

# Genworth Mortgage Insurance Australia

Full Year 2016 Financial Results Presentation  
8 February 2017



# Disclaimer

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# Introduction

Georgette Nicholas, CEO

# FY16 financial results summary

(A\$ millions)	FY15	FY16	Change %
Gross written premium	507.6	381.9	(24.8%)
Net earned premium	469.9	452.9	(3.6%)
Reported net profit after tax	228.0	203.1	(10.9%)
Underlying net profit after tax	264.7	212.2	(19.8%)
Ordinary dividends per share (cps)	26.5	28.0	5.7%

Key financial measure	FY16 guidance	FY16 actual
NEP growth	Down approx. 5%	(3.6%) ✓
Full year loss ratio	Approx. 35%	35.1% ✓
Dividend payout ratio	50%-80%	67.2% ✓

## FY16 result in line with expectations

- GWP lower on reduced HLVR segment and customer changes.
- Sequential improvement in average flow price reflects product mix and recent premium rate increases.
- Reported NPAT includes after-tax mark-to-market loss of \$9.1 million on the investment portfolio.

## Loss development from mining regions; focus on risk management

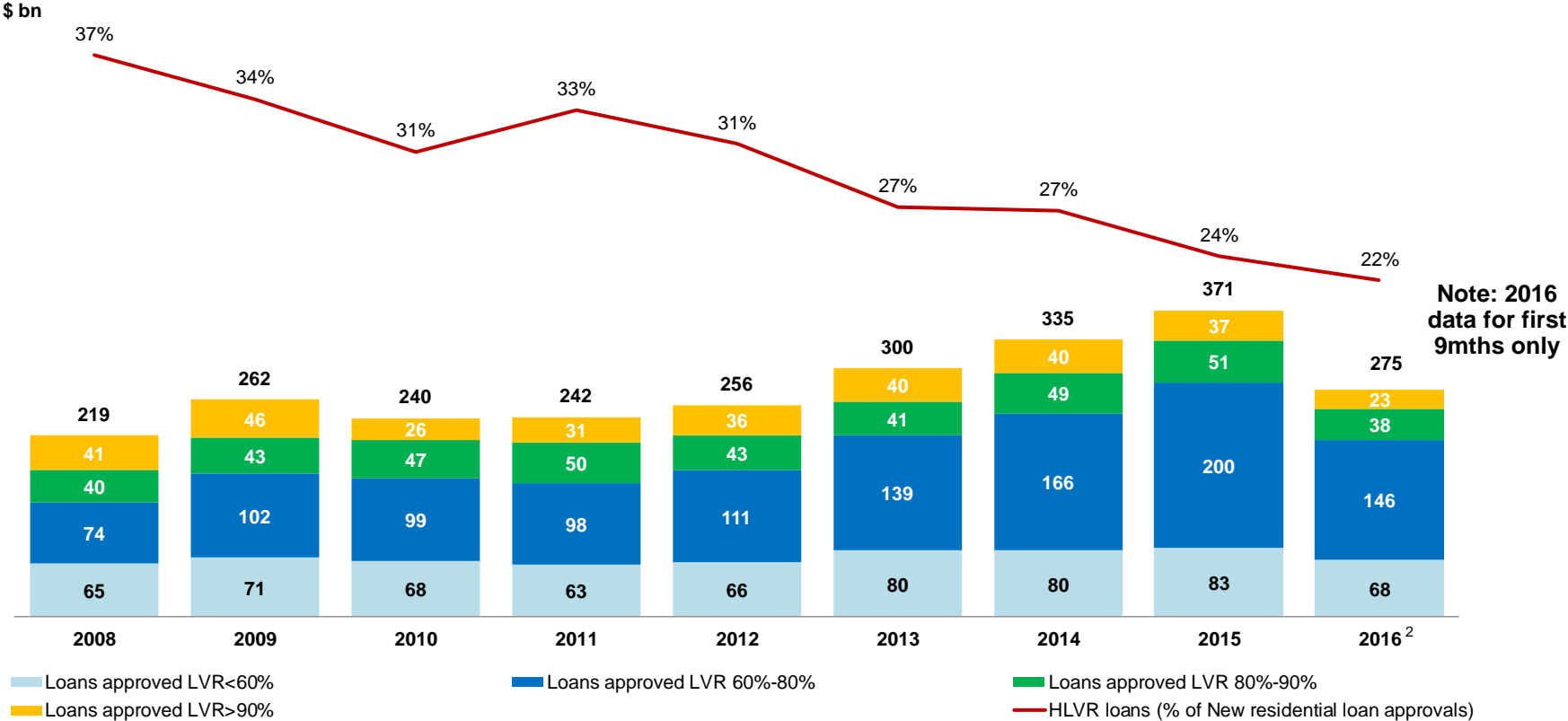
- Increased delinquency development and claims experience from mining regions in Qld and WA.
- NSW and Victoria performing strongly.

## Customer contract renewals

- Renewed agreement with CBA for a further 3 years.
- Multi-year contracts renewed with a number of smaller customers during the year.

# Residential mortgage lending market

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



Note: Totals may not sum due to rounding. Total new residential loans approved in the 9 months to 30 September 2016 was \$275.0 billion, up 0.5% on the previous corresponding period.

- 1. Prior periods have been restated in line with market updates.
- 2. 2016 data is for 9 months to 30 September only.

Sources: APRA Quarterly ADI property exposures statistics (ADI's new housing loan approvals), September 2016.



# Macroeconomic conditions

## Delinquency rates by geography

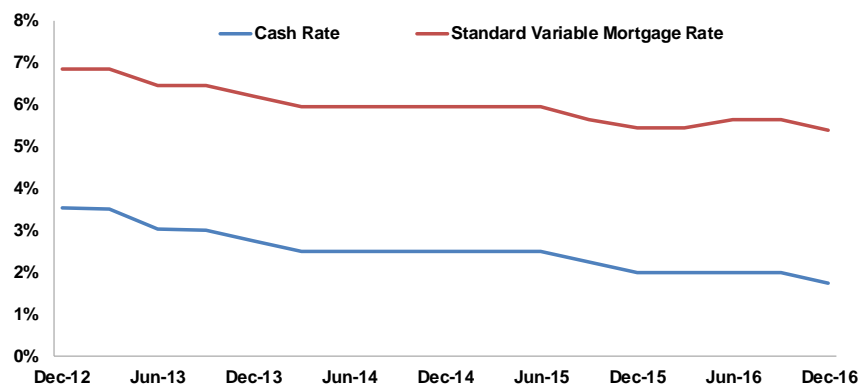
State	Dec 15	Dec 16	Change (basis points)
New South Wales	0.27%	0.30%	3 bps
Victoria	0.33%	0.38%	5 bps
Queensland	0.53%	0.66%	13 bps
Western Australia	0.46%	0.74%	28 bps
South Australia	0.51%	0.61%	10 bps
<b>Group</b>	<b>0.38%</b>	<b>0.46%</b>	<b>8 bps</b>

## Unemployment rates (seasonally adjusted)

State	Dec 15	Dec 16	Change (basis points)
New South Wales	5.1%	5.2%	10 bps
Victoria	5.9%	6.0%	10 bps
Queensland	5.9%	6.2%	30 bps
Western Australia	6.2%	6.6%	40 bps
South Australia	7.2%	6.8%	(40 bps)
<b>National</b>	<b>5.7%</b>	<b>5.8%</b>	<b>10 bps</b>

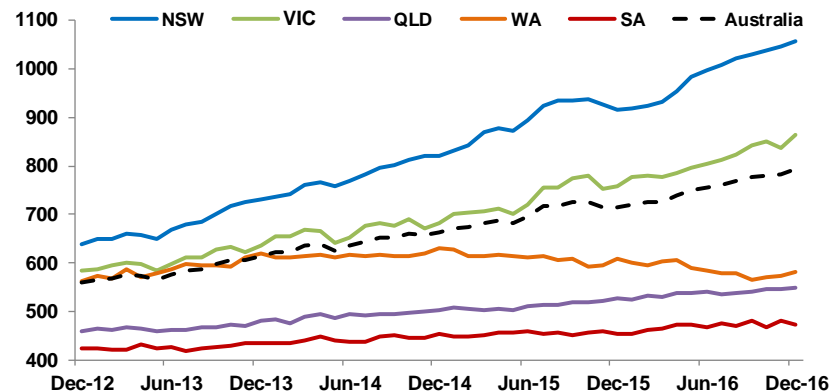
Source: Australian Bureau of Statistics

## Interest rates



Source: Reserve Bank of Australia

## House prices – Capital city dwellings (\$000)



Source: CoreLogic

# Genworth value proposition

Innovation and technology will underpin Genworth's value proposition

## Market & regulatory changes

- Changing credit cycle
- New and refined bank capital requirements
- Tighter liquidity measures
- Increased threat of competition
- Cost pressures



## Genworth value proposition

- Customer focused
- Risk management partner
- Mortgage market insights
- Regulatory advocacy
- Technology driven, lean and agile

Genworth remains focused on the strategic needs of its customers and on delivering a sustainable return on equity for its shareholders.

# Genworth's Strategic Objectives

A refined strategic plan to re-ignite profitable growth over the medium term



**Mission:** We support Australians in realising their dream of home ownership through the provision of capital and risk management solutions to mortgage lenders



**Vision:** To be the leading provider of customer-focused capital and risk management solutions in residential mortgage markets

## Immediate and Ongoing Initiatives (2017-2018)

### 1. Redefine Core Business Model



Cost Efficiency



Underwriting Efficiency



Product Enhancement



Leverage Data and Partnerships



Regulator and Policy Maker Advocacy

## Longer Term Initiatives (2019+)

### 2. Leverage Data and Technology to Add Value Across the Mortgage Value Chain



Product Innovation



Loss Management Solutions



Leverage HLVR Experience and Expertise

## Strategic Enablers



People, Organisation and Cultural Change



Data and Analytics



Technology



Stakeholder Management





# Detailed financial performance

Luke Oxenham, CFO

# FY 2016 income statement

(A\$ millions)	1H15	2H15	FY15	1H16	2H16	FY16	Change FY15 v FY16
Gross written premium	285.4	222.2	507.6	189.8	192.1	381.9	(24.8%)
Movement in unearned premium	(19.7)	61.7	42.0	76.0	66.8	142.8	240.0%
<b>Gross earned premium</b>	<b>265.7</b>	<b>283.9</b>	<b>549.6</b>	<b>265.8</b>	<b>258.9</b>	<b>524.7</b>	<b>(4.5%)</b>
Outwards reinsurance expense	(40.0)	(39.7)	(79.7)	(36.9)	(34.9)	(71.8)	(9.9%)
<b>Net earned premium</b>	<b>225.7</b>	<b>244.2</b>	<b>469.9</b>	<b>228.8</b>	<b>224.0</b>	<b>452.9</b>	<b>(3.6%)</b>
Net claims incurred	(49.9)	(62.8)	(112.7)	(75.4)	(83.4)	(158.8)	40.9%
Acquisition costs	(25.8)	(28.7)	(54.5)	(25.3)	(27.2)	(52.5)	(3.7%)
Other underwriting expenses	(34.4)	(34.1)	(68.5)	(30.5)	(33.6)	(64.0)	(6.6%)
<b>Underwriting result</b>	<b>115.6</b>	<b>118.6</b>	<b>234.2</b>	<b>97.6</b>	<b>79.8</b>	<b>177.6</b>	<b>(24.2%)</b>
Investment income on technical funds <sup>1</sup>	13.5	25.5	39.0	47.6	(7.2)	40.4	3.6%
<b>Insurance profit</b>	<b>129.1</b>	<b>144.1</b>	<b>273.2</b>	<b>145.2</b>	<b>72.6</b>	<b>218.0</b>	<b>(20.2%)</b>
Investment income on shareholder funds <sup>1</sup>	37.6	31.3	68.9	56.2	29.3	85.6	24.2%
Financing costs	(5.5)	(11.0)	(16.5)	(8.2)	(6.0)	(14.2)	(13.9%)
<b>Profit before income tax</b>	<b>161.2</b>	<b>164.4</b>	<b>325.6</b>	<b>193.3</b>	<b>96.1</b>	<b>289.3</b>	<b>(11.1%)</b>
Income tax expense	(48.2)	(49.4)	(97.6)	(57.5)	(28.8)	(86.2)	(11.7%)
<b>Net profit after tax</b>	<b>113.0</b>	<b>115.0</b>	<b>228.0</b>	<b>135.8</b>	<b>67.3</b>	<b>203.1</b>	<b>(10.9%)</b>
<b>Underlying net profit after tax</b>	<b>132.9</b>	<b>131.8</b>	<b>264.7</b>	<b>112.9</b>	<b>99.3</b>	<b>212.2</b>	<b>(19.8%)</b>

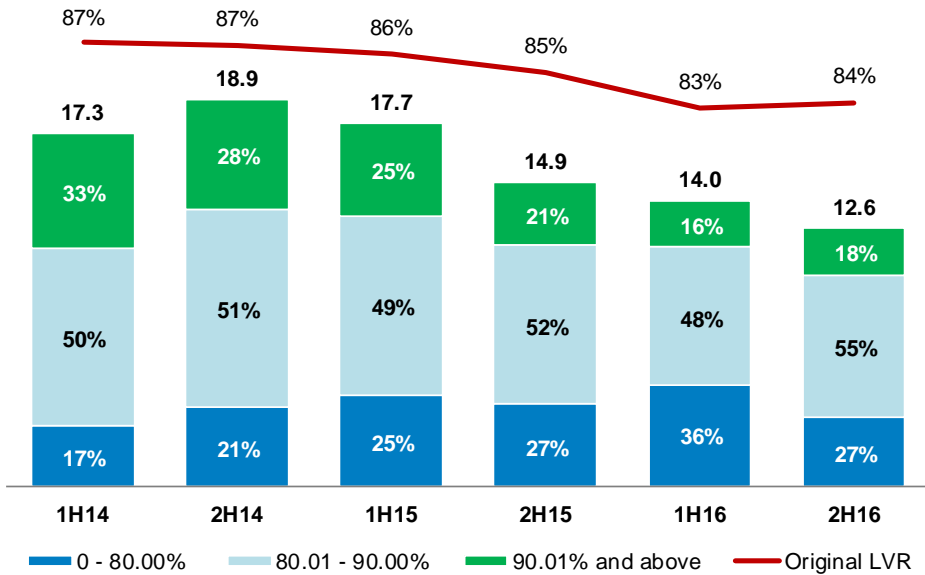
Note: Totals may not sum due to rounding.

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

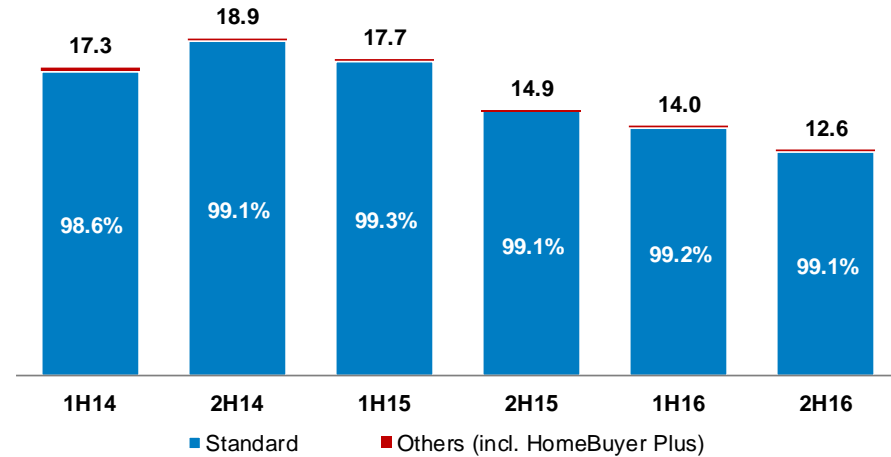
## NIW<sup>1</sup> by original LVR<sup>2</sup> band

\$ bn, %



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

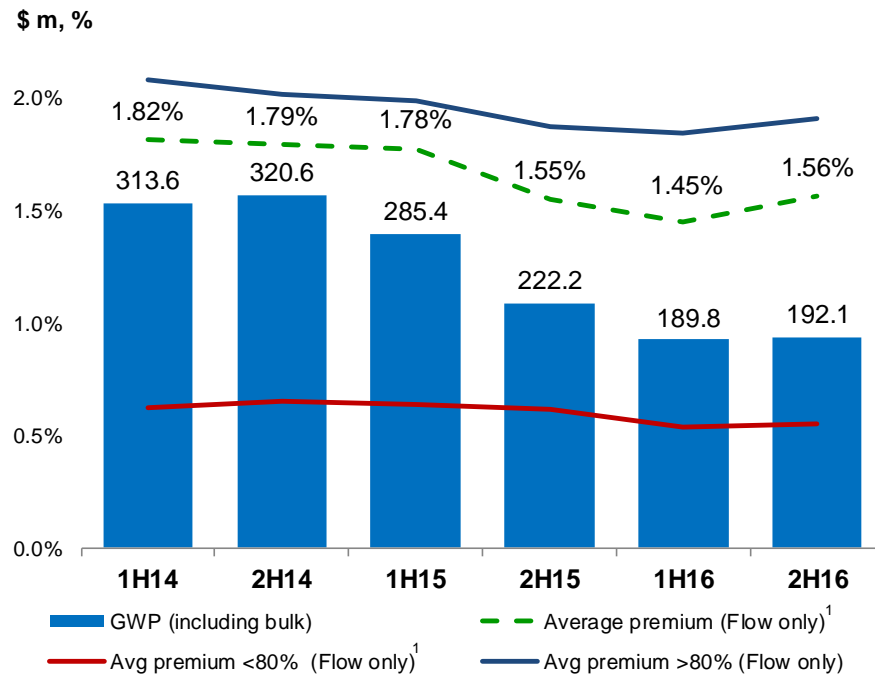
\$ bn, %



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

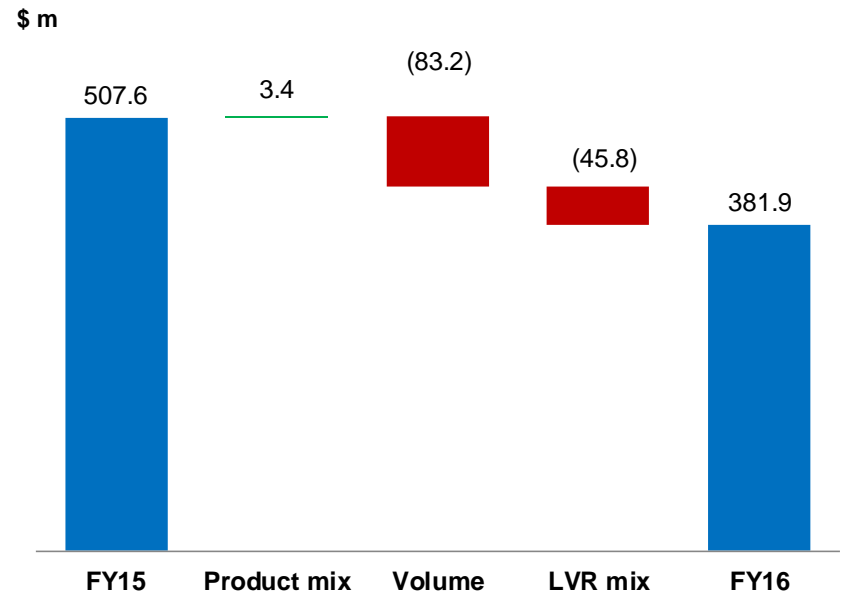
# Gross written premium

## GWP and average price of flow business



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

## GWP walk



# Net incurred claims

(A\$ millions unless otherwise stated)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Number of paid claims (#)	280	288	325	291	280	286	321	312
Average paid claim <sup>1</sup> (\$'000)	62.5	66.9	65.9	71.0	65.8	79.2	73.3	65.0
<b>Claims paid<sup>1</sup></b>	<b>17.5</b>	<b>19.3</b>	<b>21.4</b>	<b>20.6</b>	<b>18.4</b>	<b>22.7</b>	<b>23.5</b>	<b>21.3</b>
Movement in borrower recovery receivable on paid claims	(9.6)	0.7	0.5	(3.4)	0.1	-	-	(1.0)
Movement in reserves	10.5	11.5	19.6	4.1	12.2	22.0	28.9	10.6
<b>Net claims incurred</b>	<b>18.4</b>	<b>31.5</b>	<b>41.5</b>	<b>21.3</b>	<b>30.7</b>	<b>44.7</b>	<b>52.5</b>	<b>30.9</b>
<b>Reported loss ratio (%)</b>	<b>16.6%</b>	<b>27.4%</b>	<b>33.5%</b>	<b>17.8%</b>	<b>27.0%</b>	<b>38.8%</b>	<b>45.3%</b>	<b>28.6%</b>
Borrower recovery receivable establishment	9.6	-	-	-	-	-	-	-
Incurred but not reported (IBNR) adjustment	-	-	(12.2)	(5.4)	-	-	-	-
<b>Normalised net claims incurred</b>	<b>28.0</b>	<b>31.5</b>	<b>29.3</b>	<b>16.0</b>	<b>30.7</b>	<b>44.7</b>	<b>52.5</b>	<b>30.9</b>
Net earned premium	110.8	114.9	123.9	120.3	113.5	115.3	115.9	108.1
Net earned premium earnings curve adjustment	-	-	(11.2)	-	-	-	-	-
<b>Adjusted net earned premium</b>	<b>110.8</b>	<b>114.9</b>	<b>112.7</b>	<b>120.3</b>	<b>113.5</b>	<b>115.3</b>	<b>115.9</b>	<b>108.1</b>
<b>Normalised loss ratio (%)</b>	<b>25.3%</b>	<b>27.4%</b>	<b>26.0%</b>	<b>13.3%</b>	<b>27.0%</b>	<b>38.8%</b>	<b>45.3%</b>	<b>28.6%</b>

Note: Totals may not sum due to rounding.

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

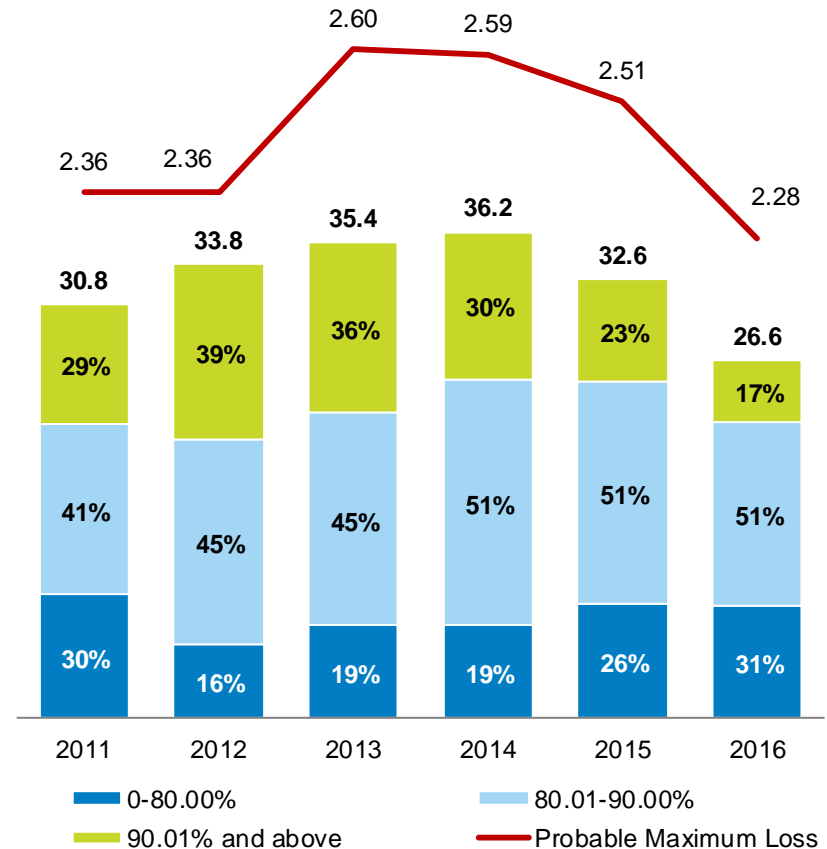
# FY 2016 regulatory capital position

(A\$ in millions)	31 Dec 15	31 Dec 16
<b>Capital Base</b>		
Common Equity Tier 1 Capital	2,351.2	2,012.8
Tier 2 Capital	249.6	200.0
<b>Regulatory Capital Base</b>	<b>2,600.8</b>	<b>2,212.8</b>
<b>Capital Requirement</b>		
Probable Maximum Loss (PML)	2,509.7	2,284.6
Net premiums liability deduction	(290.0)	(288.8)
Allowable reinsurance	(875.5)	(900.5)
<b>LMI Concentration Risk Charge (LMICRC)</b>		
Asset risk charge	76.9	111.0
Asset concentration risk charge	-	-
Insurance risk charge	226.6	229.8
Operational risk charge	27.7	30.0
Aggregation benefit	(37.1)	(52.2)
<b>Prescribed Capital Amount (PCA)</b>	<b>1,638.3</b>	<b>1,413.9</b>
<b>PCA Coverage ratio (times)</b>	<b>1.59 x</b>	<b>1.57 x</b>

Note: Totals may not sum due to rounding.

NIW by original LVR band and Probable Maximum Loss

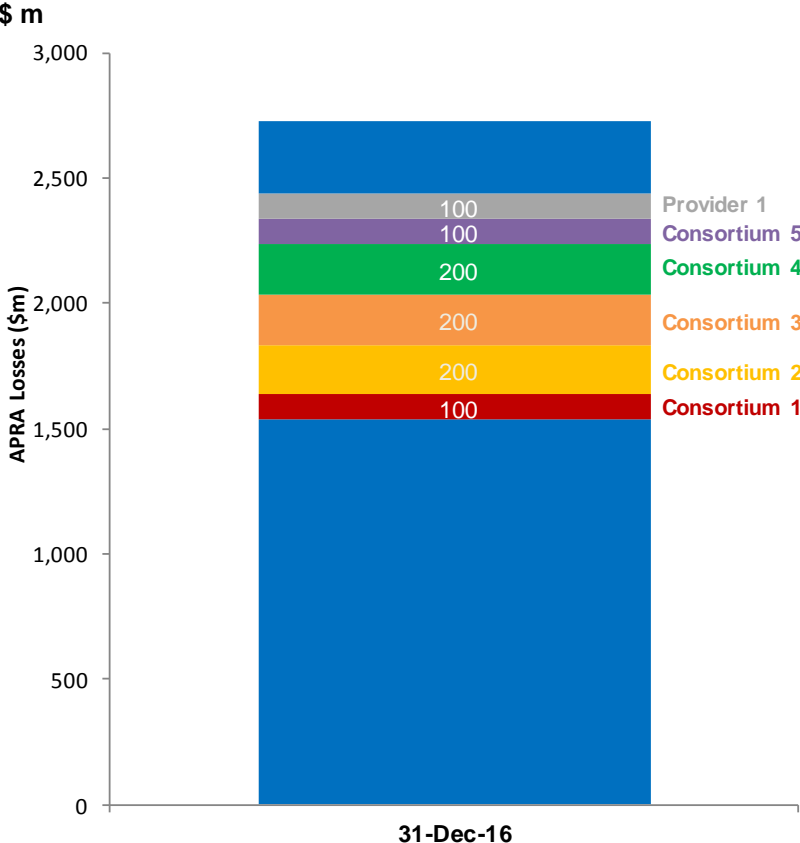
\$ bn



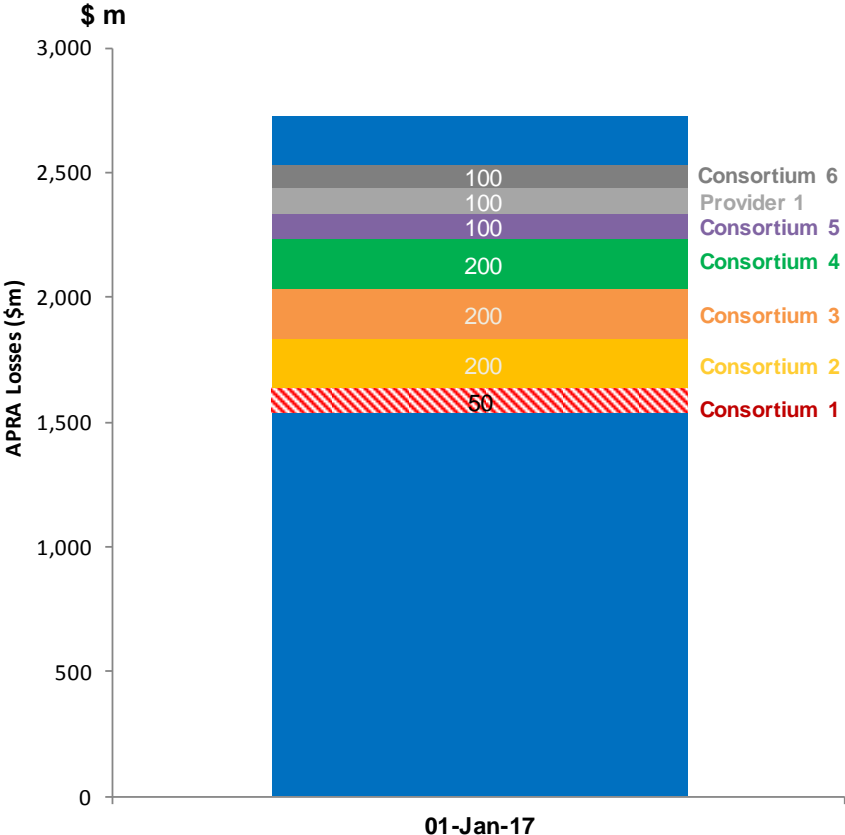
# Reinsurance program

Reinsurance program supports returns and capital objectives

Reinsurance Program 31 Dec 2016 - \$900m cover



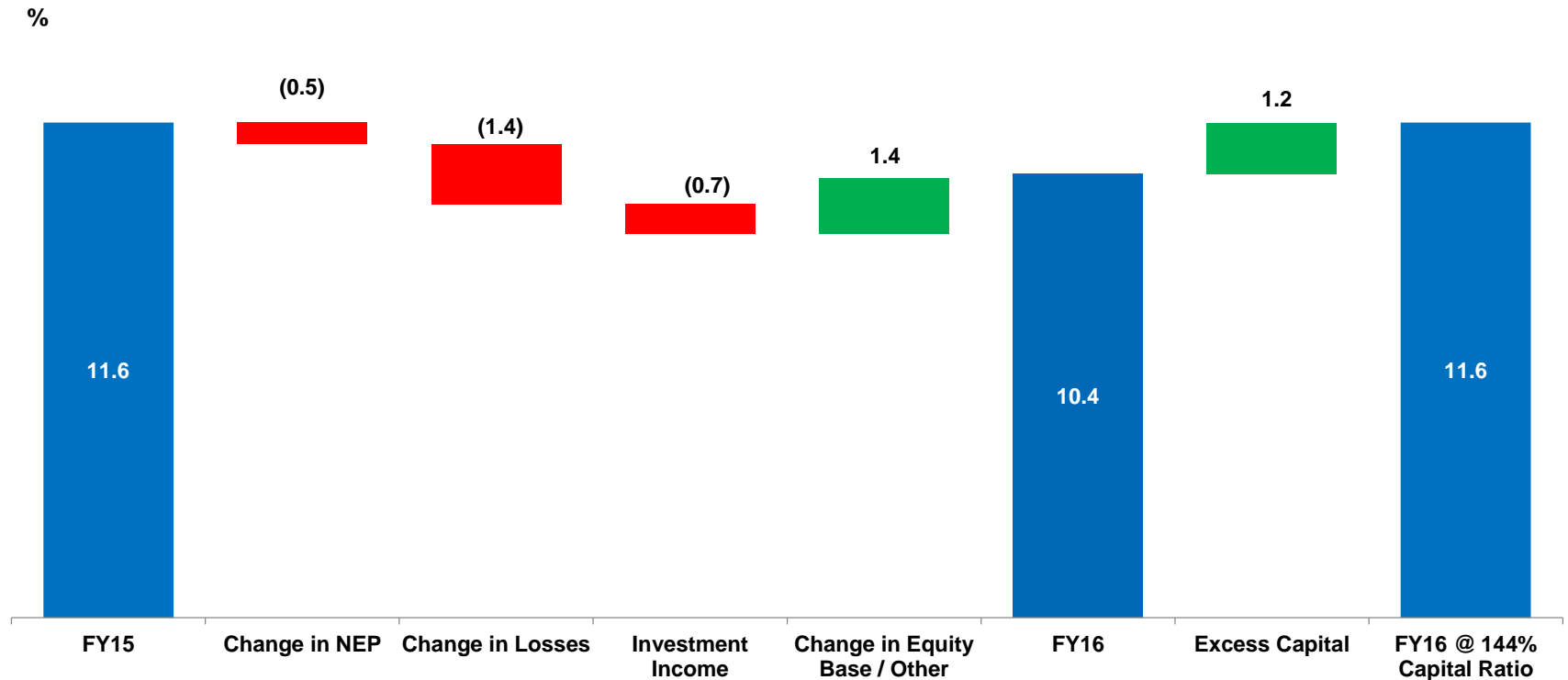
Reinsurance Program 1 January 2017 - \$950m cover



Note: Consortium 1 is \$100m coverage at 50% share

# Composition of Underlying ROE changes

## Underlying ROE Walk from FY15 to FY16





# Ongoing program of capital management

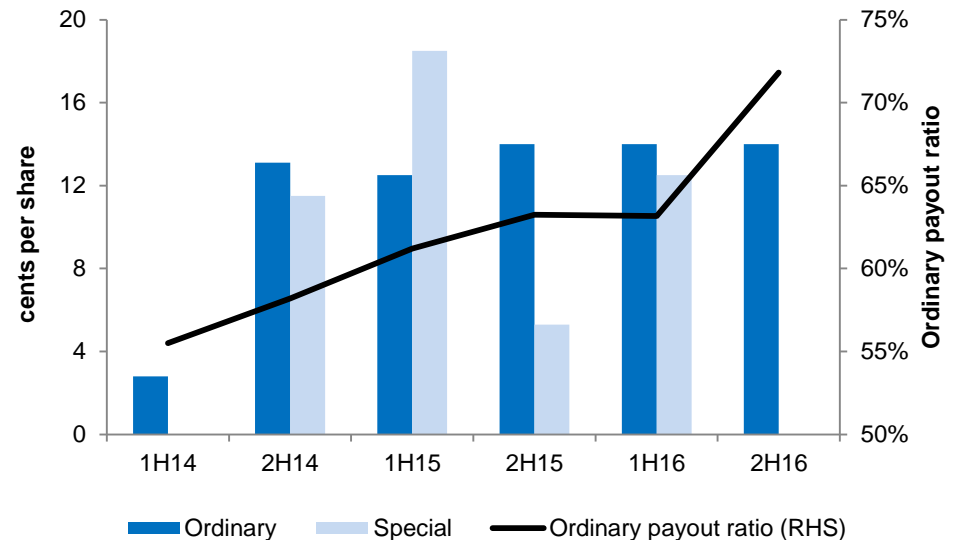
## Recent actions

- Since listing, Genworth has paid out all after-tax profits by way of ordinary and special dividends to shareholders.
- \$202 million or 34 cents per share capital reduction on 1 June 2016.
- 40.5 cents per share of ordinary and special dividends declared with respect of 2016 earnings.
- Reinsurance program of \$950 million as at 1 January 2017. Program was restructured on more favourable terms.

## Future actions being considered

- The Company continues to actively manage its capital position and is continually evaluating its excess capital and potential uses.

## Genworth dividends





# Summary and conclusion

Georgette Nicholas, CEO

# 2017 outlook

- Australian economic conditions have moderated recently as the economy continues to transition away from the mining investment boom.
- The unemployment rate has moved up slightly to 5.8 per cent, but key labour market indicators remain mixed. Under-employment remains near-record highs, implying a greater degree of spare capacity in the economy than indicated by the unemployment rate alone. These dynamics are increasing mortgage stress in certain regional economies and Genworth expects elevated delinquencies in these regions in 2017.
- House price growth is likely to moderate in 2017, with Sydney and Melbourne continuing to outperform the other major cities. There may be a wider variance in price movements of single dwellings compared to high density properties, particularly in east coast capital cities.
- The Company continues to actively manage its capital position and is continually evaluating its excess capital and potential uses.

## Key financial measures - FY17 Guidance

Net earned premium growth	Down 10 to 15 per cent
Full year loss ratio	40 to 50 per cent
Ordinary dividend payout ratio	50 to 80 per cent

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



# Questions

Georgette Nicholas, CEO

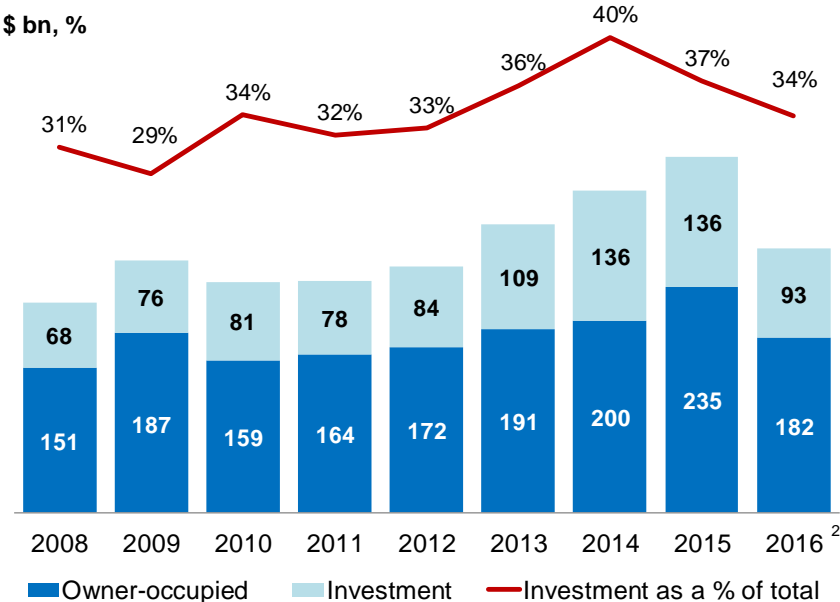
Luke Oxenham, CFO



# Supplementary slides

# Residential mortgage lending market

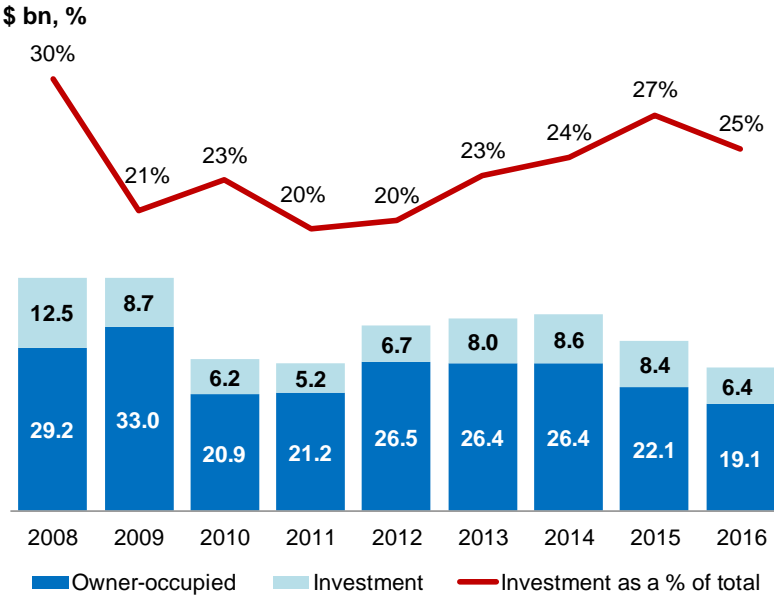
Investment vs. owner-occupied (APRA statistics)<sup>1</sup>



- Investment property lending represented 34% of originations for the period ended 30 September 2016.

1. Prior periods have been restated in line with market updates.  
 2. 2016 data is for 9 months to September 2016 only.  
 Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), September 2016. Statistics only show ADIs mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

Investment vs. owner-occupied<sup>3</sup> (Genworth)



- Investment property lending represented 25% of Genworth's portfolio for the period ended 31 December 2016.

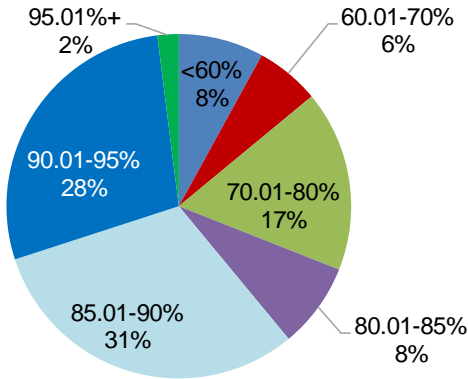
3. Flow NIW only. Owner occupied includes loans for owner occupied and other types.



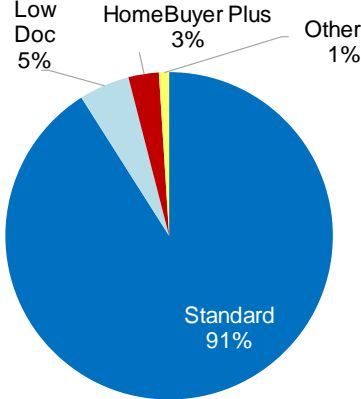
# Insurance in force and New insurance written

## Insurance in force (IIF)<sup>1</sup> by original LVR<sup>2</sup> band, as at 31 December 2016

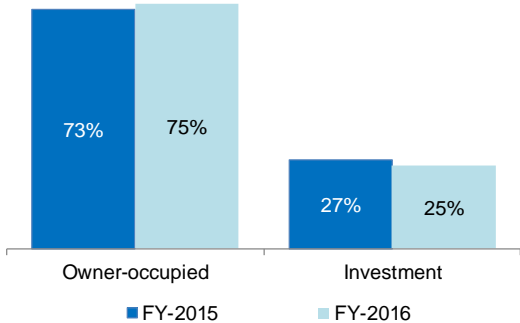
Total IIF \$324 bn



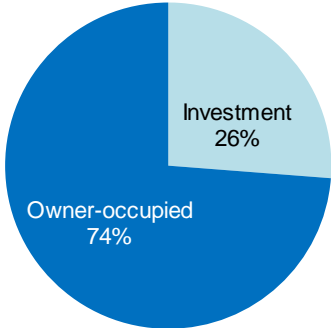
## IIF<sup>1</sup> by product type, as at 31 December 2016



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



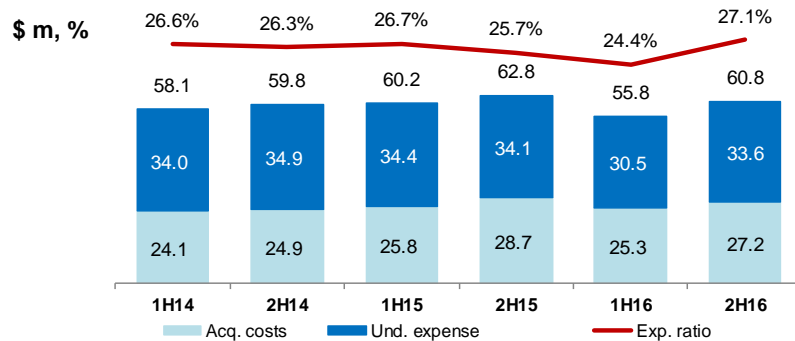
## IIF<sup>1</sup> by loan type, as at 31 December 2016



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

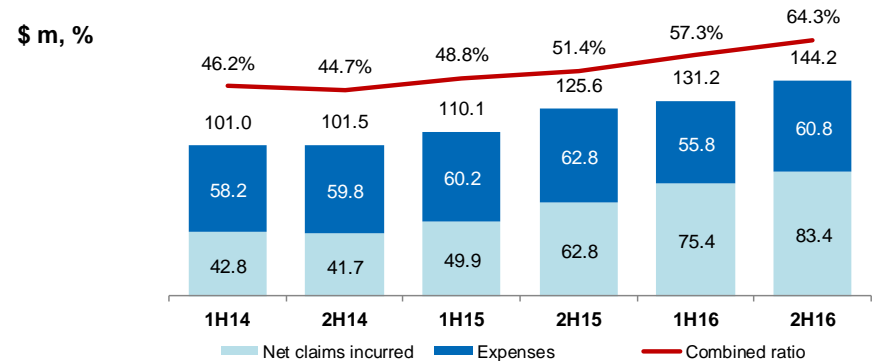
# Insurance ratio analysis

## Expenses



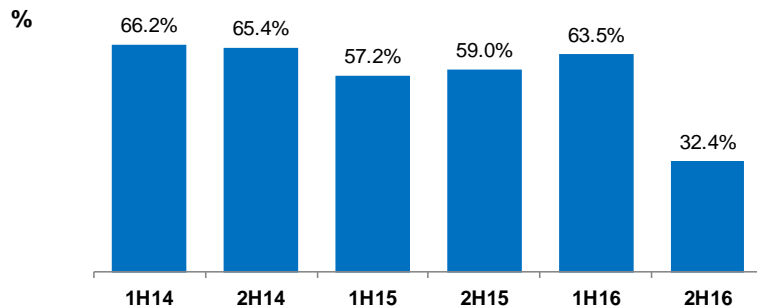
The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium.

## Combined ratio



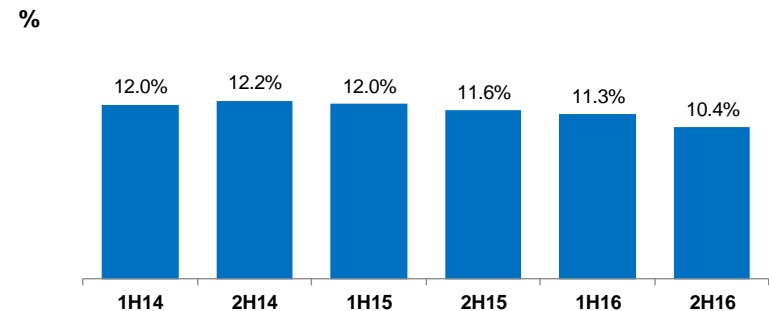
The combined ratio is the sum of the loss ratio and the expense ratio.

## 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.



# 2016 full year performance metrics

Key financial measures	FY15	FY16	Change FY16 vs FY15
NIW (\$ billions)	\$32.6bn	\$26.6bn	(18.4%)
Average price - Flow NIW	1.63%	1.51%	(0.12%)
Gross written premium (\$ millions)	\$507.6 m	\$381.9m	(24.8%)
Net earned premium (\$ millions)	\$469.9 m	\$452.9m	(3.6%)
Loss ratio	24.0%	35.1%	11.1%
Underlying NPAT (\$ millions)	\$264.7m	\$212.2m	(19.8%)
Underlying ROE (trailing 12 months)	11.6%	10.4%	(1.2%)
Total ordinary dividends (cents per share)	26.5	28.0	5.7%
Ordinary dividend payout ratio	62.2%	67.2%	5.0%
Total special dividends (cents per share)	23.8	12.5	(47.5%)

- Strong, stable balance sheet with \$1.2bn of Unearned Premium Reserve (UPR)
- Cash and fixed interest Investment portfolio of \$3.5bn with 2.5 year duration
- Regulatory capital solvency ratio 157% on a Level 2 basis, above the Board's targeted range

# Half yearly financial information

## Financial ratios

Key financial measures	1H15	2H15	1H16	2H16
Loss ratio	22.1%	25.7%	33.0%	37.2%
Expense ratio	26.7%	25.7%	24.4%	27.1%
Combined Ratio	48.8%	51.4%	57.3%	64.3%
Insurance Margin	57.2%	59.0%	63.5%	32.4%
Effective Tax Rate	29.9%	30.0%	29.7%	30.0%
ROE	11.9%	9.7%	11.2%	9.7%
Underlying ROE	12.0%	11.6%	11.3%	10.4%

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

# Delinquency development

## Quarterly delinquency roll and delinquency composition

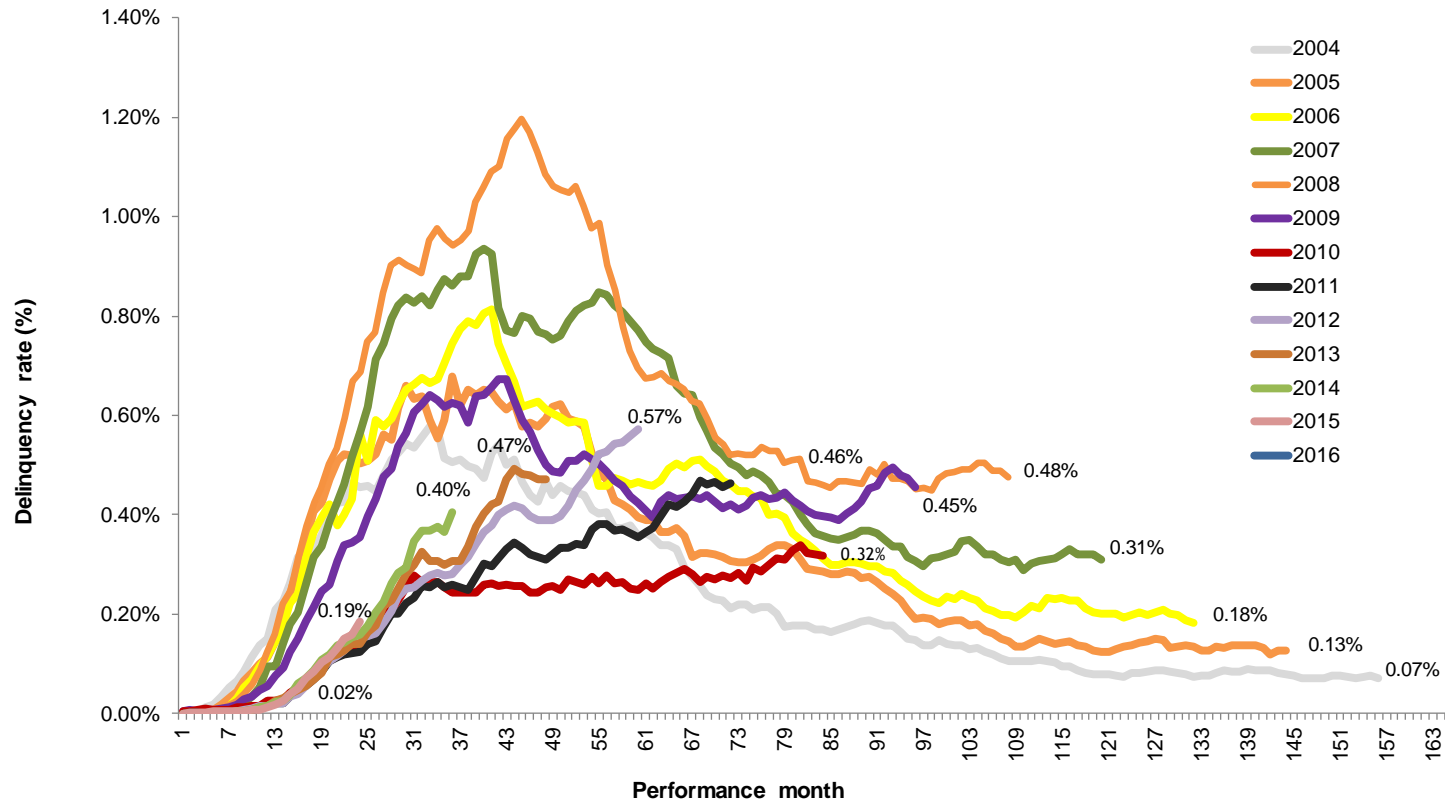
Delinquency roll	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
<b>Opening balance</b>	<b>4,953</b>	<b>5,378</b>	<b>5,900</b>	<b>5,804</b>	<b>5,552</b>	<b>5,889</b>	<b>6,413</b>	<b>6,844</b>
New delinquencies	2,679	3,103	2,782	2,401	2,697	3,215	3,214	2,786
Cures	(1,974)	(2,293)	(2,553)	(2,362)	(2,080)	(2,405)	(2,462)	(2,587)
Paid claims	(280)	(288)	(325)	(291)	(280)	(286)	(321)	(312)
<b>Closing delinquencies</b>	<b>5,378</b>	<b>5,900</b>	<b>5,804</b>	<b>5,552</b>	<b>5,889</b>	<b>6,413</b>	<b>6,844</b>	<b>6,731</b>
Delinquency rate	0.36%	0.40%	0.39%	0.38%	0.40%	0.43%	0.47%	0.46%
Average reserve per delinquency (\$'000)	45.0	43.1	47.4	49.9	49.2	48.8	50.2	52.8

Delinquencies by book year	Dec 15	Dec 16	
2007 and prior	2,074	2,052	0.30%
2008	821	876	1.03%
2009	803	882	0.87%
2010	378	430	0.56%
2011	359	470	0.68%
2012	490	710	0.80%
2013	389	563	0.61%
2014	219	528	0.51%
2015	19	199	0.23%
2016	-	21	0.03%
<b>TOTAL</b>	<b>5,552</b>	<b>6,731</b>	<b>0.46%</b>

Delinquencies by geography	Dec 15	Dec 16	
New South Wales	1,047	1,106	0.30%
Victoria	1,200	1,378	0.38%
Queensland	1,705	2,102	0.66%
Western Australia	751	1,203	0.74%
South Australia	532	623	0.61%
Australian Capital Territory	58	59	0.17%
Tasmania	160	175	0.35%
Northern Territory	27	56	0.36%
New Zealand	72	29	0.07%
	<b>5,552</b>	<b>6,731</b>	<b>0.46%</b>

# 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.
- Post-GFC book years seasoning at lower levels as a result of credit tightening, however accelerated increases for 2012-14 books have been predominantly driven by regional parts of QLD and WA which are currently facing challenges as a result of the downturn in the mining sector.

# Balance sheet and unearned premium reserve

Strong balance sheet with \$3.5bn in cash and investments and \$1.2bn in UPR

## Balance sheet as at 31 December 2016

(A\$ in millions)	31 Dec 15	31 Dec16
<b>Assets</b>		
Cash and cash equivalents	78.1	57.6
Accrued investment income	34.6	28.8
Investments	3,847.8	3,465.0
Deferred reinsurance expense	71.0	80.2
Non-reinsurance recoveries	28.8	34.4
Deferred acquisition costs	145.1	142.0
Deferred tax assets	10.6	10.0
Goodwill and Intangibles	10.1	11.1
Other assets <sup>1</sup>	5.8	4.4
<b>Total assets</b>	<b>4,232.0</b>	<b>3,833.4</b>
<b>Liabilities</b>		
Payables <sup>2</sup>	164.4	130.3
Outstanding claims	277.0	355.5
Unearned premiums	1,320.6	1,177.8
Interest bearing liabilities	244.4	196.0
Employee provisions	6.8	6.4
<b>Total liabilities</b>	<b>2,013.2</b>	<b>1,866.0</b>
<b>Net assets</b>	<b>2,218.7</b>	<b>1,967.4</b>

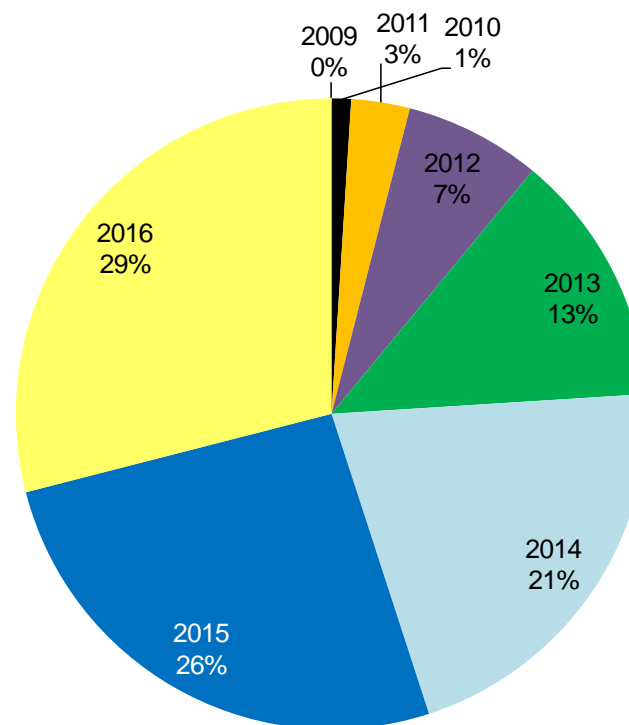
Note: Totals may not sum due to rounding.

1. Includes trade receivables, prepayments and plant and equipment.

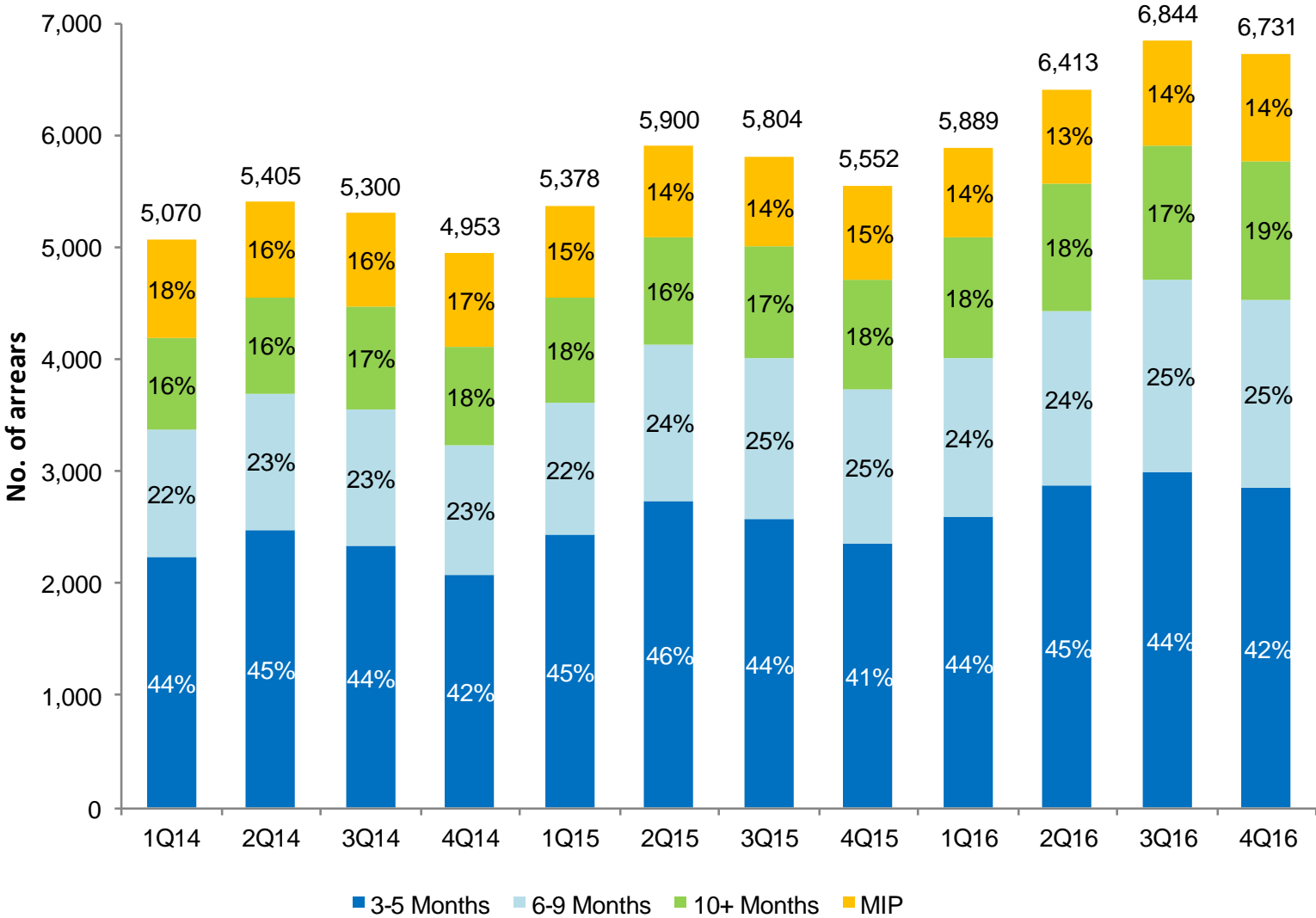
2. Includes reinsurance payables.

## Unearned premium by year as at 31 Dec 2016

Total UPR \$1.2bn



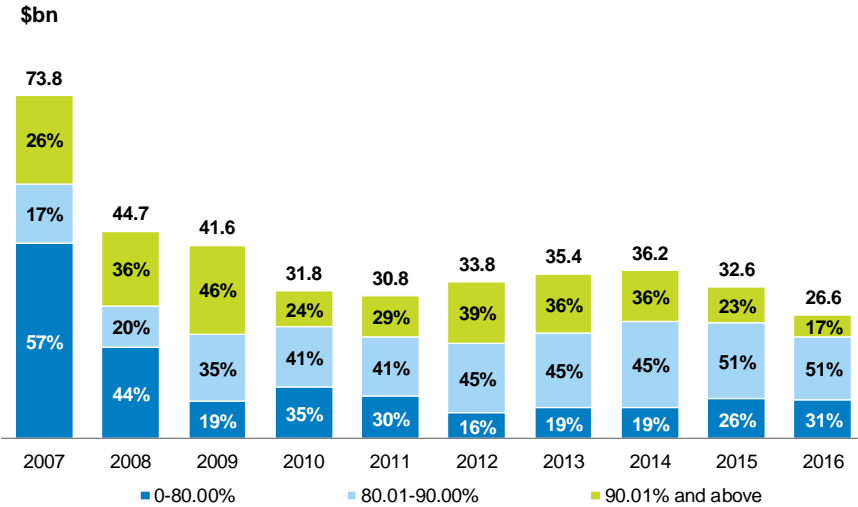
# Delinquency population by months in arrears



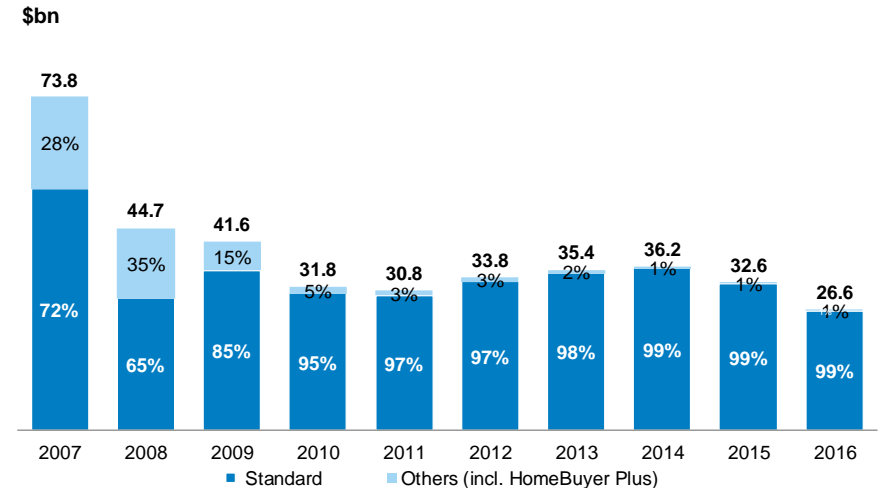
Note: Totals may not sum due to rounding.

# Portfolio evolution

## Annual NIW by LVR

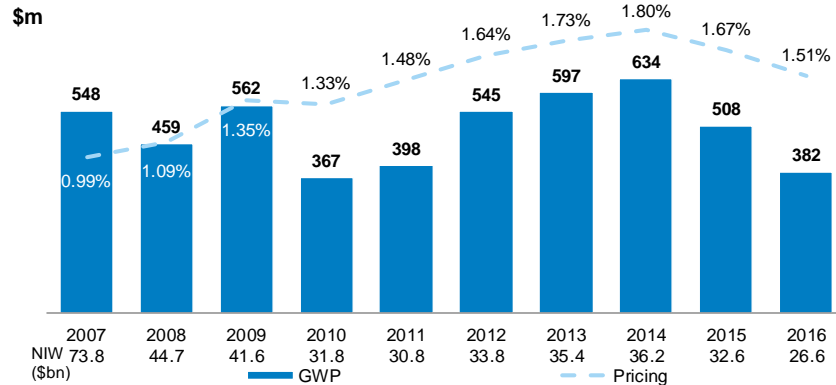


## Annual NIW by Product Type



Source: Australian Bureau of Statistics

## Annual GWP and Average Flow Price<sup>1</sup>

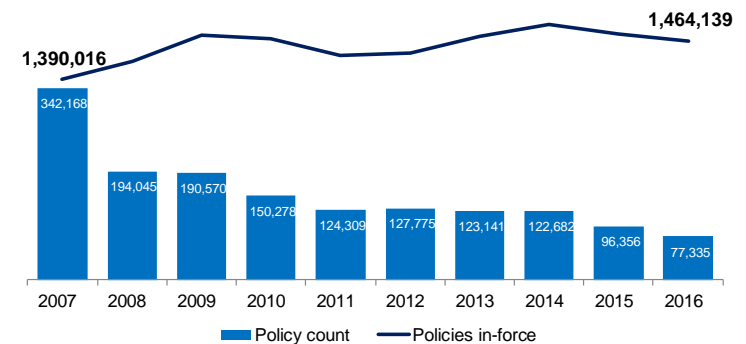


1. Historical NIW has been adjusted in the average premium calculation to reflect risk sharing arrangement

Source: Reserve Bank of Australia

31 | Full Year 2016 Results Presentation – produced by Genworth.

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



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

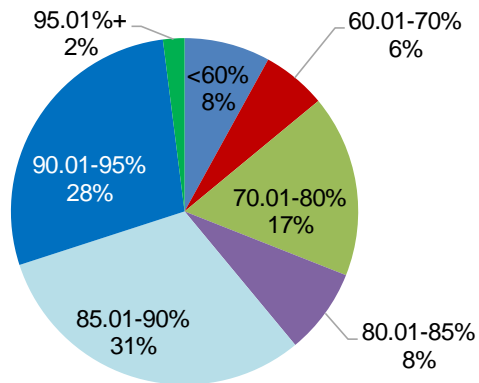
Source: CoreLogic

# Insurance in force

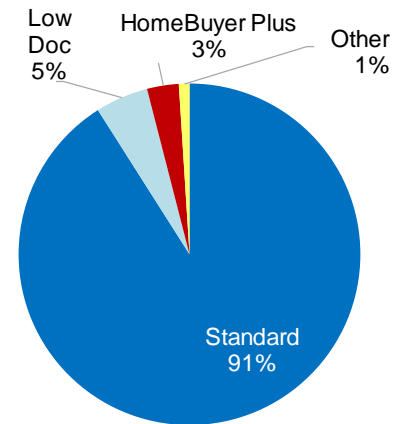
Insurance portfolio as at 31 December 2016 – total \$324 billion

## Insurance in force (IIF)<sup>1</sup> by original LVR<sup>2</sup> band

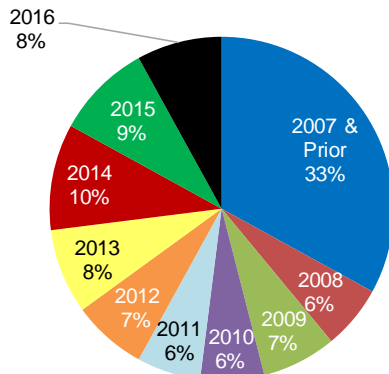
Total IIF \$324 bn



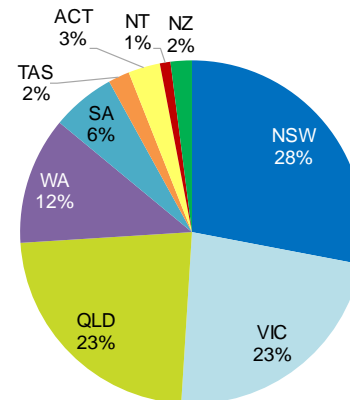
## IIF<sup>1</sup> by product type



## IIF<sup>1</sup> by book year



## IIF<sup>1</sup> by State



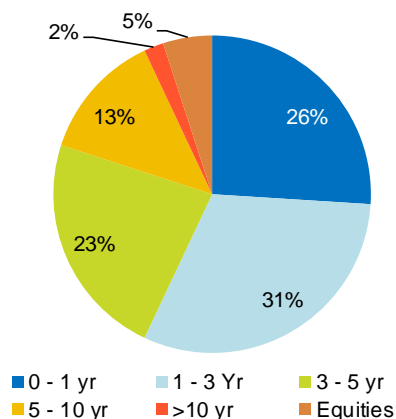
1. NIW and IIF includes capitalised premium.  
 2. Original LVR excludes capitalised premium.



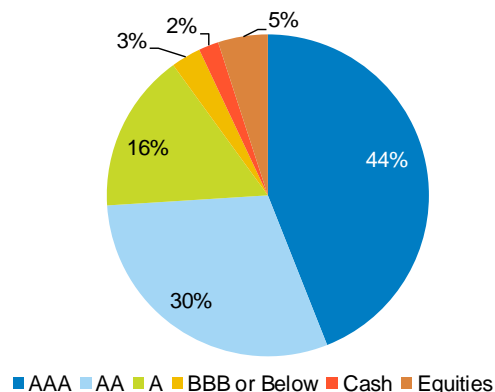
# Investment portfolio

Conservative, well-diversified portfolio with duration to maturity of 2.5 years<sup>1</sup>

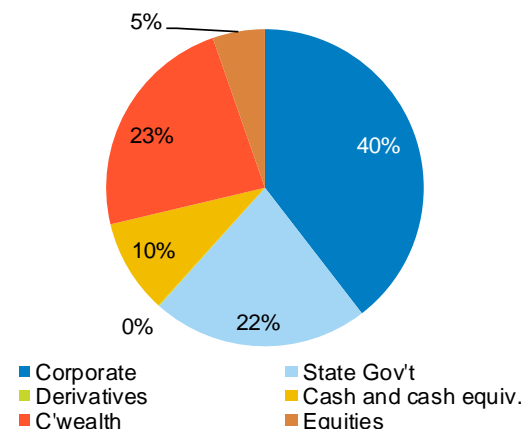
### Investment portfolio by maturity



### Investment portfolio by rating



### Investment portfolio by issuer type



### Investment portfolio by maturity

(as at)	31 Dec 15	31 Dec 16
0-1 Yr	1,181	881
1-3 Yr	938	1,101
3-5 Yr	1,188	817
5-10 Yrs	536	468
> 10 Yrs	83	68
Equities	-	188
<b>Total</b>	<b>3,926</b>	<b>3,523</b>

### Investment portfolio by rating

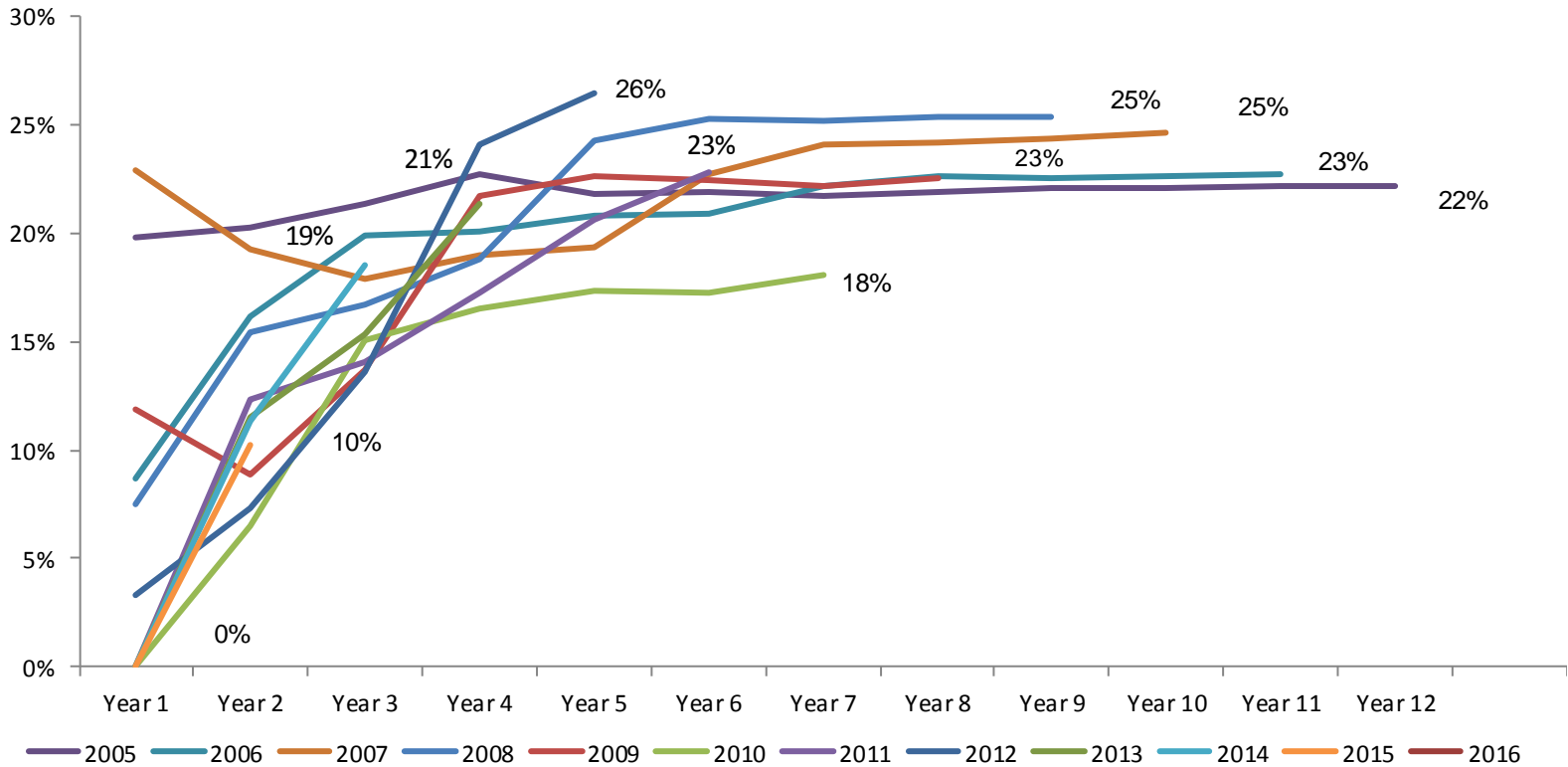
(as at)	31 Dec 15	31 Dec 16
AAA	1,659	1,541
AA	1,355	1,057
A	685	564
BBB or below	149	115
Cash	78	58
Equities	-	188
<b>Total</b>	<b>3,926</b>	<b>3,523</b>

### Investment portfolio by issuer type

(as at)	31 Dec 15	31 Dec 16
C'wealth	684	824
Corporate	1,692	1,393
C'wealth guaranteed	-	-
State gov't	964	777
Cash equiv.	509	280
Cash	78	58
Equities	-	188
Derivatives	-	3
<b>Total</b>	<b>3,926</b>	<b>3,523</b>

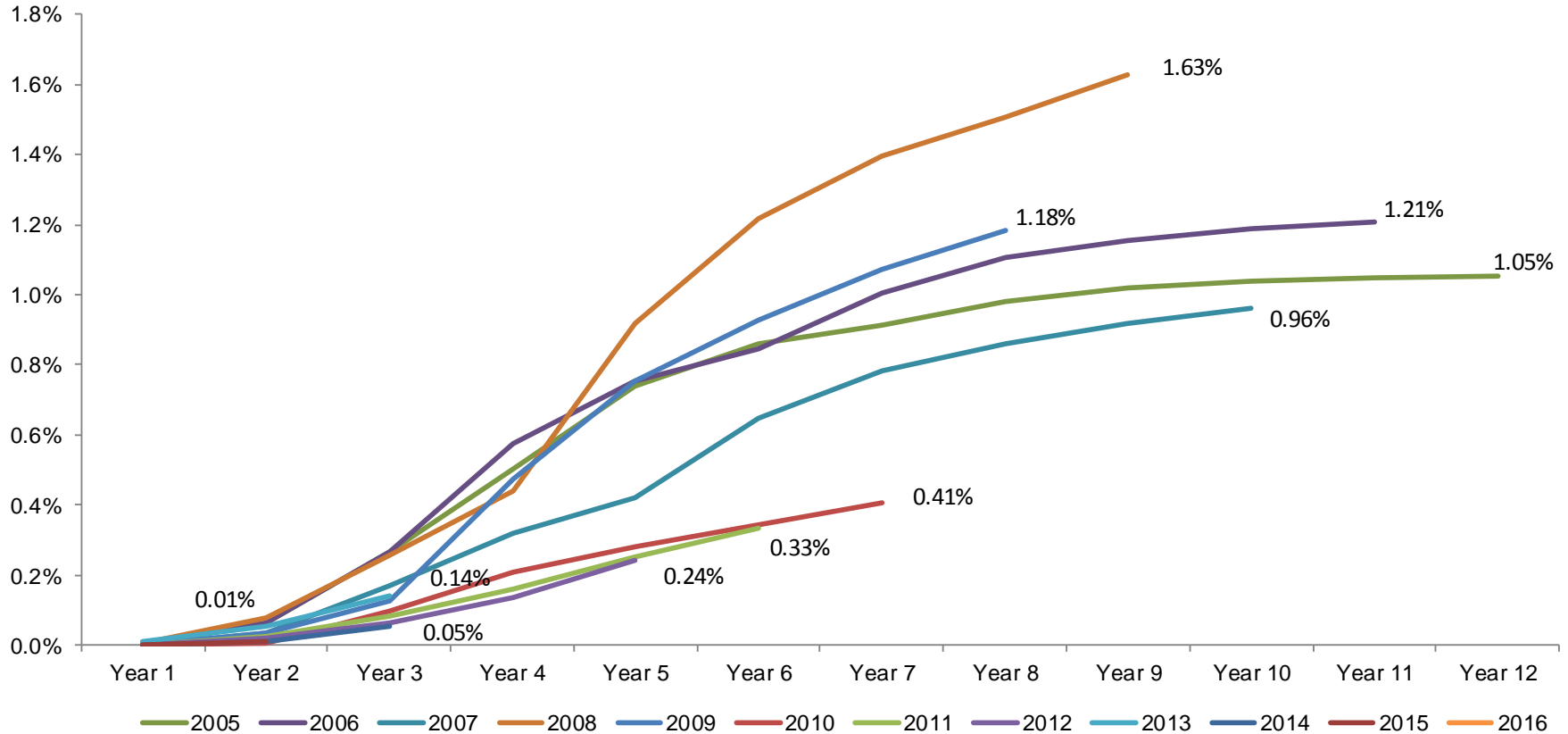
1. Maturity of 2.5 years excludes equities  
 Note: Derivatives has an A grading and 0-1 year maturity

# Claims severity<sup>1</sup>



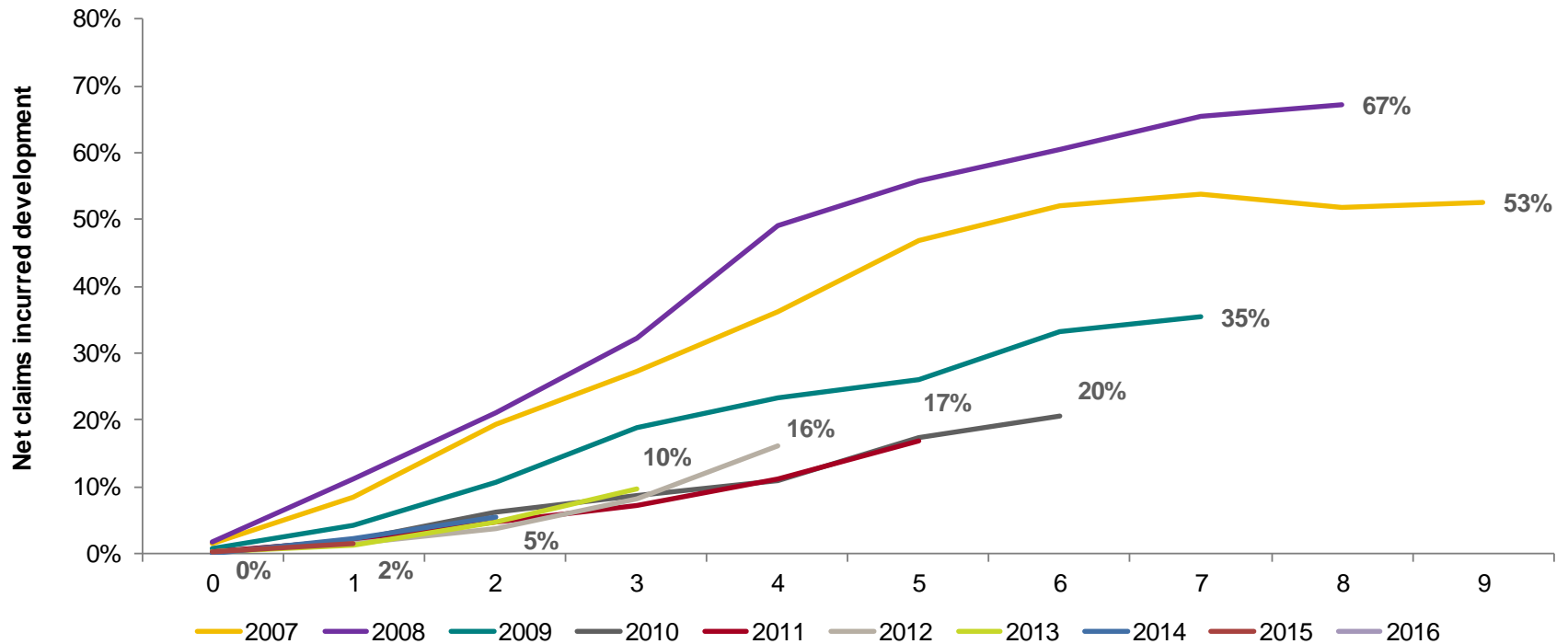
1. Claim severity refers to the size of net claims paid as a proportion of the original residential mortgage loan amount. The above figure excludes Inward Reinsurance, New Zealand, Genworth Financial Mortgage Indemnity and portfolio. Book years between 2011 and 2014 are early in their development and 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 31 December 2016



Note: Excludes Inward Reinsurance, New Zealand, Genworth Financial Mortgage Indemnity and portfolio

# Ever to Date Loss Ratio by Book Year (%) as at 31 December 2016



# Effective LVR

As at 31 Dec 16

Book year	Insurance in force		LVR		Change in house price %
	\$ billion	%	Original	Effective	
2007& prior	70.7	24%	76.6%	33.4%	96%
2008	16.9	6%	81.7%	55.8%	40%
2009	19.0	7%	84.6%	56.9%	36%
2010	15.0	5%	80.9%	61.2%	24%
2011	16.1	6%	83.5%	63.1%	27%
2012	22.8	8%	86.3%	64.8%	30%
2013	26.1	9%	87.2%	68.9%	25%
2014	29.6	10%	87.2%	75.5%	15%
2015	28.4	10%	85.7%	79.7%	7%
2016	25.2	9%	83.6%	82.9%	2%
<b>Total Flow</b>	<b>269.8</b>	<b>93%</b>	<b>81.9%</b>	<b>55.6%</b>	<b>49%</b>
Portfolio	21.8	7%	55.2%	23.6%	97%
<b>Total/ Weighted Avg.</b>	<b>291.6</b>	<b>100%</b>	<b>79.4%</b>	<b>52.6%</b>	<b>54%</b>

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%
<b>Total Flow</b>	<b>265.0</b>	<b>92%</b>	<b>82.0%</b>	<b>57.6%</b>	<b>45%</b>
Portfolio	22.0	8%	54.9%	25.1%	87%
<b>Total/ Weighted Avg.</b>	<b>287.0</b>	<b>100%</b>	<b>79.4%</b>	<b>54.5%</b>	<b>49%</b>

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 year ended 31 Dec 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	A\$M
Premiums	337		337	453						0	453
Interest Income	94		94	126	2					2	128
Realised investment gains/losses	9		9	12			(1)			(1)	11
Unrealised gains/losses	-		0	-			(13)			(13)	(13)
Other income	0		0	0						0	0
<b>Total revenue</b>	<b>440</b>	<b>0</b>	<b>440</b>	<b>591</b>	<b>2</b>	<b>0</b>	<b>(14)</b>	<b>0</b>	<b>0</b>	<b>(12)</b>	<b>579</b>
Net claims incurred	113		113	152				7		7	159
Other underwriting expenses	96		96	129	(17)	(47)			(1)	(65)	64
Amortization of Intangibles	0		0	1						0	1
Acquisition costs (DAC amortisation)	14		14	18		35				35	53
Interest expenses/ financing related costs	10		10	14	(0)				0	0	14
<b>Total expenses</b>	<b>233</b>	<b>0</b>	<b>233</b>	<b>314</b>	<b>(17)</b>	<b>(12)</b>	<b>0</b>	<b>7</b>	<b>(1)</b>	<b>(23)</b>	<b>291</b>
Total pre-tax income	207	0	207	278	19	12	(14)	(7)	1	11	289
Total tax expense	67		67	90	(1)	4	(4)	(2)	0	(4)	86
<b>Net income</b>	<b>140</b>	<b>0</b>	<b>140</b>	<b>188</b>	<b>20</b>	<b>8</b>	<b>(10)</b>	<b>(5)</b>	<b>1</b>	<b>15</b>	<b>203</b>
Less: net income attributable to non-controlling interests	75	(75)	0	0						0	0
<b>Net income available to Genworth common stockholders</b>	<b>65</b>	<b>75</b>	<b>140</b>	<b>188</b>	<b>20</b>	<b>8</b>	<b>(10)</b>	<b>(5)</b>	<b>1</b>	<b>15</b>	<b>203</b>

Note: Totals may not sum due to rounding.

- 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 AIFRS seeing a higher level of deferral and amortisation.
- c) Under AIFRS unrealised gains/(losses) on investments are recognised in the income statement.
- d) AIFRS 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.