



5 NOVEMBER 2020  
**3Q20 FINANCIAL  
RESULTS  
PRESENTATION**



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Johnston

CEO & MD

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Michael Bencsik

CFO

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Pauline Blight-  
Johnston

CEO & MD

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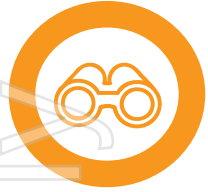


# Overview

Pauline Blight-Johnston, CEO and Managing Director

# Good operating momentum in a difficult environment

## Navigating through the challenging impacts of COVID-19



**3Q20 result incorporates reserving for delayed claims**

- 3Q20 Underwriting net profit of \$13m (YTD \$160m loss).
- 3Q20 Underlying net profit after tax of \$27m (YTD \$58m loss).
- 3Q20 Statutory net profit after tax of \$25m (YTD \$65m loss).



**Economic environment slowly improving**

- Headline unemployment has stabilised but house prices remain weak.
- National recovery uneven with claims and delinquencies delayed.
- Key economic indicators consistent with central estimate assumptions.



**Quality YTD volume growth**

- New insurance written YTD increased 12.8% from Sep 19 to \$21.3b.
- Gross written premium YTD increased 28.3% from Sep 19 to \$383m.
- Net earned premium YTD increased 3.0% from Sep 19 to \$231m.



**Deferrals falling and claims delayed**

- Active deferrals have fallen from a high of 50k in May to 31k at 3Q20.
- Claims incurred delayed but expected to pick up as loans are restructured.
- Actuarial reserve adjustments of \$34m and risk margin increased by \$13m.



**Capital strength and flexibility**

- PCA coverage ratio 1.79x (Level 2 basis), pro forma PCA 1.73x.
- \$48m Tier 2 was redeemed on 6 October 2020.
- Pro forma surplus capital of \$255m above top of PCA target range.

# 3Q20 result incorporates reserving for delayed claims

Lower claims due to government stimulus measures and deferrals

| (\$ millions)                                | 3Q19     | 3Q20     | Change |
|--|----------|----------|--------|
| Gross written premium (GWP)                  | \$114.6m | \$143.8m | 25.5%  |
| Underwriting result                          | \$8.7m   | \$13.5m  | 55.2%  |
| Underlying net profit after tax <sup>2</sup> | \$26.5m  | \$27.4m  | 3.4%   |
| Statutory net profit after tax (NPAT)        | \$25.1m  | \$24.6m  | (2.0%) |

| (\$ millions)   | YTD 30 Sep 19 | YTD 30 Sep 20 | Change              |
|---|---------------|---------------|---------------------|
| Gross written premium (GWP)                           | \$298.7m      | \$383.1m      | 28.3%               |
| Underwriting result                                   | \$25.3m       | (\$160.0m)    | (N.M.) <sup>1</sup> |
| Underlying net profit / (loss) after tax <sup>3</sup> | \$69.6m       | (\$58.1m)     | (183.5%)            |
| Statutory net profit / (loss) after tax (NPAT)        | \$113.2m      | (\$65.4m)     | (157.8%)            |

| Key financial measures                         | 3Q19   | 3Q20   |
|--|--------|--------|
| New insurance written (NIW)                    | \$6.4b | \$7.8b |
| NEP growth (NEP)                               | 11.9%  | 4.6%   |
| Loss ratio                                     | 52.9%  | 63.5%  |
| Prescribed capital amount (PCA) coverage ratio | 1.98x  | 1.79x  |

- **Gross written premium grew strongly** due to low interest rates and the strong LMI flow performance across lender customers.
- **Underwriting result** improvement driven by lower amortisation of acquisition costs post 1Q20 DAC write-down offset by increased reserving for expected COVID-19 claims.
- **Underlying NPAT** up on better underwriting result despite lower investment income.
- **NEP growth** driven by GWP growth and seasoning of the book.
- **Loss ratio** movement reflects lower claims experience offset by additional reserving and increase to the risk margin.
- **PCA coverage ratio** 1.79 times above top end of Board target range of 1.32 to 1.44 times.

1. N.M. Not Meaningful (increases or decreases greater than 200%).

2. 3Q20 underlying NPAT excludes after tax impacts of (a) unrealised losses of \$2.7m on the investment portfolio and (b) foreign exchange rates (net of hedge) on the investment portfolio (\$0.1m loss).

3. YTD 30 Sep 20 underlying NPAT excludes after tax impacts of (a) unrealized losses of \$5.9m on the investment portfolio and (b) foreign exchange rates (net of hedge) on the investment portfolio (\$1.3m loss).

# Economic environment slowly improving

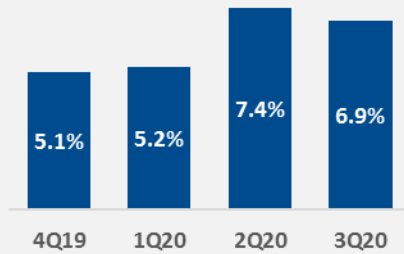
Recovery in the early stages as COVID-19 impacts work through the economy



## Unemployment

Was 6.9% at 3Q20 and is tracking better than our peak central estimate of 9.1%<sup>1</sup>.

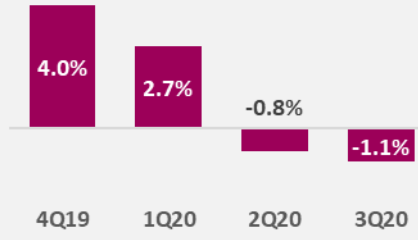
Data sourced from ABS at Sep'20



## HPA

Since 1Q20 national prices are down (1.9%) and are tracking better than our trough central estimate of (8.3%).

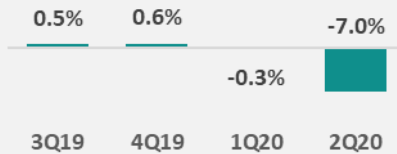
Data sourced from Corelogic's Hedonic Index at Sep'20



## GDP

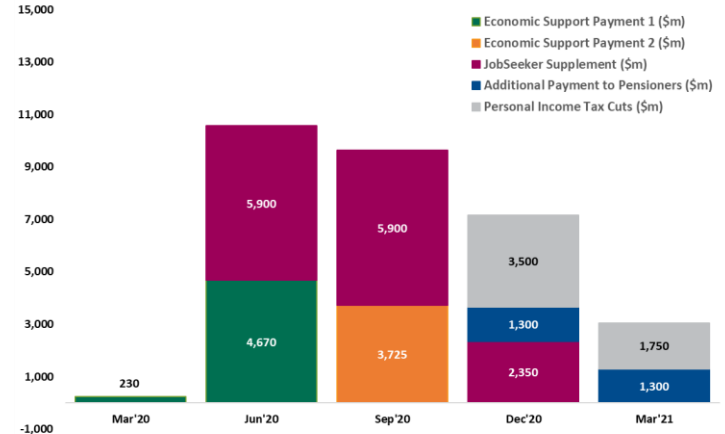
GDP fell (7.0%) in 2Q20 and is tracking broadly in line with our trough central estimate of (7.3%).

Data sourced from ABS at Sep'20



<sup>1</sup>. Takes account of Genworth's lower concentration of home ownership in occupations and industries impacted by COVID-19 (such as casual employees) and is adjusted to remove the effect of government income assistance.

## Income Support to Households



Sources: 2020 Federal Budget & Citigroup Research

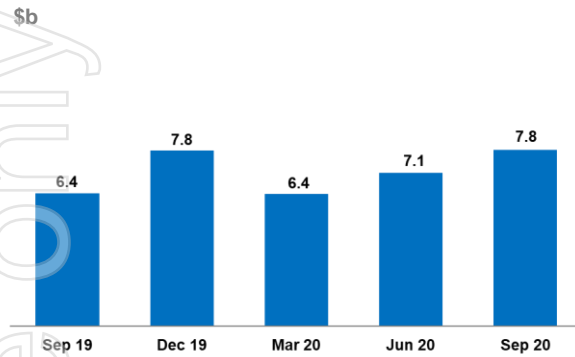
## Government stimulus will begin to unwind:

- JobKeeper and JobSeeker are obscuring headline unemployment levels.
- Victoria making progress under roadmap for reopening from lockdown.
- Future waves, lockdowns and state based border closures remain key areas of uncertainty.

# Quality YTD volume growth

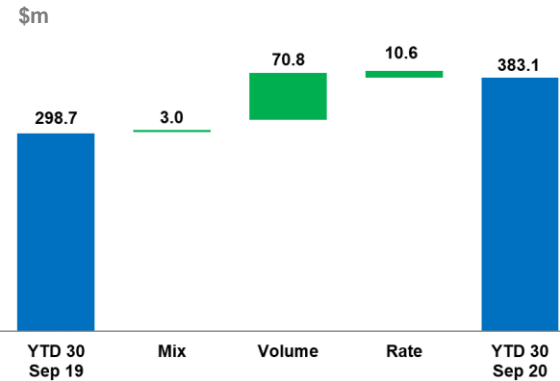
Housing market activity resilient and key lender customers taking share

## New insurance written



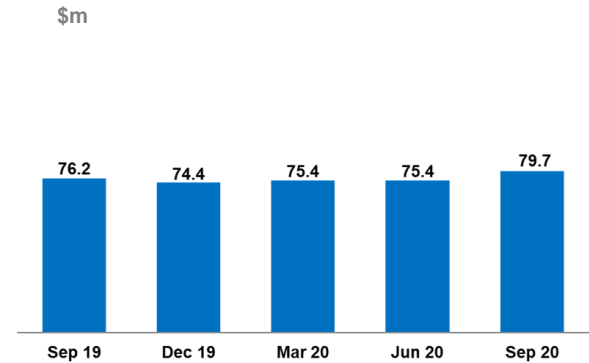
- Mortgage broker share of originations continues to increase.
- Key lender customers growing above system.

## Gross written premium



- Higher business volumes were the main driver of growth.
- Loss of National Australia Bank contract from mid-November (GWP ~\$43m to YTD to 3Q20).

## Net earned premium



- Strong GWP growth will drive future NEP growth in accordance with the earnings curve.

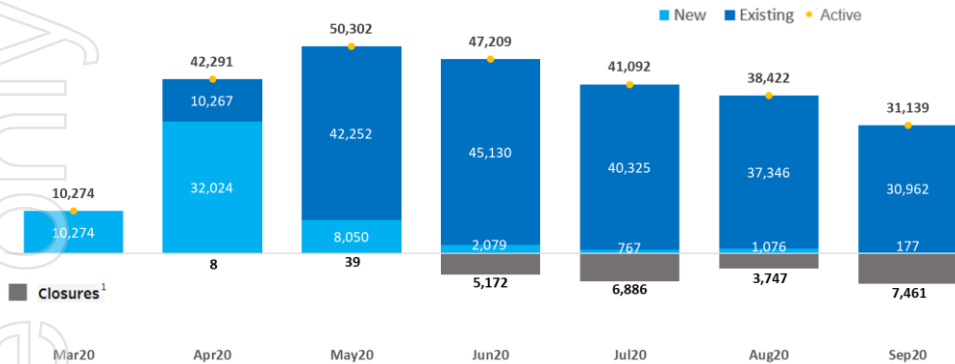
Source all charts: Genworth



# Deferrals reducing and claims delayed

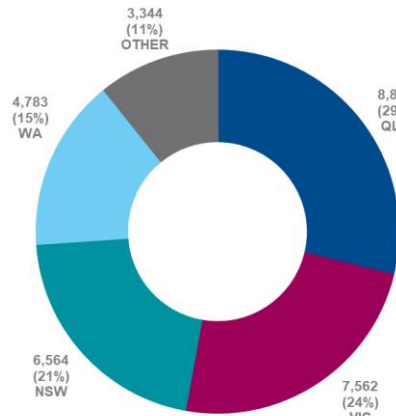
## Lender check-ins resulting in restructures and deferrals

### Deferral time series



1. Closures are based on lender notification and deferral expiry dates.

### By state



Source all charts and tables: Genworth

### Deferral summary at 3Q20

|  |           |
|--|-----------|
| Insurance in-force (active deferrals)                        | \$13,838m |
| Share of insurance in-force <sup>2</sup>                     | 4.9%      |
| Number of active deferrals                                   | 31,139    |
| Share of insured loans in-force <sup>2</sup>                 | 3.0%      |
| High LVR >90% share of deferrals (original LVR) <sup>3</sup> | ~35%      |
| Investment loans share of deferrals                          | 22%       |
| Interest only loans share of deferrals                       | 19%       |

2. Excludes inward reinsurance, excess of loss insurance, NZ and Genworth Financial Mortgage Indemnity Limited (\$16,833m insurance in-force and 146k insured loans in force at 3Q20).

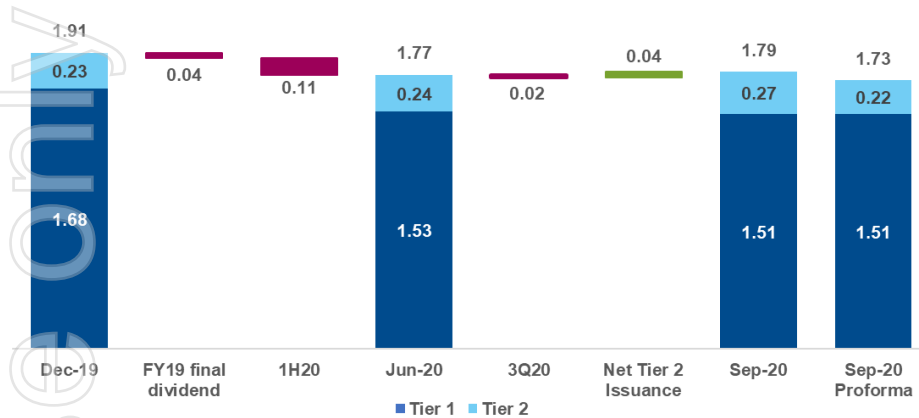
3. Excludes capitalised premium.

- Notifications are received from lender customers on a monthly basis and are subject to checks and validations.
- Cumulative deferral applications of 54,452 (5.2% of insured loans in-force).
- Investment lending and interest only share of deferrals in line with in-force share of ~22% and ~20% respectively.
- High LVR >90% is modestly above the in-force share of 28%.
- IBNR and risk margins increased to reflect timing and uncertainty of changed delinquency behaviour.

# Capital strength and flexibility

## Surplus capital projected under all scenarios

### PCA ratio walk

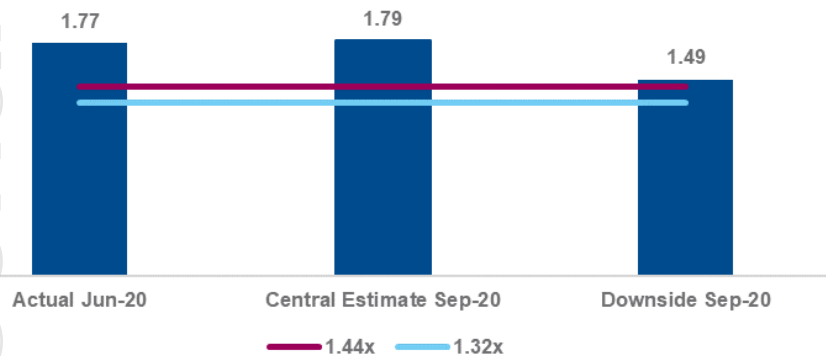


### Strong capital position underpinned by:

- Pro forma PCA ratio of 1.73 times, with surplus over top of target range of \$255 million.
- Tier 1 ratio 1.51 times, significantly above 0.8 times regulatory requirement.
- \$800 million reinsurance (47% of PML vs 60% regulatory limit).

### Capital sensitivities to central estimate and downside

PCA ratio (x) - scenarios



### PCA ratios remain above target range in each economic scenario:

- Central estimate based on median view of external economic forecasts unemployment peaking at 9.1%<sup>1</sup> in 4Q20, peak to trough house price depreciation of 8.3%.
- Downside based on unemployment peaking at 11.0%<sup>1</sup> in 2Q21, peak to trough house price depreciation of 9.2%.

1. Takes account of Genworth's lower concentration of home ownership in occupations and industries impacted by COVID-19 (such as casual employees) and is adjusted to remove the effect of government income assistance.

Source: Genworth

# Evolving to meet changing customer needs

Partnering with lenders to provide solutions to borrowers



## Sound business fundamentals

- Over 50 years experience.
- Over 70 active lender partnerships across major banks, non-major banks, mutuals and non-bank lenders.
- Extensive risk analysis and insights.



## Strong customer focus

- Prudent underwriting whilst managing higher volumes.
- Increased reserving to reflect uncertain environment.
- Operations and employees seamlessly adapting to changed environment.



## Exploring opportunities

- Housing affordability remains a challenge for many.
- New Monthly Premium product launched.
- Strategic review of evolving customer expectations and new revenue opportunities.

# 3Q20 Financial result

Michael Bencsik,  
Chief Financial Officer

Genworth 



# 3Q20 Income statement

## Stable business performance

| (\$ millions)   | 3Q19        | 3Q20        | 3Q19 v<br>3Q20 (%) | YTD 30<br>Sep 19 | YTD 30<br>Sep 20 | YTD Sep 19 v<br>YTD Sep 20 (%) |
|---|-------------|-------------|--------------------|------------------|------------------|--------------------------------|
| Gross written premium                                       | 114.6       | 143.8       | 25.5%              | 298.7            | 383.1            | 28.3%                          |
| Movement in unearned premium                                | (20.9)      | (46.7)      | 123.4%             | (22.1)           | (100.7)          | (N.M.) <sup>1</sup>            |
| <b>Gross earned premium</b>                                 | <b>93.7</b> | <b>97.1</b> | <b>3.6%</b>        | <b>276.6</b>     | <b>282.4</b>     | <b>2.1%</b>                    |
| Outwards reinsurance expense                                | (17.5)      | (17.3)      | 1.1%               | (52.8)           | (51.9)           | 1.7%                           |
| <b>Net earned premium</b>                                   | <b>76.2</b> | <b>79.7</b> | <b>4.6%</b>        | <b>223.8</b>     | <b>230.5</b>     | <b>3.0%</b>                    |
| Net claims incurred   | (40.3)      | (50.6)      | (25.6%)            | (120.1)          | (151.7)          | (26.3%)                        |
| Acquisition costs   | (12.1)      | (0.6)       | 95.0%              | (34.9)           | (13.4)           | 61.6%                          |
| Deferred acquisition costs write-down <sup>2</sup>          | -           | -           | N/A                | -                | (181.8)          | (N.M.)                         |
| Other underwriting expenses <sup>3</sup>                    | (15.1)      | (15.0)      | 0.7%               | (43.5)           | (43.6)           | (0.2%)                         |
| <b>Underwriting result</b>                                  | <b>8.7</b>  | <b>13.5</b> | <b>55.2%</b>       | <b>25.3</b>      | <b>(160.0)</b>   | <b>(N.M.)</b>                  |
| Investment income on technical funds <sup>4</sup>           | 16.9        | 11.6        | (31.4%)            | 77.5             | 56.9             | (26.6%)                        |
| <b>Insurance profit / (loss)</b>                            | <b>25.6</b> | <b>25.1</b> | <b>(2.0%)</b>      | <b>102.8</b>     | <b>(103.1)</b>   | <b>(N.M.)</b>                  |
| Net investment income on shareholder funds <sup>4</sup>     | 12.6        | 12.3        | (2.4%)             | 66.9             | 16.8             | (74.9%)                        |
| Financing costs   | (2.8)       | (3.1)       | (10.7%)            | (9.1)            | (8.1)            | 11.0%                          |
| <b>Profit / (loss) before income tax</b>                    | <b>35.4</b> | <b>34.3</b> | <b>(3.1%)</b>      | <b>160.6</b>     | <b>(94.4)</b>    | <b>(158.8%)</b>                |
| Income tax expense / (benefit)                              | (10.3)      | (9.6)       | 6.8%               | (47.4)           | 29.0             | 161.2%                         |
| <b>Statutory net profit / (loss) after tax</b>              | <b>25.1</b> | <b>24.6</b> | <b>(2.0%)</b>      | <b>113.2</b>     | <b>(65.4)</b>    | <b>(157.8%)</b>                |
| <b>Underlying net profit / (loss) after tax<sup>5</sup></b> | <b>26.5</b> | <b>27.4</b> | <b>3.4%</b>        | <b>69.6</b>      | <b>(58.1)</b>    | <b>(183.5%)</b>                |

### YTD 30 Sep 20 commentary:

- **GWP** up reflecting ongoing strong volumes from lender customers.
- **NEP** increased due to continued seasoning and higher GWP.
- **Net claims incurred** reflects additional reserving, including an increase in risk margin.
- **Acquisition costs** down due to 1Q20 DAC write-down.
- **Investment income** down due to lower interest income and unrealised losses.

1. N.M. Not Meaningful (increases or decreases greater than 200%).

2. \$181.8m DAC write-down in 1Q20.

3. Net of ceding commissions.

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

5. Underlying NPAT excludes 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.

Note: Totals may not sum due to rounding.

# Australia wide snapshot

House prices remain weak, unemployment obscured by stimulus and delinquencies delayed

## Change in House Prices

|                   | 3 Months | 6 Months | YTD   |
|-------------------|----------|----------|-------|
| Sydney            | -1.6%    | -2.4%    | 1.4%  |
| Melbourne         | -3.3%    | -5.5%    | -2.8% |
| Brisbane          | 0.0%     | -0.2%    | 1.4%  |
| Adelaide          | 0.9%     | 1.6%     | 2.2%  |
| Perth             | -0.3%    | -1.7%    | -0.9% |
| Hobart            | 0.3%     | 1.4%     | 2.8%  |
| Darwin            | 2.3%     | 2.7%     | 3.3%  |
| Canberra          | 1.5%     | 2.2%     | 3.9%  |
| Combined Capitals | -1.5%    | -2.6%    | 0.2%  |
| Combined Regional | 0.5%     | 0.8%     | 2.7%  |
| National          | -1.1%    | -1.9%    | 0.7%  |

Dwelling price data sourced from CoreLogic's Hedonic Index at Sep'20

## Unemployment (by state) last 3 quarters

| State                        | Mar-20 | Jun-20 | Sep-20 |
|------------------------------|--------|--------|--------|
| New South Wales              | 4.9%   | 6.9%   | 7.2%   |
| Victoria                     | 5.2%   | 7.5%   | 6.7%   |
| Queensland                   | 5.6%   | 7.7%   | 7.7%   |
| South Australia              | 6.3%   | 8.8%   | 7.1%   |
| Western Australia            | 5.4%   | 8.7%   | 6.7%   |
| Tasmania                     | 4.9%   | 6.9%   | 7.6%   |
| Northern Territory           | 5.3%   | 5.3%   | 4.8%   |
| Australian Capital Territory | 3.4%   | 4.1%   | 3.8%   |
| National                     | 5.2%   | 7.4%   | 6.9%   |

Data sourced from ABS at Sep'20

| Delinquencies by geography   | Sep 19       | %            | Jun 20       | %            | Sep 20       | %            |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| New South Wales              | 1,422        | 0.45%        | 1,495        | 0.51%        | 1,439        | 0.50%        |
| Victoria                     | 1,320        | 0.43%        | 1,385        | 0.46%        | 1,427        | 0.49%        |
| Queensland                   | 2,292        | 0.80%        | 2,143        | 0.78%        | 2,094        | 0.77%        |
| Western Australia            | 1,659        | 1.06%        | 1,604        | 1.06%        | 1,513        | 1.04%        |
| South Australia              | 656          | 0.69%        | 644          | 0.70%        | 629          | 0.69%        |
| Australian Capital Territory | 84           | 0.26%        | 83           | 0.27%        | 75           | 0.25%        |
| Tasmania                     | 140          | 0.31%        | 120          | 0.27%        | 107          | 0.24%        |
| Northern Territory           | 131          | 0.85%        | 128          | 0.87%        | 128          | 0.92%        |
| New Zealand                  | 9            | 0.02%        | 12           | 0.03%        | 10           | 0.05%        |
| <b>TOTAL</b>                 | <b>7,713</b> | <b>0.60%</b> | <b>7,614</b> | <b>0.62%</b> | <b>7,422</b> | <b>0.62%</b> |

- YTD national prices are broadly flat and are tracking towards our -1.4% central estimate. Melbourne prices in particular have been impacted by COVID-19.
- The unemployment rate is up 171 bps from March 2020 levels and is below our 9.1%<sup>1</sup> central estimate, although the headline rate is obscured by Federal Government stimulus programmes.
- Delinquencies are up 2 bps on pcp but are flat qoq. Victoria is up 6 bps on pcp and 3 bps qoq impacted by the period under lockdown.

1. Takes account of Genworth's lower concentration of home ownership in occupations and industries impacted by COVID-19 (such as casual employees) and is adjusted to remove the effect of government income assistance.

# Spotlight on Victoria

## Victoria's pathway out of lockdown remains uncertain

### HPA and rental vacancies

|                  | Change in dwelling prices |              |             | Rental vacancies |             |
|------------------|---------------------------|--------------|-------------|------------------|-------------|
|                  | 3 Months                  | 6 Months     | 12 Months   | Sep 19           | Sep 20      |
| Melbourne        | -3.3%                     | -5.5%        | 3.1%        | 2.0%             | 3.8%        |
| Rest of VIC      | -1.0%                     | -0.5%        | 3.6%        | 1.4%             | 1.3%        |
| <b>Total VIC</b> | <b>-3.0%</b>              | <b>-4.9%</b> | <b>3.2%</b> | <b>1.8%</b>      | <b>3.0%</b> |

Dwelling price data sourced from CoreLogic at Sep'20. Vacancy data sourced <https://sqmresearch.com.au/>.

### Employment data

|                                     | New South Wales | Victoria  | Queensland |
|-------------------------------------|-----------------|-----------|------------|
| Estimated employed persons          | 4,028,200       | 3,224,700 | 2,518,000  |
| Employment to population ratio      | 60.7%           | 58.8%     | 60.4%      |
| Unemployment rate                   | 7.2%            | 6.7%      | 7.7%       |
| Underemployment rate                | 10.2%           | 14.9%     | 10.7%      |
| Participation rate                  | 65.4%           | 63.0%     | 65.5%      |
| Estimated # persons working 0 hours | 35,600          | 112,900   | 30,000     |

Data sourced from ABS at Sep'20

### Genworth portfolio performance

- Delinquency rate of 0.49% in Melbourne is consistent with the rest of Victoria and below the national average of 0.62%.
- Victoria accounts for 24% of deferrals which is consistent with Victoria's share of in-force policies of 23%.
- We continue to assess the impact of the Victorian lockdown on our portfolio.

- Melbourne house price movements more pronounced post-COVID-19 than the rest of Victoria.
- Negative equity is up 40 bps to 1.2% YTD with the majority of movement post lockdown.

- Victorian unemployment rate below national average reflective of lower participation rate.
- Underemployment and persons working 0 hours impacted by Government stimulus programmes and the lockdown respectively.

# Net claims incurred

## Loss experience delayed by court closures, lockdowns and deferrals

| (\$ millions unless otherwise stated)    | 1Q19         | 2Q19         | 3Q19         | 4Q19         | 1Q20         | 2Q20         | 3Q20         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of paid claims (#)                | 319          | 296          | 361          | 376          | 333          | 358          | 332          |
| Average paid claim <sup>1</sup> (\$'000) | 94.2         | 94.1         | 97.9         | 99.4         | 92.7         | 97.0         | 99.4         |
| <b>Claims paid</b>                       | <b>30.1</b>  | <b>27.8</b>  | <b>35.3</b>  | <b>37.4</b>  | <b>30.9</b>  | <b>34.7</b>  | <b>33.0</b>  |
| Movement in reserves                     | 10.2         | 11.7         | 4.9          | (6.6)        | 4.7          | 30.8         | 17.6         |
| <b>Net claims incurred</b>               | <b>40.3</b>  | <b>39.6</b>  | <b>40.3</b>  | <b>30.8</b>  | <b>35.5</b>  | <b>65.5</b>  | <b>50.6</b>  |
| Net earned premium (NEP)                 | 72.9         | 74.7         | 76.2         | 74.4         | 75.4         | 75.4         | 79.7         |
| <b>Loss ratio (%)</b>                    | <b>55.3%</b> | <b>53.0%</b> | <b>52.9%</b> | <b>41.4%</b> | <b>47.1%</b> | <b>86.9%</b> | <b>63.5%</b> |

Note: Totals may not sum due to rounding.

1. Movement in non-reinsurance recoveries is excluded from average paid claim calculation and claims paid.

| Net claims incurred (\$m)      | 1Q19      | 2Q19      | 3Q19      | 4Q19      | 1Q20      | 2Q20      | 3Q20      |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| New delinquencies              | 35        | 42        | 41        | 38        | 38        | 41        | 31        |
| Cures                          | (32)      | (36)      | (39)      | (40)      | (32)      | (37)      | (42)      |
| Ageing <sup>1</sup>            | 32        | 36        | 38        | 33        | 24        | 30        | 15        |
| Paid claims gap                | -         | -         | (1)       | (1)       | (1)       | 1         | -         |
| Other adjustments <sup>2</sup> | 5         | (2)       | 1         | 1         | 7         | 31        | 47        |
| <b>Net claims incurred</b>     | <b>40</b> | <b>40</b> | <b>40</b> | <b>31</b> | <b>36</b> | <b>66</b> | <b>51</b> |

Note: Excludes excess of loss insurance. Totals may not sum due to rounding.

Source: Genworth

1. Ageing relates to reserve movements on delinquencies that remain delinquent from prior periods.

2. Includes COVID-19 actuarial adjustments relating to policies affected by court closures, IBNR for policy deferrals and an increase to the risk margin.

### 3Q20 claims incurred movements driven by:

- Lower claims due to court closures (which are now opening up) and the Victorian lockdown;
- Increased reserving to allow for changed delinquency behaviour as a result of lender customer loan deferral programmes;
- Increased risk margins to reflect higher uncertainty around deferrals.



# Investment performance

Investment portfolio yields reflect the low interest environment

| (\$ millions)                                       | 1Q19        | 2Q19        | 3Q19        | 4Q19        | 1Q20        | 2Q20        | 3Q20        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net interest income and dividend income             | 21.8        | 20.5        | 18.9        | 16.2        | 14.9        | 12.3        | 10.2        |
| Realised gains on investments                       | 5.0         | 3.2         | 12.7        | 7.7         | 8.3         | 20.7        | 17.7        |
| Unrealised gains/(losses) and net FX on investments | 36.4        | 28.0        | (2.1)       | (29.2)      | (32.0)      | 25.6        | (4.0)       |
| Total investment income                             | 63.1        | 51.8        | 29.5        | (5.3)       | (8.9)       | 58.6        | 23.9        |
| <b>Investment return</b>                            | <b>2.7%</b> | <b>2.5%</b> | <b>2.3%</b> | <b>2.1%</b> | <b>1.9%</b> | <b>1.6%</b> | <b>1.2%</b> |

- Net interest and dividend income is down \$8.7m on 3Q19 as fixed interest securities purchased at higher yields are gradually maturing or being sold with the funds being reinvested at predominantly lower yields.
- Realised gains are up \$5.0m on 3Q19 as interest rates have declined and credit spreads have tightened.

| (\$ millions)                              | 1Q19        | 2Q19        | 3Q19        | 4Q19         | 1Q20         | 2Q20        | 3Q20        |
|--|-------------|-------------|-------------|--------------|--------------|-------------|-------------|
| Investment income on technical funds       | 33.0        | 27.6        | 16.9        | (11.7)       | 33.3         | 12.0        | 11.6        |
| Net investment income on shareholder funds | 30.1        | 24.2        | 12.6        | 6.4          | (42.2)       | 46.6        | 12.3        |
| <b>Total investment income</b>             | <b>63.1</b> | <b>51.8</b> | <b>29.5</b> | <b>(5.3)</b> | <b>(8.9)</b> | <b>58.6</b> | <b>23.9</b> |

Source: Genworth

# Balance sheet

Strong balance sheet with \$3.3b in cash and investments

## Balance sheet as at 30 September 2020

| (\$ millions)                | 31 Dec 19      | 30 Jun 20      | 30 Sep 20      |
|------------------------------|----------------|----------------|----------------|
| <b>Assets</b>                |                |                |                |
| Cash                         | 87.3           | 80.9           | 43.3           |
| Accrued investment income    | 19.5           | 19.8           | 21.1           |
| Investments                  | 3,043.8        | 3,116.5        | 3,267.5        |
| Deferred reinsurance expense | 31.8           | 54.8           | 37.5           |
| Non-reinsurance recoveries   | 22.8           | 27.4           | 28.7           |
| Deferred acquisition costs   | 181.2          | 16.5           | 28.4           |
| Deferred tax assets          | 9.1            | 59.9           | 56.5           |
| Goodwill and intangibles     | 16.5           | 16.3           | 16.1           |
| Other assets <sup>1</sup>    | 65.5           | 70.8           | 72.9           |
| <b>Total assets</b>          | <b>3,477.4</b> | <b>3,462.9</b> | <b>3,571.8</b> |
| <b>Liabilities</b>           |                |                |                |
| Payables <sup>2</sup>        | 102.1          | 115.9          | 99.3           |
| Outstanding claims           | 360.9          | 398.8          | 416.7          |
| Unearned premium             | 1,280.5        | 1,334.8        | 1,381.5        |
| Interest bearing liabilities | 199.4          | 200.0          | 236.1          |
| Employee benefit provision   | 7.1            | 7.9            | 8.2            |
| <b>Total liabilities</b>     | <b>1,949.9</b> | <b>2,057.3</b> | <b>2,141.8</b> |
| <b>Net assets</b>            | <b>1,527.5</b> | <b>1,405.5</b> | <b>1,430.1</b> |

Source: Genworth

Note: Totals may not sum due to rounding.

### 3Q20 commentary:

- **Deferred reinsurance expense** reduced as the deferred reinsurance premium was amortised.
- **Deferred acquisition costs (DAC)** increase reflects the capitalisation of new acquisition costs post 1Q20 DAC write-down.
- **Outstanding claims** movement driven by additional reserving, including an increase in the risk margin.
- **Interest bearing liabilities** movement due to timing of the issuance and redemption of Tier 2 capital, now \$187.7m following the 6<sup>th</sup> October 2020 redemption.

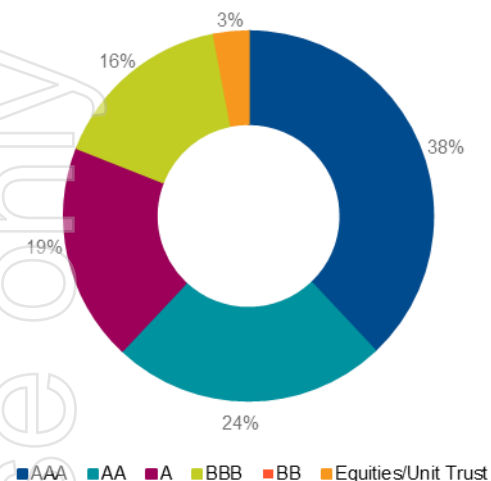
1. Includes trade receivables, plant and equipment and right-of-use assets.

2. Includes reinsurance payables, lease liabilities and other payables.

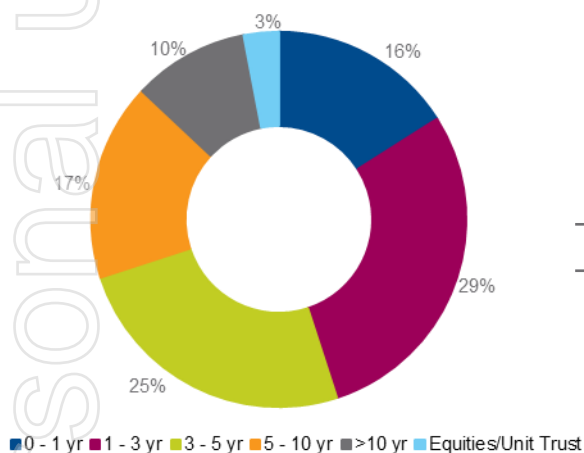
# Cash and investments portfolio

Conservative, well-diversified portfolio with average maturity of 4.2 years<sup>1</sup>

## Portfolio by rating<sup>2</sup>



## Portfolio by maturity



| Investment portfolio (\$m)     | 31 Dec 19    |             | 30 Jun 20    |             | 30 Sep 20    |             |
|--------------------------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Commonwealth                   | 944          | 67%         | 1,192        | 71%         | 804          | 48%         |
| State Gov't                    | 375          | 27%         | 226          | 13%         | 477          | 29%         |
| Corporate                      | 80           | 6%          | 269          | 16%         | 391          | 23%         |
| Cash & Short Term Deposits     | 2            | 0%          | 2            | 0%          | 1            | 0%          |
| <b>Technical funds</b>         | <b>1,401</b> | <b>100%</b> | <b>1,689</b> | <b>100%</b> | <b>1,673</b> | <b>100%</b> |
| Corporate                      | 1,359        | 79%         | 1,236        | 82%         | 1,261        | 77%         |
| Equities/Unit Trust            | 83           | 5%          | 85           | 6%          | 84           | 5%          |
| Cash & Short Term Deposits     | 278          | 16%         | 185          | 12%         | 290          | 18%         |
| Derivatives                    | 10           | 1%          | 2            | 0%          | 3            | 0%          |
| <b>Shareholder funds</b>       | <b>1,730</b> | <b>100%</b> | <b>1,508</b> | <b>100%</b> | <b>1,638</b> | <b>100%</b> |
| Commonwealth                   | 944          | 30%         | 1,192        | 37%         | 804          | 24%         |
| State Gov't                    | 375          | 12%         | 226          | 7%          | 477          | 14%         |
| Corporate                      | 1,439        | 46%         | 1,505        | 47%         | 1,652        | 50%         |
| Equities/Unit Trust            | 83           | 3%          | 85           | 3%          | 84           | 3%          |
| Cash & Short Term Deposits     | 280          | 9%          | 187          | 6%          | 291          | 9%          |
| Derivatives                    | 10           | 0%          | 2            | 0%          | 3            | 0%          |
| <b>Total Investment Assets</b> | <b>3,131</b> | <b>100%</b> | <b>3,197</b> | <b>100%</b> | <b>3,311</b> | <b>100%</b> |

1. Maturity of 4.2 years (duration 2.5 years) excludes equities and derivatives. Note: Derivatives contracts are with AA rated counterparties and have a maturity of less than 1 year.

2. Using APRA mapping for short-dated securities.

Source: Genworth

# Liability adequacy test (LAT)

## Economic assumptions updated, LAT remains in surplus

| Key assumptions / outcome                         | 1Q20<br>Central estimate | 3Q20<br>Central estimate |
|---|--------------------------|--------------------------|
| <b>Economic expansion re-commences</b>            | 1Q21                     | 1Q21                     |
| <b>Portfolio unemployment rate<sup>1</sup>:</b>   |                          |                          |
| • Peak  | 8.2%                     | 9.1%                     |
| • Dec-20  | 8.0%                     | 9.1%                     |
| • Dec-21  | 7.5%                     | 8.1%                     |
| <b>House price appreciation / (depreciation):</b> |                          |                          |
| • Trough from 1Q20                                | (8.0%) <sup>2</sup>      | (8.3%)                   |
| • Dec-20 (YoY)                                    | (5.4%)                   | (3.2%)                   |
| • Dec-21 (YoY)                                    | 3.1%                     | 0.3%                     |
| <b>LAT (deficiency) / surplus</b>                 | (\$181.8m)               | \$88.6m                  |

| Liability adequacy test (\$ millions)  | 31 Mar 20      | 30 Jun 20      | 30 Sep 20      |
|--|----------------|----------------|----------------|
| Unearned premium                       | 1,302.2        | 1,334.8        | 1,381.5        |
| Less: Deferred acquisition costs (DAC) | (183.8)        | (16.5)         | (28.4)         |
| Less: Deferred reinsurance costs       | (72.0)         | (54.8)         | (37.5)         |
| <b>Net unearned premium</b>            | <b>1,046.4</b> | <b>1,263.5</b> | <b>1,315.7</b> |
| Premium liabilities                    | 1,228.2        | 1,182.2        | 1,227.0        |
| <b>LAT surplus / (deficiency)</b>      | <b>(181.8)</b> | <b>81.3</b>    | <b>88.6</b>    |
| <b>Premium liability assumptions</b>   |                |                |                |
| Risk margin                            | 17%            | 17%            | 17%            |
| Probability of adequacy                | 70%            | 70%            | 70%            |

1. Takes account of Genworth's lower concentration of home ownership in occupations and industries impacted by COVID-19 (such as casual employees) and is adjusted to remove the effect of government income assistance.

2. 1Q20 disclosure of (5.8%) was "peak (since Dec-19)".

3. Based on assumptions provided on slide 10.

20 | 3Q20 financial results – produced by Genworth.

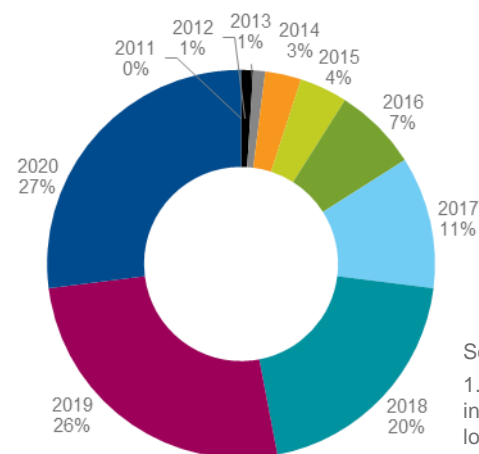
### Economic indicators adopted

- A range of possible economic scenarios were tested.
- Central estimate adopted for the LAT assessment is based on median view of all external economic forecasts.
- Economic assumptions reflect the duration of assumed recovery and mitigating benefits of the government stimulus and lender initiatives.

### The LAT surplus<sup>3</sup>:

- Central estimate = \$88.6 million.
- Downside = (\$294.2) million.
- LAT testing for book years 2017- 2020 was all in surplus, demonstrating strong underwriting practices and higher pricing outcomes. Book years 2013-2014 (related to mining) were the main drivers of the LAT deficiency.

### Unearned premium by book year as at 30 September 2020<sup>1</sup>



Source: Genworth  
1. The pie chart includes excess of loss insurance.

# Regulatory capital

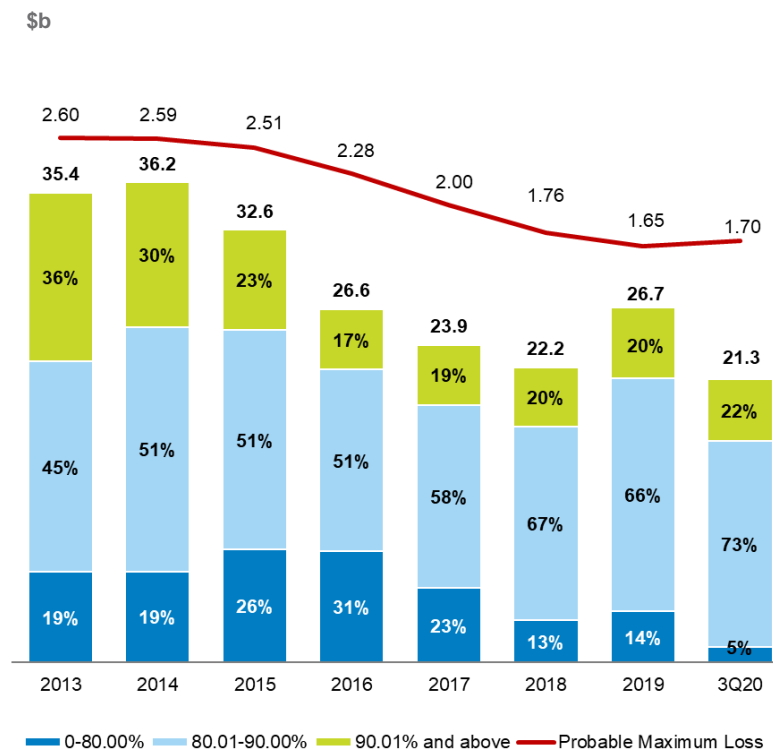
## Well-capitalised above Board targets and APRA requirements

| (\$ millions)                                     | 31 Dec 19      | 30 Jun 20      | 30 Sep 20      |
|---|----------------|----------------|----------------|
| <b>Capital base</b>                               |                |                |                |
| Common equity Tier 1 capital                      | 1,459.6        | 1,298.1        | 1,325.5        |
| Tier 2 capital                                    | 200.0          | 200.0          | 238.4          |
| <b>Regulatory capital base</b>                    | <b>1,659.6</b> | <b>1,498.1</b> | <b>1,563.9</b> |
| <b>Capital requirement</b>                        |                |                |                |
| Probable maximum loss (PML)                       | 1,647.3        | 1,676.3        | 1,695.1        |
| Net premiums liability deduction                  | (367.9)        | (471.3)        | (485.8)        |
| Allowable reinsurance                             | (800.3)        | (800.3)        | (800.3)        |
| <b>Insurance concentration risk charge (ICRC)</b> |                |                |                |
| <b>Asset risk charge</b>                          | <b>479.1</b>   | <b>404.7</b>   | <b>409.0</b>   |
| Asset risk charge                                 | 125.7          | 131.8          | 146.2          |
| Asset concentration risk charge                   | -              | -              | -              |
| Insurance risk charge                             | 284.4          | 327.9          | 340.4          |
| Operational risk charge                           | 35.7           | 41.7           | 43.0           |
| Aggregation benefit                               | (55.7)         | (57.8)         | (63.4)         |
| <b>Prescribed capital amount (PCA)</b>            | <b>869.3</b>   | <b>848.3</b>   | <b>875.2</b>   |
| <b>PCA coverage ratio (times)</b>                 | <b>1.91 x</b>  | <b>1.77x</b>   | <b>1.79x</b>   |

Source table and charts: Genworth

Note: Totals may not sum due to rounding.

### NIW<sup>1</sup> by original LVR band and probable maximum loss



1. NIW excludes excess of loss insurance.



# Summary

Pauline Blight-Johnston, CEO and Managing Director

# Good operating momentum in a difficult environment

## Navigating through the challenging impacts of COVID-19



### Sound business fundamentals and strong customer focus

- GWP growth supporting future NEP growth.
- Reserving for anticipated future claims as deferrals end and loans are restructured.
- Strategic review in response to changing consumer expectations.



### Outlook continues to be impacted by COVID-19

- Repayment deferral assessments expected to improve visibility of deferred loan quality.
- 4Q20 review of earnings curve and claims reserving as deferrals end.
- Working effectively with our lender customers to support borrowers.



### Capital strength and flexibility

- Pro forma PCA coverage ratio of 1.73x well above top end of 1.32 to 1.44x target range.
- Pro forma surplus capital above top end of target range of \$255m.
- Net tangible assets (NTA) \$3.43 per share as at 30 September 2020.

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# Supplementary slides



# Residential mortgage lending market

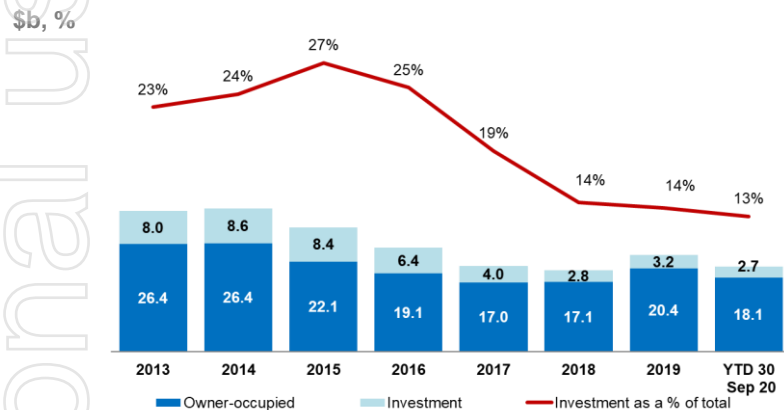
## Originations and HLVR penetration<sup>1</sup>



Source: APRA Quarterly ADI property exposures statistics (ADI's new housing loan funded), June 2020.

APRA has discontinued data on new housing loan approvals from 1 October 2019. APRA new loans funded statistics is used starting from 1 October 2019.

## NIW: Investment vs. owner-occupied<sup>2</sup> (Genworth)

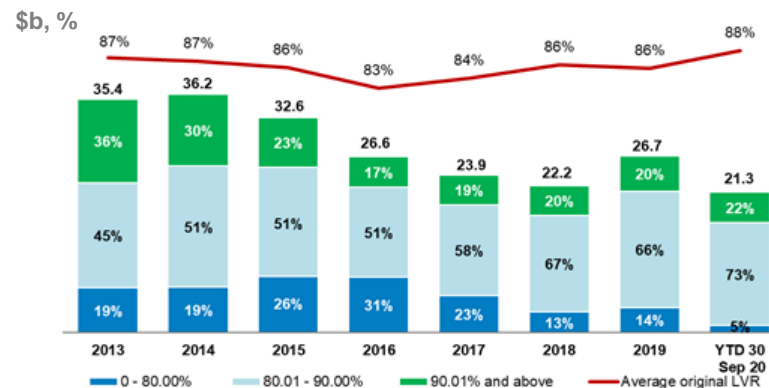


Source: Genworth

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

2. Flow NIW only.

## NIW<sup>3</sup> by original LVR<sup>4</sup> band



Source: Genworth

3. NIW includes capitalised premium. NIW excludes excess of loss insurance (excess of loss insurance includes the Bermudian entity transaction).

4. Average original LVR excludes capitalised premium and excess of loss insurance.

# Insurance in-force

## As at 30 September 2019

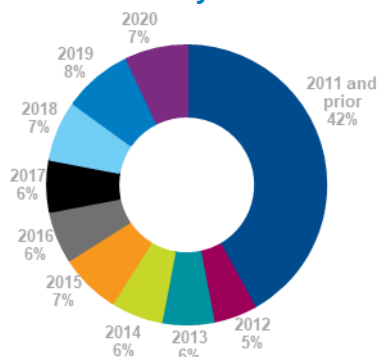
| Book year                   | \$ billions  | %           | Original LVR | Effective LVR | Change in house price % |
|-----------------------------|--------------|-------------|--------------|---------------|-------------------------|
| 2011 & Prior                | 103.6        | 37%         | 78.8%        | 41.3%         | 61%                     |
| 2012                        | 16.3         | 6%          | 86.2%        | 63.6%         | 28%                     |
| 2013                        | 18.5         | 7%          | 87.2%        | 69.0%         | 21%                     |
| 2014                        | 20.9         | 8%          | 87.3%        | 75.5%         | 12%                     |
| 2015                        | 20.7         | 7%          | 85.8%        | 79.1%         | 5%                      |
| 2016                        | 19.8         | 7%          | 83.9%        | 80.4%         | 1%                      |
| 2017                        | 18.7         | 7%          | 86.8%        | 89.5%         | -5%                     |
| 2018                        | 19.4         | 7%          | 87.7%        | 91.5%         | -4%                     |
| 2019                        | 16.5         | 6%          | 87.8%        | 88.1%         | 1%                      |
| <b>Total Flow</b>           | <b>254.3</b> | <b>92%</b>  | <b>82.5%</b> | <b>59.1%</b>  | <b>36%</b>              |
| Portfolio                   | 23.2         | 8%          | 56.4%        | 28.1%         | 70%                     |
| <b>Total/ Weighted Avg.</b> | <b>277.6</b> | <b>100%</b> | <b>80.0%</b> | <b>56.1%</b>  | <b>39%</b>              |

## As at 30 September 2020

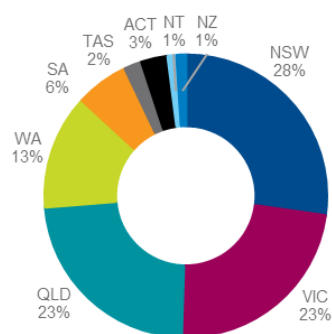
| Book year                   | \$ billions  | %           | Original LVR | Effective LVR | Change in house price % |
|-----------------------------|--------------|-------------|--------------|---------------|-------------------------|
| 2011 & Prior                | 97.6         | 34%         | 78.6%        | 38.1%         | 69%                     |
| 2012                        | 14.9         | 5%          | 86.1%        | 60.2%         | 33%                     |
| 2013                        | 16.8         | 6%          | 87.2%        | 65.6%         | 26%                     |
| 2014                        | 18.6         | 7%          | 87.2%        | 71.8%         | 16%                     |
| 2015                        | 18.4         | 6%          | 85.8%        | 75.1%         | 9%                      |
| 2016                        | 17.6         | 6%          | 83.9%        | 76.2%         | 5%                      |
| 2017                        | 16.7         | 6%          | 86.9%        | 84.7%         | -1%                     |
| 2018                        | 18.1         | 6%          | 87.8%        | 86.6%         | 0%                      |
| 2019                        | 22.9         | 8%          | 88.1%        | 84.6%         | 4%                      |
| 2020                        | 20.6         | 7%          | 88.1%        | 90.2%         | -1%                     |
| <b>Total Flow</b>           | <b>262.1</b> | <b>92%</b>  | <b>82.7%</b> | <b>57.4%</b>  | <b>40%</b>              |
| Portfolio                   | 22.2         | 8%          | 56.5%        | 25.9%         | 78%                     |
| <b>Total/ Weighted Avg.</b> | <b>284.3</b> | <b>100%</b> | <b>80.3%</b> | <b>54.6%</b>  | <b>43%</b>              |

Note: Excludes capitalised premium. Excludes inward reinsurance, excess of loss insurance, NZ and Genworth Financial Mortgage Indemnity Limited. Calculated on 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.

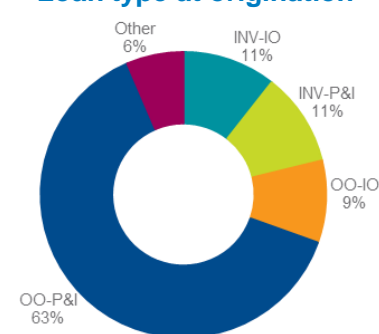
### Book year



### State



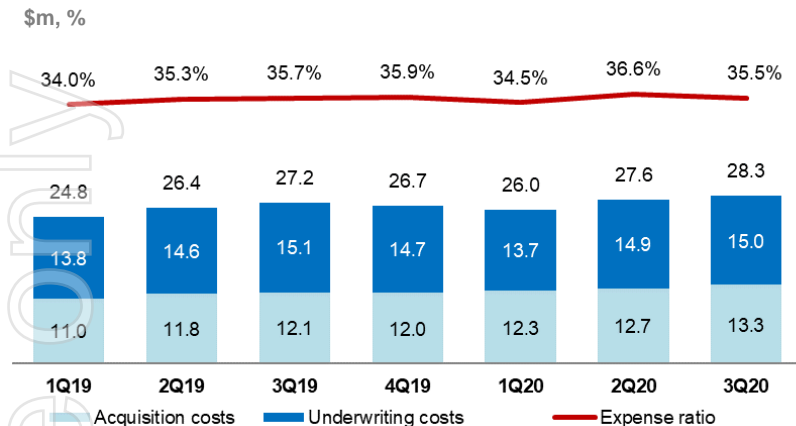
### Loan type at origination



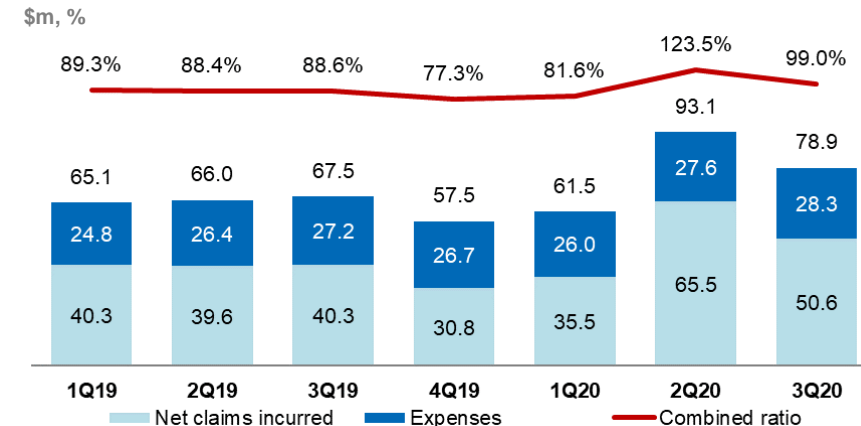
| Primary Insurance          | 1Q19      | 2Q19      | 3Q19      | 4Q19      | 1Q20      | 2Q20      | 3Q20      |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Insured loans in-force (#) | 1,323,172 | 1,308,811 | 1,293,961 | 1,290,216 | 1,284,120 | 1,236,657 | 1,193,072 |
| Insurance in-force (\$m)   | 308,822   | 307,273   | 305,755   | 307,355   | 307,933   | 304,693   | 301,169   |

# Insurance ratio analysis<sup>1</sup>

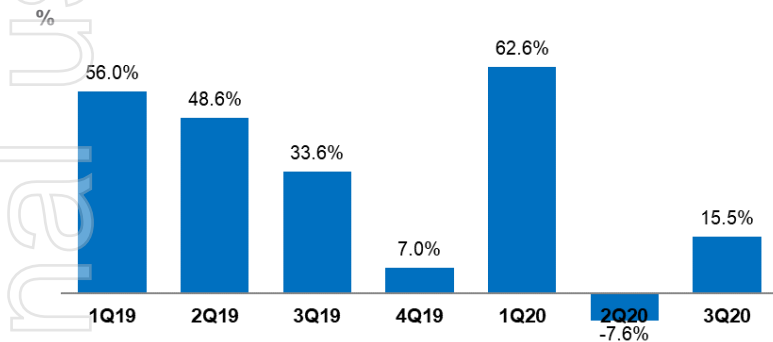
## Expenses



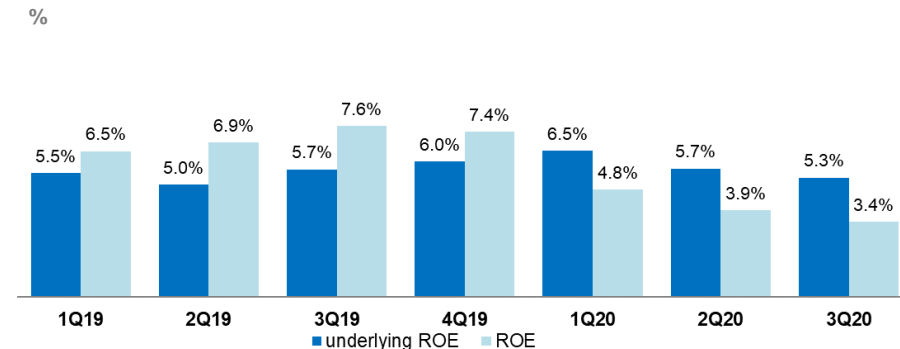
## Combined ratio



## Insurance margin



## Trailing 12-month ROE and Underlying ROE



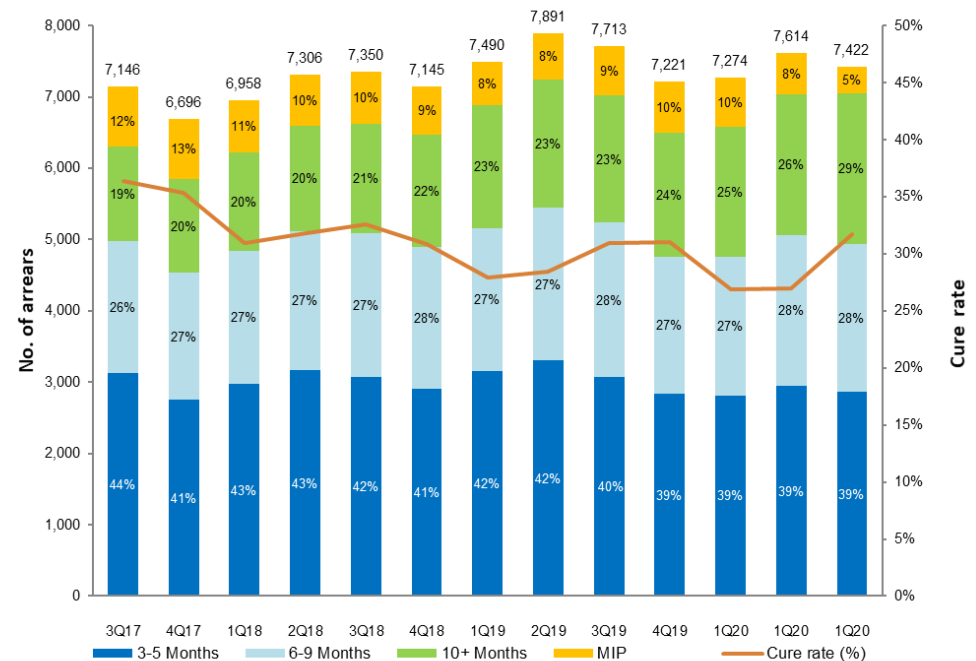
Source all charts: Genworth

1. Excludes \$181.8m DAC write-down in 1Q20, less associated DAC amortisation benefit of \$12.3m in 2Q20 and \$12.7m in 3Q20.

# Delinquency trends

| Delinquency roll                                | 1Q19         | 2Q19         | 3Q19         | 4Q19         | 1Q20         | 2Q20         | 3Q20         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Opening balance                                 | 7,145        | 7,490        | 7,891        | 7,713        | 7,221        | 7,274        | 7,614        |
| New delinquencies                               | 2,662        | 2,853        | 2,622        | 2,277        | 2,326        | 2,662        | 2,552        |
| Cures   | (1,998)      | (2,156)      | (2,439)      | (2,393)      | (1,940)      | (1,964)      | (2,412)      |
| Paid claims                                     | (319)        | (296)        | (361)        | (376)        | (333)        | (358)        | (332)        |
| <b>Closing delinquencies</b>                    | <b>7,490</b> | <b>7,891</b> | <b>7,713</b> | <b>7,221</b> | <b>7,274</b> | <b>7,614</b> | <b>7,422</b> |
| Delinquency rate                                | 0.57%        | 0.60%        | 0.60%        | 0.56%        | 0.57%        | 0.62%        | 0.62%        |
| Average total reserves per delinquency (\$'000) | 46.7         | 45.9         | 47.7         | 50.0         | 50.3         | 52.4         | 56.1         |

| Delinquencies by book year <sup>1</sup> | Dec 19       | %            | Jun 20       | %            | Sep 20       | %            |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| 2011 and prior                          | 3,952        | 0.50%        | 4,060        | 0.55%        | 4,045        | 0.59%        |
| 2012                                    | 585          | 0.95%        | 595          | 1.01%        | 577          | 0.99%        |
| 2013                                    | 664          | 1.04%        | 680          | 1.12%        | 634          | 1.06%        |
| 2014                                    | 745          | 1.04%        | 746          | 1.10%        | 716          | 1.08%        |
| 2015                                    | 497          | 0.77%        | 542          | 0.89%        | 489          | 0.83%        |
| 2016                                    | 350          | 0.60%        | 394          | 0.71%        | 362          | 0.68%        |
| 2017                                    | 257          | 0.45%        | 305          | 0.57%        | 271          | 0.52%        |
| 2018                                    | 160          | 0.28%        | 228          | 0.41%        | 224          | 0.41%        |
| 2019                                    | 11           | 0.02%        | 62           | 0.10%        | 99           | 0.17%        |
| 2020                                    | -            | -            | 2            | 0.01%        | 5            | 0.01%        |
| <b>TOTAL</b>                            | <b>7,221</b> | <b>0.56%</b> | <b>7,614</b> | <b>0.62%</b> | <b>7,422</b> | <b>0.62%</b> |

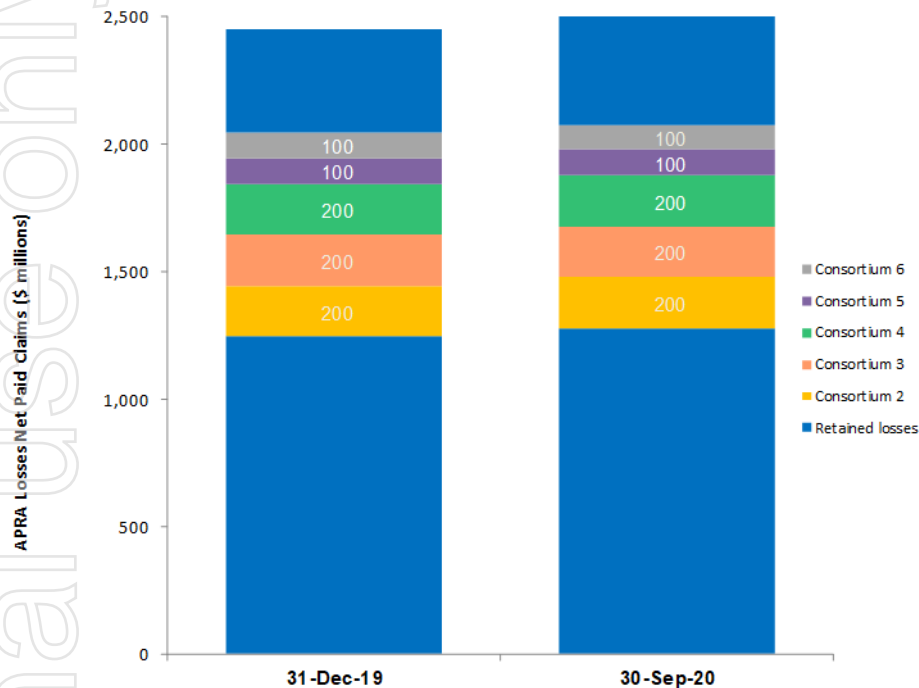


1. Shows the number of delinquencies and the portfolio delinquency rate, calculated by dividing the number of delinquencies by the number of loans in-force (~1.19m).

Source all charts and tables : Genworth

# Reinsurance

## Reinsurance program as at 30 September 2020



- As at 30 September 2020, \$800m of excess of loss cover with varying durations depending on the layer.
- Well diversified panel with over 20 different reinsurers participating across the program (minimum rating of A-).
- Program is structured to provide aggregate cover on a 'paid claims basis' (not structured on a book-year basis).
- Covers policies in-force plus two additional years of new insurance written.
- One-year cover with option to extend cover to a full term (varying between 6-10 years depending on the layer).
- The program continues to drive efficient economic capital credit.
- Reinsurance program renewed on 1 January 2020, on essentially the same basis as prior year.

Source: Genworth

Note: Excludes reinsurance on excess of loss insurance.

# Reconciliations

## Statutory profit / (loss) to underlying profit / (loss)

| (\$ millions)                                   | 30 Sep 19   | 31 Dec 19   | 31 Mar 20      | 30 Jun 20   | 30 Sep 20   |
|---|-------------|-------------|----------------|-------------|-------------|
| Statutory net profit / (loss) after tax         | 25.1        | 6.9         | (125.6)        | 35.6        | 24.6        |
| Unrealised (gains)/losses and FX                | 2.1         | 29.2        | 32.0           | (25.6)      | 4.0         |
| Adjustment for tax (expense)/credits            | (0.6)       | (8.8)       | (9.6)          | 7.7         | (1.2)       |
| <b>Underlying net profit / (loss) after tax</b> | <b>26.5</b> | <b>27.4</b> | <b>(103.2)</b> | <b>17.7</b> | <b>27.4</b> |

## Total equity and underlying equity

| (\$ millions), as at  | 30 Sep 19      | 31 Dec 19      | 31 Mar 20      | 30 Jun 20      | 30 Sep 20      |
|---|----------------|----------------|----------------|----------------|----------------|
| Total Equity  | 1,620.3        | 1,527.5        | 1,370.3        | 1,405.5        | 1,430.1        |
| Adjustment for life to date unrealised (gains) and FX                     | (80.8)         | (51.6)         | (19.5)         | (45.0)         | (41.2)         |
| Adjustment for tax credit on life to date unrealised gains)/losses and FX | 24.2           | 15.5           | 5.9            | 13.5           | 12.4           |
| <b>Underlying Equity<sup>1</sup></b>                                      | <b>1,563.8</b> | <b>1,491.4</b> | <b>1,356.6</b> | <b>1,374.0</b> | <b>1,401.3</b> |

1. Underlying Equity, which is a non-IFRS financial measure, is calculated by adjusting total equity to exclude any after tax impacts of unrealised gains or losses on securities held in the Group's investment portfolio and FX movement.

## Underlying ROE (ex DAC write-down / benefit)

| (\$ millions)                         | 12 mths to Sep 19 | 12 mths to Dec 19 | 12 mths to Mar 20 | 12 mths to Jun 20 | 12 mths to Sep 20 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Underlying NPAT <sup>1</sup>          | 92.9              | 97.0              | 98.8              | 87.1              | 79.0              |
| Underlying equity <sup>2</sup>        | 1,633.0           | 1,607.9           | 1,517.2           | 1,519.1           | 1,482.5           |
| <b>Underlying ROE (%)<sup>1</sup></b> | <b>5.7%</b>       | <b>6.0%</b>       | <b>6.5%</b>       | <b>5.7%</b>       | <b>5.3%</b>       |

1. Excludes \$181.8m DAC write-down in 1Q20, less associated DAC amortisation benefit of \$12.3m in 2Q20 and \$12.7m in 3Q20.

2. For the purposes of calculating Underlying ROE, Underlying Equity is defined as the average Underlying Equity between the start and end of the relevant 12-month period.

Note: Totals may not sum due to rounding.

Source all tables: Genworth

# Glossary

As at 30 September 2020

| Term                                | Definition   |
|-------------------------------------|--|
| <b>Ageing</b>                       | Movement in reserves on any insurance policy that remains in a delinquent state (3+ months of missed payments or Mortgage In Possession)   |
| <b>Book year</b>                    | The calendar year an LMI policy is originated  |
| <b>Capitalised premium</b>          | The cost of the LMI premium and related costs added to the loan balance(s) covered by the policy   |
| <b>Central estimate</b>             | The value of insurance liabilities which represents the average (i.e. statistical mean) of the estimated distribution of outcomes  |
| <b>Combined ratio</b>               | The combined ratio is the sum of the loss ratio and the expense ratio  |
| <b>Common equity tier 1 or CET1</b> | Consists of total accounting equity, adjustments for certain reserves and adjustments for certain other items, such as intangible assets, which are excluded from the capital base   |
| <b>COVID-19</b>                     | A disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease   |
| <b>Cures</b>                        | A policy that either clears arrears to below 3 months of missed payments, or, sells the underlying securities with enough equity in the property to clear the arrears  |
| <b>DAC</b>                          | Deferred acquisition costs - Costs associated with obtaining and recording mortgage insurance contracts which are capitalised when they relate to the acquisition of new business or renewals  |
| <b>Deferral</b>                     | Temporary relief granted to borrowers impacted by COVID-19 by lender customers, allowing them to defer loan repayments for a period of time.<br>Active – comprised of new and existing deferrals<br>Cumulative – All deferral notifications received to date<br>Closures – lender notified opt outs and closures. Also includes expiry of deferral periods |
| <b>Delinquency</b>                  | Any insured loan which is reported as three or more months in arrears  |
| <b>Delinquency rate</b>             | The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies (excluding excess of loss insurance)   |

| Term                         | Definition  |
|------------------------------|---|
| <b>Expense ratio</b>         | The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium  |
| <b>Flow</b>                  | Policies written by Genworth on a loan by loan basis at the time of origination by the lender customer  |
| <b>GDP</b>                   | Gross domestic product  |
| <b>GFI</b>                   | Genworth Financial, Inc. (NYSE: GNW)  |
| <b>GEP</b>                   | Gross earned premium - The earned premium for a given period prior to any outward reinsurance premium expense   |
| <b>GWP</b>                   | Gross written premium   |
| <b>HPA / HPD</b>             | House price appreciation / depreciation   |
| <b>IBNR</b>                  | Incurred but not reported - Delinquent loans that have been incurred but not reported   |
| <b>IFRS</b>                  | International Financial Reporting Standards   |
| <b>Insurance in-force</b>    | The original principal balance of all mortgage loans currently insured (excludes excess of loss insurance)  |
| <b>Insurance margin</b>      | 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  |
| <b>Investment return</b>     | The net interest and dividend (excluding realised and realised gains/(losses)) divided by the average balance of the opening and closing cash and investments balance for the period, annualised  |
| <b>JobKeeper / JobSeeker</b> | Payment designed to help businesses affected by COVID-19 to cover the costs of their employees' wages / Financial help for people aged between 22 and the aged pension  |
| <b>Level 2</b>               | A term defined by APRA under GPS 001 referring to a consolidated insurance group  |
| <b>LAT</b>                   | Liability adequacy test - AASB 1023 – <i>General Insurance Contracts</i> requires a LAT test. If the LAT test is failed, the DAC asset is written-down and an unexpired risk reserve established if there is a further deficiency after the write-down of DAC |
| <b>LMI</b>                   | Lenders mortgage insurance  |

# Glossary


As at 30 September 2020

| Term                           | Definition   |
|--------------------------------|--|
| <b>Loss ratio</b>              | The loss ratio is calculated by dividing the net claims incurred by the net earned premium   |
| <b>LVR</b>                     | Loan to value ratio<br>High LVR – This LVR benchmark is commonly 80%<br>Original LVR - Calculated using the base LVR at the time of settlement.<br>Effective LVR – Calculated using the (estimated current balance)/(approximate house price) of the loan. |
| <b>NEP</b>                     | Net earned premium - The earned premium for a given period less any outward reinsurance expense  |
| <b>NIW</b>                     | New insurance written reflects the total loan amount that is insured in the relevant period. NIW for Genworth reporting purposes excludes excess of loss business written  |
| <b>PCA</b>                     | Prescribed capital amount is an APRA formula (set out in Prudential Standard GPS 110) designed to ensure an insurer has adequate capital against risk  |
| <b>PCA coverage</b>            | The PCA coverage is calculated by dividing the regulatory capital base by the prescribed capital amount  |
| <b>PCP</b>                     | Prior comparable period  |
| <b>PML</b>                     | Probably maximum loss - The largest cumulative loss due to a concentration of policies, determined by applying a formula specified by APRA for LMI with specific factors for probability of default and loss given default and other components            |
| <b>Premium liabilities</b>     | Premium liabilities reflects the present value of (a) expected cash flows associated with anticipated future claims based on the net central estimate; and (b) risk margin.  |
| <b>QoQ</b>                     | Quarter on quarter   |
| <b>Regulatory capital base</b> | The regulatory capital base is the sum of Tier 1 Capital and Tier 2 Capital  |
| <b>Risk margin</b>             | An additional amount that is added to the central estimate loss forecast and reserves to reflect the inherent uncertainty in forecasting loss outcomes.  |
| <b>ROE</b>                     | Return on equity – ROE is NPAT divided by the average of the opening and closing equity balance for a financial period   |

| Term                                     | Definition  |
|--|---|
| <b>Shareholder funds</b>                 | The cash and investments in excess of the Technical funds.  |
| <b>Single policy view</b>                | Excludes additional policies issued for top ups and refinancing.  |
| <b>Statutory NPAT</b>                    | Net profit after tax  |
| <b>Technical funds</b>                   | The investments held to support premium liabilities and outstanding claims reserves   |
| <b>Tier 1 capital</b>                    | As defined by GPS 112, Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: (a) Provide a permanent and unrestricted commitment of funds; (b) Are freely available to absorb losses; (c) Do not impose any unavoidable servicing charge against earnings; and (d) Rank behind claims of policyholders and creditors in the event of winding up |
| <b>Tier 2 capital</b>                    | As defined by GPS 112, Tier 2 Capital comprises other components of capital that to varying degrees, fall short of the quality of Tier 1 Capital but nonetheless contribute to the overall strength of a regulated institution and its capacity to absorb losses  |
| <b>Top-ups</b>                           | When a lender customer purchases additional LMI policies to cover an increase in the amount of original mortgage loan   |
| <b>Trailing 12 months underlying ROE</b> | Divides the underlying NPAT of the past 12 months by the average of opening and closing underlying equity balance for past 12 months.   |
| <b>Underlying equity</b>                 | Underlying Equity is defined as total equity excluding the after-tax impact of unrealised gains/(losses) on the investment portfolio, and the impact of unhedged movements in foreign exchange rates on Genworth's non-AUD exposures  |
| <b>Underlying NPAT</b>                   | Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) on the investment portfolio, and the impact of foreign exchange rates on Genworth's investment portfolio.  |
| <b>Underlying ROE</b>                    | The Underlying ROE is calculated by dividing Underlying NPAT by the average of the opening and closing Underlying Equity balance for a financial period   |
| <b>UEP</b>                               | Unearned premium reserve  |
| <b>YTD</b>                               | Year to date  |





Genworth 

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The release of this announcement was authorised by the Board.

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