

Genworth Third Quarter 2016 Earnings

CBA contract renewed for 3 years

3Q16 NPAT impacted by pressure in mining regions and smaller HLVR market

(SYDNEY) 4 November 2016 – Genworth Mortgage Insurance Australia Limited (Genworth or the Company) (ASX: GMA) reported statutory¹ net profit after tax (NPAT) of \$46.7 million and underlying² NPAT of \$47.4 million for the quarter ended 30 September 2016.

Ms Georgette Nicholas, Chief Executive Officer and Managing Director of Genworth, said, “The trends we saw develop in the first half of 2016 continued to impact our results for the third quarter. Overall, the high loan-to-value ratio (LVR) market is down and the mix of business in lower LVR bands is pressuring GWP.

“Queensland and Western Australia continue to have elevated delinquency development from economic pressure, in particular in mining related regions. During this cycle our focus continues to be on maintaining our risk management discipline and helping our lenders support borrowers in hardship.

“We are very pleased to have renewed our long-standing agreement with CBA. Our value proposition to our customers remains strong and we continue to redefine our core business model and find new ways to address our customers’ capital and risk management needs.”

Financial performance measures (A\$ million)

	Quarterly			Year to Date (as at 30 Sep)		
	3Q15	3Q16	Change	2015	2016	Change
New Insurance Written (A\$bn)	8.5	6.1	(28.2%)	26.2	20.1	(23.3%)
Gross Written Premium	124.7	92.5	(25.8%)	410.0	282.2	(31.2%)
Net Earned Premium	123.9	115.9	(6.5%)	349.6	344.8	(1.4%)
Reported NPAT	65.5	46.7	(28.7%)	178.5	182.6	2.3%
Underlying NPAT	58.7	47.4	(19.3%)	191.6	160.3	(16.3%)
Reported loss ratio	33.5%	45.3%	11.8%	26.1%	37.1%	11.0%
Total portfolio delinquencies	5,804	6,844	1,040	5,804	6,844	1,040
Portfolio delinquency rate	0.39%	0.47%	0.08%	0.39%	0.47%	0.08%

¹ The financial result of Genworth and its subsidiary companies (the Group) prepared under a statutory basis (prepared in accordance with Australian accounting standards, which comply with International Financial Reporting Standards (IFRS)).

² Underlying NPAT excludes the after tax impact of unrealised gains/(losses) on the investment portfolio.

Financial Performance for 3Q16

New business volume, as measured by New Insurance Written (NIW), of \$6.1 billion in 3Q16, decreased 28.2 per cent compared with the previous corresponding period (pcp). Year-to-date NIW of \$20.1 billion is down 23.3 per cent on the pcp.

GWP decreased 25.8 per cent to \$92.5 million in 3Q16. Year-to-date GWP is 31.2 per cent lower than the pcp. This reflects a number of factors including reduced high-LVR penetration in the market, a lower LVR mix of business, as well as the full impact of the changes in customers in 2015.

Net Earned Premium (NEP) decreased 6.5 per cent to \$115.9 million in 3Q16 compared with the pcp reflecting an adjustment to the NEP earnings curve implemented in 3Q15. Year-to-date NEP is down 1.4 per cent on the pcp.

The normalised loss ratio rose to 45.3 per cent in 3Q16 from 26.0 per cent in the pcp, due to an increase in the number of delinquent loans relative to a year ago and the expectation of higher average paid claim amounts.

The overall portfolio continues to be supported by strong performance in New South Wales and Victoria. However, the performance in Queensland and Western Australia is still challenging, reflecting increased delinquencies, particularly in regions exposed to the slowdown in the resources sector as the economy in those areas navigates through a period of transition.

The expense ratio in 3Q16 was 25.8 per cent compared with 25.7 per cent in the pcp. The steady expense ratio reflects a continued focus on expense management. Genworth continues to manage the business with a target expense ratio of 26 - 28 per cent in 2016.

Investment income of \$36.3 million in 3Q16 included a pre-tax mark-to-market loss of \$0.9 million. As at 30 September 2016, the value of Genworth's investment portfolio was \$3.5 billion, more than 95 per cent of which continues to be held in cash and highly rated fixed interest securities.

As at 30 September 2016, the Company had invested \$171 million in Australian equities in line with the previously stated strategy to improve investment returns on the portfolio within acceptable risk tolerances. After adjusting for the mark-to-market movements, the 2016 year-to-date investment return was 3.51 per cent per annum, down from 3.70 per cent per annum in the pcp.

As at 30 September 2016, the Company's regulatory solvency ratio was 1.55 times the Prescribed Capital Amount (PCA). The Board continues to target a capital range of 1.32 to 1.44 times the PCA on a Level 2 basis. The Company continues to focus on optimising its capital structure and is evaluating capital management initiatives that could be implemented in the future.

2016 Outlook

Genworth continues to focus on the strategic needs of our customers, especially during this period of heightened regulatory focus on the Australian mortgage market and lending standards.

Australian economic conditions overall remain stable, though there are areas of pressure. Low unemployment rates overall and record-low interest rates are supporting serviceability and a continued focus by regulators is promoting sound lending standards. House price growth continues to vary by region, with Sydney and Melbourne continuing to outperform the other major cities.

Certain regional economies, particularly those exposed to the weakness in the resources sector, are exhibiting higher levels of mortgage stress compared with the very favourable trends experienced in

recent years. Under-employment is also impacting these areas. Genworth expects the elevated number of delinquencies in these regions to continue.

Genworth expects 2016 NEP to decline by approximately 5 per cent and for the full year loss ratio to be approximately 35 per cent. The Board continues to target an ordinary dividend payout ratio range of 50 to 80 per cent.

The full year outlook is subject to market conditions, including expected seasonal business patterns in the final quarter of the year, as well as unforeseen circumstances or economic events.

Conference Call

A conference call for analysts, institutional investors and media will be held today at 10.30am (Sydney time) to discuss these results. Details of the conference call dial-in numbers are as follows:

Conference name: Genworth Australia Third Quarter 2016 Financial Results

Conference ID: 7865 154

Australia dial-in details

1800 123 296 (toll free)

+61 2 8038 5221 (toll)

International dial-in details

These numbers are toll-free dial-in numbers for each country listed below. For countries not listed below, the Australian Participant Toll number listed above can be dialed.

Canada	1855 5616 766	New Zealand	0800 452 782
China	4001 203 085	Singapore	800 616 2288
Hong Kong	800 908 865	United Kingdom	0808 234 0757
India	1800 3010 6141	United States	1855 293 1544

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About Genworth

Genworth Mortgage Insurance Australia Limited (Genworth), through its subsidiary companies Genworth Financial Mortgage Insurance Pty Ltd and Genworth Financial Mortgage Indemnity Ltd (together, the Genworth Group or the Group), is the leading provider of Lenders Mortgage Insurance (LMI) in the Australian residential mortgage lending market. The Genworth Group has been part of the Australian residential mortgage lending market for 50 years since the Housing Loans Insurance Corporation was founded by the Australian Government in 1965 to provide LMI in Australia. Genworth is currently a subsidiary of Genworth Financial, Inc. and part of the Genworth Financial, Inc. group of companies. The Genworth Financial, Inc. group of companies' current ownership interest in Genworth is approximately 52% of the issued shares in Genworth.