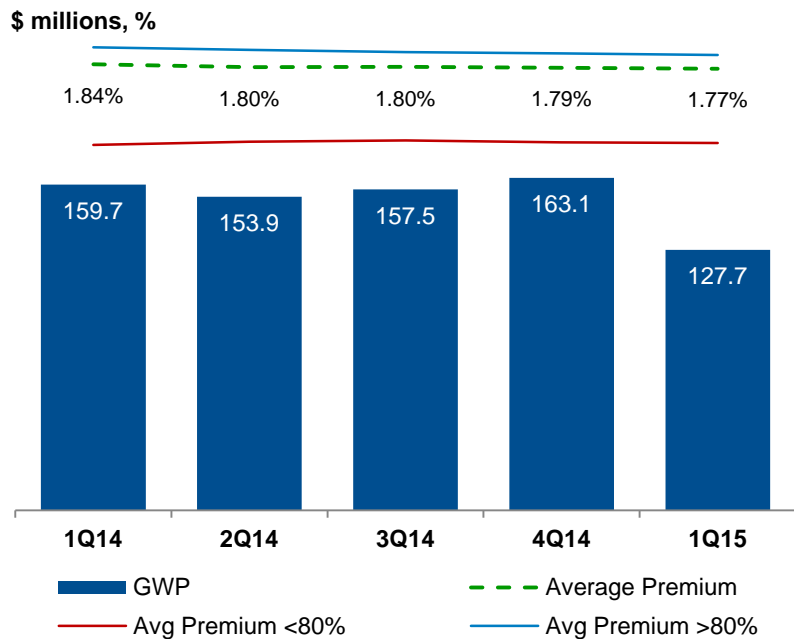
IIF¹ by loan type, as at 31 March 2015



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

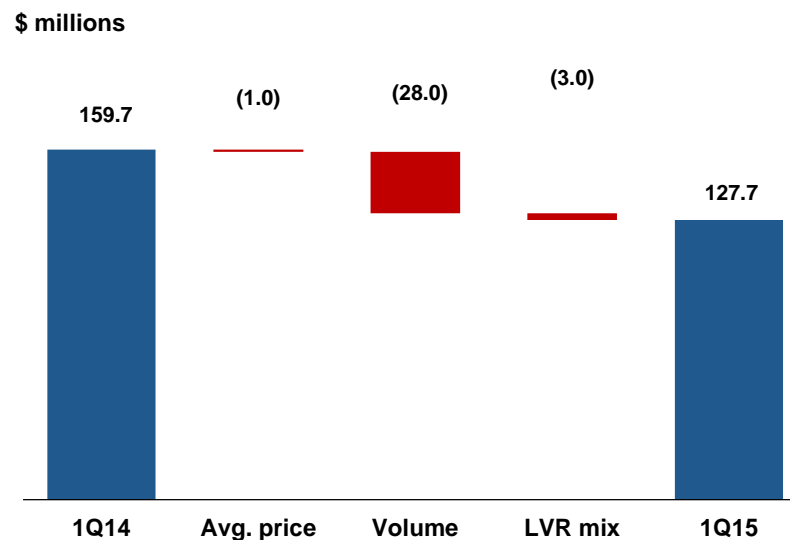
Gross written premium

GWP and flow average price (GWP/NIW¹)



- GWP average price impacted by mix of LVR NIW

Flow business – GWP walk

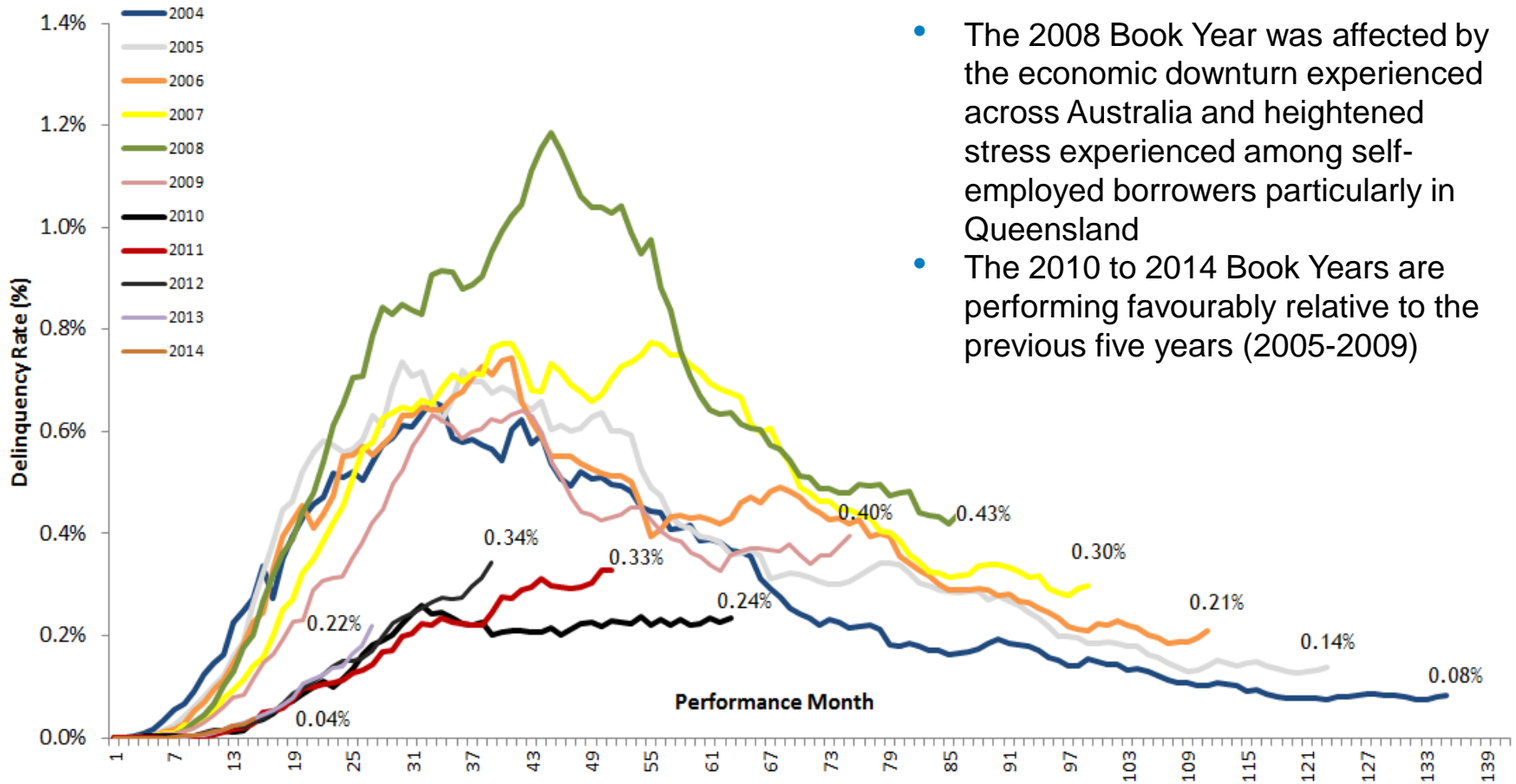


- Market conditions impacted volume of GWP

1. NIW includes capitalised premium

Delinquency development

Favourable performance post 2009

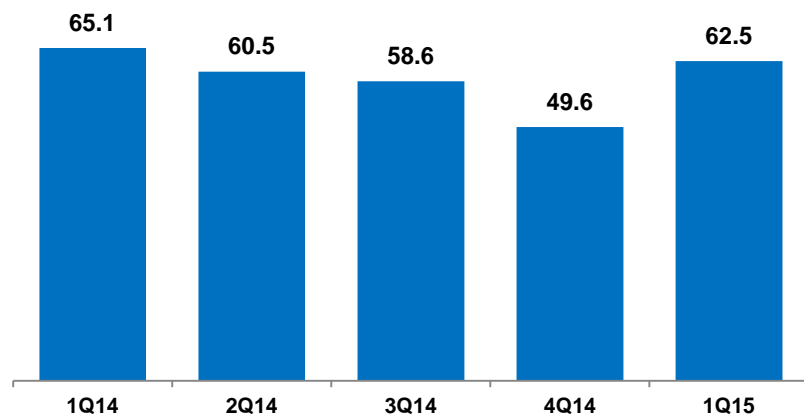


- The 2008 Book Year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers particularly in Queensland
- The 2010 to 2014 Book Years are performing favourably relative to the previous five years (2005-2009)

Net incurred claims

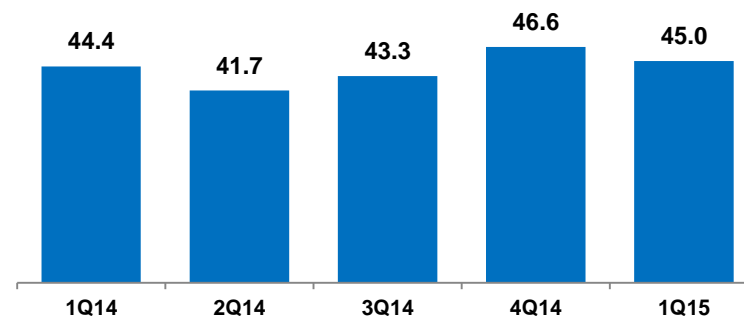
Average paid claim¹

\$'000



Average reserve per delinquency²

\$'000



Composition of net incurred claims (A\$ millions)	1Q14	2Q14	3Q14	4Q14	1Q15
Number of paid claims (#)	462	419	350	314	280
Average paid claim (\$'000)	65.1	60.5	58.6	49.6	62.5
Claims paid (\$m)	30.1	25.3	20.5	15.6	17.5
Movement in reserves (\$m)	(12.8)	0.2	3.5	2.1	10.5
Net claims incurred (\$m)	17.3	25.6	24.0	17.7	28.0
Loss ratio (%)	15.9%	23.2%	21.4%	15.3%	25.3% ¹

1. Average paid claim is calculated as claims handling expense and paid claims net of recoveries and divided by the number of claims paid for the relevant period. To demonstrate losses trend for Q1 2015, average paid claims and loss ratio are adjusted before a \$9.6m accrual for expected recoveries related to paid claims being recorded in Q1 2015. When claims are paid, GMA (through its operating subsidiaries) typically obtains a legally enforceable assignment of the borrowers' debt from the lender. Where there is a reasonable prospect of recovery, GMA will actively engage in collection activities to recover monies owed as a result of these assignments. Based on a history of successful collection activities over the last few years and the current economic conditions, an expected recovery rate was established and a recovery accrual related to claims paid was recorded (The reported loss ratio and reported average claim paid is 16.6% and \$28,200 respectively).
2. Calculated under AIFRS, the outstanding claim provision is gross of non-reinsurance recoveries and divided by the number of delinquencies for the relevant period.

Balance sheet and unearned premium reserve

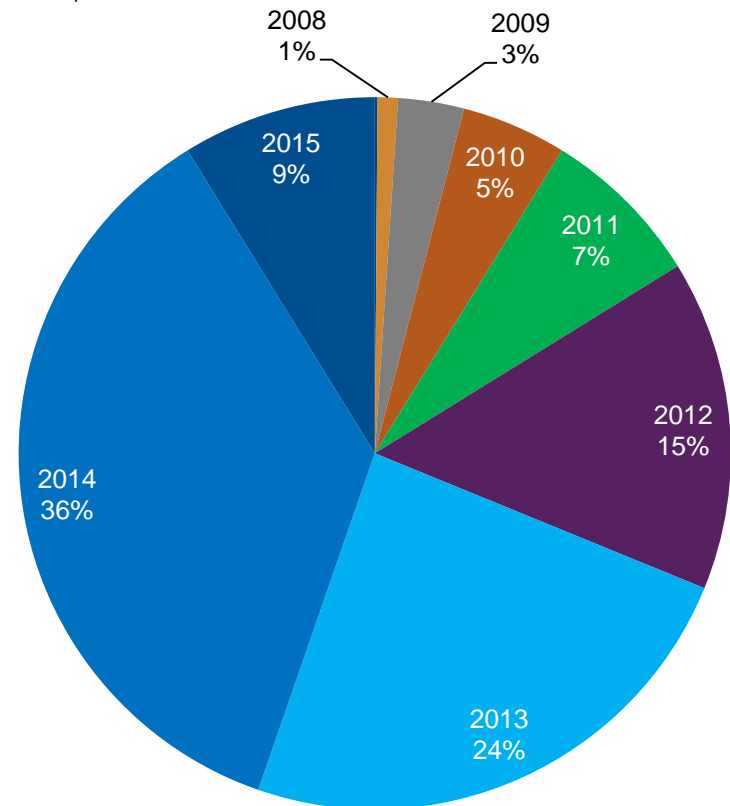
Strong stable balance sheet with \$4.1bn in Cash and Investments and \$1.36bn in UPR

(A\$ in millions)	31 Dec 14	31 Mar 15
Assets		
Cash and cash equivalents	88.6	187.5
Investments ¹	4,112.0	3,959.0
Deferred reinsurance expense	80.6	129.6
Non-reinsurance recoveries	16.4	26.7
Deferred acquisition costs	124.5	126.4
Deferred tax assets	8.2	8.5
Goodwill & Intangibles	11.9	11.0
Other assets ²	7.1	7.6
Total assets	4,449.3	4,456.3
Liabilities		
Payables ³	209.3	277.4
Outstanding claims	230.9	242.2
Unearned premiums	1,362.6	1,359.6
Interest bearing liabilities	138.6	138.8
Employee provisions	7.4	7.6
Total liabilities	1,948.8	2,025.6
Net Assets	2,500.5	2,430.7

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 31 March 2015

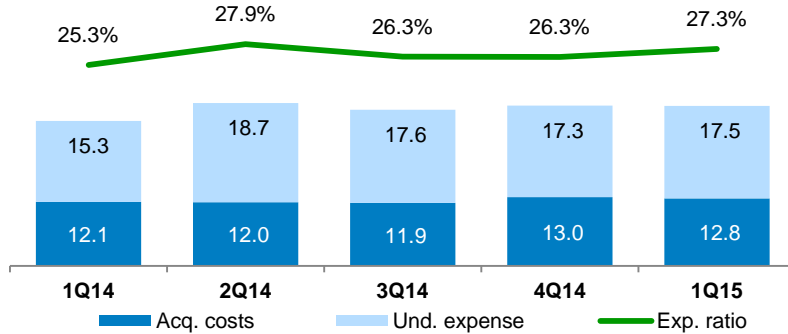
Total UPR \$1.36bn



Insurance ratio analysis

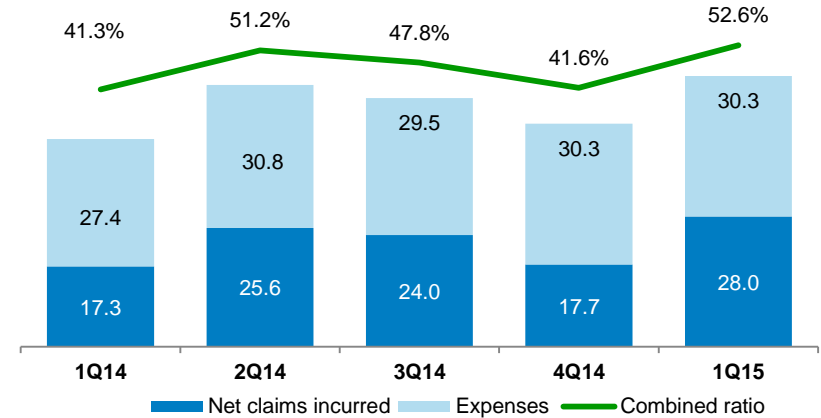
Expenses

\$ millions, %



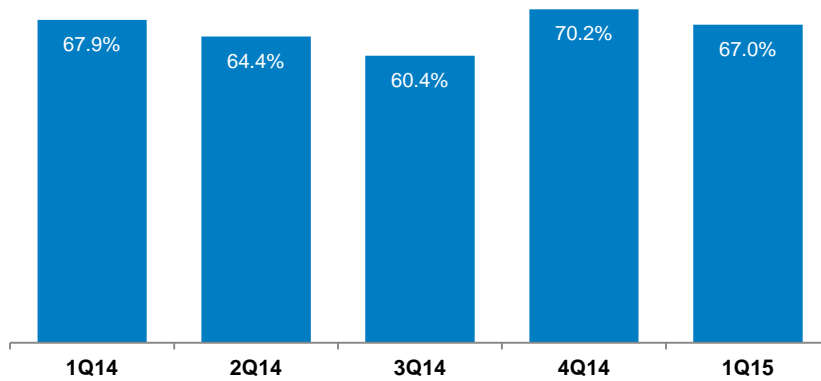
Combined ratio¹

\$ millions, %



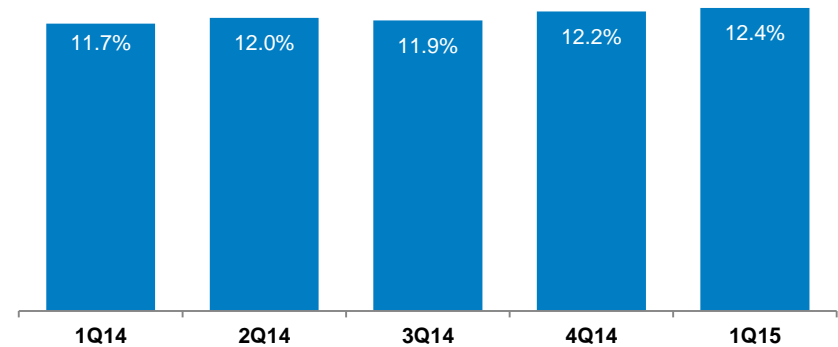
Insurance margin

%



12 month trailing underlying ROE

%



1. 1Q15 Combined ratio adjusted to exclude \$9.6 million accrual as described on page 10 of this presentation.

1Q 2015 regulatory capital position

Level 2 ¹ (A\$ in millions)	31 Dec 14	31 Mar 15
Capital Base		
Common Equity Tier 1 Capital	2,742.1	2,640.0
Tier 2 Capital	112.0	98.0
Regulatory Capital Base	2,854.1	2,738.0
Capital Requirement		
Probable Maximum Loss ('PML')	2,586.5	2,580.2
Net premiums liability deduction	(272.4)	(278.0)
Allowable reinsurance	(815.6)	(915.6)
LMI Concentration Risk Charge ('LMICRC')	1,498.5	1,386.6
Asset risk charge	128.0	117.5
Asset concentration risk charge	-	-
Insurance risk charge	202.1	205.9
Operational risk charge	24.1	24.6
Aggregation benefit	(60.6)	(55.7)
Prescribed Capital Amount ('PCA')	1,792.1	1,678.9
PCA Coverage ratio (times)	1.59 x	1.63 x

1. Level 2 solvency ratio is only required to be calculated and submitted to APRA on a semi-annual basis. Quarterly estimates have not been audited.

Genworth Australia 2015 financial outlook

Key financial measures – FY 2015 guidance

Net earned premium growth	Up to 5%
Full Year Loss ratio	25.0% to 30.0%
Dividend Payout Ratio	50-70%

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

Supplementary Slides

Income statement reconciliation – 1Q 2015

Reconciling to the USGAAP figures reported by Genworth Financial, Inc.

	USGAAP AU Segment Results in USD	Add Back: Non Controlling Interest (NCI)	USGAAP AU Segment Results + NCI	USGAAP AU Segment Results + NCI	Adjustments				Total Adjust.	GMA Group
	US\$m	US\$m	US\$m	A\$m	(a)	(b)	(c)	(d)	A\$m	A\$m
Premiums	89	-	89	111	-	-	-	-	-	111
Interest income	32	-	32	40	-	-	-	-	-	40
Realised investment gains/(losses)	1	-	1	1	-	-	-	-	-	1
Unrealised gains/(losses)	-	-	-	-	-	-	28	-	28	28
Other income	(4)	-	(4)	(5)	5	-	-	-	5	-
Total revenue	118	-	118	147	5	-	28	-	33	180
Net claims incurred	14	-	14	17	-	-	-	1	1	18
Other underwriting expenses	22	-	22	27	(5)	(5)	-	-	(10)	17
Amortization of Intangibles	0	-	-	-	-	-	-	-	-	-
Acquisition costs (DAC amortisation)	5	-	5	6	-	7	-	-	7	13
Interest expense	2	-	2	3	-	-	-	-	-	3
Total expenses	43	-	43	53	(5)	2	-	1	(2)	51
Total pre-tax income	75	-	75	94	10	(2)	28	(1)	35	129
Total tax expense	24	-	24	28	4	(1)	8	-	11	39
Net income	51	-	51	66	6	(1)	20	(1)	24	90
Less: Net income attributable to NCI	21	(21)	-	-	-	-	-	-	-	-
Net income avail to GNW stockholders	30	21	51	66	6	(1)	20	(1)	24	90

(a) Interest income, FX measurement adjustment for US entities outside of GMA Australia Group but included as part of the USGAAP AU 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 reserve to be held with a risk margin and an adjustment to the level of reserves for the non reinsurance recoveries.

Quarterly financial information

Statement of comprehensive income

(A\$ in millions)	Pro forma 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15
Gross written premium	159.7	153.9	157.5	163.1	127.7
Movement in unearned premium	(32.6)	(25.0)	(26.6)	(29.4)	3.0
Gross earned premium	127.1	128.9	130.9	133.7	130.7
Outwards reinsurance expense	(18.9)	(18.8)	(18.9)	(18.3)	(19.9)
Net earned premium	108.2	110.1	112.0	115.4	110.8
Net claims incurred	(17.3)	(25.6)	(24.0)	(17.7)	(18.4)
Acquisition costs	(12.1)	(12.0)	(11.9)	(13.0)	(12.8)
Other underwriting expenses	(15.3)	(18.7)	(17.6)	(17.3)	(17.5)
Underwriting result	63.6	53.8	58.5	67.4	62.1
Inv. income on tech reserves	9.9	17.2	9.2	13.6	12.1
Insurance profit	73.5	70.9	67.7	81.0	74.2
Inv. income on shareholders' funds	27.9	49.1	23.1	77.0	56.7
Financing costs	(2.8)	(2.8)	(2.8)	(2.9)	(2.8)
Profit before income tax	98.7	117.2	88.0	155.1	128.1
Income tax expense	(29.4)	(35.1)	(24.0)	(46.4)	(38.6)
Net profit after tax	69.3	82.1	64.0	108.7	89.5
Underlying net profit after tax	69.7	63.4	70.2	76.1	69.7

Quarterly financial information

Financial ratios¹

	Pro forma 1Q14	Actual 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15
Loss ratio	15.9%	23.2%	21.4%	15.3%	16.6%
Expense ratio	25.3%	27.9%	26.3%	26.3%	27.3%
Combined Ratio	41.3%	51.2%	47.8%	41.6%	43.9%
Insurance Margin	67.9%	64.4%	60.4%	70.2%	67.0%
Effective Tax Rate	29.8%	30.0%	27.3%	29.9%	30.1%

1. The actual financial ratios of GMA and its subsidiary companies for 1Q15 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 GMA with the Australian Securities and Investments Commission on 23 April 2014 (Prospectus), which reflected the post re-organisation structure.

Delinquency development

Quarterly delinquency roll and delinquency composition

Delinquency Roll	1Q14	2Q14	3Q14	4Q14	1Q15
Opening balance	4,980	5,070	5,405	5,300	4,953
New delinquencies	2,689	2,913	2,734	2,357	2,679
Cures	(2,137)	(2,159)	(2,489)	(2,390)	(1,974)
Paid claims	(462)	(419)	(350)	(314)	(280)
Closing delinquencies	5,070	5,405	5,300	4,953	5,378
Delinquency rate	0.34%	0.36%	0.36%	0.33%	0.36%

Delinquencies by book year	Dec 14			Mar 15		
2007 and prior	1993	2152	0.29%			
2008	869	864	0.87%			
2009	813	848	0.70%			
2010	347	371	0.42%			
2011	348	355	0.42%			
2012	352	427	0.40%			
2013	204	293	0.26%			
2014	27	68	0.06%			
TOTAL	4,953	5,378	0.36%			

Delinquencies by geography	Dec 14			Mar 15		
New South Wales	1,041	1,129	0.29%			
Victoria	1,114	1,186	0.32%			
Queensland	1,513	1,632	0.50%			
Western Australia	513	597	0.37%			
South Australia	459	507	0.48%			
Australian Capital Territory	56	48	0.13%			
Tasmania	130	146	0.28%			
Northern Territory	24	31	0.20%			
New Zealand	103	102	0.27%			
	4,953	5,378	0.36%			