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25 FEBRUARY 2022

# FY21 Financial Results Presentation

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Johnston

CEO & MD

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Michael Cant

CFO

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Johnston

CEO & MD

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# Overview

Pauline Blight-Johnston

# FY21 result overview

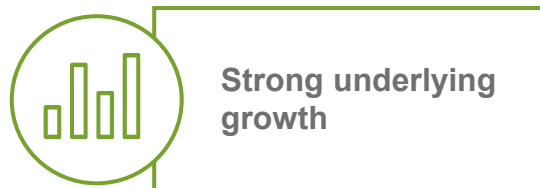
Strong business performance underpinned by a supportive economic environment



- FY21 Underlying NPAT of \$238m
- FY21 Statutory NPAT of \$193m
- FY21 Net claims incurred (\$8.3m), underwriting result of \$296m.



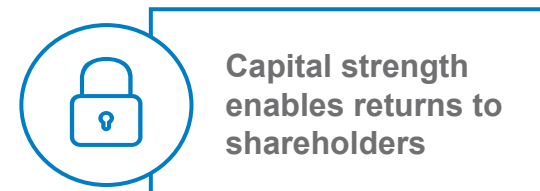
- Strong HPA has reduced portfolio negative equity to ~1% (~4% pre COVID-19)
- Headline unemployment at lowest level since 2008
- Borrower finances boosted by higher savings rate and Government support.



- FY21 Net earned premium increased 18.8%
- FY21 Gross written premium decreased 2.2% to \$550m (up 9.0% excl. NAB)
- FY21 New insurance written decreased 4.4% to \$30.2b (up 8.6% excl. NAB).



- Lender customer contract renewals and improved NPS reinforce value proposition
- Family Assistance product launched
- Partnering with OSQO on new deposit gap funding solution.



- PCA coverage ratio 2.03x on a Level 2 basis (1.84x proforma<sup>1</sup>)
- Total 2H21 dividend of 24 cents per share (including 12 cps special dividend)
- \$2.4m of \$100m buy-back executed to date, intention to resume post results.

1. Proforma for announced capital management actions

# Australia's leading LMI business

Delivery of strategy fueling growing business momentum



Improve the efficiency and competitiveness of LMI



Reimagine LMI for a new generation of home buyers



Leverage our core capabilities into complementary offerings

## **FY21 achievements:**

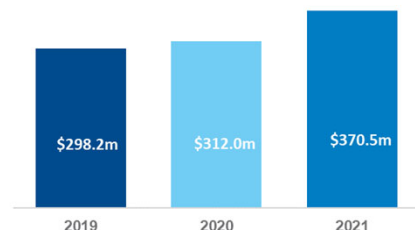
- Retained all lender customer contracts up for renewal and won all competitive tenders
- Differentiating LMI proposition via service delivery and product innovation
- Launched new 'Family Assistance' product in December 2021
- Improved borrower and broker engagement, education and sales support tools
- Acquired a minority stake in OSQO to work together on a new deposit gap funding solution.



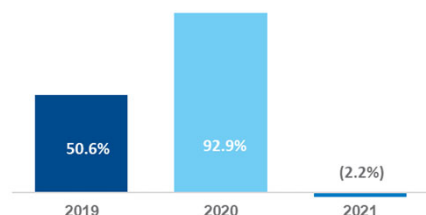
# Business recovery demonstrated in financial outcomes

## Key performance measures

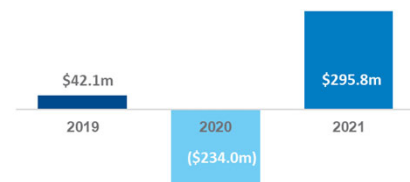
### Net earned premium



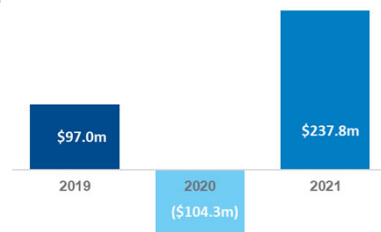
### Loss ratio



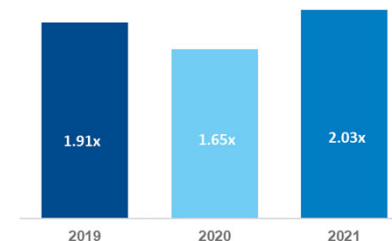
### Underwriting result



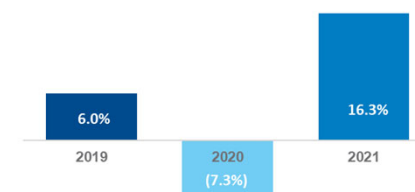
### Underlying NPAT



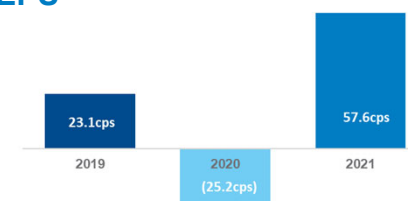
### PCA coverage ratio



### Underlying ROE

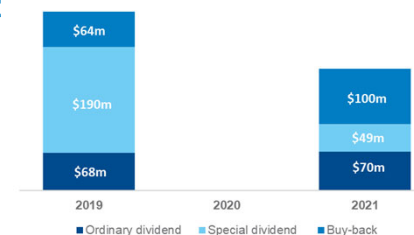


### Underlying diluted EPS



### Capital management

Note: dividends declared, and buy-backs announced



Source: Genworth

# Strategy implementation driving customer results

## Creating a differentiated customer and borrower experience

### Genworth's value proposition

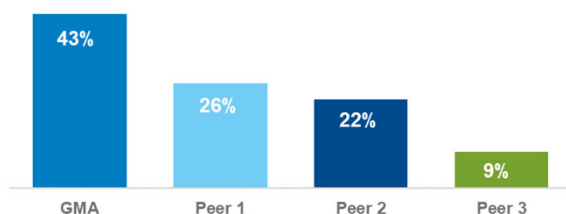
- Australia's leading LMI business
- Service delivery, operating flexibility and collaboration
- Product innovation and borrower focus
- Credit risk expertise
- Seamless digital interface
- Momentum and confidence in delivery
- Pipeline of further proposition improvements grounded in borrower research.

### CBA contract details<sup>1</sup>

- Exclusive LMI provider to CBA, excluding Bankwest
- Period of 3 years, commencing 1 January 2023
- Genworth and CBA to partner to deliver improved borrower experience
- Genworth to insure between 50-70% of CBA High LVR business (currently ~70%)
- Delivers additional value to CBA's customers and expected above hurdle returns for Genworth's shareholders.

1. Subject to agreeing contractual terms.

### LMI market share



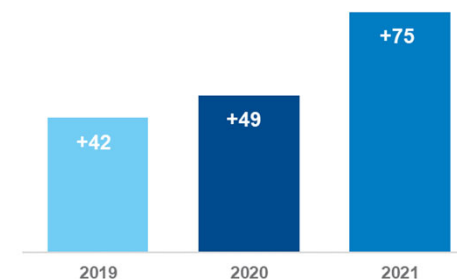
Source: Data from APRA quarterly general insurance institution – level statistics for the 12 months to 30 September 2021.

### GWP split by lender customer



Source: Genworth

### Net promotor score



Source: Genworth



# GFI separation programme

Delivering on time and within budget

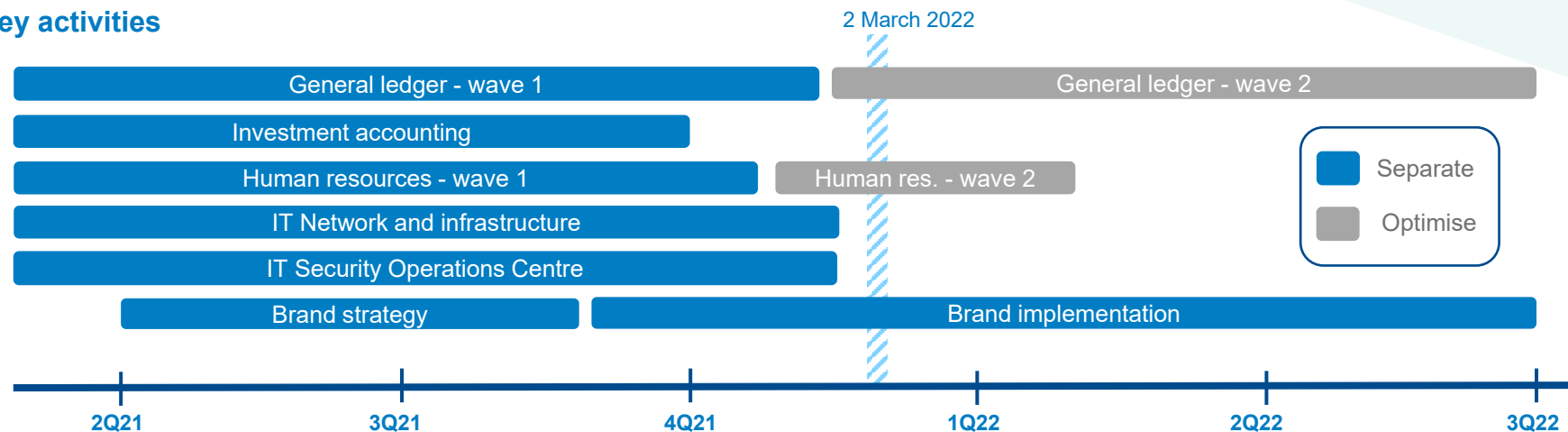
## Delivered

- Finance systems
- Human resources systems
- Investments services
- IT networks and infrastructure
- IT security operations centre.

## Outstanding & costs

- Expected range remains \$15m to \$19m
- \$8.4m of costs incurred in FY21
- Target separation date at 1Q22, with rebranding to follow in 2022.

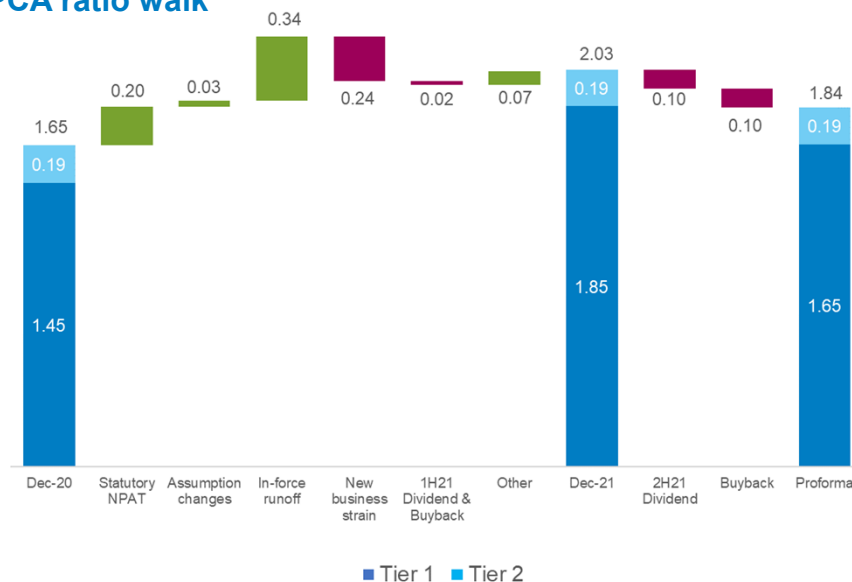
## Key activities



# Resumption of capital management

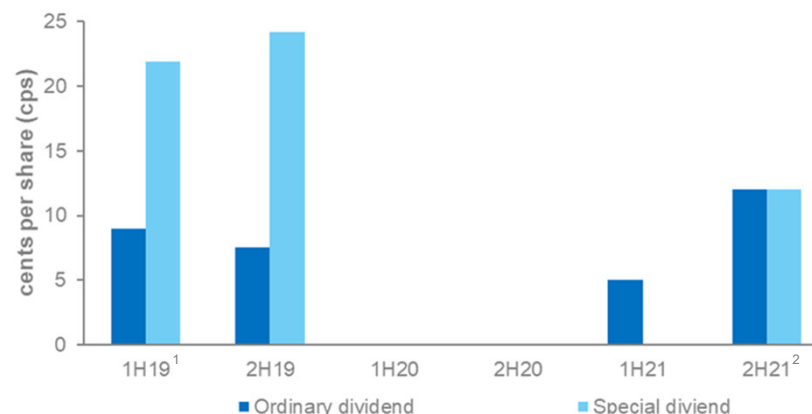
## Buy-back in progress and special dividend announced

### PCA ratio walk



Note: Totals may not sum due to rounding.

### Capital management



1. Excludes \$63.9m on-market share buy-back.

2. Excludes \$2.4m on-market share buy-back.

- In-force runoff continues to support new business growth and capital returns
- Actively managing capital
  - announced \$100m on-market buy-back
  - resumed sustainable ordinary dividends
  - special dividend fully franked
- Dividend franking account back in surplus post the payment of 2021 income tax and net of 2H21 dividends.

Source: Genworth

# FY21 Financial result

Michael Cant

# Economic environment supportive

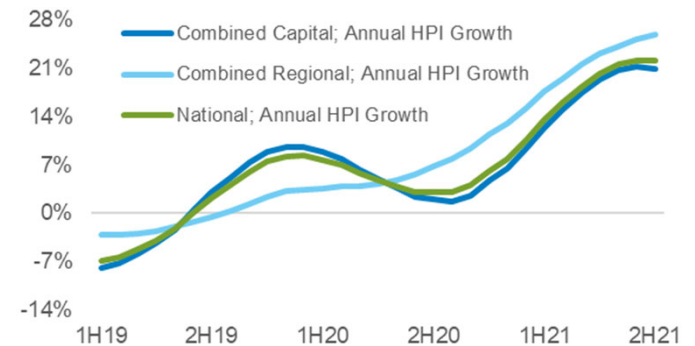
## Most COVID-19 restrictions relaxed



### Dwelling values

- National dwelling values 25.8% above December 2019 levels
- Regional dwelling value growth remains strong, including areas with higher historical negative equity.

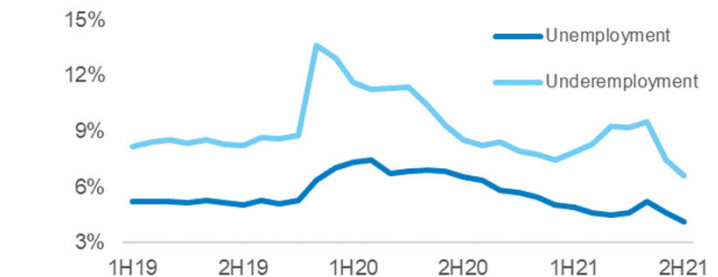
Data sourced from CoreLogic's Hedonic Home Value Index as at Dec 21.



### Labour force

- Unemployment rate of 4.2% lowest since August 2008 and participation rate above pre-COVID-19 levels.
- The RBA has forecast the unemployment rate to decline further to 3.75% by December 2022.

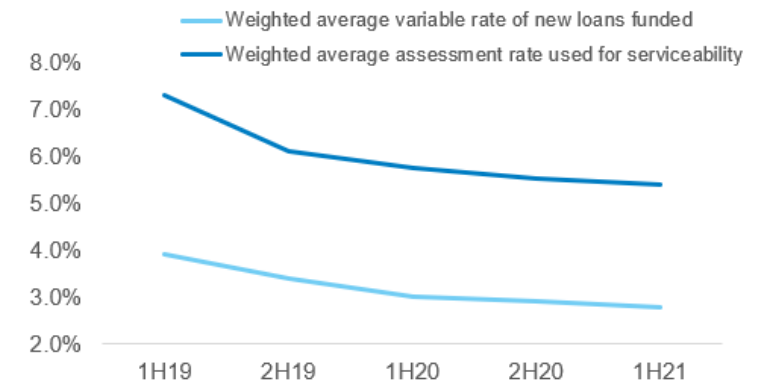
Data sourced from The Australian Bureau of Statistics Labour Force Australia seasonally adjusted estimates for Dec 21 and the Reserve Bank of Australia Statement on Monetary Policy – Feb 22.



### Interest rates

- The RBA “will not increase the cash rate until actual inflation is sustainably within the 2-3% target range”
- Low cash rates have contributed to rising dwelling values, increased refinancing and lower delinquencies.

Data sourced from APRA quarterly authorised deposit-taking institution property exposures statistics as at Sept 21 and the Reserve Bank of Australia Statement on Monetary Policy – Feb 22.



# FY21 income statement

## Strong business performance

(\$ 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%
<b>Gross earned premium</b>	<b>185.3</b>	<b>196.0</b>	<b>381.3</b>	<b>205.1</b>	<b>233.9</b>	<b>439.0</b>	<b>15.1%</b>
Outwards reinsurance expense	(34.5)	(34.8)	(69.3)	(34.2)	(34.2)	(68.5)	1.2%
<b>Net earned premium</b>	<b>150.8</b>	<b>161.2</b>	<b>312.0</b>	<b>170.9</b>	<b>199.6</b>	<b>370.5</b>	<b>18.8%</b>
Net claims written back / (incurred)	(101.1)	(188.8)	(289.8)	(49.3)	57.6	8.3	N.M. <sup>1</sup>
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 <sup>2</sup>	(28.6)	(31.4)	(60.0)	(29.5)	(34.3)	(63.8)	(6.3%)
Separation costs	-	-	-	(0.8)	(7.6)	(8.4)	N.M.
<b>Underwriting result</b>	<b>(173.4)</b>	<b>(60.7)</b>	<b>(234.0)</b>	<b>87.7</b>	<b>208.0</b>	<b>295.8</b>	<b>N.M.</b>
Investment income on technical funds <sup>3</sup>	45.3	14.7	59.9	(16.2)	(17.8)	(34.0)	N.M.
<b>Insurance profit / (loss)</b>	<b>(128.1)</b>	<b>(46.0)</b>	<b>(174.1)</b>	<b>71.5</b>	<b>190.2</b>	<b>261.8</b>	<b>N.M.</b>
Net investment income on shareholder funds <sup>4</sup>	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%
<b>Profit / (loss) before income tax</b>	<b>(128.6)</b>	<b>(26.2)</b>	<b>(154.8)</b>	<b>83.7</b>	<b>191.3</b>	<b>274.9</b>	<b>N.M.</b>
Income tax (expense) / benefit	38.6	8.6	47.2	(24.3)	(57.8)	(82.1)	N.M.
<b>Statutory net profit / (loss) after tax</b>	<b>(90.0)</b>	<b>(17.6)</b>	<b>(107.6)</b>	<b>59.4</b>	<b>133.5</b>	<b>192.8</b>	<b>N.M.</b>
<b>Underlying net profit / (loss) after tax<sup>4</sup></b>	<b>(85.5)</b>	<b>(18.7)</b>	<b>(104.3)</b>	<b>76.4</b>	<b>161.4</b>	<b>237.8</b>	<b>N.M.</b>
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.

Note: Totals may not sum due to rounding.

1. N.M. Not Meaningful (increases or decreases greater than 100%).

2. Net of ceding commissions.

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

4. Underlying NPAT excludes after-tax impact of unrealised gains/(losses) on the investment portfolio, the impact of foreign exchange rates on Genworth's investment portfolio (the bulk of these foreign exchange exposures are hedged) and the separation costs.

### FY21 commentary:

- **GWP** reflects 2020 loss of NAB contract largely offset by growth in other lender customers
- **NEP** driven by GWP from prior book years and higher cancellations, which more than offset the earnings curve adjustment
- **Net claims incurred** unusually low due to high HPA and low delinquencies
- **Separation costs** comprised of GFI separation activities
- **Investment income** primarily impacted by rising bond yields.

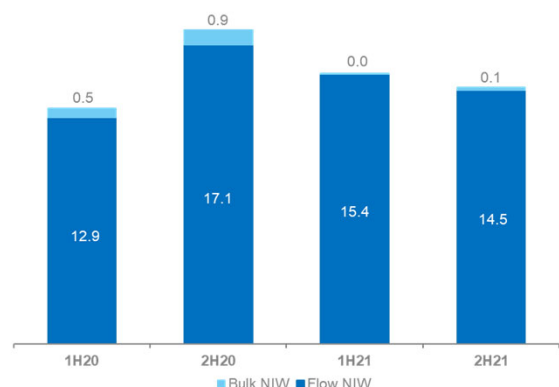
Source: Genworth

# Strong underlying growth

Market conditions returning to more sustainable levels

## New insurance written

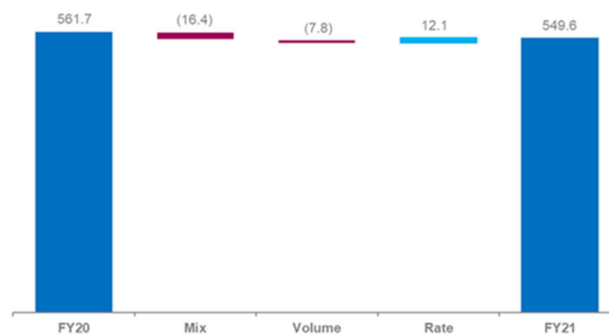
\$b



- 2H21 owner occupier and first home buyer new loan commitments below 1H21
- Lower 2H21 new residential property exposures with >90% LVR
- FY20 NAB NIW was \$4.0b
- Tightened underwriting criteria.

## Gross written premium

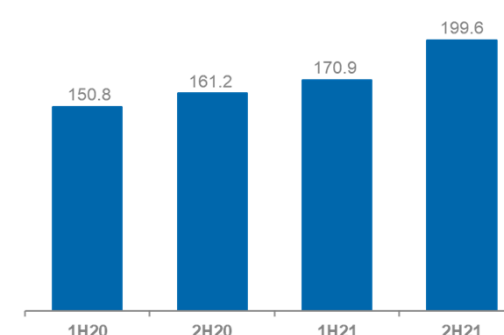
\$m



- Mix driven by higher 80-90% LVR and lower >90% LVR
- Volume reflects lower NIW versus FY20
- Small positive contribution from rate.

## Net earned premium

\$m

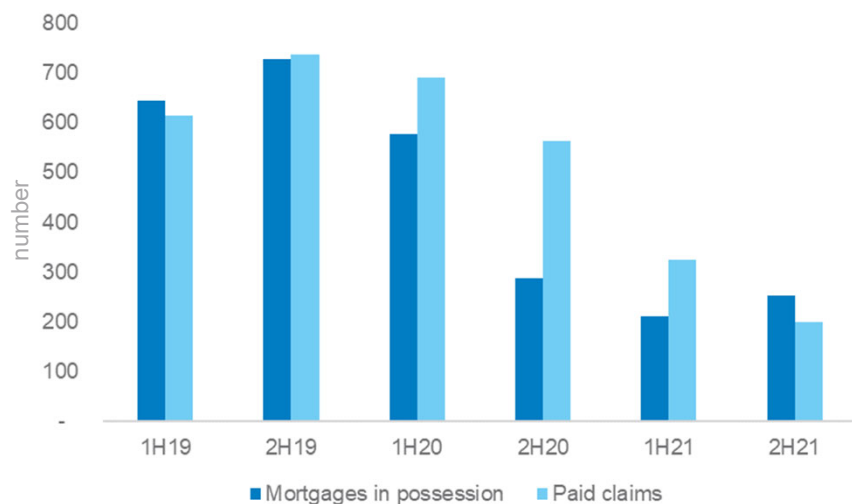


- Recent book year GWP driving growth in NEP
- 2Q21 earnings curve review reduced NEP by ~\$38m
- Strong refinancing activity saw NEP from cancellations \$75.5m above FY20.



# Net claims incurred

Unusually low due to strong HPA and low delinquencies



## FY21 commentary:

- Net claims incurred were (\$8.3m), within guidance range of \$5m to (\$15m)
- Reduction in reserves reflects low delinquencies and strong HPA
- Number of paid claims and MIPs well down due to lender moratoriums and strong HPA enabling borrower sales
- Deferrals have performed well and broadly in line with overall portfolio.

(\$ millions unless otherwise stated)	1H19	2H19	FY19	1H20	2H20	FY20	1H21	2H21	FY21
Number of paid claims (#)	615	737	1,352	691	563	1,254	325	199	524
Average paid claim <sup>1</sup> (\$'000)	94.1	98.6	96.6	94.9	98.0	96.3	74.7	79.8	76.7
<b>Claims paid</b>	<b>57.9</b>	<b>72.7</b>	<b>130.6</b>	<b>65.6</b>	<b>55.2</b>	<b>120.8</b>	<b>24.3</b>	<b>15.9</b>	<b>40.2</b>
Movement in reserves	21.9	(1.7)	20.3	35.5	133.6	169.1	25.0	(73.5)	(48.4)
<b>Net claims incurred / (written back)</b>	<b>79.9</b>	<b>71.1</b>	<b>150.9</b>	<b>101.1</b>	<b>188.8</b>	<b>289.8</b>	<b>49.3</b>	<b>(57.6)</b>	<b>(8.3)</b>
<b>Loss ratio (%)</b>	<b>54.1</b>	<b>47.2</b>	<b>50.6</b>	<b>67.0</b>	<b>117.1</b>	<b>92.9</b>	<b>28.9</b>	<b>(28.8)</b>	<b>(2.2)</b>

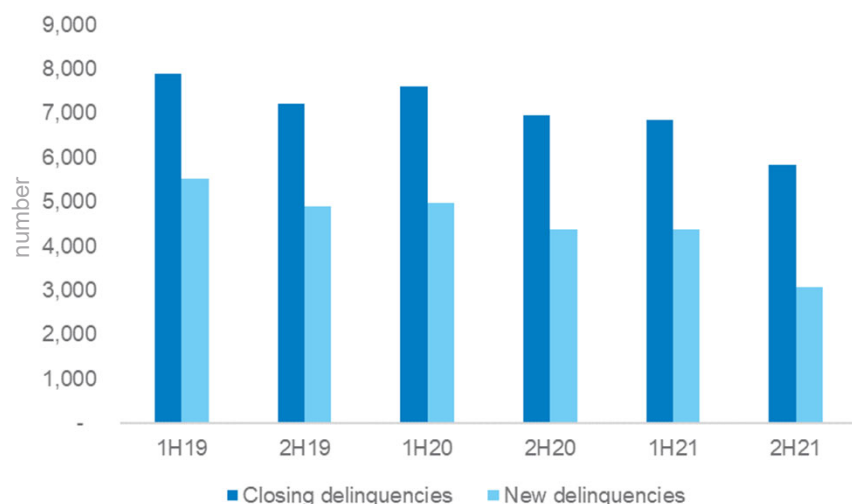
Note: Totals may not sum due to rounding and excludes excess of loss insurance.

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

Source: Genworth

# Net claims incurred

Unusually low due to strong HPA and low delinquencies



## FY21 commentary:

- Delinquency rate fell to 0.52% and generally improved across book years, geographies and lender customers
- Healthy borrower finances contributed to new delinquencies falling 29.7% from 1H21, to 3,082 in 2H21
- Magnitude of cures maintained despite lower stock
- Impact of ageing of delinquencies much lower than normal due to strong HPA
- Other adjustments reflects change in reserve assumptions, which were largely neutral over full year.

Net claims incurred (\$m)	1H19	2H19	FY19	1H20	2H20	FY20	1H21	2H21	FY21
New delinquencies	76.7	79.8	156.4	78.9	58.7	137.4	69.5	33.1	102.7
Cures	(68.2)	(79.7)	(147.8)	(69.1)	(81.5)	(150.7)	(84.5)	(71.2)	(155.8)
Ageing <sup>1</sup>	68.1	71.5	139.6	54.1	27.1	81.3	34.6	16.2	50.8
Paid claims gap	0.5	(1.8)	(1.3)	(0.6)	(0.6)	(1.2)	(0.2)	1.2	1.1
Other adjustments <sup>2</sup>	2.7	1.5	4.1	37.9	185.0	223.0	29.8	(36.9)	(7.0)
<b>Net claims incurred / (written back)</b>	<b>79.9</b>	<b>71.1</b>	<b>150.9</b>	<b>101.1</b>	<b>188.8</b>	<b>289.8</b>	<b>49.3</b>	<b>(57.6)</b>	<b>(8.3)</b>

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

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 moratoriums, IBNR for policy deferrals, an increase to the risk margin and an increase for the allowance of cured policies re-entering arrears.

Source: Genworth

# Investment performance

Rising bond rates increase running yield, but cause unrealised losses

(\$ millions)	1H20	2H20	FY20	1H21	2H21	FY21
Net interest income and dividend income	27.2	20.0	47.2	22.6	16.9	39.6
Realised gains on investments	29.0	18.5	47.5	2.0	3.7	5.7
Unrealised gains / (losses) and net FX on investments	(6.4)	1.7	(4.7)	(23.5)	(32.3)	(55.8)
<b>Total investment income</b>	<b>49.8</b>	<b>40.2</b>	<b>89.9</b>	<b>1.1</b>	<b>(11.6)</b>	<b>(10.6)</b>
<b>Investment return</b>	<b>3.1%</b>	<b>2.4%</b>	<b>2.7%</b>	<b>0.1%</b>	<b>(0.6%)</b>	<b>(0.3%)</b>

(\$ millions)	1H20	2H20	FY20	1H21	2H21	FY21
Investment income on technical funds	45.3	14.7	59.9	(16.2)	(17.8)	(34.0)
Net investment income on shareholder funds	4.5	25.5	30.0	17.3	6.2	23.4
<b>Total investment income</b>	<b>49.8</b>	<b>40.2</b>	<b>89.9</b>	<b>1.1</b>	<b>(11.6)</b>	<b>(10.6)</b>

- The running yield on cash and investments is 1.0% net of fees (0.5% FY20)
- Net interest income and dividend income reflect low cash rate and low reinvestment rate in 2021
- Unrealised losses were \$51m higher than FY20 due to rising bond rates.

Note: Totals may not sum due to rounding.

# Balance sheet

Strong claims paying ability with \$3.7b of cash and investments

## Balance sheet as at 31 December 2021

(\$ millions)	31 Dec 20	30 Jun 21	31 Dec 21
<b>Assets</b>			
Cash	104.6	89.6	76.7
Accrued investment income	20.5	22.2	16.8
Investments	3,321.0	3,493.3	3,627.1
Deferred reinsurance expense	20.2	42.9	8.7
Recoveries receivable	33.3	35.4	21.6
Deferred acquisition costs	41.6	66.1	88.5
Deferred tax assets	55.6	46.9	41.0
Goodwill and intangibles	15.6	14.7	13.8
Other assets <sup>1</sup>	68.2	57.0	19.1
<b>Total assets</b>	<b>3,680.6</b>	<b>3,868.0</b>	<b>3,913.3</b>
<b>Liabilities</b>			
Payables <sup>2</sup>	95.7	112.7	108.4
Outstanding claims	540.4	567.2	480.3
Unearned premium	1,461.2	1,545.8	1,571.8
Interest bearing liabilities	187.8	188.0	188.2
Employee benefit provision	7.6	7.5	7.3
<b>Total liabilities</b>	<b>2,292.7</b>	<b>2,421.2</b>	<b>2,356.0</b>
<b>Net assets</b>	<b>1,387.9</b>	<b>1,446.7</b>	<b>1,557.3</b>

Note: Totals may not sum due to rounding.

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

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

## 2H21 commentary:

- **Deferred reinsurance expense** reduced following amortisation of reinsurance contract
- **Deferred acquisition costs** increase reflects the capitalisation of new acquisition costs post the 1Q20 DAC write-down.
- **Outstanding claims** lower as HPA and lower delinquencies reduce expected claims costs
- **Interest bearing liabilities** \$190m 10 non-call 5 year floating rate Tier 2 notes paying 3m BBSW + 5.0% p.a., maturing 3 July 2030.

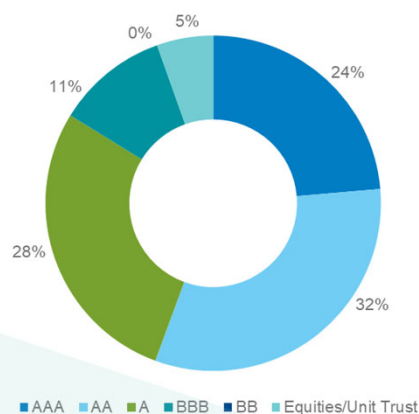
Source: Genworth

# Cash and investment portfolio

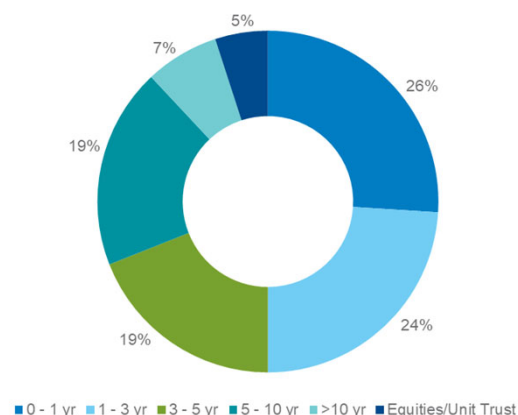
## Portfolio positioned for a rising yield environment

Cash and investment portfolio <sup>1</sup> (\$m)	31 Dec 20		30 Jun 21		31 Dec 21	
Commonwealth <sup>2</sup>	784.2	45.9%	584.9	35.3%	532.8	34.5%
State Gov't	573.3	33.5%	589.9	35.6%	514.6	33.4%
Corporate / Other	350.2	20.5%	459.4	27.7%	430.2	27.9%
Cash & Short Term Deposits	1.5	0.1%	22.7	1.4%	65.2	4.2%
<b>Technical funds</b>	<b>1,709.1</b>	<b>100.0%</b>	<b>1,657.0</b>	<b>100.0%</b>	<b>1,542.8</b>	<b>100.0%</b>
Commonwealth	75.7	4.4%	17.0	0.9%	16.4	0.8%
Corporate / Other	1,261.8	73.5%	1,504.0	78.1%	1,642.3	76.0%
Equities/Unit Trust	126.0	7.3%	177.4	9.2%	201.3	9.3%
Cash & Short Term Deposits	235.4	13.7%	227.4	11.8%	301.0	13.9%
Derivatives	17.5	1.0%	0.1	0.0%	-	0.0%
<b>Shareholder funds</b>	<b>1,716.4</b>	<b>100.0%</b>	<b>1,925.9</b>	<b>100.0%</b>	<b>2,161.0</b>	<b>100.0%</b>
<b>Total Investment Assets</b>	<b>3,425.5</b>	<b>100.0%</b>	<b>3,582.9</b>	<b>100.0%</b>	<b>3,703.8</b>	<b>100.0%</b>

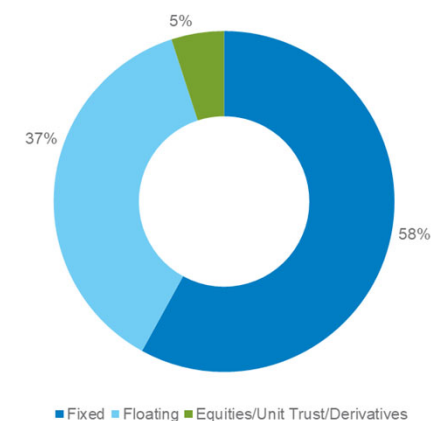
Portfolio by rating<sup>3</sup>



Portfolio by maturity



Portfolio by type

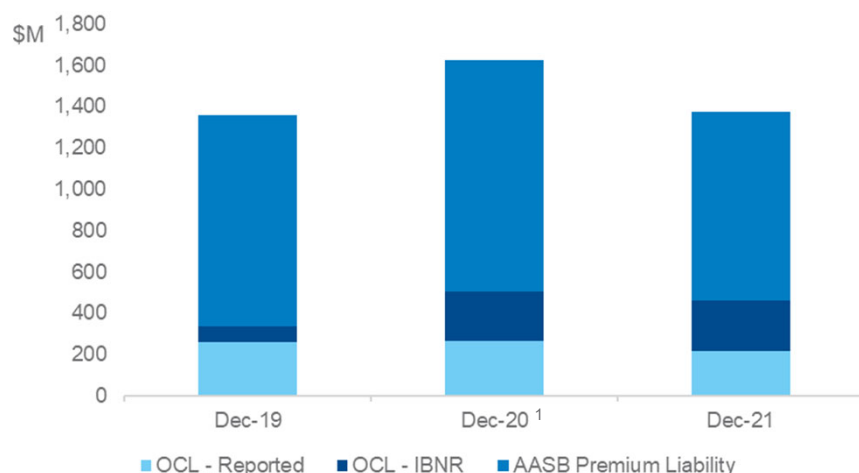


1. Maturity of 3.8 years (duration 1.9 years) excludes equities and derivatives. Note: Derivatives contracts are with AA rated counterparties and have a maturity of less than 1 year.
2. Includes bonds with an explicit guarantee from the Commonwealth.
3. Using APRA mapping for short-dated securities.

# Outstanding claims and premium liabilities

Total insurance liability returned to pre-COVID-19 levels

## Total insurance liability



- Insurance liability (IL) is comprised of the outstanding claims liability (OCL) and premium liability (PL)
- The OCL is a reserve for loans 30 or more days in delinquency and includes IBNR reserves
- PL is the liability for claims arising from future delinquencies
- A risk margin is included to provide an estimated 75% probability of adequacy on OCL and 70% on PL
- From 2020, IBNR reserves include allowance for re-delinquencies on policies that have been previously in arrears
- The IL increased substantially in 2020 due to COVID-19 but is now back to pre covid levels. OCL remains higher than Dec 2019 due to changed treatment of re-delinquencies.

1. In FY20 a reserve methodology change increased OCL IBNR by \$109m and reduced PL by an equivalent amount

Outstanding claims (\$m)	1H19	2H19	FY19	1H20	2H20	FY20	1H21	2H21	FY21
Opening balance	339.1	362.5	339.1	360.9	398.8	360.9	540.4	567.2	540.4
Net claims incurred / (written back)	79.9	71.1	150.9	101.1	188.8	289.8	49.3	(57.6)	(8.3)
Other movements <sup>2</sup>	1.4	0.0	1.5	2.4	8.0	10.5	1.7	(13.4)	(11.6)
Claims paid	(57.9)	(72.7)	(130.6)	(65.6)	(55.2)	(120.8)	(24.3)	(15.9)	(40.2)
Closing balance	362.5	360.9	360.9	398.8	540.4	540.4	567.2	480.3	480.3

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

2. Includes non-reinsurance recoveries.

Source: Genworth



# Regulatory capital

## Strong regulatory capital position maintained

(\$ millions)	31 Dec 20	30 Jun 21	31 Dec 21
<b>Capital base</b>			
Common equity Tier 1 capital	1,426.3	1,652.0	1,864.4
Tier 2 capital	190.0	190.0	190.0
<b>Regulatory capital base</b>	<b>1,616.3</b>	<b>1,842.0</b>	<b>2,054.4</b>
<b>Capital requirement</b>			
Probable maximum loss (PML)	1,745.2	1,774.2	1,726.3
Net premiums liability deduction	(433.3)	(394.5)	(347.4)
Allowable reinsurance	(800.2)	(800.2)	(800.2)
<b>Insurance concentration risk charge (ICRC)</b>	<b>511.7</b>	<b>579.4</b>	<b>578.7</b>
Asset risk charge	166.1	216.8	203.5
Asset concentration risk charge	-	-	-
Insurance risk charge	332.0	310.6	277.6
Operational risk charge	43.4	40.7	35.6
Aggregation benefit	(71.9)	(90.9)	(85.7)
<b>Prescribed capital amount (PCA)</b>	<b>981.3</b>	<b>1,056.7</b>	<b>1,009.7</b>
<b>PCA coverage ratio (times)</b>	<b>1.65x</b>	<b>1.74x</b>	<b>2.03x</b>

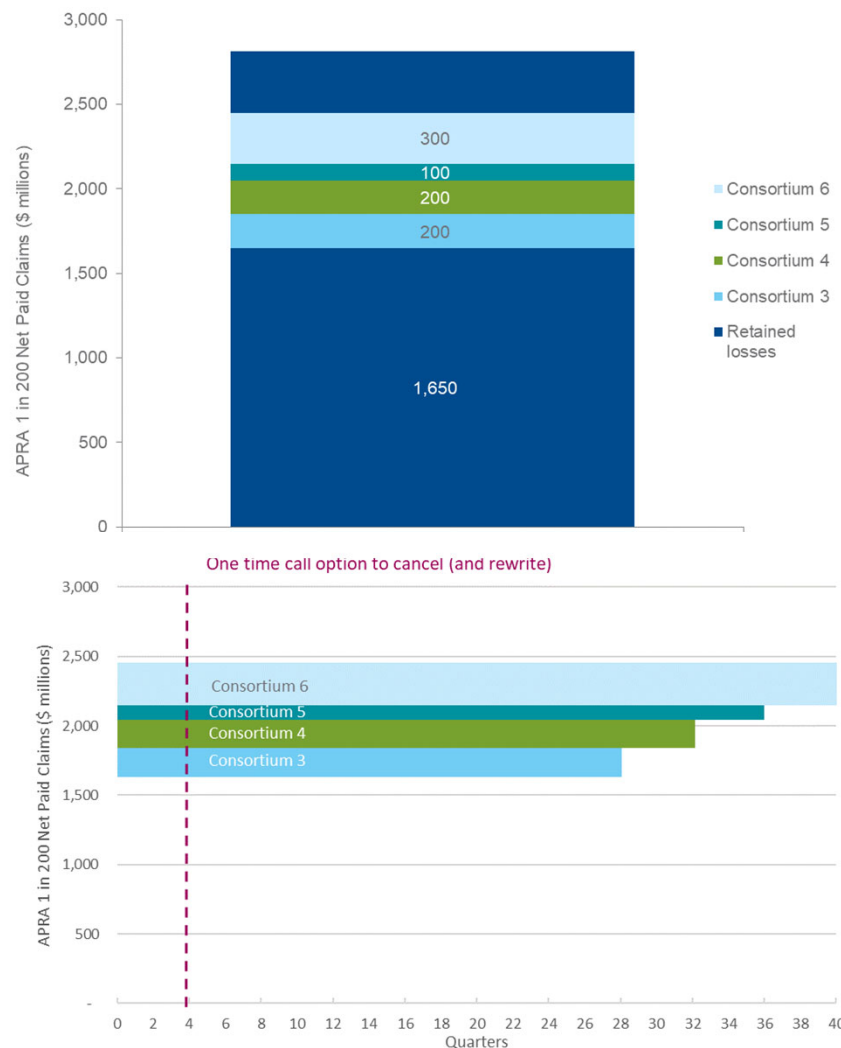
Note: Totals may not sum due to rounding.

### 2H21 commentary:

- **Common equity Tier 1** increase reflects retained profits and reduced premium liability
- **Probable maximum loss** reduced due to elevated cancellations
- **Net premiums liability deduction** reduced reflecting lower expected future claims
- **Insurance risk charge** lower due to reduced premium liability and outstanding claims liability.

# Reinsurance

## 2022 Reinsurance programme



Note: Excludes reinsurance on excess of loss insurance. The insurance risk charge has been included in the APRA 1 in 200 net paid claims.

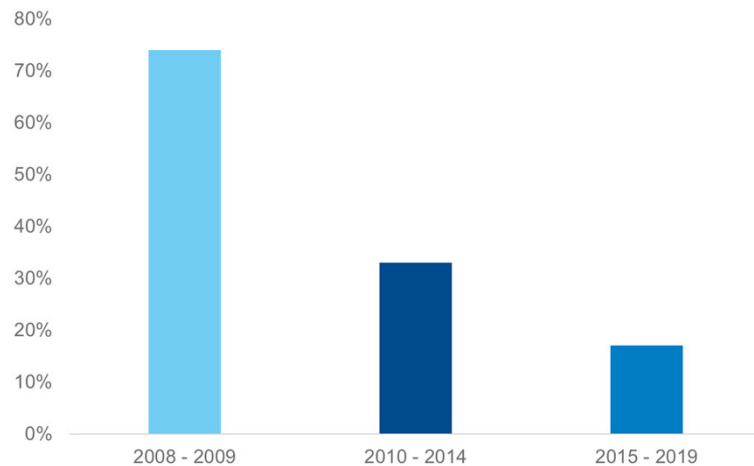
- Designed to drive efficient economic capital credit, whilst also allowing for risk management in severe stress scenarios only
- Structured on a paid claims basis for in-force policies at 1 January 2022, plus two additional years of new insurance written
- Genworth retains the first \$1.65b of paid claims after which excess of loss reinsurance cover of \$800m is in place
- Cover is for one year, with an option to extend to a full term (varying between 7-10 years depending on the layer)
- There are over 20 different reinsurers participating across the programme with a minimum rating of A-.

Source: Genworth

# Net loss ratio and unearned premium

Underwriting year groupings highlight embedded profits in recent cohorts

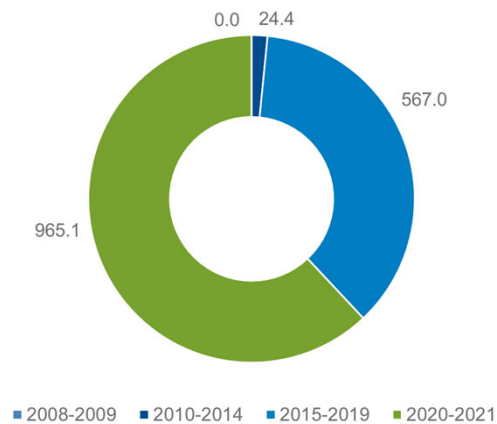
## Loss ratio to date by underwriting year



Note: Books years 2020 and 2021 are still relatively undeveloped and are not shown.

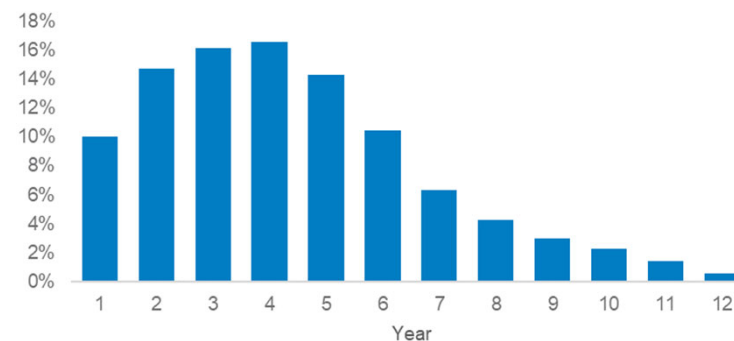
- 2008 - 2009: impacted by Global Financial Crisis
- 2010 - 2014: impacted by the Queensland and Western Australia mining boom and bust
- 2015 - 2019: reflects improved pricing, credit quality and geographic mix and absence of major claim events
- Later book years are maturing to lower and more profitable loss ratios.

## Unearned premium reserve by underwriting year



Note: Excludes excess of loss.

## Earnings curve



Note: Earnings pattern for new business based on forecasted cancellations excluding excess of loss and bulk policies.

Source: Genworth



# Summary

Pauline Blight-Johnston

# Summary

Momentum is building



## Strategy is delivering

- Lender customer contract renewals and improved NPS reinforce value proposition
- Product innovation and borrower focus creating differentiation
- First move into alternative deposit gap solutions
- Key financial indicators and performance measures are improving.



## Outlook and guidance

- FY22 NEP expected to be in a range of \$315m to \$375m
- Claims not expected to return to normal levels until late 2H22
- Annualised 2H21 ordinary dividend indicative of medium-term sustainable levels, with some scope for growth.



## Capital strength enables both business growth and shareholder returns

- Ordinary and special dividends reflect available franking capacity
- Continued focus on reducing PCA ratio towards Board targeted range
- ROE expected to trend towards hurdle rate
- Net tangible assets (NTA) \$3.75 per share as at 31 December 2021.



## Supplementary slides



# Australian key economic indicators

Change in dwelling values	3 months	6 months	12 months
Sydney	2.7%	8.6%	25.3%
Melbourne	1.5%	4.9%	15.1%
Brisbane	8.5%	15.0%	27.4%
Perth	0.4%	1.7%	13.1%
Adelaide	7.2%	13.1%	23.2%
Hobart	4.2%	10.9%	28.1%
Canberra	4.0%	11.1%	24.9%
Darwin	0.7%	2.3%	14.7%
Regional NSW	7.0%	13.5%	29.8%
Regional VIC	5.5%	9.8%	24.0%
Regional QLD	6.6%	12.0%	25.2%
Regional WA	2.5%	4.3%	15.0%
Regional SA	6.2%	8.2%	17.1%
Regional Tas	6.2%	13.1%	29.5%
Combined capitals	3.1%	7.9%	21.0%
Combined regionals	6.4%	11.8%	25.9%
Australia	3.9%	8.8%	22.1%

Data sourced from CoreLogic's Hedonic Home Value Index at Dec 21.

Rental vacancies	Dec 20	Jun 21	Dec 21
Sydney	3.6%	2.8%	2.6%
Melbourne	4.7%	3.5%	3.2%
Brisbane	1.8%	1.3%	1.3%
Perth	0.9%	0.9%	0.6%
Adelaide	0.7%	0.6%	0.5%
Hobart	0.6%	0.4%	0.3%
Canberra	1.1%	0.7%	1.0%
Darwin	0.9%	0.4%	1.2%
National	2.2%	1.7%	1.6%

Data sourced from <https://sqmresearch.com.au/> as at Dec 21.

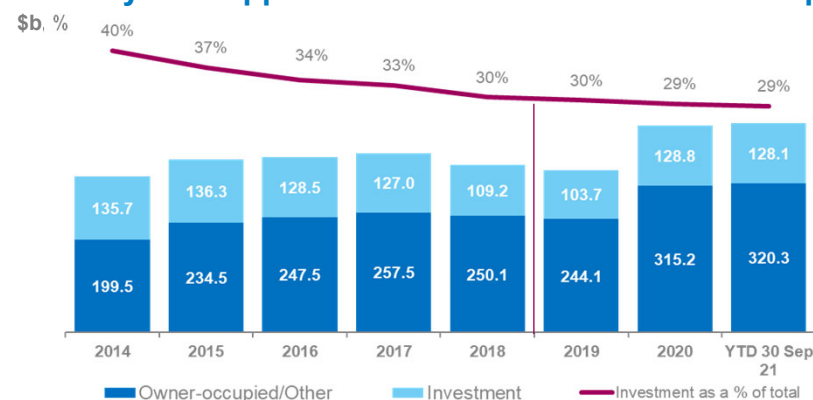
Unemployment by state	Dec 20	Jun 21	Dec 21
New South Wales	6.3%	5.1%	4.0%
Victoria	6.4%	4.4%	4.2%
Queensland	7.4%	5.1%	4.7%
Western Australia	6.3%	5.1%	3.4%
South Australia	6.3%	5.3%	3.9%
Tasmania	7.0%	4.5%	3.9%
Australian Capital Territory	3.8%	4.9%	4.5%
Northern Territory	5.4%	4.8%	4.2%
National	6.6%	4.9%	4.2%

Data sourced from The Australian Bureau of Statistics at Dec 21.

# Residential mortgage lending market

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

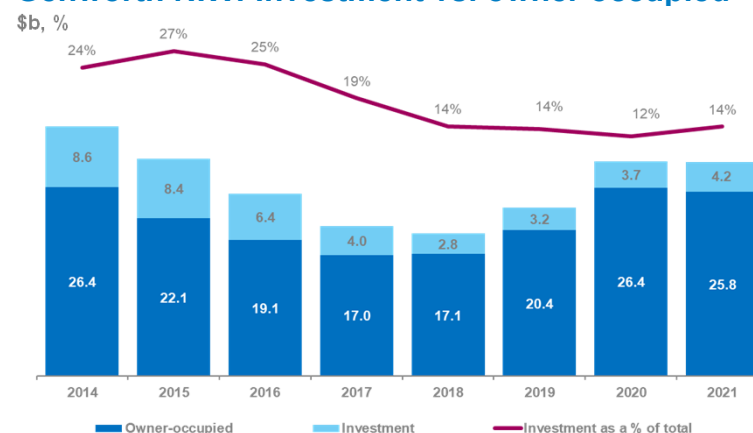
### Industry loan approvals: Investment vs. owner occupied



Source: APRA Quarterly ADI property exposures statistics (ADI's new housing loan funded), September 2021.

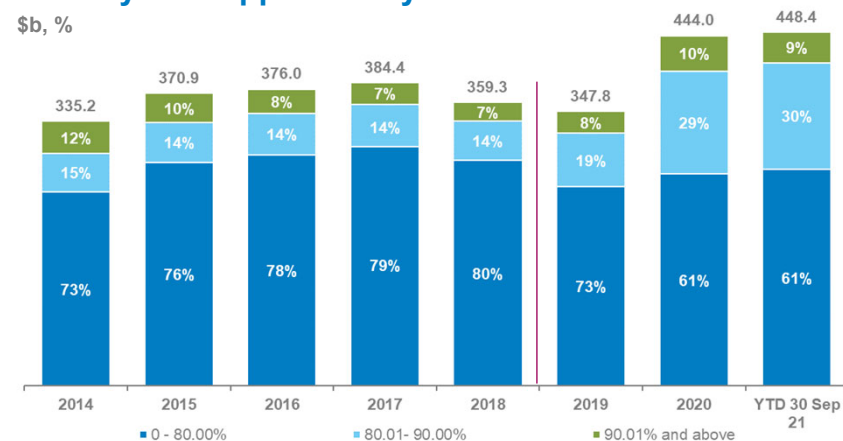
APRA has discontinued data on new housing loan approvals from 1 October 2019. APRA new loans funded statistics is used starting from 1 October 2019.

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

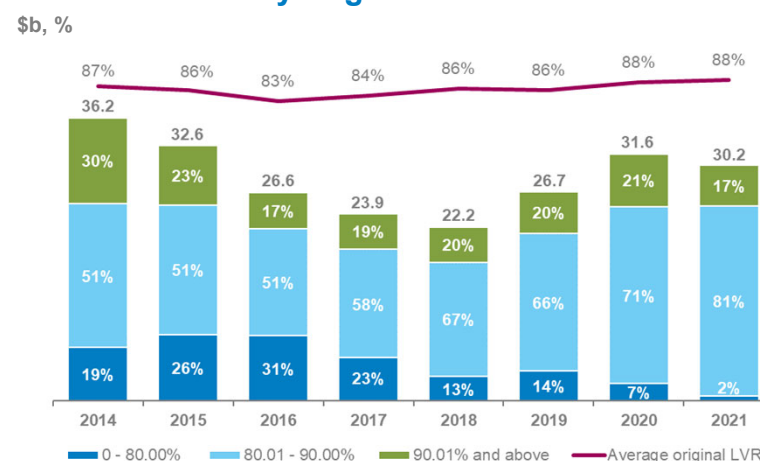


Source: Genworth

### Industry loan approvals by LVR band



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



Source: Genworth

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

2. Flow NIW only.

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 31 December 2020

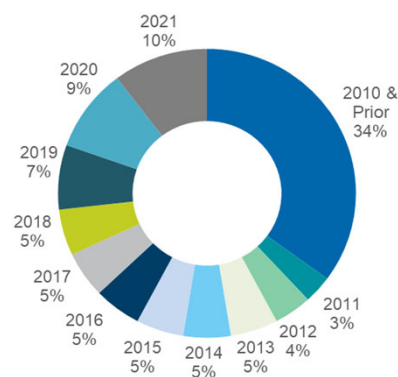
Book year	\$ billions	%	Original LVR	Effective LVR	Change in house price %
2010 & Prior	86.0	30%	80.0	32.0	96%
2011	10.3	4%	84.0	49.9	51%
2012	14.6	5%	86.5	52.8	51%
2013	16.4	6%	87.1	57.1	43%
2014	18.2	6%	87.2	62.7	32%
2015	17.9	6%	85.8	65.5	23%
2016	17.1	6%	83.9	66.3	20%
2017	16.2	6%	86.8	73.7	13%
2018	17.6	6%	87.8	75.4	13%
2019	22.6	8%	88.1	73.7	18%
2020	29.9	10%	88.3	78.8	12%
<b>Total Flow</b>	<b>266.6</b>	<b>92%</b>	<b>84.0</b>	<b>52.8</b>	<b>55%</b>
Portfolio	22.5	8%	56.5	21.4	104%
<b>Total/ Weighted Avg.</b>	<b>289.1</b>	<b>100%</b>	<b>81.5</b>	<b>49.9</b>	<b>59%</b>

## As at 31 December 2021

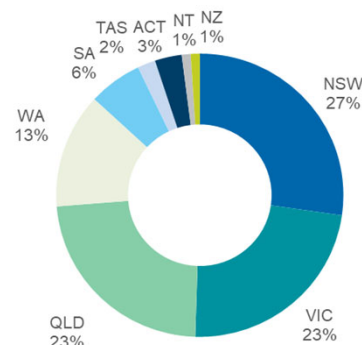
Book year	\$ billions	%	Original LVR	Effective LVR	Change in house price %
2010 & Prior	80.1	28%	80.1	28.9	113%
2011	9.2	3%	84.1	45.8	63%
2012	13.1	4%	86.5	48.7	64%
2013	14.8	5%	87.1	52.8	55%
2014	16.0	6%	87.2	57.7	43%
2015	15.5	5%	85.7	60.1	34%
2016	14.7	5%	83.8	60.4	31%
2017	13.8	5%	86.8	66.7	24%
2018	14.7	5%	87.8	68.2	24%
2019	19.2	7%	88.1	66.9	29%
2020	27.8	10%	88.3	71.5	23%
2021	31.3	11%	87.9	80.3	11%
<b>Total Flow</b>	<b>270.1</b>	<b>93%</b>	<b>84.1</b>	<b>49.2</b>	<b>66%</b>
Portfolio	20.5	7%	56.3	18.7	122%
<b>Total/ Weighted Avg.</b>	<b>290.7</b>	<b>100%</b>	<b>81.6</b>	<b>46.5</b>	<b>71%</b>

Note: 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 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. Original LVR excludes capitalised premium.

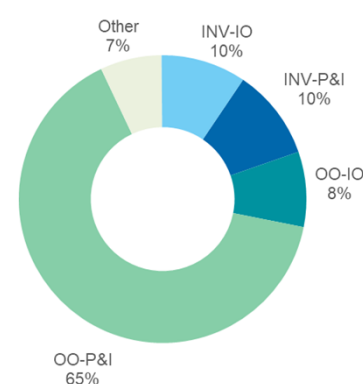
Book year



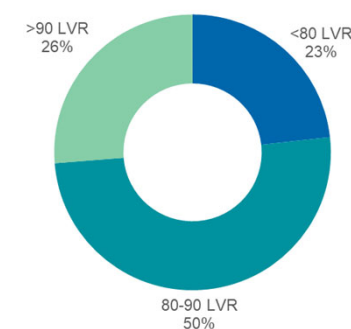
State



Loan type at origination



LVR at origination



Source: Genworth

## Primary Insurance

	1H19	FY19	1H20	FY20	1H21	FY21
Insured loans in-force (#)	1,308,811	1,290,216	1,236,657	1,195,907	1,141,490	1,118,328
Insurance in-force (\$m)	307,273	307,355	304,693	305,668	307,318	304,529

# Delinquency trends

Delinquency roll	1H19	2H19	FY19	1H20	2H20	FY20	1H21	2H21	FY21
<b>Opening balance</b>	<b>7,145</b>	<b>7,891</b>	<b>7,145</b>	<b>7,221</b>	<b>7,614</b>	<b>7,221</b>	<b>6,964</b>	<b>6,853</b>	<b>6,964</b>
New delinquencies	5,515	4,899	10,414	4,988	4,380	9,368	4,384	3,082	7,466
Cures	(4,154)	(4,832)	(8,986)	(3,904)	(4,467)	(8,371)	(4,170)	(3,910)	(8,080)
Paid claims	(615)	(737)	(1,352)	(691)	(563)	(1,254)	(325)	(199)	(524)
<b>Closing delinquencies</b>	<b>7,891</b>	<b>7,221</b>	<b>7,221</b>	<b>7,614</b>	<b>6,964</b>	<b>6,964</b>	<b>6,853</b>	<b>5,826</b>	<b>5,826</b>
Average total reserves per delinquency (\$'000)	45.9	50.0		52.4	77.6		82.8	82.4	
Delinquency rate <sup>1</sup>	0.60%	0.56%		0.62%	0.58%		0.60%	0.52%	
Cure rate <sup>2</sup>	58.1%	61.2%		54.1%	58.7%		59.9%	57.1%	

Delinquencies by book year <sup>3</sup>	Dec 20	%	Jun 21	%	Dec 21	%	Delinquencies by geography	Dec 20	%	Jun 21	%	Dec 21	%
2010 and prior	3,492	0.56%	3,214	0.56%	2,711	0.49%	New South Wales	1,350	0.47%	1,384	0.51%	1,173	0.44%
2011	348	0.78%	321	0.80%	292	0.77%	Victoria	1,376	0.47%	1,359	0.50%	1,185	0.44%
2012	513	0.91%	452	0.87%	386	0.79%	Queensland	1,918	0.70%	1,872	0.70%	1,554	0.60%
2013	544	0.94%	506	0.93%	439	0.85%	Western Australia	1,419	0.97%	1,360	0.97%	1,123	0.81%
2014	650	1.01%	616	1.02%	503	0.89%	South Australia	599	0.66%	599	0.69%	533	0.63%
2015	485	0.84%	463	0.87%	388	0.78%	Australian Capital Territory	69	0.23%	63	0.23%	69	0.26%
2016	335	0.64%	308	0.64%	270	0.60%	Tasmania	108	0.25%	96	0.24%	84	0.21%
2017	266	0.53%	339	0.73%	268	0.63%	Northern Territory	112	0.80%	104	0.78%	91	0.69%
2018	214	0.41%	346	0.71%	277	0.63%	New Zealand	13	0.06%	16	0.08%	14	0.07%
2019	104	0.18%	197	0.36%	168	0.34%							
2020	13	0.02%	91	0.12%	114	0.16%							
2021			0	0.00%	10	0.01%							
TOTAL	6,964	0.58%	6,853	0.60%	5,826	0.52%	TOTAL	6,964	0.58%	6,853	0.60%	5,826	0.52%

1. 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)

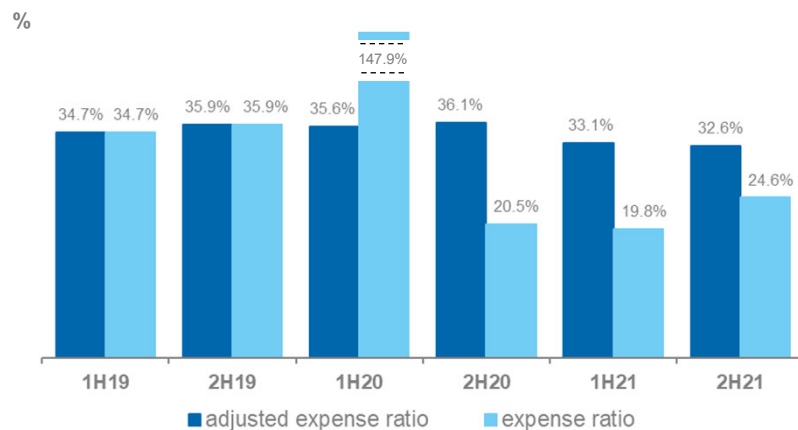
2. The cure rate is calculated by dividing the number of cures in a period by the number of delinquencies at the beginning of that period.

3. Shows the number of delinquencies and the portfolio delinquency rate, calculated by dividing the number of delinquencies by the number of loans in-force (~1.1m).

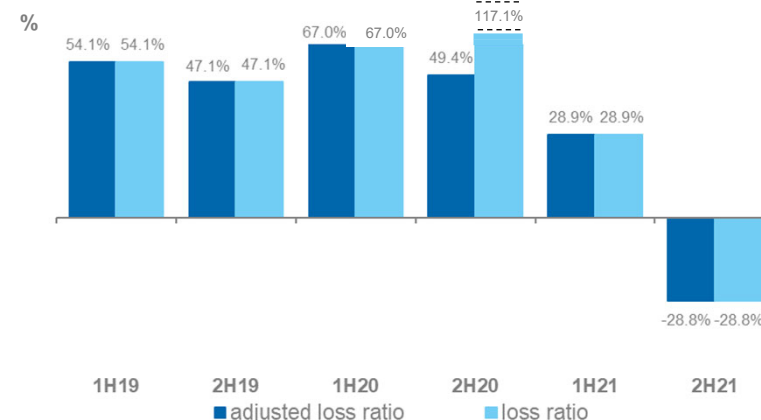
Source: Genworth

# Insurance ratio analysis

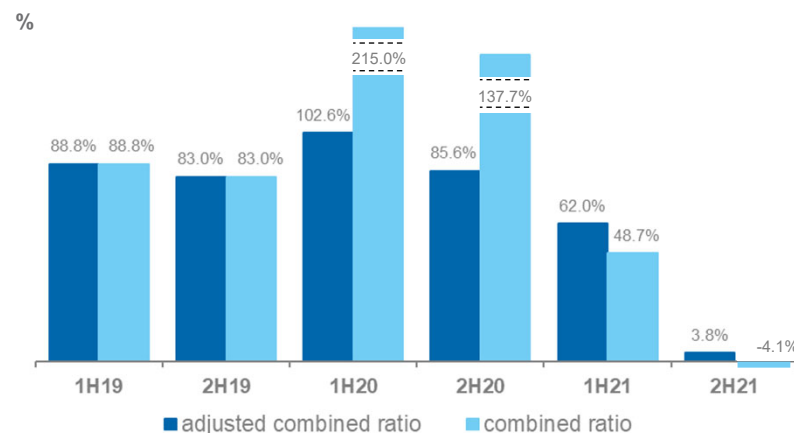
## Expense ratio<sup>1</sup>



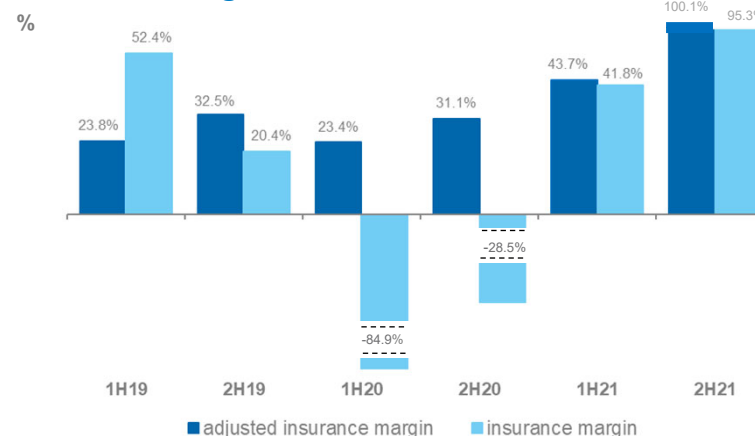
## Loss ratio<sup>2</sup>



## Combined ratio<sup>3</sup>



## Insurance margin<sup>4</sup>



1. Adjusted ratio excludes \$181.8m DAC write-down in 1H20, less associated DAC amortisation benefit of \$12.3m in 1H20, \$25.1m in 2H20, \$23.5m in 1H21 and \$23.5m in 2H21, less GFI separation costs of \$0.8m in 1H21 and \$7.6m in 2H21.

2. Adjusted ratio excludes \$109.1m 2H20 increase in IBNR as a result of the reserving methodology review.

3. Adjusted ratio excludes \$181.8m DAC write-down in 1H20, less associated DAC amortisation benefit of \$12.3m in 1H20, \$25.1m in 2H20, \$23.5m in 1H21 and \$23.5m in 2H21, \$109.1m 2H20 increase in IBNR as a result of the reserving methodology review and less GFI separation costs of \$0.8m in 1H21 and \$7.6m in 2H21.

4. Adjusted ratio excludes \$181.8m DAC write-down in 1H20, less associated DAC amortisation benefit of \$12.3m in 1H20, \$25.1m in 2H20, \$23.5m in 1H21 and \$23.5m in 2H21, \$109.1m 2H20 increase in IBNR as a result of the reserving methodology review, unrealised (gains) / losses and FX and GFI separation costs of \$0.8m in 1H21 and \$7.6m in 2H21.

Source: Genworth

# Reconciliations

## Statutory NPAT to Underlying NPAT

(\$ millions)	1H20	2H20	FY20	1H21	2H21	FY21
Statutory net profit / (loss) after tax	(90.0)	(17.6)	(107.6)	59.4	133.5	192.8
Unrealised (gains) / losses and FX	6.4	(1.7)	4.7	23.5	32.3	55.8
Separation costs	-	-	-	0.8	7.6	8.4
Adjustment for tax (expense) / credits	(1.9)	0.5	(1.4)	(7.3)	(12.0)	(19.3)
<b>Underlying net profit / (loss) after tax</b>	<b>(85.5)</b>	<b>(18.7)</b>	<b>(104.3)</b>	<b>76.4</b>	<b>161.4</b>	<b>237.8</b>

## Total equity and underlying equity

(\$ millions), as at	1H20	2H20	FY20	1H21	2H21	FY21
Total Equity	1,405.5	1,387.9	1,387.9	1,446.7	1,557.3	1,557.3
Adjustment for life to date unrealised (gains) and FX	(45.0)	(46.7)	(46.7)	(23.2)	9.1	9.1
Adjustment for tax credit on life to date unrealised (gains) / losses and FX	13.5	14.0	14.0	7.0	(2.7)	(2.7)
<b>Underlying Equity<sup>1</sup></b>	<b>1,374.0</b>	<b>1,355.2</b>	<b>1,355.2</b>	<b>1,430.5</b>	<b>1,563.6</b>	<b>1,563.6</b>

## Trailing 12-month Underlying ROE

(\$ millions)	12 mths to Jun 20	12 mths to Dec 20	12 mths to Jun 21	12 mths to Dec 21
Underlying NPAT	(31.6)	(104.3)	57.7	237.8
Average underlying equity <sup>2</sup>	1,519.1	1,423.3	1,402.2	1,459.4
<b>Underlying ROE (%)</b>	<b>(2.1%)</b>	<b>(7.3%)</b>	<b>4.1%</b>	<b>16.3%</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 Company's investment portfolio, and FX movement.

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: Genworth



# Glossary

As at 31 December 2021

Term	Definition	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>Earnings curve</b>	Is based on an analysis of claims incidence. This curve determines the proportion of the unearned premium that will be earned each quarter for the remaining life of the policy
<b>APRA</b>	The Australian Prudential Regulation Authority	<b>Excess of loss</b>	A type of insurance in which the insurer indemnifies the insured for losses that exceed a specified limit
<b>BBSW</b>	Bank Bill Swap Rate	<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>Book year</b>	The calendar year an LMI policy is originated	<b>Flow</b>	Policies written by Genworth on a loan by loan basis at the time of origination by the lender customer
<b>Capitalised premium</b>	The cost of the LMI premium and related costs added to the loan balance(s) covered by the policy	<b>GEP</b>	Gross earned premium - The earned premium for a given period prior to any outward reinsurance premium expense
<b>CBA</b>	The Commonwealth Bank of Australia	<b>GFI</b>	Genworth Financial, Inc. (NYSE: GNW)
<b>Central estimate</b>	The value of insurance liabilities which represents the average (i.e. statistical mean) of the estimated distribution of outcomes	<b>GWP</b>	Gross written premium
<b>Combined ratio</b>	The combined ratio is the sum of the loss ratio and the expense ratio	<b>HPA / HPD / HPI</b>	House price appreciation / depreciation / index
<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>IBNR</b>	Incurred but not reported - Delinquent loans that have been incurred but not reported
<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>IFRS</b>	International Financial Reporting Standards
<b>CPS</b>	Cents Per Share	<b>Insurance in-force</b>	The original principal balance of all mortgage loans currently insured (excludes excess of loss insurance)
<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>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>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>Insurance profit</b>	Profit from underwriting and interest income on technical funds (including realised and unrealised gains or losses)
<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. Wave 1 = Announced in March 2020 Wave 2 = Announced in July 2021	<b>INV</b>	Investment loans
<b>Delinquency</b>	Any insured loan which is reported as three or more months of repayments in arrears	<b>Investment return</b>	Total investment income divided by the average balance of the opening and closing cash and investments balance for the period, annualised
		<b>IO</b>	Interest Only loans
		<b>IPO</b>	Initial Public Offering

# Glossary

As at 31 December 2021

Term	Definition
<b>Level 2</b>	A term defined by APRA under GPS 001 referring to a consolidated insurance group
<b>LMI</b>	Lenders mortgage insurance
<b>Loss ratio</b>	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
<b>LVR / HLVR</b>	Loan to value ratio High LVR – This LVR benchmark is commonly 80% Original LVR – Calculated using the base LVR at the time of settlement Effective LVR – Calculated using the (estimated current balance)/(approximate house price) of the loan.
<b>MIP</b>	Mortgage in Possession
<b>NAB</b>	National Australia Bank
<b>Negative equity</b>	Calculated on active policies in-force where sufficient data is available to support the calculation. Assumptions: <b>Outstanding Balance:</b> assumes 30-year P&I amortising loan, with the mortgage rate remaining unchanged through the period. The amortised balance is not adjusted for prepayments, redraws or non-amortising residential mortgage loans insured. We use the initial mortgage rate as at the origination date or the average bank rate provided by the RBA, for policies where we don't hold the origination interest rate. <b>Estimated House price:</b> The calculation uses either the automated valuation amount (AVM) data provided by Corelogic for a specific property if the estimated AVM value is available and we are confident that the AVM value would be within 15% of the quote value. If outside of the confidence level, the estimated house price is calculated using a house price growth factor that compares the median suburb or postcode level growth rate from in-force data to date of calculation, using CoreLogic data provided to Genworth. Calculation is based on a single policy view and top up policies are not factored into the calculation. Where there is no AVM data to estimate the house price (either the AVM itself or the house price growth factor), then those policies are excluded from the calculation.
<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

Term	Definition
<b>NPS</b>	Net Promoter Score
<b>OO</b>	Owner Occupied loans
<b>RBA</b>	Reserve Bank of Australia
<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
<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>P&amp;I</b>	Principal and Interest loans
<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>	Reflects the present value of (a) expected cash flows associated with anticipated future claims from policies not one or more months of repayments in arrears based on the net central estimate; and (b) risk margin; plus future policy administration expenses, premium refunds and reinsurance costs related to these policies
<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
<b>Separation costs</b>	The cost of transition and implementation of new software, hardware and services previously provided by GFI
<b>Shareholder funds</b>	The cash and investments in excess of the Technical funds

# Glossary

As at 31 December 2021

Term	Definition
<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 APRA 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 APRA 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>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 diluted earnings per share</b>	Underlying NPAT divided by the weighted average number of shares outstanding for the period, adjusted for the effects of all dilutive potential ordinary shares
<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, the impact of foreign exchange rates on Genworth's investment portfolio and separation costs
<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>YTD</b>	Year to date

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

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The release of this announcement was authorised by the Board.