

Genworth Australia First Half 2014 Earnings

Solid financial performance for first half of 2014

(SYDNEY) 30 July, 2014 – Genworth Mortgage Insurance Australia Limited (GMA) has reported a statutory¹ net profit after tax of \$42.5 million relating to the financial period post the re-organisation steps of the Initial Public Offering (IPO), being from 19 May 2014 to 30 June 2014.

On an equivalent basis to the financial information contained in the Prospectus, the pro forma¹ Underlying Net Profit After Tax² was \$133.1 million for the period ended 30 June 2014.

This result compares favourably to a pro forma Underlying NPAT of \$94.6 million for the prior corresponding period (pcp) and equates to an annualised Underlying Return on Equity of 12.0 percent.

The GMA Board has declared a fully franked interim dividend of 2.8 cents per share, payable on 29 August 2014 to shareholders registered on 15 August 2014.

The following table details the key financial performance measures for 1H14.

Pro forma¹ financial performance measures (A\$ million)

	1H13	1H14	vs. pcp
Gross Written Premium	273.0	313.6	14.9%
Net Earned Premium	192.1	218.4	13.6%
Pro forma NPAT	65.7	151.4	130.4%
Underlying pro forma NPAT	94.6	133.1	40.7%
Loss ratio	42.3%	19.6%	22.7 ppts
Total portfolio delinquencies	5,820	5,405	(425)
Portfolio delinquency rate	0.40%	0.36%	(4 bps)
Return on Equity (ROE)	6.2%	13.3%	7.1 ppts
Underlying ROE	9.2%	12.0%	2.8 ppts
Dividend per share	n/a	2.8 cents	n/a

Ellie Comerford, Managing Director and Chief Executive Officer of GMA said “I am very pleased with the performance of the business in the first half of 2014 and our first result as an ASX listed company. The performance is marginally ahead of our expectations and positions us well for the remainder of the 2014 financial year”.

The performance of the business has benefited from the continuation of favourable claims experience, with a 1H14 loss ratio of 19.6 percent, down from a loss ratio of 42.3 percent for 1H13.

¹ The financial result of GMA and its subsidiary companies prepared under statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS)), as reported in the Appendix 4D and the accompanying half year financial report, represent the financial result for the period post the re-organisation steps, being from 19 May 2014 to 30 June 2014. The pro forma results have been prepared on the same basis as the financial information (including financial forecasts) disclosed in the prospectus lodged by GMA with the Australian Securities and Investments Commission on 23 April 2014 (Prospectus), which reflected the post re-organisation structure. See note 1 of this release for a reconciliation between the pro forma and statutory financial results for the period ended 30 June 2014.

² Underlying NPAT excludes the after tax impact of unrealised gains/(losses) on the investment portfolio. See note 2 of this release for a reconciliation of the pro forma NPAT and Underlying pro forma NPAT for the period ended 30 June 2014.

The 1H14 loss performance has been underpinned by the strength of the housing market over the last 12 months. This has led to a lower volume of loan arrears converting to claim, and an overall lower average claim amount.

New business volumes have been relatively stable with 1H14 New Insurance Written (NIW) of \$17.3 billion compared to \$17.1 billion in 1H13.

Gross Written Premium (GWP) of \$313.6 million for 1H14 is 14.9 percent higher than the pcp. This increase is the combination of both price and volume growth offset by a lower average Loan to Value Ratio (LVR) mix. Average premium rates of 1.82 percentage points were up 8.3 percent compared to the pcp.

The favourable business performance, coupled with the lower than anticipated LVR mix has contributed to the improved capital position with the company reporting a 30 June 2014 regulatory solvency ratio of 1.54 times the Prescribed Capital Amount (PCA) on a Level 2 basis.

Investment income of \$104.0 million included a pre-tax mark to market unrealised gain of \$26 million. After adjusting for this impact the investment return for the period was 4.1 percent per annum.

GMA continues to operate from a sound balance sheet position with \$1.3 billion of unearned premium reserves providing a high level of revenue visibility.

As at 30 June 2014 GMA had a high quality \$3.9 billion investment portfolio of cash and highly rated fixed interest securities.

Full year 2014 Outlook

Based on the first half results, and subject to business conditions and unforeseen economic events, GMA now expects to deliver a full year Underlying NPAT of between \$231.1 million and \$250.0 million. This improved performance is primarily as a result of a loss ratio which is now expected to be between 25.0 and 30.0 per cent.

For more information:

Analysts and Investors should contact:

Media should contact:

Luke Oxenham

Director Corporate Finance & Investor Relations

M: +61 417 433 593

E: luke.oxenham@genworth.com

Mark Westfield

M: +61 457 805 838

About Genworth Australia

GMA, through its subsidiary companies Genworth Financial Mortgage Insurance Pty Ltd and Genworth Financial Mortgage Indemnity Ltd, is the leading provider of Lenders Mortgage Insurance (LMI) in the Australian residential mortgage market. Genworth Australia has been part of the Australian residential mortgage lending market for almost 50 years since Housing Loans Insurance Corporation (HLIC) was founded by the Australian Government in 1965 to provide LMI in Australia. Genworth Australia is currently a subsidiary of Genworth Financial, Inc. and part of the Genworth Financial Group. The Genworth Financial Group's current ownership interest in GMA is 66.2% of the issued shares in GMA.

NOTE 1: Reconciliation of pro forma and statutory financial results for the period ended 30 June 2014

Reconciliation of pro forma and statutory financial results for period ended 30 June 2014 (A\$ million)

	<u>30 Jun 14</u>
Pro forma NPAT for the half year to 30 Jun 14	151.4
Less period prior to formation of consolidated group: 01 Jan 14 to 18 May 14	(108.7)
Pro forma result for period to 19 May 14 to 30 Jun 14	42.7
Add tax effected interest expense incurred on restructure of group	(0.2)
Statutory Net Profit for period 19 May 14 to 30 Jun 14	42.5

NOTE 2: Reconciliation of pro forma NPAT to Underlying pro forma NPAT for the period ended 30 June 2014

Reconciliation of pro forma to Underlying pro forma NPAT for the period ended 30 June 2014 (A\$ million)

	<u>30 Jun 14</u>
Pro forma NPAT the half year to 30 Jun 14	151.4
Adjustment for change in unrealised gains/(losses)	(26.0)
Adjustment for tax on change in unrealised gains/(losses)	7.8
Pro forma Underlying NPAT for the half year to 30 Jun 14	133.2