

## **Standard & Poor's global group ratings methodology impacts Genworth Australia following downgrade of Genworth Life Insurance Co.**

**SYDNEY, 7 November, 2014** - Genworth Mortgage Insurance Australia Limited (GMA) notes that Standard & Poor's Ratings Services (S&P) has revised its insurer financial strength rating on Genworth Life Insurance Co. (GLIC) from 'A-' with a stable outlook to 'BBB+' with a negative outlook following the release of the Genworth Financial, Inc. third quarter earnings.

In conjunction with this announcement S&P has also revised its financial strength and issuer credit ratings on Genworth Financial Mortgage Insurance Pty Limited (Genworth Australia) from 'AA-' with a stable outlook to 'A+' with a negative outlook. At the same time, Standard & Poor's affirmed the 'A-' financial strength and issuer credit ratings on Genworth Financial Mortgage Indemnity Ltd. (Genworth Indemnity) with a stable outlook.

Under their Group Rating Methodology, Genworth Australia is viewed by S&P as an insulated subsidiary of the Genworth Group's core life insurance company, GLIC, and therefore Genworth Australia's rating is capped at a maximum possible three notch differential to GLIC. Similar actions have been taken in respect of other Genworth Group entities.

In taking this action S&P stated that, "The ratings actions on the active Australian and Canadian mortgage insurance businesses are driven by the developments in the U.S. life insurance operations. The ratings on the insulated Australian and Canadian businesses are capped at three notches above the group credit profile under our group ratings methodology, and accordingly moved in step with the ratings action on Genworth Life."

The change in rating has no immediate impact on the contractual arrangements that exist between Genworth Australia and its lender customers. However, some contracts do contain provisions that allow Genworth Australia a period of up to 90 days to demonstrate its standalone credit strength in order to ensure that the potential termination rights of those customers are not exercised. If those rights were exercised, the potential loss of annual GWP, based on 2014 forecasts, would be between 12% and 13%.

Genworth Australia remains strongly capitalized with a Level 2 solvency ratio of 156.4 percent and has additional capital flexibility. The company has a strong stable balance sheet with \$2.4bn of net assets, a highly rated cash and fixed interest investment portfolio of \$4.0bn and a \$1.3bn Unearned Premium Reserve (UPR). In respect of the Australian group, GMA recently reported a third quarter Net Profit After Tax (NPAT) of \$64.0m and a year to date NPAT of \$215.4m as at 30 September 2014.

As a consequence of today's announcement, Genworth Australia will be working closely with all its lender customers and in particular those lender customers with relevant ratings provisions, to ensure the ongoing recognition of Genworth Australia's stand-alone earnings profile and capital strength.

For more information:

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#### **About Genworth**

GMA, through its subsidiary companies Genworth Financial Mortgage Insurance Pty Ltd (Genworth Australia) 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. GMA 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.