101 Miller Street
North Sydney NSW 2060
Australia

Genworth

Genworth Mortgage Insurance Australia Limited
Full Year 2021 Results

25 February 2022 – Genworth Mortgage Insurance Australia Limited (Genworth or the Company) (ASX: GMA) today reported its financial results for the year ended 31 December 2021 (FY21)[1].

The Company reported a Statutory NPAT of $192.8 million, underpinned by a strong underwriting result of $295.8 million. Underlying net profit after tax (NPAT) of $237.8 million was higher than statutory NPAT, primarily reflecting a ($55.8m) impact of unrealised mark to market investment losses due mainly to a rise in Government bond rates.

The Genworth Board has declared a fully franked final ordinary dividend of 12.0 cps and a fully franked special dividend of 12.0 cps, both payable on 25 March 2022 to shareholders registered as at 11 March 2022.

FY21 highlights	FY20	FY21	FY21 v FY20 (%)
Gross written premium (GWP) ($m)	561.7	549.6	(2.2)
Net earned premium (NEP) ($m)	312.0	370.5	18.8
Underwriting result ($m)	(234.0)	295.8	N.M[2].
Insurance profit/(loss) ($m)	(174.1)	261.8	N.M.
Statutory net profit/(loss) after tax (NPAT) ($m)	(107.6)	192.8	N.M.
Underlying net profit/(loss) after tax ($m)[3]	(104.3)	237.8	N.M.
Underlying diluted earnings per share (cps)	(25.2)	57.6	N.M.
Ordinary dividend per share (cps)	0.0	17.0	N.M.
Special dividend per share (cps)	0.0	12.0	N.M.

Genworth Chief Executive Officer and Managing Director, Ms. Pauline Blight-Johnston, said "Momentum is growing in the business as evidenced by our strong financial results, recent lender customer contract renewals, and our resumption of capital management activities. This positions us well to deliver on our vision to be the leading choice for flexible home ownership solutions.

"Genworth has delivered a strong full year profit result. Underlying premium volumes[4] grew and underwriting quality was good. This was accompanied with an unusually favourable claims environment

[1] The financial result of Genworth and its subsidiary companies (the Group) is prepared in accordance with Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB), consistent with International Financial Reporting Standards (IFRS).
[2] N.M. Not Meaningful (increases / decreases >100%)
[3] Underlying NPAT excludes the GFI separation costs, the after-tax impact of unrealised gains/(losses) on the investment portfolio, and the impact of foreign exchange rates on Genworth's investment portfolio. The bulk of these foreign exchange exposures are hedged.
[4] Underlying volumes exclude the impact of the loss of the National Australia Bank contract in 2020.

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driven by high dwelling value price growth, falling delinquencies and low numbers of mortgages in possession.

"Genworth's sound financial management at the commencement of COVID-19 has seen us come through this period well-positioned to benefit from the improving economic outcomes as we focus on delivering our strategic vision and value to shareholders."

Delivering our strategic vision

In FY21 Genworth continued to enhance our core business through the prioritisation of lender customer borrower experience, digitalisation and agile ways of working to reduce risk and improve efficiency. Progress was also made on evolving the business with the launch of our new "Family Assistance" product and improved borrower and broker engagement tools.

Consistent with our commitment to providing borrowers with alternative pathways to home ownership, Genworth has recently acquired a minority stake in fintech business OSQO. Genworth and OSQO will work together on a new deposit gap funding solution to provide more options to home buyers now and for the future.

These business enhancements together with a renewed focus on borrower needs have delivered a strengthened customer proposition and improved market positioning for the Company. In a competitive market, the Company was pleased to have successfully renewed two lender customer contracts that were up for renewal during FY21, as well as secured a new exclusive customer relationship following a competitive tender. The renewals included Genworth's second largest customer and were renewed on an exclusive basis for 3 year terms.

Commonwealth Bank of Australia (CBA) contract update

Genworth recently announced that it has been selected as the exclusive provider of Lenders Mortgage Insurance (LMI) to CBA for a 3 year period commencing 1 January 2023, subject to agreeing contractual terms.

Genworth and CBA will partner to deliver an improved borrower experience and LMI. Genworth will insure between 50-70% of CBA[5] High LVR loans under the new contract (currently approximately 70%). The proposed contract delivers additional value to CBA's customers and is expected to also deliver above hurdle returns for Genworth's shareholders.

"Genworth is delighted to extend its long-standing relationship with CBA that continues to help Australians build financial and emotional wellbeing through home ownership and supports the strategic and business goals of both CBA and Genworth," said Pauline Blight-Johnston.

Genworth Financial Inc. (GFI) separation programme nearing completion

The separation programme is running on time and the full transition from GFI services is due to complete in 1Q22. Our employees have worked tirelessly to deliver a challenging programme of system transitions in a short timeframe, despite the challenges presented by COVID-19. The expected cost of the programme remains within the $15 to $19 million range outlined at 1H21, $8.4 million of which was incurred in FY21.

[5] Contract relates to CBA and RMG (Residential Mortgage Group) brands and excludes Bankwest

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Significant groundwork has been undertaken on the rebranding of the business and shareholders will be asked to approve the new Company name over the course of 2022.

Shareholder capital management activities resumed

The strong FY21 result has facilitated the resumption of a fully franked 2H21 ordinary dividend of 12cps, which when annualised is indicative of expected medium-term sustainable levels, with some scope for growth over time. All dividend decisions remain subject to Board determination based on circumstances relevant at the time.

In addition, the increase in Prescribed Capital Amount (PCA) coverage ratio over the year enabled the Company to announce a $100 million on market buy-back on 23 November 2021 and a fully franked special dividend of 12 cps today.

Genworth is well positioned to fund its organic growth requirements while continuing to return capital to shareholders and remains actively focussed on maintaining an efficient balance sheet and returning excess capital to shareholders as efficiently as possible.

FY21 Overview

FY21 key financial measures	FY20	FY21	FY21 v FY20 (%)
New insurance written (NIW) ($b)	31.6	30.2	(4.4)
Loss ratio (%)	92.9	(2.2)	N.M.
Closing delinquencies (number)	6,964	5.826	(16.3)
Delinquency rate (%)	0.58	0.52	(6bps)
PCA coverage ratio (times)[6]	1.65	2.03	38bps
Net Tangible Assets Per Share ($)	3.33	3.75	12.6
Underlying return on equity (ROE) (%)	(7.3)	16.3	N.M.

Strong underlying volume and premium growth

Whilst headline New insurance written (NIW) fell 4.4% over the course of the year, Genworth achieved strong underlying year on year growth of 8.6% when excluding the impact of the loss of the NAB contract in late 2020. NIW slowed in 2H21 as rising dwelling values and loan sizes began to contribute to increasing housing affordability constraints that have seen a slowing in new loan commitments for First Home Buyers and Owner Occupiers.

Gross written premium (GWP) fell by 2.2%, reflecting the movement in NIW, partially offset by a small positive contribution from rate. Our key lender customers continued to grow above system and

[6] Pro-forma PCA ratio of 1.84 times (allowing for payment of FY21 dividends and completion of $100 million on-market buy-back).

underwriting standards were tightened in accordance with the evolving economic outlook, evidenced by stable credit scores across the book.

Despite the slowdown in GWP, Net earned premium (NEP) increased by 18.8%, reflecting high levels of new business growth in recent periods and cancellations from the high levels of industry refinancing activity in the wake of strong dwelling value appreciation and attractive interest rates. This re-financing led to higher than normal levels of policy cancellations which brought forward the recognition of an additional $75.5 million of premium revenue compared to FY20, which more than offset the ~$38 million full year impact of the 2Q21 "Earnings Curve" changes.

Unusually low claims environment

Net claims incurred were negative $8.3 million[7] in FY21, within the guidance range of $5 million to ($15 million), and equating to a Loss Ratio of (2.2%) as the claims environment continued to be extremely favourable in 2H21.

New delinquencies remained well below historical levels reflecting borrower finances that have been assisted by stimulus measures and lower spending levels, contributing to a 16.3% fall in closing delinquencies and a 6 basis point improvement in the delinquency rate.

Cures and Ageing were favourably impacted by the positive environment for borrower finances, as well as the strong rise in dwelling values. Paid claims continue to reflect the low level of mortgages in possession, owing to the above factors and some lender foreclosure moratoriums.

The low level of delinquencies and improved economic outlook led to a reassessment of claims reserving assumptions in 2H21. In aggregate, these reserving adjustments reduced Net claims incurred by $7.0 million for the full year and $36.9 million in 2H21.

Investment markets drive unrealised losses

Cash and Investments rose 8.1% to $3.7 billion at FY21. Net investment income was a loss of $10.6 million in FY21, driven by unrealised mark to market losses on the investment portfolio of $55.8 million. Net interest and dividend income, and realised gains were both lower than FY20, and the running yield on cash and investments increased to 1.0% as reinvestment rates began to improve.

Regulatory capital above targeted range

At 31 December 2021, the Company's PCA ratio was 2.03 times on a Group (Level 2) basis. The proposed dividends and the full completion of the announced buyback are expected to reduce the pro forma PCA ratio to 1.84 times. The Company remains committed to the efficient management of capital and will continue to seek opportunities to bring the capital position closer to its target level.

Outlook and FY22 guidance

Genworth expects slowing levels of new housing credit and reduced levels of cancellations from refinancing to be reflected in FY'22 NEP. As a result, NEP is expected to be within a range of $315 million to $375 million.

[7] Net claims incurred for FY21 were negative, driven by a release of reserves.

Improved borrower equity arising from recent house price growth is expected to provide a helpful buffer to any downward movement in dwelling values, and together with historically low levels of delinquency means that claims are not expected to return to normal levels until 2H22.

GMA FY21 Financial Performance Summary

($ millions)	1H20	2H20	FY20	1H21	2H21	FY21	FY21 v FY20 (%)
Gross written premium	239.3	322.4	561.7	289.7	259.9	549.6	(2.2%)
Movement in unearned premium	(54.0)	(126.4)	(180.4)	(84.6)	(26.0)	(110.6)	38.7%
Gross earned premium	**185.3**	**196.0**	**381.3**	**205.1**	**233.9**	**439.0**	**15.1%**
Outwards reinsurance expense	(34.5)	(34.8)	(69.3)	(34.2)	(34.2)	(68.5)	1.2%
Net earned premium	**150.8**	**161.2**	**312.0**	**170.9**	**199.6**	**370.5**	**18.8%**
Net claims written back / (incurred)	(101.1)	(188.8)	(289.8)	(49.3)	57.6	8.3	N.M.
Acquisition costs	(12.7)	(1.7)	(14.4)	(3.5)	(7.3)	(10.8)	25.0%
Deferred acquisition costs write-down	(181.8)	-	(181.8)	-	-	-	N.M.
Other underwriting expenses	(28.6)	(31.4)	(60.0)	(29.5)	(34.3)	(63.8)	(6.3%)
Separation costs	-	-	-	(0.8)	(7.6)	(8.4)	N.M.
Underwriting result	**(173.4)**	**(60.7)**	**(234.0)**	**87.7**	**208.0**	**295.8**	**N.M.**
Investment income on technical funds	45.3	14.7	59.9	(16.2)	(17.8)	(34.0)	N.M.
Insurance profit / (loss)	**(128.1)**	**(46.0)**	**(174.1)**	**71.5**	**190.2**	**261.8**	**N.M.**
Net investment income on shareholder funds	4.5	25.5	30.0	17.3	6.2	23.4	(22.0%)
Financing costs	(5.0)	(5.7)	(10.7)	(5.1)	(5.2)	(10.3)	3.7%
Profit / (loss) before income tax	**(128.6)**	**(26.2)**	**(154.8)**	**83.7**	**191.3**	**274.9**	**N.M.**
Income tax (expense) / benefit	38.6	8.6	47.2	(24.3)	(57.8)	(82.1)	N.M.
Statutory net profit / (loss) after tax	**(90.0)**	**(17.6)**	**(107.6)**	**59.4**	**133.5**	**192.8**	**N.M.**
Underlying net profit / (loss) after tax	**(85.5)**	**(18.7)**	**(104.3)**	**76.4**	**161.4**	**237.8**	**N.M.**
Underlying diluted earnings per share	(20.7 cps)	(4.5 cps)	(25.2 cps)	18.5 cps	39.1 cps	57.6 cps	N.M.

2022 Annual General Meeting

Genworth advises that, in accordance with ASX Listing Rule 3.13.1, its Annual General Meeting will be held on Thursday, 12 May 2022, and the closing date for the receipt of nominations from persons wishing to be considered for election as a director at that meeting is Tuesday, 8 March 2022. A Notice of Meeting will be lodged with ASX closer to the date.

For more information, analysts, investors and other interested parties should contact:

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Conference Call

A conference call for analysts, institutional investors and media will be held on Friday, 25 February 2022 at 10:00am (Sydney time), to discuss these results. Details of the conference call are:

Conference name: **Genworth Australia Full Year 2021 Financial Results**

Conference ID: **1662753**

Australia dial-in details:

1800 123 296 (toll free)
+61 2 8373 2830 (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 dialled.

Canada	1855 4052 001	New Zealand	0800 452 782
China	8008 208 369	Singapore	800 852 8345
Hong Kong	800906932	United Kingdom	0800 279 7147
India	1800 2666 836	United States	1833 239 5972
Japan	0120 994 669		

Replay:
A replay of the conference call will be available on our website http://investor.genworth.com.au within 24 hours.

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 over 50 years since the Housing Loans Insurance Corporation was founded by the Australian Government in 1965 to provide LMI in Australia.

The release of this announcement was authorised by the Board.