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Genworth Mortgage Insurance Australia

3Q 2016 Financial Results Presentation

4 November 2016



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Introduction

Georgette Nicholas, CEO

3Q 2016 and YTD financial results summary

(A\$ millions)	3Q15	3Q16	Change %
Gross written premium	124.7	92.5	(25.8%)
Net earned premium	123.9	115.9	(6.5%)
Reported net profit after tax	65.5	46.7	(28.7%)
Underlying net profit after tax	58.7	47.4	(19.3%)

(A\$ millions)	YTD15	YTD16	Change %
Gross written premium	410.0	282.2	(31.2%)
Net earned premium	349.6	344.8	(1.4%)
Reported net profit after tax	178.5	182.6	2.3%
Underlying net profit after tax	191.6	160.3	(16.3%)

Key financial measure	2016 guidance	YTD16 actual
NEP growth	Down approx. 5%	(1.4%)
Full year loss ratio	Approx. 35%	37.1%
Dividend payout ratio	50%-80%	63.2%

3Q result in line with expectations

- High LVR segment impacted by reduced lender risk appetite.
- Sequential improvement in average flow price reflects product mix and recent premium rate increases.
- Reported NPAT includes after-tax mark-to-market loss of \$0.7 million on the investment portfolio.

Pressure from mining regions; focus on risk management

- Continued pressure from mining regions on delinquency development and claims experience.
- Focus on maintaining risk management discipline in a changing market.

Customer contract renewals

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

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



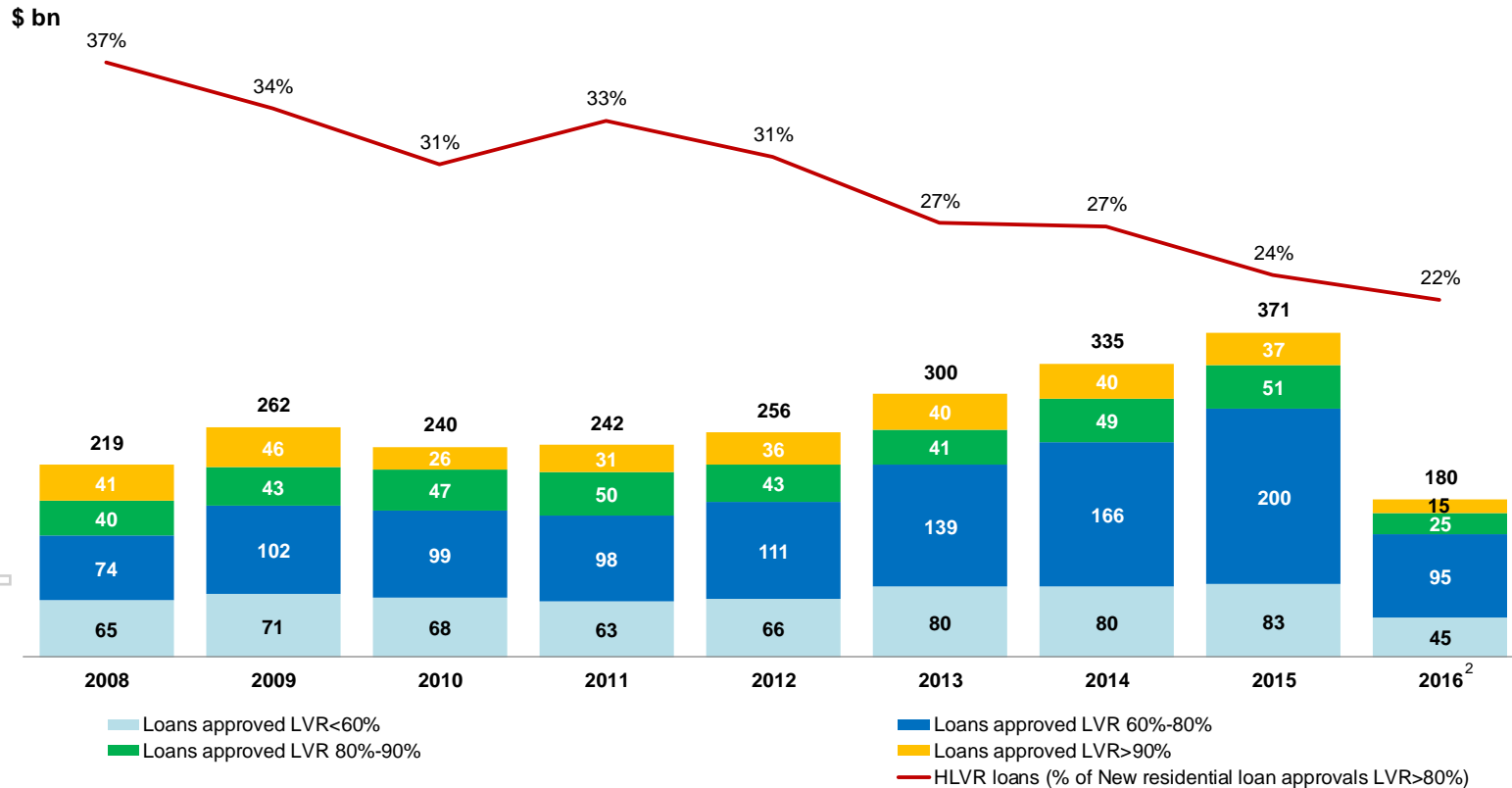
Genworth value proposition

- 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.

Residential mortgage lending market

Originations and HLVR penetration¹



Note: Totals may not sum due to rounding. Total new residential loans approved in the 6 months to 30 June 2016 was \$98.4 billion, up 2.1% on the previous corresponding period.

1. Prior periods have been restated in line with market updates.

2. 2016 data is for 6 months to 30 June only.

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

Macroeconomic conditions

Delinquency rates of geography

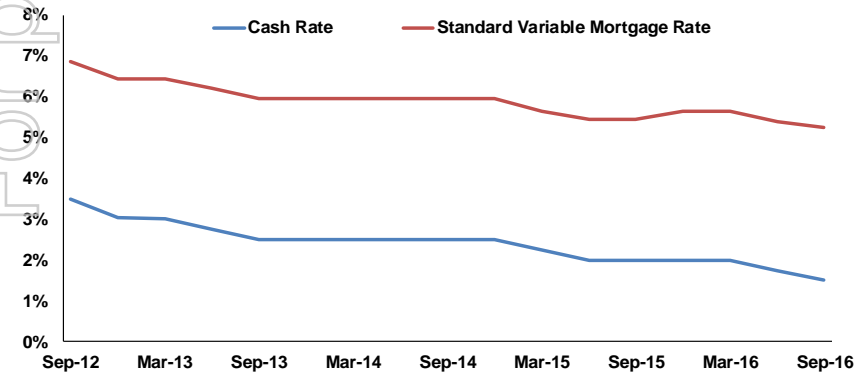
State	Sep 15	Sep 16	Change (basis points)
New South Wales	0.30%	0.32%	2 bps
Victoria	0.35%	0.39%	4 bps
Queensland	0.57%	0.67%	10 bps
Western Australia	0.45%	0.69%	24 bps
South Australia	0.50%	0.62%	12 bps
Group	0.39%	0.47%	8 bps

Unemployment rates (seasonally adjusted)

State	Sep 15	Sep 16	Change (basis points)
New South Wales	5.8%	4.9%	(9 bps)
Victoria	6.2%	5.7%	(5 bps)
Queensland	6.3%	6.0%	(3 bps)
Western Australia	6.0%	6.2%	2 bps
South Australia	7.6%	6.7%	(9 bps)
National	6.0%	5.6%	(4 bps)

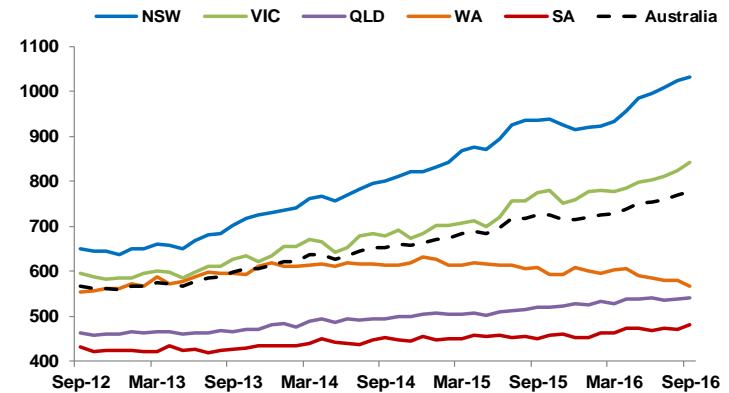
Source: Australian Bureau of Statistics

Interest rates



Source: Reserve Bank of Australia

House prices – Capital city dwellings (\$000)



Source: CoreLogic

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Detailed financial performance

Luke Oxenham, CFO

3Q 2016 income statement

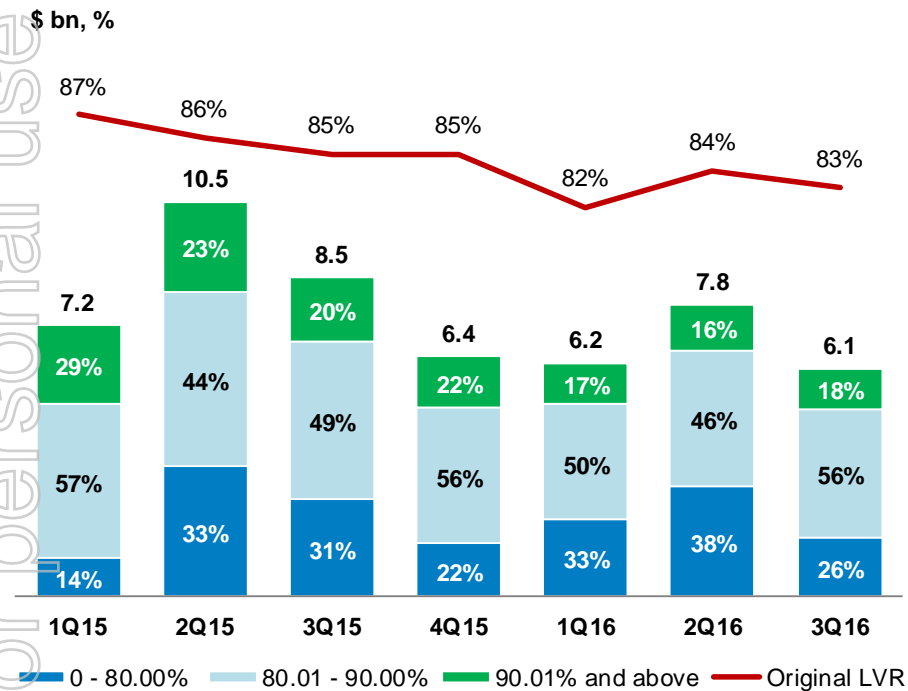
(A\$ millions)	3Q15	3Q16	Change
Gross written premium	124.7	92.5	(25.8%)
Movement in unearned premium	19.2	40.7	112.0%
Gross earned premium	143.9	133.2	(7.4%)
Outwards reinsurance expense	(20.0)	(17.3)	(13.5%)
Net earned premium	123.9	115.9	(6.5%)
Net claims incurred	(41.5)	(52.5)	26.5%
Acquisition costs	(14.8)	(13.5)	(8.8%)
Other underwriting expenses	(17.1)	(16.4)	(4.1%)
Underwriting result	50.5	33.5	(33.7%)
Investment income on technical funds ¹	24.8	11.5	(53.6%)
Insurance profit	75.3	45.0	(40.2%)
Investment income on shareholder funds ¹	25.6	24.8	(3.1%)
Financing costs	(7.0)	(3.1)	(55.7%)
Profit before income tax	93.9	66.8	(28.9%)
Income tax expense	(28.4)	(20.0)	(29.6%)
Net profit after tax	65.5	46.7	(28.7%)
Underlying net profit after tax	58.7	47.4	(19.3%)

Note: Totals may not sum due to rounding.

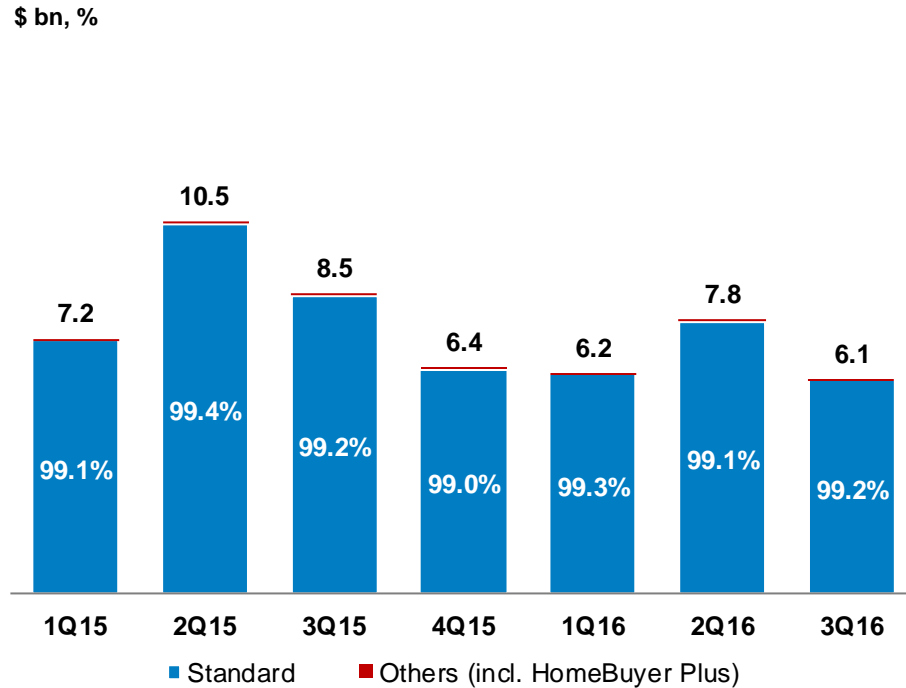
1. Investment income on technical funds and shareholder funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

New insurance written

NIW¹ by original LVR² band



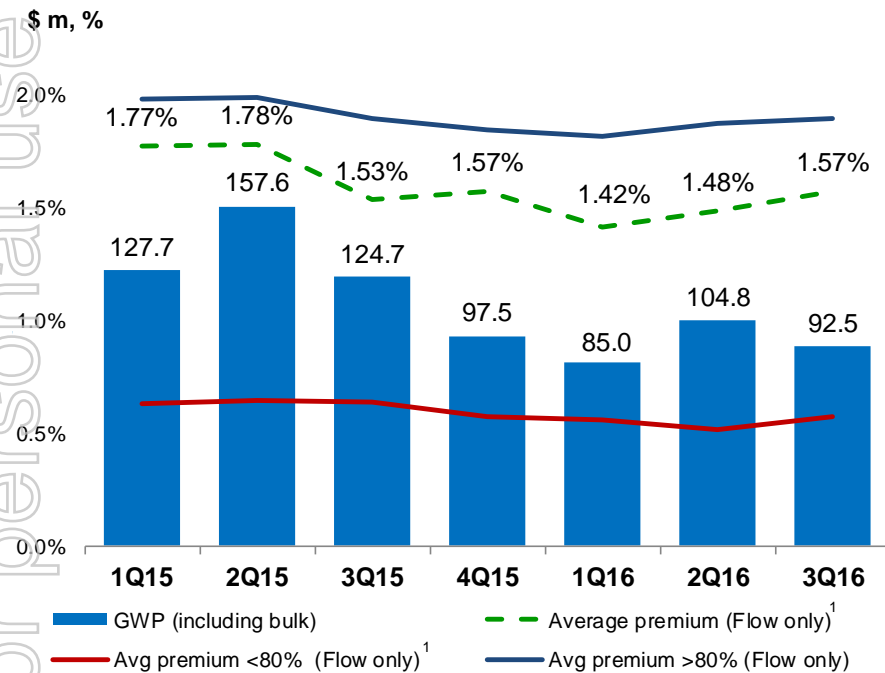
NIW¹ by product type



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

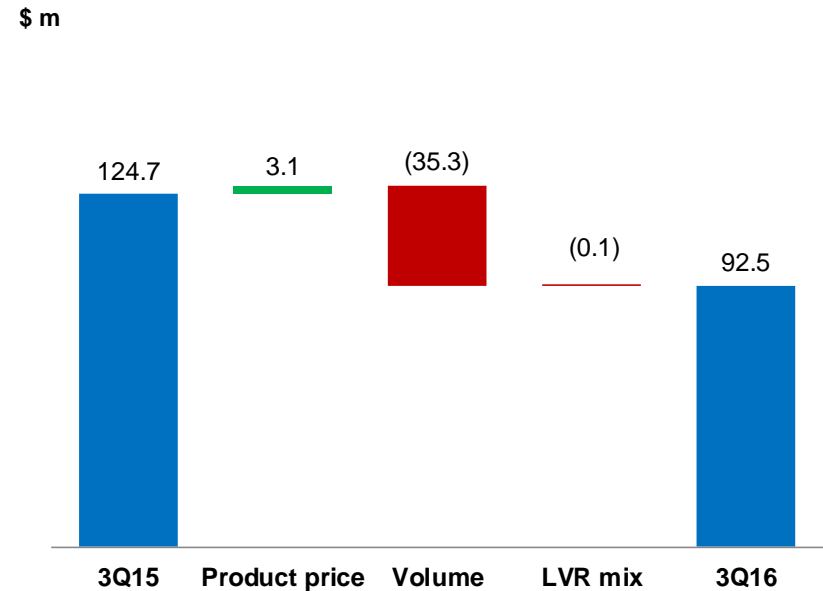
Gross written premium

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
Number of paid claims (#)	280	288	325	291	280	286	321
Average paid claim ¹ (\$'000)	62.5	66.9	65.9	71.0	65.8	79.2	73.3
Claims paid¹	17.5	19.3	21.4	20.6	18.4	22.7	23.5
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	28.9
Net claims incurred	18.4	31.5	41.5	21.3	30.7	44.7	52.5
Reported loss ratio (%)	16.6%	27.4%	33.5%	17.8%	27.0%	38.8%	45.3%
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	52.5
Net earned premium	110.8	114.9	123.9	120.3	113.5	115.3	115.9
Net earned premium earnings curve adjustment	-	-	(11.2)	-	-	-	-
Adjusted net earned premium	110.8	114.9	112.7	120.3	113.5	115.3	115.9
Normalised loss ratio (%)	25.3%	27.4%	26.0%	13.3%	27.0%	38.8%	45.3%

Note: Totals may not sum due to rounding.

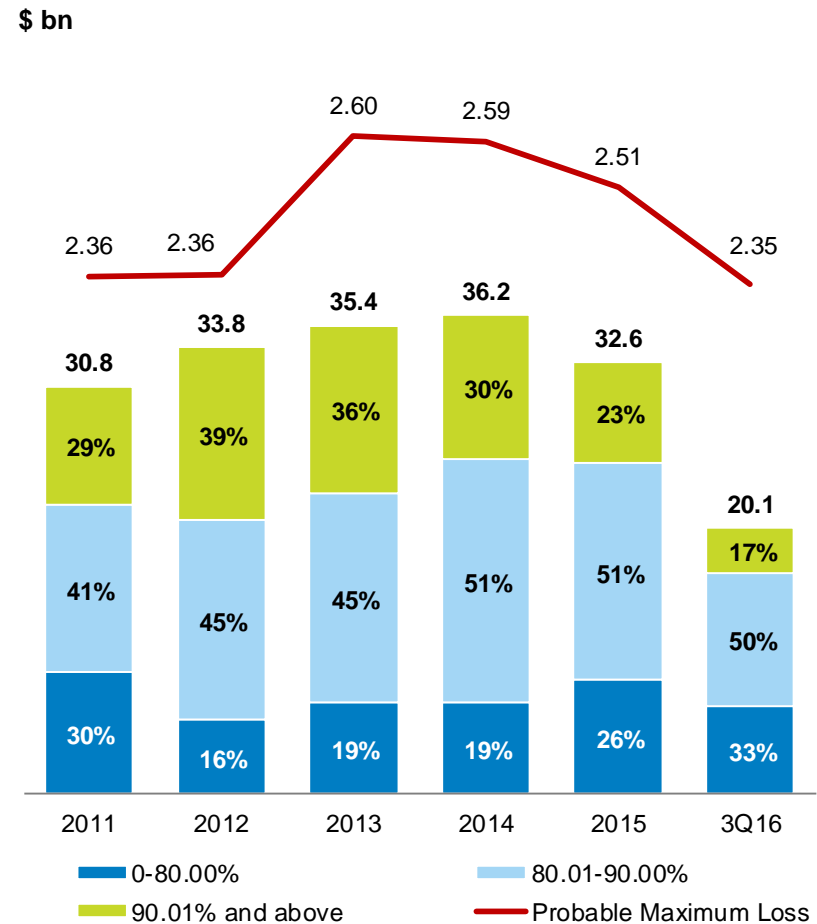
1. Movement in borrower recovery receivable on paid claims is excluded from average paid claim calculation and claims paid.

3Q 2016 regulatory capital position

(A\$ in millions)	31 Dec 15	30 Sep 16
Capital Base		
Common Equity Tier 1 Capital	2,351.2	1,990.9
Tier 2 Capital	249.6	200.0
Regulatory Capital Base	2,600.8	2,190.9
Capital Requirement		
Probable Maximum Loss (PML)	2,509.7	2,348.7
Net premiums liability deduction	(290.0)	(307.6)
Allowable reinsurance	(875.5)	(950.5)
LMI Concentration Risk Charge (LMICRC)	1,344.2	1,090.6
Asset risk charge	76.9	121.4
Asset concentration risk charge	-	-
Insurance risk charge	226.6	231.9
Operational risk charge	27.7	30.7
Aggregation benefit	(37.1)	(56.7)
Prescribed Capital Amount (PCA)	1,638.3	1,417.9
PCA Coverage ratio (times)	1.59 x	1.55x

Note: Totals may not sum due to rounding.

NIW by original LVR band and Probable Maximum Loss



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Summary and conclusion

Georgette Nicholas, CEO

2016 outlook

Overall conditions are favourable despite pressure from some regional areas

- Australian economic conditions overall remain stable, though there are areas of pressure. Low unemployment rates and record-low interest rates are supporting serviceability and a continued focus by regulators is promoting sound lending standards.
- 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.
- The Company continues to focus on optimising its capital structure and is evaluating capital management initiatives that could be implemented in the future.

Key financial measures - FY16 Guidance

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

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.

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Questions

Georgette Nicholas, CEO

Luke Oxenham, CFO

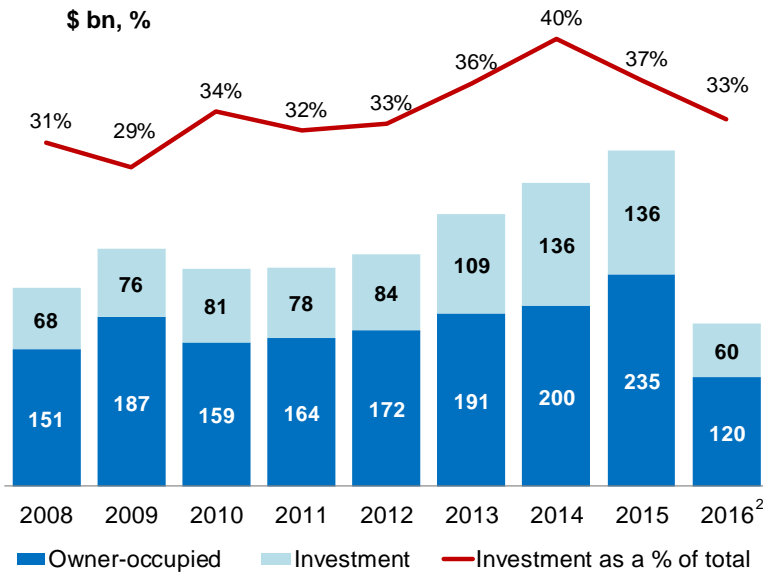
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Supplementary slides

Residential mortgage lending market

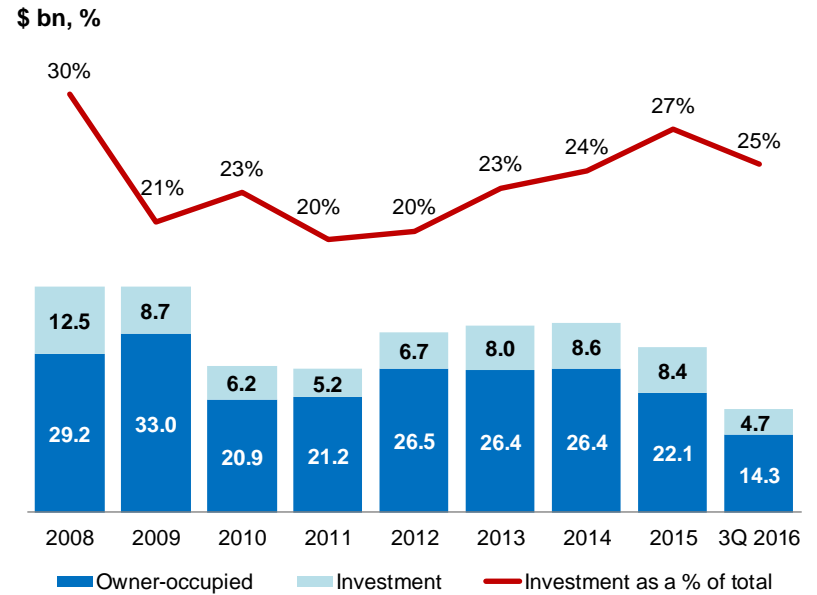
Investment vs. owner-occupied (APRA statistics)¹



Investment property lending represented 33% of originations for the period ended 30 June 2016.

1. Prior periods have been restated in line with market updates.
 2. 2016 data is for 6 months to June 2016 only.
 Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), June 2016. Statistics only show ADIs mortgage portfolios above \$1 billion, thereby excluding small lenders and non-banks.

Investment vs. owner-occupied³ (Genworth)



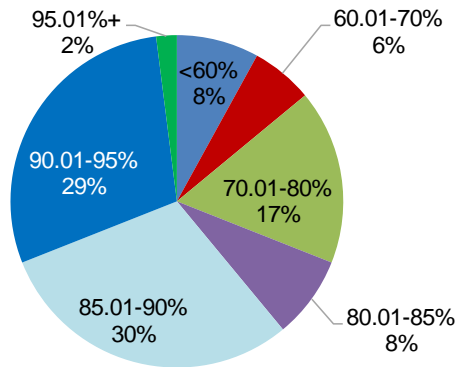
Investment property lending represented 25% of Genworth's portfolio for the period ended 30 Sept 2016.

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

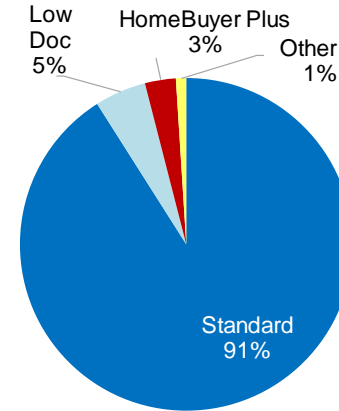
Insurance in force and New insurance written

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

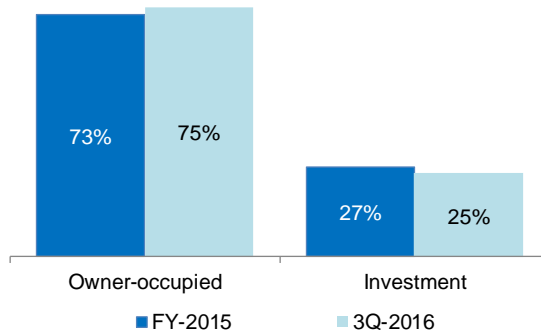
Total IIF \$323bn



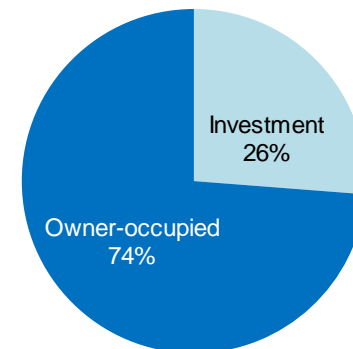
IIF¹ by product type, as at 30 September 2016



Flow NIW¹ by loan type



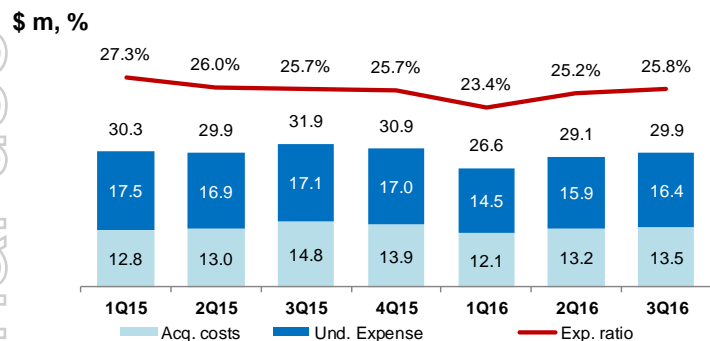
IIF¹ by loan type, as at 30 September 2016



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

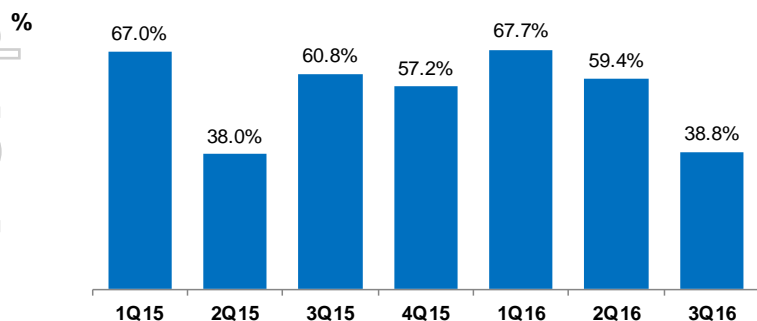
Insurance ratio analysis

Expenses



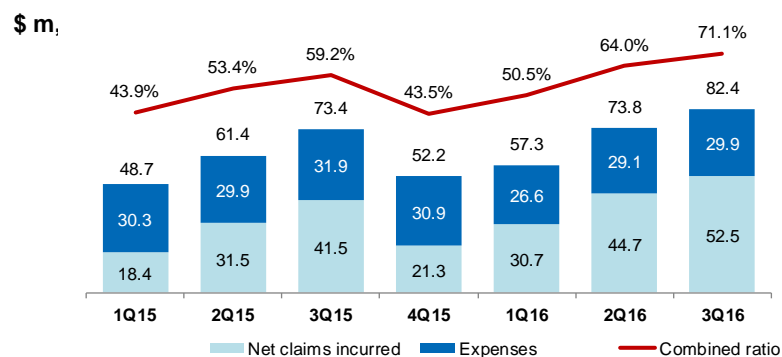
The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium.

Insurance margin



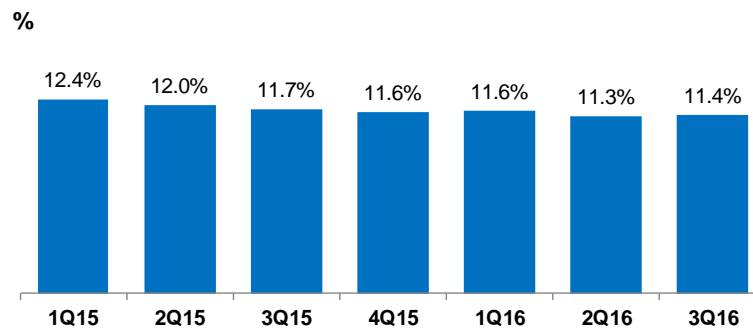
The insurance margin is calculated by dividing the profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses) by the net earned premium.

Combined ratio



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

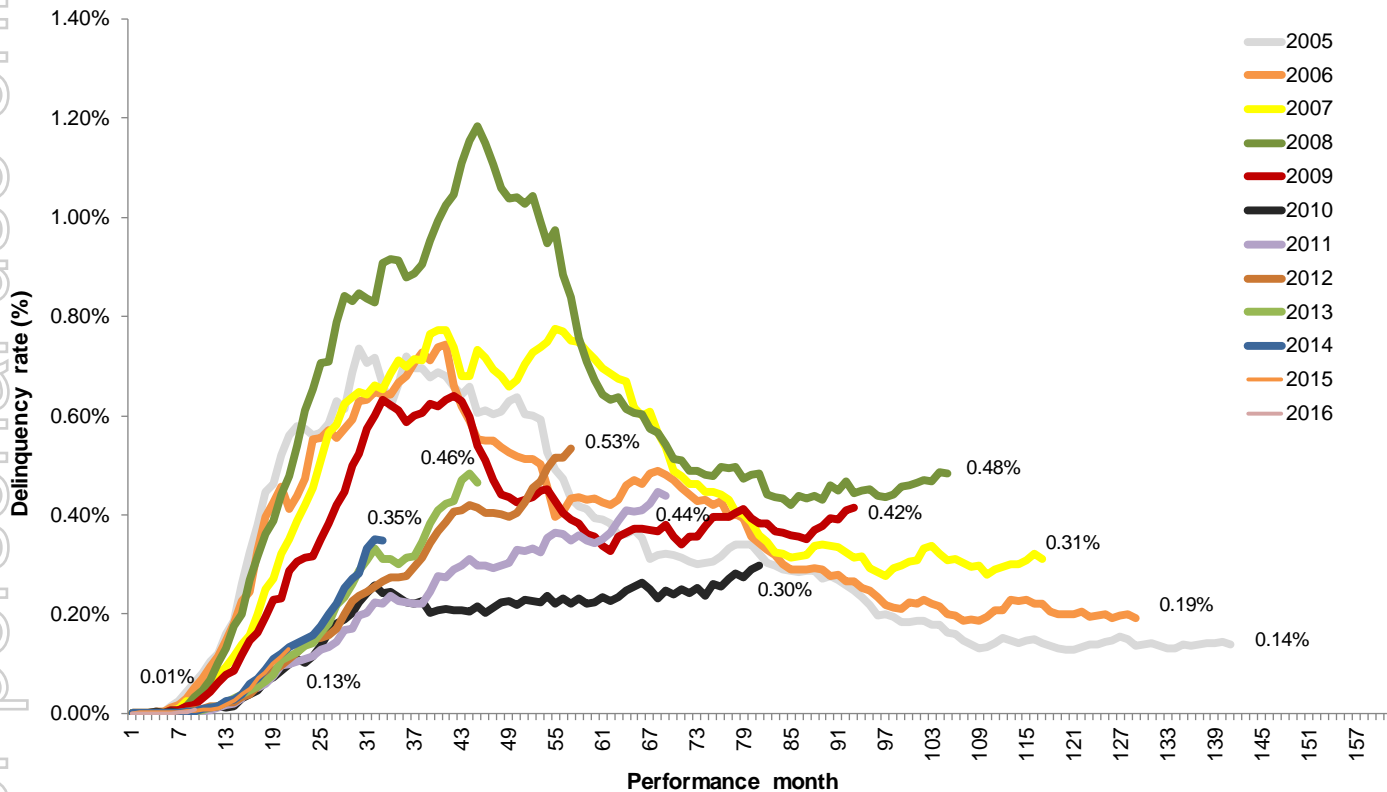
Trailing 12-month underlying ROE



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.
- 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.

Delinquency development

Quarterly delinquency roll and delinquency composition

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

Delinquencies by book year	Dec 15	Sep 16	
2007 and prior	2,074	2,121	0.31%
2008	821	924	1.07%
2009	803	972	0.93%
2010	378	462	0.59%
2011	359	471	0.66%
2012	490	660	0.72%
2013	389	596	0.62%
2014	219	478	0.45%
2015	19	155	0.17%
2016	-	5	0.01%
TOTAL	5,552	6,844	0.47%

Delinquencies by geography	Dec 15	Sep 16	
New South Wales	1,047	1,183	0.32%
Victoria	1,200	1,415	0.39%
Queensland	1,705	2,134	0.67%
Western Australia	751	1,132	0.69%
South Australia	532	631	0.62%
Australian Capital Territory	58	70	0.20%
Tasmania	160	185	0.37%
Northern Territory	27	52	0.33%
New Zealand	72	42	0.10%
	5,552	6,844	0.47%

Balance sheet and unearned premium reserve

Strong balance sheet with \$3.6bn in cash and investments and \$1.2bn in UPR

Balance sheet as at 30 September 2016

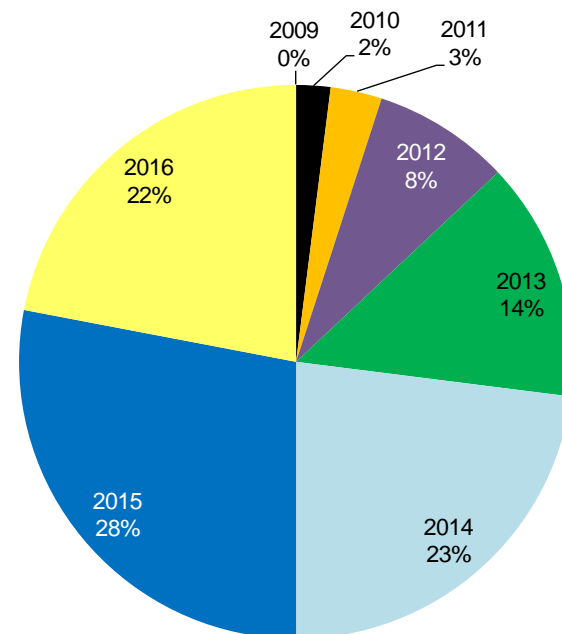
(A\$ in millions)	31 Dec 15	30 Sep 16
Assets		
Cash and cash equivalents	78.1	49.0
Investments ¹	3,882.4	3,514.0
Deferred reinsurance expense	71.0	109.7
Non-reinsurance recoveries	28.8	32.3
Deferred acquisition costs	145.1	138.7
Deferred tax assets	10.6	12.9
Goodwill and Intangibles	10.1	11.1
Other assets ²	5.8	6.3
Total assets	4,232.0	3,874.1
Liabilities		
Payables ³	164.4	176.8
Outstanding claims	277.0	343.7
Unearned premiums	1,320.6	1,203.9
Interest bearing liabilities	244.4	195.7
Employee provisions	6.8	7.1
Total liabilities	2,013.2	1,927.2
Net assets	2,218.7	1,946.9

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 year as at 30 Sept 2016

Total UPR \$1.2bn



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 Sep 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	255		255	345						0	345
Interest Income	72		72	98	1					1	99
Realised investment gains/losses	6		6	8			2			2	9
Unrealised gains/losses	-		0	-			32			32	32
Other income	0		0	0						0	0
Total revenue	333	0	333	450	1	0	33	0	0	35	485
Net claims incurred	89		89	120				8		8	128
Other underwriting expenses	67		67	91	(13)	(30)			(1)	(44)	46
Amortization of Intangibles	0		0	0						0	0
Acquisition costs (DAC amortisation)	11		11	14		25				25	39
Interest expenses/ financing related costs	8		8	11	(0)				0	0	11
Total expenses	175	0	175	236	(13)	(5)	0	8	(1)	(10)	225
Total pre-tax income	158	0	158	215	14	5	33	(8)	1	45	260
Total tax expense	51		51	69	(1)	2	10	(2)	0	8	77
Net income	107	0	107	145	16	4	23	(6)	1	37	183
Less: net income attributable to non-controlling interests	57	(57)	0	0						0	0
Net income available to Genworth common stockholders	50	57	107	145	16	4	23	(6)	1	37	183

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 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.