Genworth Mortgage Insurance Australia Limited
ABN 72 154 890 730

Some things were built to last

Annual Report 2014

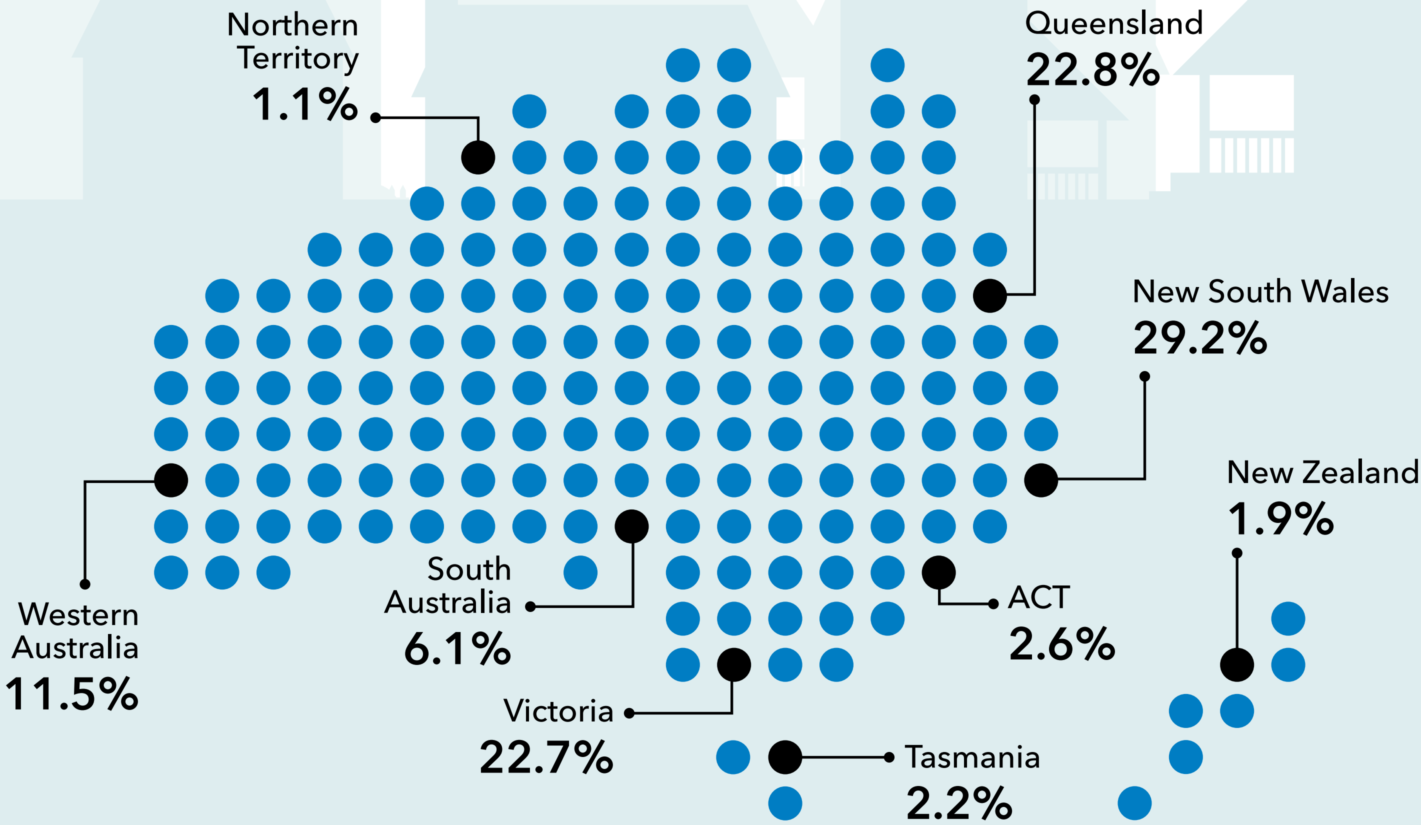
About Genworth

Genworth is the leading provider of Lenders Mortgage Insurance in Australia. Lenders Mortgage Insurance has been an important part of the Australian residential mortgage lending market since it was introduced by the Australian Government in 1965.

Contents

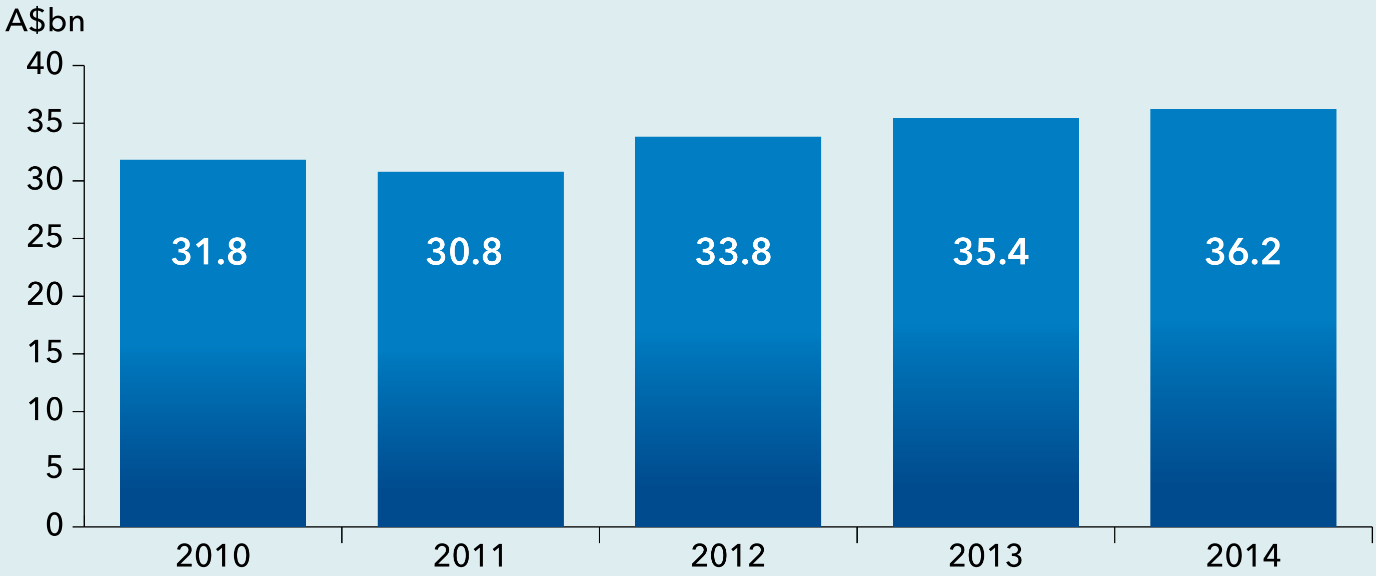
Genworth overview

Portfolio of insured loans by state (as at 31 December 2014)*

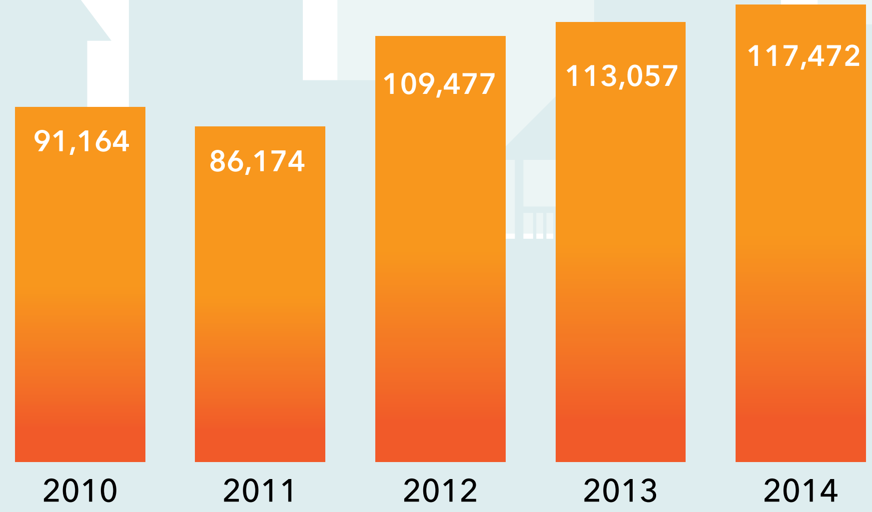


* Insurance in force is the value of insured loans outstanding.

Value of insured loans – last five years



Number of policies written



At the end of 2014 Genworth Australia had almost **1.5 million** policies in force and wrote close to **117,500** policies in 2014

Snapshots

11,000

Genworth Australia produces two surveys regarding homebuyer confidence and the state of the Australian mortgage market. There were over 11,000 downloads of these research articles during 2014.

$2bn

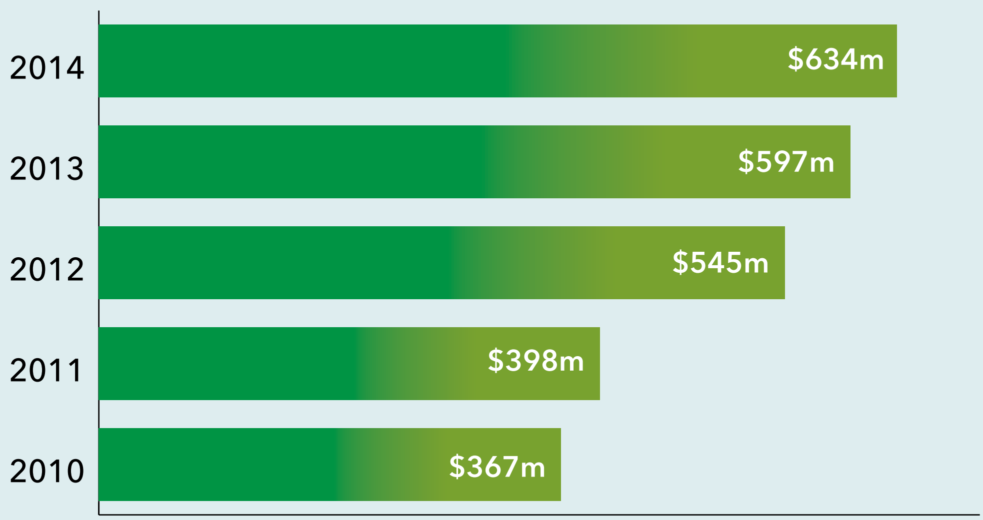
Genworth Australia's market capitalisation was over $2bn as at 31 December 2014.

ASX 200

On 21 August 2014 Genworth Mortgage Insurance Australia Limited (ASX: GMA) was admitted to the S&P/ASX 200 index.

Genworth Australia has commercial relationships with over **100 lenders** across Australia

Gross Written Premium (A$)



Major events

Genworth Mortgage Insurance Australia Limited.

1965 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003

- **1965** – Government establishes Housing Loans Insurance Corporation (HLIC)
- **1997** – GE purchases HLIC from the Australian Government and begins GE Mortgage Insurance Co in Australia
- **2000** – Introduction of First Home Owners Grant (FHOG)
- **2000** – Introduction of Limited Genuine Savings product (>95% LVR)
- **2001** – Introduction of Low Doc

2004

GE sells its specialty insurance business globally, and Genworth is born through the largest IPO of the year on the New York Stock Exchange

2005

Introduction of HomeBuyer Plus product

2006

2007

Beginning of the Global Financial Crisis (GFC)

Product and policy tightening

2008

Commenced replacement of low doc loans with business select product

Withdrawal from >95% LVR market

Tightening of servicing requirements

Introduction of First Home Owner Boost (FHOB)

2009

Policy tightening for investment loans

Introduction of minimum valuation standards

2010

2014

20 May 2014, Genworth Australia successfully lists on the ASX

21 August 2014, Genworth Australia admitted to the S&P ASX 200 Index

Chairman's message

2014 was a strong year for Genworth Mortgage Insurance Australia Limited (Genworth Australia). We successfully listed on the Australian Securities Exchange (ASX) on 20 May 2014 and have maintained our position as the leading provider of Lenders Mortgage Insurance (LMI) in Australia. Furthermore, we reported pro-forma full year profit above that forecast in our April 2014 Initial Public Offering (IPO) Prospectus, built an additional $290 million of hard equity in the business, and rewarded shareholders with a special dividend on top of an ordinary dividend. We finished the year with net assets of $2.5 billion.

Genworth Australia mission

At Genworth Australia, our mission is to help Australians get into their home sooner and assist them to stay there. We do this by working with our lender customers, regulators and policy leaders to promote a stronger and more sustainable housing market in Australia. We believe that the provision of LMI to our lender customers contributes significantly to the Australian dream of home ownership and in 2014 we are proud to have helped over 117,000 Australians purchase a residential property.

Genworth Australia strategy

From a strategic perspective, we are a mono-line LMI insurer with deep expertise in the Australian mortgage market with 50 years of continuous operation. We remain committed to the key strategic priorities that we believe will enable us to deliver long-term returns to shareholders, reflected in an attractive Return on Equity (ROE). These priorities include:

- Strengthening our market leadership position through understanding the strategic needs of our lender customers and assisting them to find solutions;
- Enhancing profitability by continued focus on underwriting discipline, attractive market segments, management of claims, and appropriate pricing actions;
- Executing opportunities to optimise our capital base to enhance returns including potential for additional capital management initiatives;
- Maintaining our strong risk culture and risk management discipline through our framework and practices with investment in underwriting, claims and risk systems; and
- Continuing to work with regulators, rating agencies and other industry participants, to promote legislative and regulatory policies that support the housing industry.

At Genworth Australia, our mission is to help Australians get into their home sooner and assist them to stay there.

Financial performance

The financial results for the 2014 financial year reflect the ongoing quality of risk management, underwriting and pricing discipline, and portfolio monitoring in place in our business. The increases in both revenues and profits can be attributable to a strong underlying business, as well as the relatively stable economic environment over the period.

If we assume the IPO occurred at the beginning of the 2014 financial year, the 2014 pro-forma net profit after tax was $324.1 million, an increase of 80.7% over the prior year and above the IPO Prospectus forecast. Statutory Net profit after tax for the period 19 May to 31 December 2014 was $231.1 million. The Prospectus issued in April 2014 contains details of risks requiring careful management by the Genworth Australia team. I am pleased to confirm that we have not had any material issues that arose during the reporting period.

Capital

At the end of December 2014, Genworth Australia maintained a strong balance sheet with a regulatory capital base of $2.9 billion, and a coverage ratio of 1.59 times the Prescribed Capital Amount, (PCA) on a group (level 2) basis. This is in excess of the Board's targeted range of 132% - 144% of the PCA. Genworth Australia continued to maintain a conservative gearing position with 5% debt and 95% common equity as at 31 December 2014. Based on this position, my fellow directors and I believe that Genworth Australia has the potential to implement further capital management initiatives in 2015 subject to business, economic and regulatory considerations.

900

In 2014 over 900 individuals at our lender customers attended over 50 training sessions provided by Genworth to help them understand issues such as what is LMI, Fraud awareness and the Hardship process

Investment portfolio

Genworth Australia has a high quality investment portfolio. As at 31 December 2014 the cash and investment portfolio had a market value of $4.2 billion, with 99.7% of the investment portfolio invested in Australian dollar denominated cash, cash equivalents and fixed income securities and 98% of the portfolio (including cash) rated A- or above by Standard & Poor's and/or Moody's.

Dividends

On 11 February 2015, Genworth Australia declared a fully franked final ordinary dividend of 13.1 cents per share and a fully franked special dividend of 11.5 cents per share, both of which were paid on 6 March 2015. Including these dividends and the interim dividend paid in August 2014, the total dividend for the full year 2014 was 27.4 cents per share. The ordinary dividends paid represent 57.7% of the Underlying Net Profit after Tax (on a pro-forma basis) within our target dividend payout ratio range of between 50% and 70%.

Summary

In 2014 Genworth Australia continued to embed its place in the Australian residential mortgage market and furthered our strategic priorities on all fronts. We gained inclusion in the S&P/ASX 200 Index, and market capitalisation as at 31 December 2014 was $2.3 billion. As a publicly listed company, Genworth Australia now has additional financial flexibility and improved access to capital markets.

I would like to specifically thank CEO and Managing Director Ellie Comerford for her leadership during this period, and all those who have helped make the year a successful one, including my fellow Directors, the Senior Leadership Team and their people, our lender customers, and other key partners, who are the foundation of our company.

Yours sincerely,

Richard Grellman AM
Chairman
Genworth Mortgage Insurance Australia Limited

Chief Executive Officer's report

I am proud to present Genworth Australia's inaugural result as an ASX listed company, and I am pleased with the operating and financial performance of the business in our first annual reporting period. The underlying performance is ahead of our expectations and we have progressed our key strategic initiatives on all fronts since completing the IPO in May 2014.

Financial performance

On an equivalent basis to the financial information contained in the IPO Prospectus, the pro forma[1] Underlying Net Profit After Tax[2] was $279.4 million for the full year, an increase of 26.5% compared to 2013 pro-forma result.

New business volumes of $36.2 billion of New Insurance Written (NIW) increased 2.2%, whilst Gross Written Premium (GWP) of $634.2 million for the full year was 6.3% higher than 2013. This growth is a combination of both price increases and higher volume which was offset by an ongoing trend toward an overall lower average Loan to Value Ratio (LVR) mix of mortgages being originated.

Total Pro Forma Revenue, as measured by Net Earned Premium (NEP) was $445.8 million, representing an increase of 12.0% compared to the full year 2013.

The overall performance of the business has been supported by favourable loss experience throughout the year. For the full year, the loss ratio of 19.0% is down from 32.1% in 2013 and reflected a strong housing market (including a 7.9% increase in capital city house prices), and increased premium pricing. Overall we have seen a lower level of delinquent loans in our portfolio, a reduction in the number of delinquent loans that have converted to claim, and an overall lower average claim amount.

New business volumes of $36.2 billion of New Insurance Written (NIW) increased 2.2%, whilst Gross Written Premium (GWP) of $634.2 million for the full year was 6.3 per cent higher than 2013.

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1. The financial result of the Company and its subsidiary companies prepared under statutory basis (prepared in accordance with Australian accounting standards which comply with International Financial Reporting Standards (IFRS)) represent the financial result for the period of 19 May 2014 to 31 December 2014. The pro forma results represent the financial performance from 1 January 2014 to 31 December 2014 have been prepared on the same basis as the financial information (including financial forecasts) disclosed in the prospectus lodged by the Company with the Australian Securities and Investments Commission on 23 April 2014 (Prospectus), which reflected the post re-organisation structure of May 2014.
2. Underlying NPAT excludes the after tax impact of unrealised gains/(losses) on the investment portfolio.

Capital and reinsurance

Our capital position at year end was sound with solvency at 159% of the PCA (Level 2) as a result of contribution to retained earnings and having successfully renewed and expanded our external reinsurance program. Genworth Australia's balance sheet is underpinned by $1.36 billion of unearned premium reserves that provide a high level of revenue visibility for future periods.

During the second half of the year, Genworth Australia successfully renegotiated a number of existing reinsurance contracts with 2014 expiry. In addition, Genworth Australia has also bound coverage under a new Excess of Loss reinsurance treaty for $100 million of coverage. The net impact of reinsurance changes means that the level of qualifying reinsurance has increased from $844 million (as at 31 December 2013) to $915 million, effective 1 January 2015.

The ordinary and special dividends that have been declared, together with the additional reinsurance coverage are both elements of our ongoing initiatives to optimise our capital position to support ROE progression over the medium term.

Customers

Genworth Australia had commercial relationships with over 100 lender customers across Australia, including three of the four major Australian banks, and estimates that it had approximately 44 per cent of the Australian LMI market by NIW for the year ended 31 December 2014. Genworth Australia has a contractual relationship with 11 of its key lender customers, which in 2014 accounted for 86% of GWP.

During 2014 we extended a number of existing contracts but ceased writing new inwards reinsurance business with effect from 30 September 2014. Subsequent to the end of the year, one of our top three lender customers, representing 14% of Gross Written Premium, provided 90 days written notice that they were terminating the agreement for the provision of LMI by Genworth Australia. The termination of this contract does not significantly change the financial outlook for 2015, with the full effect more likely to be felt in the 2016 financial year and beyond. In the meantime, we will look for opportunities to replace this business and/or to adjust the business operations to reflect the customer base.

Ratings

In November 2014, as a direct consequence of its group rating methodology and actions it took in relation to our US majority shareholder, Genworth Financial, Standard & Poor's Ratings Services (S&P) downgraded the Genworth Financial Mortgage Insurance Pty Ltd (GFMI) financial strength and issuer credit rating from 'AA-' with a stable outlook to 'A+' with a negative outlook. Whilst this was disappointing news, we have been able to work closely with our lender customers to ensure minimal impact at this stage on the business through the recognition of GFMI's stand-alone earnings profile and capital strength.

To ensure we are positioned to accommodate our customer needs, we formalised Fitch Ratings (Fitch) initiating an Insurer Financial Strength (IFS) Rating of the Genworth Australia operating subsidiary in December 2014, assigning an 'A+' rating with a stable outlook. We believe that the additional Fitch rating provides balance to our existing ratings, and will be beneficial to our customers and other key stakeholders.

In November 2014, Moody's reaffirmed the insurance financial strength rating of both GFMI and Genworth Financial Mortgage Indemnity Limited (GFMIL) GMA's wholly-owned insurance subsidiaries at 'A3' Stable.

Regulatory environment

2014 was also a significant year from a regulatory and policy standpoint. Most notably we saw the release of the final report of the Financial System Inquiry (FSI). The framework around capital standards for lenders who write residential mortgage loans is a pivotal issue for our business and we made two submissions to the FSI during the year.

We are heartened by the FSI's recommendation that regulators evaluate the capital standards relating to mortgage lending, and its acknowledgment of the importance of the mortgage market in its discussions on competition, resilience and financial stability. We thoroughly endorse the observation in the report that "APRA should seek to maintain as much risk sensitivity in the capital framework as possible and recognise lenders mortgage insurance where appropriate."[3]

I also note that the Basel Committee on Banking Supervision (Basel Committee) proposed revision of the standardised approach to credit risk and a proposal for capital floors for advanced accredited banks (released in late December 2014) could take residential lending required capital levels in a more conservative direction. We continue to monitor the potential impact on Australian regulated lending institutions and our customer base which will be dependent upon APRA's approach to the adoption of the Basel Committee's preferred model.

3. Financial System Inquiry Final Report, November 2014, page 66.

Chief Executive Officer's report (continued)

In 2014 we have continued to work with our customers and other key stakeholders to reinforce the benefits that a strong stable mortgage insurance business such as ours can provide to the mortgage market.

We will continue to work with policy makers and regulators to ensure appropriate recognition for the additional system capital provided by the LMI industry to reinforce the view that without LMI there is the potential for less capital in the system to absorb the de-stabilising effects of an unexpected crisis.

In December 2014, both APRA and ASIC announced separate but related initiatives aimed at preserving the ongoing stability of the mortgage market. In our view, the regulated mortgage market continues to operate on a prudent and sustainable basis, and we have seen little evidence of lending standards deteriorating. We are confident that these regulatory actions will further reinforce sound residential mortgage lending practices in the context of historically low interest rates, current levels of household debt, and strong competition in the housing market.

Community

As a conscientious corporate citizen, we as an organisation are also focused on our ongoing social responsibility. Genworth Australia has a very proud and growing history of contributing to causes that are aligned to our mission and vision of helping Australians get into their home sooner and keeping them there.

Throughout 2014 we have continued to foster the participation of our people in a comprehensive volunteering program that has a number of key foundation areas - education, homelessness and basic needs. Together with our partner organisations we are working to help shape a brighter future for troubled youth in low socio economic areas through:

- mentoring and raising awareness of the wider range of personal, educational and vocational choices available to build life skills;
- continuing a journey to provide support and raise awareness towards the goal of halving the number of homeless in Australia by 2020; and
- helping to bring the meaning of home to life for all, including disabled and/or disadvantaged individuals.

Diversity

Genworth Australia is committed to promoting diversity and has adopted a diversity policy which provides a framework to achieve, among other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

Our 2014 report to the Workplace Gender Equality Agency highlighted our progress and ongoing commitment to diversity, gender equality and how we are supporting our diverse workforce. The report highlights that 43% of the Genworth Australia workforce and almost 40% of managers at Genworth Australia are female.

Looking ahead

In 2014 we have continued to work with our customers and other key stakeholders to reinforce the benefits that a strong stable mortgage insurance business such as ours can provide to the mortgage market. We have delivered growth generally in line with overall system housing credit growth, strong financial results and have maintained a sound capital position.

Genworth Australia believes that there is room for caution in respect of the Australian macroeconomic environment and in particular the uncertain unemployment outlook. The recent reduction in interest rates is likely to underpin the housing market and support steady growth in both originations and house prices. Whilst the recent fall in the exchange rate has provided some support to the economy, the recovery in both business and consumer confidence remains fragile.

For our part, we will continue to focus on our role in assisting people getting into homes and staying there, ensuring sound lending practices across the mortgage industry, and continue to strive to deliver long-term returns to shareholders through execution on our key strategic initiatives.

Thank you

I would like to firstly thank the Genworth Australia Chairman and Directors, for their ongoing guidance and support to management throughout 2014. I would also like to take this opportunity to thank our shareholders for their continued confidence in the business.

Finally I would like to thank our Genworth Australia people for their hard work, dedication and contribution to achieving a strong operating and financial performance which has enabled Genworth Australia to continue to deliver on our mission and vision and to maintain our market leading position. I am looking forward to everyone's contribution in 2015 as we work to deliver on our strategic priorities and continue to build a successful future for Genworth Australia.

Yours sincerely,

CEO and Managing Director
Genworth Australia

Who are we

98.1

In six months from March 2014 to September 2014 the Genworth Homebuyer Confidence Index rebounded from from 90.8 to 98.1, indicating a significant improvement in the confidence of homeowners.

LMI facilitates residential mortgage lending by transferring risk from lenders to LMI providers, predominantly for high loan-to-value ratio residential mortgages. Genworth Australia believes the provision of Lenders Mortgage Insurance to lenders has contributed to comparatively high levels of Australian home ownership and residential mortgage loan accessibility, supporting the housing market in Australia.

Genworth Australia prides itself in offering its lender customers a team that is focused on delivering the highest levels of personalised service, with a keen ability to understand the mortgage market, and a willingness to take a commercial approach to delivering solutions that suit our lender customers' needs. Genworth Australia's success is founded on our total commitment to understanding our customers' business needs. We have developed a culture that enhances and looks at ways to turn needs into solutions that create value.

"I think mortgage insurers have played a very important part in the Australian housing market that we enjoy today. If mortgage insurance wasn't here today we would have a very different housing market."

– John Symond
Founder, Aussie Home Loans

$315bn

Genworth Australia provides insurance for $315 billion of home loans in the Australian and New Zealand mortgage markets

Results at a glance

2014 has been a landmark year for Genworth Australia. We successfully listed on the ASX on 20 May and we've progressed our strategic agenda on all fronts. We're very pleased with the operating and financial performance of the business in our first year as a listed entity. We've built that off the solid foundation of close to 50 years operating - continuous operation in Australia as Australia's leading mortgage insurer.

The underlying performance in the capital position for 2014 is ahead of our expectations and primarily that is off the back of a relatively stable economy during 2014, with strong house price growth throughout the year.

The pro-forma underlying net profit after tax was $279.4 million for the full year. That's an increase of 26.5% compared to 2013. New business volumes of $36.2 billion of new insurance written during the year increased 2.2% while the gross written premium of $634.2 million for the full year was 6.3% higher than 2013.

Our total revenue, as measured by net earned premium, was close to $446 million, representing a 12% increase compared to 2013.

The overall performance of the business has been supported by favourable loss experience throughout the year. For the full year, the loss ratio of 19% has fallen from 32.1% in 2013.

We finished the year with a very strong balance sheet with $1.36 billion of unearned premium reserve providing us with good revenue visibility for future years. Our regulatory capital solvency ratio of 159% on a Level 2 basis is in excess of the board-targeted range.

Our strategy

Genworth Australia's primary business activity is the provision of LMI to its lender customers. As a LMI provider, Genworth Australia's profitability is driven primarily by its ability to earn premiums and generate financial income in excess of net claims and operating expenses (being underwriting and other costs).

The Group's strategic objective is to deliver long-term returns to shareholders, reflected in an attractive, sustainable ROE. In 2014 Genworth Australia continued to pursue the following strategies to deliver on that objective:

1. Strengthen market leadership position
2. Enhance profitability
3. Optimise capital position and enhance ROE
4. Maintain strong risk management discipline
5. Continue to work with regulators, rating agencies and other industry participants

4million

Since 1965, Genworth Australia has written over 4 million policies

1 Strengthen market leadership position

Genworth Australia seeks to strengthen and grow its customer relationships and product value proposition by focusing on understanding and meeting the strategic needs of its customers; influencing the changing regulatory environment; addressing potential ratings and/or counterparty challenges; enhancing its service offerings with a focus on risk management and technology; and maintaining a high level of service with a continued focus on customer satisfaction.

2 Enhance profitability

Genworth Australia intends to maintain appropriate, risk adjusted returns by:

- Pricing NIW to achieve low-to-mid teen ROEs over the long-term and enhancing its understanding of the profitability of portfolio cohorts;
- Continue to manage underwriting and pricing to grow the share of attractive market segments and lenders while reducing exposure to unattractive segments as they emerge;
- Investing in loss mitigation tools and process to enhance management of delinquencies and claims;
- Investing in underwriting systems to deliver productivity benefits while maintaining strong risk management disciplines and enhancing customer experience; and
- Optimising interest income from its investment portfolio within acceptable risk standards.

3

Optimise capital position and enhance ROE

To complement its strategy to enhance profitability, Genworth Australia intends to maintain a strong balance sheet and financial position while managing its capital relative to its risk exposure, targeted ratings and regulatory requirements.

In addition to equity, qualifying capital instruments and reinsurance form part of Genworth Australia's capital management strategy. Genworth Australia will continue to assess opportunities to optimise its capital base to enhance returns.

To the extent Genworth Australia has capital above its internal and regulatory capital requirements, the Board will consider a range of options and currently has a preference to return excess capital to shareholders, subject to regulatory approvals and market conditions.

4

Maintain strong risk management discipline

Genworth Australia continues to strengthen the risk culture across the business. Genworth Australia intends to enhance data received from customers and third parties to support granular and effective risk decisioning.

Genworth Australia will continue to invest in modelling and analytical capabilities to deliver more granular performance measures, along with improved loss forecasting, balance sheet management and stress-testing.

Genworth Australia will continue to advance its risk management framework and practices by working with regulators, lender customers and other market participants to adapt to changing market conditions.

5

Continue to work with regulators, rating agencies and other industry participants

Genworth Australia will continue to work with regulators, rating agencies and other industry participants to promote legislative and regulatory policies that support increased levels of home ownership, continued responsible credit growth for lender customers, and the purchase of LMI by lenders so as to continue to enable lenders to provide borrowers with affordable residential mortgage loans.

What is Lenders Mortgage Insurance

Lenders Mortgage Insurance is one way of getting into homeownership without having the 20% deposit which is typically required by most banks and financial institutions.

With Lenders Mortgage Insurance, lenders may allow borrowers to borrow a higher proportion of the purchase price, allowing them to purchase a property with a smaller deposit than would otherwise be required. It may also enable borrowers to borrow at an interest rate that is comparable to a borrower who has a larger deposit.

Lenders Mortgage Insurance should not be mistaken for Mortgage Protection Insurance, which covers a mortgage in the event of death, sickness, unemployment or disability. Lenders Mortgage Insurance protects the lender against a loss should the borrower default on their home loan. If the security property is required to be sold as a result of the default, the net proceeds of the sale may not always cover the full balance outstanding on the loan. Should this be the case, the lender is entitled to make an insurance claim to Genworth for the reimbursement of any shortfall. Where a claim for loss is paid to a lender, Genworth may seek recovery from the borrower, or any guarantor, for any shortfall amount.

How can Lenders Mortgage Insurance benefit me?

Almost everyone wants to be able to buy a home sooner rather than later, however saving the typical 20% deposit can sometimes be a daunting prospect - and one that not a lot of borrowers can comfortably achieve by the time they wish to purchase.

With median house prices in Australia now above $500,000 saving a deposit of as much as $100,000 can seem like an impossible task.

By reducing the lender's risk at the outset, paying for Lenders Mortgage Insurance allows prospective home buyers to purchase their dream home with as little as 5% of the purchase price. This can open up many possibilities for new homebuyers, including better location, larger house and ability to do renovations. Simply put, Lenders Mortgage Insurance brings home ownership much closer, years earlier than otherwise might have been possible.

Whether home buyers are purchasing their own home or an investment property, using Lenders Mortgage Insurance can help achieve the goal much earlier and assist in building personal equity in property sooner.

Unlike traditional insurance products, there is a one-off premium payable for Lenders Mortgage Insurance. This premium is charged by the Lenders Mortgage Insurance provider to the lender, who typically passes this cost on to the borrower. The premium is payable when the loan funds are advanced and it provides cover for the full term of the loan.

The cost of Lenders Mortgage Insurance varies depending on a number of factors, including but not limited to; the amount of the loan, the level of equity in the security property (how much savings is contributed to the purchase) and the level of risk associated with the particular loan product chosen.

Some lenders will allow the cost of the Lenders Mortgage Insurance premium to be added to the loan, meaning this amount will not have to be paid up-front, however the loan repayments will increase marginally to cover the cost of the Lenders Mortgage Insurance premium.

LMI Toolkit

In 2014 Genworth made two submissions to the Financial System Inquiry that contained a number of policy recommendations designed to promote both competition and financial stability in the residential mortgage market. These suggestions included but were not limited to the recognition of LMI in Advanced Internal Ratings Based (AIRB) bank models, and an increased capital requirement for high LVR loans for AIRB banks.

Case study

Joanne started a digital and graphic design agency two and a half years ago and since its inception, the company has grown 20% per annum. She works from home and as her operations are expanding quickly, she can no longer work from the living room. A friend mentioned to her that he knew of a small office space for lease close to where she was living and that it might be an option for her.

She spoke to her accountant and he suggested that she look into some other options including buying an apartment with a second bedroom that she could convert into an office, rather than paying the rent for leasing an office along with her other expenses.

Joanne did some research online to see what was available and came across an apartment that ticked her boxes with a second bedroom that could easily be converted into an office.

Being self-employed, with a relatively new business, Joanne was unsure whether she could get a mortgage and how much capital she should keep aside for the business.

She visited a local broker and under their advice Joanne learned she could afford to buy the apartment with Lenders Mortgage Insurance (LMI) provided to the lender by Genworth, which would allow her to save business capital and purchase her property with a 15% deposit. She would be able to keep the other 15% she has saved for her business capital.

The broker advised her that she would need to provide two full years of personal and business tax returns in order to apply for the loan.

"By using LMI, I've been able to make purchasing my new home a reality sooner, improving operational effectiveness without sacrificing the capital needed for my business" said Joanne.

"By using LMI, I've been able to make purchasing my new home a reality sooner, improving operational effectiveness without sacrificing the capital needed for my business."

Board of Directors

Richard Grellman
Chairman

Richard was appointed Chairman of the Board on 1 March 2012. He was previously at KPMG where he spent 32 years, with the last ten years specifically focused on the provision of strategic advice and services to the financial services sector. His tenure at KPMG included being a partner from 1982 – 2000; a member of KPMG National Board from 1995 – 1997; and a member of KPMG National Executive from 1997 – 2000.

Since 2000, Richard has held a number of directorships across the financial services sector with publicly-listed companies. He has over 40 years of experience in total; 20 years of board experience and 23 years of financial services experience.

Richard was the independent financial expert for the AMP and Tower Life NZ demutualisations and was appointed member of the Order of Australia for service to the community in 2007. In addition to his position at Genworth Australia, Richard is currently Chairman of AMP Foundation, Chairman of IPH Limited, and a director of Bisalloy Steel Group Limited.

Ian MacDonald
Director, Independent

Ian was appointed to the Board on 19 March 2012.

Ian has over 40 years of financial services experience in Australia, the UK and Japan, specifically in banking, insurance, wealth management and technology. He previously held numerous positions with National Australia Bank including various senior executive roles from 1999 – 2006; Chief Operating Officer Yorkshire Bank from 1997 – 1999; and head of Retail Services Clydesdale Bank, Glasgow UK from 1994 – 1997.

Ian is a Senior Fellow and past President of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors. Since 2006, Ian has held a number of directorships including publicly-listed companies, and is currently a director of Arab Bank Australia Ltd and Tasmanian Public Finance Corporation.

Tony Gill
Director, Independent

Tony was appointed to the Board on 20 February 2012.

Tony has over 30 years of financial services experience having served on a number of boards over that period. Previously Tony was Group Head, Banking and Securitisation Group at Macquarie Group. He has held senior executive roles in Macquarie Group from 1991 – 2008.

Prior to Macquarie, Tony was a Chartered Accountant then held various management roles in mortgage banking and treasury in Australia. He is currently Chairman of Australian Finance Group and a director of First American Title Insurance Company of Australia Ltd and First Mortgage Services Pty Ltd.

Tony was previously Chairman of Australian Securitisation Forum and National President of the Mortgage Finance Association of Australia.

Gayle Tollifson
Director, Independent

Gayle was appointed to the Board on 20 February 2012.

Gayle has over 35 years of financial services experience and has been an Independent Director since 2006. Prior to this she worked with QBE Insurance Group in senior executive roles including Chief Risk Officer and Group Financial Controller from 1994 – 2006. Prior to QBE, Gayle held various roles in public accounting firms in Australia, Bermuda and Canada. She is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia and is currently Chairman of Munich Holdings of Australasia Pty Limited and subsidiaries and a director of RAC Insurance Pty Limited and Campus Living Funds Management Limited.

Jerome Upton
Director, Genworth Financial designee

Jerome was appointed to the Board on 20 February 2012.

Jerome was appointed Senior Vice President and Chief Financial and Operations Officer, Global Mortgage Insurance, Genworth Financial in 2012. Previously he was the Senior Vice President and Chief Operating Officer, Genworth Financial International Mortgage Insurance from 2009. Prior to this Jerome has had a variety of roles at Genworth including the Senior Vice President and CFO, Genworth Financial International – Asia Pacific, Canada and Latin America from 2007 – 2009; the head of Global Financial Planning & Analysis from 2004 – 2007; International Finance Manager from 2002 – 2004; and Mortgage Insurance Global Controller from 1998 – 2002.

Prior to Genworth, Jerome served in a number of accounting positions at KPMG Peat Marwick, culminating in his role as Senior Manager – Insurance in Raleigh, North Carolina. He obtained the status of Certified Public Accountant whilst the Controller and Director of Financial Reporting for Century American Insurance Company in Durham, North Carolina.

Stuart Take
Director, Genworth Financial designee

Stuart was appointed to the Board on 20 February 2012.

Stuart has 27 years experience, primarily at Genworth/General Electric. He joined GE Capital in 1987 and has since held a number of senior management positions in Genworth's mortgage insurance platform both domestically and overseas, including President/CEO of Genworth's Canadian mortgage insurance business, and Senior Vice President of Asia.

Stuart is currently a director of India Mortgage Guarantee Corporation (a Genworth Financial joint venture with the International Finance Corporation, the Asian Development Bank and the National Housing Bank of India), and was previously Head of Financial Institutions at Deutsche Bank, Asia ex-Japan.

Samuel Marsico
Director, Genworth Financial designee

Sam was appointed to the Board on 19 March 2012.

Sam was the Chief Risk Officer, Global Mortgage Insurance division of Genworth Financial from 2008 to 2014. He worked for 23 years at Genworth/General Electric having held various positions across the organisation including a number of leadership positions at both GE Transportation Systems and GE Corporate Finance from 1991 – 1996. Sam became the CFO of GE mortgage insurance in 1997, and was then Senior Vice President and Chief Risk Officer for GE Mortgage Insurance from 2002 – 2005, and Chief Risk Officer for Genworth Financial from 2006 – 2008.

Prior to his roles at Genworth/GE Sam was a senior executive at Price Waterhouse in New York.

Leon Roday
Director, Genworth Financial designee

Leon was appointed to the Board on 19 March 2012.

Leon was the Senior Vice President, General Counsel and Secretary, Genworth Financial to February 2015. Prior to this position, he held the same role for GE Financial since 1996.

Prior to Genworth/GE, Leon was previously a partner at LeBoeuf, Lamb, Greene & McRae for 14 years, and he is a member of the New York Bar Association.

Senior Leadership Team

Ellen (Ellie) Comerford
CEO, Managing Director and Genworth Financial designee

Ellie was appointed to the Board on 20 February 2012.

Ellie has almost 30 years of financial services experience across a range of banking and insurance businesses. She previously spent approximately nine years with First American Financial Corporation in various leadership positions in Australia and internationally including Managing Director for the Australian and New Zealand operations, and Chief Operating Officer for the International Division.

Prior to this, Ellie was at Citigroup for approximately 14 years, where her roles included Director of Strategy and Business Development, and Head of Capital Markets, Origination and Syndication. Ellie has served on boards for the Australian and New Zealand businesses of First American.

Georgette Nicholas
Chief Financial Officer

Georgette joined Genworth Australia as Chief Financial Officer in February 2014. Georgette brings to the role more than 25 years of financial services experience across finance, audit, controllership, strategy, actuarial and investor relations, with a deep understanding of the mortgage insurance business both in international markets, as well as the United States, having worked with Genworth for over eight years.

Most recently, Georgette worked as Senior Vice President, Investor Relations, Public Relations and Rating Agencies with Genworth Financial Inc. Other senior roles she has held at Genworth include Chief Financial Officer, US Mortgage Insurance, where she was a key member of the management team leading the business through the economic downturn in the US housing market and the GFC, and Global Controller for both US Mortgage Insurance and International Segments.

Before joining Genworth in 2005, Georgette was a Director at Deloitte & Touche providing services to companies in the insurance, real estate and broadcasting industries. Georgette has a Bachelor of Science in Accounting from the University of Bridgeport CT and is a Certified Public Accountant and Chartered Global Management Accountant.

Conor O'Dowd
Chief Risk Officer

Conor joined Genworth Australia as Chief Risk Officer in November 2013. Conor is a seasoned Risk Leader with over 25 years of risk management and actuarial experience across the banking and insurance industries, having had leadership roles in the development of risk and performance analytics and models.

Before joining Genworth, Conor was a Partner at PricewaterhouseCoopers in Sydney, where he was lead partner of the largest actuarial and financial risk consulting practice in the Asia-Pacific region. He has a depth of experience within the Australian mortgage insurance industry, and is experienced in risk governance, retail credit risk management and econometric modeling. Since retiring from PwC in 2011, Conor has consulted on Basel III risk and regulatory transformation in Australia and the UK. Earlier in his career, Conor worked with William M. Mercer in both Sydney and Dublin where he focused on general insurance and superannuation.

Conor is a Fellow of the Institute of Actuaries, London (1986) and a Fellow of the Institute of Actuaries of Australia (1991).

Tobin Fonseca
Chief Operations Officer

Tobin joined Genworth as Chief Operations Officer in February 2012. Tobin brings more than 30 years of financial services experience to his role.

Tobin is responsible for underwriting, loss mitigation, collections and operational effectiveness.

Tobin joined Genworth from Advantedge Financial Services, a subsidiary of National Australia Bank, where he held the role of General Manager, Advantedge Services overseeing the whole lending lifecycle. Prior to that he was with the Challenger Group holding the Managing Director role with Synergy Capital Management in Hobart and the CEO Role with Challenger Corporate Superannuation Services.

Earlier in his career, Tobin spent 20 years with Merrill Lynch in various leadership roles both in Australia and the US including Chief Administrative Officer and Project Director for Merrill Lynch HSBC Australia and Vice President and Program Manager International Private Client Group in Australia.

Bridget Sakr
Chief Commercial Officer

Bridget joined HLIC in August 1994 and Genworth in December 1997 as part of the acquisition of HLIC by General Electric and has held the position of Chief Commercial Officer since June 2010. She was previously National Sales Leader and Corporate Sales Manager NSW/ACT.

Bridget has over 20 years financial services and lending experience and has held various lending and relationship management roles at CBA, including being part of their graduate program prior to joining Genworth Australia.

Jon Downes
General Counsel and Company Secretary

Jon joined Genworth as General Counsel and Company Secretary in September 2013. He is a seasoned leader with 20 years of experience in a combination of top tier law firms and in-house roles.

Jon has a background in both the insurance industry and the mortgage industry. Most recently, Jon has been General Counsel and Company Secretary for Australia and New Zealand with a leading global insurer, ACE Insurance, where he also has had responsibility for Enterprise Risk Management and Compliance. Prior to ACE, Jon was with First American Title Insurance Co of Australia where he was General Counsel for more than seven years. He has significant experience liaising with various regulatory bodies including APRA, ASIC and ATO.

Earlier in his career, Jon was with Allens (now Allens Linklaters) in Sydney where he provided advice on a range of insurance, general banking, mortgage and commercial issues. He also worked with Lovells (now Hogan Lovells) in London where, among other things, he focused on insurance litigation matters in the UK, US, Canada and Australia.

Jo Ann Rabitz
Chief Human Resources Officer

Jo Ann has been with Genworth since Genworth's IPO from GE in 2004 and brings 29 years of HR experience to her role. She joined Genworth Australia as Chief Human Resources Officer in March 2012.

Jo Ann's responsibilities include all aspects of human resources.

Before joining the Australian business in her current role, Jo Ann was the Senior Vice President, Human Resources for Genworth's International segment based in the United States. Jo Ann held a variety of HR leadership roles with GE Capital from 1990 until GE's IPO of Genworth in 2004. Earlier in her career, Jo Ann held various HR positions with divisions of Allied Signal, Occidental Petroleum and PepsiCo.

Jo Ann earned her Bachelor of Science degree in Industrial Relations from Saint Joseph's University in Philadelphia, Pennsylvania.

Richard Galilee
Chief Information Officer

Richard joined Genworth in August 2011 as Chief Information Officer. Richard has extensive international IT experience in the financial services industry, having worked at a range of Insurance and Reinsurance companies and mortgage-related companies in Australia, the UK and Europe.

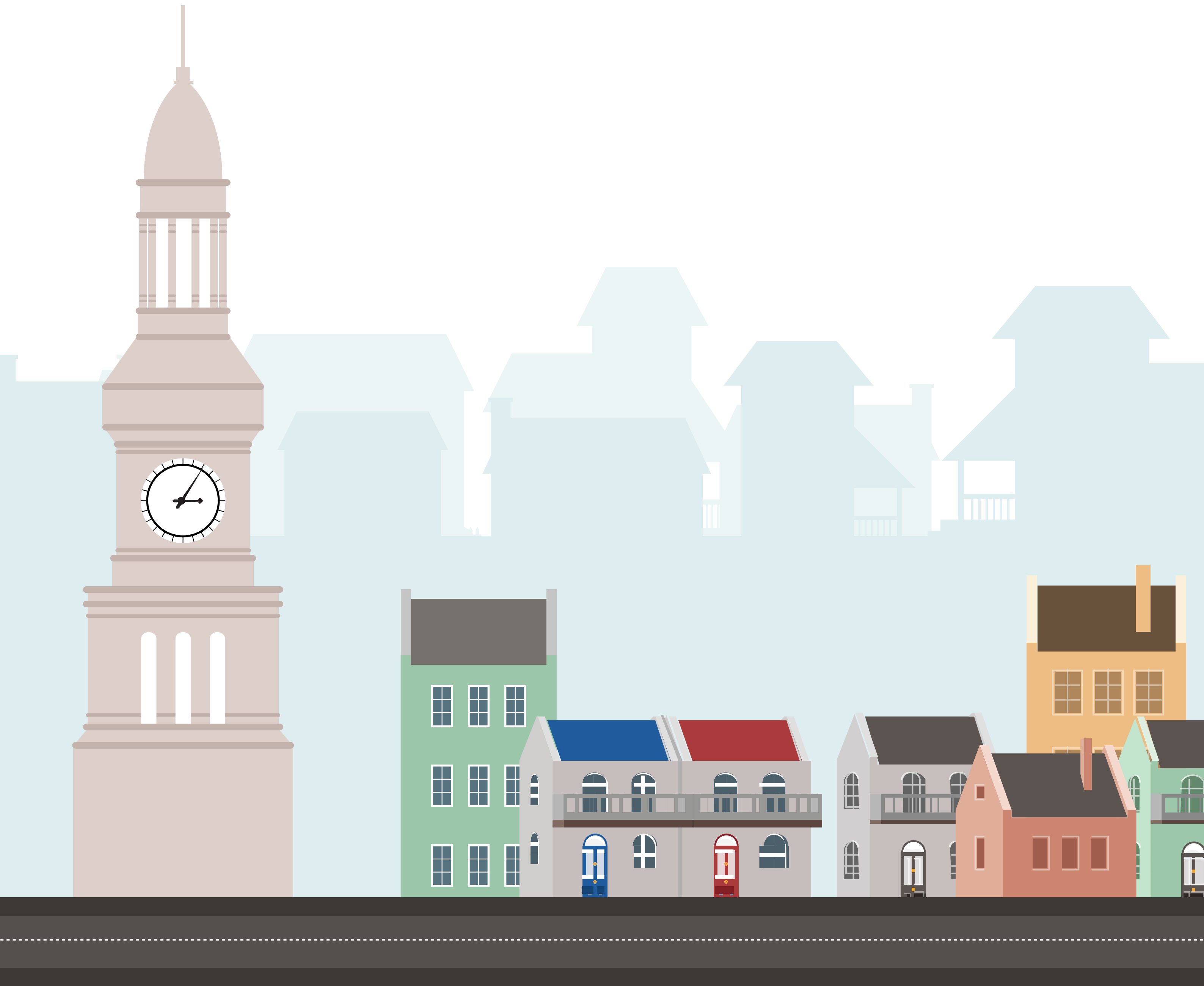
Prior to joining Genworth, Richard had worked at First American, a leading global title and specialty insurance company from 2002. Richard was initially with First American in Australia as CIO, predominantly focused on insurance and mortgage processing for a range of residential commercial lenders before taking on the role as CIO for the Asia-Pacific region. Most recently, Richard has been CIO for First American in the UK and Europe.

Prior to his time at First American, Richard held senior IT roles with Gen Re Europe, Reinsurance Australia Corporation Limited, and was CIO at Mortgage Choice.

ABN 72 154 890 730

Genworth Mortgage Insurance Australia and its Controlled Entities

Annual Financial Report for the year ended 31 December 2014



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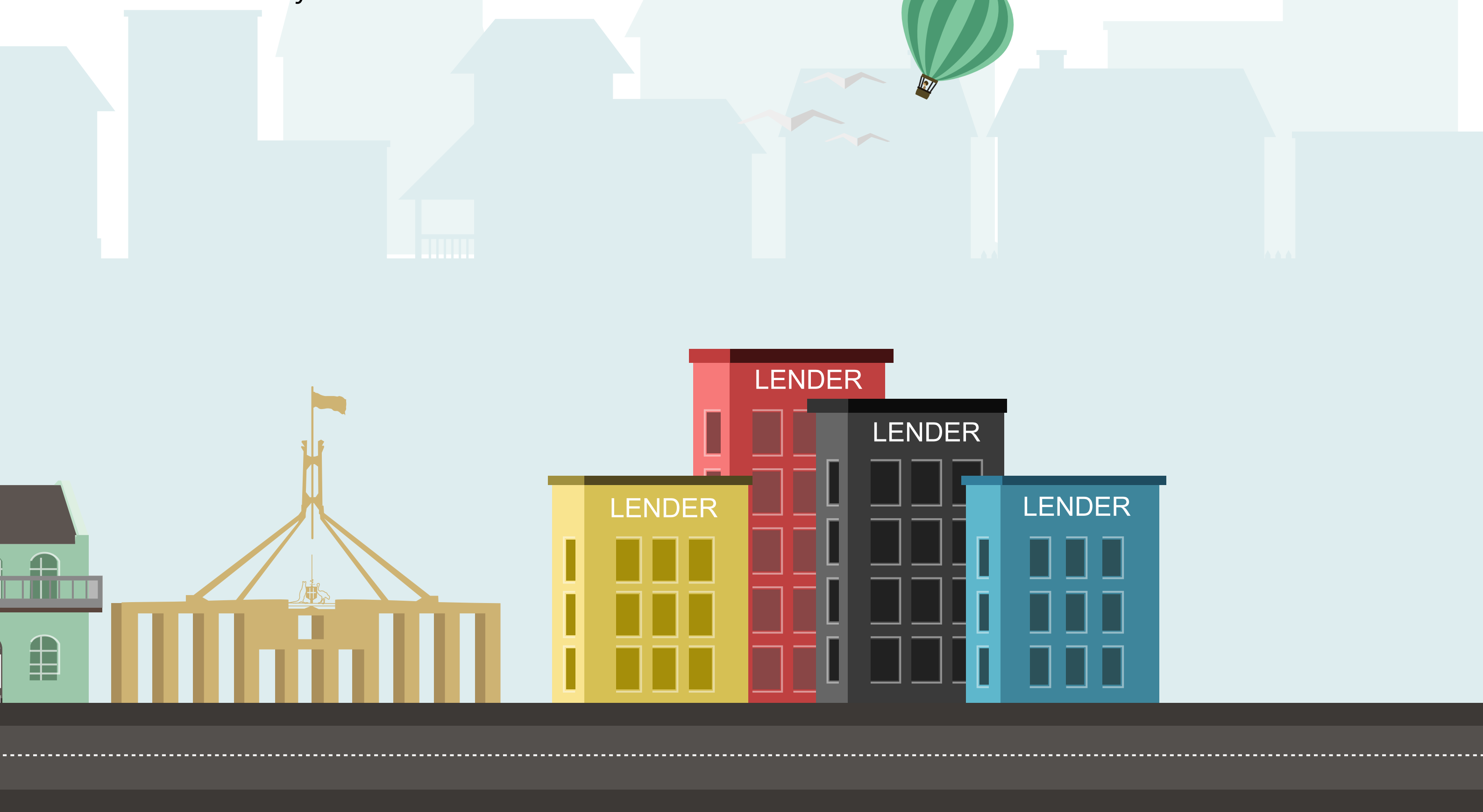


Corporate Governance statement

1. Genworth Australia's Corporate Governance Framework

1.1 Introduction

The Company's Board of Directors (Board) is fully committed to Genworth Australia adopting high standards of governance practice and continually seeks to review and improve its governance and risk management frameworks.

This statement outlines the key aspects of Genworth Australia's corporate governance framework and addresses the Group's application of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations).

The 3rd edition of the ASX Principles and Recommendations was introduced by the ASX during 2014, taking effect for an entity's first full financial year commencing on or after 1 July 2014. Whilst the ASX directed that entities with a 31 December balance date were expected to adopt the 3rd edition commencing with the financial year ended 31 December 2015, the Company has elected to adopt the 3rd edition early. From the date of its listing on the ASX on 20 May 2014, Genworth Australia has complied with the 3rd edition of the ASX Principles and Recommendations.

1.2 Overview of Corporate Governance Framework

As part of the IPO process leading up to the Company's listing, the Board examined the corporate governance framework to ensure it incorporated relevant best practice recommendations and intends to regularly review it going forward.

The Board has four Board committees that assist it to oversee and develop the Group's corporate governance policies and risk management framework to ensure effective governance structures remain in place, as detailed in the diagram below. In addition to these four Board committees, the Fit & Proper Committee, Executive Committee and Disclosure Committee are Board-designated committees that report directly to the Board.

2. The Board – oversight and responsibility

2.1 The Board's key accountabilities

The Board is accountable to shareholders for the long-term performance of the Company and for embedding an effective corporate governance structure. The Board is ultimately responsible for setting policy regarding the strategic direction of the business and affairs of the Group, including its approach to risk taking activities.

The key accountabilities and responsibilities of the Board include:

- reviewing, monitoring and approving fundamental financial and business strategies;
- overseeing the Company's corporate governance structure and risk management frameworks;
- reviewing and approving the Company's annual budget, financial statements and reports;
- approving the Chief Executive Officer and Managing Director's appointment and remuneration and the remuneration of senior executives of the Company;
- overseeing management's implementation of the Company's strategic objectives and its performance generally; and
- overseeing the Company's process for making timely and balanced public disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

A copy of the Board Charter is available at http://investor.genworth.com.au under the Corporate Governance section.

2.2 Board composition

The Board comprises nine directors. Biographies of the directors are contained in the Directors' Report.

The Shareholder Agreement entered into with Genworth Financial at the time the Company listed on the ASX gives Genworth Financial designation rights with respect to the appointment of directors. More details with respect to these designation rights are outlined in section 2.6.

The Chairman is responsible for ensuring that the Board fulfils its responsibilities. The Chairman provides leadership to the Board and promotes constructive and respectful relations between directors and between the Board and management. The Chairman presides at meetings of the Board and of shareholders.

In accordance with the Board Charter, the Chairman is selected from the independent Non-Executive Directors.

2.3 Director independence

The Company has four independent directors, assessed in accordance with the definition of independence set out in the ASX Principles and Recommendations.

As an APRA regulated entity, the Company is required to comply with Prudential Standard CPS 510 Governance with respect to the composition of its Board. Given that the Board comprises nine directors, CPS 510 requires the Company, as a partly owned subsidiary of a prudentially regulated foreign entity to have a majority of Non-Executive Directors and at least three independent directors in addition to an independent chairman. Genworth Australia meets those requirements.

Recommendation 2.4 of the ASX Principles and Recommendations provides guidance that a Board of directors should have a majority of independent directors. The Board does not meet the guidance set out in recommendation 2.4 given that five directors are currently designated by Genworth Financial in accordance with the terms of the Shareholder Agreement. Four of the Genworth designated directors are non-executive but not independent.

Notwithstanding that, the Board considers that it is in a position to effectively discharge its legal obligations and make considered decisions that are in the best interests of the Company and shareholders. The Board considers legal and ethical protections afforded to minority shareholders are borne in mind to ensure their interests are taken into account in relevant decision making processes.

2.4 Directors' conflicts of interests

Directors have a continuing obligation to keep the Board advised of any interest of the director that could potentially conflict with interests of Genworth Australia.

Directors are required to disclose their personal interests in transactions or arrangements to which Genworth Australia is a party and are required to abstain from decision making with respect to these transactions and arrangements. The Board assesses independence on a case-by-case basis with reference to the particular circumstances involved.

Directors with potential conflicts do not serve on any committees that are appointed to oversee the implementation of transactions or arrangements with which a director's interests may conflict.

Corporate Governance statement (continued)

2. The Board – oversight and responsibility (continued)

2.5 Board experience and skills

The Board is responsible for ensuring that it has the necessary skills, experience and independence to meet its objectives and applicable regulatory requirements, taking into account the Company's size, market position, complexity and strategic focus. The Company's Fit & Proper Policy applies to all directors.

The collective skills of the Board and succession plans for directors are reviewed annually so as to maintain an appropriate balance of skills and experience.

The skills matrix below sets out the mix of skills that the Board currently has in place and that it considers most critical to the Company's success.

Strategic Priorities	Key skills required to achieve strategic priorities
Strengthen market leadership position	- Financial services
	- Mortgage industry
Enhance profitability	- Retail banking
	- Insurance industry
Optimise capital position and enhance ROE	- Commercial / Business development
	- Treasury / Capital management / Investment
Maintain strong risk management discipline	- Actuarial
	- Financial / accounting
Continue to work with regulators, rating agencies and other industry participants	- Technology
	- Operations / process management
	- Human Resources
	- Legal / regulatory
	- Corporations Act / ASX Listing Rules
	- Risk Management
	- Board experience
	- International experience
	- Corporate governance

2.6 Appointment Process for Directors

Electing independent directors

The Board, through the Remuneration and Nominations Committee, assesses independent director candidates to fill a vacancy where one arises, or if it considers that the Board would benefit from the services of a new director. The desired skills coverage of the Board and the outcomes of the Board performance evaluation process (as described in section 4.2 below) are key considerations in determining Board appointments.

Factors considered by the Remuneration and Nominations Committee when recommending a person for appointment as an independent director include:

- skills and qualifications;
- fitness and propriety, including the assessment in accordance with the Company's Fit & Proper Policy;
- independence (taking into consideration APRA's Prudential Standard CPS 510, as well as the ASX Principles and Recommendations);
- the number of existing directorships and other commitments that may demand the attention of the appointee;
- the nature of existing positions, directorships or other relationships and the impact that each may have on the appointee's ability to exercise independent judgment; and
- the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

Genworth Financial Designated Directors

Under the Shareholder Agreement, Genworth Financial is entitled to designate a specified number of directors, rounded to the nearest whole number, determined by the relevant interest in aggregate of members of the Genworth Financial Group in the Company's shares and the designation thresholds as set out in the table below.

If the number of directors the Genworth Financial Group is entitled to designate decreases because of a reduction in the relevant interest in aggregate of members of the Genworth Financial Group in the Company's shares, the number of directors that the Genworth Financial Group is entitled to designate will not subsequently increase even if the relevant interest in aggregate of members of the Genworth Financial Group in the Company's shares subsequently exceeds a greater designation threshold, unless such subsequent increase occurs within 90 days after the date on which the relevant interest in aggregate of members of the Genworth Financial Group in the Company's shares decreased below the relevant threshold.

Relevant interest designation threshold	Number of directors
Greater than or equal to 50%	5/9
Less than 50% but not less than 40%	4/9
Less than 40% but not less than 30%	3/9
Less than 30% but not less than 20%	2/9
Less than 20% but not less than 10%	1/9
Less than 10%	None

The Board must, subject to approval of the designees by the relevant committee of the Board acting reasonably, appoint those designees as directors of the Company.

The Genworth Financial Group may remove any person which it has designated at any time and where a designee is due to retire by rotation, propose a new designee. If the number of directors which the Genworth Financial Group is entitled to designate falls as a result of its relevant interest falling below a designation threshold referred to above, the number of designated directors will be reduced by the Genworth Financial Group, either by removing a designated director or by notifying the Company that a designated director (who is either an independent director or a member of the Company's senior management team) is no longer its designee.

Corporate Governance statement (continued)

2. The Board – oversight and responsibility (continued)

A designee who is appointed as a director of the Company (to fill a casual vacancy) must retire from office, and will be eligible for re-election, at the next annual general meeting following the designee's appointment. If a designee is removed, retires and fails to be re-elected by resolution of shareholders or ceases to hold office as a director for any reason (other than where the director retires and is re-elected at the same meeting), the Genworth Financial Group may designate another designee in that person's place to fill a casual vacancy.

The Genworth Financial Group must not designate a person if that person has been removed or, being a director of the Company retiring by rotation, is not re-elected, by a shareholder resolution.

Subject to law and the Listing Rules, Genworth Financial has the right to vote any Company shares controlled by it on resolutions to remove or appoint directors or director candidates, whether or not designated by it.

Whilst the Genworth Financial Group has a relevant interest in aggregate in 50% or more of the Company's shares, it has the right to appoint or remove the CEO.

Information

The Board ensures that all material information in the Company's possession, including the information required under the Corporations Act and ASX Principles and Recommendations, is provided to shareholders relevant to a decision regarding the election of a director.

Appointment terms

As part of the listing process, formal appointment letters were issued to and signed by each non-executive director, including the Chairman. The letters formally document the basis of each non-executive director's appointment including:

- terms of appointment, including remuneration;
- the role of the Board and of Non-Executive Directors;
- the right to obtain independent professional financial and legal advice, at the Company's expense, to assist with discharging their duties efficiently;
- the right of access to management and Genworth Australia records; and
- the requirement to abide by Genworth Australia's Code of Conduct and comply with the Company's Disclosure and Trading Policies.

The Company enters into a Deed of Access and Indemnity with directors as part of the appointment process.

2.7 Director induction and education

Directors are required to maintain and develop the skills and knowledge required to perform their role effectively. Each director must clearly understand the key functions of their individual role and the goals of the Board as a whole. This is achieved through a number of initiatives including:

- an induction and education program for new directors to ensure they are aware of the expectations of their role and are familiar with Genworth Australia's strategy. The program generally includes meetings with the Chairman, CEO, relevant Board Committee members and the Senior Leadership Team. The Chairman is responsible for inducting new directors and for ensuring they have appropriate access to the business and fellow directors;
- provision of information to new directors, pertaining to the Genworth Australia business strategy and to current issues before the Board;
- participation in professional development programs; and
- ongoing engagement with the Senior Leadership Team and other key business representatives on a regular basis.

The Board Charter and associated Committee Charters set out objectives and provide details of the expectations placed on directors. In addition, the annual Board performance assessment process ensures that the objectives continue to be met.

2.8 Committees

Committee governance

The Board has established four Committees, each comprising representatives of the Board, to assist in the discharge of its functions. A Charter for each Committee sets out its composition, authorities, tenure and responsibilities and is reviewed periodically by the Board.

The role of chairman of each Committee is exercised by an independent non-executive director who is not Chairman of the Board. Each Committee chairman is responsible for reporting the outcome of all Committee meetings to the Board.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee assists the Board to fulfil its responsibility to shareholders and regulators in relation to Company remuneration, succession planning, board effectiveness and diversity. The Committee meets APRA's requirements under Prudential Standard CPS 510 Governance.

The key responsibilities of the Remuneration and Nominations Committee include to:

- review the Remuneration & Nominations Committee charter, the Remuneration Policy and recruitment, retention and termination policies at least triennially or more frequently as required and recommend changes, if any, to the Board;
- review and recommend to the Board all remuneration programs and specific outcomes for the Chief Executive Officer and Senior Leadership Team and any other person or groups of people required by APRA.
- annually review and recommend to the Board the remuneration of Independent Directors and the remuneration pool to be recommended to shareholders;
- oversee the development of executive succession plans in relation to the Chief Executive Officer and Senior Leadership Team;
- annually review and make recommendations to the Board on the Diversity Policy, diversity generally within the Company, measurable objectives for achieving diversity and progress in achieving such objectives;
- assess appropriate Board composition and length of director tenure;
- assess required Board skill sets required to competently discharge the Board's duties;
- review director appointment criteria periodically;
- develop an evaluation process for the effectiveness of the Board, Committees and individual directors;
- implement effective succession planning for Non-Executive Directors, taking into account the challenges and opportunities facing the Company; and
- regularly assess the independence of the directors to ensure a majority of independent directors are on all Committees.

The current members of the Remuneration and Nominations Committee are Mr Ian MacDonald (Committee chairman), Mr Anthony Gill and Mr Leon Roday.

The Remuneration and Nominations Committee met seven times during the reporting period and member attendance at each meeting is shown in the Directors' Report.

The Remuneration and Nominations Committee Charter is available at http://investor.genworth.com.au under the Corporate Governance section.

Risk Committee

The role of the Risk Committee is to assist the Board in its review and oversight of the implementation and ongoing operation of Genworth Australia's risk management framework, including recommending the adoption of policies and procedures on risk management to effectively identify, assess, monitor and manage risk.

The key responsibilities of the Risk Committee include to:

- review and recommend to the Board the Company's risk appetite;
- review and recommend to the Board the Company's enterprise risk management framework to ensure the effectiveness of the Company's risk management, compliance and internal control systems;
- oversee the Company's implementation of the risk management strategy;
- regularly review and monitor the Company's risk position relative to its risk appetite and capital strength; and
- review and recommend to the Board risk management strategies as required by APRA.

The current members of the Risk Committee are Ms Gayle Tollifson (Committee chairman), Mr Anthony Gill, Mr Ian MacDonald and Mr Samuel Marsico.

The Risk Committee met seven times during the reporting period and member attendance at each meeting is shown in the Directors' Report.

The Risk Committee Charter is available at http://investor.genworth.com.au under the Corporate Governance section.

Corporate Governance statement (continued)

2. The Board – oversight and responsibility (continued)

Audit Committee

The role of the Audit Committee is to assist the Board in reviewing the effectiveness of Genworth Australia's corporate reporting framework. The Committee meets APRA's requirements under Prudential Standard CPS 510 Governance.

The key responsibilities of the Audit Committee include to:

- safeguard the integrity of corporate reporting to ensure that financial statements provide a true and fair view of the financial position of the Company;
- provide oversight with respect to the effectiveness of accounting policies and adherence to relevant regulatory reporting requirements;
- review statutory reports and returns for lodgement with APRA;
- ensure material financial risks are managed appropriately and recommend remediation steps where control weaknesses are identified;
- recommend to the Board the adoption of insurance liabilities recommended by the Appointed Actuary;
- review and recommend to the Board the appointment and removal of the external auditor and the head of internal audit; and
- approve the annual internal and external audit plans.

The current members of the Audit Committee are Ms Gayle Tollifson (Committee chairman), Mr Anthony Gill, Mr Ian MacDonald and Mr Jerome Upton.

The Audit Committee met six times during the reporting period and member attendance at each meeting is shown in the Directors' Report.

The Audit Committee Charter is available at http://investor.genworth.com.au under the Corporate Governance section.

Capital and Investment Committee

The role of the Capital and Investment Committee is to assist the Board to set and review capital and investment strategies and objectives, supervise the execution of the strategy and monitor compliance with the Company's Internal Capital Adequacy Assessment Process and investment mandates.

The key responsibilities of the Capital and Investment Committee include to:

- set and review the capital and investment objectives in accordance with Genworth Australia's strategies, business plan and risk management framework;
- oversee and recommend the Internal Capital Adequacy Assessment Process;
- review and recommend any amendments to the target capital range and total capital position, including any new capital instruments to be issued;
- review and recommend any amendments to the Reinsurance Management Strategy;
- review and recommend any amendments to investment policies and guidelines; and
- review the composition and performance of investment portfolios and any deviations from mandates.

The current members of the Capital and Investment Committee are Mr Anthony Gill (Committee Chairman), Mr Ian MacDonald, Ms Gayle Tollifson and Mr Jerome Upton.

The Capital and Investment Committee met eight times during the reporting period and member attendance at each meeting is shown in the Directors' Report.

The Capital and Investment Committee Charter is available at http://investor.genworth.com.au under the Corporate Governance section.

Additionally, the Company has a Fit & Proper Committee and a Disclosure Committee. The Fit & Proper Policy and Disclosure Policy are available at http://investor.genworth.com.au under the Corporate Governance section.

3. Senior Leadership Team – Management and Leadership

3.1 Linking Board Strategy and Organisational Functions

The Board delegates the day-to-day management and administration of Genworth Australia to the CEO and MD, Ms Ellen (Ellie) Comerford. The CEO manages the Company in accordance with the strategies, plans and delegations reviewed and approved by the Board. Formal approvals are provided by the Board on an annual basis with respect to Genworth Australia's documented business plans, risk appetite statement and related frameworks.

The CEO is supported by the Senior Leadership Team, who each report directly to the CEO.

The CEO and Senior Leadership Team provide the Board with accurate, timely and clear information to enable the Board to monitor the exercise of its delegated authority and to perform its own responsibilities. Recommendations are regularly made to the Board with respect to various issues including strategic business initiatives, budgetary considerations and risk management.

The CEO and Senior Leadership Team also comprise the Executive Committee, which formally reports to the Board on key management issues.

3.2 Designation of Key Management Personnel (KMP) status within the Senior Leadership Team

Within the Senior Leadership Team, five roles (CEO, Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Commercial Officer (CCO) and the Chief Operations Officer (COO)) are deemed to be responsible for planning, directing and controlling the activities of the Company. These roles are designated as Executive Key Management Personnel (Executive KMP – the CEO role is also an Executive Director) and accordingly the Remuneration Report sets out details of their individual remuneration.

3.3 Appointment of Senior Leadership Team

Employment agreements with the CEO and Senior Leadership Team set out the details of each of their appointments. These appointments may be terminated by written notice from either party. A summary of the Executive KMP employment agreements is contained in the Remuneration Report.

All members of the Senior Leadership Team are required to comply with the Company's Fit & Proper Policy with respect to their skills, experience and integrity. Each member of the Senior Leadership Team are assessed in accordance with the Company's Fit & Proper Policy before being appointed and are then re-assessed annually.

3.4 Company Secretary

The Company Secretary is Mr Jonathan (Jon) Downes, General Counsel and Company Secretary. The Company Secretary has overall responsibility for Genworth Australia's legal, company secretarial and governance functions. The Company Secretary plays an important role in ensuring a close link is maintained between the Board and the Senior Leadership Team.

The Company Secretary is responsible for compliance with Board and Committee procedures and for providing advice and counsel to the Board in relation to the Company's constitution, corporate governance and various other matters. In addition, the Company Secretary is responsible for the timely dispatch of Board and Committee papers and the accurate recording of business discussed at the Board and Committee meetings.

The Board appoints the Company Secretary and all directors have access to the Company Secretary. The Board Charter provides for the Company Secretary to have a direct reporting line to the Chairman of the Board.

3.5 Senior Leadership Attestations – Reporting and Risk Management

The Company's financial statements for each relevant period are reviewed and endorsed by the CEO and the CFO who provide declarations that the financial records are properly maintained, comply with appropriate accounting standards and give a true and fair view of the Company's financial position and performance. Management reporting is provided to the CEO and CFO to help inform them of this opinion.

The Board has received from the CEO and CFO a declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) that their opinions as to the accuracy of the Company's financial records for the reporting period ended 31 December 2014 are founded on a sound risk management system and internal control systems.

Corporate Governance statement (continued)

4. Remuneration – performance and shareholder value

4.1 Remuneration practices

Genworth Australia's remuneration practices for its directors and Executive KMP are set out in the Company's Remuneration Report. Genworth Australia's remuneration practices are consistent between Executive KMP and Senior Leadership Team members who are not Executive KMP. The Remuneration Report for the 2014 financial year will be put to shareholders at the 2015 Annual General Meeting.

The Company is subject to APRA Prudentials Standards as well as the ASX Listing Rules and ASX Corporate Governance Principles and Recommendations relating to remuneration practices.

Remuneration practices for directors and the Senior Leadership Team are overseen by the Board, through the Remuneration and Nominations Committee.

The Remuneration Policy incentivises behaviour consistent with the Company's long term financial soundness and strategic goals.

4.2 Performance evaluation of directors

Board performance is assessed in accordance with the Company's Board Performance and Renewal Policy. The policy sets out the key considerations in assessing the performance of the Board and of each individual non-executive director. The method and scope of the performance evaluation process is set by the Board and commonly includes a Board self-assessment checklist to be completed by each director.

The Board Chairman has primary responsibility for providing performance feedback to directors, having particular regard to:

- comparison of Board performance against the Board Charter;
- assessment of Board performance having regard to corporate strategies, operating plans and the annual budget;
- review of the Board's interaction with management; and
- identification of any particular goals and objectives of the Board for the next year.

The Remuneration and Nominations Committee chairman and one other non-executive director have responsibility for providing relevant performance feedback to the Board Chairman.

Following a performance assessment, the Chairman may, in consultation with the remaining directors, seek for a director to be counselled to resign, not seek re-election or, in exceptional circumstances, seek for shareholders to remove the director. As previously noted, the Shareholders Agreement with Genworth Financial also assigns rights with respect to the appointment of designated directors to Genworth Financial. Currently five directors are designated by Genworth Financial based on its interest in the Company of more than 50%.

The Board recognises the need to renew itself and individual directors in order to continue to fulfil its responsibilities, to provide fresh perspectives on business strategies and to maintain an appropriate balance of skills and experience. Renewal issues are therefore given consideration as part of the Board and directors' performance evaluations.

4.3 Performance evaluation of Senior Leadership Team

The performance of the Senior Leadership Team is managed through a formal Performance and Development Review (**PDR**) process. This PDR process is a defined process for the performance evaluations of all Company employees and evaluates performance against business goals and professional competencies.

All employees including the Senior Leadership Team are required to set goals and development objectives in line with the company's core competencies for each calender year. Performance measures are developed from these objectives and are a mixture of financial, non-financial indicators and risk-related indicators. It is ensured that the measures align with the Company's Business Plan, reflect the individual's overall accountabilities and are consistent with Genworth Australia's corporate culture.

Performance measures are reviewed on a half yearly basis, with the yearly review conducted to evaluate an individual's performance against the full year goals and competencies. The yearly review forms the basis of an individual's remuneration review and rewards.

A review of each member of the Senior Leadership Team is conducted by the CEO, to ensure that the interests of the Senior Leadership Team are clearly aligned with those of the organisation as a whole and of shareholders.

The CEO's performance is reviewed via a combination of the above PDR approach and the annual Board performance evaluation process outlined above. CEO performance reviews are managed by the Board Chairman.

The performance evaluation of the Senior Leadership Team, including the CEO, was carried out in accordance with the process outlined above during the 2014 financial year.

4.4 Equity based remuneration scheme

To provide long-term incentives linked to enhancing shareholder value, certain senior employees may be eligible to attain rights to equity in the Company under the Genworth Australia Share Rights Plan (**Rights Plan**). Beginning in 2015 these incentives for the Senior Leadership Team will be granted on the basis of certain performance hurdles being met. A summary of the equity based remuneration programs is set out in the Remuneration Report.

The Remuneration and Nominations Committee is responsible for ensuring that any actions taken by participants in the Rights Plan to limit risks do not adversely impact the interests of the Company or its shareholders in any way. Employees participating in the Rights Plan are required to comply with the Share Rights Plan rules and the Company's Trading Policy.

Corporate Governance statement (continued)

5. Risk management – sustainable business practices

5.1 The Risk Management Framework

Genworth Australia's risk management framework comprises the totality of the systems, processes, structures, policies and people involved in identifying, assessing, mitigating and monitoring risks. Risk management is approached holistically, with reference to the Company's business strategy and overall organisational structure.

In accordance with Prudential Standards issued by APRA, various core components of the Company's approach to enterprise risk management include a Risk Management Strategy (**RMS**), Reinsurance Management Strategy (**ReMS**) and an Internal Capital Adequacy Assessment Process (**ICAAP**).

The risk management and governance framework is enhanced by the Company's obligations under the Shareholder Agreement with Genworth Financial, which requires the Company to comply with various regulatory requirements applicable to Genworth Financial. This includes compliance with the rules of the US Securities and Exchange Commission.

The Risk Committee, on behalf of the Board, is primarily responsible for overseeing the implementation of the Company's risk management framework and for ensuring strategic objectives are pursued within the limits set by the Board approved risk appetite. The Audit Committee provides further assurance through an objective review of the effectiveness of Genworth Australia's corporate reporting and overall risk management framework.

The key components of the RMF are set out in the diagram and related text below.

Governance framework
Culture, Governance, Remuneration

Strategy and planning
Business plan, stakeholder expectations

Risk appetite
Measures and Tolerances to support strategy

Risk Management Strategy
Reinsurance Management Strategy, Contingency Plan

Risk Management Architecture

Internal Capital Adequacy Assessment Process

Audit Framework

Compliance Framework

- ## Governance framework

  The governance framework is designed to ensure the Board and Senior Management have effective oversight of the risks faced by the Company with clearly defined and articulated roles and responsibilities and inter-relationships.

- ## Strategy and planning

  An annual review of Genworth Australia's strategic objectives is undertaken including a review of new, existing or changed risks that arise from its strategy and changes to the strategy.

- ## Risk appetite

  Risk Appetite is articulated in a Risk Appetite Statement (**RAS**) approved by the Board reflective of the Company's appetite for risk. The RAS defines the outcomes the Company is willing to accept over the medium term and is aligned to the strategic objectives of the business.

- ## Risk Management Strategy

  The RMS sets out the risk management strategy for the Company and other key matters as they relate to the strategy. The RMS forms an integral part of the RMF, ensuring the framework remains relevant, appropriate, 'fit for purpose' and aligned to the Board's approved strategy.

- ## Reinsurance Management Strategy

  The ReMS forms part of Genworth Australia's RMF, RMS and ICAAP.

- ## Contingency Plan

  The Contingency Plan is a dynamic document that outlines the process and plans to manage and remediate various events that have the potential to adversely impact the Company.

- ## Risk Management Architecture

  Risk Management Architecture embodies the continuous and dynamic structure through which Genworth Australia identifies, assesses, mitigates and monitors risks.

- ## Internal Capital Adequacy Assessment Process

  The purpose of the ICAAP is to assist the Group to make a proactive internal assessment of its capital requirements considering the current strategy, business plan and associated risks inherent in the business plan. In addition to the internal capital requirements, the ICAAP recognises the capital required for regulatory and ratings agency purposes and identifies planned and potential sources of capital required to meet those requirements.

- ## Business Continuity Management

  Business Continuity Management is a whole of business approach that involves the identification, assessment and management of potential business continuity risks to ensure that the impact of any business interruption is minimized. Genworth Australia's business continuity framework is designed to meet regulatory requirements.

Corporate Governance statement (continued)

5. Risk Management – sustainable business practices (continued)

5.2 The three lines of defence

Genworth operates a '*three lines of defence*' approach that drives accountability and responsibility for risk management. The key elements of Genworth Australia's three lines of defence strategy are outlined below.

- Risk ownership
- Identify and assess risks
- Operate controls
- Day-to-Day responsibility
- Transactional
- Ongoing testing
- Individual case management

- Risk management and risk Appetite
- Risk policy and frameworks
- Independent oversight of 1st Line
- Models and analytics
- Policy and accountability
- Portfolio trends
- Review and reporting
- Process and exceptions
- Quality control

- Risk assurance
- Independent
- Objective audit
- Assurance on effective operations of 1st and 2nd lines

First line: All business areas

The first line of defence comprises the business management who assume ownership of risks. Business ownership is essential to control of risk and to ensure business practices are consistent with the Company's risk appetite.

Second line: Risk and compliance functions

The Company's risk and compliance functions form the Company's second line of defence. The roles of these functions are to evaluate the adequacy and effectiveness of first line controls, the implementation of policies and the monitoring of the Company's risk profile. The second line of defence supports the first line in mitigating and managing any new risks that arise.

The Chief Risk Officer (CRO) has a direct reporting line to the Risk Committee.

Third line: Independent audit functions

The third line of defence comprises both internal and external audit functions, which provide assurance with regard to the totality of risk management systems, controls and governance processes administered by the first and second lines.

The Company's internal audit function is responsible for:

- developing a risk based annual audit plan that incorporates significant risks or control concerns identified by the Company. This plan is reviewed at least quarterly and may be modified for emerging business risks or issues;
- assisting in the investigation of suspected fraudulent activities within the Company;
- reporting the results of its work, including remediation recommendations, to management and the Audit Committee; and
- administering a follow-up process regarding audit findings that require remediation to ensure that actions are executed properly and in a timely manner.

Internal audit also works closely with the appointed auditor to ensure a full and effective coverage of key areas is maintained.

Genworth Australia's external audit function is provided in accordance with the Corporations Act requirements. Genworth Australia has an appointed auditor, meeting the requirements of APRA's Prudential Standard GPS 310 Audit and Related Matters.

The internal audit team and the appointed auditor have a direct reporting line to the Audit Committee.

5.3 Economic, environmental and social sustainability risk

Social sustainability, risk and environmental risk are considered by the Company as part of its overall risk management practices. Whilst not considered key risks in the context of Genworth Australia's business model, the Board and Senior Leadership Team are committed to undertaking and evaluating the Company's impact on society and the environment. Regular consideration of potential risks enables risk mitigation activities to be devised where required.

The Company recognises that climate change poses significant potential risks to the environment, the global economy and to human health and well-being. The Company believes that a responsible approach to helping preserve the environment is critical to building trust and creating long term value for all of our stakeholders, including consumers, distribution partners, employees and investors. Further, the Company is committed to making a difference in the communities in which it operates and has in place a community plan that addresses a number of key foundation areas, including education, homelessness and basic needs.

The Company's RMF and RMS address economic risk as part of the Company's strategic risks. It is recognised that in order to provide shareholder value, the ability to effectively sustain its business model over a long-term period is critical.

5.4 Reviewing the Risk Management Framework

The RMF is reviewed at least annually to ensure it is reflective of the Company's strategy and continues to be effective in managing the risks associated with the strategy.

Annual reviews consider such matters as the framework's effectiveness in managing risk, a review of the risk appetite to ensure it continues to be aligned to the Company's strategy, the risk culture of the organisation, the appropriateness of policies that identify risks and controls, risk related reporting and how remediation recommendations are actioned.

On a quarterly basis, the Company's senior management reviews the key risks associated with their respective areas of accountability. These reviews seek to determine changes to existing risks faced, the inherent 'likelihood' and 'impact' of the risks, the effectiveness of the control environment, the residual risk rating and any actions required to further mitigate those risks.

During 2014:

- Board and senior management were regularly involved in reviewing the risk appetite and risk culture of the organisation;
- material risks faced by the Company were documented in the 2014 RMS that was reviewed and updated upon the execution of the IPO May 2014;
- the RMF and RMS were reviewed by the Board and senior management and changes made to align to the 2015 strategy and risk management focus areas;
- the Company continued to invest in risk management capabilities with a focus on enhancing quantitative risk analytics and actuarial capabilities. This has resulted in enhancements to Genworth Australia's claims reserving processes, forecasting processes and associated governance;
- the Company enhanced its enterprise risk management system by launching an electronic platform to support the management of risk and controls and incident management; and
- an internal audit was conducted of compliance with applicable APRA prudential standards, risk management and business continuity management and the audit findings did not give rise to any systemic risk management concerns.

Corporate Governance statement (continued)

6. Communication with shareholders – transparency and accountability

6.1 Genworth Australia's website

Genworth Australia maintains a comprehensive website at www.genworth.com.au providing shareholders with a variety of information resources. This includes information about the Company's operations, the key corporate governance policies, biographies of directors and the Senior Leadership Team and an investor section with links to annual and interim reports and public announcements, a key events calendar, and share price, and dividend payments history.

6.2 Investor relations program

Open communications

Genworth Australia is committed to accurate and timely communication with its shareholders. Communication methods include information and disclosures on the Company website, public releases on the ASX and through media outlets, direct shareholder communications in written form and shareholder meetings and briefings.

The Company has set standards in respect of its approach to media and public relations, which are set out in the Company's Media and Public Relations Policy. The policy includes the management and presentation of public information disclosed via the ASX and other public outlets and in respect of employee responsibilities in communicating Company information.

A summary of the Media & Public Relations Policy is available at http://investor.genworth.com.au under the Corporate Governance section.

The Australasian Investor Relations Awards recognise listed entities that have excelled in investor relations each year, with winners being determined based on voting from equities analysts and fund managers. On 27 November 2014 Genworth received an Investor Relations Award in recognition of the focus and importance it has placed on effectively communicating information to its shareholders.

The Australasian Investor Relations Awards recognise listed entities that have excelled in investor relations each year, with winners being determined based on voting from equities analysts and fund managers. In 2014 Genworth received an Investor Relations Award in recognition of the focus and importance it has placed on effectively communicating information to its shareholders.

Shareholders and investors can directly raise any queries on the Company's investor relations program by contacting the Company by email at investorrelations@genworth.com. Alternatively shareholders and investors can write to the Chairman or Company Secretary at Genworth, Level 26, 101 Miller Street, North Sydney NSW 2060, Australia.

Electronic interactions with shareholders

Shareholders are provided the option to receive and send communications with the Company and its share registry electronically.

6.3 Continuous disclosure

Genworth Australia is committed to the continuous disclosure of material information as a means of promoting transparency and investor confidence. The practices of the Company are designed to comply with the ASX Listing Rules and the requirements of the Corporations Act.

Genworth Australia has adopted a Disclosure Policy to ensure that the Company complies with its continuous disclosure obligations and manages other communications with the media and financial markets. The Disclosure Policy recognises the Company's obligations under the Shareholder Agreement to make available certain information to Genworth Financial to enable Genworth Financial to comply with its regulatory and market reporting requirements.

The Company's Disclosure Committee is responsible for overseeing the Company's disclosure controls, procedures and practices.

ASX announcements and the Discolure Policy are available http://investor.genworth.com.au, under the Announcement / News Releases and Corporate Governance sections respectively.

6.4 Participation at shareholder meetings

Genworth Australia actively encourages interaction with its shareholders. The Company has implemented policies and procedures, including the Media and Public Relations Policy and the Disclosure Policy, to assist in facilitating an effective flow of information to shareholders. As part of this process, participation at shareholder meetings is actively encouraged.

The Notice of 2015 Annual General Meeting provides details in relation to items of business, voting rights and explanatory notes. The Company's appointed auditor will attend the 2015 Annual General Meeting to respond to any shareholder questions relevant to the audit and corporate reporting for the 2014 financial year. These may include questions relevant to the conduct of the audit, the preparation of the appointed auditor's report, the accounting policies adopted by the Company and the independence of the appointed auditor.

7. Working Environment – Ethics and Diversity

7.1 Code of Conduct – 'Integrity First'

The Board acknowledges the need for high standards of corporate governance practices and ethical conduct to be maintained by all directors and employees of Genworth Australia.

The Board has adopted 'Integrity First' (Genworth Financial's Code of Ethics) as the Company's Code of Conduct. It sets out the Company's commitment to preserving high levels of integrity and ethical standards in its business practices. The Code of Conduct sets out the standards of behaviour expected of directors, employees and contractors (as well as various other stakeholders). Issues addressed by the Code include conflicts of interest, public and media comments, use of Company resources, security of information, intellectual property, discrimination and harassment, corrupt conduct, occupational health and safety and insider trading.

Genworth Australia requires all directors, employees and contractors to ensure their behaviours, decisions and choices are conducted in accordance with all applicable laws and regulations. All actions are expected to be undertaken with the utmost good faith and integrity.

A copy of the Code of Conduct is available at http://investor.genworth.com.au under the Corporate Governance section.

7.2 Diversity

Genworth Australia is committed to achieving diversity and has adopted a Diversity Policy that provides a framework to achieve a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives. While the Company's approach to diversity is multi-dimensional, achieving gender equality in the workplace is viewed as a particularly important goal.

The Board, in consultation with the Remuneration and Nominations Committee and the Senior Leadership Team, is responsible for establishing the Diversity Policy. In accordance with that policy, the Board sets measurable objectives for achieving diversity, in the workplace, annually reviews those objectives, and the progress in, achieving those objectives as well as the effectiveness of the policy. .

A copy of the Diversity Policy is available at http://investor.genworth.com.au under the Corporate Governance section.

In 2014, the Board approved the following measureable objectives for achieving diversity in the workplace with a particular focus on gender equality:

Culture	Engagement	Development
Focus on inclusion, empowerment, embracing diverse view points and styles	Employee engagement as reflected in survey results and recruitment and retention success	Leadership and talent development with a focus on gender equality
Goal:	**Goal:**	**Goal:**
Provide a work environment that recognises, accepts and values differences as measured by the employee engagement survey.	Provide a work environment where people from diverse backgrounds can succeed as measured by the employee engagement survey.	Maintain diversity at the Senior Executive level of at least 1/3 women and ensure diverse slates of candidates for all leadership roles. Demonstrate commitment to attracting, developing and keeping a diverse workforce as measured by the employee engagement survey.

The Company also reports its progress towards achieving gender diversity goals to the Workplace Gender Equality Agency (WGEA) annually. The overall representation of females for the WGEA 2014 reporting year is illustrated below:

Occupational categories	Female	Male
Senior Leadership Team (SLT)	4	4
Other Managers (not on SLT)	29	47
Other employees (non-Managers)	110	131
Total	**143 (44%)**	**184 (56%)**

Directors' report

The directors present their report together with the financial statements of the Group comprising the Company and its controlled entities for the year ended 31 December 2014 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are as follows:

Name and title	Biography
Richard Grellman AM Chairman, Independent	• Previously was at KPMG where he spent 32 years, with the last ten years specifically focused on the provision of strategic advice and services to the financial services sector: – Partner from 1982 – 2000; – Member of KPMG National Board from 1995 – 1997; – Member of KPMG National Executive from 1997 – 2000. • Since 2000, has held a number of directorships across the financial services sector with publicly-listed companies. • Over 40 years of experience in total; 20 years of board experience and 23 years of financial services experience. • Was the independent financial expert for the AMP and Tower Life NZ demutualisations. • Appointed a member of the Order of Australia for service to the community in 2007. • Currently Chairman of AMP Foundation and IPH Limited and a director of Bisalloy Steel Group Limited. • Appointed 1 March 2012.
Anthony (Tony) Gill Director, Independent	• Chairman of the Capital and Investment Committee. • Over 30 years of financial services experience having served on a number of boards over that period. • Previously Group Head, Banking and Securitisation Group at Macquarie Group: – Held senior executive roles in Macquarie Group from 1991 – 2008. • Prior to Macquarie, was a Chartered Accountant then held various management roles in mortgage banking and treasury in Australia. • Currently Chairman of Australian Finance Group and a director of First American Title Insurance Company of Australia Ltd and First Mortgage Services Pty Ltd. • Previously Chairman of Australian Securitisation Forum and National President of the Mortgage Finance Association of Australia. • Appointed 20 February 2012.
Ian MacDonald Director, Independent	• Chairman of the Remuneration and Nominations Committee. • Over 40 years of financial services experience in Australia, the UK and Japan, specifically in banking, insurance, wealth management and technology. • Previously held numerous positions with NAB: – Various senior executive roles from 1999 – 2006; – Chief Operating Officer Yorkshire Bank from 1997 – 1999; – Head of Retail Services Clydesdale Bank, Glasgow UK from 1994 – 1997. • Senior Fellow and past President of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors. • Currently a director of Arab Bank Australia Ltd and Tasmanian Public Finance Corporation. • Since 2006 has held a number of directorships including publicly-listed companies. • Appointed 19 March 2012.

Name and title	Biography
Gayle Tollifson Director, Independent	• Chairman of the Audit Committee and the Risk Committee. • Over 35 years of financial services experience and an Independent Director since 2006: – Worked with QBE Insurance Group in senior executive roles including Chief Risk Officer and Group Financial Controller from 1994 – 2006; – Prior to QBE, held various roles in public accounting firms in Australia, Bermuda and Canada. • Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants in Australia. • Currently Chairman of Munich Holdings of Australasia Pty Limited and subsidiaries and a director of RAC Insurance Pty Limited and Campus Living Funds Management Limited. • Appointed 20 February 2012.
Samuel Marsico Director, Genworth Financial designee	• Director of Genworth MI Canada Inc. • Chief Risk Officer, Global Mortgage Insurance, Genworth Financial from 2008 – 2014: – 23 years at Genworth/General Electric; – Chief Risk Officer for Genworth Financial from 2006 – 2008; – Senior Vice President and Chief Risk Officer for GE Mortgage Insurance from 2002 – 2005; – Joined GE Mortgage Insurance as CFO in 1997; – Held a number of leadership positions at both GE Transportation Systems and GE Corporate Finance from 1991 – 1996. • Previously a senior executive at Price Waterhouse in New York. • Appointed 19 March 2012.
Leon Roday Director, Genworth Financial designee	• Director of Genworth MI Canada Inc. • Senior Vice President, General Counsel and Secretary, Genworth Financial to February 2015: – Prior to this position, held the same role for GE Financial since 1996. • Previously a partner at LeBoeuf, Lamb, Greene & McRae for 14 years. • Member of the New York Bar Association. • Appointed 19 March 2012.
Stuart Take Director, Genworth Financial designee	• Senior Vice President, New Market Development, Genworth Global Mortgage Insurance, Genworth Financial. • 27 years experience, primarily at Genworth/General Electric: – Joined GE Capital in 1987 and has since held a number of senior management positions in Genworth's mortgage insurance platform both domestically and overseas, including President/CEO of Genworth's Canadian mortgage insurance business, and Senior Vice President of Asia. • Director of India Mortgage Guarantee Corporation (a Genworth Financial joint venture with the International Finance Corporation, the Asian Development Bank and the National Housing Bank of India). • Previously Head of Financial Institutions at Deutsche Bank, Asia ex-Japan. • Appointed 20 February 2012.

Directors' report (continued)

Directors (continued)

Name and title	Biography
Jerome Upton Director, Genworth Financial designee	• Director of Genworth MI Canada Inc. • Appointed Senior Vice President and Chief Financial and Operations Officer, Global Mortgage Insurance, Genworth Financial in 2012: – Previously Senior Vice President and Chief Operating Officer, Genworth Financial International Mortgage Insurance from 2009; – Senior Vice President and CFO, Genworth Financial International – Asia Pacific, Canada and Latin America from 2007 – 2009; – Global Financial Planning and Analysis from 2004 – 2007; – International Finance Manager from 2002 – 2004; – Mortgage Insurance Global Controller from 1998 – 2002; – 15 years at Genworth/General Electric. • Prior to Genworth, served in a number of accounting positions at KPMG Peat Marwick, culminating in his role as Senior Manager – Insurance in Raleigh, North Carolina. • Obtained the status of Certified Public Accountant whilst the Controller and Director of Financial Reporting for Century American Insurance Company in Durham, North Carolina. • Appointed 20 February 2012.
Ellen (Ellie) Comerford Director, CEO and Genworth Financial designee	• Almost 30 years of financial services experience across a range of banking and insurance businesses. • Previously spent approximately nine years with First American Financial Corporation in various leadership positions in Australia and internationally including Managing Director for the Australian and New Zealand operations, and Chief Operating Officer for the International Division. • Prior to this, Ellie was at Citigroup for approximately 14 years, where her roles included Director of Strategy and Business Development, and Head of Capital Markets, Origination and Syndication. • Served on boards for the Australian and New Zealand businesses of First American. • Appointed 20 February 2012.

Principal activity

The principal activity of the Group during the reporting period was the provision of lenders mortgage insurance under authorisation from APRA. In Australia, LMI facilitates residential mortgage lending by transferring risk from lenders to LMI providers, predominately for high loan to value ratio residential mortgage loans.

Operating and financial review

Organisation overview and business model

About Genworth Australia

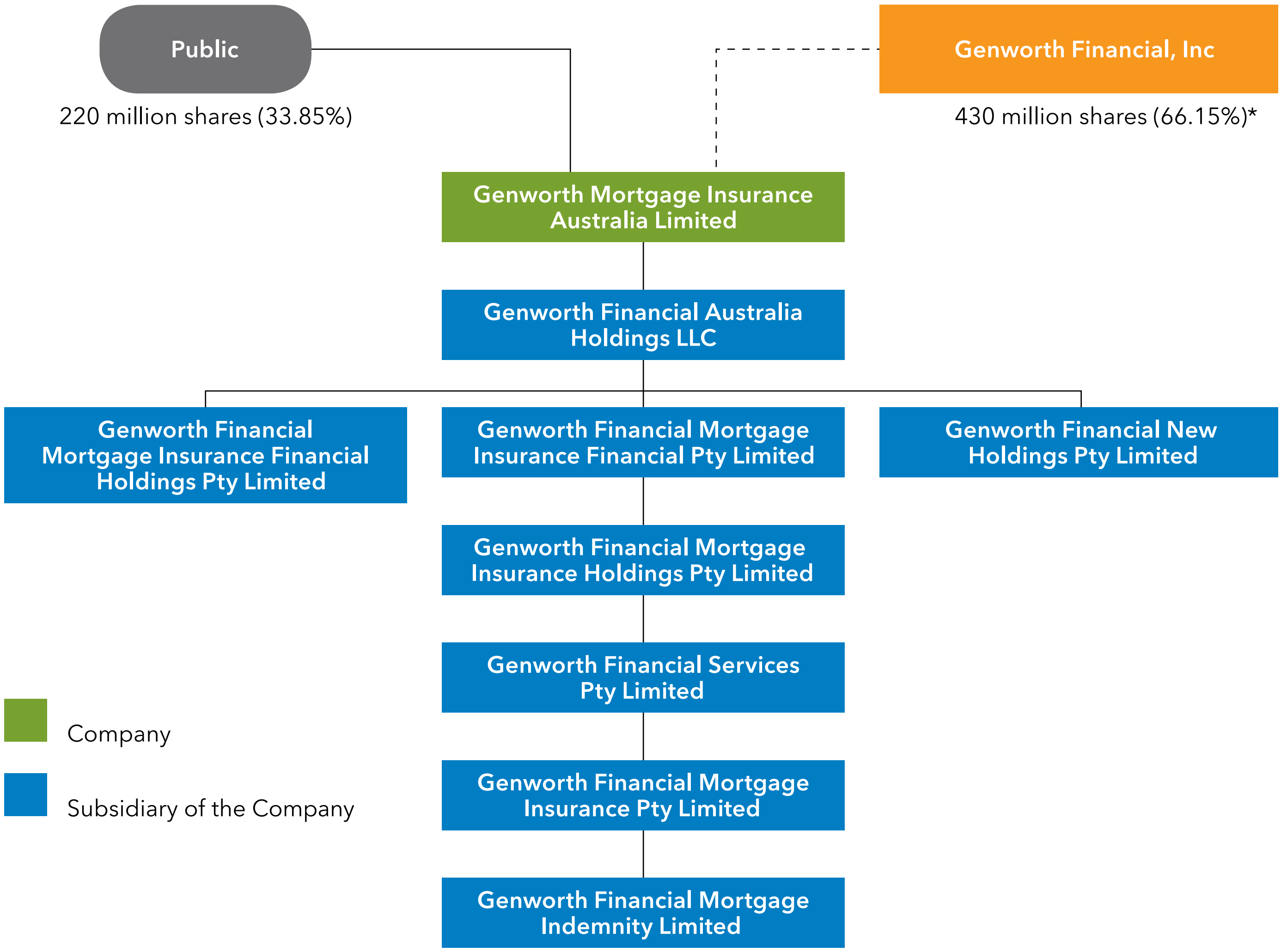
Genworth Australia is the leading LMI Provider in the Australian LMI Market. The Group estimates that it had approximately 44% of the Australian LMI Market by NIW for the 12 months ended 31 December 2014.

Genworth Australia and its predecessors have been part of the Australian residential mortgage lending market for 50 years since the Australian Government established the Housing Loans Insurance Corporation in 1965 to provide LMI in Australia.

The Company was incorporated on 21 December 2011 with $1 share capital and had nil operating activity until 19 May 2014 when the Group was formed and the Company gained 100% control of all the Genworth Australia subsidiaries as part of the IPO restructure. The Group's Consolidated Statement of Comprehensive Income and Statement of Cash Flows represent the Company's twelve month results and the results of the underlying subsidiaries for the period from 19 May 2014 to 31 December 2014.

The Company was listed on the ASX on 20 May 2014 under ticker code 'GMA' at an issue price of $2.65 per share. $583.0 million was raised from the offer, representing 33.85% of the issued share capital of the Company. The remaining 66.15% of the share capital is indirectly held by Genworth Financial.

The Group comprises GMA and its subsidiaries as shown in the following diagram:



* Genworth Financial's interest in the Company is held indirectly through the Genworth Financial Group.

Directors' report (continued)

Operating and financial review (continued)

Organisation overview and business model (continued)

Genworth Australia's business activities

As a LMI Provider, Genworth Australia's profitability is driven primarily by its ability to earn premiums and generate financial income in excess of net claims and operating expenses (being underwriting and other costs).

The diagram below illustrates how Genworth Australia creates value.

Genworth Australia shareholder value chain

Products and income

Premium income from writing LMI
- LMI usage
- Customers
- NIW
- Premium rates
- GWP
- Revenue recognition

Financial income
- Interest rates
- Capital levels

Costs

Claims
- Delinquencies
- Reserving
- Payment of claims

Underwriting and other costs
- Underwriting fees
- Amortisation of customer acquisition related costs
- Marketing costs
- Staff and IT costs

Distribution

Dividends
- Underlying net profit after tax
- Payout ratio

Retained earnings

Strategy, risk and capital management

Products and Income

About LMI

LMI is an insurance policy between an LMI Provider and a lender and insures the lender against covered claims and associated costs that the lender may incur if the borrower defaults on the insured residential mortgage loan and there is a shortfall between the net proceeds from the sale of the property securing the loan and the residential mortgage loan amount outstanding. The LMI policy is typically in place for the duration of a residential mortgage loan.

LMI helps facilitate lending in the Australian mortgage market by transferring risk from lenders to LMI Providers predominantly for HLVR residential mortgage loans. LMI allows those borrowers to access residential mortgage loans on similar terms to borrowers with lower LVR residential mortgage loans.

In FY14, the Group offered three main LMI products as set out below:

Product	Target market	Key features	% of FY14 NIW
Standard LMI	• HomeBuyers • Employed/self-employed • Targeted packages for graduates/professionals	• Maximum 95% LVR (excluding capitalisation of LMI premium) for owner occupied properties • Maximum 95% LVR (including capitalisation of LMI premium) for investment properties • Income verification obligation	98.9%
HomeBuyer Plus	• First HomeBuyers with limited deposit (owner occupier only)	• Non-genuine savings accepted (for example, deposit may be a gift) • Maximum 95% LVR (excluding capitalisation of LMI premium) for purchases of existing properties • Maximum 90% LVR (excluding capitalisation of LMI premium) for construction of new properties • Income verification obligation	0.7%
Business Select/Low Doc	• Self-employed	• Maximum 80% LVR (excluding capitalisation of premium) • Requires 12 months of ATO Business Activity Statements to assess income	0.4%

Genworth Australia underwrites LMI through flow and portfolio channels.

Underwriting channel	FY14 NIW	FY14 GWP
Flow LMI	96.8%	99.7%
LMI typically purchased at the time a residential mortgage loan is originated, and either: – directly assessed by Genworth Australia after the relevant information and documentation has been supplied to Genworth Australia by the lender customer; or – accepted pursuant to a delegated underwriting authority (**DUA**) from Genworth Australia for certain lender customers that satisfy Genworth Australia's DUA criteria. (69% of Flow LMI in FY14 was written pursuant to DUA)		
Portfolio LMI	3.2%	0.3%
LMI provided on an aggregate basis on a portfolio of previously originated residential mortgage loans		

Lender's LMI subsidiaries may also reinsure a part of their portfolio as part of their risk and capital management practices. Genworth Australia has previously provided inward reinsurance to a lender customer's LMI subsidiary. New inwards reinsurance business for that lender customer's LMI subsidiary ceased with effect from 30 September 2014 and Genworth Australia continues to actively manage its existing inwards reinsurance portfolio.

Directors' report (continued)

Operating and financial review (continued)

Products and Income (continued)

Customers

During 2014, Genworth Australia had commercial relationships with over 100 lender customers across Australia, including three of the four Major Banks. Genworth Australia has Supply and Service Contracts with 11 of its key lender customers.

In 2014, Genworth Australia's top three lender customers accounted for approximately 54% of Genworth Australia's NIW and 64% of its GWP in FY14 and its largest lender customer accounted for approximately 32% of its NIW and 39% of its GWP in FY14, as illustrated below.

Lender customer	FY14 NIW	FY14 GWP
Lender customer 1	32%	39%
Lender customer 2	10%	14%
Lender customer 3	12%	11%
Lender customers 4 – 6	29%	19%
Lender customers 7 – 10	9%	9%
Lender customers 11 – 20	6%	5%
All other lender customers	2%	3%

Key drivers of business performance

The Group's business performance is driven by a number of factors including premium rates, NIW, GWP and financial income, along with delinquencies, claims and reserving. The key drivers of business performance are:

Income

- **New Insurance Written (NIW):** NIW represents the original outstanding loan amounts on new residential mortgage loan policies underwritten. Genworth Australia's NIW is affected by a range of factors including the level of HLVR residential mortgage originations, Genworth Australia's share of HLVR originations, changes to underwriting standards and policies, the level of RMBS activity, market share of Genworth Australia's lender customers and risk retention activities of Lender Customers.
- **Premium rates:** Genworth Australia's premium rates reflect the long tail nature of LMI products, incorporating views on both cyclical and long-term economic performance. Premium rates are set in order to achieve an appropriate risk adjusted return to meet the cost of capital and provide a return to shareholders. Pricing is typically determined by reference to the residential mortgage loan characteristics including the type of residential mortgage loan, LVR band, the amount of the residential mortgage loan, the purpose of the loan, the type of borrower and, in the case of Portfolio LMI, seasoning (being the length of time that has passed since origination of the underlying loans). Genworth Australia has implemented premium rate increases in four of the last six years.
- **Gross Written Premium (GWP):** Genworth Australia's GWP is generally determined by NIW volumes, the mix of NIW between LVR bands, loan size bands, premium rates and other factors.
- **Revenue recognition:** LMI premiums are fully paid by lender customers at the inception of the LMI policy. Revenue from premiums is recognised over time based on actuarially derived earnings curves that seek to match the recognition of revenue with the actuarially estimated emergence of risk (claims). The majority of the premium revenue is typically earned in the first five years of the policy.
- **Financial income:** Financial income is generated on Genworth Australia's investment portfolio including interest income on Australian dollar denominated cash, cash equivalents and fixed income securities and any realised and unrealised gains and losses on investment assets.

Costs

- **Delinquencies, reserving and claims:** Genworth Australia treats residential mortgage loans which are in arrears by three or more monthly payments, as reported to it by Genworth Australia's lender customers, as delinquent. Genworth Australia employs an economic loss model in order to determine implied frequency and severity factors which form the initial basis for estimating reserves on reported delinquencies. Genworth Australia's appointed actuary may also use professional judgment to augment these implied factors from the economic loss model if economic, operational and/or other extraneous conditions warrant the adjustments.
- **Underwriting and other costs:** Underwriting and other costs are the costs associated with Genworth Australia's business activities and can include underwriting fees, marketing costs, communication costs, staff costs, IT costs and general administrative expenses.

Strategy

The Group's strategic objective is to deliver long-term returns to shareholders, reflected in an attractive, sustainable ROE. Genworth Australia intends to achieve this objective by pursuing the following strategies:

Strategic priority	Observation
#1 **Strengthen market leadership position**	• Genworth Australia seeks to strengthen and grow its customer relationships and product value proposition by: – Focusing on understanding and meeting the strategic needs of its customers; – Influencing the changing regulatory environment; – Addressing potential ratings and/or counterparty challenges; – Enhancing its service offerings with a focus on risk management and technology; and – Maintaining a high level of service with a continued focus on customer satisfaction.
#2 **Enhance profitability**	• Genworth Australia intends to maintain appropriate, risk adjusted returns by: – Pricing NIW to achieve low-to-mid teen ROEs over the long-term and enhancing its understanding of the profitability of portfolio cohorts; – Continue to manage underwriting and pricing to grow share of attractive market segments and lenders while reducing exposure to unattractive segments as they emerge; – Investing in loss mitigation tools and process to enhance management of delinquencies and claims; – Investing in underwriting systems to deliver productivity benefits while maintaining strong risk management disciplines and enhancing customer experience; and – Optimising interest income from its investment portfolio within acceptable risk standards.
#3 **Optimise capital position and enhance ROE**	• To complement its strategy to enhance profitability, Genworth Australia intends to maintain a strong balance sheet and financial position while managing its capital relative to its risk exposure, targeted ratings and regulatory requirements. • In addition to equity, qualifying capital instruments and reinsurance form part of Genworth Australia's capital management strategy. Genworth Australia will continue to assess opportunities to optimise its capital base to enhance returns. • To the extent Genworth Australia has capital above its internal and regulatory capital requirements, the Board will consider a range of options and currently has a preference to return excess capital to Shareholders, subject to regulatory approvals and market conditions.
#4 **Maintain strong risk management discipline**	• Genworth Australia continues to strengthen the risk culture across the business. • Genworth Australia intends to enhance data received from customers and third parties to support granular and effective risk decisioning. • Genworth Australia will continue to invest in modelling and analytical capabilities to deliver more granular performance measures, along with improved loss forecasting, balance sheet management and stress-testing. • Genworth Australia will continue to advance its risk management framework and practices by working with regulators, lender customers and other market participants to adapt to changing market conditions.
#5 **Continue to work with regulators, rating agencies and other industry participants**	• Genworth Australia will continue to work with regulators, rating agencies and other industry participants to promote legislative and regulatory policies that support increased levels of home ownership, continued responsible credit growth for lender customers, and the purchase of LMI by lenders so as to continue to enable lenders to provide borrowers with affordable residential mortgage loans.

Directors' report (continued)

Operating and financial review (continued)

Risks and Capital Management

Genworth Australia maintains a disciplined approach to risk management and underwrites to a defined set of underwriting policies that determine which residential mortgage loans it will insure.

Genworth Australia's risk management strategy forms an integral part of its risk management framework, ensuring the risk management framework remains relevant and aligned to the Board's approved strategies.

Engaging with regulators, ratings agencies and industry participants

Genworth Australia is authorised and regulated by APRA as a monoline LMI Provider. LMI Providers are required by regulation to be monoline, which means they cannot issue any other type of insurance. Genworth Australia must comply with Prudential Standards for general insurers including specific requirements for LMI Providers.

During FY14, Genworth Australia has been actively engaging on residential mortgage policy development with the key lending institutions, government bodies, local and international regulators and industry bodies.

Investment portfolio and capital management

As at 31 December 2014, Genworth Australia had an investment portfolio limited to cash, cash equivalents and fixed income securities. The portfolio contains no investments in the Genworth Financial Group, equities, property or derivatives. As at 31 December 2014, Genworth Australia had a $4.2 billion cash and investments portfolio, invested 99.8% in Australian denominated cash, cash equivalents and fixed income securities, of which 97% was rated A– or higher. The primary investment objective is to manage the portfolio of securities to help achieve return and income targets, while minimising volatility of total returns and providing liquidity to pay claims. This asset allocation and investment management philosophy represents the previous long-standing approach taken by Genworth Australia to investment management.

Genworth Australia actively manages its capital base to endeavour to deliver sustainable, long-term Shareholder returns and to meet its internal and regulatory capital requirements and its targeted insurer financial strength and credit ratings. In line with regulatory requirements and its capital management plan, Genworth Australia regularly assesses capital alternatives (for example, allowable reinsurance and other forms of qualifying capital instruments) to optimise its capital base and cost of capital. Genworth Australia develops its capital management plan having regard to observed and expected changes in the volume of its NIW and other variables.

Genworth Australia's regulatory capital requirements, prescribed in APRA Prudential Standards, are driven by Genworth Australia's LMI portfolio characteristics. Regulatory capital is also required for investment and operational risks and includes a significant credit for allowable reinsurance.

In November 2014, S&P revised its financial strength and issuer credit ratings on GFMI from 'AA–' with a stable outlook to 'A+' with a negative outlook. At the same time, S&P affirmed the 'A–' financial strength and issuer credit ratings on Indemnity with a stable outlook. This followed S&P revising 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 Genworth Financial's third quarter earnings. S&P explained that under their Group Rating Methodology, GFMI was viewed by S&P as an insulated subsidiary of Genworth Financial Group's core life insurance company, GLIC, and therefore GFMI's rating was capped at a maximum possible three notch differential to GLIC. On 19 February 2015, S&P affirmed the financial strength and issuer credit ratings of the Group's operating insurance subsidiaries; GFMI at 'A+' with an outlook of developing, revised from negative, and Indemnity at 'A-' with an outlook of developing, revised from stable, with a relaxation of the notching differential cap.

In December 2014, Fitch Ratings published an insurer financial strength rating of GFMI and assigned an A+ rating with a stable outlook. In assigning this rating Fitch noted, "The rating reflects a robust standalone credit profile that includes strong capital ratios, a conservative investment approach, a leading market position with high barriers to entry, and solid operating performance. Fitch assesses GMA on a stand-alone basis as a result of its partial IPO in 2014 and a downgrade to Genworth Financial's ratings would not result in a downgrade to GFMI's rating."

On 20 February 2015, Moody's affirmed the financial strength and issuer credit ratings of GFMI and Indemnity at A3 with an outlook of negative revised from stable. See below under "Events subsequent to reporting date" for more information.

Key risks

The key business risks are those that impact the successful execution of the strategy. All of the key business risks identified have been mapped to the five strategic priorities of the Strategy and have been grouped by the key risk themes.

#1	#2	#3	#4	#5
Strengthen market leadership position	Enhance profitability	Optimise capital position and enhance ROE	Maintain strong risk management discipline	Continue to work with regulators, rating agencies and other industry participants

Key risk	Key controls/mitigation	Strategic priorities
Lender customers may retain a greater level of risk and adverse selection on LMI insured loans may become more prominent Lender customers with the flexibility to do so might retain greater levels of residential mortgage loan risk and may do so for borrowers with better credit profiles which could lead to the average credit profile for LMI insured loans being reduced	• Genworth Australia has a project team dedicated to working on strategies and products to reduce the incidence and impact of greater risk retention and adverse selection by lender customers • Genworth Australia could seek to adjust premium rates to reflect change in risk	#1 #2
Reduction in NIW due to regulatory change or an expectation of regulatory change following the Financial System Inquiry or local regulatory application of any Basel Committee recommendations Actual or expected legislative or regulatory changes as a result of the Australian Government's Financial System Inquiry or Basel Committee recommendations may lead to reduced NIW	• Work collaboratively with regulators and the LMI industry to address actual and expected legislative and regulatory changes • Forward looking Government Relations Plan and lender risk retention strategies incorporate plans to address potential legislative and regulatory change	#1 #2 #4
Adverse legislative or regulatory changes – Macro-prudential reform – Portability – Prudential requirements – Tax Adverse regulation may impact Genworth Australia's business model, new business volumes and/or profitability	• Monitoring of regulatory environment and changes • Heightened consumer education focus on the value of LMI • Active regulatory engagement strategy • Continue to work with Government and regulators	#2 #5
Unexpected macro-economic event results in deterioration in financial and capital performance A deterioration in macro-economic conditions or outlook could result in a flow on impact to the financial and capital profile of Genworth Australia	• Product, location and segment risk responses • Genworth Australia has designed and implemented reserving and loss forecasting processes • Risk Appetite Statement, review, monitor and report • Contingency impact plans designed and monitored through dashboard • Risk portfolio monitoring • Genworth Australia has also designed and implemented ICAAP and Stress Testing processes	#1 #2 #3 #4
Capital relief for LMI LMI continues to not be explicitly recognised in AIRB lenders' capital models or there is a reduction or removal of capital relief for ADIs that utilise LMI and currently able to obtain capital relief	• Genworth Australia seeks to work with lenders in relation to their capital positions • Genworth Australia continues to work with regulators and other industry participants to recognise LMI • Strategic engagement with Government and Opposition	#2 #5

Directors' report (continued)

Operating and financial review (continued)

Key risks (continued)

#1	#2	#3	#4	#5
Strengthen market leadership position	Enhance profitability	Optimise capital position and enhance ROE	Maintain strong risk management discipline	Continue to work with regulators, rating agencies and other industry participants

Key risk	Key controls/mitigation	Strategic priorities
Changes in financial strength ratings Genworth Australia's financial strength rating is downgraded	• Genworth Australia has a Contingency Plan to address ratings downgrade • Seek to execute capital flexibility strategies as per Genworth Australia's ICAAP • The listing of Genworth Mortgage Insurance Australia Limited on the ASX provides for additional capital flexibility if required • Certain Supply and Service Contracts include a right for the lender customer to terminate if Genworth Australia ceases to hold an agreed financial strength rating. If this occurs, Genworth Australia seeks to satisfy the lender customer of Genworth Australia's financial strength before the lender customer becomes entitled to terminate the contract	#1 #3 #4
Reinsurance Failure to renew reinsurance contracts as and when they fall due for renew	• Reinsurance management strategy • Regular management of ongoing reinsurance program • Ability to leverage global reinsurance experience from GFI	#3 #4
Restrictions on Genworth Australia increasing premium rates There is limited scope to increase premiums for certain customers	• Annual pricing review provides overview of effectiveness of key pricing metrics • Customer contract renewal and extension process	#2 #3
Risks related to Supply and Service Contracts with lender customers – Termination before the expiry of the contractual term – Change of control of a lender customer – A ratings downgrade of Genworth Australia occurs – Material breach or force majeure	• Customer contract renewal and extension process; contractual avenue to address any improvements required • Contingency Plan	#2 #3 #4
Change in interest rate cycle and risk of mark to market loss exposure Investment performance may have an adverse impact on profitability and financial position	• Investment Mandates designed, reviewed, monitored and reported • Capital and Investment Committee processes, including Investment Management Policy • Risk assessment prior to any change to risk appetite and related changes to the investment portfolio	#2 #3

Performance review and outlook

Financial results

The Group's key financial measures are summarised in the below table. All measures are presented on both a reported basis and a pro forma basis.

Financial performance measures (A$ million)	FY14 (Audited/ Reported)	FY14 (Unaudited Pro forma)	FY13 (Unaudited Pro forma)
Gross earned premium	328.9	520.7	471.5
Net earned premium	282.8	445.8	397.9
NPAT	215.2	324.1	179.4
Underlying NPAT[1]	180.7	279.4	220.9
Non-IFRS performance metrics (%)	**FY14 (Reported)**	**FY14 (Pro forma)**	**FY13 (Pro forma)**
Loss Ratio[2] (%)	17.8	19.0	32.1
Expense Ratio[3] (%)	26.3	26.5	27.4
Combined Ratio[4] (%)	44.1	45.5	59.5
Insurance Margin[5] (%)	67.0	65.8	51.3
Investment Return[6] (%)	4.0	4.0	4.4
ROE[7] (%)	14.6	13.8	8.2
Underlying ROE[8] (%)	12.4	12.2	10.4

1. Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) on the investment portfolio. Refer to Appendix B for reconciliation between NPAT in the Consolidated Statements of Comprehensive Income to the Underlying NPAT.
2. The Loss Ratio is calculated by dividing the net claims incurred by the Net Earned Premium.
3. The Expense Ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the Net Earned Premium.
4. The Combined Ratio is the sum of the Loss Ratio and the Expense Ratio.
5. The Insurance Margin is calculated by dividing the profit from underwriting and interest income on Technical Funds (including realised gains) by the Net Earned Premium.
6. The Investment Return is calculated as the interest income on Technical Funds plus the interest income on Shareholder Funds (excluding realised and unrealised gains/ (losses)) divided by the average balance of the opening and closing cash and investments balance for each financial year.
7. The ROE is calculated by dividing NPAT by the average of the opening and closing equity balance for each financial year.
8. The Underlying ROE is calculated by dividing Underlying NPAT by the average of the opening and closing equity balance for each financial year excluding the impact of after tax changes to the cash and investments balance on the balance sheet.

Directors' report (continued)

Operating and financial review (continued)

Performance review and outlook (continued)

Basis of presentation

The pro forma financial results and measures have been prepared in accordance with recognition and measurement principles of Australian Accounting Standards and have not been subject to an audit or review. Under the pre IPO group structure, there is no single Australian company with 100% control of Genworth Financial's Australian (Subsidiaries). As part of the IPO, a reorganisation was undertaken to consolidate the Australian Subsidiaries under a single Australian holding company, Genworth Mortgage Insurance Australia Limited. The pro forma financial information and key measures are prepared on the historical financial information and adjusted for the transactions as part of the implementation of a reorganisation plan for the IPO. This is to reflect the post IPO group structure, ie. as if these IPO transactions had occurred as of 1 January 2013 and 2014 respectively.

The Group was formed on 19 May 2014 when the Company gained 100% control of all Australian Subsidiaries. The consolidated reported financial results represent the results for the period from 19 May 2014 to 31 December 2014.

Certain financial information has been presented on both a pro forma basis and a reported basis to provide additional insights into the underlying trends in the Group's business. It may provide users with a better understanding of the financial condition and performance of the Group's business.

A reconciliation of the pro forma results to the reported results for the year ended 31 December 2014 is included in Appendix A on page 104.

Preparation of non-IFRS financial measures

The financial metrics presented in performance review and outlook, include non-IFRS financial measures, such as Underlying NPAT, Loss Ratio, Expense Ratio, Combined Ratio, ROE and Underlying ROE, which the Group believes provides information that is useful for investors in understanding its performance, facilitates the comparison of results from period to period, and presents widely used industry performance measures.

However, these non-IFRS financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards.

Although the Group believes these non-IFRS measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any of the non-IFRS financial measures presented, which have not been audited or reviewed.

A strong underwriting performance was recorded in FY14 as a result of the following key factors:

(a) Higher sales (Gross Written Premium) and resulting revenue (Earned Premium):
- GWP for FY14 is 6.3% higher than FY13, underpinned by higher flow premium rates attributable to a pricing increased in 2013 and increase mortgage lending by customers, owing to strong housing activity as interest rates remained low in 2014. This is offset by an overall lower average LVR mix than anticipated, primarily as a consequence of a lower volume of 90-95% LVR business and greater than expected volume of sub 80% LVR business; and
- Net Earned Premium growth of 12.0% reflects the seasoning of the recent larger Books Years, particularly in relation to the 2013 Book Year which had strong levels of NIW and GWP and was recognised as earned premium at its highest proportionate earnings period in 2014.

(b) Lower net claims incurred:
- A strong housing market led to a lower frequency of delinquencies rolling through to ultimate claim, as evidenced by a continuation of a higher than anticipated level of 'borrower sales' and 'sold no claim' instances, and contributed to a lower average claim amount; and
- An overall lower level of new delinquencies in FY14 compared to FY13 as a consequence of a relatively stable economic environment, especially from sustained low interest rates.

(c) Strong financial income reflecting favorable unrealised mark to market gains that, on a reported basis, offset the lower interest income resulting from lower investment yields.

(d) The expense ratio for FY14 of 26.5% was slightly more favorable than the 27.4% in FY13.

(e) Insurance margin increased to 65.8% compared with 51.3% for FY13. The significant increase is driven by strong insurance profit benefits from stable earned premium and lower net claims incurred.

Review of financial condition

Financial Position

Financial position (A$ million)	FY14 (audited)	FY13 (unaudited Pro forma)
Cash and investment	4,159.6	3,694.7
Deferred reinsurance expense	80.6	93.4
Total Assets	4,449.3	4,009.7
Outstanding claims reserve	230.9	240.9
Reinsurance payable	93.9	109.1
Unearned premium	1,362.6	1,249.1
Total liabilities	1,948.8	**1,798.9**
Net assets	**2,500.5**	**2,210.8**

The total assets of the Group as at 31 December 2014 were $4,449.3 million compared to $4,009.7 million at 31 December 2013. Notable movements contributing to the $439.6 million increase over the period include:

- $490.2 million increase in investments from positive cash flow from the business and investment income, assisted by a $63.8 million favorable mark to market unrealised gain; and
- $12.8 million decrease in deferred reinsurance expense as a result of amortising reinsurance expenses over the reinsurance contract term, offset by deferring future reinsurance costs from treaty renewals and the commencement of new treaties.

The total liabilities of the Group as at 31 December 2014 were $1,948.8 million compared to $1,798.9 million at 31 December 2013. Notable movements contributing to the $149.9 million increase over the period include:

- $59.9 million increase in other trade and other payables, mainly related to an increase in income tax payable;
- $15.2 million decrease in reinsurance payable as a result of amortising reinsurance expenses over the reinsurance contract term, offset with deferring future reinsurance costs from treaty renewals and the commencement of new treaties;
- $9.2 million decrease in outstanding claims reserve reflecting the favourable delinquency position compared with the prior year; and
- $113.5 million increase in unearned premium reflecting relatively higher level of new premium written in 2014, offset by seasoning of the prior year in force premium.

The Group's equity increased by $289.7 million over the period, mainly reflecting the FY14 NPAT less dividends paid in FY14.

Investments

As at 31 December 2014, the Group had a $4,159.6 million cash and investments portfolio, invested 97% in Australian denominated cash, cash equivalents and fixed income securities rated A– or higher.

Significant movements in investments since 31 December 2014 include:

- The addition of $426.4 million of investment assets purchased during FY14;
- Increased funds reflecting the strong operating performance of the Group along with positive investment returns during the year; and
- $63.8 million favourable mark to market unrealised gains recorded as at 31 December 2014.

Capital Mix

The Group measures its capital mix on a net tangible equity basis, i.e. after deduction of goodwill and intangibles, giving it strong alignment with regulatory and rating agency models. At 31 December 2014, the Group's capital mix was:

- Ordinary equity (net of goodwill and intangibles) is 95%
- Debt represents 5%

Directors' report (continued)

Operating and financial review (continued)

Capital management

The Group's capital position was solid at 31 December 2014, reflected in the Group's regulatory capital solvency level of 1.59 times the PCA and a CET1 ratio of 1.48 times. The regulatory solvency position is above the Board's targeted solvency range of 1.32 to 1.44 times the PCA.

The table below illustrates the actual capital position as at 31 December 2014 compared with the pro forma capital position as at 31 December 2013.

PCA coverage ratio (Level 2)

(A$ in millions), as at	31 Dec 14	31 Dec 13
Common Equity Tier 1 Capital (incl. excess technical provisions)	2,742.1	2,440.0
Tier 2 Capital	112.0	126.0
Regulatory Capital Base	**2,854.1**	**2,566.0**
LMI Concentration Risk Charge (LMICRC)	1,498.5	1,446.0
Asset risk charge	128.0	124.0
Insurance risk charge	202.1	180.0
Operational risk charge	24.1	22.0
Aggregation benefit	(60.6)	(59.0)
Prescribed Capital Amount (PCA)	**1,792.1**	**1,713.0**
PCA Coverage ratio (times)	**1.59 x**	**1.50 x**

The increase in the regulatory capital base of $288.1 million from the Pro Forma capital base as at 31 December 2013 to 31 December 2014 mainly reflects an increase in retained earnings from the full half year profit. This was offset by a further 10% capital credit reduction for the $140 million subordinated notes in FY14 as a result of the transitional agreement approved by APRA to phase out the capital instrument until the first call date of the loan agreement, i.e. 30 June 2016 (APRA GPS 112 Attachment H Transitional arrangements for capital instruments).

Full year 2015 outlook

The Group believes that there is room for caution in respect of the Australian macroeconomic environment and in particular the uncertain unemployment outlook. However, the recent reduction in interest rates is likely to underpin the housing market and support steady growth in both originations and house prices.

The Group's current forecast for the Australian economy is for growth to stay below trend, with GDP growing at 2.9 per cent and unemployment remaining above 6.0 per cent for 2015. House price appreciation is expected to continue, albeit at a slower pace, decreasing to around 3.5 per cent annually reflecting wage growth.

Subject to business conditions and unforeseen economic events, the Group expects 2015 NEP growth of up to 5 per cent and a full year loss ratio between 25.0 and 30.0 per cent.

The ordinary dividend for 2015 is expected to be within the Board's approved dividend policy of between 50 and 70 per cent of Underlying NPAT.

The Group's regulatory solvency ratio remains above the Board's target capital range of 132 to 144 per cent of the PCA and, throughout the course of 2015, the Group will continue to evaluate the potential for further capital management initiatives. This will include consideration of additional reinsurance, additional regulatory compliant capital instruments and other capital return mechanisms that would continue to support overall Return on Equity progression over the medium term.

Dividends

During FY2014 the Group paid a 100% franked dividend of 2.8 cents per share amounting to $18,200,000 on 29 August 2014.

Environmental regulations

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Market capitalisation

The market capitalisation of the Company as at 31 December 2014 was $2.42 billion based on the closing share price of $3.64.

Events subsequent to reporting date

Detail of matters subsequent to the end of the financial year is set out below and in the events subsequent to reporting date note within the financial statements.

- On 11 February 2015, the directors declared a 100% franked final dividend of 13.1 cents per share totalling $85,000,000 and a special 100% fully franked dividend of 11.5 cents per share totalling $75,000,000.
- On 17 February 2015, one of GMA's three lender customers provided 90 days written notice that they were terminating the agreement for the provision of LMI with GFMI, an operating insurance subsidiary of the Group. The LMI business underwritten under this contract represented 10% of GMA NIW in 2014 and accounted for 14% of GWP in 2014. The termination of this contract does not currently change the NEP or full year loss ratio guidance previously provided by GMA on 11 February 2015. The full effect on NEP is more likely to be felt in the 2016 financial year and beyond.
- On 19 February 2015, S&P affirmed the financial strength and issuer credit ratings of the Group's operating insurance subsidiaries; GFMI at 'A+' with an outlook of developing, revised from negative, and Indemnity at 'A-'with an outlook of developing, revised from stable with a relaxation of the notching differential cap.
- On 20 February 2015, Moody's affirmed the financial strength and issuer credit ratings of both the Group's operating insurance subsidiaries, GFMI and Indemnity at A3 with an outlook of negative revised from stable. The rating action resulted from the termination of one of the top three lender customers' agreements for the provision of LMI with GFMI. It also reflected its view on the growing long-term challenges faced by the Australian mortgage insurance industry.

Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has been included in the full year 2015 outlook in the Operating and Financial Review of the report.

Company secretary

The Company Secretary, Mr Jonathan (Jon) Downes, was appointed in September 2013 as Company Secretary and General Counsel. Mr Downes previously held a similar position with another global insurer with responsibility for enterprise risk management and compliance and prior to that worked as General Counsel for another insurer. Prior to that he worked as a solicitor with major legal practices in both Sydney and London.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Risk Committee Meetings		Capital and Investment Committee Meetings		Remuneration and Nomination Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
Ellen Comerford	11	11	–	–	–	–	–	–	–	–
Anthony Gill	10	11	6	6	7	7	7	7	7	7
Richard Grellman	11	11	–	–	–	–	–	–	–	–
Ian MacDonald	11	11	6	6	7	7	7	7	7	7
Samuel Marsico	11	11	–	–	7	7	–	–	–	–
Leon Roday	11	11	–	–	–	–	–	–	7	7
Stuart Take	11	11	–	–	–	–	–	–	–	–
Gayle Tollifson	11	11	6	6	7	7	7	7	–	–
Jerome Upton	11	11	6	6	–	–	6	7	–	–

A – Number of meetings attended **B** – Number of meetings held during the time the director held office during the year

Note: All directors are invited to attend all Comittee meetings. This register only records attendance of Committee members.

Directors' report (continued)

Operating and financial review (continued)

Indemnification and insurance of officers and directors

During the financial year, a controlled entity paid premiums to insure directors and certain officers of the Company for the year ended 31 December 2014 and, since the end of the financial year, the controlled entity has paid or agreed to pay premiums in respect of such insurance contracts for the year ending 31 December 2015. Such insurance contracts insure against liability (subject to certain exclusions) persons who are or have been directors or officers of the Group.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid as such disclosure is prohibited under the terms of the contracts.

The Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Group.

Directors' interests and benefits

Other than the aggregate remuneration paid or receivable by directors included in the financial report, and remuneration as an executive paid or payable by the related body corporate, no director has received or become entitled to receive any benefit because of a contract made by the Group or a related body corporate with a director or with a firm of which a director is a member or with an entity in which the director has a substantial interest.

Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Non-audit services

The directors are satisfied that the provision of non-audit services during the year by the auditor $1,268,564, is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and, in accordance with Genworth Australia Auditor Independence Policy, noting that:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms, for audit and non-audit services provided during the year are set out below:

	2014 $
Audit and review of financial statements	597,451
Regulatory audit services	77,045
Other assurance services in connection with IPO	1,218,563
Non-assurance services	50,000
Total paid/payable to KPMG	**1,943,060**

Remuneration report

Remuneration Report 2014

Dear Shareholder,

I am pleased to present our remuneration report for the year ended 31 December 2014, which is our initial report following the successful listing on the Australian Securities Exchange in May 2014. This report provides an overview of the Company's approach to remuneration prior to and after listing.

At Genworth, we are committed to an approach to remuneration that attracts, motivates and retains employees, contributes to outstanding performance against business objectives within the agreed risk appetite and builds and maintains the desired culture. We take this approach because we see these as the foundation to creating sustainable stakeholder value.

Genworth's remuneration philosophy is fundamentally about fairness to all stakeholders. We target the market median because it represents an appropriate balance of stakeholder interests, mitigating the risks that accompany remuneration levels that are significantly higher or lower than market. As a result, remuneration decisions are focused on providing a balance of value for money within the context of attracting and retaining employees with the capability to drive the Company's performance.

Fairness is also foundational to our short-term and long-term incentive programs, which ensure a significant proportion of remuneration is explicitly tied to company performance. Additionally, the value of incentive awards are provided wholly (long-term incentive) or partially (1/3 of short-term incentive) in the form of shares in the Company. These programs directly align remuneration, individual contributions and business performance.

Remuneration outcomes in 2014 reflect our commitment to the above approach and are representative of the strong performance which was delivered over the reporting period.

Full details are provided within the remuneration report, which I hope you will find informative.

Ian MacDonald

Chairman – Remuneration and Nominations Committee

Remuneration report (continued)

Contents

1. Executive Summary (Audited)

This report provides shareholders with an overview of GMA group's remuneration governance, strategy, programs and outcomes for Key Management Personnel for the full year ended 31 December 2014. In addition, the statutory remuneration disclosures contained in section 7 represent the period from 19 May to 31 December which is consistent with the trading results of the Group. Accordingly, comparative values detailing the previous period's remuneration have not been included. The decision to report full-year remuneration in addition to our statutory obligations has been taken to recognise that remuneration is widely presented in annual terms and in order to communicate throughout the report in a meaningful way to investors.

As set out in the Company's prospectus prior to listing, there are a number of changes to the Company's remuneration programs to be introduced for 2015, which will be the first full performance year after listing. This report also summarises those key changes.

The remuneration summary table is presented to provide a concise summary of the remuneration received by each Executive KMP in 2014. This table is for general information, and is supplementary to the statutory requirements contained in section 7. It is not prepared in accordance with accounting standards, as it includes remuneration received over the calendar year (rather than being limited to the period post-listing as contained in the statutory remuneration tables); and excludes long service leave accruals, fringe benefit tax attributed to insurances/car parking and other non-monetary benefits. Accordingly, with the exception of table 1a, table 3.1a and table 7e which have not been audited, all other tables and sections have been audited.

Table 1a – 2014 Remuneration summary table (unaudited) as at 31 December 2014

			At-Risk/Performance Remuneration			
	Fixed Remuneration		Short-Term Incentive		Long-Term Incentive	
Name and Position – Executive KMP	Contract TFR[1]	Actual TFR received[2]	STI Target	Actual STI awarded[3]	LTI Target[4]	LTI granted in '14[5]
Ellen Comerford CEO and Managing Director (CEO)	$725,000	$686,830	$616,250	$885,000	$797,500	$303,363
Georgette Nicholas Chief Financial Officer (CFO)	$374,195	$374,195	$187,098	$282,517	$187,098	$168,292
Conor O'Dowd Chief Risk Officer (CRO)	$450,000	$447,534	$135,000	$60,000	$225,000	$140,399
Bridget Sakr Chief Commercial Officer (CCO)	$425,000	$418,179	$212,500	$240,000	$212,500	$160,457
Tobin Fonseca Chief Operating Officer (COO)	$390,000	$369,841	$195,000	$280,000	$195,000	$153,771

1. Contract total fixed remuneration shows the fixed remuneration an individual is entitled to receive for a full year of service under their employment contract as at the end of the reporting period.
2. Actual TFR received shows the fixed remuneration earned throughout 2014, and is different to contract TFR due to increases provided part-way through the reporting period. This includes remuneration received for the full calendar year (including the period prior to listing) and therefore is not the same as the amounts disclosed in the statutory tables in section 7.
3. Actual STI awarded reflects the value of STI awarded for the full calendar year, and is not the same as the amounts disclosed in the statutory tables in section 7.
4. LTI Target reflects employment contract (effective at date of listing – 20 May 2014) for performance period starting 1 January 2015.
5. The value of Genworth Financial equity granted in 2014, which will vest progressively throughout 2015-2018. This does not include special IPO grants made as a result of the successful listing of the Company as these are not a recurring remuneration program. Full details of special IPO grants are set out in section 2.8 and in the statutory remuneration tables.

Throughout this report, KMP refers to those responsible for planning, directing and controlling the activities of the Company, made up of Non-Executive Directors, the Executive Director and nominated executives. Please refer to section 6 for details relating to Non-Executive Directors.

Table 1b Executive KMP in 2014

Name	Position	Term as KMP since listing
Executive KMP		
Ellen Comerford	CEO	Full period
Georgette Nicholas	CFO	Full period
Conor O'Dowd	CRO	Full period
Bridget Sakr	CCO	Full period
Tobin Fonseca	COO	Full period

2. Remuneration Governance, Policy and Programs (Audited)

2.1 Governance Overview

The Remuneration and Nominations Committee (the Committee) was established to assist the Board in fulfilling its responsibilities to shareholders and regulators in relation to remuneration, succession planning, board effectiveness and renewal, and diversity. The Board's final approval is required for any decision relating to the Committee's responsibilities. The Committee liaises as required with the Audit and Risk Committees.

2.2 Use of Independent Remuneration Advisors

The Board and the Committee received advice from external advisers Guerdon Associates throughout 2014. Services included the provision of market data and market practices. All advice provided was accompanied with confirmation from Guerdon Associates that the advice was free from the undue influence of the KMPs to whom it may pertain. No remuneration recommendations as defined under the Corporations Act were received in relation to KMP throughout this period.

2.3 Remuneration Policy and Strategy

The Company's remuneration policy details the governance, structure and overall strategy through which the Company compensates employees. The Company's remuneration strategy is to provide market competitive remuneration programs that help attract, retain and motivate highly competent employees who are dedicated to achieving the Company's objectives in a manner that is consistent with the long-term interests of the Company and its shareholders. This strategy is reflected in specific remuneration programs which, subject to Board (and where applicable, shareholder) approval, deliver remuneration which aligns performance, outcomes, timeframes, shareholder, company and employee interests over the long-term.

2.4 Executive KMP Remuneration Programs

The Company's Executive KMP remuneration programs are designed to align executive and shareholder interests by:

- using appropriate delivery vehicles (e.g. cash, equity and non-monetary benefits) and pay mix;
- measuring performance and delivering resulting remuneration over an appropriate time frame;
- using appropriate measures of competitiveness (e.g. median of appropriate comparator group); and
- operating within the Company's risk management framework and relevant regulatory requirements (in particular, APRA Prudential Standard CPS 510).

The Company's Executive KMP remuneration programs consist of a fixed remuneration (TFR) component, a short-term incentive (STI) component and a long-term incentive (LTI) component. As detailed in the prospectus, Executive KMP participated in Genworth Financial's global remuneration programs prior to listing in May 2014. Summary table 2.4a presents the major components, characteristics and rationale of the Company's 2014 and 2015 remuneration programs.

Remuneration report (continued)

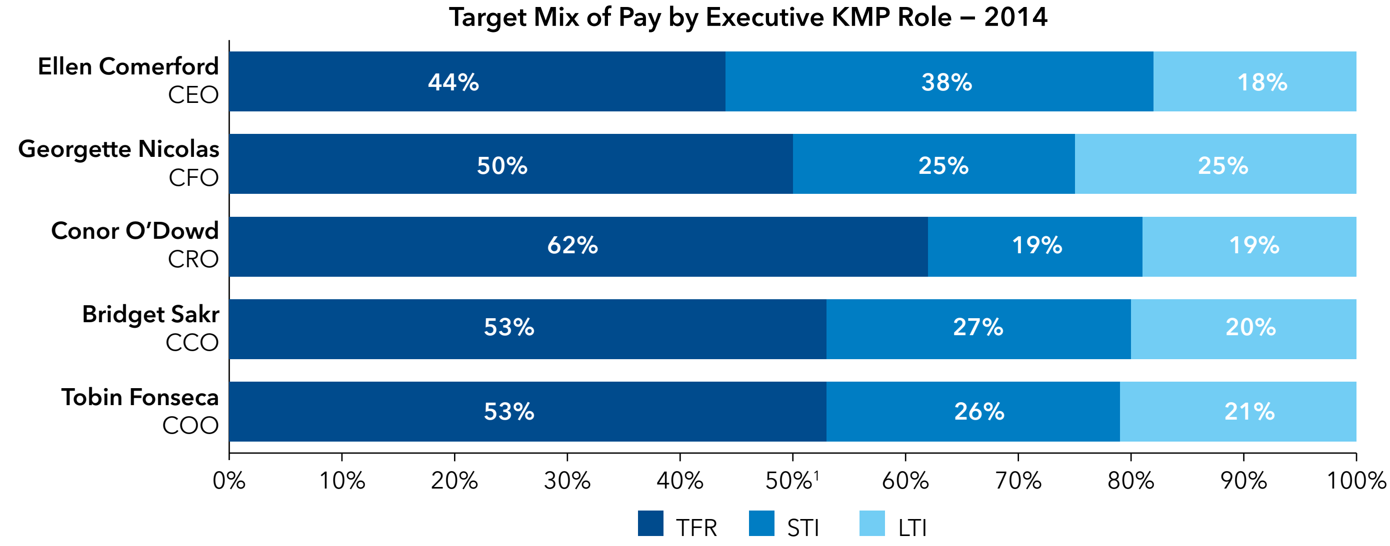
2. Remuneration Governance, Policy and Programs (cont.)

2.4 Executive KMP Remuneration Programs (continued)

Table 2.4a Remuneration Framework

Remuneration	Components and performance measures	Delivery vehicle and time frame	Rationale and link to strategy	Changes for 2015
Total Fixed Remuneration (TFR) Section 2.5	Notional base salary, superannuation contributions and notional value of car parking benefit. Performance per individual goals and job responsibilities.	TFR paid monthly as cash.	Attract and retain high performing employees with market competitive fixed remuneration.	No change to approach.
Short-Term Incentive (STI) Section 2.6	Individual STI targets expressed as a % of TFR. Awards based on achievement of company goals and individual performance.	2014 award delivered as cash in the first quarter after performance period.	Provide for pay at-risk as an incentive to the Senior Leadership Team for achievement of financial results and other operational objectives. Board review and approval to ensure appropriate governance.	Measures updated to reflect financial and strategic priorities for 2015 and expressed in financial terms reflective of Australian accounting standards. To enhance governance and shareholder alignment, a portion of the STI award will be deferred for one year beyond performance period and paid in equity.
Long-Term Incentive (LTI) Section 2.7	Prior to listing, LTI grants were Restricted Share Units (RSUs) of GFI and based on assessment of performance, contributions, and retention considerations.	2014 LTI delivered prior to listing and following GFI program rules. RSUs vest over four year period.	Ensure a proportion of remuneration aligned to the share price performance of the parent company, and provide a retention incentive.	Performance-based plan introduced, vesting (if any) subject to a one-year deferral period after a three-year performance period. New plan design enhances governance and shareholder alignment.

Table 2.4b 2014 target mix of pay (i.e. relative weight of each component as a % of total remuneration)



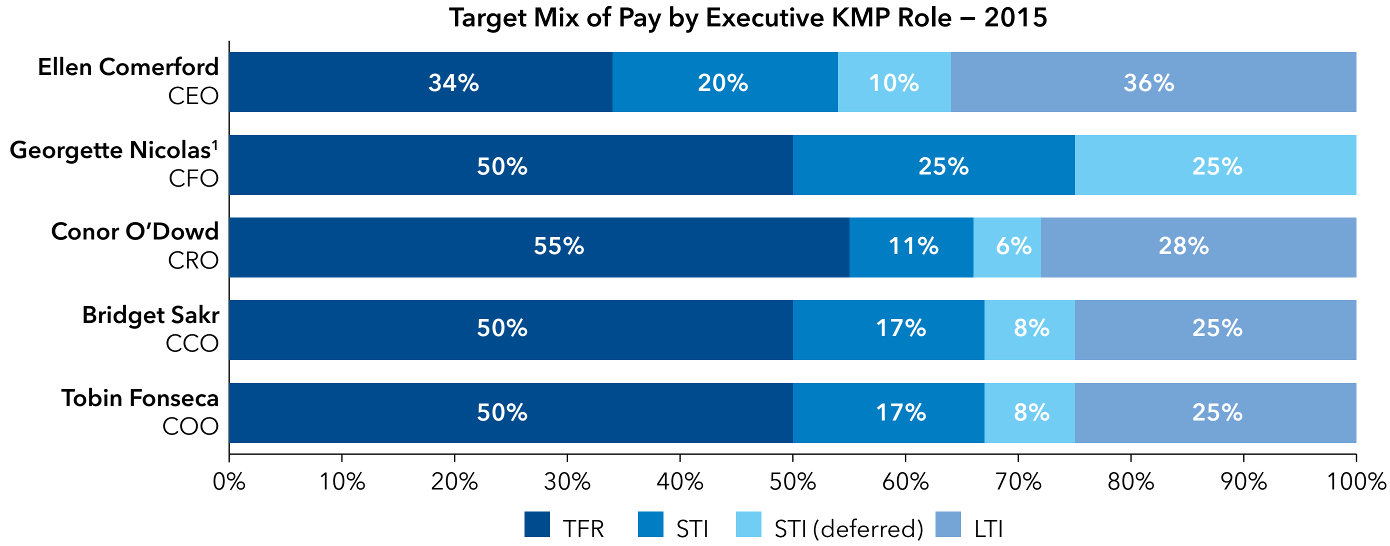
1. The LTI figure does not include special IPO grants made as a result of the successful listing of the Company.

Changes for 2015:

As reflected in Table 2.4a, prior to listing the Company participated in Genworth Financial STI and LTI programs. As a publicly listed entity, the Company has implemented changes to remuneration programs for the first full performance year after listing, which is 2015.

Changes to the Company's at-risk remuneration programs (STI and LTI) for 2015 include the introduction of a deferred component within the STI program, the introduction of performance contingent LTI grants and a greater proportion of remuneration provided as equity to increase shareholder and senior leadership alignment. The overall shift in mix will result in a higher proportion of executive compensation being contingent on individual and company performance and subject to forfeiture conditions.

Table 2.4c 2015 target mix of pay (relative weight of each component as a % of total remuneration)



1. The CFO, who is employed by Genworth Financial, is subject to a STI clawback provision rather than a deferral provision, see section 2.10 for more detail.

The actual mix of pay delivered in any year will be based on an assessment of individual and company performance, applicable regulations and plan rules and, as such, may differ from the targeted mix of pay.

Remuneration report (continued)

2. Remuneration Governance, Policy and Programs (cont.)

2.5 Total Fixed Remuneration (TFR)

Total Fixed Remuneration (TFR) is the sum of base salary and the value of guaranteed employee benefits such as superannuation and car parking.

TFR for an individual is reviewed annually and approved by the Board with reference to a number of factors, including but not limited to the size and scope of the role, the performance of the individual and appropriate benchmark data. Benchmark data for each Executive KMP role is individually sourced from a peer group of comparable roles in comparable organisations primarily from the Australian financial services sector. The median TFR figure from the benchmark data is used for comparative purposes.

2.6 Short-Term Incentive (STI)

Executive KMP roles have an STI target, expressed as a percentage of TFR, which is based on internal and external benchmarking utilising the same peer group used for TFR benchmarking. The maximum STI amount that can be awarded is 200% of target, resulting in a maximum STI award of 170% of TFR for the CEO, 100% for the Chief Commercial Officer (CCO) and Chief Operations Officer (COO); and 60% for the Chief Risk Officer (CRO).

In determining individual STI awards, the CEO provides recommendations to the Committee in respect of her direct reports (which includes all Executive KMP except herself). The Committee reviews these recommendations and evaluates the CEO's performance, and recommends to the Board awards which take into account the STI pool funding percentage and the performance of the Executive KMP against individual and business performance goals. These individual goals align to the financial and operational objectives used to determine STI pool funding.

Table 2.6a STI 2014 key characteristics

STI 2014 Features	Detail				
Purpose of STI plan	Motivate and retain employees by providing STI outcomes that balance individual and Company performance, reflect the ability of the role to influence Company performance, and operate within the Company's risk management framework.				
STI % and STI $ by role	**Executive KMP**	**Target % (of TFR)**	**Target $**	**Maximum % (of TFR)**	**Maximum $**
	CEO:	85%	$616,250	170%	$1,232,500
	CFO:	50%	$187,098	100%	$374,195
	CRO:	30%	$135,000	60%	$270,000
	CCO:	50%	$212,500	100%	$425,000
	COO:	50%	$195,000	100%	$390,000
Performance objectives	**Financial Objectives** Operating Income (25%) Return on Equity (ROE) (20%) Dividend payment (20%) Genworth Financial results (15%) Please refer to section 3.2 for more detail		**Operational Objectives** Execute key operational initiatives (20%)		
Aggregate objective weighting	**Financial Objectives** 80%		**Operational Objectives** 20%		
Performance period	1 January 2014 - 31 December 2014				
Performance assessment	In Q1 2015 Company performance against each individual objective is evaluated and combined to determine the STI pool funding percentage, please refer to section 3.2 for more detail.				
Award determination	Combination of STI pool funding and individual performance. Awards determined via Board and Committee review, recommendation and approval process. The Board and Committee have authority and discretion to adjust STI funding and individual awards (including to $0 if appropriate).				
Payment date	Q1 2015.				
Payment method	Cash (inclusive of superannuation).				

Changes for 2015:

As identified in the prospectus, the Company has redesigned the STI plan for Executive KMP to provide greater alignment between executives and shareholders and more closely reflect local market practice. Accordingly, one-third of the dollar value of any STI award will be delivered via a grant of share rights which are subject to vesting conditions, including a 12 month deferral period.

Remuneration report (continued)

2. Remuneration Governance, Policy and Programs (cont.)

2.6 Short-Term Incentive (STI) (continued)

Table 2.6b STI 2015 key characteristics

Changes to STI for 2015		
Performance objectives 2015	**Financial Objectives** Underlying Net Profit After Tax (35%) Underlying Return on Equity (35%) See refer to table 2.6c for more detail	**Strategic Objectives** Key strategic priorities (30%)
Aggregate objective weighting	**Financial Objectives** 70%	**Strategic Objectives** 30%
Payment method (2015)	STI – cash (inclusive of superannuation) 2/3 of $ value of award. Deferred STI – grant of share rights (subject to vesting conditions) 1/3 of $ value of award.	
Deferral period	Deferred STI component deferred for 12 months from end of the relevant performance period.	
Deferred STI vesting conditions	Continuous active employment for 12 months from grant date. Board and Committee satisfaction that adverse outcomes have not arisen that were not apparent when performance was assessed, and satisfaction that there was not excessive risk taking in achievement of results.	
Share rights grant calculation	The number of share rights is determined by dividing the deferred STI dollar value by a 10-day Volume Weighted Average Price as at 31 December 2015. The Committee believes using a VWAP (instead of the share price at a single point in time or a discounted fair value methodology) reduces the impact daily volatility may have on the number granted and provides greater transparency around the value of share rights granted.	
Treatment of dividends calculation	Dividends, or the value of any dividends, are not received on unvested share rights. Notional dividend equivalents accrue during the deferral period and are delivered through an adjustment to the number of vested share rights at the end of the deferral period. This is calculated by taking the value of dividends distributed during the deferral period and dividing by a 10-day VWAP as at the vesting date, in whole share rights.	
Treatment upon vesting	Vested share rights entitle the holder to ordinary shares in the Company for nil consideration. The Company intends to satisfy vested share rights delivered through the STI plan via the issuance of new shares.	
Treatment of terminating Executive KMP	Eligibility for an STI award is contingent on active, continuous employment throughout the performance period. In the event of resignation or termination, the Executive KMP are ineligible for an STI award, and unvested share rights lapse. In the event of termination with 'Good Leaver' status (retirement, redundancy, death or permanent disability) – a pro rated portion of STI may be awarded at the Board and Committee's discretion. Treatment of unvested STI share rights is at the Board and Committee's discretion and may be pro rated, remain subject to the original vesting schedule, be subject to accelerated vesting, or converted to cash.	
Change of control	Board has discretion.	

Table 2.6c 2015 STI performance objectives

STI Performance Objective and Weighting	Rationale
Underlying NPAT (35%)	Underlying NPAT will be used for the 2015 STI Plan as it excludes the impact of volatile unrealised gains and losses on the investment portfolio (which are generally outside of the control of management).
Underlying ROE (35%)	For similar reasons as described above in relation to underlying NPAT, ROE will also be measured via Underlying ROE from 2015 onwards.
Strategic Objectives (30%)	2015 strategic objectives include; optimisation of capital position and investment portfolio returns, strengthening market leadership position, maintaining strong risk management discipline and people and community initiatives.
Discontinued Objectives	The Board has determined to discontinue both dividend payments and Genworth Financial results as STI objectives from the first full performance period (2015 onwards) as a publicly listed Company. The STI objectives as specified above closely reflect local market practice.

2.7 Long-Term Incentive (LTI)

Executive KMP participated in the Genworth Financial LTI program in 2014 as the performance period began prior to the Company listing. Grants to Australian Executive KMP were delivered as Restricted Share Units in Genworth Financial, 25% of which vest on each of the 1st, 2nd, 3rd and 4th anniversaries of the grant.

The 2014 LTI grant, which was issued prior to listing, reinforced the link between executive remuneration outcomes and Genworth Financial shareholder outcomes over a longer timeframe.

Changes for 2015:

The Company will implement an LTI plan for Executive KMP which is more performance orientated and more closely reflects local market practice. These changes strengthen the alignment between Executive KMP remuneration outcomes, company performance and shareholder experience.

Executive KMP roles have an LTI target, expressed as a percentage of TFR, which is based on internal and external benchmarking utilising the same peer group used for TFR and STI benchmarking. LTI dollar targets are calculated by multiplying the individual's LTI percentage by their TFR at the start of the relevant performance period (which will be 1 January 2015 for the 2015 LTI plan). LTI is provided via an annual grant of share rights which are subject to vesting conditions. Vesting conditions include performance based vesting scales in respect of company performance against Underlying ROE and compound annual growth in earnings per share. These measures are well understood by shareholders and represent an appropriate measure of company performance.

As identified in the prospectus, the Company considered setting one of these vesting conditions as a relative performance objective, but the lack of comparable peer companies for a valid and fair assessment of relative performance has resulted in a decision to proceed with two absolute measures for the LTI plan for 2015. The Company will continue to explore possible options for a relative performance measure in the future.

Remuneration report (continued)

2. Remuneration Governance, Policy and Programs (cont.)

2.7 Long-Term Incentive (LTI) (continued)

Table 2.7a LTI 2015 key characteristics

<table>
<tr><th>LTI 2015 features</th><th colspan="3">Detail</th></tr>
<tr><td>Purpose of LTI plan</td><td colspan="3">Motivate and retain employees by providing LTI outcomes that align with longer term Company performance, reflect the ability of the role to influence Company performance and operate within the Company's risk management framework.</td></tr>
<tr><td>LTI % and grant value by executive KMP role</td><td>Executive KMP
CEO:
CFO:
CRO:
CCO:
COO:</td><td>Target % (of TFR)
110%
50%
50%
50%
50%</td><td>Grant Value $
$797,500
$187,098
$225,000
$212,500
$195,000</td></tr>
<tr><td>Performance metrics</td><td colspan="3">Underlying Return on Equity:
50% of the LTI grant. Calculated as the average of 3-year underlying net profit after tax (excluding unrealised gains or losses from investments) divided by the 3-year average equity (excluding mark to market value of investments).
Earnings Per Share growth (EPS):
50% of the LTI grant. Calculated as the 3-year compound average annual growth of earnings per share comprising basic earnings per share (after tax and excluding the impact of any share issuance or buy back). The Board may adjust EPS for items of a capital nature that are not reflective of management performance.
The Company does not provide guidance to the market in the form of Underlying ROE and EPS growth targets for the LTI Plan. Accordingly, the Board will advise the specific 2015 LTI plan performance targets (including GMA's performance in respect of them) following the completion of the performance assessment in Q1 2018.</td></tr>
<tr><td>Vesting summary</td><td colspan="3">Threshold performance level – 50% of the share rights will vest.
Proportionate vesting occurs between threshold and maximum performance levels.
Maximum performance level – 100% of the share rights will vest.
Each performance metric is measured and vests (as applicable) independently of the other.</td></tr>
<tr><td>Performance period</td><td colspan="3">1 January 2015 to 31 December 2017.</td></tr>
<tr><td>Performance assessment</td><td colspan="3">Performance is assessed in Q1 2018. There is no re-testing of grants.</td></tr>
<tr><td>Deferral period</td><td colspan="3">12 months from the end of the relevant performance period.</td></tr>
<tr><td>Vesting period/date</td><td colspan="3">4 years in total from the start of relevant performance period (3-year performance period with an additional 1-year deferral period).</td></tr>
<tr><td>Award determination</td><td colspan="3">Performance period and final vesting percentages determined via Board and Committee review, recommendation and approval process.
The Board and the Committee have authority and discretion to adjust LTI vesting % and individual awards (including to 0% of grant if appropriate).</td></tr>
<tr><td>Payment method</td><td colspan="3">Grant of share rights. Vested share rights entitle the holder to ordinary shares in the Company for nil consideration. The Company intends to satisfy vested share rights delivered through the LTI plan via the issuance of new shares.</td></tr>
<tr><td>Vesting conditions</td><td colspan="3">Continuous active employment for 4 years from grant date.
Board and Committee satisfaction that adverse outcomes have not arisen that were not apparent when performance was assessed, and satisfaction that there was not excessive risk taking in achievement of results.</td></tr>
</table>

LTI 2015 features	Detail
Share rights grant calculation	The number of share rights is determined by dividing the grant value by a 10-day VWAP following the release of full-year results for 2014. The Committee believes using a VWAP (instead of the share price at a single point in time or a discounted fair value methodology) reduces the impact daily volatility may have on the number granted and provides greater transparency around the value of share rights granted.
Treatment of dividends	Dividends, or the value of any dividends, are not received on unvested share rights. Notional dividend equivalents accrue during the vesting period and are delivered through an adjustment to the number of vested share rights at the end of the vesting period. This is calculated by taking the value of dividends distributed during the vesting period, applying the final vesting percentage and dividing by a 10-day VWAP as at the vesting date, in whole share rights.
Treatment of terminating Executive KMPs	Eligibility for an LTI grant or award is contingent on active, continuous employment throughout the vesting period. In the event of resignation/termination, unvested share rights lapse. In the event of resignation/termination, unvested share rights lapse except as provided at the discretion of the Board for a 'Good Leaver' (see table 2.6b for details: 'treatment of terminating Executive KMPs'). The Board and Committee have discretion over treatment in such circumstances (including the ability to deem vesting conditions satisfied and satisfy unvested grants in cash).
Change of control	Board has discretion.

2.8 Share Ownership Requirements for Executive KMP

To strengthen the alignment between Executive KMP and shareholders, Executive KMP are required to accumulate and maintain a minimum value of shares in the Company. The CEO is required to hold two times, and other Executive KMP one times their TFR at listing or appointment date, as applicable. The value of shares is calculated by using the greater of the preceding 12 month average price or retail price at listing.

Share ownership requirements must be met within five years of listing, or appointment, and will be tested each time share rights vest. Until the ownership requirements are met, 25% of shares vested via equity plans (deferred STI component and LTI) must be retained.

2.9 Initial IPO Grants of Share Rights for Executive KMP

Executive KMP received a special IPO grant of share rights upon the successful listing of the Company. These ensured Executive KMP had an exposure to company equity for alignment with shareholder interests from the date of listing. The grants also provided an effective method for longer term executive retention and management team stability to mitigate risk of turnover and extended over a time frame that allowed for a transition to a performance contingent LTI Plan.

The CEO received a grant valued at $1,750,000, and each other Executive KMP $500,000. The number of share rights granted was calculated by dividing the dollar value of the grant by the share price at listing ($2.65).

Share rights granted under this program are subject to service-based vesting conditions; one-third of the grant will vest on each of the 2nd, 3rd and 4th anniversaries of the listing of the Company (2016, 2017 and 2018 respectively). Upon cessation of employment (except in cases where 'Good Leaver' status is determined by the Board and the Committee) unvested share rights will be forfeited. IPO grant share rights are not eligible for dividends or notional dividend equivalents and no adjustment will be made to the number of vested share rights at the end of the vesting period. Vested share rights entitle the holder to ordinary shares in the Company for nil consideration. The Company intends to satisfy vested share rights delivered through the IPO grant via the issuance of new shares.

Remuneration report (continued)

2. Remuneration Governance, Policy and Programs (cont.)

2.9 Initial IPO grants of share rights for Executive KMP (continued)

Table 2.9a IPO Grants to Executive KMP

Executive KMP	IPO grant $	Number of share rights	Maximum value of grant[1]
Ellen Comerford, CEO	$1,750,000	660,377	$1,556,288
Other Executive KMP, CFO, CRO, CCO and COO	$500,000	188,679	$444,654

2.10 Chief Financial Officer

The Chief Financial Officer is an expatriate of Genworth Financial and her remuneration arrangements, while aligned with the Company's remuneration strategy, fall under Genworth Financial expatriate programs. As a result, components of her remuneration differ in some respects from those of other Executive KMP. These include:

- a base salary and other remuneration paid in USD, which has been converted to AUD for the purposes of this report using the 2014 average exchange rate (AUD/USD 1/0.9086168); and
- while STI and LTI performance objectives are the same as other Executive KMPs, participation is calculated using base salary, not TFR, and any STI awarded is subject to a clawback provision rather than a deferral provision.

3. Relationship between company performance and remuneration (Audited)

3.1 Performance overview (Unaudited)

The Company achieved excellent results against the financial and operational objectives for the year. Financially, the Company exceeded its operating income and ROE targets and delivered in excess of the dividend plan for the year. From an operational perspective, the Company successfully completed its IPO, which was a key objective for the year and displayed very strong performance in relation to the other operational objectives as assessed by the Board.

Table 3.1a Summary of Company performance (2014)[2] (unaudited)

Financial results	2014
Gross Written Premium ($m)	$634.2
Gross Earned Premium ($m)	$520.7
Net Earned Premium ($m)	$445.8
Net Investment Income ($m)	$226.9
Net Profit After Tax (NPAT) ($m)	$324.1
Underlying NPAT ($m)	$279.4
Loss Ratio	19.0%
Expense Ratio	26.5%
Reported Return On Equity	13.8%
Underlying Return On Equity	12.2%
Dividends paid in 2014	$0.274
Share price at listing	$2.65
Share price at end of period	$3.64

1. The maximum value of the grant has been calculated using the fair value per share right. The minimum total value of the grant, if the applicable service-based vesting conditions are not met, is $0.
2. Results are presented for the full calendar year, on a pro-forma basis to enable meaningful comparison in future reports. As a result, this table is unaudited.

3.2 Link between Performance and STI Outcomes (Audited)

The link between remuneration outcomes and business performance is both explicit and fundamental to the design, administration and outcomes of the Company's remuneration programs. In light of GMA Group's very strong performance against 2014's STI objectives (see below for more detail), the Board determined the STI pool funding level to be 130% of the sum of STI targets.

Table 3.2a 2014 STI performance objectives and Board assessment of performance[1]

STI performance objective and weighting	Rationale	Assessment of 2014 performance
Operating Income (25%)	As the headline figure of the various components that make up overall Company performance, an annual profit measure is a key performance objective. Operating Income is a common measure of profitability under USGAAP reporting and was used in order to maintain continuity and consistency in light of listing part-way through the 2014 performance period.	2014 Operating Income was $282m representing significant outperformance against target ($225m).
ROE (20%)	ROE is a key measure of the Company's ability to convert equity into returns (profit).	2014 ROE results were extremely strong, with performance of 15.3% compared to a target of 12.4%.
Dividend payment (20%)	As highlighted in the prospectus, the Company has adopted a target dividend payout ratio range of 50% to 70% of Underlying NPAT, and the delivery of dividends remains an important measure of the Company's performance as a key driver of value for shareholders.	Total dividends paid for 2014 were $43m, exceeding target of $39m.
Genworth Financial results (15%)	GFI results are measured as Operating Income and ROE. This financial objective reflects the ownership structure that was in place at the start of the performance year and the ongoing importance of collaboration between the Company and Genworth Financial for the balance of the performance period.	Genworth Financial did not achieve its Operating Income or ROE target. However in light of GMA group's significant positive contributions, the Board determined a slightly below target performance result was appropriate.
Execute key operational objectives (20%)	Key operational priorities for each performance period may vary year-to-year based on priorities of the Company. For the 2014 performance period, this list included: – successful completion of the IPO; – loss mitigation initiatives to enhance savings; and – people initiatives including focus on employee engagement, employee and leadership development and diversity.	The Board determined performance against key operational initiatives for 2014 to be very strong.

1. Performance assessed on USGAAP full financial year performance.

Remuneration report (continued)

4. Remuneration outcomes for Executive KMP (Audited)

Table 4.a STI outcomes

Executive KMP	Target STI % (of TFR)	Target STI $	Max STI $	Actual STI awarded (% of TFR)	Actual STI awarded $[1]	Actual STI awarded (% of max)	STI not awarded (% of max)
Ellen Comerford, CEO	85%	$616,250	$1,232,500	122%	$885,000	72%	28%
Georgette Nicholas, CFO	50%	$187,098	$374,195	76%	$282,517	76%	24%
Conor O'Dowd, CRO	30%	$135,000	$270,000	13%	$60,000	22%	78%
Bridget Sakr, CCO	50%	$212,500	$425,000	56%	$240,000	56%	44%
Tobin Fonseca, COO	50%	$195,000	$390,000	72%	$280,000	72%	28%

5. Contractual arrangements for Executive KMP (Audited)

Table 5.a Summary of contract details

Executive KMP	Term of agreement	Notice period	Termination payments
Ellen Comerford CEO	Ongoing	**Four months either party** Immediate for misconduct, breach of contract or bankruptcy.	Statutory entitlements only for termination with cause. Payment in lieu of notice at Company discretion. For Company termination 'without cause', 12 months fixed remuneration, pro rata STI is payable for time worked.
Other executive KMP	Ongoing (up to 36 months for CFO)	**Three months either party** Immediate for misconduct, breach of contract or bankruptcy.	Statutory entitlements only for termination with cause. Payment in lieu of notice at Company discretion. For Company termination 'without cause', no more than six months fixed remuneration, pro rata STI is payable for time worked.

All Executive KMP are subject to a non-solicitation undertaking and a non-compete restraint for a maximum of period of 12 months after ceasing employment.

1. Actual STI awarded reflects the value of STI awarded for the full calendar year, and is not the same as the amounts disclosed in the statutory tables in section 7.

6. Non-Executive Director Remuneration (Audited)

Table 6.a Key Management Personnel in 2014 – Non-Executive Directors

Name	Position	Term as KMP since listing
Independent Non-Executive Directors		
Richard Grellman	Chairman	Full Period
Tony Gill	Independent Director	Full Period
Ian MacDonald	Independent Director	Full Period
Gayle Tollifson	Independent Director	Full Period
Genworth Financial Designated Non-Executive Directors		
Samuel Marsico	Director	Full Period
Leon Roday	Director	Full Period
Stuart Take	Director	Full Period
Jerome Upton	Director	Full Period

Non-executive directors (NEDs) are entitled to such remuneration as determined by the Board, provided the aggregate maximum annual amount (referred to as the aggregate fee cap) approved by shareholders is not exceeded. As noted in the prospectus, the current aggregate fee cap is $1.5 million per annum, and is inclusive of the Company's superannuation obligations. NEDs who are executives of Genworth Financial were paid by Genworth Financial in the ordinary course of their duties and are not paid fees by Genworth Australia.

Table 6.b NED fee table

Position	Annual fee[1]
Non-Executive Directors (Independent only)	
Board Chairman	$265,000
Director	$115,000
Committee chair (per Committee)	$20,000
Committee member (per Committee)	$10,000

Director fees are reviewed annually and may be adjusted in line with market standards within the aggregate fee cap.

The focus of NEDs is principally the stewardship, strategic direction and medium to long-term performance of the Company. As a result, remuneration programs for NEDs are neither performance based or at-risk.

While there are no specific share ownership requirements for NEDs, they are encouraged to own one times their annual base fees in Company shares. The current independent directors support this approach and intend to achieve this shareholding over time.

1. Director fees reflect the full calendar year value, and are not the same as the amounts disclosed in the statutory tables in section 7.

Remuneration report (continued)

7. KMP remuneration tables (Audited)

Table 7.a Statutory remuneration table – 19 May to 31 December 2014

	Short-Term remuneration			
KMP	Cash salary[1]	Other cash benefits[2]	Non-monetary benefits[3]	STI awarded[4]
Executive KMP (including CEO and Managing Director who is an executive director)				
Ellen Comerford, CEO and Managing Director	$437,218	$373	$13,039	$550,397
Georgette Nicholas, Chief Financial Officer	$231,357	$124,637	$102,107	$175,703
Conor O'Dowd, Chief Risk Officer	$244,947	$0	$8,851	$37,315
Bridget Sakr, Chief Commercial Officer	$249,142	$373	$10,662	$149,260
Tobin Fonseca, Chief Operating Officer	$217,606	$0	$9,327	$174,137
Non-Executive Directors				
Richard Grellman,Chairman	$149,694	$0	$8,406	n/a
Tony Gill[5], Director	$102,016	$0	$0	n/a
Ian MacDonald[6], Director	$93,206	$0	$0	n/a
Gayle Tollifson[7], Director	$93,206	$0	$1,968	n/a
Samuel Marsico[8], Director	$0	$0	$0	n/a
Leon Roday[9], Director	$0	$0	$0	n/a
Stuart Take, Director	$0	$0	$0	n/a
Jerome Upton[10], Director	$0	$0	$0	n/a

1. Cash salary for Executive KMP consists of base salary and any salary sacrifice arrangements; for Non-Executive Directors it consists of Director fees and any salary sacrifice arrangements.
2. Other cash benefits include an annual health reimbursement offered to all employees and cash allowances provided to Georgette Nicholas as part of her expatriate remuneration arrangements.
3. Non-monetary benefits include insurance premiums, executive health benefits, and other non-cash benefits (such as car parking) and related Fringe Benefits Tax (FBT).
4. STI awarded is the actual STI payment relating to 2014 performance, accrued for in 2014, actual payment made in March 2015. It has been pro rated to reflect the reporting period.
5. Tony Gill is Chairman of the Capital and Investment Committee and a member of the Audit, Risk, and Remuneration and Nominations Committees.
6. Ian MacDonald is Chairman of the Remuneration and Nominations Committee and a member of the Audit, Risk and Capital and Investment Committees.
7. Gayle Tollifson is Chairman of the Audit and Risk Committees, and a member of the Capital and Investment Committee.
8. Samuel Marsico is a member of the Risk Committee.
9. Leon Roday is a member of the Remuneration and Nominations Committee.
10. Jerome Upton is a member of the Capital and Investment Committee and the Audit Committee.

	Long -Term/post-employment benefits		Share-based payments			
Sub-total	Superannuation benefits[11]	Long Service Leave accrual[12]	RSUs and other equity[13]	Total	% of total remuneration that is performance related	% of total remuneration that is delivered as options
$1,001,027	$9,392	$22,883	$548,113	$1,581,415	35%	0%
$633,804	$167,275	$0	$183,497	$984,576	18%	3%
$291,113	$23,150	$2,304	$147,825	$464,392	8%	0%
$409,437	$10,019	-$1,631	$207,583	$625,408	24%	0%
$401,070	$10,198	$6,600	$167,234	$585,102	30%	0%
$158,100	$14,149	$0	$0	$172,249	0%	0%
$102,016	$0	$0	$0	$102,016	0%	0%
$93,206	$8,810	$0	$0	$102,016	0%	0%
$95,174	$8,810	$0	$0	$103,984	0%	0%
$0	$0	$0	$0	$0	0%	0%
$0	$0	$0	$0	$0	0%	0%
$0	$0	$0	$0	$0	0%	0%
$0	$0	$0	$0	$0	0%	0%

11. Georgette Nicholas participates in Genworth Financial post-employment benefits.
12. Long Service Leave accruals are presented as the expense movement for the reporting period.
13. The fair value of equity instruments calculated at the date of grant using the Black Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the equity instruments recognised as an expense in this reporting period. The fair value of special IPO grants provided to Executive KMP in the period (See section 2.9) is $2.54 (vesting in 2016), $2.35 (vesting in 2017) and $2.18 (vesting in 2018).

Remuneration report (continued)

7. KMP remuneration tables (Audited) (continued)

Table 7.b Share right holdings for the reporting period ending 31 December 2014.

Executive KMP	Equity plan	Grant detail	Grant date	Issue price
Name and position				
Ellen Comerford CEO and Managing Director	GFI Equity 2011	GFI Joining Grant - T4	3 January 2011	$13.29
		GFI '11 Grant - T4	9 February 2011	$12.61
	GFI Equity 2012	GFI '12 Grant - T3	14 February 2012	$8.31
		GFI '12 Grant - T4	14 February 2012	$8.31
	GFI Equity 2013	GFI '13 Grant - T2	15 February 2013	$8.79
		GFI '13 Grant - T3	15 February 2013	$8.79
		GFI '13 Grant - T4	15 February 2013	$8.79
	GFI Equity 2014	GFI '14 Grant - T1	20 February 2014	$16.90
		GFI '14 Grant - T2	20 February 2014	$16.90
		GFI '14 Grant - T3	20 February 2014	$16.90
		GFI '14 Grant - T4	20 February 2014	$16.90
	IPO Special Grant	IPO Grant - T1	21 May 2014	$2.65
		IPO Grant - T2	21 May 2014	$2.65
		IPO Grant - T3	21 May 2014	$2.65
Georgette Nicholas Chief Financial Officer	GFI Equity 2011	GFI '11 Grant - T4	9 February 2011	$12.61
	GFI Equity 2012	GFI '12 Grant - T3	14 February 2012	$8.31
		GFI '12 Grant - T4	14 February 2012	$8.31
	GFI Equity 2013	GFI '13 Grant - T2	15 February 2013	$8.79
		GFI '13 Grant - T3	15 February 2013	$8.79
		GFI '13 Grant - T4	15 February 2013	$8.79
	GFI Equity 2014	GFI '14 Grant - T1	20 February 2014	$16.90
		GFI '14 Grant - T2	20 February 2014	$16.90
		GFI '14 Grant - T3	20 February 2014	$16.90
		GFI '14 Grant - T4	20 February 2014	$16.90
	IPO Special Grant	IPO Grant - T1	21 May 2014	$2.65
		IPO Grant - T2	21 May 2014	$2.65
		IPO Grant - T3	21 May 2014	$2.65

		Movement during the period				
Vesting Date	# Held at 19 May 2014	Number Granted	Forfeited	Vested	Exercised	# Held at 31 Dec 2014
3 January 2015	5,000	0	0	0	0	5,000
9 February 2015	2,500	0	0	0	0	2,500
14 February 2015	6,250	0	0	0	0	6,250
14 February 2016	6,250	0	0	0	0	6,250
15 February 2015	7,913	0	0	0	0	7,913
15 February 2016	7,913	0	0	0	0	7,913
15 February 2017	7,913	0	0	0	0	7,913
20 February 2015	4,538	0	0	0	0	4,538
20 February 2016	4,538	0	0	0	0	4,538
20 February 2017	4,538	0	0	0	0	4,538
20 February 2018	4,538	0	0	0	0	4,538
20 May 2016	0	220,125	0	0	0	220,125
20 May 2017	0	220,125	0	0	0	220,125
20 May 2018	0	220,127	0	0	0	220,127
9 February 2015	1,000	0	0	0	0	1,000
14 February 2015	1,133	0	0	0	0	1,133
14 February 2016	1,133	0	0	0	0	1,133
15 February 2015	2,000	0	0	0	0	2,000
15 February 2016	2,000	0	0	0	0	2,000
15 February 2017	2,000	0	0	0	0	2,000
20 February 2015	2,763	0	0	0	0	2,763
20 February 2016	2,763	0	0	0	0	2,763
20 February 2017	2,762	0	0	0	0	2,762
20 February 2018	2,762	0	0	0	0	2,762
20 May 2016	0	62,983	0	0	0	62,983
20 May 2017	0	62,983	0	0	0	62,983
20 May 2018	0	62,983	0	0	0	62,983

Remuneration report (continued)

7. KMP remuneration tables (Audited) (continued)

Table 7.b Share right holdings for the reporting period ending 31 December 2014.

Executive KMP Name and position	Equity plan	Grant detail	Grant date	Issue price
Conor O'Dowd Chief Risk Officer	GFI Equity 2013	GFI '13 Grant - T1	2 December 2013	$16.91
		GFI '13 Grant - T2	2 December 2013	$16.91
		GFI '13 Grant - T3	2 December 2013	$16.91
		GFI '13 Grant - T4	2 December 2013	$16.91
	GFI Equity 2014	GFI '14 Grant - T1	20 February 2014	$16.90
		GFI '14 Grant - T2	20 February 2014	$16.90
		GFI '14 Grant - T3	20 February 2014	$16.90
		GFI '14 Grant - T4	20 February 2014	$16.90
	IPO Special Grant	IPO Grant - T1	20 May 2014	$2.65
		IPO Grant - T2	20 May 2014	$2.65
		IPO Grant - T3	20 May 2014	$2.65
Bridget Sakr Chief Commercial Officer	GFI Equity 2007	GFI '07 Grant - T4	2 July 2007	$42.68
	GFI Equity 2011	GFI '11 Grant - T4	9 February 2011	$12.61
	GFI Equity 2012	GFI '12 Grant - T3	14 February 2012	$8.31
		GFI '12 Grant - T4	14 February 2012	$8.31
	GFI Equity 2013	GFI '13 Grant - T2	15 February 2013	$8.79
		GFI '13 Grant - T3	15 February 2013	$8.79
		GFI '13 Grant - T4	15 February 2013	$8.79
	GFI Equity 2014	GFI '14 Grant - T1	20 February 2014	$16.90
		GFI '14 Grant - T2	20 February 2014	$16.90
		GFI '14 Grant - T3	20 February 2014	$16.90
		GFI '14 Grant - T4	20 February 2014	$16.90
	IPO Special Grant	IPO Grant - T1	21 May 2014	$2.65
		IPO Grant - T2	21 May 2014	$2.65
		IPO Grant - T3	21 May 2014	$2.65
Tobin Fonseca Chief Operating Officer	GFI Equity 2012	GFI '12 Grant - T3	1 March 2012	$8.73
		GFI '12 Grant - T4	1 March 2012	$8.73
	GFI Equity 2013	GFI '13 Grant - T2	15 February 2013	$8.79
		GFI '13 Grant - T3	15 February 2013	$8.79
		GFI '13 Grant - T4	15 February 2013	$8.79
	GFI Equity 2014	GFI '14 Grant - T1	20 February 2014	$16.90
		GFI '14 Grant - T2	20 February 2014	$16.90
		GFI '14 Grant - T3	20 February 2014	$16.90
		GFI '14 Grant - T4	20 February 2014	$16.90
	IPO Special Grant	IPO Grant - T1	21 May 2014	$2.65
		IPO Grant - T2	21 May 2014	$2.65
		IPO Grant - T3	21 May 2014	$2.65

Vesting Date	# Held at 19 May 2014	Movement during the period: Number Granted	Forfeited	Vested	Exercised	# Held at 31 Dec 2014
2 December 2014	2,500	0	0	2,500	2,500[1]	0
2 December 2015	2,500	0	0	0	0	2,500
2 December 2016	2,500	0	0	0	0	2,500
2 December 2017	2,500	0	0	0	0	2,500
20 February 2015	2,100	0	0	0	0	2,100
20 February 2016	2,100	0	0	0	0	2,100
20 February 2017	2,100	0	0	0	0	2,100
20 February 2018	2,100	0	0	0	0	2,100
20 May 2016	0	62,983	0	0	0	62,983
20 May 2017	0	62,983	0	0	0	62,983
20 May 2018	0	62,983	0	0	0	62,983
2 July 2015	2,500	0	0	0	0	2,500
9 February 2015	2,083	0	0	0	0	2,083
14 February 2015	3,625	0	0	0	0	3,625
14 February 2016	3,625	0	0	0	0	3,625
15 February 2015	4,163	0	0	0	0	4,163
15 February 2016	4,162	0	0	0	0	4,162
15 February 2017	4,162	0	0	0	0	4,162
20 February 2015	2,400	0	0	0	0	2,400
20 February 2016	2,400	0	0	0	0	2,400
20 February 2017	2,400	0	0	0	0	2,400
20 February 2018	2,400	0	0	0	0	2,400
20 May 2016	0	62,983	0	0	0	62,983
20 May 2017	0	62,983	0	0	0	62,983
20 May 2018	0	62,983	0	0	0	62,983
1 March 2015	3,750	0	0	0	0	3,750
1 March 2016	3,750	0	0	0	0	3,750
15 February 2015	3,650	0	0	0	0	3,650
15 February 2016	3,650	0	0	0	0	3,650
15 February 2017	3,650	0	0	0	0	3,650
20 February 2015	2,300	0	0	0	0	2,300
20 February 2016	2,300	0	0	0	0	2,300
20 February 2017	2,300	0	0	0	0	2,300
20 February 2018	2,300	0	0	0	0	2,300
20 May 2016	0	62,983	0	0	0	62,983
20 May 2017	0	62,983	0	0	0	62,983
20 May 2018	0	62,983	0	0	0	62,983

1. The value of the exercised RSUs in the reporting period was $42,372.

Remuneration report (continued)

7. KMP remuneration tables (Audited) (continued)

Table 7.c Share option holdings for the reporting period ending 31 December 2014.

Executive KMP	Equity plan	Grant detail	Grant date	Issue price
Name and position				
Georgette Nicholas Chief Financial Officer	GFI Equity 2009	GFI '09 Grant - T2 - Options	19 August 2009	$9.41
		GFI '09 Grant - T3 - Options	19 August 2009	$9.41
		GFI '09 Grant - T4 - Options	19 August 2009	$9.41
	GFI Equity 2010	GFI '10 Grant - T1 - Options	10 February 2010	$16.20
		GFI '10 Grant - T2 - Options	10 February 2010	$16.20
		GFI '10 Grant - T3 - Options	10 February 2010	$16.20
		GFI '10 Grant - T4 - Options	10 February 2010	$16.20
	GFI Equity 2011	GFI '11 Grant - T1 - Options	9 February 2011	$12.61
		GFI '11 Grant - T2 - Options	9 February 2011	$12.61
		GFI '11 Grant - T3 - Options	9 February 2011	$12.61
		GFI '11 Grant - T4 - Options	9 February 2011	$12.61
	GFI Equity 2012	GFI '12 Grant - T1 - Options	14 February 2012	$8.31
		GFI '12 Grant - T2 - Options	14 February 2012	$8.31
		GFI '12 Grant - T3 - Options	14 February 2012	$8.31
		GFI '12 Grant - T4 - Options	14 February 2012	$8.31
	GFI Equity 2013	GFI '13 Grant - T1 - Options	15 February 2013	$8.79
		GFI '13 Grant - T2 - Options	15 February 2013	$8.79
		GFI '13 Grant - T3 - Options	15 February 2013	$8.79
		GFI '13 Grant - T4 - Options	15 February 2013	$8.79
Bridget Sakr Chief Commercial Officer	GFI Equity 2004	GFI '04 Grant - T3 - Options	25 May 2004	$27.52
		GFI '04 Grant - T4 - Options	25 May 2004	$27.52
	GFI Equity 2009	GFI '09 Grant - T1c - Options	19 August 2009	$9.41
		GFI '09 Grant - T2c - Options	19 August 2009	$9.41
		GFI '09 Grant - T3c - Options	19 August 2009	$9.41
		GFI '09 Grant - T4c - Options	19 August 2009	$9.41
		GFI '09 Grant - T4d - Options	19 August 2009	$9.41

Notes for share right and option tables:

Issue Price is the share price of the instrument at the date of grant. All GFI grant issue prices and fair values have been converted from USD to AUD using the exchange rate as at the date of grant.

		Movement during the period						
Vesting date	# Held at 19 May 2014	Number granted	Forfeited	Vested	Exercised	Expired	# Held at 31 Dec 2014	Fair Value per instrument
19 August 2011	850	0	0	0	0	0	850	$20.88
19 August 2012	850	0	0	0	0	0	850	$20.88
19 August 2013	850	0	0	0	0	0	850	$20.88
10 February 2011	3,750	0	0	0	0	0	3,750	$11.99
10 February 2012	3,750	0	0	0	0	0	3,750	$11.99
10 February 2013	3,750	0	0	0	0	0	3,750	$11.99
10 February 2014	3,750	0	0	0	0	0	3,750	$11.99
9 February 2012	4,500	0	0	0	0	0	4,500	$3.09
9 February 2013	4,500	0	0	0	0	0	4,500	$3.09
9 February 2014	4,500	0	0	0	0	0	4,500	$3.09
9 February 2015	4,500	0	0	0	0	0	4,500	$3.09
14 February 2013	5,100	0	0	0	0	0	5,100	$2.36
14 February 2014	5,100	0	0	0	0	0	5,100	$2.36
14 February 2015	5,100	0	0	0	0	0	5,100	$2.36
14 February 2016	5,100	0	0	0	0	0	5,100	$2.36
15 February 2014	4,500	0	0	0	0	0	4,500	$2.40
15 February 2015	4,500	0	0	0	0	0	4,500	$2.40
15 February 2016	4,500	0	0	0	0	0	4,500	$2.40
15 February 2017	4,500	0	0	0	0	0	4,500	$2.40
25 May 2008	6,250	0	0	0	0	6,250[1]	0	$9.38
25 May 2009	6,250	0	0	0	0	6,250[1]	0	$9.38
19 August 2012	199	0	0	0	199	0	0	$38.14
19 August 2012	199	0	0	0	199	0	0	$41.98
19 August 2012	716	0	0	0	716	0	0	$33.99
19 August 2012	750	0	0	0	750	0	0	$20.88
19 August 2013	750	0	0	0	750	0	0	$20.88

1. The value of options at lapse date was nil reflecting the fact that the exercise price of the options exceeds the value of the underlying shares.

Remuneration report (continued)

7. KMP remuneration tables (Audited) (continued)

Table 7.d KMP and their related parties direct, indirect and beneficial shareholdings (including movements during the period ending 31 December 2014)

		Movement during the period		
Executive KMP	Balance at 19 May 2014	Received via vesting/ exercising	Other changes	Balance at 31 Dec 2014
Ellen Comerford – CEO and Managing Director	0	0	0	0
Georgette Nicholas – Chief Financial Officer	0	0	0	0
Conor O'Dowd – Chief Risk Officer	0	0	0	0
Bridget Sakr – Chief Commercial Officer	0	0	0	0
Tobin Fonseca – Chief Operating Officer	0	0	18,867	18,867
Non-Executive Directors				
Richard Grellman – Chairman	0	0	28,301	28,301
Tony Gill – Director	0	0	188,679	188,679
Ian MacDonald – Director	0	0	75,471	75,471
Gayle Tollifson – Director	0	0	56,603	56,603
Samuel Marsico – Director	0	0	0	0
Leon Roday – Director	0	0	19,609	19,609
Stuart Take – Director	0	0	9,699	9,699
Jerome Upton – Director	0	0	19,534	19,534

Table 7.e Relevant interest of each director in Genworth Australia and its related bodies corporate (unaudited)

Directors	GMA group balance held directly or indirectly at 31 Dec 2014	Genworth Financial balance held directly or indirectly at 31 Dec 2014	Genworth MI Canada Inc. balance held directly or indirectly at 31 Dec 2014
Name and position			
Ellen Comerford – CEO and Managing Director	Shares: 0 Share rights: 660,377	Shares: 42,913 Share rights: 61,891 Options: 0	Shares: 0 Share rights: 0 Options: 0
Richard Grellman – Chairman	Shares: 28,301 Share rights: 0	Shares: 0 Share rights: 0 Options: 0	Shares: 0 Share rights: 0 Options: 0
Tony Gill – Director	Shares: 188,679 Share rights: 0	Shares: 0 Share rights: 0 Options: 0	Shares: 0 Share rights: 0 Options: 0
Ian MacDonald – Director	Shares: 75,471 Share rights: 0	Shares: 0 Share rights: 0 Options: 0	Shares: 0 Share rights: 0 Options: 0
Gayle Tollifson – Director	Shares: 56,603 Share rights: 0	Shares: 0 Share rights: 0 Options: 0	Shares: 0 Share rights: 0 Options: 0
Samuel Marsico – Director	Shares: 0 Share rights: 0	Shares: 25,682 Share rights: 19,597 Options: 146,365	Shares: 624 Share rights: 0 Options: 0
Leon Roday – Director	Shares: 19,609 Share rights: 0	Shares: 32,526 Share rights: 34,651 Options: 692,833	Shares: 3,020 Share rights: 0 Options: 0
Stuart Take – Director	Shares: 9,699 Share rights: 0	Shares: 15,348 Share rights: 15,699 Options: 90,200	Shares: 0 Share rights: 0 Options: 0
Jerome Upton – Director	Shares: 19,534 Share rights: 0	Shares: 11,070 Share rights: 19,607 Options: 115,550	Shares: 906 Share rights: 0 Options: 0

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 83 and forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors:

Richard Grellman
Chairman

Ellen Comerford
Chief Executive Officer and Managing Director

Dated at Sydney, 27 Feburary 2015.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Genworth Mortgage Insurance Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Ian Moyser
Partner

Dated at Sydney, 27 Feburary 2015.

Financial statements

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Notes to the financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Gross written premium	3.1	398,772	–
Movement in unearned premium		(69,831)	–
Outward reinsurance premium expense		(46,125)	–
Net earned premium		282,816	–
Net claims incurred	4.1	(50,310)	–
Acquisition costs		(30,776)	–
Other underwriting expenses	3.3	(43,627)	–
Underwriting result		158,103	–
Investment income on assets backing insurance liabilities		31,327	–
Insurance profit		189,430	–
Investment income on equity holders' funds		121,776	–
Financing costs		(7,251)	–
Profit before income tax		303,955	–
Income tax expense	3.5a	(88,798)	–
Profit for the period		215,157	–
Total comprehensive income for the period		215,157	–
Earnings per share			
Basic earnings per share (cents per share)	3.7	0.331	–
Diluted earnings per share (cents per share)	3.7	0.330	–

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

As at 31 December 2014

	Note	2014 $'000	2013 $'000
Assets			
Cash		88,596	-
Accrued investment income		40,925	-
Investments	2.1.6	4,071,037	-
Trade and other receivables	6.5	3,701	-
Prepayments		2,168	-
Deferred reinsurance expense	4.2	80,602	-
Non-reinsurance recoveries		16,412	-
Deferred acquisition costs	4.3	124,470	-
Plant and equipment	6.1	1,234	-
Deferred tax assets	3.5(b)	8,211	-
Intangibles	6.2	2,802	-
Goodwill	6.3	9,123	-
Total assets		4,449,281	-
Liabilities			
Trade and other payables	6.6	115,360	-
Reinsurance payable		93,948	-
Outstanding claims	4.4	230,874	-
Unearned premiums	4.5	1,362,632	-
Employee benefits provision	6.4	7,417	-
Interest bearing liabilities	5.2	138,575	-
Total liabilities		1,948,806	-
Net assets		2,500,475	-
Equity			
Share capital	5.3(a)	1,706,467	-
Share-based payment reserve	5.3(b)	3,832	-
Other reserves	5.5	(476,559)	-
Retained earnings		1,266,735	-
Total equity		2,500,475	-

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2014

	Share capital $'000	Other reserves $'000	Retained earnings $'000	Share based payment reserve $'000	Total $'000
Balance at 1 January 2013	–	–	–	–	–
Profit for the year	–	–	–	–	–
Balance at 31 December 2013	–	–	–	–	–
Balance at 1 January 2014	–	–	–	–	–
Profit after taxation	–	–	215,157	–	215,157
Dividends declared and paid			(18,200)		(18,200)
Transactions with owners in their capacity as owners	–	(476,559)	1,069,778	1,954	595,173
Issuance of shares	1,706,467	–	–	–	1,706,467
Share-based payment expense recognised	–	–	–	3,315	3,315
Share-based payment settled	–	–	–	(1,437)	(1,437)
Balance at 31 December 2014	1,706,467	(476,559)	1,266,735	3,832	2,500,475

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Premiums received		398,772	-
Interest and other income		91,034	-
Claims paid		(48,941)	-
Financial expense on long-term borrowings		(7,251)	-
Cash payments in the course of operations		(115,672)	-
Income tax paid		(40,894)	-
Net cash provided by operating activities	3.4	277,048	-
Cash flows from investing activities			
Payment for plant and equipment and intangibles		(283)	-
Payments for investments		(1,214,884)	-
Proceeds from sale of investments		977,621	-
Proceeds from acquisition of subsidiaries		67,295	
Net cash used in investing activities		(170,251)	-
Cash flows from financing activities			
Proceeds from issuance of share capital		583,000	-
Equity issuance costs		(16,033)	-
Repayment of related party note		(566,968)	-
Dividends paid		(18,200)	-
Net cash provided by financing activities		(18,201)	-
Net increase in cash held		88,596	-
Cash and cash equivalents at the beginning of the financial period		–	-
Cash and cash equivalents at the end of the financial period	6.7	88,596	-

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

Section 1 – Basis of preparation

1.1 Reporting entity

This general purpose consolidated financial report is for the year ended 31 December 2014 and comprises the consolidated financial statements for Genworth Mortgage Insurance Australia Limited and its controlled entities (together referred to as the 'Group'). The Company is a for-profit entity domiciled in Australia and its shares are publicly traded on the ASX. The Group operates in one business and geographical segment conducting loan mortgage insurance business in Australia; hence no segment information is presented.

The annual financial report was authorised for issue by the Board of Directors on 27 February 2015.

1.2 Basis of preparation

(a) Statement of compliance

This report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards adopted by the Australian Accounting Standards Board and the ASX listing rules. International Financial Reporting Standards form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS. The financial report also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the financial position and performance of the Group.

(b) Basis of preparation

The company has a 31 December year-end. It was incorporated on 21 December 2011 with $1 share capital and had nil operating activity until it gained control of Genworth Financial Australia Holdings, LLC on 19 May 2014 as part of the IPO restructure. The year ended 31 December 2014 represents the Company's 12 months results and the trading results of the Group from 19 May 2014 to 31 December 2014. For the results of the standalone company only, please refer to Note 7.1.

The consolidated financial report is presented in Australian dollars.

The consolidated statement of financial position has been prepared using the liquidity format of presentation, in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date). For those assets and liabilities that comprise both current and non-current amounts, information regarding the respective current and non-current amounts is disclosed in the relevant note to the financial statements.

The consolidated financial report is prepared on the historical cost basis except for investments being stated at fair value and outstanding claims and the related reinsurance recoveries on unpaid claims being stated at present value.

(c) Changes in accounting policies

New and amended standards adopted by the Group

The Group has adopted the following accounting policies which became effective for the annual reporting period commencing on 1 January 2014. These standards have introduced new disclosures but did not materially affect the amounts recognised in the financial statements.

	New standards, amendments and interpretations	Operative date
AASB 2012-3	Amendments to Australian Accounting Standards arising from AASB 132 - offsetting Financial Assets and Financial Liabilities	1/01/2014
AASB 2013-3	Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets	1/01/2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instrument Part B	1/01/2014

Notes to the financial statements (continued)

Section 1 – Basis of preparation (continued)

(c) Changes in accounting policies (continued)

New accounting standards and amendments issued but not yet effective

A number of new standards, amendments to standards and interpretations noted below are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. An initial assessment of these standards and amendments has taken place and the application of these standards is not expected to have material impact on the Group's accounting policies. AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2018 financial statements could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

	New standards, amendments and interpretations	Operative date
AASB 9	Financial Instruments	1/01/2018
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1/01/2018
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1/01/2018
AASB 2012-6	Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transition disclosures	1/01/2015
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instrument: Part C	1/01/2018
IFRS 15	Revenue from contracts with customers	1/01/2017
AASB 2014-1	Amendments to Australian Accounting Standards – Part E	1/01/2018

(d) Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the consolidated financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(e) Use of estimates and judgements

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources.

These estimates and underlying assumptions are reviewed on an ongoing basis and actual results may vary from estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment are discussed in Note 4.7.

Mortgage insurance business is seasonal in nature. While net premiums earned, investment income and underwriting and administrative expenses are relatively stable from quarter to quarter, premiums written and losses may vary each quarter. The variations in premium written are driven by the level of mortgage origination and related mortgage policies written, which are typically lowest in the first quarter each year. Delinquencies and losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio such as size and age. All revenue and expenses are recognised in accordance with the accounting policies.

The accounting policies have been applied consistently by the Group.

(f) Principles of consolidation

The Group incorporates the assets and liabilities of the Company and all subsidiaries as at the reporting date and the results of the Company and all subsidiaries for the period set out in note 1.2(b) as if they had operated as a single entity.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Section 2 – Risk management

The Group has exposure to credit, liquidity and market risks relating to its use of financial instruments. This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk.

2.1 Financial risk management

2.1.1 Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees, amongst other things, how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2.1.2 Risk concentration

Risk is managed primarily through appropriate pricing, product design, risk selection, appropriate investment strategy, financial strength ratings and reinsurance. It is vital that the Group closely monitors and responds to any changes in the general economic and commercial environment in which it operates.

Due to the nature of the Australian economy, the majority of mortgages are originated through the country's four largest banks. The Group's top three lender customers accounted for approximately 66% of the Group's gross written premium, as outlined in the table below:

Lender customer	FY14 GWP
Lender customer 1	39%
Lender customer 2	14%
Lender customer 3	11%

2.1.3 Market risk

The risk that the market price of assets change and the potential for such change or volatility to result in the actual market value of Genworth Australia's assets being adversely impacted.

(a) Currency risk

Currency risk is the risk of loss arising from an unfavourable movement in market exchange rates. The Group is exposed to currency risk on its investments in receivables and payables denominated in a currency other than Australian dollars and the net investment in foreign branch operations. The currency giving rise to the risk is New Zealand dollars. The NZ currency risk exposure to the Group is not material.

The potential impact on the Group's profit and loss and equity as a result of a 10% depreciation/ appreciation of the Australian dollar at the reporting date, assuming all other variables remain constant, is shown below.

	2014		2013	
	+10%	-10%	+10%	-10%
	$'000	$'000	$'000	$'000
Impact to profit and loss and equity of 10% depreciation/appreciation of Australian Dollar on New Zealand assets and liabilities.	625	(764)	–	–

Notes to the financial statements (continued)

Section 2 – Risk management (continued)

2.1.3 Market risk (continued)

(b) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk arising on interest bearing assets. Assets with floating rate interest expose the Group to cash flow interest rate risk. Fixed interest rate assets expose the Group to fair value interest rate risk. The Group's strategy is to invest in high quality, liquid fixed interest securities and cash and to actively manage duration. The investment portfolios are actively managed to achieve a balance between cash flow interest rate risk and fair value interest rate risk bearing in mind the need to meet the liquidity requirements of the insurance business.

The Group has exposure to interest rate risk on its term subordinated notes. The interest rate on these notes is reset quarterly. The Group manages the level of assets with similar maturities to offset this exposure.

The potential impact of movements in interest rates on the Group's profit and loss and equity are shown below.

	2014		2013	
	+1%	-1%	+1%	-1%
	$'000	$'000	$'000	$'000
Impact to profit and loss and equity of 1% movement in interest rates	69,253	(66,860)	–	–

2.1.4 Credit risk exposures

Credit risk is the risk of default by borrowers and transactional counterparties as well as the loss of value of assets due to deterioration in credit quality. The Group's credit risk arises predominantly from investment activities and the amounts are as indicated by the carrying amounts of the financial assets.

The Group's investment portfolio comprises 98% (2013:nil %) of total fixed interest and cash with counterparties having a rating of A– or better. The Group does not expect any investment counterparties to fail to meet their obligations given their strong credit ratings.

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. As at balance date there were no assets past due.

The ratings in the following table are the lower equivalent rating of either Standard & Poor's or Moody's.

	2014 $'000	2013 $'000
Cash at bank and short-term bank deposits		
AAA	20,858	–
AA	456,511	–
A	81,132	–
BBB	9,987	–
BB	3,000	–
	571,488	–
Investments		
AAA	1,482,560	–
AA	1,111,255	–
A	883,220	–
BBB	111,110	–
	3,588,145	–
Accrued interest receivable		
AAA	14,761	–
AA	14,986	–
A	9,632	–
BBB	1,534	–
BB	12	–
	40,925	–
Receivables without external credit rating	3,701	–

2.1.5 Liquidity risk

Liquidity risk is the risk that there are insufficient cash resources to meet payment obligations to policyholders and creditors without affecting the daily operations or the financial condition of the Group.

Management of liquidity risk includes asset and liability management strategies. The assets held to back insurance liabilities consist predominantly of highly rated fixed income securities which can generally be readily sold or exchanged for cash. The assets are managed so as to effectively match the maturity profile of the assets with the expected pattern of claims payments.

The money market securities are restricted to investment grade securities with concentrations of investments managed as per the investment mandates.

2014 Financial liabilities	Less than 1 year $'000	1 to 5 years $'000	Total $'000
Payables	115,060	300	115,360
Reinsurance payable	59,848	34,100	93,948
Outstanding claims provision	166,861	64,013	230,874
	341,769	98,413	440,182

2013 Financial liabilities	Less than 1 year $'000	1 to 5 years $'000	Total $'000
Payables	–	–	–
Reinsurance payable	–	–	–
Outstanding claims provision	–	–	–
	–	–	–

Notes to the financial statements (continued)

Section 2 – Risk management (continued)

2.1.6 Fair value measurements

Accounting policies

Financial assets backing general insurance liabilities

The assets backing general insurance liabilities are those assets required to cover the technical insurance liabilities (outstanding claims and unearned premiums) plus an allowance for capital adequacy.

The Group has designated the assets backing general insurance activities based on its function. Initially insurance technical balances are offset against the required assets, with any additional assets required being allocated based on liquidity.

In accordance with the Company's investment strategy, the Company actively monitors the average duration of the notional assets allocated to insurance activities to ensure sufficient funds are available for claim payment obligations.

The Group accounts for financial assets and any assets backing insurance activities at fair value through profit and loss, with any unrealised profits and losses recognised in the statement of comprehensive income.

The valuation methodologies of assets valued at fair value are summarised below:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn;
- Fixed interest securities are initially recognised at fair value, determined as the quoted cost at date of acquisition. They are subsequently remeasured to fair value at each reporting date. For securities traded in an active market, fair value is determined by reference to published bid price quotations. For securities not traded and securities traded in a market that is not active, fair value is determined using valuation techniques with the most common technique being reference to observable market data by reference to the fair values of recent arm's length transactions involving the same or similar instruments. In the absence of observable market information, unobservable inputs which reflect management's view of market assumption are used. Valuation techniques maximise the use of observable inputs and minimise the use of unobservable inputs.

Financial assets not backing general insurance liabilities

The balances of investments not backing insurance liabilities are designated as financial assets at fair value through profit and loss on the same basis as those backing insurance liabilities.

Investments

	31 December 2014 $'000	31 December 2013 $'000
Fixed interest rate		
Short-term deposits	394,993	–
Government and semi-government bonds	588,791	–
Corporate bonds	2,500,691	–
	3,484,475	–
Floating interest rate		
Short-term deposits	87,899	–
Corporate bonds	498,663	–
	586,562	–
		–
Total investments	4,071,037	–
Current	925,695	–
Non-current	3,145,342	–
	4,071,037	–

The Group's financial assets and liabilities are carried at fair value.

The Group investments carried at fair value have been classified under the three levels of the IFRS fair value hierarchy as follows:

Level 1 - Quoted prices in an active market: Fair value investments which are quoted in active and known markets. The quoted prices are those at which transactions have regularly and recently taken place within such markets.

Level 2 - Valuation techniques with observable parameters: Fair value investments using inputs other than quoted prices within Level 1 that are observable either directly or indirectly.

Level 3 - Valuation techniques with significant unobservable parameters: Fair value investments using valuation techniques that include inputs that are not based on observable market data.

31 December 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Instruments				
Government and semi-government bonds		587,829	962	588,791
Corporate bonds		2,950,854	48,500	2,999,354
Short-term deposits	482,892	–	–	482,892
Total	482,892	3,538,683	49,462	4,071,037

There are an insignificant proportion of investments, 1%, for which a valuation methodology is used to determine the fair value. These assets are effectively marked to model rather than fair value. Reasonable changes in the judgement applied in conducting these valuations would not have a significant impact on the statement of financial position.

31 December 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Instruments				
Government and semi-government bonds	–	–	–	–
Corporate bonds	–	–	–	–
Short-term deposits	–	–	–	–
Total	–	–	–	–

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Balance at 1 January 2014 $'000	Formation of Group $'000	Purchases $'000	Disposals $'000	Movement in fair value $'000	Balance at 31 December 2014 $'000
Financial Instruments						
Government and semi-government bonds	–	941	–	–	21	962
Corporate bonds	–	48,500	–	–	–	48,500
Total	–	49,441	–	–	21	49,462

The interest bearing liabilities were initially measured at fair value (net of transaction costs) but are subsequently measured at amortised cost. The Company considers the fair value of the interest bearing liabilities to be approximate to that of the carrying value. The interest bearing liabilities have been classified as Level 2 under the three levels of the IFRS fair value hierarchy.

Notes to the financial statements (continued)

Section 3 – Results for the year

3.1 Gross written premium

Accounting policies

Gross written premium comprises amounts charged to policyholders (direct premium) or other insurers (inward reinsurance premium) for insurance contracts. Premium amounts charged to policyholders, excludes stamp duties and goods and services tax (GST) collected on behalf of third parties.

	2014 $'000	2013 $'000
Direct premium	393,420	–
Inward reinsurance premium	5,352	–
	398,772	–

3.2 Financial income

Accounting policies

Interest revenue

Interest revenue is recognised as it accrues, taking into account the coupon rate on investments, and interest rates on cash and cash equivalents, net of withholding tax paid or payable.

Gains/ (losses) in fair value of investments

Refer to Note 2.1.6 Accounting policies and fair value estimations for further details.

	2014 $'000	2013 $'000
Interest	100,370	–
Gains/(losses) in fair value of investments		
– Unrealised	49,224	–
– Realised	3,508	–
	153,102	–

3.3 Other underwriting expenses

	2014 $'000	2013 $'000
Depreciation and amortisation expense	3,208	–
Employee expenses		
– Salaries and wages	22,399	–
– Superannuation contributions	1,592	–
– Employee benefits	199	–
Occupancy expenses	2,084	–
Marketing expenses	541	–
Administrative expenses	13,604	–
	43,627	–

3.4 Net cash provided by operating activities

This note reconciles the operating profit to the cash provided by operating activities per the cash flow statement.

	2014 $'000	2013 $'000
Profit after income tax	215,157	–
Less items classified as investing/financing activities:		
– Gain on sale of investments	(3,512)	–
– Unrealised gains on investments	(49,224)	–
Add non-cash items:		
– Share-based payments	1,811	–
– Loss on disposal of plant and equipment	865	–
– Depreciation, amortisation and impairment	6,677	–
Net cash provided by operating activities before change in assets and liabilities	171,774	–
Change in assets and liabilities during the financial year:		
Decrease/(increase) in receivables	20,856	–
Decrease in outstanding claims liability	1,350	–
(Decrease)/ increase in payables and borrowings	13,557	–
Decrease in deferred acquisition costs	(404)	–
Increase in provision for employee entitlements	552	–
Increase in unearned premiums	69,831	–
Increase in deferred tax asset balances	(467)	–
Net cash provided by operating activities	277,048	–

3.5 Income taxes

Accounting policies

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity. Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the statement of reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The Group's subsidiaries constitute a tax consolidated group of which the Company is the head entity. Under the tax consolidation system, the head entity is liable for the current income tax liabilities of that group. Entities are jointly and severally liable for the current income tax liabilities of the Group where the head entity defaults, subject to the terms of a valid tax sharing agreement between the entities in the Group. Assets and liabilities arising from the Company under the tax funding arrangement are recognised as amounts receivable from or payable to other entities in the Group.

Notes to the financial statements (continued)

Section 3 – Results for the year (continued)

3.5 Income taxes (continued)

(a) Income tax expense

	31 December 2014 $'000	31 December 2013 $'000
Current tax	90,163	–
Deferred tax	974	–
(Over)/under provision in prior year:		
– Current tax	(1,950)	–
– Deferred tax	(389)	–
	88,798	–

(i) Numerical reconciliation of income tax expense to prima facie tax payable

	31 December 2014 $'000	31 December 2013 $'000
Prima facie income tax expense calculated at 30% on profit		
Increase in income tax expense due to:	91,186	–
– (Over)/under provision in prior year	(2,339)	–
– Other non-taxable items	(49)	–
Income tax expense on the profit	88,798	–

(ii) Current tax liabilities

The Company is liable for the current income tax liabilities of the tax consolidated group.

The Group's liability includes the income tax payable by all members of the tax consolidated group.

(b) Deferred tax assets and liabilities

	31 December 2014 $'000	31 December 2013 $'000
Deferred tax asset balance comprises temporary differences attributable to:		
Employee benefits	3,962	–
Accrued expenses	134	–
Provision for indirect claims handling costs	4,457	–
	8,553	–
Deferred tax liability balance comprises temporary differences attributable to:		
Research and development claims on fixed assets and intangibles	(341)	–
	(341)	–
Net deferred tax		–
Balance at 1 January 2014	–	–
Balance acquired on 19 May 2014	7,626	–
Credited to the statement of comprehensive income	974	–
Under/(over) provision of prior year tax	(389)	–
Closing balance at 31 December	8,211	–

3.6 Dividends

Accounting policy

A provision for dividends is made in respect of ordinary shares when dividends have been declared on or before the reporting date but have not yet been distributed at that date.

(a) Restrictions that may limit the payment of dividends

There are currently no restrictions on the payment of dividends by the Company other than:

- the payment of dividends is subject to provisions of the *Corporations Act 2001* and the Company's constitution; and
- the payment of dividends is generally limited to profits subject to ongoing solvency obligations noting that, under the APRA Level 2 Group supervision requirements, the Company is required to obtain approval from APRA before payment of dividends on ordinary shares that exceeds the Group's after tax earnings as defined by APRA.

The Group paid a 100% franked dividend of 2.8 cents per share amounting to $18,200,000 on 29 August 2014.

The Board normally resolves to pay dividends for a period after the relevant reporting date. In accordance with the accounting policy, dividends for a six monthly period are generally recognised in the following six month period.

(b) Dividend not recognised at reporting date

In addition to the above dividends, the Board determined to pay the following dividend after the reporting date but before finalisation of this financial report and it has not been recognised in this financial report.

	Cents per share	Total amount $m	Expected payment date	Tax rate for franking credit	Percentage franked
2014 final dividend	13.1	85	6 March 2015	30%	100%
2014 special dividend	11.5	75	6 March 2015	30%	100%

(c) Dividend franking account

The balance of the franking account arises from:

- Franked income received or recognised as a receivable at the reporting date;
- Income tax paid, after adjusting for any franking credits which will arise from the payment of income tax provided for in the financial statements; and
- Franking debits from payment of dividends recognised as a liability at the reporting date.

	31 December 2014 $'000	31 December 2013 $'000
Franking account balance at reporting date at 30%	15,196,032	–
Franking credits to arise from payment of income tax payable	67,408,646	–
Franking credits available for future reporting periods	82,604,678	–
Franking account impact of dividends determined before issuance of financial report but not recognised at reporting date	(68,528,571)	–
Franking credits available for subsequent financial periods based on a tax rate of 30%	14,076,107	–

In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has assumed the benefit of available franking credits.

At the date the Company became listed on the ASX, 20 May 2014, the classification for dividend imputation purposes changed to a 'former exempting entity' and the franking account balance attributable to pre IPO ownership periods, $549 million, automatically converted to an exempting account, which is now quarantined. The above balances represent only the new franking account that commenced with a nil balance on 20 May 2014.

Notes to the financial statements (continued)

Section 3 – Results for the year (continued)

3.7 Earnings per share

Accounting policies

Basic earnings per share are calculated by dividing the profit after tax by the weighted average number of shares on issue during the reporting period.

Diluted earnings per share is calculated by dividing the profit after tax adjusted for any costs associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares.

Basic and diluted earnings per share have been calculated using the weighted average and dilutive number of shares outstanding during the year of 650,000,000. The difference between basic and diluted earnings per share is caused by the granting of potentially dilutive securities such as share rights, options and restricted share units (**RSUs**).

	31 December 2014	31 December 2013
Basic earnings per share (cents per share)	0.331	–
Diluted earnings per share (cents per share)	0.330	–

(a) Reconciliation of earnings used in calculating earnings per share

	31 December 2014 $'000	31 December 2013 $'000
Profit after tax	215,157	–
Profit used in calculating basic and diluted earnings per share	215,157	–

(b) Reconciliation of weighted average number of ordinary shares used in calculating earnings per share

	31 December 2014 $'000	31 December 2013 $'000
Weighted average number of ordinary shares on issue	650,104	–
Weighted average number of shares used in the calculation of basic earnings per share	650,104	–
Weighted average number of dilutive potential ordinary shares		
Bonus element of shares	1,255	–
Weighted average number of shares used in the calculation of diluted earnings per share	651,359	–

Section 4 – Insurance Contracts

4.1 Net claims incurred

(a) Claims analysis

	31 December 2014 $'000	31 December 2013 $'000
Gross claims incurred	56,968	–
Reinsurance and other recoveries revenue	(6,658)	–
Net claims incurred	50,310	–

(b) Claims development

	2014			2013		
	Current year $'000	Prior years $'000	Total $'000	Current year $'000	Prior years $'000	Total $'000
Gross claims expense						
Direct	84,475	(30,159)	54,316	–	–	–
Inwards reinsurance	2,897	(245)	2,652	–	–	–
Gross claims incurred – undiscounted	87,372	(30,404)	56,968	–	–	–
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries – undiscounted	(159)	(6,499)	(6,658)	–	–	–
Net claims incurred	87,213	(36,902)	50,310	–	–	–

4.2 Deferred reinsurance expense

Accounting policies

Reinsurance expense

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance coverage received. Accordingly, a portion of outwards reinsurance premium is treated at the balance date as a deferred reinsurance expense.

Reinsurance and other recoveries receivable

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and incurred but not reported claims are recognised as revenue. Recoveries receivable on paid claims are presented as part of trade and other receivables net of any provision for impairment based on objective evidence for individual receivables. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Reinsurance does not relieve the Group of its liabilities to policyholders and reinsurance recoveries are, if applicable, presented as a separate asset on the statement of financial position.

	31 December 2014 $'000	31 December 2013 $'000
Balance at 1 January	–	–
Balance acquired on 19 May 2014	117,203	–
Deferral of reinsurance premium on current year contracts	9,524	–
Expensing of reinsurance premium previously deferred	(46,125)	–
Balance as at 31 December	80,602	–
Current	46,502	–
Non-current	34,100	–
	80,602	–

Notes to the financial statements (continued)

Section 4 – Insurance contracts (continued)

4.3 Deferred acquisition costs

Accounting policies

Costs associated with obtaining and recording mortgage insurance contracts are referred to as acquisition costs and are capitalised when they relate to the acquisition of new business or the renewal of existing business. These are presented as deferred acquisition costs (DAC) and amortised using the same basis as the earning pattern of premium over the period of the related insurance contracts. The balance at the reporting date represents the capitalised acquisition costs relating to unearned premium and is stated at cost subject to a liability adequacy test.

The Group reviews all assumptions underlying DAC and tests DAC for recoverability annually. If the balance of unearned premiums is less than the current estimate of future losses and related expenses a charge to income is recorded for additional DAC amortisation.

Refer to Note 4.7 Accounting estimates and judgements for further detailed information.

	31 December 2014 $'000	31 December 2013 $'000
Opening balance at 1 January	–	–
Balance acquired on 19 May 2014	124,066	–
Acquisition costs incurred in year	26,087	–
Amortisation charge	(25,683)	–
Balance as at 31 December	124,470	–
Current	27,036	–
Non-current	97,434	–
	124,470	–

4.4 Outstanding claims

Accounting policies

Claims expense and a liability for outstanding claims are recognised in respect of direct and inward reinsurance business. The liability covers claims reported and outstanding, IBNR and the expected direct and indirect costs of settling those claims. Outstanding claims are assessed by estimating the ultimate cost of settling delinquencies, which includes IBNR and settlement costs, using statistics based on past experience and trends. Changes in outstanding claims are recognised in profit or loss in the reporting period in which the estimates are changed.

The provision for outstanding claims contains a risk margin to reflect the inherent uncertainty in the central estimate, the central estimate being the expected value of outstanding claims.

Refer to Note 4.7 Accounting estimates and judgements and Note 4.8 Actuarial assumptions and methods for further detailed information.

	2014 $'000	2013 $'000
Central estimate	202,800	–
Risk margin	28,074	–
Gross outstanding claims	230,874	–

(a) Reconciliation of changes in outstanding claims

	2014 $'000	2013 $'000
Opening balance at 1 January	–	–
Balance acquired on 19 May 2014	229,505	–
Current period net claims incurred	50,310	–
Claims paid	(48,941)	–
Balance at 31 December	230,874	–
Current	182,214	–
Non-current	48,660	–
	230,874	–

(b) Claims development

Underwriting years	Prior years[1] $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	Total $'000
At end of year of underwrite	204,831	9,302	8,438	4,392	701	992	1,079	1,021	777	231,533
One year later	150,229	39,266	44,511	19,629	7,004	6,668	7,805	6,826		281,938
Two years later	129,761	61,383	47,593	36,755	15,005	10,997	11,246			312,740
Three years later	106,406	45,634	52,953	47,622	9,744	9,989				272,348
Four years later	42,476	50,058	79,244	24,386	8,107					204,271
Five years later	34,904	61,174	31,875	16,589						144,542
Six years later	48,439	29,491	22,639							100,569
Seven years later	12,446	10,196								22,642
All future years	-1,819									-1,819
Net incurred to date	727,673	306,505	287,253	149,373	40,561	28,646	20,130	7,847	777	1,568,764
Net paid to date	690,099	269,425	238,526	115,504	25,780	10,958	3,325	687	–	1,354,303
Outstanding claims provision at 31 December 2014	37,574	37,081	48,727	33,869	14,781	17,689	16,805	7,159	777	214,462

1. Prior to 2007 underwriting years.

(c) Reconciliation of claims development table to outstanding claims provision

	2014 $'000
Closing outstanding claims provision per claims development table	214,462
Non-reinsurance recoveries	16,412
Gross closing outstanding claims provision	230,874

Notes to the financial statements (continued)

Section 4 – Insurance contracts (continued)

4.5 Unearned premiums

Accounting policies

Classification of insurance contracts

Contracts under which an entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk.

Earned and unearned premium revenue

Premiums have been brought to account as income from the date of attachment of risk over periods up to eleven years based on an actuarial assessment of the pattern and period of risk. The earned portion of premiums received is recognised as revenue. The balance of premium received is recorded as an unearned premium reserve.

Refer to Note 4.7 Accounting estimates and judgements for further detailed information.

	31 December 2014 $'000	31 December 2013 $'000
Balance at 1 January	–	–
Balance acquired on 19 May 2014	1,292,801	–
Premiums incepted during the year	398,772	–
Premiums earned during the year	(328,941)	–
Balance as at 31 December	1,362,632	–
Current	391,427	–
Non-current	971,205	
	1,362,632	–

4.6 Liability adequacy test

Accounting policies

The liability adequacy test is an assessment of the carrying amount of the unearned premium liability and is conducted at each reporting date. If current estimates of the present value of the expected cash flows relating to future claims plus an additional risk margin to reflect the inherent uncertainty in the central estimate exceed the unearned premium liability less related deferred reinsurance and deferred acquisition costs, then the unearned premium liability is deemed to be deficient. The test is performed at the portfolio level of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. Any deficiency is recognised in the statement of comprehensive income, with a corresponding impact in the statement of financial position, recognised first through the write down of related deferred acquisition costs and any remaining balance being recognised as an unexpired risk liability.

The liability adequacy test has identified a surplus in the portfolio of contracts that are subject to broadly similar risks.

The probability of sufficiency adopted in performing the LAT is set at the 75th percentile.

For the purposes of the liability adequacy test, the present value of expected future cash flows for future claims, including the risk margin, for the Group are as follows:

	31 December 2014 $'000	31 December 2013 $'000
Discounted central estimate of premium liability	666,987	–
Risk margin – premium liability (75% PoS)	188,831	–
	855,818	–

4.7 Accounting estimates and judgements

Critical accounting estimates and judgements

The Group makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where critical accounting estimates and judgements are applied are noted below.

Estimation of premium revenue/ unearned premium/ deferred acquisition costs (Note 3.1, Note 4.3 and Note 4.5)

Premium is earned over periods of up to eleven years. The principle underlying the earning recognition is to derive a premium earning scale which recognises the premium in accordance with the incidence of claims risk.

The review of the premium earning scale is based on an analysis of the historical pattern of claims incurred and the pattern of policy cancellations. The estimate for unearned premiums is established on the basis of this earning scale. Assumptions recommended by the Appointed Actuary recognise that the unearned premium relating to cancelled policies is brought to account immediately.

Deferred acquisition costs are amortised under the same premium earnings scale as the related insurance contract.

Estimation of outstanding claims liabilities (Note 4.4)

Provision is made for the estimated claim cost of reported delinquencies at the reporting date, including the cost of delinquencies incurred but not yet reported to the Group.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of expected third party recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

A risk margin is added to the central estimate as an additional allowance for uncertainty in the ultimate cost of claims over and above the central estimate. The overall margin adopted by the Group is determined after considering the uncertainty in the portfolio, industry trends, the Group's risk appetite and the margin corresponding with that appetite.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR claims may often not be apparent to the insured until sometime after the events giving rise to the claims have happened.

In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which might create distortion in the underlying statistics or cause the cost of unsettled claims to increase or decrease when compared with the cost of previously settled claims.

Provisions are calculated gross of any recoveries. A separate estimate is made of the amounts that will be recoverable from lenders under specified arrangements. Estimates are also made for amounts recoverable from borrowers and property valuers, based upon the gross provisions.

4.8 Actuarial assumptions and methods

The Group internally values the outstanding claims liabilities at the reporting date. The valuation approach is consistent with that recommended by the Appointed Actuary.

The valuation methods used are based on the underlying attributes of the claims portfolio. The Group establishes provisions for outstanding claims in two parts:

- delinquent loans advised to the Group; and
- IBNR.

The provision in respect of delinquent loans not in possession by the mortgagee is determined according to the following formula:

- outstanding loan amount multiplied by frequency factor multiplied by severity factor.

Notes to the financial statements (continued)

Section 4 – Insurance contracts (continued)

4.8 Actuarial assumptions and methods (continued)

In applying this formula:

- the outstanding loan amount insured is the total outstanding amount on those loans advised to the Group by the lenders as being delinquent;
- the frequency and severity factors are based on a review of historical claims and delinquency experience performed by the Appointed Actuary and adopted by the Group.

For loans where the mortgagee is in possession where a claim has been submitted, the approach adopted is to provide for the claimed amount, adjusted for amounts not eligible to be claimed. For loans where there is a MIP but a claim has not yet been submitted, the approach taken is a case estimate based approach using the current outstanding loan balance including accumulated arrears adjusted for selling costs, the most recent property valuation, or an estimate thereof, and any amounts not eligible to be claimed.

Actuarial assumptions and process

Historical information relating to arrears and claims history for the Group is provided to the Appointed Actuary in order to determine the underlying assumptions.

The Appointed Actuary examines all past underwriting years, including the mix of business by loan to value ratio and loan size band, the region in which the mortgaged property is located, product types, loan purpose and arrears duration.

Statistical modelling was used to identify significant explanatory factors affecting outcomes for frequency and severity based on historical claims experience.

The Appointed Actuary identifies significant explanatory factors affecting outcomes and incorporates this information into models for frequency and severity. The models incorporate past and anticipated movements in key variables to determine appropriate assumptions for reserving. The actuarial assumptions used in determining the outstanding claims liabilities, other than MIPs, are:

Frequency

While the propensity for a delinquent loan to become a claim varies for many explanatory factors (as determined by the Appointed Actuary's analyses), the frequency basis is summarised on any given balance date and expressed so that it varies by LVR band and number of payments in arrears taking into account the average mix of effects of the other explanatory factors on the balance date. Additional loadings may be placed on these factors according to the geographic location, loan balance, External Dispute Resolution (those borrowers accessing ombudsman services or seeking legal representation), and the lender, to adjust for shorter term expectations of frequency.

Severity

Claim severity varies according to the number of payments in arrears and the geographic region of the properties secured by the mortgages. Claim severity is expressed as a percentage of the outstanding loan amount at the arrears date.

The following average frequency and severity factors were used in the measurement of outstanding claims:

- Average frequency factor is 36%
- Average severity factor is 24%

IBNR

The IBNR provision is estimated by analysing the historical pattern of reported delinquencies.

Risk margin

The risk margin is an additional allowance for uncertainty in the ultimate cost of claims over and above the central estimate determined on the bases set out above. The overall margin adopted by the Group is determined after considering the uncertainty in the portfolio, industry trends, the Group's risk appetite and the margin corresponding with that appetite.

The Appointed Actuary reviews the factors impacting the portfolio to establish a recommended risk margin at the level required by the Group and APRA. Factors considered include:

- variability of claims experience of the portfolio;
- quality of historical data;
- uncertainty due to future economic conditions;
- diversification within the portfolio; and
- increased uncertainty due to future legislative changes.

A risk margin for outstanding claims of 15% of net central estimate has been assumed and is intended to achieve a 75% PoS.

No discounting has been applied to non-current claims on the basis that the effect is immaterial.

The weighted average term to settlement is approximately 21 months.

Sensitivity Analysis

The valuation of outstanding claims incorporates a range of factors that involve interactions with economic indicators, statistical modelling and observed historical claims development. Certain variables can be expected to impact outstanding claims liabilities more than others and consequently a greater degree of sensitivity to these variables can be expected.

Future economic conditions and in particular house prices, interest rates and unemployment (for new delinquencies) impact frequency and, to a lesser extent, severity.

The actuarial result is based on the central estimate of the net outstanding claim liabilities. The impact on the profit and loss before income tax to changes in key actuarial assumptions is set out in the table below.

The upper and lower bounds of a 95% confidence interval of frequency and severity outcomes are applied as sensitivity factors. The impact of applying the sensitivities is asymmetric around the central estimate due to the assumed asymmetry of the distribution of outcomes of the net outstanding claim liabilities.

Impact on outstanding claims liabilities to changes in key variables

	Change in variable 2014	Impact on outstanding claims liabilities 2014 $'000
Frequency factor – upper 97.5th	18%	82,728
Frequency factor – lower 2.5th	-13%	-59,326
Severity factor – upper 97.5th	7%	51,326
Severity factor – lower 2.5th	-5%	-42,725

Claims handling expenses

Claims handling expenses are estimated after considering historical actual expenses and management's projected costs of handling claims over the weighted average term to settlement.

4.9 Capital adequacy

APRA's Prudential Standard *GPS 110 Capital Adequacy* requires additional disclosure in the annual financial statements to improve policyholder and market understanding of the capital adequacy of the companies in the Group.

When an insurer is a controlled entity of an authorised non-operating holding company, the Level 2 Group comprises the authorised NOHC and its controlled entities. The Company became the Non-Operating Holding Company for the Level 2 Group after acquiring 100% ownership of all Australian subsidiaries as a result of the IPO reorganisation structure.

The following companies comprise the APRA Level 2 Group:
Genworth Financial Mortgage Insurance Finance Pty Limited
Genworth Financial New Holdings Pty Ltd
Genworth Financial Mortgage Insurance Holdings Pty Limited
Genworth Financial Mortgage Insurance Pty Limited
Genworth Financial Services Pty Limited
Genworth Financial Mortgage Indemnity Limited
Genworth Financial Australia Holdings, LLC

Notes to the financial statements (continued)

Section 4 – Insurance Contracts (continued)

4.9 Capital adequacy (continued)

The PCA calculation for the APRA Level 2 Group provided below is based on the APRA Level 2 Group requirements.

	31 December 2014 $'000	31 December 2013 $'000
Tier 1 capital		
Paid-up ordinary shares	1,706,467	–
Other reserves	(472,727)	–
Retained earnings	1,266,734	–
Less: Deductions	(19,490)	–
Net surplus relating to insurance liabilities	261,114	–
Net Tier 1 capital	2,742,098	–
Tier 2 capital	112,000	–
Total capital base	2,854,098	–
Insurance risk charge	202,082	–
Insurance concentration risk charge	1,498,461	–
Asset risk charge	127,998	–
Asset concentration risk charge	–	–
Operational risk charge	24,083	–
Aggregation benefit	(60,521)	–
Total prescribed capital amount	1,792,103	–
Prescribed capital amount coverage	1.59	–

Section 5 – Capital management and financing

5.1 Capital management

The capital management strategy plays a central role in managing risk to create shareholder value, whilst meeting the crucial and equally important objective of providing an appropriate level of capital to protect both policyholders' and lenders' interests and satisfy regulators. Capital finances growth, capital expenditure and business plans and also provides support in the face of adverse outcomes from insurance and other activities and investment performance.

The determination of the capital amount and mix is built around three core considerations. The Group aims to hold capital to meet the highest requirements derived from these three considerations:

(i) Regulatory capital

The regulated controlled entities are subject to APRA's prudential standards, which set out the basis for calculating the Prescribed Capital Requirement, the minimum level of capital that the regulator deems must be held to meet policyholder obligations. The capital base is expected to be adequate for the size, business mix, complexity and risk profile of the business and, as such, the PCR utilises a risk based approach to capital adequacy. The PCR is the sum of the capital charges for insurance, investments and other assets, investment concentration, operational and catastrophe concentration risk plus any supervisory adjustment imposed by APRA.

It is the Group's policy to hold regulatory capital levels in excess of the PCR. The Group maintains sufficient capital to support the PCR, which is APRA's derivation of the required capital to meet a 1 in 200 year risk of absolute ruin, and has at all times during the current and prior financial year complied with the externally imposed capital requirements to which it is subject.

Capital calculations for regulatory purposes are based on a premium liabilities model which is different from the deferral and matching model which underpins the measurement of assets and liabilities in the financial statements. The premium liabilities model estimates future expected claim payments arising from future events insured under existing policies. This differs from the measurement of the outstanding claims liabilities on the statement of financial position, which considers claims relating to events that have occurred up to and including the reporting date.

The subordinated notes of $140,000,000 no longer qualify for recognition as regulatory capital. However, transitional arrangements, to phase out these capital instruments over a nine year period have been approved by APRA. Consequently only 80% of the value of these instruments is included in the capital base as at 31 December 2014. Refer to Note 5.2 Interest bearing liabilities for further information.

(ii) Ratings capital

The controlled entities maintain their capital strength by reference to a target financial strength rating from an independent ratings agency. The ratings help to reflect the financial strength of these entities and demonstrate to stakeholders their ability to pay claims. GFMI has ratings of A+ and A3 based on the latest ratings published for the Group by Standard & Poor's Rating Services and Moody's respectively. Indemnity has ratings of A– and A3 from the respective ratings agencies, the lower ratings reflecting its run-off status. On 17 December 2014, Fitch Ratings (Fitch) published an Insurer Financial Strength (IFS) Rating of GFMI assigning an A+ rating with stable outlook.

(iii) Economic capital

In conjunction with the considerations set out above, which are important to the functioning of the business, consideration is given to the capital needs of the business through ongoing operations.

5.2 Interest bearing liabilities

Accounting policies

Interest bearing liabilities are initially recognised at fair value less transaction costs that are directly attributable to the transaction. After initial recognition the liabilities are carried at amortised cost using the effective interest rate method.

Finance costs include interest, which is accrued at the contracted rate and included in payables; amortisation of transaction costs which are capitalised, presented together with borrowings, and amortised over the life of the borrowings; and amortisation of discounts or premiums (the difference between the original proceeds, net of transaction costs, and the settlement or redemption value of borrowings) over the term of the liabilities.

	31 December 2014 $'000	31 December 2013 $'000
Subordinated notes	140,000	–
Less: capitalised transaction costs	(1,425)	–
	138,575	–

The subordinated notes were issued by GFMI on 30 June 2011 with a face value of $140 million and are eligible for recognition as lower Tier 2 capital, in transitional arrangements under prudential standards issued by APRA.

Key terms and conditions are:

- Interest is payable quarterly in arrears, with the rate each calendar quarter being the average of the 90 day bank bill swap rate at the end of the prior quarter plus a margin equivalent to 4.75% per annum; and
- The notes mature on 30 June 2021 (non-callable for the first five years) with the issuer having the option to redeem at par from 30 June 2016. Redemption at maturity, or any earlier date provided for in the terms and conditions of issue, is subject to prior approval by APRA.

Notes to the financial statements (continued)

Section 5 – Capital management and financing (continued)

5.3 Equity

(a) Share capital

	31 December 2014 $'000	31 December 2013 $'000
Issued fully paid capital		
Opening balance 1 ordinary share	–	–
Issuance of share capital 650,000,000 ordinary shares	1,706,467	–
Balance at 31 December 2014	1,706,467	–

The Company does not have a par value in respect of its issued shares. All ordinary shares are fully paid. Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Share capital represents the issued share capital of $1,722,500,000 less the underwriting costs of $16,033,000.

(b) Share based payment reserve

	31 December 2014 $'000	31 December 2013 $'000
Opening balance	–	–
Balance acquired on 19 May 2014	1,954	–
Share-based compensation	3,315	–
Share-based payment recharged from parent company	(1,437)	–
Closing balance	3,832	–

Refer to Note 7.6 Share based payments for further detailed information.

5.4 Capital commitments and contingencies

Accounting policies

The Group leases property and equipment under operating leases, where the lessor retains substantially all the risks and benefits of ownership of the leased items, expiring from one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index. All leases entered into are operating leases. Lease payments are recognised as an expense in profit and loss on a straight line basis over the term of these leases. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Operating lease commitments

	31 December 2014 $'000	31 December 2013 $'000
The estimated future amounts of operating lease commitments not provided for in the financial statements are payable:		
Within one year	6,368	–
One year or later and no later than five years	16,760	–
More than five years	–	–
	23,128	–

Contingencies

There were no contingent liabilities as at 31 December 2014.

5.5 Other reserves

	31 December 2014 $'000	31 December 2013 $'000
Opening balance	–	–
Common control transaction	(476,559)	–
	(476,559)	–

Under the pre IPO Group structure, there was no single Australian company with 100% control of Genworth's Australian subsidiaries. As part of the reorganisation plan, a corporate reorganisation was undertaken to reorganise the intragroup debt and equity funding arrangements and to facilitate the repayment of funding arrangements with the Genworth Financial Group. The following steps were applied to reflect the reorganisation plan:

- $450 million of preference shares issued by Genworth Financial New Holdings Pty Ltd and held by GFI were transferred to the Group. As a result, the Preference Shares were eliminated in the consolidated statements of financial position;
- The receivable associated with a loan provided by GFI to Genworth Financial Australia Holdings, LLC was transferred to the Group. As a result, the loan receivable was eliminated in the consolidated statements of financial position; and
- $720 million short-term note provided by GFI to the Group was repaid with the proceeds of the Offer.

Following the implementation of the reorganisation plan, the Company became the holding company of the Group and the following entities were consolidated to form the Group:

- Genworth Financial Mortgage Insurance Pty Limited;
- Genworth Financial Mortgage Indemnity Limited;
- Genworth Financial Services Pty Limited;
- Genworth Financial Mortgage Insurance Holdings Pty Limited;
- Genworth Financial Mortgage Insurance Finance Holdings Limited;
- Genworth Financial Mortgage Insurance Finance Pty Limited;
- Genworth Financial New Holdings Pty Limited; and
- Genworth Financial Australia Holdings, LLC.

The Group has determined that the reorganisation represents a business combination involving entities under common control and therefore the Group is not required to account for the reorganisation as a business combination under AASB *3 Business combinations*. The reorganisation involved transactions with owners from which no goodwill arises, therefore any difference in these transactions are recognised directly into equity as other reserves.

Notes to the financial statements (continued)

Section 6 – Operating assets and liabilities

6.1 Plant and equipment

Accounting policies

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each item of plant and equipment. Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation methods, useful lives and residual values are reviewed at each reporting date. Where changes are made, adjustments are reflected in current and future periods only.

The estimated useful lives for the current period are as follows:

	2014	2013
Leasehold improvements	5-10 years	–
Furniture and equipment	5-8 years	–
Computing hardware	3-5 years	–
Intangibles	5 years	–

Reconciliations

Reconciliations of the carrying amounts for plant and equipment are set out below:

	31 December 2014 $'000	31 December 2013 $'000
Cost		
Balance at 1 January 2014	–	–
Balance acquired on 19 May 2014	10,232	–
Additions	29	–
Disposals	(4)	–
Closing balance at 31 December	10,257	–
Accumulated depreciation		
Balance at 1 January 2014	–	–
Balance acquired on 19 May 2014	(8,718)	–
Depreciation	(308)	–
Disposals	3	–
Closing balance at 31 December	(9,023)	–
Total net book value	1,234	–

6.2 Intangibles

The intangibles balance represents software development expenditure.

Accounting policies

Acquired intangible assets

Acquired intangible assets are initially recorded at their cost at the date of acquisition, being the fair value of the consideration provided and, for assets acquired separately, incidental costs directly attributable to the acquisition. All intangible assets acquired have a finite useful life and are amortised on a straight-line basis over the estimated useful life of the assets being the period in which the related benefits are expected to be realised (shorter of legal benefit and expected economic life).

Software development expenditure

Software development expenditure that meets the criteria for recognition as an intangible asset is capitalised in the statement of financial position and amortised over its expected useful life, subject to impairment testing. Costs incurred in researching and evaluating a project up to the point of formal commitment to a project is expensed as incurred. Only software development projects with total budgeted expenditure of more than $250,000 are considered for capitalisation. Smaller projects and other costs are treated as maintenance costs, being an ongoing part of maintaining effective technology, and are expensed as incurred.

All capitalised costs are deemed to have an expected useful life of five years unless it can be clearly demonstrated for a specific project that the majority of the net benefits are to be generated over a longer or shorter period. The capitalised costs are amortised on a straight line basis over the period following completion of a project or implementation of part of a project.

Impairment assessment

The recoverability of the carrying amount of the asset is reviewed at each reporting date by determining whether there is an indication that the carrying value may be impaired. If such indication exists, the item is tested for impairment by comparing the recoverable amount, or value in use, of the asset to the carrying value. An impairment charge is recognised when the carrying value exceeds the calculated recoverable amount and recognised in the income statement. The impairment charges can be reversed if there has been a change in the estimate used to determine the recoverable amount.

There was no impairment charge recognised during the year.

Reconciliations

Reconciliations of the carrying amounts for intangibles are set out below:

	31 December 2014 $'000	31 December 2013 $'000
Cost		
Balance at 1 January 2014	–	–
Balance acquired on 19 May 2014	25,218	–
Additions	254	–
Disposals	–	–
Closing balance at 31 December	25,472	–
Accumulated amortisation and impairment losses		
Balance at 1 January 2014	–	–
Balance acquired on 19 May 2014	(19,770)	–
Amortisation	(2,900)	–
Disposals	0	–
Closing balance at 31 December	(22,670)	–
Total net intangibles	2,802	–

Notes to the financial statements (continued)

Section 6 – Operating assets and liabilities (continued)

6.3 Goodwill

Accounting policies

Business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at deemed cost less any accumulated impairment losses.

The impairment testing of goodwill involves the use of accounting estimates and assumptions. The recoverable amount of the cash generating unit is determined on the basis of value in use calculations. The value in use calculation is performed on a pre-tax basis. The present value of future cash flow projections is based on the most recent management approved budgets, which generally do not forecast beyond five years. The carrying value of identifiable intangible assets is deducted from the value generated in the cash flow projections to arrive at a recoverable value for goodwill which is then compared with the carrying value of goodwill. The carrying value of goodwill is tested for impairment at each reporting date.

	31 December 2014 $'000	31 December 2013 $'000
Goodwill – at deemed cost	9,123	–

6.4 Employee benefits provision

Accounting policies

The carrying amount of provisions for employee entitlements approximates fair value.

Wages, salaries and annual leave

The accruals for employee entitlements to wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the statement of financial position date, calculated at undiscounted amounts based on wage and salary rates that the entity expects to pay as at reporting date including related on-costs.

Long service leave

The Company's net obligation in respect of long-term benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. A liability for long service leave is recognised as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The estimated future cash outflows are discounted using interest rates on national government guaranteed securities which have terms to maturity that match, as closely as possible, the estimated future cash outflows. Factors which affect the estimated future cash outflows such as expected future salary increases including related on-costs and expected settlement dates are incorporated in the measurement.

Superannuation commitments

The superannuation plan is a defined contribution plan. All employees are entitled to varying levels of benefits on retirement based on accumulated employer contributions and investment earnings thereon as well as benefits in the event of disability or death. Contributions by the Group are, as a minimum, in accordance with the Superannuation Guarantee Levy.

	31 December 2014 $'000	31 December 2013 $'000
Annual Leave	3,078	–
Long service leave	4,339	–
	7,417	–
		–
Current	5,123	–
Non-current	2,294	–
	7,417	–

As at the balance date there were 324 employees (2013:nil).

6.5 Trade and other receivables

Accounting policies

The collectability of receivables is assessed at balance date and an impairment loss is made for any doubtful accounts.

	31 December 2014 $'000	31 December 2013 $'000
Other debtors	3,701	–
		–
Current	3,701	–
Non-current	–	–
	3,701	–

Carrying amounts of receivables reasonably approximate fair value at the statement of financial position date. None of the receivables are impaired or past due.

6.6 Trade and other payables

Accounting policies

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30-60 days. The carrying amount of accounts payable approximates fair value.

	31 December 2014 $'000	31 December 2013 $'000
Accrued expenses	21,656	–
Related party payables	78,190	–
Interest payable	57	–
Trade creditors	15,457	–
	115,360	–
Current	115,060	–
Non-current	300	–
	115,360	–

Included in the related entity payables are the balances related to taxes payable to the head entity of $77,437,000 (2013: $nil). Under the tax consolidation system, current tax liabilities recognised for the year by the Group are assumed by the head entity in the tax consolidated group.

6.7 Cash and cash equivalents

Accounting policies

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value, being the principal amount.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2014 $'000	2013 $'000
Cash assets	88,596	–
	88,596	–

Notes to the financial statements (continued)

Section 7 – Other disclosures

7.1 Parent entity disclosures

As a result of the reorganisation the Company became the parent entity of the Group as at 19 May 2014 and has remained as the parent throughout the financial period ending 31 December 2014.

	31 December 2014 $'000	31 December 2013 $'000
Result of the parent entity		
Profit for the period	264,217	–
Total comprehensive income for the period	264,217	–
Financial position of parent entity at period end		
Current assets	3,709	–
Total assets	2,388,254	–
Current liabilities	(11,631)	–
Total liabilities	(11,631)	–
Net assets	2,376,623	–
Total equity of the parent entity comprising of:		
Share capital	1,706,467	–
Retained earnings	246,017	–
Share based payment	1,686	–
Other reserves	422,453	–
Total equity	2,376,623	–

7.2 Auditor's remuneration

	31 December 2014 $	31 December 2013 $
Audit and review of financial statements	597,451	–
Regulatory audit services	77,045	–
	674,496	–
Other assurance services in connection with IPO	1,218,563	–
Non-assurance services	50,000	–
	1,943,060	–

7.3 Key management personnel disclosures

The following were key management personnel of the Group at any time during the reporting period, and unless otherwise indicated, were key management personnel for the entire period.

Directors of the Company

Ellen (Ellie) Comerford
Anthony (Tony) Gill
Richard Grellman
Ian MacDonald
Samuel Marsico
Leon Roday
Stuart Take
Gayle Tollifson
Jerome Upton

Executive KMP

Georgette Nicholas
Tobin Fonseca
Conor O'Dowd
Bridget Sakr

The key management personnel compensation is:

	31 December 2014 $'000	31 December 2013 $'000
Short-term employee benefits	3,185	–
Post-employment benefits	282	–
Equity compensation benefits	1,254	–
	4,721	–

7.4 Related party disclosures

Transactions with related parties are undertaken on normal commercial terms and conditions.

Corporate overhead

On settlement of the Company's IPO, the Group entered into certain agreements with Genworth Financial and its affiliates. Under the agreements GFI will provide certain services to the Group, with most services being terminated if GFI ceases to beneficially own more than 50% of the common shares of the Company or at the request of either party at annual successive renewal terms after the initial term ends on 31 December 2016. The services rendered by GFI and affiliated companies consist of finance, human resources, legal and compliance, investments services, information technology and other specified services. These transactions are in the normal course of business and accordingly are measured at fair value. Payment for these service transactions are non-interest bearing and are settled on a quarterly basis. The Group incurred net charges of $3,817,000 for the year ended 31 December 2014. There is a payable balance of $792,000 as at 31 December 2014.

During the year $12,137,000 of third party costs and expenses associated with the IPO were reimbursed by GFI under a Master Agreement dated 23 April 2014 entered between the Company and GFI for the purpose of the IPO.

Major shareholder and its ultimate parent entity

The major shareholder of the Group is Brookfield Life Assurance Company Limited and Genworth Financial International Holdings, Inc. (as partners of the Genworth Australian General Partnership) representing 66.15% ownership. The ultimate parent entity of AGP is GFI which is incorporated in Delaware, United States of America.

Other related party transactions

A number of the Non-Executive Directors of the Group were employed by our major shareholder, GFI, during the financial year. Cost of services provided by these directors were not charged to the Group.

Notes to the financial statements (continued)

Section 7 – Other disclosures (continued)

7.5 Controlled entities

Accounting policies

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entities. In assessing control, the Company considers the purpose and design of the entities in order to identify the relevant activities, how decisions about the relevant activities are made, who has the ability to direct those activities and who receives the returns from those activities. The financial statements of the controlled entities are included from the date control commences until the date control ceases.

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities.

Name of entity	Country of incorporation	Class of shares	Equity holding (%) 2014
Genworth Financial Mortgage Insurance Holdings Pty Limited	Australia	Ordinary	100
Genworth Financial Mortgage Insurance Pty Limited	Australia	Ordinary	100
Genworth Financial Services Pty Limited	Australia	Ordinary	100
Genworth Financial Mortgage Indemnity Limited	Australia	Ordinary	100
Genworth Financial Mortgage Insurance Finance Pty Limited	Australia	Ordinary	100
Genworth Financial Mortgage Insurance Finance Holdings Pty Limited	Australia	Ordinary	100
Genworth Financial New Holdings Pty Limited	Australia	Ordinary	100
Genworth Financial Australia Holdings, LLC	Australia	Ordinary	100

7.6 Share-based payments

Accounting policies

Share-based payment transactions

Share-based remuneration is provided in various forms to eligible employees and executive Directors of the Group in compensation for services provided to the Group. All share based payments are equity settled.

The fair value at the grant date, being the date both the employee and the employer agree to the arrangement, is determined using Black Scholes model based on the share price at grant date and the vesting conditions. This fair value does not change over the life of the instrument. At each reporting period during the vesting period and upon final vesting or expiry of the equity instruments, the total accumulated expense is revised based on the fair value at grant date and the latest estimate of the number of equity instruments that are expected to vest based on the vesting conditions, and taking into account the expired portion of the vesting period. The movement in the total of accumulated expenses from the previous reporting date are recognised in the profit and loss with a corresponding movement in the share based payment reserve.

To satisfy obligations under the various share-based remuneration plans, shares are generally expected to be equity settled.

Share Rights Plan

The Group's remuneration strategy is to provide market competitive remuneration programs that help attract, motivate and retain highly competent employees who are dedicated to achieving business objectives in a manner that is consistent with the long-term interests of Shareholders.

On 21 May 2014, the Group granted restricted share rights to a number of key employees including executive KMP. The aggregate amount of these share rights was $7,265,000. One-third of the share rights granted during the year vest on each of the second, third and fourth anniversaries of the grant date. If at any time the employee ceases continuous service with the Group, any unvested share rights are immediately cancelled, except in cases of retirement, redundancy, total and permanent disability or death.

In addition to the grants to key employees, other employees were granted an amount of share rights in the aggregate amount of $276,000. All share rights granted to other employees vest on the third anniversary of the grant date. If at any time the employee ceases continuous service with the Group, any unvested share rights vest immediately. As such, the aggregate amount of $276,000 was expensed during the period.

Details of the number of employee share rights granted, exercised and forfeited or cancelled during the year were as follows:

2014 Grant date	Balance at 1 January 2014 Number	Granted in the year Number	Exercised in the year (*) Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2014 Number	Vested and exercisable at end of the year Number
21/05/2014	–	2,741,509	–	(37,734)	2,703,775	–
21/05/2014	–	104,151	(4,901)	–	99,250	–
Total	–	2,845,660	(4,901)	(37,734)	2,803,025	–

* Included employees who ceased service with the Group, any unvested share rights vested immediately.

The fair value of the share rights is calculated as at the grant date using a Black Scholes valuation.

Significant factors and assumptions	
2014	
Grant date	21/5/2014
Share price on grant date ($)	$2.95
Dividend yield	7.8%
Risk free rate (%)	Tranche 1: 2.60%
	Tranche 2: 2.71%
	Tranche 3: 3.08%
Vesting dates	Tranche 1: 20 May 2016
	Tranche 2: 20 May 2017
	Tranche 3: 20 May 2018
2013	
Grant date	–
Share price on grant date ($)	–
Dividend yield	–
Risk free rate (%)	–
Vesting dates	–

Key terms and conditions:

- The rights are granted for nil consideration.
- Holders do not receive dividends and do not have voting rights until the rights are exercised.

Notes to the financial statements (continued)

Section 7 – Other disclosures (continued)

7.6 Share-based payments (continued)

Omnibus Incentive Plan

GFI, GFMI and LLC entered into a Cost Agreement on 15 July 2005 (as varied from time to time) pursuant to which GFI agreed to offer its 2004 Omnibus Incentive Plan and its 2012 Omnibus Incentive Plan (**Omnibus Incentive Plans**) to certain employees of GFMI and LLC.

Under the Omnibus Incentive Plans, GFI issues stock options, stock appreciation rights, restricted stock, restricted stock units, other stock based awards and dividend equivalent awards with respect to its common stock to employees of its affiliates throughout the world. Under the Cost Agreement, GFMI and LLC have agreed to bear the costs for their employees' participation in the Omnibus Incentive Plans from time to time. Employees of GFMI and LLC will not, following the IPO, receive any further awards under the Omnibus Incentive Plans. Any incentives after that date will be provided through the Group's share rights plan. However, GFMI and LLC will continue to bear the costs of past awards under the Omnibus Incentive Plans. The Group has reserved for such costs and the amount of the reserve is marked to market to reflect the Group's exposure to those costs having regard to the price of GFI shares.

Details of the number of employee options granted, exercised and forfeited or cancelled during the year were as follows:

2014 Grant date	Expiry Date	Exercise Price	Balance at 1 January 2014	Balance acquired on 19 May 2014	Granted in the year	Exercised in the year	Cancelled /forfeited in the year	Balance at 31 December 2014	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number	Number
25/05/2004	25/05/2014	23.9	–	24,180	–	–	24,180	–	–
20/07/2005	20/07/2015	39.34	–	2,400	–	–	–	2,400	2,400
09/08/2006	09/08/2016	41.83	–	6,600	–	–	–	6,600	6,600
13/02/2008	13/02/2018	27.94	–	7,800	–	–	–	7,800	7,800
12/02/2009	12/02/2019	3.01	–	20,500	–	–	–	20,500	20,500
19/08/2009	25/05/2014	9.56	–	1,552	–	1,552	–	–	–
19/08/2009	20/07/2015	9.56	–	398	–	299	–	99	99
19/08/2009	09/08/2016	9.56	–	1,248	–	199	–	1,049	1,049
19/08/2009	03/10/2016	9.56	–	1,110	–	1,110	–	–	–
19/08/2009	31/07/2017	9.56	–	2,149	–	2,149	–	–	–
19/08/2009	13/02/2018	9.56	–	6,300	–	3,750	–	2,550	2,550
12/02/2010	12/02/2020	17.38	–	37,800	–	–	1,200	36,600	36,600
09/02/2011	09/02/2021	15.63	–	30,000	–	–	–	30,000	22,500
14/02/2012	14/02/2022	10.88	–	35,100	–	–	–	35,100	17,550
15/02/2013	15/02/2023	11.10	–	33,000	–	–	–	33,000	8,250
Total			–	210,137	–	9,059	25,380	175,698	125,898
Weighted average exercise price			–	$15.34	–	$9.56	$23.59	$12.08	$9.31

Balance at 1 January 2014 is adjusted for RSUs granted in prior periods to employees who transferred into/out of the Group during the year.

Details of the number of employee RSUs granted, exercised and forfeited or cancelled during the year were as follows:

2014 Grant date	Balance at 1 January 2014 Number	Balance acquired on 19 May 2014 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2014 Number	Vested and exercisable at end of the year Number
07/02/2007	–	2,500	–	–	–	2,500	–
10/02/2010	–	6,831	–	6,831	–	–	–
01/11/2010	–	2,500	–	–	2,500	–	–
01/03/2011	–	10,000	–	5,000	–	5,000	–
02/09/2011	–	24,045	–	12,027	2,249	9,769	–
03/01/2012	–	11,250	–	3,750	–	7,500	–
06/01/2012	–	3,750	–	1,250	–	2,500	–
11/01/2012	–	18,750	–	6,250	–	12,500	–
14/02/2012	–	61,971	–	20,658	4,750	36,563	–
15/02/2013	–	184,950	–	46,247	31,537	107,166	–
01/08/2013	–	7,500	–	1,875	–	5,625	–
01/10/2013	–	6,000	–	1,500	–	4,500	–
02/12/2013	–	10,000	–	2,500	–	7,500	–
20/02/2014	–	–	129,800	–	6,850	122,950	–
Total	–	350,047	129,800	107,888	47,886	324,073	–

Balance at 1 January 2014 is adjusted for RSUs granted in prior periods to employees who transferred into/out of the Group during the year.

7.7 Deed of Cross Guarantee

During the year ended 31 December 2014, the Company and each of the subsidiaries listed below entered into a Deed of Cross Guarantee under which each party to the Deed guarantees the debts of each other party to the Deed. Under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission, the Australian incorporated subsidiaries that are parties to the Deed have been relieved from the requirement to prepare, have audited and lodge with ASIC financial reports and Directors' reports under the Corporations Act.

The subsidiaries of the Company that are parties to the Deed are:

- Genworth Financial Australia Holdings, LLC
- Genworth Financial Mortgage Insurance Finance Pty Ltd
- Genworth Financial Mortgage Insurance Finance Holdings Pty Ltd
- Genworth Financial New Holding Pty Ltd
- Genworth Financial Mortgage Insurance Holdings Pty Ltd
- Genworth Financial Services Pty Ltd

Notes to the financial statements (continued)

Section 7 – Other disclosures (continued)

7.7 Deed of Cross Guarantee (continued)

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 31 December 2014 is set out as follows:

Consolidated statement of comprehensive income

	2014 $'000	2013 $'000
Income	1,610	–
Expenses	(1,717)	–
Financial income	438	–
Financing costs	(224)	–
Profit before income tax	107	–
Income tax expense	(1,390)	–
Profit for the year	1,283	–
Total comprehensive income for the year	1,283	–

Consolidated statement of financial position

	2014 $'000	2013 $'000
Assets		
Cash	17,407	–
Investments	250,235	–
Prepayments	94	–
Deferred tax asset	139	–
Total assets	267,875	–
Liabilities		
Trade and other payables	357	–
Employee benefits provision	271	–
Total liabilities	628	–
		–
Net assets	267,247	–
Equity		
Share capital	1,706,467	–
Share-based payment reserve	1,686	–
Other reserves	(476,558)	–
Retained earnings	(964,348)	–
Total equity	267,247	–

7.8 Events subsequent to reporting date

As the following transactions events occured after reporting date and did not relate to conditions existing at reporting date, no account has been taken of them in the financial statements for the current reporting year ended 31 December 2014.

- On 11 February 2015, the Directors declared a 100% franked final dividend of 13.1 cents per share totalling $85,000,000 and a 100% franked special dividend of 11.5 cents per share totalling $75,000,000.
- On 17 February 2015, one of our top three lender customers provided 90 days written notice that they were terminating the agreement for the provision of LMI with GFMI, an operating insurance subsidiary of the Group. The LMI business underwritten under this contract represented 10% of GMA NIW in 2014 and accounted for 14% of GWP in 2014.
- On 19 February 2015, S&P affirmed the financial strength and issuer credit ratings of the Group's operating insurance subsidiaries; GFMI at 'A+' with an outlook of developing, revised from negative, and Indemnity at 'A-' with an outlook of developing, revised from stable, with a relaxation of the notching differential cap.
- On 20 February 2015, Moody's affirmed the financial strength and issuer credit ratings of both the Group's operating insurance subsidiaries, GFMI and Indemnity at A3 with an outlook of negative, revised from stable. The rating action resulted from the termination of one of the top three lender customers' agreements for the provision of LMI with GFMI. It also reflected its view on the growing long-term challenges faced by the Australian mortgage insurance industry.

Directors' declaration

(1) In the opinion of the Directors of Genworth Mortgage Insurance Australia Limited (the Company):

(a) the consolidated financial statements and notes set out on pages 85 to 123 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations and its cash flows for the period ended on that date; and

(ii) complying with Australian Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) the financial statements and notes also comply with International Financial Reporting Standards; and

(c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Richard Grellman

Chairman

Ellen Comerford

Chief Executive Officer and Managing Director

Dated at Sydney, 27 February 2015

Independent auditor's report to the members of Genworth Mortgage Insurance Australia Limited

Report on the financial report

We have audited the accompanying financial report of Genworth Mortgage Insurance Australia Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1.1 to 7.8 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1.2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.2(a).

Report on the Remuneration Report

We have audited the sections of the Remuneration Report that are described as audited included in the Directors' Report for the year ended 31 December 2014. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration disclosures that are contained in the sections of the Director' Remuneration Report of Genworth Mortgage Insurance Australia Limited for the year ended 31 December 2014 that are described as audited comply with Section 300A of the *Corporations Act 2001*.

KPMG

Ian Moyser

Partner

Dated at Sydney, 27 February 2015

Shareholder information

Annual General Meeting (AGM)

The 2015 annual general meeting (AGM) of Genworth Mortgage Insurance Australia Limited will be held on 6 May 2015, at the Westin Hotel, Heritage Ballroom, 1 Martin Place, Sydney NSW 2000. The AGM will be webcast live on the internet at http://investor.genworth.com.au and an archive version will be placed on the website to enable the AGM to be viewed at a later time.

Genworth Mortgage Insurance Australia Limited is listed on the ASX and its ordinary shares are quoted under the ASX code 'GMA'.

Annual Report

Amendments to the *Corporations Act 200*1 have changed the obligations of companies regarding the provision of annual reports to shareholders. The default option for receiving annual reports has changed from a printed copy to an electronic copy via GMA's website at www.genworth.com.au.

Online voting

Shareholders can lodge voting instructions electronically either as a direct vote or by appointing a proxy for the 2015 AGM at http://investorcentre.linkmarketservices.com.au. The information required to log on and use online voting is shown on the voting form distributed to shareholders with the Notice of Annual General meeting.

Voting Rights

At a general meeting, a shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll has one vote for each fully paid share held. A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Voting at any meeting of shareholder is by a show of hands unless a poll is demanded in the manner described in the Company's Constitution. If there are two or more joint holders of a share and more than one of them is present at a general meeting, in person or by proxy, attorney or representative, and tenders a vote in respect of the share, the Company will count only the vote cast by, or on behalf of, the shareholder by the joint holder whose name appears first in the Company's register of shareholder.

The quorum required for a meeting of members is two shareholders. If the votes are equal on a proposed resolution, the matter is decided in the negative.

Shareholder questions

Shareholders can submit a written question to the Company or the Company's auditor in regard to the AGM or any of the proposed resolutions to be considered at the AGM, using the form supplied with the Notice of AGM distributed to shareholders. Forms should be returned to the Company with the personalised voting form in the pre-addressed envelope provided or by fax to +61 1300 366 228.

Shareholders may also submit questions after completing online voting instructions online at http://investorcentre.linkmarketservices.com.au.

Questions for the Company's auditor must be received by 5pm on Wednesday, 29 April 2015. Members will also be given a reasonable opportunity to ask questions of the Company and the auditor at the AGM.

During the course of the AGM, the Company intends to answer as many of the frequently asked questions as practicable but will not be responding to individual questions. Responses to the most commonly asked questions will be added to the website at www.genworth.com.au.

Manage your Holding

Questions regarding shareholdings can be directed to the Company's Share Registry. Security Reference Number (SRN) or Holder Identification Number (HIN) will be required to verify identity. Share Registry contact information is found in the Corporate Directory of this report.

Shareholders that are broker (CHESS) sponsored should direct queries relating to incorrect registrations, name changes and address changes to their broker.

Information about Genworth

Information about Genworth Mortgage Insurance Australia Limited including company announcements, presentations and reports can be accessed at http://investor.genworth.com.au.

Shareholders can register to receive an email alert advising of new Genworth media releases, financial announcements or presentations. Registration for email alerts is available on Genworth's website at http://investor.genworth.com.au under the Investor Services section.

If information is not directly available on Genworth's website, shareholders may contact the Company directly at investorrelations@genworth.com.

Shareholder information (continued)

Ordinary shares information

Important dates *	
GMA year end	31 December 2014
Full year results and dividend announced	11 February 2015
Record date for dividend	20 February 2015
Dividend paid	6 March 2015
Annual report and notice of meeting mail out commences	27 March 2015
Annual general meeting	6 May 2015
GMA half year end	30 June 2015

* Note dates are subject to change.

Ordinary shares and share rights

As at 27 February 2015, the Company has on issue the following equity securities:

- 650,000,000 Shares
- 2,796,116 Share Rights

Substantial holders of ordinary shares

Name	Number of shares	Voting power (%)	Date of notice
Brookfield Life Assurance Company Limited & Genworth Financial International Holdings, Inc. (as partners of the Genworth Australian General Partnership), and their related bodies corporate	430,000,000	66.2	20 May 2014
The Capital Group Companies, Inc.	32,940,314	5.07	23 February 2015

Note: substantial holder details are as disclosed in substantial holding notices given to the Company.

Twenty largest holders of ordinary shares

Rank	Name	Number of shares	% of issued shares
1	Brookfield Life Assurance Company Limited & Genworth Financial International Holdings, Inc. (as partners of the Genworth Australian General Partnership)	430,000,000	66.15
2	J P Morgan Nominees Australia Limited	49,808,706	7.66
3	HSBC Custody Nominees (Australia) Limited	46,669,990	7.18
4	National Nominees Limited	24,027,458	3.70
5	BNP Paribas Nominees Pty Ltd	17,877,395	2.75
6	Citicorp Nominees Pty Limited	15,169,980	2.33
7	RBC Investor Services Australia Nominees Pty Limited	9,660,899	1.49
8	AMP Life Limited	4,691,582	0.72
9	Brispot Nominees Pty Ltd	4,524,885	0.70
10	National Nominees Limited	2,198,624	0.34
11	Warbont Nominees Pty Ltd	2,110,797	0.32
12	UBS Wealth Management Australia Nominees Pty Ltd	2,023,802	0.31
13	HSBC Custody Nominees (Australia) Limited	1,887,946	0.29
14	UCA Growth Fund Limited	1,850,000	0.28
15	Custody Nominees (Australia) Limited	1,522,102	0.23
16	Citicorp Nominees Pty Limited	1,416,045	0.22
17	RBC Investor Services Australia Nominees Pty Limited	1,391,211	0.21
18	Sandhurst Trustees Ltd	1,211,312	0.19
19	UBS Nominees Pty Ltd	1,075,529	0.17
20	RBC Investor Services Australia Nominees Pty Limited	939,616	0.14
	Total for top 20	**620,057,879**	**95.39**

Distribution schedule of holders of ordinary shares

Range of ordinanry shareholders as at 31 December 2014	Number of holders	Number of shares	% of issued shares
1-1000	398	215,778	0.03
1,001 – 5,000	896	2,572,468	0.40
5,001-10,000	522	4,021,237	0.62
10,001 – 100,000	540	14,146,682	2.18
100,001 and over	52	629,043,835	96.78
Total	**2,408**	**650,000,000**	**100.00**
Shareholders with less than a marketable parcel of 151 ordinary shares	54		

Dividend details

Share class	Dividend	Franking	Amount per share	Payment date
Ordinary	Interim	Fully franked	2.8 cents	29 August 2014
Ordinary	Final	Fully franked	13.1 cents	6 March 2015
Ordinary	Special	Fully franked	11.5 cents	6 March 2015

Share rights information

Distribution schedule of holders of share rights

Range of ordinanry shareholders as at 31 December 2014	Number of holders	Number of shares	% of total shares rights
1-1000	245	92,365	3.30
1,001 – 5,000	-	-	-
5,001-10,000	11	62,260	2.23
10,001 – 100,000	19	660,361	23.62
100,001 and over	8	1,981,130	70.85
Total	**283**	**2,796,116**	**100.00**

Voting rights

Share Rights do not carry any voting rights. Ordinary shares issued or transferred to participants on the vesting of Share Rights carry the same rights and entitlements as other issued shares.

Corporate directory

Registered office

Genworth Mortgage Insurance Australia Limited

Level 26
101 Miller Street
North Sydney NSW 2060

Telephone: +61 1300 655 422
Fax: +61 1300 366 228

Website: www.genworth.com.au

Company Secretary
Mr Jonathan Downes, General Counsel & Company Secretary

Share registry

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000

Telephone: +61 1300 554 474
Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Link Investor Centre

http://investorcentre.linkmarketservices.com.au

Australian Securities Exchange

Genworth Mortgage Insurance Australia Limited is listed under the ASX code "GMA".

Annual Report

To request a copy of the Annual Report, please contact the Share Registry.
Electronic versions of the Annual Report are available at http://investor.genworth.com.au.

Appendices

Appendix A

Reconciliation of reported (statutory) FY14 results and pro forma historical FY14 results

The pro forma historical consolidated statement of comprehensive income for the period ended 31 December 2014 is presented on the basis of twelve months of results for the Group. On a statutory basis, GMA only consolidates and accounts for the results of the Group from the date of reorganisation on 19 May 2014. The FY14 pro forma consolidated statement of comprehensive income therefore includes the results that are considered 'pre reorganisation' NPAT. The statutory (reported) NPAT post reorganisation represents the NPAT for the period from the formation of the Group, 19 May 2014 to 31 December 2014 (Statutory NPAT).

Table 1: Reconciliation between pro forma NPAT for FY14 and statutory NPAT for the period from 19 May 2014 to 31 December 2014

(A$ in millions)	FY 14
Pro Forma NPAT for full year to 31 December 2014	324.1
Less period prior to formation of consolidated Group: 1 January to 18 May 2014	(108.7)
Pro Forma result for period 19 May to 31 December 2014	**215.4**
Add tax effected interest expense incurred on restructure of Group	(0.2)
Statutory NPAT for period 19 May to 31 December 2014	**215.2**

Appendix B

Underlying NPAT

Set out below is a reconciliation of NPAT in the Consolidated Statement of Comprehensive Income to the Underlying NPAT of the Group.

The objective of setting out the table below is to present a pro forma measure of Underlying NPAT for FY13 (unaudited pro forma) to FY14 (unaudited pro forma) and FY14 (reported), given the Board's current intention to target a dividend payout ratio range that is based on Underlying NPAT.

Underlying NPAT, which is a non-IFRS financial measure, is a reporting measure used by the management of Genworth Australia. It is calculated by adjusting the NPAT to exclude any after tax impact of unrealised gains or losses on securities held in the Group's investment portfolio.

Table 2 Reconciliation of NPAT and Underlying NPAT

(A$ in thousands)	FY14 (Audited/ Reported)	FY14 (Unaudited pro forma)	FY13 (Unaudited pro forma)
NPAT	**215,157**	**324,077**	**179,397**
Adjustment for change in unrealised (gains)/losses	(49,224)	(63,801)	59,292
Adjustment for tax on change in unrealised (gains)/losses	14,767	19,140	(17,788)
Underlying NPAT[1]	**180,700**	**279,417**	**220,901**

1. Underlying NPAT has not been prepared in accordance with the recognition or measurement principles within Australian Accounting Standards and has not been audited or reviewed. Underlying NPAT excludes the after tax effect of changes in unrealised gains/(losses) from investments.

Appendices (continued)

Underlying Equity

Set out below is a reconciliation of total equity in the Consolidated Statement of Financial Position for the years ended FY13 (unaudited pro forma), FY14 (unaudited pro forma) and FY14 (reported) to the Underlying Equity for the Group.

The objective of setting out the table below is to present a pro forma measure of Underlying Equity that has been used for the purpose of calculating the Underlying ROE disclosed in the Performance review outlook.

Underlying Equity, which is a non-IFRS financial measure, is calculated by adjusting total equity to exclude any after tax impact of unrealised gains or losses on securities held in the Group's investment portfolio.

Table 3 Reconciliation of total equity and Underlying Equity

(A$ in thousands)	FY14 (Audited/ Reported)	FY14 (Unaudited pro forma)	FY13 (Unaudited pro forma)
Total equity	**2,500,475**	**2,500,453**	**2,210,851**
Adjustment for life to date unrealised (gains)/losses[1]	(49,224)	(137,470)	(73,709)
Adjustment for tax on life to date unrealised (gains)/losses	14,767	41,241	(22,113)
Underlying Equity[2]	**2,466,018**	**2,404,224**	**2,159,255**

1. The adjustment for life to date unrealised (gains)/losses represents the cumulative unrealised gains/(losses) relating to assets in the investment portfolio at each balance date.
2. Underlying Equity has not been prepared in accordance with the recognition or measurement principles within Australian Accounting Standards and has not been audited or reviewed. Underlying Equity excludes the after tax effect of changes in unrealised gains/(losses) from investments.

Glossary

Term	Description
AASB	Australian Accounting Standards Board
AGP	Genworth Australian General Partnership
AIFRS	Australian equivalents to IFRS
APRA	Australian Prudential Regulation Authority
ASX	Australian Securities Exchange
Australian Subsidiaries	Genworth Financial's 100% owned Australian subsidiaries prior to the IPO
Book Year	The calendar year an LMI policy is originated
CET1 or Tier 1 Capital	As defined by GPS 112, Tier 1 Capital comprises the highest quality components of capital that fully satisfy all of the following essential characteristics: • Provide a permanent and unrestricted commitment of funds; • Are freely available to absorb losses; • Do not impose any unavoidable servicing charge against earnings; and • Rank behind the claims of policyholders and creditors in the event of winding up
Combined ratio	The combined ratio is the sum of the loss ratio and the expense ratio
DUA	Delegated underwriting authority
EPS	Earnings per share
Expense ratio	The expense ratio is calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium
FBT	Fringe benefit tax
FSI	Financial System Inquiry
GFMI	Genworth Financial Mortgage Insurance Pty Limited
GMA or **the Company**	Genworth Mortgage Insurance Australia Limited ABN 72 154 890 730
Genworth Australia or **the Group**	The Company and its subsidiaries
Genworth Financial or **GFI**	Genworth Financial, Inc. and, where relevant, its predecessors
Genworth Financial Group	Genworth Financial and its subsidiaries, excluding Genworth Australia
Gross earned premium or GEP	The earned premium for a given period prior to any outward reinsurance expense
GLIC	Genworth Life Insurance Co.
GWP	Gross written premium
HLIC	Housing Loans Insurance Corporation
HLVR	High loan to value ratio (excluding capitalisation of LMI premium). Generally, a residential mortgage loan with an LVR in excess of a specified benchmark is referred to as an HLVR loan. This LVR benchmark is commonly 80%
IBNR	Delinquent loans that have been incurred but not reported
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
Indemnity	Genworth Financial Mortgage Indemnity Ltd
Insurance margin	The insurance margin is 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
Investment return	The investment return is calculated as the interest income on technical funds plus the interest income on shareholder funds (excluding realised and unrealised gains/(losses)) divided by the average balance of the opening and closing cash and investments balance for each financial year
KMP	Key Management Personnel, as the term is defined in the *Corporations Act 2001* (Cth)

Glossary (continued)

Term	Description
Level 2 and Level 2 Group	The term 'Level 2 insurance group' defined by APRA under Prudential Standard GPS 001, referring to a consolidated insurance group
LLC	Genworth Financial Australia Holdings, LLC
LMI	Lenders Mortgage Insurance
LMI Market	The market for LMI provided by external LMI Providers and LMI Subsidiaries but excluding the retention of risk by Lenders and other forms of risk mitigation or risk transfer by Lenders in relation to the credit risk of residential mortgage loans
LMI Provider	A provider of LMI, excluding LMI Subsidiaries
LMI Subsidiary	A provider of LMI owned or controlled by the insured or a member of its corporate group
Loss ratio	The loss ratio is calculated by dividing the net claims incurred by the net earned premium
LTI	Long-term incentive
LVR	Loan to value ratio. This percentage is calculated by dividing the gross value of a loan (excluding capitalisation of LMI premium) by the value of the property securing the loan. The value is based on the lower of the valuation of the underlying property accepted or externally obtained by the lender at origination or the price paid
Major Banks	Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Commonwealth Bank of Australia ABN 48 123 123 124, National Australia Bank Limited ABN 12 004 044 937 and Westpac Banking Corporation ABN 33 007 457 141 and each of their affiliated brokers and other residential lending distribution channels
MIP	Mortgagee in possession
NED	Non-Executive Director
Net earned premium or **NEP**	The earned premium for a given period less any outward reinsurance expense
NIW	New insurance written
NOHC	Non-operating holding company as defined under the Prudential Standard GPS 001
NPAT	Net profit after tax
Omnibus Incentive Plans	The Genworth Financial 2004 Omnibus Incentive Plan and 2012 Omnibus Incentive Plan
PCA	Prescribed capital amount
PCA coverage	The PCA coverage is calculated by dividing the regulatory capital base by the prescribed capital amount
PCR	Prudential Capital Requirement comprising the PCA and any supervisory adjustment determined by APRA
PDR	Performance and Development Review
PoS	Probability of sufficiency
Regulatory capital base	The regulatory capital base is the sum of Tier 1 Capital and Tier 2 Capital
ReMS	Reinsurance Management Strategy
Return on Equity (ROE)	The ROE is calculated by dividing NPAT by the average of the opening and closing equity balance for a financial period
Rights Plan	Genworth Australia Share Rights Plan
RMF	Risk Management Framework
RMS	Risk Management Strategy
RSU	Restricted share units

Term	Description
S&P	Standard & Poor's Ratings Services
SLT	Senior Leadership Team
STI	Short term incentive
Supply and Service Contract	A contract between a lender customer and Genworth Australia for the supply of LMI and related services
Technical Funds	The investments held to support premium liabilities and outstanding claims reserves
TFR	Total fixed remuneration
Tier 2 Capital	As defined by 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
Underlying Equity	Underlying Equity is defined as total equity excluding the after-tax impact of unrealised gains (losses) on the investment portfolio. This has been calculated on a pro forma basis
Underlying NPAT	Underlying NPAT excludes the after-tax impact of unrealised gains/(losses) on the investment portfolio
Underlying ROE	The Underlying ROE is calculated by dividing Underlying NPAT by the average of the opening and closing Underlying equity balance for a financial period
WGEA	Workplace Gender Equality Agency
VWAP	Volume weighted average price

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