

Genworth Mortgage Insurance Australia Limited 2020 Annual General Meeting Chairman's Address

SYDNEY 7 May 2020 – 2019 was a strong year for Genworth, and I will touch on the highlights today. After these introductory remarks, our Chief Executive Officer, Pauline Blight-Johnston will provide further detail on the performance of the Company last year and for the first quarter of this year, which we announced yesterday has been impacted by the economic outlook due to the COVID-19 pandemic. Pauline will also comment on Genworth's response to COVID-19 in regard to supporting the wellbeing of our people and our customers.

Supporting the Australian dream of home ownership

To begin with, I would like to take a moment to reflect on the purpose of our Company and the role that Genworth plays within the Australian financial system and housing sector. Genworth's purpose is to help Australians achieve their dream of owning a home. We do this by providing risk and capital management solutions to our lender customers, and working with them, regulators and policymakers to promote a stronger and more sustainable housing market.

As the leading Australian lenders mortgage insurer for more than 50 years, Genworth's portfolio includes 1.3 million policies with over \$300 billion of underwritten residential mortgages. In 2019, we issued in excess of 66,000 insurance policies that secured home loans valued at \$26.7 billion. In addition, with our lender customers, last year we helped over 10,000 borrowers who were experiencing financial stress and hardship, bringing the total hardship cases helped since 2013 to 66,629.

Strategic focus on customer experience

Genworth has commercial relationships with over 100 lender customers across Australia, including major and regional banks, building societies, credit unions and non-bank mortgage originators. As the residential mortgage market and customer and borrower expectations continue to evolve in the face of regulatory, technological and societal changes, we also need to adapt and innovate our product and service offering.

Genworth's strategy over the last three years has been to redefine and enhance our core business model to reflect these changes and provide greater support to our lender customers and Australian borrowers. The initiatives implemented under our Strategic Program of Work continue and they are allowing Genworth to better meet customer needs in a dynamic market environment and deliver profitable growth.

A strong financial position

Moving on now to the highlights of Genworth's 2019 financial performance. At the end of 2019, we maintained a regulatory capital base of \$1.66 billion and a coverage ratio of 1.91 times the Prescribed Capital Amount (PCA) on a Group (Level 2) basis. The Company's cash and investment portfolio had a market value of \$3.1 billion, of which 81 per cent continued to be held in cash and fixed interest securities with a rating of 'A-' or better. This included \$82.8 million invested in Australian equities and \$571.9 million invested in non-Australian dollar income securities.

Statutory net profit after tax was up 58.7 per cent to \$120.1 million and Underlying net profit after tax was up 3.3 per cent to \$97.0 million. While Gross Written Premium (GWP) decreased 5.9 per cent to \$433.2 million, the prior year's GWP included an excess of loss contract entered into by Genworth's Bermudian insurance entity. Excluding this transaction, GWP increased 17.1 per cent in 2019.

Strong capital management

Since listing on the Australian Securities Exchange in 2014, we have remained focused on optimising our capital structure. Over this period, Genworth has returned 100 per cent of after-tax profits by way of ordinary and

special dividends to shareholders; and implemented other capital management initiatives including buy-backs and capital reductions.

In 2019, we pursued various capital management initiatives to bring the Company's solvency ratio more in line with the Board's target range of 1.32 to 1.44 times PCA. Last year, we distributed \$76.4 million through fully franked ordinary dividends (interim and final) and \$190.2 million through unfranked special dividends totalling 46.1 cps for 2019. We also returned \$63.9 million to shareholders through an on-market share buy-back. In addition, in 2019 we renewed our \$800 million reinsurance program providing us with further capital flexibility.

Overall in 2019, the combined ordinary and special dividends paid out, equate to a yield of 17.7 per cent on a Genworth share price of \$3.65 as at 31 December 2019. Further to year end, we returned \$30.9 million through an ordinary franked dividend paid in March 2020.

At the end of the first quarter of 2020, Genworth had a capital position of 1.78 times the PCA on a Group (Level 2) basis following the impacts of COVID-19. This still sits comfortably above the top end of the Board's target range of 1.32 to 1.44 times and represents surplus capital of \$267 million above the top end of the target range.

Genworth's solvency ratio along with the flexibility we have built with our reinsurance programs, positions the business well in this COVID-19 environment. Given the current economic uncertainty and APRA guidance encouraging insurers to seriously consider deferring decisions on dividends and capital returns until the outlook is clearer, we believe it is sensible to preserve capital at this time to sustain our strong capital position.

The Board will make a decision regarding payment of an interim dividend at the time the Company releases its 1H20 results, when more information about the impacts of COVID-19 will be available. Any dividend would be subject to retaining a strong capital buffer and obtaining APRA approval for a reduction in the Company's capital base.

Genworth's sustainable contribution

The Board recognises that environmental, social and governance (ESG) matters are critical to achieving business objectives and long term value for shareholders and other stakeholders. Genworth's commitment to these principles is embedded in a sustainability framework that is founded on four pillars: Environment; Our People; Community and Marketplace.

The Company sets out its achievements across these four pillars in an annual Sustainability Report that is aligned with the Global Reporting Initiative Sustainability Reporting Standards. In March, we released our third Sustainability Report and Pauline will outline the key achievements shortly. However, I would like to note one of these results specifically relating to composition of the Board. Genworth has a target of 40 per cent women on the Board and we continue to exceed this target.

Conclusion

Before I hand over to Pauline, I would like to take this opportunity to officially welcome her to Genworth. Pauline commenced as CEO on the 2nd of March. On the 12th of March, COVID-19 was officially declared a pandemic by the World Health Organisation, and Genworth employees were asked to work from home for the foreseeable future.

This has been a highly unusual start for a new CEO, and I would like to thank her for the way she has led the organisation during these unprecedented times. I would also like to thank the Senior Leadership Team and all employees for seamlessly transitioning to a new way of operating, while continuing to maintain our high levels of service to lender customers.

I am confident that Genworth's management team will steer the Company successfully through the COVID-19 pandemic in a manner that positions us well in the lead up to economic recovery.

These times are uncertain, but our company is robust and well capitalised, and our customer value proposition remains strong. Within the new environment of COVID-19, the Board believes that the Company's role in facilitating the Australian dream of home ownership and supporting the strength and stability of the Australian financial system remains critical.

Before I close, I would like to acknowledge our former CEO, Georgette Nicholas, and thank her for four years of stellar leadership. Georgette retired at the end of last year and has left the Company in very good stead to face a difficult 2020. In addition, I would like to thank my fellow Director, Duncan West who acted in the CEO position during the transition period until Pauline commenced.

I extend my thanks to all Directors for their continued commitment and for their insights from decades of corporate experience which is particularly valuable in these uncertain times. Finally, to our shareholders, thank you for your ongoing support.

I will now hand over to Pauline.

ENDS

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About Genworth

Genworth Mortgage Insurance Australia Limited (Genworth), through its subsidiary companies Genworth Financial Mortgage Insurance Pty Ltd and Genworth Financial Mortgage Indemnity Ltd (together, the Genworth Group or the Group), is the leading provider of Lenders Mortgage Insurance (LMI) in the Australian residential mortgage lending market. The Genworth Group has been part of the Australian residential mortgage lending market for over 50 years since the Housing Loans Insurance Corporation was founded by the Australian Government in 1965 to provide LMI in Australia. Genworth is currently a subsidiary of Genworth Financial, Inc. and part of the Genworth Financial, Inc. group of companies. The Genworth Financial, Inc. group of companies' current ownership interest in Genworth is approximately 52% of the issued shares in Genworth.

The release of this announcement was authorised by the Disclosure Committee.