

2016 Annual General Meeting

CEO Address

(SYDNEY) 5 May 2016 – Welcome to all of our shareholders and supporters and thank you for joining us at the 2016 Annual General Meeting. 2015 for Genworth comprised many changes with an evolving economy, market and business providing challenges but also opportunities as we move into 2016. Our continued progress on key strategic priorities has resulted in solid 2015 financial performance and contributed in delivering a sustainable return on equity.

The Company's strong operating and financial performance met, and in some instances exceeded, key financial performance measures, in the face of a dynamic economic environment and changing mortgage market. Reported Net Profit After Tax (NPAT) was \$228 million and underlying NPAT (excluding mark-to-market movements in the investment portfolio) was approximately \$265 million in 2015, down approximately 5 per cent compared to the prior year.

High loan-to-value ratio (LVR) lending as a proportion of total mortgage originations continued to reduce as the response to tightened lender risk appetite, in light of regulatory changes, took full effect. As a result, in 2015, New Insurance Written (NIW) was down and the change in LVR mix drove Gross Written Premium (GWP) down 20 per cent to \$508 million. With our single premium product though, total revenue as measured by Net Earned Premium (NEP), rose 5.4 per cent to \$470 million, in line with guidance.

The 2015 loss ratio rose to 24 per cent from 19 per cent in the prior year, but was ahead of guidance of between 25-30 per cent. The loss performance is benefiting from borrower sales and the low number of loan arrears converting to claim. Claims are still at the lowest level since 2006 and are impacted by regional performance. New South Wales and Victoria have performed well given stable unemployment rates and house price appreciation. Economic conditions in Queensland and Western Australia were not as strong, with unemployment and house prices pressured. The 2015 financial results demonstrate the resilience of our business model and the ability to adapt to market cycles.

The solid business performance and lower LVR mix of business is adding to our capital position. A key priority since listing and during 2015 was to continue on the journey to optimise the capital base at a level which balances our objectives of meeting policyholder obligations, long-term shareholder returns and flexibility to grow the business in the future.

We implemented a number of capital management actions during the year to enhance our return on equity which included:

- Progression in the ordinary dividend payout ratio to 62 per cent in 2015;
- the issuance of \$200 million of Tier 2 subordinated notes and the redemption of \$90 million of existing notes;
- restructuring the reinsurance program with qualifying reinsurance increasing to \$950 million as at 1 January 2016;

- paying fully franked special dividends totaling 23.8 cents per share; and
- completing a \$150 million on-market share buy-back.

These actions resulted in \$511 million being returned to shareholders in 2015, bringing the total to \$645 million returned since the IPO in 2014.

In 2016 we have paid an ordinary dividend of 14.0 cents per share and a 5.3 cents per share special dividend. Given the business performance and the market dynamics, we are still operating above the Board target capital range. We have evaluated the most efficient ways in which we can return surplus capital to all shareholders in light of our franking position. As such, we have the proposed \$202 million capital reduction and associated share consolidation which is being voted on today.

To navigate this challenging market ahead and continue to deliver long-term shareholder returns, our focus is on executing Genworth Australia's strategy and priorities which are to:

- Strengthen and grow our customer value proposition;
- Target appropriate risk adjusted returns to enhance profitability;
- Optimise our capital structure;
- Maintain a strong risk management discipline; and
- Continue to work on LMI recognition.

Our focus is on continuing to enhance the current business model and on innovating products and services to compete with any potential threat of disruption in the market.

We are working to strengthen customer relationships by continuing to support creditworthy borrowers looking to get into the housing market and by structuring products to meet the capital and risk management needs of our lenders. Genworth has long-standing commercial relationships with over 100 lender customers across Australia and has supply and service contracts with 10 of its key customers. Given the concentration of the mortgage market, our top three customers accounted for approximately 72 per cent of our total NIW and 65 per cent of GWP in FY15. Genworth estimates that it had approximately 39 per cent of the Australian LMI market based on NIW in 2015. During the year, the Company renewed a number of key contracts while also ceasing writing with a key customer.

Given the challenging HLVR market and GWP pressure, we must, and will, ensure we maintain our strong risk management discipline by managing policy and pricing for risk-adjusted returns to cover our cost of capital. We are continuing to invest in our analytic and modeling capabilities to help support our value proposition. As mentioned before, we are evaluating ways to further optimise our capital position given the level of our PCA.

We are actively working with regulators and other industry participants to promote the importance and the value of LMI in the Australian housing system through legislative and regulatory policies that support home ownership and continued responsible credit growth. Last year there was significant regulatory involvement focused on upholding sound lending standards and maintaining appropriate capital requirements in the Australian residential mortgage industry. LMI provides capital support to various lenders in addition to being used as a strong loss absorption product to manage risk. We advocate LMI as a key part of the broader solution for managing mortgage risk that brings wider financial stability and competition to the market. We will continue to work with regulators, key customers and other stakeholders to demonstrate the value proposition of LMI and Genworth to all.

Here at Genworth we also seek to make a meaningful contribution to the communities in which we operate and live. We make it a priority to contribute to causes that are aligned to our mission and vision of supporting the dream of homeownership by helping Australians get into their home sooner and keeping them there. In 2015, we had excellent participation by our people in a comprehensive volunteering program that focuses on key areas of education, homelessness and basic needs. Our volunteers provided 1,232 hours (164 days) to support our community partners. Genworth's volunteer participation rate of 57 per cent is a significantly higher level of employee engagement compared to the sector benchmark of 10 per cent. As an organisation, we will continue to focus on our ongoing social responsibility in the years ahead.

Our first quarter 2016 results were released to the market last week and are consistent with our outlook for 2016. The first quarter results reflect continued good underwriting performance with a loss ratio of 27 per cent in line with our guidance and our overall levels of profitability remained strong with net profit after tax for the quarter of \$67.3 million. Genworth continues to focus on the strategic needs of our customers, especially during this period of heightened regulatory focus on the Australian mortgage market and lending standards.

We believe the Australian mortgage market is supported by sound fundamentals. Unemployment remains steady, interest rates remain low and we are seeing some healthy moderation in house price growth in key markets. We expect the high loan to value market to continue to be constrained given the regulatory and lender risk appetite changes. While it is anticipated new business volumes could be down by as much as 20 per cent in 2016, we expect this business to have a strong risk profile and be less capital intensive.

We continue to actively manage the Company's capital position to ensure we are appropriately balancing our objectives of meeting policy-holder obligations, delivering long-term shareholder returns and having flexibility to grow the business in the future. The current environment brings with it a number of challenges, but we are confident that Genworth has a resilient business model, one that has and is able to navigate cyclical changes. We will continue to manage the business through this environment with a focus on strengthening our customer value proposition, product innovation, maintaining our strong risk management discipline and through our capital strength.

I would like to thank the Chairman and Board of Directors of Genworth for their support and guidance to management during 2015. I also want to thank all our Genworth people for their hard work, dedication and commitment. It provides a solid foundation for our business and underpins our resilience to manage through cycles. I look forward to continuing to work with all of you in 2016 as we strive to deliver on our strategic priorities. To our customers and other key business partners, thank you for your ongoing support and I look forward to continued strong relationships in the future. Finally, I would like to thank our shareholders for their continued confidence in the business.

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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 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.