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Companies Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Genworth Mortgage Insurance Australia Limited (ASX:GMA)
2019 Annual Report

We attach a copy of the Annual Report for Genworth Mortgage Insurance Australia Limited and its controlled entities for the year ended 31 December 2019.

The release of this announcement was authorised by the Board.

Yours faithfully

Prudence Milne

Prudence Milne
General Counsel and Company Secretary

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Genworth

2019 ANNUAL REPORT

Contents

Genworth is a leading provider of Lenders Mortgage Insurance (LMI) in Australia and a capital and risk management solutions provider. LMI has been an important part of the Australian residential mortgage lending market since Housing Loan Insurance Corporation (HLIC) was founded by the Australian Government in 1965.

Genworth Mortgage Insurance Australia Limited and its controlled entities
ABN 72 154 890 730

One step closer to your dream of home ownership.

At Genworth, our vision is to help Australians achieve the dream of home ownership by being a leading provider of risk and capital management solutions in residential mortgage markets.

We work with our lender customers, regulators and policy leaders to promote a stronger and more sustainable housing market in Australia.

2019
at a glance

66,895
new policies written

Valued at
$26.7b

1.3m
policies in-force

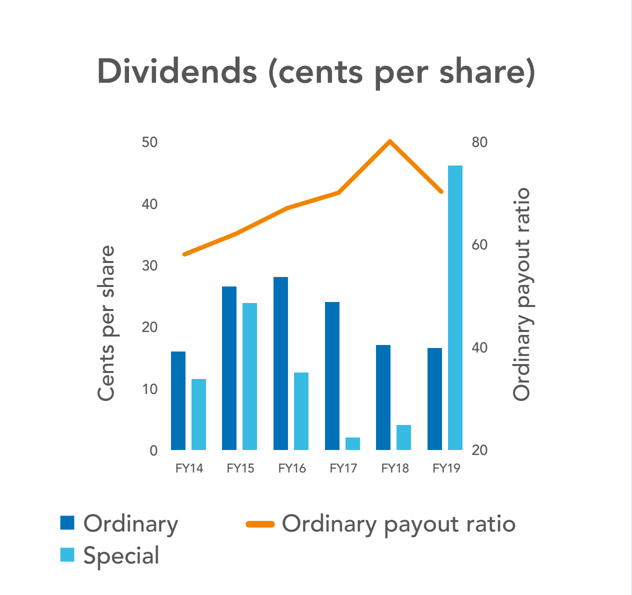
Valued at
$307b

Market capitalisation

~$1.5b

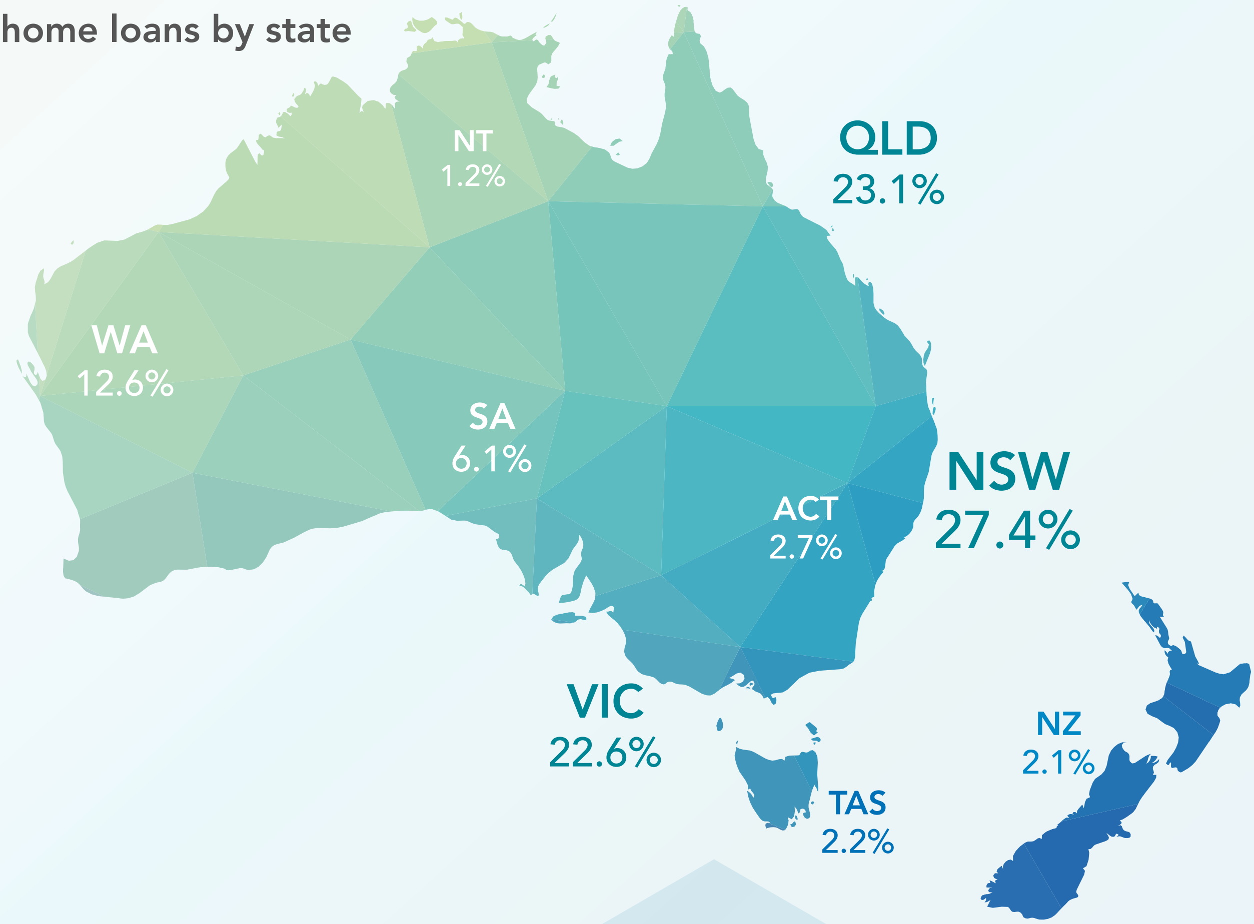
Share buy-back

$63.9m



All figures as at 31 December 2019.

Portfolio of insured home loans by state



Insurance in-force by home loan type

Investment	**24.9%**
Owner-occupied	**75.1%**

All figures as at 31 December 2019.

Supporting the dream
of home ownership

50+ years
of facilitating
home ownership

Currently supporting
100+ lenders
in Australia

62,669
borrowers experiencing
financial stress and hardship
assisted since 2013 [1]

1 Via our lender customers.

Sustainability:
Community and our people

2019 highlights

30% Club
GROWTH THROUGH DIVERSITY

Commitment to female representation on the Board [1]

Genworth fundraising initiatives
$215,000+

Total time spent on volunteering
1,250+ hours

Number of volunteer events in corporate calendar
36

Employees participating in volunteering programs
61%

Borrower hardship cases assisted
10,020

Diversity and inclusion (%)

Board	**56% Male** (56% in 2018)	**44% Female** (44% in 2018)
Senior Leadership Team (CEO and direct reports)	**56% Male** (57% in 2018)	**44% Female** (43% in 2018)
Other management roles (excl. the Senior Leadership Team)	**66% Male** (62% in 2018)	**34% Female** (38% in 2018)
Overall	**55% Male** (56% in 2018)	**45% Female** (44% in 2018)

All figures as at 31 December 2019.

1 The 30% Club was formed by the Australian Institute of Company Directors to recognise those companies with greater than 30% female representation on the Board that are committed to achieving better gender balance in organisations.

Chairman's review

Dear Shareholders,

I am pleased to present Genworth Mortgage Insurance Australia's 2019 Annual Report.

As Australia's leading lenders mortgage insurer for over 50 years, 2019 was another strong year for Genworth as we extended our track record of supporting the strength of the Australian residential mortgage market by issuing 66,895 insurance policies that secured home loans valued at $26.7 billion.

Genworth's portfolio today includes more than $300 billion of underwritten residential mortgages, representing 1.3 million policies that have enabled people to purchase homes in Australia.

Our significant efforts in 2019 were aligned to and supported the Company's strategic vision of positioning itself as the leading provider of customer focused capital and risk management solutions in the Australian residential mortgage market.

Genworth's strategy

Our Company operates in a dynamic market where it is subject to shifts in technological, regulatory and competitive frameworks. As lender and borrower expectations change, our organisation is focused on addressing their evolving expectations by leveraging our strong core competencies and extensive experience in managing credit default risk.

We are committed to our work with lender customers, regulators and policy leaders to promote a stronger and more sustainable housing market in Australia.

In 2019, we began transitioning our strategic focus to leveraging our capabilities to launch new products and enhance our customers' experience. By launching the regular (monthly) premium LMI offering, onboarding new and existing customers onto our automated underwriting decision platform and data-only submission channel (eLMI portal), we continued to utilise our data and technology capabilities to deliver operational efficiencies to our customers.

Genworth has improved its modelling capabilities over the last two years to include the use of external data sources such as credit score and individual automated property valuations in its actuarial calculations. This has improved the accuracy of reserves and provided us with the ability to more accurately forecast losses, as well as providing increased rigour to pricing and product innovation. We expect to realise the benefits of this new capability over the next few years.

Financial position

Our company's financial position remains strong. At the end of 2019, Statutory net profit after tax was $120.1 million (2018: $75.7 million) and Underlying net profit after tax was $97.0 million (2018: $93.9 million). We maintained a regulatory capital base of $1.66 billion and a coverage ratio of 1.91 times the prescribed capital amount (PCA) on a Group (Level 2) basis. This ratio continues to be above the Board's target capital range of 1.32 to 1.44 times PCA.

As at 31 December 2019, Genworth's cash and investment portfolio had a market value of $3.1 billion, of which 81% was held in cash and highly rated fixed interest securities. The Company had $82.8 million invested in equities and $571.9 million invested in non-Australian dollar income securities, reflecting our strategy to diversify and improve investment returns on the portfolio within acceptable risk tolerances.

Capital management

We remained focused on managing Genworth's capital position and the Company's PCA in 2019 and pursued various capital management initiatives with the aim of bringing the solvency ratio more in line with the Board's target range of 1.32 to 1.44 times PCA.

Initiatives implemented include:

- $63.9 million returned to shareholders through an on-market share buy-back;
- $76.4 million distributed through fully franked ordinary dividends (interim and final);
- $190.2 million distributed through unfranked special dividends totalling 46.1 cps for 2019; and
- Renewal of $800 million reinsurance program.

The combined ordinary and special dividends paid during the 2019 financial year equate to a yield of 17.6% on a Genworth share price of $3.65 as at 31 December 2019.

The Board and management continue to proactively evaluate excess capital and its potential uses and look forward to keeping you updated on our progress.

Partnerships

In our pursuit to leverage our data and add value along the mortgage chain, we released three Thought Leadership pieces in 2019, two in partnership with our lender customers.

The inaugural Genworth First Home Buyer Sentiment Report based on a survey undertaken in June and July 2019 of 2,000 prospective first home buyers (FHBs) and 1,000 recent FHBs was released as part of a "First Home Buyer" special report published nationally by NewsCorp on 22 September 2019 and featured in *The Sunday Telegraph* (NSW), *The Sunday Herald Sun* (Vic) and the *Sunday Courier Mail* (Qld) with further coverage over the following two weeks in *The Sydney Morning Herald* (NSW), *The Age* (Vic), *The Daily Telegraph*, *The Courier Mail* and a number of trade publications.

In April 2019, Genworth in partnership with Teachers Mutual Bank prepared and launched a Thought Leadership research report titled The Deposit Gap Dilemma – The Impact on Key Workers. The report attracted extensive national media coverage across mainstream print, digital, radio and television and trade publications, *Banking Day, Mortgage Business*, and *Your Mortgage*.

This was followed up in October 2019 by The Gateway and Genworth Millennial Home Ownership research report, a successful collaboration with Gateway Bank. The research looked into millennial attitudes on home ownership and their perceptions of the housing market and received widespread media coverage.

All reports were given further coverage through social media campaigns and most importantly, the commercial insights were shared with our lender customers and utilised to identify growth opportunities for our respective businesses. Pleasingly, these initiatives delivered tangible benefits as evidenced in our Company's financial performance which is explained in greater detail in our Chief Executive Officer's (CEO) report.

Sustainability

The Board places significant importance on managing sustainability and believes sustainability-related issues extend beyond climate to include corporate social responsibility, culture, governance and accountability. We are committed to ensuring that high corporate governance standards are upheld by the Company. Details of Genworth's corporate governance policies and practices are set out in our Corporate Governance Statement that can be found on the Genworth website.

The Board believes that to have a sustainable business, Genworth needs to continue to make a positive contribution to Australia's social fabric.

We remain committed to supporting the Australian housing market in good times and in times of stress not only by helping people buy homes sooner but also by helping to keep them in their homes. This commitment is embedded in our sustainability framework that is founded on four pillars: Environment; Our People; Community and Marketplace. The Board is committed to the continual development and review of targets based on this framework and will provide annual reporting on our insights and progress.

Since 2000, our Company has issued over 3.3 million insurance policies facilitating loans that have enabled home purchases in Australia. In 2019, Genworth assisted 10,020 (2018: 9,873) borrowers experiencing financial stress and hardship via our lender customers.

Diversity and inclusion in the workplace is another key area of focus for the Board. In 2019, Genworth was a finalist for the Diversity and Inclusion Award at the Australian Insurance Industry Awards and was named as an Employer of Choice for the fifth consecutive year by the Australian Government's Workplace Gender Equality Agency.

Outlook

As we look ahead to 2020, we expect Australian economic fundamentals to remain sound and the national house price recovery seen in 4Q19 to continue. We anticipate variations in mortgage interest rates and credit standards but expect lenders to look for opportunities to grow their business by attracting borrowers.

The bushfires that commenced in late 2019 and continued into early 2020 have had a devastating impact on many communities. I would like to acknowledge the selfless contribution from the dedicated emergency services personnel, volunteers and their rescue efforts who battled through an extremely dangerous and challenging bushfire season. In partnership with our lender customers, we are currently providing support to individuals impacted by the bushfires. The effect of bushfires in affected regions and the potential temporary disruption to those regional economies is still being counted but within this environment, Genworth's commitment to assisting lenders and borrowers remains strong.

We expect the uncertainty arising from the impact of the bushfires and the coronavirus (COVID-19) on GDP to potentially offset the positive momentum into 2020.

Our Company's role in facilitating the Australian dream of home ownership and supporting the strength and stability of the Australian financial system through our lender customers is of great importance. Our management team is proactively engaged with lender customers to identify growth opportunities, provide capital support, reduce risk exposures and deliver underwriting and loss mitigation services that help our customers maintain quality residential lending standards.

I would like to acknowledge Georgette Nicholas, who retired as CEO and Managing Director (MD) and as a member of the Board effective 31 December 2019 and sincerely thank Georgette for her leadership and significant contribution to Genworth over the past six years. In addition to supporting the Company to become publicly listed, she has driven a strategic program of work to position Genworth as the leading provider of risk and capital management solutions in the Australian residential mortgage market.

Since Georgette's retirement was first announced, the Board commenced an Australian and international executive search and were delighted to announce the appointment of Pauline Blight-Johnston who we welcome as CEO and MD on 2 March 2020. Pauline comes to Genworth with a depth of experience in life insurance and wealth management and has a proven capability to drive strategy and lead people. Duncan West who had been appointed by the Board to act as CEO continues to serve as an independent, non-executive director and we thank him for his time as acting CEO during this transition period.

Our continued success would not be possible without our Senior Leadership Team and our team of employees. I would like to formally acknowledge and thank them for their efforts. I would also like to thank my fellow Directors for their contribution and commitment to Genworth's success. Importantly I would like to thank our shareholders for their continued support and for entrusting us with stewardship of the Company.

Yours sincerely,

Ian MacDonald
Chairman

Chief Executive Officer's report

Genworth continued to support home ownership by facilitating home loans in 2019 and saw tangible benefits by maintaining the momentum of its Strategic Program of Work as we leveraged our data and technology to add value across the mortgage value chain.

Economic growth continued to be below the long-term trend through 2019 and we saw house prices continue their recovery in the latter half of the year led by the metropolitan centres with Sydney and Melbourne recording strong growth, which we expect to continue in 2020.

Importantly, our 2019 financial performance reflects that our core business continues to perform well. During 2019, we remained focused on optimising our capital structure, having distributed over $330.5 million to shareholders through a combination of fully franked ordinary dividends and unfranked special dividends and completed a $63.9 million on-market buy-back of shares as part of our capital management program.

Strategic update

The Company's strategic vision is to position itself as the leading provider of customer-focused capital and risk management solutions in the Australian residential mortgage market. Over the last few years our objectives have been to refine our core business model by implementing various strategic initiatives to better meet customer needs in a dynamic market environment whilst pricing at our target return on equity (ROE).

Over 2019, we launched our new regular (monthly) premium LMI offering, onboarded new and existing customers onto our automated underwriting decision platform and data-only submission channel (eLMI portal), and continued to leverage data and technology capabilities to deliver risk management insights and operational efficiencies to our customers. In executing our Strategic Program of Work in the year ahead, we will continue to leverage data and technology capabilities to deliver further underwriting risk insights and operating efficiencies across the mortgage value chain.

Financial performance

Financial position

Our 2019 financial performance reflects that our core business continues to perform well. Our result reflects more high loan to value ratio (HLVR) loans being written during 2019 as we continued to see a recovery in consumer confidence in the housing market across all major capital cities except Perth.

Within this environment 2019 Statutory net profit after tax was $120.1 million (2018: $75.7 million) and Underlying net profit after tax was $97.0 million (2018: $93.9 million).

New insurance written (NIW) increased 20.3% to $26.7 billion (from $22.2 billion in 2018).

Gross written premium (GWP) decreased 5.9% to $433.2 million in 2019, noting the 2018 GWP includes GWP written in 1Q18 pursuant to a customer contract entered into by Genworth's Bermudian insurance entity. Excluding this transaction, GWP for 2019 increased 17.1%. This result reflects the higher volume growth in traditional LMI flow business across Genworth lender customers as property prices continued to rebound over the last quarter of 2019, reflecting improved home buyer confidence and affordability particularly in Sydney and Melbourne.

Net earned premium (NEP) increased 6.0% from $281.3 million in 2018 to $298.2 million in 2019. This is a result of the continued seasoning of 2017 and 2018 book years and policy cancellation initiatives in 2019.

New Delinquencies decreased 2.7% (2019: 10,414 versus 2018: 10,697) as we continued to see signs of improvement in mining regions. The number of paid claims increased 3.1% (2019: 1,352 versus 2018: 1,311) although the average paid per claim declined from $112,800 in 2018 to $96,600 in 2019. This year-on-year decrease is a result of the stabilisation of mining regions. However, the average paid per claim is still elevated as subdued market conditions remain across areas such as Perth and its specific sub-regions.

Net claims incurred for the year was $150.9 million (2018: $145.9 million). The increase is mainly attributable to additional reserving from pressure emerging in Perth in response to continued house price depreciation over 2019, notwithstanding the market is now showing early signs of house price stabilisation.

The 2019 Loss Ratio was 50.6% (versus 51.9% in 2018) and in line with the Company's 2019 guidance range of between 45% and 55%. 2019 losses were impacted by reduced cure activity that was offset by increased earned premium from policy cancellations initiatives.

Investment income (net of investment expense) in 2019 was $139.1 million (2018: $77.9 million), with $28.7 million in unrealised losses in 4Q19 as a result of the movement in market yields partially offsetting strong performance for the year.

2019 investment income included an unrealised gain of $35.2 million or $24.6 million after-tax (2018: unrealised loss of $26.1 million or $18.3 million after-tax). The after-tax realised gain of $20.1 million in 2019 is predominantly due to the transition of the equity portfolio to a new external manager in 3Q19 and rebalancing within the fixed interest securities portfolio.

After adjusting for realised and unrealised gains and losses, the 2019 investment return was 2.4% per annum, (2018: 2.6% per annum) reflecting that returns continue to be pressured by the low interest rate environment.

Capital management

Since listing on the Australian Securities Exchange in 2014, we have maintained our focus on ensuring we have an optimal capital structure. Over that time, Genworth has returned 100% of after-tax profits by way of ordinary and special dividends to shareholders and implemented other capital management initiatives such as buy-backs and capital reductions.

Looking ahead to 2020, we will continue to actively optimise our capital structure and evaluate potential uses for excess capital with a view to ensuring that our capital base meets our objectives of balancing policyholder obligations, delivering long-term shareholder returns and having flexibility to grow the business in the future.

Customers

Genworth has commercial relationships with over 100 lender customers across Australia with a majority of the mortgage insurance business concentrated in a small number of key customers.

We take pride in our strong and long-standing relationships with the major and regional banks, building societies, credit unions and non-bank mortgage originators. Our strategic focus on expanding our product suite and enhancing our technological capability is driven by the desire to provide a better experience for our customers.

As announced in 4Q19, we renewed our Supply and Service Contract with Commonwealth Bank of Australia (CBA) for the provision of LMI for three years with effect from 1 January 2020. We also announced and implemented changes to our pricing structure in 2019 and expect these changes to flow through to GWP in 2020.

Regulatory capital base

$1.66b

2019 Fully franked ordinary dividends

16.5cps

Share buy-back

$63.9m

Unfranked special dividends

46.1cps

Chief Executive Officer's report (continued)

Ratings

Our credit ratings reflect the financial strength of Genworth and demonstrate to stakeholders our claim paying ability. On 25 July 2019, Standard & Poor's Ratings Services (S&P) announced that due to revisions to its ratings criteria it had changed Genworth Financial Mortgage Insurance Pty Limited's (GFMI) financial strength rating to an "A" with a stable outlook.

On 18 June 2019, Fitch Ratings reaffirmed the insurer financial strength ratings (IFSR) of GFMI financial strength rating at "A+" but revised its outlook from stable to negative.

Regulatory environment

Genworth remains committed to working with policymakers, ratings agencies and other industry participants to promote legislative and regulatory policies that support home ownership and responsible credit growth.

During 2019, we continued to work to identify and recommend policy solutions that would set suitable capital requirements for the residential mortgage industry. Genworth is leading industry efforts to inform policymakers about the importance of LMI to the Australian mortgage market and ensuring the wider financial system remains stable. In particular, we are focused on informing regulators and policymakers about the value of our risk and capital management solutions as loss absorption and capital tools.

The First Home Loan Deposit Scheme (FHLDS) announced by the Australian Government on 1 September 2019 commenced on 1 January 2020. The Scheme is designed to assist eligible first-home buyers by providing a government guarantee to participating lenders on eligible loans equal to the difference between the deposit (of at least 5%) and 20% of the purchase price.

Borrower income and regional property value caps apply, and the program is intended to support up to 10,000 eligible first-time home buyers per Australian Government financial year (from 1 July to 30 June). Although we expect the full 10,000 quota to be exhausted by 30 June 2019, it is too early to determine what impact the FHLDS will have on Genworth's mortgage insurance business.

Sustainability

Our Strategic Program of Work reflects the importance we place on making a positive contribution to the social, economic and environmental wellbeing of the communities we are part of.

The bushfires of late 2019 that continued into early 2020 have had a devastating impact on many communities, and we continue to work with our lender partners to support them in providing hardship packages to those borrowers impacted by the bushfires and will continue to monitor any broader based economic impacts into the future, should they arise.

We have a broad range of stakeholders and believe we have a role to play in facilitating the Australian dream of home ownership and supporting the strength and stability of the Australian financial system. To enable us to achieve this, we have established a sustainability framework covering four key pillars: Environment, Our People, Community and Marketplace. We report on an annual basis in our Sustainability Report on our performance against each of these pillars.

We continue to be committed to contributing to community causes that are aligned to our mission and vision of supporting the dream of home ownership.

In 2019, Genworth provided sponsored grants totalling $106,000 to its four community partners: St. Vincent de Paul Society, CREATE Foundation, OzHarvest Limited and Father Chris Riley's Youth Off the Streets. Throughout the year, we also donated $109,000 to charitable fundraising initiatives and continued our "Milestone Anniversary Donation" program. Pursuant to this program our Company makes a $1,000 donation to a registered charity selected by an employee celebrating their 10, 15 or 20 year anniversary with Genworth.

In addition to corporate charitable donations, we have established staff volunteering and donation programs for our employees. These include "Workplace Giving", "Make-a-Difference Day", "Employee Sponsored Donations" and "Employee Aware & Care". During 2019, more than 61% of our employees participated in volunteering programs with our community partners, contributing 1,256 hours to programs such as OzHarvest's "Cooking for a Cause", Youth Off The Street's "Working Bee" and programs run by St. Vincent de Paul for the homeless.

Diversity and inclusion in the workplace is another integral component of our Sustainability program. We value the contribution that people with different backgrounds, experience and perspectives bring to our organisation. Importantly, we believe that our people should reflect the diversity of our customers and the communities they serve.

Management has set a goal of maintaining female representation of at least 40% on the Senior Leadership Team and is striving for diversity across all leadership roles. As at 31 December 2019, 44% of the Senior Leadership Team was female and 34% of other management roles were filled by females.

Our commitment to diversity and inclusion has been recognised by the Workplace Gender Equality Agency (WGEA), which awarded Genworth the WGEA Employer of Choice for Gender Equality for the fifth consecutive year.

Conclusion

We are committed to maintaining the momentum of our Strategic Program of Work leveraging data and technology to add value across the mortgage value chain. We also remain focused on working with our customers to implement our regular (monthly) premium LMI offering as a complement to the upfront single premium product, as well as other initiatives that grow GWP and diversify our revenue streams.

Our Company is well capitalised and has a solid balance sheet with net tangible assets of $3.66 per share as at 31 December 2019 and remains committed to actively managing our capital position to continue delivering solid profits and attractive returns for shareholders.

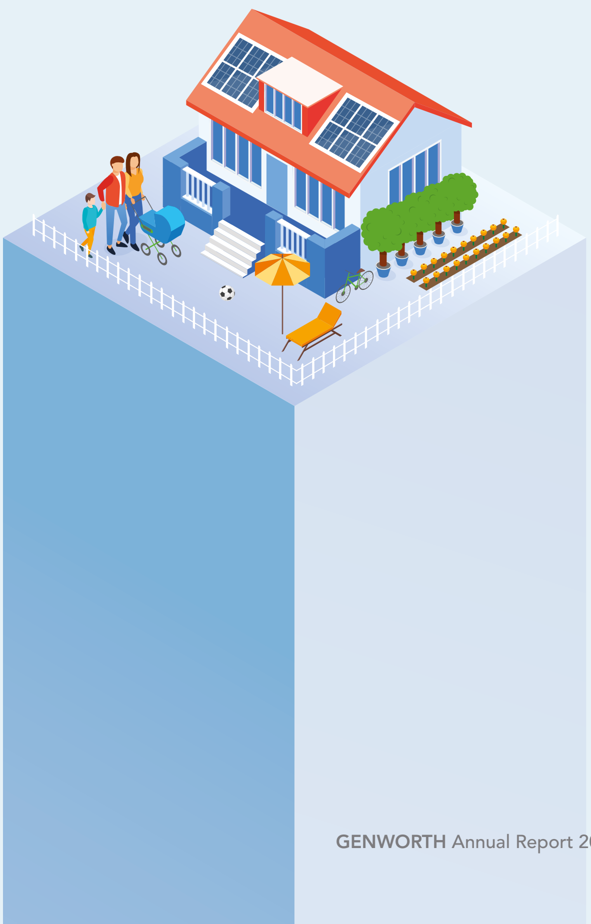
Thank you

I would like to acknowledge our previous CEO and MD, Georgette Nicholas, for her valuable contribution to Genworth and thank the Chairman and my fellow Directors for their stewardship of the business. To all our Genworth people, thank you for your hard work and commitment throughout the year.

To our customers and other partners, thank you for your support and I look forward to continuing these strong relationships. Finally, I would like to thank you for your loyalty as shareholders.

Yours sincerely,

Duncan West
Acting Chief Executive Officer



Our strategy

Genworth's strategic objective over the last three years has been to redefine and then enhance our core business model. The strategic initiatives we implemented allow Genworth to better meet customer needs in a dynamic market environment and deliver profitable growth. Over 2019, we began transitioning our focus to leveraging our new capabilities to launch new products and enhance customer experience.

2020 priorities

In 2020, we will continue our focus on leveraging data and technology to add value across the mortgage value chain. Initiatives include scaling up alternative offerings to diversify the product mix and meet customer needs for additional mortgage risk management options. In addition, we will enhance the customer experience, leveraging our HLVR expertise of over 50 years and focusing on seamless interactions with all lender customers, including new digital lenders.

A refined strategic plan to deliver profitable growth over the medium-term

Value proposition

Product innovation and technology will underpin Genworth's value proposition.

Focus

To be a leading provider of customer focused capital and risk management solutions in residential mortgage markets and deliver sustainable shareholder returns.

Strategic enablers

- People, organisation and cultural change
- Data and analytics
- Technology
- Stakeholder management

Goal areas

1.

Enhance capabilities across the mortgage value chain:

- Enhance customer experience;
- Scale-up new offerings;
- Broaden development of alternative pricing capabilities;
- Leverage data and technology to evolve expert insights.

2.

Maximise core business performance:

- Continue assessment of strategic asset allocation;
- Focused risk management activities utilising data and technology;
- Manage core business with selective investment in building capabilities;
- Maintain capital flexibility.

3.

Continue to develop capabilities to grow the business:

- Pursue opportunities for diversification of risk and revenue;
- Expand our service offering;
- Leverage new products and partnerships.

Delivered initiatives

- Regular (monthly) premium option for LMI
- Advanced connectivity with our customers
- Insurance entity in Bermuda
- Real time automated decision platform
- Micro markets LMI
- Bespoke risk management solutions
- Investment in fintech Tic:Toc
- Data-only submission channel (eLMI portal)

Risk management

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

Genworth's risk management strategy forms an integral part of the risk management framework, ensuring the framework remains relevant and aligned to the Board approved strategies. The key medium-term business risks are those that could impact the successful execution of the strategy. Genworth maintains active risk mitigation strategies to manage key business risks.

Genworth's risk management processes seek to identify emerging risks being those which may develop over the medium to longer term, or which already exist but are difficult to quantify and may have a high loss potential. Emerging risks are typically characterised by having a high degree of uncertainty and where even basic information, which would help assess the frequency and severity of a given risk, is often lacking.

Key material and emerging risks	Key controls/mitigation
Evolving mortgage risk and capital solutions landscape Evolving market for mortgage risk and capital solutions gives rise to opportunities and risks.	• Execution of strategy to leverage new core foundational capabilities – new underwriting and product capabilities; • Products and services designed to enhance the Genworth value proposition in the market; • Active responses to customer needs through working collaboratively with customers on products such as excess of loss cover and micro markets LMI; • Ongoing assessment of risks and market opportunities; • Work with regulators and industry to recognise LMI in risk and capital models; and • Contractual protections to mitigate adverse risk selection and to ensure credit quality is within policy and pricing parameters.
Business model risk Risk that Genworth is limited in responding to the business and economic cycle due to its monoline operating model.	• Execution of strategy to leverage new core foundational capabilities including the regular (monthly) premium product; • Products and services designed to enhance the Genworth value proposition in the market; and • Enhanced product diversification across the mortgage and capital management solutions landscape.
Genworth counterparty risk Risk that Lender counterparty risk settings may limit their exposure to Genworth and serve as an inhibitor of growth.	• Working with Lenders on risk and capital management solutions and counterparty risk mitigation strategies; • Genworth's reinsurance program assists in mitigating counterparty concerns; • Genworth's balance sheet strength; and • Balmoral entity and reinsurance provide alternative structured options.

Key material and emerging risks	Key controls/mitigation
Concentration risk Risk that Genworth's GWP is concentrated with IRB Lenders, and the loss or partial loss of these Lenders will adversely impact financial performance.	• Successful conclusion of commercial opportunities across major and non-major bank segments; • Active Genworth growth potential in the neo-bank segment and non-ADI segment; and • First mover advantage on regular (monthly) premium could impact distribution and borrower preferences – pilot implementation with specific customers expected in 2020.
Increased competition for LMI and other risk transfer products Risk that a new or existing provider of mortgage risk transfer products may disrupt the Lender market and impact Genworth's share of the market.	• Exclusivity contractual protections with Lenders; • Broader product set offering a suite of alternative products; • Simplification of business processes and operating structure to support efficiencies and ease of doing business; and • Strong contractual position with existing customer base with key renewals and extensions secured.
Regulatory change risk Risk that adverse or neutral regulatory changes have the potential to impact Genworth's business model and medium-term profitability.	• Monitoring of the regulatory environment and changes; • Active regulatory engagement strategy – APRA, ASIC and other regulators; • Continue to work with stakeholders to demonstrate the LMI value proposition; and • Strategic engagement with Federal and State Governments, Treasuries and Regulators.
Compliance risk Risk of legal or regulatory sanctions, increased regulatory oversight or loss to reputation as a result of a failure to comply with laws, regulations, rules, standards, and codes of conduct applicable to Genworth as a publicly listed entity and authorised general insurer.	• Compliance obligations monitored and embedded in Genworth's first and second lines of defence; • Compliance updates to senior leadership and functional areas; • Regulatory compliance risk and control attestations; • Annual enterprise-wide compliance risk assessment; and • Regular compliance training and monitoring.
Macroeconomic deterioration and potential deterioration in financial and capital performance of Genworth Risk relating to a deterioration in the Australian economy and housing market impacting the financial strength and performance outlook of Genworth.	• Product, diversified geographic location and segment risk responses; • Mature reserving and loss forecasting processes; • Active risk portfolio monitoring and responses; • The Board and senior leadership team regularly review the risk appetite statement, internal capital settings and responses to the macroeconomic environment; • Genworth maintains a recovery plan to guide and facilitate its responses to a macroeconomic stress event; and • Loss management strategies and responses.

Risk management (continued)

Key material and emerging risks	Key controls/mitigation
Changes in financial strength ratings Risk relating to a downward change in Genworth's financial strength rating by rating agencies.	• Recovery plan provides options to recover Genworth's financial condition and for other contingency scenarios; • Relationship management model ensures strong and sustainable customer outcomes; • Annual rating reviews provide a view of risk emergence and responses required; • Vigilance on combined ratio (Fitch); • Reduced contractual renewal risk (major Lenders); • Strong capital position, above the Board approved internal and regulatory capital buffer range; and • Reinsurance program strengthens claims paying ability.
Underwriting risk Poor underwriting quality due to inappropriate policy settings and/or practices.	• Rolling program of second line reviews of underwriting quality including specific focus on data quality; • Use of bureau data for credit risk assessment; • All new deals assessed through the underwriting rules and scorecard allowing for improved underwriting risk controls; • Serviceability methodology is reviewed at least annually; and • Changes to lender serviceability to be approved by Genworth.
Reinsurance renewals Risk that Genworth fails to renew reinsurance contracts as and when they fall due to be renewed.	• Active reinsurance management strategy; • Active management of the reinsurance program by experienced team including leveraging global reinsurance expertise; • Ability to leverage external reinsurance experience; and • Reinsurer engagement and roadshows.
Mark-to-market risk (incl. Liquidity risk) Risk relating to changing investment market dynamics (such as a change in the interest rate cycle, equity and foreign exchange markets), driving mark-to-market losses.	• Diversification of investment portfolio within the boundaries set by the risk appetite statement; • Capital and Investment Committee governance and oversight; • Risk assessment prior to any change to risk appetite and related changes to Genworth's investment policy; and • Execution of the derivatives strategy as required.
Conduct risk Risk relating to the inappropriate, unethical or unlawful behaviour and practices caused by deliberate or inadvertent actions, which may have significant ramifications for the organisation, shareholders, customers and the end borrower.	• Active leadership role representing the value proposition of LMI in the mortgage industry; • Work collaboratively with Lenders to ensure LMI and the provisions of the Master Policy are well understood by the Lender; • Communications in relation to LMI are clear and concise; • Adherence to the new General Insurance Code of Practice; • Reporting and root cause analysis; and • Greater focus on applying a borrower lens as part of business to business operating model.

Key material and emerging risks	Key controls/mitigation
Data risk – accuracy and integrity of data Failure to ensure that data quality is "fit for purpose" giving rise to the potential risk that Genworth may make poor business critical and operational decisions based on inadequate and/or poor data.	• Adherence to Genworth's data governance framework; • Continued sourcing of data aligned to technology changes; • Leverage external vendors as part of Genworth's data sourcing strategy; and • Leverage new and additional data sources as part of Comprehensive Credit Reporting and Open Banking.
Information security risk including cyber security Risk of loss from theft or unauthorised access to systems through hacking, social engineering, disabling or damaging systems. Risk relating to a deliberate act through cyber space to manipulate, destruct, deny, degrade or destroy computers or networks, or the information resident in them.	• Contractual protections in contracts with key providers; • Information security policy framework and governance; • Vulnerability management program; • Independent audit of security controls; • Cyber risk forms part of the recovery plan; • Cyber risk insurance coverage; and • Robust IT and data governance model.
Climate change risk (Emerging risk) Risk of failing to adopt good practice environmental standards, as articulated in the Sustainability Policy, and failing to effectively manage the adverse impacts of climate change on our in-force and investment portfolios.	• Project team to coordinate its responses to climate change and a roadmap of key project milestones has been developed; • Assessing the impact and potential impact of climate change on insurance risk in force and investment portfolios and mitigation strategies to manage the risks and opportunities; and • Participation in the Insurance Council of Australia's ICA Climate Change Action Committee.
Digitisation and disruption risk (Emerging risk) Risk relating to the inability to effectively and efficiently respond to changing technologies and disruption impacting responsiveness to a changing market.	• Alignment of business and technology strategies; • Ongoing assessment of risks and market opportunities by strategy function; and • Technology roadmap execution to ensure Genworth technology capabilities keep pace with the environmental changes.

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 2019 and the auditor's report thereon.

Principal activity

The principal activity of the Group during the reporting period was the provision of LMI under authorisation from APRA.

In Australia, LMI facilitates residential mortgage lending by transferring risk from lenders to LMI providers, predominantly for HLVR residential mortgage loans.

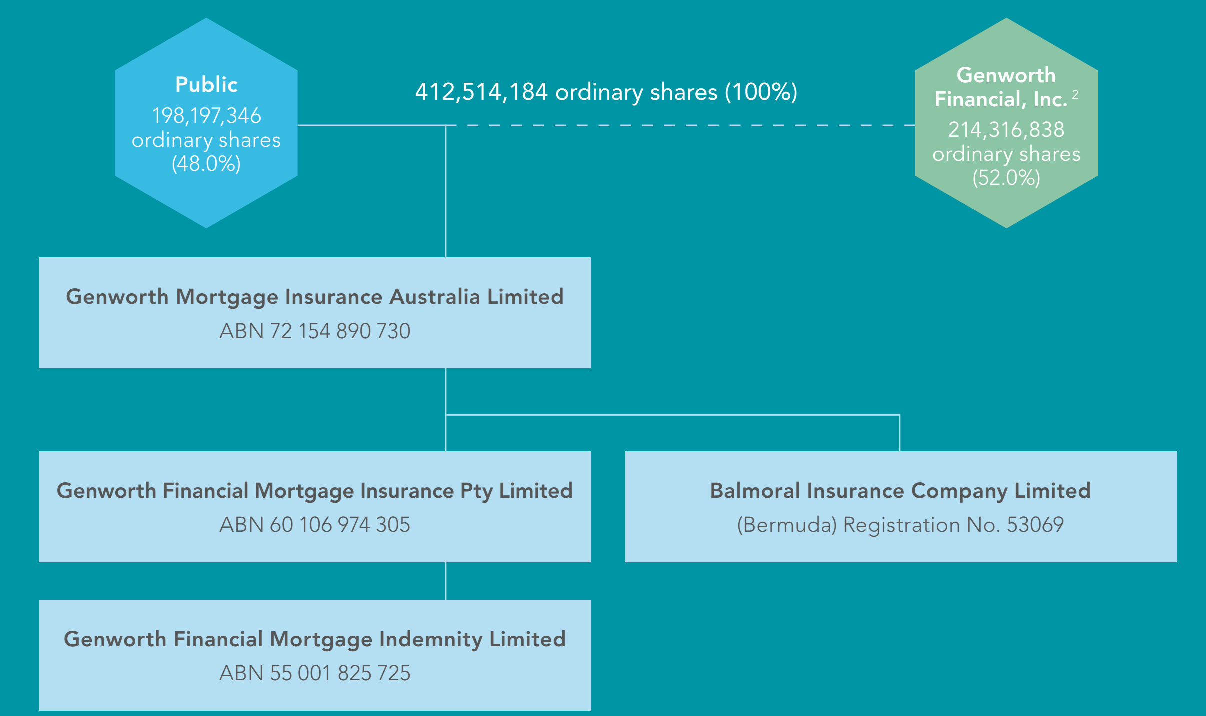
Organisation overview

About Genworth

Genworth is the leading LMI provider in the Australian LMI market and a provider of capital and risk management solutions in the Australian residential mortgage market. The Group estimates that it had approximately 32% of the Australian HLVR LMI market[1] by NIW for the 12 months ended 31 December 2019. Genworth is listed on the Australian Securities Exchange (ASX: GMA).

During 2019, 25 million shares were purchased for a total consideration of $63.9 million, as part of the Group's on-market share buy-back program. Genworth Financial, Inc. participated in these on-market share buy-back programs to maintain its approximately 52% stake in the Group. As at 31 December 2019, the number of Genworth shares on issue was 412.5 million.

Genworth corporate structure as at 31 December 2019



1 Estimates based on flow market.
2 Genworth Financial, Inc.'s interest in the Company is held indirectly through the Genworth Financial Group.

Corporate governance statement

The corporate governance statement is available on the Genworth website.

Please visit: investor.genworth.com.au/investor-centre/

Business model

Genworth's business activities

Our mission is to support Australian home ownership by providing capital and risk management solutions to our customers in residential mortgage lending. Genworth's primary business activity is the provision of LMI to our lender customers.

As an LMI provider, Genworth's profitability is driven primarily by the 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 creates shareholder value.

Genworth shareholder value chain

Genworth shareholder value chain

Products and income		Costs		Distribution	
Premium income	**Financial income**	**Claims**	**Underwriting and other costs**	**Dividends**	**Retained earnings**
• Customers • NIW • GWP • Revenue recognition	• Interest rates • Investment income	• Delinquencies • Reserving • Payment of claims	• Underwriting fees • Amortisation of customer acquisition related costs • Marketing costs • Staff and IT costs	• Underlying NPAT • Payout ratio • Special dividends • Share buy-backs	

Strategy, risk and capital management

Products and customers

In 2019, Genworth launched a first in market, regular (monthly) premium LMI product as a complement to its traditional upfront LMI offering (Standard LMI, Homebuyer Plus and Business Select). Genworth also onboarded new and existing customers onto a new automated underwriting decision platform and data-only submission channel (eLMI portal) and continued to leverage data and technology to deliver risk management insights and operational efficiencies to customers.

In 2019, GWP was predominantly generated from insurance written on a flow and portfolio basis. During 2019, Genworth renewed its Supply and Service Contract with Commonwealth Bank (CBA) for the provision of LMI for three years with effect from 1 January 2020. The Company maintains commercial relationships with over 100 lender customers across Australia, with a majority of its mortgage insurance business concentrated in a small number of key customers. In 2019, Genworth's top two customers accounted for 67.0% of its GWP. The largest customer accounted for 55.0% of its GWP in 2019, as illustrated below.

Lender customer	2019 GWP [1]
Largest customer	55.0%
Second largest customer	12.0%
Largest customers 3–10	24.3%
All others	8.7%

1 Includes excess of loss insurance.

Board of directors

Ian MacDonald Chairman, Independent

Ian was appointed to the Board on 19 March 2012 and was appointed as Chairman of the Board on 31 August 2016.

Qualifications and experience: 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. Ian is also a member of the 30% Club, a group formed by the Australian Institute of Company Directors who are committed to achieving better gender balance on Boards and in organisations.

Since 2006, Ian has held a number of directorships including publicly-listed companies, and is currently a director of Arab Bank Australia Ltd.

Special responsibilities (including Committee memberships): Board – Chairman; Risk Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019): None.

Duncan West Acting CEO and Director, Genworth Financial designee

Duncan was appointed to the Board on 1 September 2018 and as Acting CEO on 1 January 2020.

Qualifications and experience: Duncan has more than 30 years of insurance industry experience having held senior executive positions at Royal Sun Alliance Group PLC, Promina Group Limited, CGU Limited and MLC Limited.

He is currently a Director of Challenger Limited, Chairman of Hollard Insurance Company Pty Limited, Lawcover Insurance Pty Ltd, Habitat for Humanity Australia and is a Director of Avant Group Holdings Limited.

Duncan is a Graduate of the Australian Institute of Company Directors, a Fellow of the Chartered Insurance Institute and a Senior Associate of the Australia and New Zealand Institute of Insurance and Finance. He holds a Bachelor of Science (Economics) from the University of Hull, UK.

Special responsibilities (including Committee memberships): None.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019): Challenger Limited (since 10 September 2018).

David Foster Director, Independent, Genworth Financial designee

David was appointed to the Board on 30 May 2016.

Qualifications and experience: David has over 25 years of financial services experience, specifically in banking, insurance and wealth management.

David previously held numerous positions with Suncorp Group including various senior executive roles from 2003 – 2007 and was the Chief Executive Officer of Suncorp Bank from 2008–2013.

Prior to Suncorp Bank, David held various management roles at Westpac.

David is a Senior Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

David is the Chairman of Motorcycle Holdings Limited, and a director of Bendigo and Adelaide Bank Limited and G8 Education Limited.

Special responsibilities (including Committee memberships): Capital and Investment Committee – Chair; Remuneration and Nominations Committee – Chair; Technology Committee – Chair.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019):
Current: Bendigo and Adelaide Bank Limited (since 4 September 2019); Motorcycle Holdings Limited (Director since 8 March 2015, Interim Chairman since 25 July 2016 and Chairman since 23 August 2016); G8 Education Limited (since 1 February 2013).

Former: Thorn Group Limited (from 1 November 2014 to 23 October 2019); Kina Securities Limited (from 30 July 2013 to 23 May 2018).

Gai McGrath Director, Independent

Gai was appointed to the Board on 31 August 2016.

Qualifications and experience: Gai has over 20 years of financial services experience, specifically in retail banking and wealth management. Gai previously held numerous senior executive positions with the Westpac Group including:

- General Manager, Retail Banking, Westpac Australia from 2012–2015;
- General Manager, Retail Banking, Westpac New Zealand from 2010–2012;
- General Manager, Customer Service and General Manager, Risk Solutions at BT Financial Group.

Prior to the Westpac Group, Gai was General Counsel & Company Secretary at Perpetual Limited and a partner at a Sydney-based law firm.

Gai is a Graduate of the Australian Institute of Company Directors.

Gai is currently a director of IMB Bank, Toyota Finance Australia Limited, Steadfast Group Limited and HBF Health Limited.

She is also Chair of Humanitix and a member of the Red Shield Appeal Development Council of The Salvation Army.

Special responsibilities (including Committee memberships): Audit Committee – Chair; Risk Committee – Member; Remuneration and Nominations Committee – Member; Technology Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019): Investa Listed Funds Management Limited as responsible entity of Investa Office Fund (from 17 October 2017 to 14 December 2018). Steadfast Group (since 1 June 2018).

Christine Patton Director, Independent, Genworth Financial designee

Christine was appointed to the Board on 1 September 2018.

Qualifications and experience: Christine began her career as a tax lawyer and recently returned to Australia after 26 years working in Bermuda in roles including Group General Counsel of NYSE listed reinsurer PartnerRe Ltd and Senior Legal Counsel and Assistant Secretary to the Board at Bank of NT Butterfield & Son Ltd. She has more than 30 years' career experience in capital markets, banking and reinsurance.

Christine has a Bachelor of Laws and a Bachelor of Commerce from the University of Queensland and is a Graduate of the Australian Institute of Company Directors.

Special responsibilities (including Committee memberships): Audit Committee – Member; Capital and Investment Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019): None.

Stuart Take Director, Genworth Financial designee

Stuart was appointed to the Board on 20 February 2012.

Qualifications and experience: Stuart has over 30 years' experience, primarily at Genworth and General Electric.

Stuart 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 President of the Board of Directors of Genworth Seguros de Credito a la Vivienda S.A. de C.V. (Mexico) and also serves as a Director of India Mortgage Guarantee Corporation (a Genworth joint venture with the International Finance Corporation, the Asian Development Bank and the National Housing Bank of India). He was previously Head of Financial Institutions at Deutsche Bank, Asia ex- Japan.

Special responsibilities (including Committee memberships): Risk Committee – Member; Remuneration and Nominations Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019): None.

Gayle Tollifson Director, Independent

Gayle was appointed to the Board on 20 February 2012.

Qualifications and experience: Gayle has over 40 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.

Gayle is a fellow of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand.

Gayle is currently a director of RAC Insurance Pty Limited, RAA Insurance Holdings Limited and RAA Insurance Limited.

Special responsibilities (including Committee memberships): Risk Committee – Chair; Audit Committee – Member; Capital and Investment Committee – Member; Remuneration and Nominations Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019): None.

Jerome Upton Director, Genworth Financial designee

Jerome was appointed to the Board on 20 February 2012.

Qualifications and experience: Jerome was appointed as Senior Vice President and Chief Financial and Operations Officer, Global Mortgage Insurance for Genworth Financial in 2012.

Previously, Jerome 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 Senior Vice President and CFO, Genworth Financial International – Asia Pacific, Canada and Latin America from 2007–2009, 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 was formerly a Certified Public Accountant and the Controller and Director of Financial Reporting for Century American Insurance Company in Durham, North Carolina.

Special responsibilities (including Committee memberships): Audit Committee – Member; Capital and Investment Committee – Member; Risk Committee – Member; Technology Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2017 – 31 December 2019): None.

Senior leadership team

Duncan West Acting Chief Executive Officer and Director

Duncan was appointed to the Board on 1 September 2018 and as Acting CEO on 1 January 2020. Duncan has more than 30 years of insurance industry experience having held senior executive positions at Royal Sun Alliance Group PLC, Promina Group Limited, CGU Limited and MLC Limited.

He is currently a Director of Challenger Limited, Chairman of Hollard Insurance Company Pty Limited, Lawcover Insurance Pty Ltd, and Habitat for Humanity Australia and is a Director of Avant Group Holdings Limited.

Duncan is a Graduate of the Australian Institute of Company Directors, a Fellow of the Chartered Insurance Institute and a Senior Associate of the Australia and New Zealand Institute of Insurance and Finance. He holds a Bachelor of Science (Economics) from the University of Hull, UK.

Michael Bencsik Chief Financial Officer

Michael joined Genworth as Chief Financial Officer (CFO) in February 2019. Michael has over 30 years of financial and strategic experience in banking and insurance across Australia, New Zealand, United Kingdom, Europe, the Middle East, and Asia Pacific.

Prior to joining Genworth, Michael held the role of Deputy Chief Financial Officer, Bank of Queensland and Chief Financial Officer, St Andrew's Insurance Australia. Prior to this he held various senior finance and strategy roles across leading financial service institutions including Lloyds TSB Bank (UK), Westpac Banking Corporation, HSBC Bank Australia Limited, HSBC Holdings (UK), Commonwealth Bank of Australia and First Abu Dhabi Bank (UAE).

Michael is a Fellow Certified Practising Accountant and Fellow Chartered Certified Accountant (UK) with a Bachelor of Commerce from the University of NSW and a Master of Business Administration from Macquarie University. He is a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

Andrew Cormack Chief Risk Officer

Andy joined Genworth Australia as Chief Risk Officer (CRO) in October 2015. Andy brings more than 25 years of experience to his role as CRO having held senior management responsibility for teams in finance, commercial, product development and risk for markets across Europe. He is passionate about delivering best in class risk and actuarial models and building and developing high achieving teams engaged in delivering business objectives.

Before joining Genworth Australia, Andy worked with Genworth's Mortgage Insurance business in Europe, where he held the role of CRO with responsibility for the risk and actuarial teams. Prior to this he held various senior management positions including Senior Vice President Risk, SVP Commercial, SVP Product Development & Marketing and Chief Financial Officer.

Earlier in his career, Andy spent 3 years with JP Morgan where he focused on emerging market fixed income derivatives and prior to this worked at Neville Russell Accountants (now Mazars) as a specialist auditor responsible for Lloyds Insurance Market.

Andy has a BA(Hons) in Accounting and Finance from Lancaster University (UK) and is a qualified Chartered Accountant (ACA)-(ICAEW).

Brad Dean Head of Strategy and Innovation

Brad joined Genworth in August 2002 and was appointed Head of Strategy and Innovation in October 2018. Brad is a seasoned leader, bringing more than 20 years of experience to his role from across a range of insurance, health care equipment and distribution businesses with responsibility for new business development, mergers and acquisitions, strategic planning, and financial management and controls.

Prior to his current role, Brad held the positions of Head of Product Development and Corporate Development Leader at Genworth where he was responsible for formulating and executing product and corporate development strategies, including leading Genworth's IPO project which resulted in Genworth Australia being listed on the Australian Securities Exchange in 2014. Between 2002 and 2007, Brad held the position of Chief Financial Officer of Genworth Australia.

Prior to his roles at Genworth, Brad worked at a chartered accounting firm for five years followed by a further five years at GE in multiple finance roles. Brad is a Chartered Accountant and has a Bachelor of Commerce from Wollongong University with a double major of Accounting and Economics.

Steven Degetto Chief Commercial Officer

Steven joined Genworth as Chief Commercial Officer in July 2017. He has over 25 years' experience in banking and insurance. With a strong track record of developing partnerships across a broad range of financial institutions, Steven's strategic thinking, deep understanding of customer opportunities and challenges coupled with his commercial acumen have enabled him to consistently deliver customer value and insights.

Prior to joining Genworth, Steven was Head of Bank Intermediaries with the Suncorp Group where he managed all intermediary relationships across Australia supporting over 14,000 mortgage brokers in the provision of Suncorp Group products and services. Most recently he was Head of Wealth and Life Intermediaries at Suncorp and led the sales and retention strategy across the life insurance and wealth management businesses. Steven has also held various leadership roles within financial services at both Macquarie Group and Commonwealth Bank of Australia.

Steven holds a Bachelor of Business from the University of Tasmania, a Graduate Diploma of Applied Finance and Investment and an Advanced Diploma in Financial Planning. He is a Fellow of both the MFAA and FINSIA. Steven is also currently undertaking a Global Leadership program through Tuck Business School at Dartmouth College.

Cameron McDonald Head of Technology

Cameron joined Genworth in 2012, establishing the Data Management Office and assuming responsibility for technology services to the business in July 2016. Cameron has 30 years' experience in a variety of operational and technology leadership roles in investment management, mortgage lending and insurance in Europe and Australia.

Prior to joining Genworth, Cameron held positions with National Australia Bank, Challenger Financial Services Group, HSBC Australia and State Street Corporation in technology leadership, program management and operations.

Cameron is a Member of the Australian Institute of Company Directors and holds a Bachelor of Business (Accounting) degree from Monash University and additional certifications in Enterprise Architecture and cloud computing services.

Prudence Milne General Counsel and Company Secretary

Prue joined Genworth as General Counsel in September 2016. Prue brings over 30 years' experience in private practice, in-house corporate counsel and company secretary roles. She is a highly experienced senior lawyer with deep financial services experience.

Before joining Genworth, Prue worked in private practice at Ashurst and then held a variety of senior legal and company secretary roles at AMP and AMP Capital Investors. In her nearly 18-year career with AMP, she oversaw and facilitated considerable change and transition in the AMP businesses and had considerable exposure to senior executives and boards.

Prue has a Bachelor of Economics and Laws from Monash University, a Master of Laws from the University of Sydney, a Graduate Diploma in Secretarial Practice from Chartered Secretaries Australia and is a Graduate of the Australian Institute of Company Directors.

Erica Pickford Head of Operations

Erica joined Genworth in November 2014 as New Business leader and was appointed Head of Operations in July 2017. With over 20 years of financial experience in both banking and insurance, Erica brings international experience having worked in South Africa, the United Kingdom and Australia.

Before joining Genworth, Erica worked at Commonwealth Bank of Australia where she was Executive Manager, Head of Loss Mitigation and Customer Assist. During her career with Commonwealth Bank, she oversaw and lead the collections transformation across all secured and unsecured products. Prior to Commonwealth Bank she held various leadership roles in Credit Risk management and was Operations leader at Provident Credit in the United Kingdom.

Prior to immigrating to the United Kingdom in 1998, Erica held the position of Operations Manager within ABSA Bank (52% owned by Barclays Bank) in South Africa.

Erica holds a Diploma in Business through Swindon College (UK) and a Certificate IV in Credit Management.

Kate Svoboda Chief People and Culture Officer

Kate was appointed as Chief Human Resources Officer in September 2016 after 6 months as Acting Chief Human Resources Officer. Kate joined Genworth as Human Resources Director in 2015. Kate brings to the role more than 19 years' professional experience working in human resources, the majority of which has been in financial services.

Kate is responsible for leading culture enhancement, organisational development, employee relations, workforce planning, recruitment, learning and talent development, diversity and remuneration and benefits.

Prior to joining Genworth, Kate was HR Business Partner at Challenger and before that worked in various HR roles at Commonwealth Bank of Australia. Kate has also worked in various management and clinical roles in public health. Kate has a Master of Business Administration (University of New England) and a Bachelor of Speech Pathology (University of Queensland).

Operating and financial review

Operating result for the financial year

The Group's key financial measures are summarised in the below table.

Financial performance measures ($ millions)	2019	2018
Gross written premium	433.2	460.2
Gross earned premium	368.4	356.3
Net earned premium	298.2	281.3
Statutory NPAT	120.1	75.7
Underlying NPAT	97.0	93.9

Non-AASB performance metrics	2019	2018
Loss ratio (%)	50.6%	51.9%
Expense ratio (%)	35.3%	33.6%
Combined ratio (%)	85.9%	85.4%
Insurance margin (%)	36.2%	28.3%
Investment return (%)	2.4%	2.6%
ROE (%)	7.4%	4.1%
Underlying ROE (%)	6.0%	5.2%

The underwriting performance in 2019 reflects:

(a) GWP decreased 5.9%. Excluding the bespoke transaction written through the Group's Bermudian insurance entity in 2018, GWP increased 17.1%.

(b) NEP increased 6.0%, slightly above the Group's guidance range of -5% to 5% mainly reflecting the seasoning of 2017 and 2018 Book Years and policy cancellation initiatives in 2019.

(c) The loss ratio decreased by 1.3% reflecting higher NEP in the current year and in line with Group's guidance of 45.0% to 55.0%.

(d) The expense ratio increased from 33.6% in 2018 to 35.3% in 2019 reflecting higher acquisition costs from growth in NEP relating to LMI flow business and higher other underwriting expenses in the current year.

(e) The insurance margin increased to 36.2% compared to 28.3% for 2018 mainly driven by investment income on assets backing insurance liabilities.

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Review of financial condition

Financial position

Financial position ($ millions)	2019	2018
Cash and investments	3,131.1	3,224.4
Deferred acquisition costs	181.2	166.8
Trade and other receivables	47.1	80.6
Total assets	3,477.4	3,590.1
Outstanding claims reserve	360.9	339.1
Unearned premium	1,280.5	1,214.2
Interest bearing liabilities	199.4	198.2
Total liabilities	1,949.9	1,852.8
Net assets	1,527.5	1,737.3

Total assets of the Group as at 31 December 2019 of $3,477.4 million decreased $112.7 million from 31 December 2018. The movement includes:

- $93.3 million decrease in investments (including cash), primarily to fund the share buy-back and dividends partially offset by strong positive operating cash flows and unrealised gains on our investment portfolio.
- $14.4 million increase in deferred acquisition costs reflecting current year expenditure associated with obtaining and recording mortgage insurance contracts partially offset by the amortisation of current and prior period deferred acquisition costs.
- $33.5 million decrease in trade and other receivables predominantly relating to lower premiums receivable pursuant to a contract issued in 2018 by Genworth's Bermudian insurance entity and lower unsettled investment trades.

The total liabilities of the Group as at 31 December 2019 were $1,949.9 million, up from $1,852.8 million at 31 December 2018. The movement includes:

- $66.3 million increase in unearned premium resulting from strong performance in gross written premium during the year.
- $21.8 million increase in outstanding claims due to an increase in the stock of delinquencies and a higher average reserve per delinquency.

The equity of the Group as at 31 December 2019 of $1,527.5 million decreased $209.8 million from 31 December 2018.

The movement is mainly attributable to various capital management initiatives during 2019, including the payment of $266.6 million of dividends and $63.9 million to fund an on-market share buy-back. This was offset by $120.1 million in current year earnings.

Capital mix

The Group measures its capital mix on a net tangible equity basis, i.e. after deduction of goodwill and intangibles, providing strong alignment with regulatory and rating agency models.

At 31 December 2019, the Group's capital mix was:

- Net tangible equity (net of goodwill and intangibles) 88.3%.
- Debt 11.7%.

Capital management

The Group remains strongly capitalised with regulatory capital of $1,659.6 million at 31 December 2019 (2018: $1,948.1 million). The Group has solvency of 1.91 times the prescribed capital amount (PCA) and a CET1 ratio of 1.68, which continues to be above the Board's targeted solvency range of 1.32 to 1.44 times the PCA on a level 2 basis. The table below illustrates the capital position as at 31 December 2019 compared with 31 December 2018.

PCA coverage ratio (Level 2)

($ millions), as at	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 Capital (including net (deficit)/excess technical provisions)	1,459.6	1,748.1
Tier 2 Capital	200.0	200.0
Regulatory capital base	1,659.6	1,948.1
Insurance concentration risk charge (ICRC)	479.1	660.7
Asset risk charge	125.7	124.8
Insurance risk charge	284.4	245.5
Operational risk charge	35.7	31.7
Aggregation benefit	(55.7)	(56.4)
PCA	869.3	1,006.3
PCA coverage ratio (times)	1.91x	1.94x

The decrease in CET1 capital in 2019 mainly reflects $266.6 million dividends paid in the year, $63.9 million related to an on-market share buy-back, a $76.4 million decrease in the net excess technical provisions offset by $120.1 million in current period earnings.

Dividends

Details of the dividends paid or determined to be paid by the Group and the dividend policy employed by the Group are set out in the dividends note 3.6 within the financial statements.

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 2019 was $1,505.7 million based on the closing share price of $3.65.

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 7.7 within the financial statements.

On 24 January 2020, the Company announced the appointment of Pauline Blight-Johnson as Chief Executive Officer and Managing Director effective 2 March 2020.

On 5 February 2020, the Directors declared a 100% franked final dividend of 7.5 cents per share totalling $30.9 million.

On 18 February 2020, the Company announced the retirement of Gayle Tollifson from the Board of Genworth effective 15 March 2020 and the appointment of Andrea Waters to the Board effective 16 March 2020. These changes were made as part of Genworth's Board renewal program.

Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors

The directors of the Company at any time during, or since the end of, the financial year up to the date of this report are:

Current directors:

Ian MacDonald
Duncan West
David Foster
Gai McGrath
Christine Patton
Stuart Take
Gayle Tollifson
Jerome Upton

Former directors

Georgette Nicholas
(ceased to be a Director on 31 December 2019)

Company Secretary

Prudence Milne

Prudence Milne was appointed General Counsel and Company Secretary on 5 September 2016. Between 1998 and 2015, Prue held Executive Legal Counsel and Company Secretary positions at AMP, with significant exposure across superannuation, life insurance and investment management. Prior to AMP, Prue worked at Ashurst, Hambros Australia and Herbert Smith Freehills. Prue brings to Genworth more than 30 years of experience across a range of areas including corporate governance, mergers and acquisitions, litigation, compliance and legal risk management. Prue holds a Bachelor of Economics and a Bachelor of Laws from Monash University, a Master of Laws from the University of Sydney and is a Graduate of the Australian Institute of Company Directors and holds a Graduate Diploma in Company Secretarial Practice from the Governance Institute.

Assistant Company Secretary

Brady Weissel

Brady Weissel was appointed Assistant Company Secretary on 10 March 2016. Brady joined Genworth as a Corporate Counsel in July 2014. Prior to joining, Brady was a lawyer at Ashurst with experience acting on a range of corporate and commercial matters including, private and public mergers and acquisitions, schemes of arrangement and takeovers, on initial public offerings, equity raisings and joint ventures. Brady holds a Bachelor of Commerce and Bachelor of Laws from the University of Sydney.

Economic overview and outlook

The Australian economy continued to moderate through 2019, driven by lower household consumption coupled with cost of living pressures and continued subdued business confidence.

Unemployment levels remained reasonably stable through the year, although excess capacity in the labour market continued to impact wages growth but has shown signs of improvement compared to 2018.

National house prices continued to recover in 4Q19 led by the metropolitan centres with Sydney and Melbourne both recording strong growth, which Genworth expects to continue in 2020. The Perth market, which has experienced challenging market conditions since mid-2014, is showing early signs that prices have begun to stabilise into 2020, aided by a gradual recovery of the Western Australian economy.

As we look ahead, Australian economic fundamentals remain sound with the effect of stimuli on multiple fronts including a historically low cash rate, tax cuts, continued infrastructure investment, recovering housing markets, and a generally brighter outlook for the resources sector providing positive momentum in 2020. Strong export growth in commodities combined with steady growth of service and manufactured exports supported by a weaker Australian dollar are also providing foundational support for the economy. Australia's terms of trade remain strong with a strong Australian trade surplus recorded each month since the beginning of 2018. Counterbalancing these positive factors is geopolitical uncertainty and the impact of trade tensions between the United States and China which may weigh on global economic growth over 2020.

The economic impact on GDP over 2020 from the severe ongoing drought, recent bushfires in late 2019 and early 2020 across Australia, and the coronavirus (COVID-19), is uncertain.

Genworth expects its financial performance in 2020 to be influenced by a number of factors including the ongoing housing market appreciation – particularly in the capital cities of Sydney, Melbourne and Perth; unemployment and labour market capacity and the effect on household income growth and the level of consumer confidence; variations in mortgage interest rates and credit standards; the impact of the Australian Government First Home Loan Deposit Scheme and the effect of recent bushfires on delinquencies in affected regions and the potential temporary disruption to those regional economies.

Accordingly, 2020 NEP is expected to be within the range of -5% to 5% of 2019 NEP and the 2020 loss ratio is expected to be between 45% and 55%. Genworth continues to target an ordinary dividend payout ratio range of 50% to 80% of Underlying NPAT. The full year outlook is subject to market conditions (including volatility in investment markets) as well as the impact of unforeseen circumstances such as the recent bushfires, global events including health emergencies such as the outbreak of coronavirus (COVID-19).

Operating and financial review (continued)

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 set out below.

Director	Board: Scheduled Meetings		Board: Unscheduled Meetings		Board: Subcommittee Meetings		Audit Committee [1]		Risk Committee [1]		Capital & Investment Committee [1]		Remuneration & Nomination Committee [1]		Technology Committee [1]	
	A	H [2]	A	H [2]	A	H [2]	A	H [2]	A	H [2]	A	H [2]	A	H [2]	A	H [2]
Ian MacDonald	9	9	4	4	–	–	–	–	–	–	–	–	–	–	–	–
Georgette Nicholas	9	9	2	2	5	5	–	–	–	–	–	–	–	–	–	–
David Foster	9	9	2	2	–	–	–	–	–	–	5	5	5	5	6	6
Gai McGrath	9	9	4	4	4	4	6	6	5	5	–	–	5	5	6	6
Christine Patton	9	9	1	1	–	–	6	6	–	–	5	5	–	–	–	–
Stuart Take	9	9	2	2	–	–	–	–	5	5	–	–	5	5	–	–
Gayle Tollifson	9	9	4	4	–	–	6	6	5	5	5	5	5	5	–	–
Jerome Upton	9	9	2	2	–	–	6	6	5	5	5	5	–	–	6	6
Duncan West	9	9	3	3	1	1	–	–	5	5	5	5	–	–	6	6

1 All directors are invited to and regularly attend committee meetings. This table reflects attendance of directors who are members of the relevant committee.

2 Number of meetings held during the period that the director held office.

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 2019 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 2020.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 of $Nil (2018: $35,000), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and in accordance with Genworth's 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.
- None of the services undermine the general principles relating to auditor independence 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 are provided in note 7.2 within the financial statements.

Officers of the Company who are former partners of KPMG

No officer of the Company who is a former partner of KPMG was a partner of KPMG at a time when KPMG undertook an audit of the Company.

Remuneration report

Dear Shareholder,

On behalf of your Board, I am pleased to present our annual remuneration report for the year ended 31 December 2019.

Genworth's approach to remuneration

Our strategic vision is to position Genworth as the leading provider of customer-focused risk and capital management solutions in the Australian residential mortgage market. The design of Genworth's remuneration framework promotes our strategic objectives through the delivery of competitive remuneration via cash and share-based short-term and long-term incentive programs that:

1. Drive alignment between the Company's management and its shareholders;
2. Provide a clear link between Company and individual performance and remuneration outcomes;
3. Ensure remuneration outcomes are aligned with Genworth's short and long-term objectives;
4. Support strong governance, culture and accountability across Genworth;
5. Enable proactive management of our capital structure to optimise returns for shareholders; and
6. Recognise the importance of executing on the Company's strategy to evolve the business model and deliver a sustainable future for the Company.

The linkage between our remuneration framework and company strategy and performance is set out in more detail in section 2.5 – Executive KMP remuneration programs.

The 2019 year in review

Having previously laid the foundations of our redefined core business model, in 2019 we leveraged these capabilities to deliver pricing flexibility; broaden our suite of product offerings (including a new regular (monthly) premium LMI offering) and utilised data and technology to drive business efficiencies.

In 2019, as foreshadowed in last year's Annual Report, the Board adjusted variable remuneration metrics and weightings to more closely align to business objectives and improve line of sight for management.

A summary of Genworth's 2019 financial performance against short-term incentive objectives includes:

- Performance net profit after tax (NPAT) of $77 million;
- Capital management – return of $330.5 million of capital to shareholders in 2019 through $63.9 million share buy-back, fully-franked ordinary dividends and unfranked special dividends; and
- Gross written premium of $433 million.

For the 2019 performance period, short-term incentive plan strategic priorities included leveraging technology and underwriting efficiencies, product enhancement and renewal of key customer contracts, driving efficiency via digitalisation of underwriting and enhancing our loss forecasting capabilities.

The outcomes for variable remuneration in 2019 reflect financial performance slightly below target for Performance NPAT related to higher incurred losses. Conversely, there was above target performance on Gross Written Premium and capital management actions were in line with plan. Our Strategic Program of Work and our focus on culture and the engagement of our people which will continue to deliver benefits into the future, continue to progress. These achievements have translated into strong returns for shareholders, with absolute total shareholder return (TSR) for 2019 of 101.7% and dividend returns of 62.6 cents per share (including special dividends of 46.1 cents per share). More details are provided in section 3.2 – Link between performance and STI outcomes.

The 2017 LTI grant relative TSR component exceeded the upper quartile of the comparison market, driven by strong share price growth and dividend returns. Conversely the Underlying ROE component performance was below threshold. The grant remains subject to an additional one-year deferral period. More details on these outcomes in 2019 are provided in section 3.3 – Link between performance and LTI outcomes.

The Board has worked to deliver remuneration outcomes for 2019 that appropriately reflect performance outcomes for participants and the value delivered to shareholders:

- Fixed Remuneration adjustments for executive KMP averaged 1.9% for 2020;
- 2019 short-term incentive funding was determined to be 98% of target (section 3.2);
- The 2017 long-term incentive grant will partially vest in early 2021 (section 3.3).

Genworth's remuneration approach for 2020

The Board is satisfied that the revised incentive plan structure implemented in 2019 supports Genworth's business strategy and drives alignment with shareholders and, as such, has made only minor adjustments for 2020. The 2020 STI metrics have been changed from 65% financial metrics/35% non-financial metrics to 60% financial metrics/40% non-financial metrics. This provides slightly increased weighting to our people and culture objectives that contribute to the longer-term strategic transformation of the business.

The Board continues to oversee an ongoing program of work to embed governance, culture and accountability that supports the long-term sustainability of the organisation and promotes behaviour that is aligned to Genworth's values. This includes complementing the enhanced Board discretion over deferred remuneration and clawback provisions and enhanced risk governance reporting as part of Genworth's broader cultural transformation. More detail on these initiatives is provided in section 2.4 – Alignment of risk and remuneration.

This report provides additional detail as to how the Committee and Board have determined remuneration outcomes across all the Company's remuneration programs to achieve our remuneration objectives.

David Foster
Chairman – Remuneration and Nominations Committee

Remuneration report (continued)

1. Executive summary

This report provides shareholders with an overview of Genworth's remuneration governance, strategy, programs and outcomes for Key Management Personnel (KMP) for the year ended 31 December 2019. The table below provides a concise summary of the remuneration received by executive KMP in 2019. This table is for general information, and is supplementary to the statutory requirements contained in sections 6 and 7. It is not prepared in accordance with accounting standards, as it includes both contracted and actual remuneration received over the calendar year and excludes long service leave accruals, fringe benefit tax attributed to insurances and car parking and other non-monetary benefits.

Table 1a: 2019 Remuneration summary table (unaudited) as at 31 December 2019

				At-risk/performance remuneration			
		Fixed remuneration		Short-term incentive (STI)		Long-term incentive (LTI)	
Name and position		Contract TFR[1]	Actual TFR received[2]	STI target	Actual STI awarded[3]	LTI target[4]	LTI vested[5]
Executive KMP							
Georgette Nicholas	2019	$890,000	$890,079	$890,000	$872,200	$890,000	$424,255
Chief Executive Officer (CEO)	2018	$890,000	$878,683	$890,000	$623,000	$870,000	$211,242
Michael Bencsik[6]	2019	$500,000	$456,357	$226,712	$222,178	$120,000	$187,062
Chief Financial Officer (CFO)	2018	–	–	–	–	–	–
Andrew Cormack	2019	$507,375	$505,428	$202,950	$179,002	$247,500	$111,029
Chief Risk Officer (CRO)	2018	$495,000	$493,333	$198,000	$138,600	$242,500	$3,350
Steven Degetto	2019	$450,225	$447,776	$225,113	$253,702	$217,500	–
Chief Commercial Officer (CCO)	2018	$435,000	$432,024	$217,500	$175,088	$217,500	–
Former executive KMP							
William Milner[7]	2019	$322,040	$29,928	$14,999	$10,380	–	$10,572
Acting Chief Financial Officer	2018	$322,040	$312,914	$146,622	$87,240	–	$9,924
Tobin Fonseca[8]	2019	$460,000	$26,172	–	–	–	$25,222
Chief Operating Officer (COO)	2018	$460,000	$458,333	$230,000	$161,000	$225,000	$207,179

1 Contract total fixed remuneration (TFR) 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 2019 as a KMP and may be different to contract TFR due to increases as part of the annual remuneration review effective 1 March and partial years served.
3 Actual STI awarded reflects 2019 STI awards (including any amounts delivered as deferred STI, see section 4 for more details).
4 The 2019 LTI Target reflects the dollar value of the LTI grant awarded for the performance period commencing 1 January 2019.
5 Represents the dollar value of the Genworth 2016 LTI plan as at the date of vesting, the notional dividend payment associated with vested awards from the 2015 LTI plan, a sign-on equity award for Mr Bencsik and vesting under a grandfathered employee equity scheme for Mr Milner. There was no vesting of US equity grants during 2019 (refer to table 6c).
6 Mr Bencsik's target and actual STI is pro-rated from commencement in the CFO role on 4 February 2019.
7 Mr Milner's actual TFR, target and actual STI is pro-rated for the period 1 January – 3 February 2019 served as Acting CFO.
8 Mr Fonseca's role was made redundant effective 31 January 2019. Termination payment arrangements are detailed in table 6a, and treatment of outstanding equity grants is detailed in table 6c.

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 7 for details relating to non-executive directors.

Table 1b: Executive KMP in 2019

Name	Position	Term as KMP
Executive KMP		
G Nicholas	CEO	Full year
M Bencsik	CFO	4 February – 31 December
A Cormack	CRO	Full year
S Degetto	CCO	Full year
Former executive KMP		
W Milner	Acting CFO	1 January – 3 February
T Fonseca[1]	COO	1 January – 31 January

1 Mr Fonseca's role was made redundant effective 31 January 2019. Termination payment arrangements are detailed in table 6a, and treatment of outstanding equity grants is detailed in table 6c.

In May 2019 Ms Georgette Nicholas announced her intention to retire from Genworth and she stepped down as CEO and as a member of the Board effective 31 December 2019. Ms Nicholas will remain with Genworth as an employee until the end of March 2020 to ensure a smooth handover and orderly transition. Termination payments associated with the CEO's retirement are below the termination benefit limits prescribed in the Corporations Act and will be fully disclosed in the 2020 Genworth annual report.

The Board asked Mr Duncan West, a current Genworth non-executive director with extensive insurance industry experience, to serve as Acting CEO effective 1 January 2020 until a permanent CEO appointment was made.

The Board appointed Ms Pauline Blight-Johnston as CEO and Managing Director effective from 2 March 2020. The terms and conditions of Ms Pauline Blight-Johnston's appointment were disclosed in the Genworth ASX announcement released on 24 January 2020. Mr West will step down as Acting CEO immediately prior to Ms Blight-Johnston's commencement.

2. Remuneration governance, policy and programs

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, diversity and inclusion. The Board's final approval is required for any decision relating to the Committee's responsibilities. The Committee liaises as required with the Audit Committee and Risk Committee.

2.2 Use of independent remuneration advisors

The Board and the Committee received advice from external advisers Ernst & Young (EY) in 2019. Services included a review of market practices. No remuneration recommendations as defined under the Corporations Act were received in relation to KMP throughout this period.

2.3 Remuneration policy and strategy

Genworth's remuneration policy sets out the governance, structure and overall strategy through which Genworth compensates employees. Genworth's remuneration strategy is to provide market competitive remuneration programs that help attract, retain and motivate highly talented people who are dedicated to achieving business objectives in a manner that is consistent with the long-term sustainability of the Company, our customers and our shareholders. This strategy is reflected in specific remuneration programs which, subject to Board (and, where applicable, shareholder) approval, deliver remuneration which align shareholder, company and employee interests over the long-term.

2.4 Alignment of risk and remuneration

The Board approved a revised Remuneration Policy in 2018 to strengthen the link between risk and remuneration through a number of measures including:

- broadening Board discretion to adjust remuneration in the event of misconduct and risk and compliance breaches;
- more clearly articulating the different remuneration package elements and associated governance considerations; and
- reinforcing links between remuneration governance and prudent financial and non-financial risk taking and consideration of customer outcomes.

Enhanced malus and clawback provisions were introduced into the Genworth deferred STI and LTI plans in 2019.

Also, in 2019 Genworth piloted "Risk Health Assessments" for each function and the business overall, which provided the Board with enhanced reporting on risk culture. These assessments will continue in 2020 to assist the Board to monitor risk culture and provide the Board with an important lens through which to assess risk behaviours in the business.

The Board undertook assessments of risk culture outcomes and conduct when considering the appropriateness of releasing deferred awards and in determining remuneration awards for executives for the 2019 performance year.

A key input to the Board's assessment is an independent review undertaken by the Chief Risk Officer which incorporates:

- assessment of the overall business environment, key business controls and mitigating actions and associated governance, accountability and culture practices against the key components of APRA CPS 220;
- review of the outcomes of "Risk Health Assessments" conducted over 2019 and any material risk matters arising in 2019; and
- consideration of any material adverse events or inappropriate risks that have or could have arisen through the inappropriate actions or lack of appropriate culture, governance and accountability practices by senior management.

Other inputs to the Board's decision-making on executive remuneration include annual performance assessments of executives, and multi-rater reviews of the executives' behaviour against company values and key elements of organisational culture.

In 2019, the Board concluded that executives managed risks appropriately in the context of a very dynamic commercial and regulatory environment, and there were no material adverse outcomes that have or could have arisen during the performance period related to risk culture and/or behaviour. As such, no risk-adjustments were required to be made to executive remuneration outcomes.

2.5 Executive KMP remuneration programs

Genworth's executive KMP remuneration programs are designed to align executive and shareholder interests by:

- using appropriate pay mix and delivery vehicles (e.g. cash, equity and non-monetary benefits);
- measuring performance and delivering resulting remuneration over an appropriate time frame, including deferral of a portion of Senior Leadership Team (SLT) variable remuneration;
- linking fixed remuneration increases to individual performance and market benchmarks (e.g. median of relevant comparator group);
- ensuring variable remuneration programs and outcomes balance prudent financial and non-financial risk taking with achievement of company objectives and minimise potentially adverse customer outcomes; and
- operating within Genworth's risk management framework and relevant regulatory requirements (in particular, APRA Prudential Standard CPS 510 Governance).

Genworth's executive KMP remuneration programs consist of a total fixed remuneration (TFR) component, a short-term incentive (STI) component and a long-term incentive (LTI) component. Table 2.5a presents the link between Genworth's strategy and remuneration programs and outcomes. Certain executive KMP participated in Genworth Financial's global remuneration programs prior to listing in May 2014.

Table 2.5a Remuneration framework and linkage to company strategy and performance

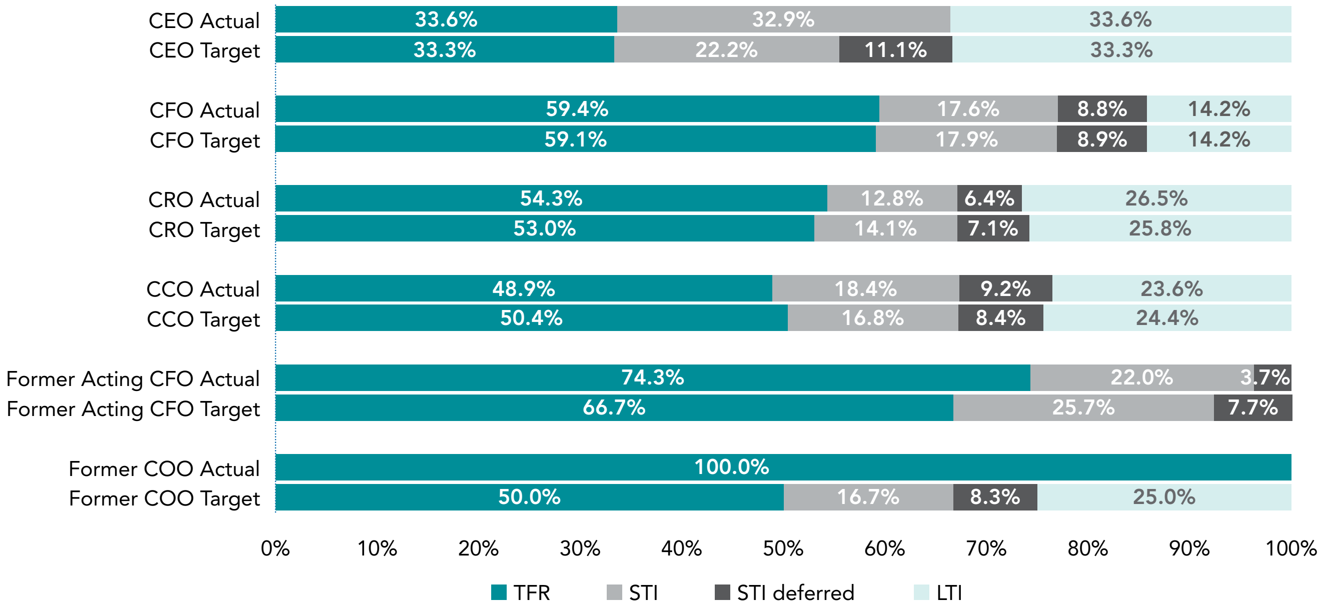
Business vision	Remuneration strategy
To be the leading provider of customer-focused capital and risk management solutions in the Australian residential mortgage market.	To attract, retain and motivate talented people dedicated to achieving business objectives in line with Genworth's, shareholders' and customers' long-term interests.
Measures of success	**Actual performance**
Enhance profitability and grow new business within risk-adjusted return parameters by delivering against Performance NPAT and Gross Written Premium targets. Proactively manage our capital structure to optimise returns for shareholders. Leverage our enhanced core capabilities by: • launching new flexible risk-based pricing capabilities; • generating GWP through diversified non-traditional LMI products; • enhancing operational efficiencies and customer experience via technology; and • supporting our customers to grow through data and insights. Continue to develop an organisational culture that is inclusive, supports our strategic objectives and enables Genworth to adapt and grow in a changing environment.	• New insurance written increased 20.3% year on year. GWP growth in our core business in 2019 (excluding bespoke transactions written through our Bermudian entity) reflected increasing consumer confidence in housing markets in several state capitals including Sydney and Melbourne. NEP was up 6.0% and was slightly above guidance; Loss ratio reduced marginally to 50.6% and was in line with guidance. Statutory net profit after tax (NPAT) in 2019 increased by 58.7% to $120.1 million including an after tax unrealised gain of $24.6 million on the investment portfolio. Underlying NPAT increased 3.3% to $97.0 million. Performance NPAT for 2019 was $77 million; • Progress was made on developing flexible risk-based pricing capabilities in 2019 providing additional core capabilities ready to be leveraged in 2020; • Continued investment in digitisation and automation has contributed to realised savings in 2019 and the proportion of new business processed digitally continues to increase, further streamlining business operations; • Ongoing focus on our customer value proposition has resulted in several key customer contract renewals and significant positive improvements in our customer Net Promoter Score; and • Engagement levels improved 6% in 2019, with an increase of 4% for organisational agility and 4% for business alignment. Diversity and inclusion measures continue to remain a strength.

Vision and strategy reflected in remuneration programs and actual outcomes

TFR	**TFR**
• Fixed pay outcomes are driven by: individual performance (execution of individual and Genworth objectives and demonstration of behaviours aligned to Genworth values), size and scope of the role and relevant market benchmarks.	• Average pay increases to executive KMP were 1.9% in the 2020 remuneration review.
STI	**STI**
Awards reflect combination of: • individual performance (execution against individual objectives and demonstration of behaviours aligned to Genworth values and supporting a strong risk culture); and • Company performance (including key financial metrics (Performance NPAT, capital management and GWP) and progress against the Company's strategic objectives	• Performance resulted in 98% STI funding. STI awards to actively employed executive KMP ranged from 0–56% of the maximum.
LTI	**LTI**
• Awards reflect company performance against ROE and relative TSR targets.	• The 2017 LTI plan partially vested against relative TSR hurdles but did not achieve ROE hurdles across the three-year performance period. A 12-month deferral period applies from the end of the relevant performance period (31 December 2019), meaning performance rights will not vest to participating executives until 1Q21. For further detail on performance of the LTI plan, refer to section 3.3 – Link between performance and LTI outcomes.

Remuneration report (continued)

Table 2.5b: 2019 target mix of pay (relative weight of each component as a percentage of total remuneration as at 31 December 2019)



The actual mix of pay delivered in any year is 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.

2.6 Total fixed remuneration

Total fixed remuneration is the sum of base salary and the value of guaranteed employee benefits such as superannuation and car parking.

Total fixed remuneration for executive KMP roles 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 as the primary reference point for comparative purposes, and Total Reward (TFR plus target STI and LTI) is used as a secondary reference point.

As part of the 2019 remuneration review, the Board approved increases to TFR for executive KMP. For details of these increases, please refer to table 1a.

2.7 Short-term incentive

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. Details of the maximum STI amount that can be awarded are provided in table 2.7a.

In determining individual STI awards, the CEO provides recommendations to the Committee in respect of the CEO's direct reports (which includes all executive KMP except the CEO). The Committee reviews these recommendations and evaluates the CEO's performance, and recommends to the Board any fixed pay changes and incentive awards for the CEO and KMP. Recommendations take into account the STI pool funding percentage and the performance of the executive KMP against individual and business performance goals as well as the behaviour demonstrated by the executive KMP in their role consistent with the Company values. Individual executive KMP goals align to the financial and operational objectives used to determine STI pool funding.

Table 2.7a: 2019 STI key characteristics

2019 STI features	Detail		
Purpose of STI plan	Motivate and retain employees by providing awards that reflect a combination of individual performance and Genworth's performance including behaviours as measured against Genworth's values, and operating within the risk management framework.		
STI (% of TFR) by role	**Executive KMP**	**Target % (of TFR)**	**Maximum % (of TFR)**
	CEO:	100%	200%
	CFO, Acting CFO, CCO & COO:	50%	100%
	CRO:	40%	80%
Performance objectives	**Financial objectives** Performance NPAT (25%) Capital Management (20%) Gross Written Premium (20%)	**Strategic objectives** Execute key strategic priorities (35%)	
Aggregate objective weighting	Financial objectives 65%	Strategic objectives 35%	
Performance period	1 January 2019 – 31 December 2019.		
Performance assessment	In 1Q20, Genworth's performance against each individual objective was evaluated to determine the STI pool funding percentage.		
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	1Q20.		
Payment method	STI – 2/3 of the award paid in cash (inclusive of superannuation). Deferred STI – 1/3 of the dollar value of award converted to a grant of share rights (subject to vesting conditions).		
Deferral period	Deferred STI component deferred for 12 months from 1 March 2020.		
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 (VWAP) as at 31 December 2019. 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 retains discretion to satisfy vested share rights delivered through the STI plan via the issuance of new shares or via an on-market purchase.		
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 or as determined by the Board) – 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 2.7b: 2020 STI performance objectives and weightings

STI performance objective and weighting	Rationale
Performance NPAT (25%)	Performance NPAT is a measure of performance of the in-force portfolio.
Capital Management (15%)	The capital management objective reflects execution against the Board approved capital management plan for 2020 which details planned capital returns to shareholders.
Gross Written Premium (GWP – 20%)	GWP target is intended to incentivise generation of new business within the current performance period and is subject to achievement of new business pricing return in excess of the weighted average cost of capital (WACC).
Strategic Objectives (40%)	2020 strategic objectives include operationalising new product offerings, implementing newly developed flexible risk-based pricing capabilities, further enhancing value delivery for our customers, continuing to drive operational efficiencies through process improvement and digitalization, and ongoing progress in our cultural transformation.

The 2020 STI Scorecard metric weightings have been changed from 65% financial/35% non-financial to 60% financial/40% non-financial to provide increased weighting to objectives around organisational culture that contribute to the longer-term strategic transformation of the business.

2.8 Long-term incentive

Prior to listing in May 2014, executive KMP participated in the Genworth Financial LTI program. Grants to Australian participants were delivered as share options in Genworth Financial. The final tranches of the Genworth Financial LTI grants to Australian participants vested in 2018 and are detailed in the statutory tables in section 6.

Commencing 1 January 2015, executive KMP were invited to participate in an annual Long Term Incentive grant of share rights which are subject to vesting conditions. Vesting conditions for the 2019 plan include performance based vesting scales in respect of company performance against Underlying ROE and relative TSR.

Table 2.8a: 2019 LTI key characteristics

LTI 2019 features	Detail
Purpose of LTI plan	Motivate and retain employees by providing awards that align with longer-term company performance, reflect the ability of the role to influence Genworth's performance and operate within Genworth's risk management framework.
LTI % by executive KMP role	**Executive KMP** — **Target % (of TFR)** CEO — 100% Other KMP (excluding Acting CFO) — 50%
Performance metrics	**Underlying ROE:** 25% of the 2019 LTI grant. Calculated as the average of three-year Underlying NPAT divided by the three-year average equity (excluding mark-to-market value of investments) measured against regulatory capital (based on the midpoint of the Board's target range above the Prescribed Capital Amount) that provides direct line of sight for executives. Underlying ROE is a strategically important internal measure of financial performance for Genworth. It captures the Company's ability to convert equity into returns (profit) and supports a number of Genworth's strategic priorities. **Relative TSR:** 75% of the 2019 LTI grant. Calculated as the total return to shareholders (share price movement including value of dividends) over the performance period, expressed as a percentage of the starting share price. Dividends are reinvested on the ex-dividend date closing price and franking credits are excluded.
Relative TSR Comparator group	Top ASX 200 financial services companies excluding Real Estate Investment Trusts (REITs).
Vesting scales summary	see below
Vesting summary	Vesting occurs on a straight-line basis between the summary points above and each performance metric is measured and vests (as applicable) independently of the other.
Performance period	1 January 2019 – 31 December 2021.
Performance assessment	Performance to be assessed in 1Q22. There is no retesting of grants.
Deferral period	12 months from the end of the relevant performance period.
Vesting period/date	Four years in total from the start of relevant performance period (three-year performance period with an additional year deferral).

Vesting scales summary:

Vesting %	0%	50%	60%	70%	80%	90%	100%
Underlying ROE	<7.5%	7.5%	8.4%	9.3%	10.2%	11.1%	12.0%
Relative TSR	<50th	50th	55th	60th	65th	70th	75th

Remuneration report (continued)

LTI 2019 features	Detail
Award determination	At the end of the performance period, final vesting percentages are determined via a 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).
Payment method	Grant of share rights. Vested share rights entitle the holder to ordinary shares in the Company for nil consideration. The Company retains discretion to satisfy vested share rights delivered through the LTI plan via the issuance of new shares or via an on-market purchase.
Vesting conditions	Continuous active employment for four 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.
Share rights grant calculation	The number of share rights was determined by dividing the grant value by a 10-day VWAP as at 31 December 2018. 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 are only provided following the completion of the four-year vesting period and only on share rights that vest based on the satisfaction of performance hurdles. 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 except as provided at the discretion of the Board for a "Good Leaver" (see table 2.7a for details: "treatment of terminating executive KMPs").
Change of control	Board has discretion.

Table 2.8b: 2020 LTI key characteristics

LTI 2020 features	Detail							
Performance metrics	**Underlying ROE:** 25% of the 2020 LTI grant. Calculated as the average of three-year Underlying NPAT divided by the three-year average equity (excluding mark-to-market value of investments) measured against regulatory capital (based on the upper end of the Board's target range above the Prescribed Capital Amount). Underlying ROE is a strategically important internal measure of financial performance for Genworth. It captures the Company's ability to convert equity into returns (profit) and supports a number of Genworth's strategic priorities. **Relative TSR:** 75% of the 2020 LTI grant. Calculated as the total return to shareholders (share price movement including value of dividends) over the performance period, expressed as a percentage of the starting share price. Dividends are reinvested on the ex-dividend date closing price and franking credits are excluded.							
Relative TSR comparator group	Top ASX 200 financial services companies excluding REITs.							
Vesting scales summary	Vesting %	0%	50%	60%	70%	80%	90%	100%
	Underlying ROE	<7.5%	7.5%	8.4%	9.3%	10.2%	11.1%	12.0%
	Relative TSR	<50th	50th	55th	60th	65th	70th	75th
	Note the Underlying ROE scale may vary with any change in the targeted point within the PCA range or within the range itself within the performance period. The relative TSR vesting schedule remains unchanged for 2020.							

2.9 Share ownership requirement 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 (the measurement date for TFR is as 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.

Executive KMP must meet the share ownership requirements within five years of appointment to their current role. Share ownership requirements are 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.

3. Relationship between company performance and remuneration

3.1 Performance overview

Genworth's 2019 financial results reflected performance in line with guidance supported by a recovery in consumer confidence in the housing market in Sydney, Melbourne and a number of other state capitals. Key metrics included:

- GWP (excluding bespoke transactions written through Genworth's Bermudian entity) increased 17.1% for 2019;
- New insurance written (NIW) was up 20.3% to $26.7 billion;
- Net earned premium increased by 6.0% to $298.2 million;
- Performance NPAT for 2019 was $77 million;
- Returned $330.5 million of capital to shareholders via buy-backs, full franked ordinary dividends and unfranked special dividends in line with capital plan;
- Genworth's absolute TSR[1] increased by 101.7% from 1 January to 31 December 2019; and
- Ongoing focus on enhancement of our customer experience and value proposition resulted in several key customer renewals and an improvement of net promoter score of +19 to +42.

This performance is reflected overall in a slightly below-target bonus pool and resulting awards to executive KMP (more detail section 3.2).

1 Including value of notionally re-invested dividends.

Table 3.1a: Summary of Genworth's performance (2014–2019)

Financial results	2015	2016	2017	2018	2019
Gross Written Premium ($m)	$507.6	$381.9	$369.0	$460.2	**$433.2**
Net Investment Income ($m)	$107.9	$126.0	$103.3	$77.9	**$139.1**
Underlying NPAT ($m)	$264.7	$212.2	$171.1	$93.9	**$97.0**
Expense Ratio	26.2%	25.7%	29.3%	33.6%	**35.3%**
Underlying ROE[1]	11.6%	10.4%	9.0%	5.2%	**6.0%**
Dividends paid[2] (dollars per share)	$0.503	$0.405	$0.260	$0.200	**$0.626**
Share price at start of reporting period	$3.64	$2.76	$3.27	$3.00	**$2.19**
Share price at end of reporting period	$2.76	$3.27	$3.00	$2.19	**$3.65**

1 Underlying ROE is calculated by dividing underlying NPAT by the average of the opening and closing underlying equity balance for a financial period.
2 Reflects dividends related to the performance year paid or subsequently declared.

3.2 Link between performance and STI outcomes

The link between remuneration outcomes and business performance is fundamental to the design, administration and outcomes of Genworth's remuneration programs. In developing threshold, target and stretch performance levels for financial measures, Genworth considers a combination of internal financial forecasts as well as external analyst expectations following the release of our prior year financial results. In light of Genworth's performance against 2019's STI objectives, the Board determined the STI pool funding level to be 98% of STI targets.

Table 3.2a: 2019 STI performance objectives and Board assessment of performance

STI performance objective and weighting	Rationale	Assessment of 2019 performance
Performance NPAT (25%)	As the headline figure of the various components that make up overall company performance, an annual profit measure is a key performance objective.	Performance NPAT for 2019 was $77 million. 2019 results were lower than expected due to higher incurred losses and lower interest income due to a declining yield environment, partially offset by higher earned premium. This outcome translated into an incentive outcome below target but above threshold for this metric.
Capital Management (20%)	Reflects proactive management of our capital structure to optimise returns for shareholders.	Returned $330.5 million of capital to shareholders via buy-backs, fully franked ordinary dividends and unfranked special dividends in line with capital plan, which translated into an on-target incentive outcome for this metric.
Gross Written Premium (20%)	Incentivises generation of new business within the current performance period, subject to achievement of new business pricing return in excess of the WACC.	Strong growth in our traditional LMI flow business across lender customers resulted in GWP performance above target at $433 million, translating into an incentive outcome between target and stretch performance levels.
Leverage enhanced core capabilities (25%)	Key strategic priorities for each performance period may vary year-to-year based on Genworth's priorities. For the 2019 performance period, strategic priorities included leveraging technology and underwriting efficiencies, product enhancement and renewal of key customer contracts.	Realised savings from realising efficiencies gained through new technology capabilities. GWP from non-traditional LMI products was below target performance with a number of opportunities underway but not concluded in 2019. Above target performance on customer outcomes was reflected in several key customer renewals and an improvement of customer Net Promoter Score. Overall incentive outcome was between above target for these metrics.
Culture and engagement (10%)	Culture enhancement and employee engagement and alignment.	Employee survey outcomes exceeded our stretch targets with significant positive improvements noted on all metrics, resulting in an incentive outcome at stretch performance levels.

3.3 Link between performance and LTI outcomes

2017 LTI award

In January 2017, executive KMP roles were provided with a grant of share rights which vest subject to company performance against Underlying ROE and relative TSR. A 12-month deferral period applies from the end of the relevant performance period (31 December 2019), meaning the first tranche of performance rights will vest in 1Q21.

LTI performance objective and weighting	Detailed calculation	Performance Range	Drivers of performance
Underlying ROE (50%)	Calculated as the average of three year Underlying NPAT divided by the three-year average equity (excluding mark-to-market value of investments)	Threshold performance (50% vesting): 9.5% Maximum performance (100% vesting): 13.0%	The threshold Underlying ROE hurdle for the 2017 award was 9.5% and the actual Underlying ROE result was 6.9%. Decreases in NPAT following the introduction of the earnings curve contributed to the Underlying ROE outcome. None of the Underlying ROE awards vested.
Relative TSR (50%)	Calculated as the relative TSR against a comparator group (the ASX200 excluding resources companies)	Threshold performance (50% vesting): median Maximum performance (100% vesting): upper quartile	The TSR outcome for Genworth across the measurement period was achievement at the 82nd percentile (i.e. above upper quartile). Accordingly, 100% of the TSR component will vest, representing 50% of the overall grant. A key contributor to Genworth's TSR performance relative to peers was the ongoing capital management program and associated dividend returns to shareholders. Three executives (G. Nicholas; A. Cormack and S. Degetto) will qualify for partial vesting in 1Q21, at which point more detail on actual vesting outcomes will be provided.

4. Remuneration outcomes for executive KMP

Table 4a: 2019 STI outcomes

	Target STI (% of TFR)	Target STI $	Max STI $	Cash STI awarded [1]	Deferred STI awarded [2]	Deferred STI share rights	Total STI awarded $	Actual STI awarded (% of TFR)	Actual STI awarded (% of max)	STI not awarded (% of max)
Executive KMP										
G Nicholas [3] CEO	100%	$890,000	$1,780,000	$872,200	$0	0	$872,200	98%	49%	51%
M Bencsik [4] CFO	50%	$226,712	$453,423	$148,119	$74,059	19,833	$222,178	44%	49%	51%
A Cormack CRO	40%	$202,950	$405,900	$119,335	$59,667	15,979	$179,002	35%	44%	56%
S Degetto CCO	50%	$225,113	$450,225	$169,135	$84,567	22,647	$253,702	56%	56%	44%
Former executive KMP										
W Milner Acting CFO [5]	50%	$14,999	$29,998	$8,883	$1,497	401	$10,380	3%	35%	65%
T Fonseca [6] COO	50%	$0	$0	$0	$0	0	$0	0%	0%	0%

1 Cash STI awarded figure is inclusive of superannuation.
2 Deferred STI awarded is the one-third portion of total STI award deferred for 12 months. The deferred STI award is converted to share rights using a 10-day VWAP as at 31 December 2019 ($3.7341) and will vest on 1 March 2021 subject to continuous active service and 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.
3 As Ms Nicholas will be retiring from Genworth in March 2020, the Board exercised its discretion to pay the STI deferral component as cash on the scheduled payment date of March 2020 rather than as share rights with a one-year deferral period to March 2021.
4 The target STI for Mr Bencsik is pro-rated from the date of his commencement in the CFO role, 4 February 2019.
5 The target STI for Mr Milner is pro-rated for the period served as Acting CFO, 1 January – 3 February 2019.
6 Mr Fonseca was not eligible for an STI for the 2019 performance year under the STI administration guidelines as he only served one month of the performance year.

5. Contractual arrangements for executive KMP

Table 5a: Summary of contract details

Executive KMP	Term of agreement	Notice period	Termination payments
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 or as limited without shareholder approval under the Corporations Act.
Other executive KMP	Ongoing	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 period of 12 months after ceasing employment.

Remuneration report (continued)

6. KMP remuneration tables

Table 6a: Statutory remuneration table – 1 January to 31 December 2019

		Short-term remuneration				
KMP		Cash salary [1]	Other benefits [2]	Non-monetary benefits [3]	Cash STI awarded [4]	Deferred STI [5]
Executive KMP						
G Nicholas	2019	$861,095	$0	$15,043	$872,000	$0
CEO	2018	$858,394	$0	$18,481	$415,333	$207,667
M Bencsik	2019	$428,057	$600	$13,259	$148,119	$74,059
CFO	2018					
A Cormack	2019	$484,662	$600	$1,838	$119,335	$59,667
CRO	2018	$473,043	$600	$2,877	$92,400	$46,200
S Degetto	2019	$421,003	$600	$27,232	$169,135	$84,567
CCO	2018	$411,734	$4,657	$13,434	$116,725	$58,363
Former executive KMP [8]						
W Milner	2019	$27,332	$4,167	$920	$8,883	$1,497
Acting CFO	2018	$242,147	$43,933	$1,548	$74,827	$12,413
T Fonseca [9]	2019	$21,040	$0	$606	$0	$0
COO	2018	$438,043	$0	$845	$161,000	$0

1 Cash salary consists of base salary and any salary sacrifice arrangements.

2 Other benefits include annual health reimbursement offered to all employees, cash and acting allowances.

3 Non-monetary benefits include insurance premiums, executive health benefits, other non-cash benefits (such as car parking) and related fringe benefits tax (FBT).

4 Cash STI awarded is the actual STI cash payment relating to 2019 performance, inclusive of super, accrued for in 2019. Actual payment made in March 2020.

5 Deferred STI awarded to executives is the one-third portion of total STI award deferred for 12 months. The value disclosed is the portion of the value of the equity instruments recognised as an expense in this reporting period. The value of each share right granted under the 2019 deferred STI plan has been calculated using the 10-day volume weighted average share price (VWAP) as at 31 December 2019 ($3.7341).

6 Long Service Leave accruals are presented as the expense movement for the reporting period.

7 The fair value of equity instruments calculated at the date of grant using the Monte Carlo method and allocated to each reporting period over the period from grant date to vesting date for the 2017, 2018 and 2019 LTI grants, but represents the market share acquisition price of vested awards for the STI deferral 2017 (minus grant value previously disclosed in 2017 report plus associated notional dividend awards), equity 2019, LTI 2015 (notional dividend awards) and vested 2016 LTI.

8 Mr Milner's disclosed remuneration is pro-rated for the period 1 January – 3 February 2019 served as Acting CFO.

9 Remuneration for Mr Fonseca includes all payments up to his termination date of 31 January 2019. Termination benefits provided to Mr Fonseca included a severance payment $313,344 and accrued but unused annual leave and long service leave entitlements. One third of the 2018 STI payment would normally be subject to deferral into share rights for one year, however the Board approved the full 2018 STI to be paid as cash on termination as Mr Fonseca would no longer be employed by Genworth during the deferral period.

Table 6b: Share option holdings for the reporting period ended 31 December 2019.

Executive KMP	Grant Detail	Grant Date	Issue Price [1]	Vesting Date	Expiration Date
Name and position					
G Nicholas CEO	GFI Equity '10	10 Feb '10	$16.20	10 Feb '11, '12, '13, '14	10 Feb '20
	GFI Equity '11	9 Feb '11	$12.61	9 Feb '12, '13, '14, '15	9 Feb '21
	GFI Equity '12	14 Feb '12	$8.31	14 Feb '13, '14, '15, '16	14 Feb '22
	GFI Equity '13	15 Feb '13	$8.79	15 Feb '14, '15, '16, '17	15 Feb '23
A Cormack CRO	GFI Equity '10	10 Feb '10	$16.20	10 Feb '11, '12, '13, '14	10 Feb '20
	GFI Equity '11	9 Feb '11	$12.61	9 Feb '12, '13, '14, '15	9 Feb '21
	GFI Equity '12	14 Feb '12	$8.31	14 Feb '13, '14, '15, '16	14 Feb '22
	GFI Equity '13	15 Feb '13	$8.79	15 Feb '14, '15, '16, '17	15 Feb '23
	GFI Equity '14	20 Feb '14	$16.90	20 Feb '15, '16, '17, '18	20 Feb '24

1 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.

Remuneration report (continued)

Sub-total	Long-term/post-emp benefits Super benefits	Long service leave[6]	Share-based payments RSUs[7]	Termination benefits	Total	% of total that is performance related	% of total that are options
$1,748,338	$20,767	$89,716	$973,386	$0	$2,832,207	31%	0%
$1,499,875	$20,290	$66,342	$382,302	$0	$1,968,810	32%	0%
$664,095	$20,767	$11,909	$186,963	$0	$883,735	25%	0%
$666,102	$20,767	$21,505	$267,733	$0	$976,107	18%	0%
$615,120	$20,290	$8,388	$48,060	$0	$691,858	20%	0%
$702,537	$20,767	$28,488	$91,729	$0	$843,521	30%	0%
$604,913	$20,290	$17,112	$35,000	$0	$677,314	26%	0%
$42,799	$2,596	$4,050	$521	$0	$49,966	21%	0%
$374,869	$27,434	$26,082	$9,205	$0	$437,589	20%	0%
$21,646	$5,133	$0	$20,797	$399,887	$447,462	0%	0%
$599,888	$20,290	$83,447	$151,599	$0	$855,224	19%	0%

# Held 31/12/2018	Movement during the year Granted	Forfeited	Vested	Exercised	Expired	# Held 31/12/2019	Fair Value
15,000	0	0	0	0	0	15,000	$11.99
18,000	0	0	0	0	0	18,000	$3.09
20,400	0	0	0	0	0	20,400	$2.36
18,000	0	0	0	0	0	18,000	$2.40
12,000	0	0	0	0	0	12,000	$11.99
8,500	0	0	0	0	0	8,500	$3.09
11,700	0	0	0	0	0	11,700	$2.36
13,500	0	0	0	0	0	13,500	$2.40
14,000	0	0	0	0	0	14,000	$3.40

Remuneration report (continued)

Table 6c: Share right holdings for the reporting period ended 31 December 2019

Executive KMP	Grant detail	Grant date [1]	Issue price [2]	Vesting date
Name and position				
G Nicholas CEO	LTI '15	1 Jan '15	$3.47	31 Dec '18
	LTI '16	1 Jan '16	$2.33	31 Dec '19
	LTI '17	1 Jan '17	$2.90	31 Dec '20
	Deferred STI '17	1 March '18	$3.05	1 March '19
	Deferred STI '18	1 March '19	$2.17	1 March '20
	LTI '18	1 Jan '18	$2.66	31 Dec '21
	LTI '19	1 Jan '19	$2.17	31 Dec '22
M Bencsik CFO	Equity '19	4 Feb '19	$2.23	4 Aug '19, 2 Dec '19
A Cormack CRO	LTI '16	1 Jan '16	$2.33	31 Dec '19
	LTI '17	1 Jan '17	$2.90	31 Dec '20
	Deferred STI '17	1 March '18	$3.05	1 March '19
	Deferred STI '18	1 March '19	$2.17	1 March '20
	LTI '18	1 Jan '18	$2.66	31 Dec '21
	LTI '19	1 Jan '19	$2.17	31 Dec '22
S Degetto CCO	LTI '17	1 Jan '17	$2.90	31 Dec '20
	Deferred STI '17	1 March '18	$3.05	1 March '19
	Deferred STI '18	1 March '19	$2.17	1 March '20
	LTI '18	1 Jan 2018	$2.66	31 Dec '21
	LTI '19	1 Jan '19	$2.17	31 Dec '22
Former executive KMP				
W Milner Acting CFO	Equity '16	1 March '16	$2.33	1 Mar '17, '18, '19, '20
	Equity '17	1 March '17	$2.90	1 Mar '18, '19, '20, '21
	Deferred STI '18	1 March '19	$2.17	1 Mar '20
T Fonseca [3] COO	LTI '15	1 Jan '15	$3.47	31 Dec '18
	LTI '16	1 Jan '16	$2.33	31 Dec '19
	LTI '17	1 Jan '17	$2.90	31 Dec '20
	Deferred STI '17	1 Jan 2018	$3.05	1 March '19
	LTI '18	1 Jan 2018	$2.66	31 Dec '21

1 Grant date represents the commencement of the performance period.

2 Issue price is the share price of the instrument at the date of grant.

3 Mr Fonseca was made redundant on 31 January 2019. The Board approved his 2017 deferred STI rights to vest and be awarded as shares (plus the value of associated notional dividends) on the normal vesting date, reflecting his status as a good leaver. All outstanding unvested share rights under the LTI 2016, 2017 and 2018 plans were forfeited on termination.

Remuneration report (continued)

# Held 31/12/2018	Number granted	Movement during the year Forfeited	Vested	Exercised	# Held 31/12/2019
0	12,272	0	12,272	12,272	0
364,119	0	255,248	108,871	108,871	0
293,204	0	0	0	0	293,204
96,070	9,477	0	105,547	105,547	0
0	95,580	0	0	0	95,580
326,932	0	0	0	0	326,932
0	409,628	0	0	0	409,628
0	53,702	0	53,702	53,702	0
101,739	0	71,319	30,420	30,420	0
83,649	0	0	0	0	83,649
14,192	1,400	0	15,592	15,592	0
0	21,263	0	0	0	21,263
91,127	0	0	0	0	91,127
0	113,913	0	0	0	113,913
75,025	0	0	0	0	75,025
11,463	1,130	0	12,593	12,593	0
0	26,861	0	0	0	26,861
81,733	0	0	0	0	81,733
0	100,105	0	0	0	100,105
4,285	0	0	2,141	2,141	2,144
6,468	0	0	2,155	2,155	4,313
0	5,713	0	0	0	5,713
0	11,517	0	11,517	11,517	0
86,746	0	86,746	0	0	0
77,612	0	77,612	0	0	0
21,834	2,153	0	23,987	23,987	0
84,551	0	84,551	0	0	0

Remuneration report (continued)

7. Non-executive director remuneration

Table 7a: KMP in 2019 – Non-executive directors

Name	Position	Term as KMP
Ian MacDonald	Chairman	Full Period
Duncan West	Independent Director	Full Period
David Foster	Independent Director – Genworth Financial designee	Full Period
Gai McGrath	Independent Director	Full Period
Christine Patton	Independent Director – Genworth Financial designee	Full Period
Stuart Take	Director – Genworth Financial designee	Full Period
Gayle Tollifson	Independent Director	Full Period
Jerome Upton	Director – Genworth Financial designee	Full Period

Non-executive directors 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. At the Annual General Meeting the aggregate fee cap remained unchanged at $1.75 million per annum, inclusive of superannuation obligations. Non-executive directors who are executives of Genworth Financial (Mr Take and Mr Upton) were paid by Genworth Financial in the ordinary course of their duties and were not paid fees by Genworth Australia.

Table 7b: NED fee table

Position	Annual fee
Non-executive directors (excluding S Take and J Upton)	
Board Chairman	$265,000
Director	$115,000
Committee Chairman (per Committee)	$24,000
Committee member (per Committee)	$12,000

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 Genworth. Accordingly, 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.

Remuneration report (continued)

Table 7c: Statutory remuneration table – 1 January to 31 December 2019

KMP	Year	Fees	Non-monetary benefits	Superannuation benefits	Total
Non-executive directors					
I MacDonald Chairman	**2019**	**$244,233**	**$0**	**$20,767**	**$265,000**
	2018	$244,710	$0	$20,290	$265,000
D West [7] Director	**2019**	**$163,000**	**$0**	**$0**	**$163,000**
	2018	$54,333	$0	$0	$54,333
D Foster [1] Director	**2019**	**$159,817**	**$0**	**$15,183**	**$175,000**
	2018	$159,817	$0	$15,183	$175,000
G McGrath [2] Director	**2019**	**$159,817**	**$0**	**$15,183**	**$175,000**
	2018	$159,817	$0	$15,183	$175,000
C Patton [3] Director	**2019**	**$126,941**	**$0**	**$12,059**	**$139,000**
	2018	$42,313	$0	$4,020	$46,333
S Take [4] Director	**2019**	**$0**	**$0**	**$0**	**$0**
	2018	$0	$0	$0	$0
G Tollifson [5] Director	**2019**	**$159,817**	**$0**	**$15,183**	**$175,000**
	2018	$159,817	$0	$15,183	$175,000
J Upton [6] Director	**2019**	**$0**	**$0**	**$0**	**$0**
	2018	$0	$0	$0	$0

1 Mr Foster is Chairman of the Remuneration & Nominations Committee and Technology Committee and a member of the Capital & Investment Committee.
2 Ms McGrath is Chairman of the Audit Committee and a member of the Risk Committee, Remuneration & Nominations Committee and Technology Committee.
3 Ms Patton is a member of the Audit Committee and Capital & Investment Committee.
4 Mr Take is a member of the Risk Committee and Remuneration and Nominations Committee.
5 Ms Tollifson is Chairman of the Risk Committee and a member of the Audit Committee, Capital & Investment Committee and Remuneration & Nominations Committee.
6 Mr Upton is a member of the Audit Committee, Risk Committee, Capital & Investment Committee and the Technology Committee.
7 Mr West is Chairman of the Capital & Investment Committee, and member of the Risk Committee and Technology Committee.

8. Other tables

Table 8a: KMP and their related parties direct, indirect and beneficial shareholdings (including movements during the period ending 31 December 2019).

	Balance at 31-Dec-2018	Received via vesting/exercising	Other changes	Balance at 31-Dec-2019
Executive KMP				
G Nicholas – CEO	267,857	226,690	–	494,547
M Bencsik – CFO	0	53,702	-15,500	38,202
A Cormack – CRO	23,726	46,012	–	69,738
S Degetto – CCO	0	12,593	–	12,593
Former executive KMP				
W Milner – Acting CFO	0	4,296	-4,296	–
T Fonseca – COO	16,313	35,504	-51,817	–
Non-executive directors				
I MacDonald – Chairman	85,000	–	–	85,000
D West – Director	0	–	2,318	2,318
D Foster – Director	8,196	–	3,937	12,133
G McGrath – Director	29,650	–	–	29,650
C Patton – Director	0	–	20,000	20,000
S Take – Director	8,297	–	–	8,297
G Tollifson – Director	48,424	–	–	48,424
J Upton – Director	16,711	–	–	16,711

Table 8b: 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 2019	Genworth Financial balance held directly or indirectly at 31 Dec 2019
Name and position		
I MacDonald	Shares: 85,000	None
D West	Shares: 2,318	None
D Foster	Shares: 12,133	None
G McGrath	Shares: 29,650	None
G Nicholas	Shares: 494,547 Share rights: 1,125,344	Shares: 18,571 Restricted stock units: 0 Options: 15,000 Stock appreciation rights: 56,400
C Patton	Shares: 20,000	None
S Take	Shares: 8,297	Shares: 65,885 Options: 13,200 Stock appreciation rights: 53,200
G Tollifson	Shares: 48,424	None
J Upton	Shares: 16,711	Shares: 59,756 Options: 18,000 Stock appreciation rights: 88,000

Directors' report (continued)

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

Signed in accordance with a resolution of the directors:

Ian MacDonald
Chairman

Dated 26 February 2020

Lead auditor's independence declaration

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 2019 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

David Kells
Partner

Dated 26 February 2020

Financial statements

Contents

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 [1] $'000	2018 $'000
Gross written premium	3.1	433,248	460,166
Movement in unearned premium		(64,806)	(103,823)
Outward reinsurance premium expense		(70,229)	(75,059)
Net earned premium		298,213	281,284
Net claims incurred	4.1	(150,886)	(145,899)
Acquisition costs		(46,859)	(40,640)
Other underwriting expenses	3.3	(59,489)	(55,268)
Other underwriting revenue		1,197	1,497
Underwriting result		42,176	40,974
Investment income on assets backing insurance liabilities	3.2	65,891	38,711
Insurance profit		108,067	79,685
Investment income on equity holders' funds	3.2	77,449	42,967
Investment expense		(4,256)	(3,760)
Financing costs		(11,785)	(12,128)
Profit before income tax		169,475	106,764
Income tax expense	3.5(a)	(49,391)	(31,096)
Profit for the year		120,084	75,668
Total comprehensive income for the year		120,084	75,668
Earnings per share			
Basic earnings per share (cents per share)	3.7	28.6	16.5
Diluted earnings per share (cents per share)	3.7	28.5	16.4

1 Refer to note 1.2(c)(i) for details about changes in accounting policies.

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 2019

	Note	2019 [1] $'000	2018 $'000
Assets			
Cash and cash equivalents	6.1	87,254	141,450
Accrued investment income		19,529	22,129
Investments	2.2(d)	3,043,814	3,082,973
Trade and other receivables	6.2	47,106	80,559
Prepayments		2,077	1,810
Deferred reinsurance expense	4.2	31,771	43,333
Non-reinsurance recoveries	4.5	22,770	21,215
Deferred acquisition costs	4.3	181,234	166,845
Plant and equipment		5,120	6,566
Lease assets	6.3	11,166	–
Deferred tax assets	3.5(b)	9,104	7,875
Intangibles	6.4	7,340	6,195
Goodwill	6.5	9,123	9,123
Total assets		3,477,408	3,590,073
Liabilities			
Trade and other payables	6.6	41,827	51,856
Lease liabilities	6.3	16,430	–
Reinsurance payable		43,854	42,225
Outstanding claims	4.4	360,905	339,063
Unearned premium	4.6	1,280,451	1,214,206
Employee benefits provision	6.7	7,096	7,257
Interest bearing liabilities	5.2	199,369	198,166
Total liabilities		1,949,932	1,852,773
Net assets		1,527,476	1,737,300
Equity			
Share capital	5.3(a)	1,090,180	1,154,084
Share-based payment reserve	5.3(b)	2,209	1,659
Other reserves	5.5	(476,559)	(476,559)
Retained earnings		911,646	1,058,116
Total equity		1,527,476	1,737,300

1 Refer to note 1.2(c)(i) for details about changes in accounting policies.

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 2019

	Share capital $'000	Other reserves $'000	Retained earnings $'000	Share based payment reserve $'000	Total $'000
Balance at 1 January 2018	1,303,151	(476,559)	1,093,069	2,528	1,922,189
Profit after taxation	–	–	75,668	–	75,668
Dividends declared and paid	–	–	(110,621)	–	(110,621)
Share-based payment expense recognised	–	–	–	668	668
Share-based payment settled	–	–	–	(1,537)	(1,537)
Buy-back of shares, net of transaction costs	(149,067)	–	–	–	(149,067)
Balance at 31 December 2018	1,154,084	(476,559)	1,058,116	1,659	1,737,300
Balance at 1 January 2019	1,154,084	(476,559)	1,058,116	1,659	1,737,300
Adjustment on initial application of AASB 16[1] *Leases*	–	–	79	–	79
Adjusted balance as at 1 January 2019	1,154,084	(476,559)	1,058,195	1,659	1,737,379
Profit after taxation	–	–	120,084	–	120,084
Dividends declared and paid	–	–	(266,633)	–	(266,633)
Share-based payment expense recognised	–	–	–	2,095	2,095
Share-based payment settled	–	–	–	(1,545)	(1,545)
Buy-back of shares, net of transaction costs	(63,904)	–	–	–	(63,904)
Balance at 31 December 2019	1,090,180	(476,559)	911,646	2,209	1,527,476

1 Refer to note 1.2(c)(i) for details about changes in accounting policies.

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 2019

	Note	2019 [1] $'000	2018 $'000
Cash flows from operating activities			
Premiums received		497,068	447,622
Interest and other income		80,375	82,311
Claims paid		(133,960)	(147,642)
Interest paid		(9,931)	(10,997)
Cash payments in the course of operations		(196,349)	(241,057)
Income tax paid		(45,385)	(28,782)
Net cash provided by operating activities	3.4	**191,818**	101,455
Cash flows from investing activities			
Payments for plant, equipment and intangibles		(2,447)	(11,642)
Payments for investments		(2,330,133)	(3,848,337)
Proceeds from sale of investments		2,421,871	4,115,849
Proceeds from sub-lease of property		946	–
Net cash provided by investing activities		**90,237**	255,870
Cash flows from financing activities			
Payment of lease liabilities		(3,527)	–
Dividends paid		(266,633)	(110,621)
Payments for the on-market buy-back of shares		(63,904)	(149,067)
Net cash used in financing activities		**(334,064)**	(259,688)
Net (decrease)/increase in cash held		(52,009)	97,637
Effects of exchange rate changes on balances of cash held in foreign currencies		(2,187)	788
Cash and cash equivalents at the beginning of the financial year		141,450	43,025
Cash and cash equivalents at the end of the financial year	6.1	**87,254**	141,450

1 Refer to note 1.2(c)(i) for details about changes in accounting policies.

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 2019 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 Australian Securities Exchange (ASX). The Group operates in one business and operating segment consisting of a loan mortgage insurance business in Australia; therefore no segment information is presented.

The annual financial report was authorised for issue by the Board of Directors on 26 February 2020.

1.2 Significant accounting policies

(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 (AASB) and the ASX listing rules. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS. The financial report also complies with IFRS and interpretations adopted by the International Accounting Standards Board (IASB).

The current IFRS standard for insurance contracts does not include a comprehensive set of recognition and measurement criteria. The IASB has issued a new standard (IFRS 17 *Insurance Contracts* – adopted as AASB 17 *Insurance Contracts* in an Australian context) that does include such criteria, with an effective date of 1 January 2021. However, since issuing the standard, the IASB has proposed a one year delay to the effective date to 1 January 2022, the agreement of which was subject to public consultation. This proposed amendment, along with a number of others, have been included in the exposure draft issued on 26 June 2019. At the time of implementation of AASB 17, AASB 9 *Financial Instruments* will be implemented as well given the Group meets the requirements for deferral under AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*. Until this standard takes effect, the financial reports of insurers in different countries that comply with IFRS may not be comparable in terms of the recognition and measurement of insurance contracts.

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 of the financial report

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 and derivatives being stated at fair value and outstanding claims and the related reinsurance recoveries on unpaid claims being reported at present value.

(c) Accounting policies adopted

The accounting policies adopted in the preparation of this financial report have been applied consistently by the Group and are the same as those applied for the previous reporting year, unless otherwise stated. The significant accounting policies adopted in the preparation of this financial report are set out within the relevant notes to the financial statements.

(i) Changes in accounting policies from adoption of AASB 16 *Leases*

The Group adopted AASB 16 *Leases* as at 1 January 2019. As a result, the Group has amended its accounting policy for these lease contracts. In applying AASB 16, the Group has utilised the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. The definition of a lease under AASB 16 was only applied to lease contracts entered or changed on or after 1 January 2019. The comparative information has not been restated and continues to be reported under AASB 117 *Leases* (AASB 117).

All the leases of the Group were previously classified as operating leases and consequently not brought on-balance sheet. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate as at 1 January 2019.

Under AASB 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under AASB 117. The Group concluded that the sub-lease is a finance lease under AASB 16. Refer to note 6.3 for further details.

Notes to the financial statements (continued)

Impacts to the financial statements on transition

On transition to AASB 16 as at 1 January 2019, the Group derecognised assets and liabilities which arose from the application of AASB 117, recognised right-of-use assets, sub-lease receivable and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 $'000
Derecognition of AASB 117 balances (net liability)	903
Increase right-of-use assets presented in lease assets	14,346
Increase recognition of sub-lease receivable	3,972
Decrease deferred tax asset	(34)
Increase lease liabilities	(19,108)
Net transition impact recognised in retained earnings	**79**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted average rate applied is 4.5%.

	1 January 2019 $'000
Operating lease commitment as at 31 December 2018 as disclosed in the Group's consolidated financial statements	14,930
Difference in basis [1]	1,978
Add back sub-lease [2]	4,359
Undiscounted future cash flows	21,267
Discounted using the incremental borrowing rate as at 1 January 2019	(2,159)
Lease liabilities recognised as at 1 January 2019	**19,108**

1 The operating lease commitment disclosed as at 31 December 2018 was on a projected view of the rent expense under AASB 117 as opposed to the future rent payments.

2 The operating lease commitment disclosed as at 31 December 2018 was net of future income to be received from the tenant arising from a sub-lease agreement classified as operating lease under AASB 117.

(ii) Other new and amended standards adopted by the Group

There are additional new accounting standards and interpretations, effective as at 1 January 2019 (refer to the table below) which were adopted by the Group. The adoption of these standards did not have a material effect on the Group's financial statements.

	New standards, amendments and interpretations	Operative date
AASB 2018-1	*Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle*	1 January 2019
AASB 2018-2	*Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*	1 January 2019
AASB Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019

(iii) New accounting standards and amendments issued but not yet effective

There are various new accounting standards, amendments and interpretations noted below which are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these consolidated financial statements. An initial assessment of the financial impact of these accounting standards and amendments has been undertaken and they are not expected to have a material impact on the Group's financial statements, except where noted below.

	New standards, amendments and interpretations	Operative date
AASB 17	*Insurance Contracts*	1 January 2022
AASB 2015-10	*Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*	1 January 2022
AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2020
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020
Conceptual Framework	Amendments to standards to apply the new definition and recognition criteria in the *Conceptual Framework for Financial Reporting*	1 January 2020

AASB 17 *Insurance Contracts*

AASB 17, a new accounting standard for insurance contracts, was adopted by the Australian Accounting Standards Board on 19 July 2017 subsequent to being issued by the IASB on 18 May 2017. The standard is expected to be effective for periods beginning 1 January 2022 (subject to approval of the proposed one-year delay). The first applicable annual reporting period for the Group will be for the year ending 31 December 2022, with the comparative period for the year ending 31 December 2021 and the Statement of Financial Position at the start of the comparative period (i.e. 1 January 2021) also presented under AASB 17.

The standard introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach permitted in certain circumstances. The Group continues to work through the detailed impact assessment of the new standard, and it is expected that the vast majority of insurance contracts underwritten by the Group will not meet the requirements of the simplified approach due to their long-term coverage period. Significant changes in the presentation of the financial statements and disclosures are anticipated.

In addition to the proposed one-year delay in the effective date of the standard, the IASB has proposed wording changes intended to remedy implementation issues identified to date. These proposed changes have been included in an exposure draft issued on 26 June 2019. The IASB will consider feedback on the proposed amendments and aims to issue final amendments in mid-2020. Given the potential for change in the standard, and the complexity and differing interpretation of the requirements, the final impact of certain requirements may not be determined until global interpretations and regulatory responses to the new standard reach a broad consensus.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* (AASB 9) applies to annual reporting periods beginning on or after 1 January 2018. The Group is allowed to apply the temporary exemption from AASB 9 as it has not previously adopted any version of AASB 9 and its activities are predominantly connected with insurance, as prescribed by AASB 4 *Insurance Contracts* (i.e. at 31 December 2015, the carrying amount of the Group's insurance liabilities was significant compared to the total carrying amount of all its liabilities and the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was greater than 90%).

Through the exposure draft issued on 26 June 2019 the IASB has also proposed to extend the temporary exemption from the adoption of AASB 9 to reporting periods beginning 1 January 2022, for companies meeting this criteria. The Group, having met the relevant criteria, has deferred the adoption of AASB 9 and is expecting to adopt AASB 9 at the same time as AASB 17.

The Group's investments are currently designated at fair value through profit and loss on initial recognition and are subsequently remeasured to fair value at each reporting date, reflecting the business model applied by the Group to manage and evaluate its investment portfolio. Under the Group's business model, the adoption of AASB 9 could result in a portion of the investment portfolio being revalued through other comprehensive income. The Group is currently evaluating the elections to be made to its portfolios of investments, in conjunction with the implementation of AASB 17.

(d) Rounding off

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 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.

(e) Critical accounting 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 4.8.

The accounting policies have been applied consistently by the Group, unless otherwise stated.

(f) Principles of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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 entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group incorporates the assets and liabilities of the Company and all subsidiaries as at the reporting date and the results for the financial year then ended.

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.

(g) Comparative figures

Comparative figures have been adjusted, where necessary, to conform to the basis of presentation and the classification used in the current year.

Change in the presentation of the claims development in note 4.1(b)

A new claims development attribution methodology for "current year" and "prior years" presentation has been introduced effective 1 January 2019 to reflect the substance of the underlying claims event. This involves claims incurred but not reported being attributed to the year of actual incident (i.e. the year in which the loan first went into 30+ days in arrears).

As a result, the 2018 comparatives have been updated reducing the "current year" net claims incurred from $215,502,000 to $142,235,000 and a corresponding increase in the "prior years" net claims incurred from ($69,603,000) to $3,664,000, with no change to total net claims incurred.

Change in the presentation of the current outstanding claims balance note 4.4(a)

A new claim payments attribution methodology for "current" and "non-current" outstanding claims liability has been introduced effective 1 January 2019 to reflect the underlying probability that delinquencies, including incurred but not reported delinquencies, will be paid in the next 12 months, based on the underlying characteristics of the delinquency.

As a result the 2018 comparatives have been updated, reducing the "current" outstanding claims liability from $254,271,000 to $147,362,000 and a corresponding increase in the "non-current" liability from $84,792,000 to $191,701,000 with no change in the total outstanding claims balance.

Section 2 Risk management

This note presents information about the Group's objectives, policies and processes for measuring and managing risk.

2.1 Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Risk Committee, an Audit Committee and Capital and Investment Committee. The Risk Committee is responsible for developing and monitoring the Group's risk management policies and reports regularly to the Board on its activities. Furthermore, the Risk Committee assists the Board in providing an objective non-executive review and oversight of the implementation and ongoing operation of the Group's risk management framework. The Risk Committee works closely with other Board committees that have oversight of some material risks to ensure that all risks are identified and adequately managed.

The Audit Committee assists the Board in providing an objective non-executive review of the effectiveness of the risk management framework, in relation to the management of material financial risks. Similarly, the Capital and Investment Committee assists the Board in monitoring compliance with the risk management framework, in relation to the execution of the Group's capital and investment strategy.

The Group's risk management policies are established to identify and assess 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 policies and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk is managed primarily through appropriate pricing, product design, risk selection, appropriate investment strategies, 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 lenders representing 10% or more of the Group's gross written premium (GWP) are included in the table below:

Lender customer	2019 GWP	2018 GWP
Largest customer	55.0%	60.1%
Second largest customer	12.0%	14.3%

2.2 Financial risk management

The Group has exposure to market, credit and liquidity risks relating to its use of financial instruments.

(a) Market risk

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

(i) 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 debt securities, in receivables and payables denominated in a currency other than Australian dollars and the net investment in foreign branch operations. The currencies giving rise to the risk are United States dollars, Euros and New Zealand dollars.

The Group used forward foreign exchange contracts to mitigate currency risk arising from fixed interest securities denominated in United States dollars and Euros. The risk management processes required both Board and regulatory approvals. Transactions are subject to close senior management scrutiny in addition to the regular risk management and monitoring processes. Derivatives are used only for approved purposes and are subject to delegated authority levels provided to management. The level of derivative exposure is reviewed on an ongoing basis. Appropriate segregation of duties exists with respect to derivative use and compliance with policy, limits and other requirements are closely monitored.

The potential impact on the Group's profit and loss and equity resulting from 10% depreciation/appreciation of the Australian dollar (AUD) compared with selected currencies, net of related derivatives at the reporting date, assuming all other variables remain constant, is shown below:

	2019		2018	
	+10% $'000	-10% $'000	+10% $'000	-10% $'000
New Zealand dollar	319	(390)	307	(375)
United States dollar	198	(218)	812	(826)
Euros	66	(67)	97	(181)

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk primarily arising from interest bearing assets. Assets with floating interest rate 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 debt securities and cash and to actively manage the 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 potential impact of movements in interest rates on the Group's profit and loss and equity resulting from 100 basis points increase/decrease in interest rates on interest bearing assets, assuming all other variables remain constant, are shown below:

	2019		2018	
	+100bps $'000	-100bps $'000	+100bps $'000	-100bps $'000
Interest bearing assets	(63,033)	65,903	(60,325)	64,395

(iii) Equity price risk

Price risk is the risk that the fair value of a financial asset will fluctuate because of changes in market prices, rather than changes in interest rates and/or exchange rates. These price movements may be caused by factors specific to the individual financial asset or its issuer, or factors affecting all similar financial assets traded on the market. The Group has exposure to equity price risk through investment in equities and equity unit trusts.

During the year, the Group sold the bulk of its equity securities and purchased units in the unlisted Alliance Bernstein Managed Volatility Equities Fund – MVE Class as a return enhancing investment for the shareholder fund's portfolio. The equity investments also provide a diversification benefit to the overall investment portfolio. The investment is structured to provide a lower volatility return outcome than a market-weighted allocation to S&P 300 Index.

The potential impact of movements in price risk on the Group's profit and loss and equity resulting from 10% increase/decrease in value of equity securities at reporting date are shown below:

	2019		2018	
	+10% $'000	-10% $'000	+10% $'000	-10% $'000
Investments – unit trusts equity securities	7,885	(7,885)	11,880	(11,880)
Investments – unlisted equities	400	(400)	400	(400)

Notes to the financial statements (continued)

(b) Credit risk

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 81% (2018: 83%) of total securities 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 ratings of either Standard & Poor's or Moody's.

	2019 $'000	2018 $'000
Cash at bank and short-term deposits		
AAA	2,098	50,467
AA	149,117	171,588
A	72,737	86,284
BBB	56,435	87,929
BB	–	3,000
	280,387	399,268
Investments (excluding short-term deposits)		
AAA	1,253,623	1,189,001
AA	579,999	714,724
A	493,868	471,478
BBB	424,113	318,340
BB	16,231	8,829
	2,767,834	2,702,372
Accrued interest receivable		
AAA	7,244	8,517
AA	5,737	6,865
A	3,098	3,772
BBB	2,918	2,900
BB	263	75
Not rated	269	–
	19,529	22,129
Trade and other receivables		
Premium receivables		
AA	37,149	54,378
A	600	663
Other receivables		
AAA	4,140	9,407
AA	–	12,220
A	570	–
Not rated	4,647	3,891
	47,106	80,559

(c) 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 to effectively match the interest rate maturity profile with the expected pattern of claims payments.

The money market securities are restricted to investment grade securities with concentrations of investments managed in accordance with investment mandates.

2019	Less than 1 year $'000	1–5 years $'000	Total $'000
Financial liabilities			
Trade and other payables	38,645	3,182	41,827
Reinsurance payable	22,027	21,827	43,854
Lease liabilities	4,790	11,640	16,430
	65,462	36,649	102,111

2018	Less than 1 year $'000	1–5 years $'000	Total $'000
Financial liabilities			
Trade and other payables	47,554	4,302	51,856
Reinsurance payable	22,215	20,010	42,225
	69,769	24,312	94,081

(d) 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 their 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 Group's investment strategy, the Group 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 gains 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 using 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.
- *Listed equity securities* are designated as financial assets at fair value through profit and loss upon initial recognition. They are initially recorded at fair value, determined as the quoted cost at date of acquisition and are subsequently remeasured to fair value at each reporting date.
- *Unlisted unit trusts securities* are valued using quoted current unit prices as advised by the responsible entity, trustee or equivalent of the investment vehicle.

Financial assets not backing general insurance liabilities

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.

Derivative financial instruments

The Group uses forward foreign exchange contracts to hedge currency exposures arising from interest bearing securities denominated in currencies other than Australian dollars, with both the foreign exchange and derivatives impact reported through profit and loss. Derivatives are used solely to manage risk exposure and are not used for trading or speculation.

Derivatives are initially recognised at trade date at fair value; attributable transaction costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value through profit and loss. The investment related derivatives are presented together with the underlying investments or as payables when the fair value is negative. Forward foreign exchange contracts are determined using observable inputs (level 2 in the fair value hierarchy).

Investment

	2019 $'000	2018 $'000
Fixed interest rate		
Short-term deposits	133,274	162,870
Government and semi-government bonds	1,319,323	1,229,480
Corporate bonds	680,710	656,505
	2,133,307	2,048,855
Floating interest rate		
Short-term deposits	59,860	94,948
Corporate bonds	757,768	816,387
	817,628	911,335
Derivatives		
Investment related derivatives	10,033	–
Equity securities		
Unlisted unit trusts	78,846	–
Listed equities	–	118,783
Unlisted equities	4,000	4,000
	82,846	122,783
Total investments	3,043,814	3,082,973
Comprising:		
Current	644,193	705,876
Non-current	2,316,775	2,254,314
Equity	82,846	122,783
	3,043,814	3,082,973

The following additional disclosure is required for eligible insurers which met the criteria of the temporary exemption of deferring the adoption of AASB 9. It presents the fair value and the change in the fair value of the Group's financial assets as at 31 December 2019, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (Non-SPPI):

	SPPI		Non-SPPI	
2019 Financial assets	Fair value $'000	Change in fair value $'000	Fair value $'000	Change in fair value $'000
Short-term deposits	193,134	(76)	–	–
Bonds	2,742,455	57,526	15,346	156
Derivatives	–	–	10,033	–
Unlisted equities	–	–	4,000	–
Unlisted unit trusts	–	–	78,846	(1,164)
	2,935,589	57,450	108,225	(1,008)

	SPPI		Non-SPPI	
2018 Financial assets	Fair value $'000	Change in fair value $'000	Fair value $'000	Change in fair value $'000
Short-term deposits	257,818	(12)	–	–
Bonds	2,700,539	10,519	1,833	(12)
Unlisted equities	–	–	4,000	–
Listed equities	–	–	118,783	(25,839)
	2,958,357	10,507	124,616	(25,851)

Trade and other receivables are financial assets which are in the scope of AASB 9 and are SPPI assets. These assets amounted to $47,106,000 at 31 December 2019 (2018: $80,559,000). These assets are measured at their present value less any impairment loss for any doubtful accounts (no doubtful account at 31 December 2019 and 31 December 2018) which approximates fair value.

The credit risk ratings of SPPI financial assets at 31 December 2019 is set out in the table below:

2019	Credit Risk	Fair value $'000	Fair value %
Bonds and short-term deposits			
AAA	Low	1,255,191	42.8
AA	Low	670,491	22.8
A	Low	527,943	18.0
BBB	Low	466,408	15.9
BB	Other	15,556	0.5
		2,935,589	100.0

2018	Credit Risk	Fair value $'000	Fair value %
Bonds and short-term deposits			
AAA	Low	1,239,468	41.9
AA	Low	827,149	28.0
A	Low	475,475	16.0
BBB	Low	405,105	13.7
BB	Other	11,160	0.4
		2,958,357	100.0

Trade and other receivables at 31 December 2019 have the following credit risk: AAA with low credit risk ($4,140,000), AA with low credit risk ($37,149,000), A with low credit risk ($1,170,000) and not rated with other credit risk ($4,647,000).

The Group investments carried at fair value have been classified under the three levels of the AASB 13 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. This category includes unlisted equities. The fair value has been supported based on a discounted cash flow analysis performed utilising latest available cash flows from the entity.

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial instruments				
Government and semi-government bonds	–	1,319,323	–	1,319,323
Corporate bonds	–	1,438,478	–	1,438,478
Short-term deposits	193,134	–	–	193,134
Derivative assets	–	10,033	–	10,033
Unlisted unit trusts	–	78,846	–	78,846
Unlisted equities	–	–	4,000	4,000
Total	193,134	2,846,680	4,000	3,043,814

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial instruments				
Government and semi-government bonds	–	1,229,480	–	1,229,480
Corporate bonds	–	1,472,892	–	1,472,892
Short-term deposits	257,818	–	–	257,818
Listed equities	118,783	–	–	118,783
Unlisted unit trusts	–	–	–	–
Unlisted equities	–	–	4,000	4,000
Total	376,601	2,702,372	4,000	3,082,973

The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy is set out in the table below:

	Balance at 1 January 2019 $'000	Purchases $'000	Disposals $'000	Movement in fair value $'000	Balance at 31 December 2019 $'000
Financial instruments					
Unlisted equities	4,000	–	–	–	4,000
Total	4,000	–	–	–	4,000

	Balance at 1 January 2018 $'000	Purchases $'000	Disposals $'000	Movement in fair value $'000	Balance at 31 December 2018 $'000
Financial instruments					
Unlisted equities	–	4,000	–	–	4,000
Total	–	4,000	–	–	4,000

Interest bearing liabilities are initially measured at fair value (net of transaction costs) and are subsequently measured at amortised cost. The Group considers the carrying value of the interest bearing liabilities to be approximate to that of the fair value. The interest bearing liabilities have been classified as Level 2 under the three levels of the AASB 13 fair value hierarchy.

Derivative financial instruments

Reporting date positions

The notional amount and fair value of derivative financial instruments at balance date is set out in the table below:

	2019			2018		
	Exposure $'000	Fair value asset $'000	Fair value liability $'000	Exposure $'000	Fair value asset $'000	Fair value liability $'000
Forward foreign exchange contracts	578,679	10,033	–	536,419	–	9,418
	578,679	10,033	–	536,419	–	9,418

All derivative contracts are expected to be settled within 12 months.

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 charged to policyholders excludes stamp duties and goods and services tax (GST) collected on behalf of third parties.

	2019 $'000	2018 $'000
Direct premium	431,974	457,367
Inward reinsurance premium	1,274	2,799
	433,248	460,166

3.2 Investment 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.

Dividend revenue

Dividends are recognised on the date the dividends/distributions are declared, which for listed equity securities is deemed to be the ex-dividend date. Dividend revenue is recognised net of franking credits and gross of withholding tax.

Refer to note 2.2(d) fair value measurements Accounting policies for further details.

	2019 $'000	2018 $'000
Interest revenue	78,448	82,269
Dividend revenue	3,583	8,153
Unrealised gains/(losses) including derivatives	26,656	(23,973)
Realised gains including derivatives	33,155	17,281
Other income gains/(losses)	1,498	(2,052)
Total investment income	143,340	81,678
Represented by		
Investment income on assets backing insurance liabilities	65,891	38,711
Investment income on equity holders' funds	77,449	42,967
	143,340	81,678

3.3 Other underwriting expenses

	2019 $'000	2018 $'000
Depreciation and amortisation expense	5,172	1,027
Employee expenses:		
– Salaries and wages	26,847	25,871
– Superannuation contributions	1,786	1,867
– Employee benefits	(90)	270
Occupancy expenses	2,276	2,626
Marketing expenses	520	473
Administrative expenses	22,978	23,134
	59,489	55,268

3.4 Net cash provided by operating activities

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

	2019 $'000	2018 $'000
Profit after income tax	120,084	75,668
Less items classified as investing/financing activities:		
– Gain on sale of investments including derivatives	(33,155)	(17,281)
– Unrealised (gains)/loss on investments including derivatives	(26,656)	23,973
Add non-cash items:		
– Share-based payments	552	(870)
– Loss on disposal of plant and equipment	33	93
– Depreciation and amortisation	5,172	1,027
– Interest expense leases	674	–
Net cash provided by operating activities before change in assets and liabilities	66,704	82,610
Change in assets and liabilities during the financial year:		
Decrease in receivables	43,613	32,679
Increase/(decrease) in outstanding claims liability	21,842	(615)
Increase/(decrease) in payables and borrowings	9,227	(105,838)
Increase in deferred acquisition costs	(14,389)	(15,054)
(Decrease)/increase in provision for employee entitlements	(161)	461
Increase in unearned premiums	66,245	105,652
(Increase)/decrease in deferred tax asset balances	(1,263)	1,560
Net cash provided by operating activities	191,818	101,455

3.5 Income taxes

Accounting policies

Income tax on the profit and 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 the 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 nor 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 financial position 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.

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.

(a) Income tax expense

	2019 $'000	2018 $'000
Current tax	51,076	28,730
Deferred tax	(1,239)	1,442
(Over)/under provision in prior year:		
Current tax	(423)	806
Deferred tax	(23)	118
	49,391	31,096

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(i) Reconciliation of income tax expense to prima facie tax payable

	2019 $'000	2018 $'000
Prima facie income tax expense calculated at 30% of profit	50,842	32,029
Decrease in income tax expense due to:		
(Over)/under provision in prior year	(446)	924
Other non-taxable items	(233)	(44)
Non-deductible items	96	92
Franking tax credit	(868)	(1,905)
Income tax expense	49,391	31,096

(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

	2019 $'000	2018 $'000
Deferred tax asset balance comprises temporary differences attributable to:		
Leases	624	–
Employee benefits	3,775	3,580
Share-based payments and accrued expenses	488	475
Provision for indirect claims handling costs	4,075	3,820
Other	142	–
	9,104	7,875
Net deferred tax		
Balance at 1 January	7,875	9,435
Debited to retained earnings	(34)	–
Credited/(debited) to the statement of comprehensive income	1,239	(1,442)
Under/(over) provision of prior year tax	24	(118)
Balance at 31 December	9,104	7,875

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 provisions of section 254T of the *Corporations Act 2001* and the Company's constitution.
- 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.

	2019		2018	
	Cents per share	$'000	Cents per share	$'000
2019 unfranked special dividend paid on 28 November 2019	24.2	99,828	–	–
2019 interim dividend paid on 28 August 2019 (2018: interim dividend) fully franked at 30%	9.0	37,126	8.0	35,842
2019 unfranked special dividend paid on 28 August 2019 (2018: special dividend fully franked at 30%)	21.9	90,341	4.0	17,921
2018 final dividend paid on 18 March 2019 (2017: final dividend) fully franked at 30%	9.0	39,338 [1]	12.0	56,858
TOTAL	64.1	266,633	24.0	110,621

1 Of the total 2018 final dividend declared of $39.4 million, right and entitlement of $0.1 million to dividends was removed due to the share buy-back during the period.

Notes to the financial statements (continued)

(b) Dividends 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 $'000	Expected payment date	Tax rate for franking credit	Percentage franked
2019 final dividend	7.5	30,939	19 March 2020	30%	100%

(c) Dividend franking account

The balance of the franking account arises from:

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

	2019 $'000	2018 $'000
Franking account surplus balance – tax paid basis	14,959	1,081

After taking into consideration the impact of franking credits and debits relating to the tax payable for the 2019 year the franking account balance would have a surplus of $10,819,000 (2018: $8,325,000 deficit).

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. The Company actively manages the franking account to ensure the balance remains positive at each reporting date, in accordance with the tax legislation.

3.7 Earnings per share

Accounting policies

Basic earnings per share is 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 420,164,000 (2018: 459,840,000) and 420,780,000 (2018: 460,417,000) respectively. 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).

	2019	2018
Basic earnings per share (cents per share)	28.6	16.5
Diluted earnings per share (cents per share)	28.5	16.4

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

	2019 $'000	2018 $'000
Net profit after tax	120,084	75,668
Net profit used in calculating basic and diluted earnings per share	120,084	75,668

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

	2019 '000	2018 '000
Weighted average number of ordinary shares on issue	420,164	459,840
Weighted average number of shares used in the calculation of basic earnings per share	420,164	459,840
Weighted average number of dilutive potential ordinary shares		
Bonus element of shares	616	577
Weighted average number of shares used in the calculation of diluted earnings per share	420,780	460,417

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Section 4 Insurance contracts

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.

4.1 Net claims incurred

(a) Claims analysis

	2019 $'000	2018 $'000
Gross claims incurred	162,043	156,586
Reinsurance and other recoveries revenue	(11,157)	(9,315)
Net borrower recoveries recognised	–	(1,372)
Net claims incurred	150,886	145,899

(b) Claims development

	2019			2018		
	Current year $'000	Prior years $'000	Total $'000	Current year[2] $'000	Prior years[2] $'000	Total $'000
Gross claims expense						
Direct	169,960	(11,982)	157,978	139,299	14,193	153,492
Inwards reinsurance	4,760	(695)	4,065	4,148	(1,054)	3,094
Gross claims incurred[1]	174,720	(12,677)	162,043	143,447	13,139	156,586
Reinsurance and other recoveries						
Reinsurance and other recoveries	(1,723)	(9,434)	(11,157)	(1,056)	(8,259)	(9,315)
Net borrower recoveries recognised	–	–	–	(156)	(1,216)	(1,372)
Net claims incurred	172,997	(22,111)	150,886	142,235	3,664	145,899

1 Including reinsurance and other recoveries provision movement.
2 Refer to note 1.2 (g) for details on the adjustment to comparative figures.

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.

	2019 $'000	2018 $'000
Balance at 1 January	43,333	145,425
Deferral of reinsurance premium on current year contracts	–	43,333
Expensing/reversing of reinsurance premium previously deferred	(11,562)	(145,425)
Balance as at 31 December	31,771	43,333
Comprising:		
Current	11,553	12,076
Non-current	20,218	31,257
	31,771	43,333

Notes to the financial statements (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 (refer to note 4.7).

Refer to note 4.8 Accounting estimates and judgements for further detailed information.

	2019 $'000	2018 $'000
Balance as at 1 January	166,845	151,791
Acquisition costs incurred during the year	59,468	62,292
Amortisation charge	(45,079)	(47,238)
Balance as at 31 December	181,234	166,845
Comprising:		
Current	37,966	35,375
Non-current	143,268	131,470
	181,234	166,845

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, incurred but not reported (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 and 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 4.8 Accounting estimates and judgements and note 4.9 Actuarial assumptions and methods for further detailed information.

	2019 $'000	2018 $'000
Central estimate	319,340	299,919
Risk margin	41,565	39,144
Gross outstanding claims	360,905	339,063

(a) Reconciliation of changes in outstanding claims

	2019 $'000	2018 $'000
Balance as at 1 January	339,063	339,679
Current period net claims incurred	150,886	145,899
Movement in non-reinsurance and borrower recoveries	1,555	(2,337)
Claims paid	(130,599)	(144,178)
Balance as at 31 December	360,905	339,063
Comprising[1]**:**		
Current	160,101	147,362
Non-current	200,804	191,701
	360,905	339,063

1 Refer to note 1.2(g) for details on the adjustment to comparative figures.

(b) Claims development

Underwriting years	Prior years $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
At end of year of underwrite		701	992	1,079	1,021	777	1,424	860	1,162	1,019	632	
One year later:		7,004	6,668	7,805	6,825	12,917	6,803	8,620	6,716	11,193		
Two years later		15,005	10,997	11,246	20,870	20,319	16,711	8,680	8,885			
Three years later		9,744	9,989	24,535	29,722	21,130	13,560	8,238				
Four years later		8,107	15,925	43,917	28,494	20,825	14,601					
Five years later		23,971	23,182	34,634	30,254	31,018						
Six years later		11,717	14,669	21,273	18,955							
Seven years later		10,923	14,053	13,540								
Eight years later		8,854	10,687									
Nine years later		7,518										
Net incurred to date		103,544	107,162	158,029	136,141	106,986	53,099	26,398	16,763	12,212	632	
Net paid to date		85,635	85,284	124,596	89,843	53,269	19,488	5,551	2,283	527	–	
Net outstanding claims provision at 31 December 2019	83,645	17,909	21,878	33,433	46,298	53,717	33,611	20,847	14,480	11,685	632	338,135
Non-reinsurance recoveries on unpaid claims at 31 December 2019												22,770
Gross outstanding claims provision at 31 December 2019												360,905

4.5 Non-reinsurance recoveries

Accounting policies

Reinsurance and non-reinsurance recoveries receivable on paid claims, reported claims not yet paid and IBNR claims are recognised as revenue. Recoveries receivable on paid claims are presented as part of non-reinsurance recoveries receivable 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. The following table presents non-reinsurance recoveries.

	2019 $'000	2018 $'000
Balance as at 1 January	21,215	23,552
Movement of non-reinsurance recoveries	1,555	463
Net borrower recoveries receivable recognised	–	(2,800)
Balance as at 31 December	22,770	21,215

There were no reinsurance recoveries at 31 December 2019 (2018: Nil).

4.6 Unearned premium

Accounting policies

Earned and unearned premium revenue

Premiums have been brought to account as income from the date of attachment of risk over periods up to 12 years based on an actuarial assessment of the pattern and period of risk. The earned portion of premium received is recognised as revenue. The balance of premium received or receivable is recorded as unearned premium.

Refer to note 4.8 Accounting estimates and judgements and note 4.9 Actuarial assumptions and methods for further detailed information.

	2019 $'000	2018 $'000
Balance as at 1 January	1,214,206	1,108,554
Premiums incepted during the year	433,248	460,166
Premiums earned during the year	(367,003)	(354,514)
Balance as at 31 December	1,280,451	1,214,206
Comprising:		
Current	286,114	276,148
Non-current	994,337	938,058
	1,280,451	1,214,206

4.7 Liability adequacy test

Accounting policies

The liability adequacy test (LAT) is an assessment of the carrying amount of the unearned premium liability and is conducted at each reporting date. It comprises 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. If the future claim costs exceed the unearned premium liability less related deferred reinsurance expense 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 LAT at the reporting date has identified a surplus in the portfolio of contracts that are subject to broadly similar risks.

The probability of adequacy (PoA) adopted for the liability adequacy test is set at 70% and differs from the 75% probability of adequacy adopted in determining the outstanding claims liabilities (refer to note 4.9(a)). The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liabilities.

The process used to determine the risk margin is discussed in note 4.9(a).

As at 31 December 2019 and 31 December 2018, the LAT resulted in surpluses for the LMI portfolio.

	2019 $'000	2018 $'000
Net central estimate of present value of expected cash flows associated with future claims	899,295	766,631
Risk margin of the present value of expected cash flows on future claims	121,454	100,164
	1,020,749	866,795
Risk margin percentage	17%	17%
Probability of adequacy	70%	70%

4.8 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 4.6 and note 4.3)

Premium is earned over periods of up to 12 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 annual analysis of a number of factors including the historical pattern of claims incurred, the pattern of policy cancellations, economic outlook and policyholder risk profile. The estimate for unearned premiums is established on the basis of this earning scale. Changes to earnings curve assumptions, which in turn impact the timing of the recognition of unearned premium and DAC, are recognized prospectively. Changes are recommended by the Appointed Actuary when the results of the annual analysis indicate an ongoing change in the pattern of emergence of risk.

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.

4.9 Actuarial assumptions and methods

(a) Outstanding claims

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 by lenders as being 90 days delinquent at the valuation date.
- IBNR, being loans delinquent between 30 and 90 days, or not otherwise advised to the Group by lenders.

For loans where the mortgagee is in possession and a claim has been submitted, the claimed amount adjusted for amounts not eligible to be claimed is provided. For loans where there is a mortgagee in possession (MIP) but a claim has not yet been submitted, a case estimate based approach is used utilising 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.

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.

In applying this formula:

- The outstanding loan amount insured is the total outstanding amount on those loans advised to the Group.
- 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.

Actuarial assumptions and process

Historical information relating to arrears and claims history for the Group is provided to the Appointed Actuary to determine the underlying assumptions. The Appointed Actuary examines all past underwriting years, including the mix of business by loan to value ratio (LVR), loan size band, the region in which the mortgaged property is located, mortgagor groups, property price appreciation since inception, and arrears duration.

Statistical modelling is 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, house price appreciation (HPA) 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 geographic region of the properties secured by the mortgages and mortgagor groups. 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 26% (2018: 29%)
- Average severity factor is 28% (2018: 28%)

Incurred But Not Reported

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.
- Increased uncertainty due to future legislative changes.

A risk margin for outstanding claims of 14% (2018: 14%) of net central estimate has been assumed and is intended to achieve a 75% PoA.

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

The weighted average term to settlement, which is estimated to be 22 months (2018: 19 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 are expected to impact outstanding claims liabilities more than others and consequently a greater degree of sensitivity to these variables is 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.

Various scenarios regarding key economics including HPA, unemployment and mortgage interest rates, as well as the upper and lower bounds of a 95% confidence interval of frequency 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.

Notes to the financial statements (continued)

Impact on outstanding claims liabilities to changes in key variables

	2019				2018			
	Net Outstanding Claims Liability		Net Premium Liability		Net Outstanding Claims Liability		Net Premium Liability	
Sensitivity Change	$M	%	$M	%	$M	%	$M	%
Base	297		899		279		767	
Ultimate Loss Ratio								
Upside Economics – 5% House Price Appreciation (HPA), 0.5% reduction in unemployment rate	(9)	(3)	(62)	(7)	(2)	(1)	(24)	(3)
Downside Economics – 5% House Price Depreciation (HPD), increase in mortgage rates	9	3	88	10	10	4	65	9
Downside Economics – 10% HPD, increase in mortgage rates	18	6	131	15	20	7	119	16
Downside Economics – 15% HPD	27	9	154	17	16	6	130	17
Arrears Frequency Model								
+5% HPA estimate	(9)	(3)	–	–	(5)	(2)	–	–
-5% HPA estimate	9	3	–	–	13	5	–	–
-10% HPA estimate	18	6	–	–	22	8	–	–
5% Parameter Estimate Confidence Interval	(4)	(1)	–	–	(4)	(2)	–	–
95% Parameter Estimate Confidence Interval	9	3	–	–	7	3	–	–
Discount Rate								
+1.0%	–	–	(39)	(4)	–	–	(32)	(4)
-0.5%	–	–	20	2	–	–	17	3

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.

(b) Unearned premium

The assessment of future recognition of unearned premium is an inherently uncertain process involving assumptions concerning the discontinuance and pattern of the incidence of risk. When deciding on an appropriate earning pattern to apply at the start of an underwriting year, consideration is given to:

- The emergence of claims and their cost for historical underwriting years.
- The economic outlook for key economic variables (interest rates, house prices and unemployment) at the time the policy was written.
- Policyholder risk profile, determined by characteristics such as location, LVR at underwriting, type of dwelling, loan type and type of interest repayment.

Over the term of a policy, changes in economic conditions invariably lead to a difference between the expected and actual risk emergence pattern. Over time, these differences may be sizeable and, as business is cyclical, these may build up over successive periods. The earnings curve is revised when experience indicates such differences are ongoing.

The Group completed the annual review of its premium earnings pattern in the fourth quarter of 2019. The review resulted in no changes to the earnings curve pattern adopted in the fourth quarter of 2017.

The impact of shortening (or lengthening) the earnings curve by six months would increase (or decrease) the current unearned premium by less than $10 million, with an equal and opposite impact in non-current unearned premium, as at 31 December 2019 and 31 December 2018.

4.10 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.

The following companies comprise the APRA Level 2 Group as at 31 December 2019:

Genworth Mortgage Insurance Australia Limited

Genworth Financial Mortgage Insurance Pty Limited

Genworth Financial Mortgage Indemnity Limited

Balmoral Insurance Company Limited

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

	2019 $'000	2018 $'000
Tier 1 capital		
Paid-up ordinary shares	1,090,180	1,154,084
Other reserves	(474,350)	(474,900)
Retained earnings	911,646	1,058,116
Less: Deductions	(25,567)	(23,193)
Net (deficit)/surplus relating to insurance liabilities	(42,327)	34,029
Common equity Tier 1 capital	1,459,582	1,748,136
Tier 2 capital	200,000	200,000
Total capital base	1,659,582	1,948,136
Insurance risk charge	284,442	245,457
Insurance concentration risk charge	479,115	660,748
Asset risk charge	125,679	124,767
Operational risk charge	35,726	31,698
Aggregation benefit	(55,703)	(56,379)
Total PCA	869,259	1,006,291
PCA coverage	1.91x	1.94x

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 the following three considerations:

(a) Regulatory capital

The regulated controlled entities are subject to APRA's prudential standards, which set out the basis for calculating the Prudential Capital Requirements (PCR), 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 event, 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.

(b) 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.

Standard & Poor's

On 31 May 2019 Standard & Poor's Ratings Services (S&P) reaffirmed Genworth Financial Mortgage Insurance Pty Limited's financial strength rating at 'A+' and outlook as 'negative'. S&P subsequently, on 1 July 2019, published revised criteria for rating insurance companies. On 25 July 2019 S&P announced that due to revisions to its ratings criteria it has revised Genworth Financial Mortgage Insurance Pty Limited's financial strength rating to 'A' with a 'stable' outlook.

Fitch Ratings

On 18 June 2019 Fitch reaffirmed Genworth Financial Mortgage Insurance Pty Limited's financial strength rating at 'A+' however revised its outlook from 'stable' to 'negative'.

(c) Economic capital

The Group uses an economic capital model (ECM) to assess the level of capital required for the underwriting, claims estimation, credit, market, liquidity, operational and group risk to which it is exposed. Economic capital is determined as the level of capital the Group needs to ensure that it can satisfy its ultimate policyholder obligations in relation to all insurance contracts issued on or before the end of the business plan year. The ECM is used by management to help in the determination of strategic capital allocation, business planning, underwriting performance, pricing and reinsurance arrangements. The Group reviews its capital structure on an ongoing basis to optimise the allocation of capital whilst minimising the cost of capital. Active management of the business and its capital has enabled the Group to maintain its insurers financial strength and credit rating.

Notes to the financial statements (continued)

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 related costs include interest, which is accrued at the contracted rate and included in payables, and amortisation of transaction costs which are capitalised, presented together with borrowings, and amortised over the life of the borrowings. This cost also includes the write-off of capitalised transaction costs and premium paid on the early redemption of borrowings.

		2019 $'000	2018 $'000
Subordinated notes			
$200 million subordinated notes	(A)	200,000	200,000
Less: capitalised transaction costs		(631)	(1,834)
		199,369	198,166

(A) On 3 July 2015, GFMI issued $200,000,000 of 10 year, non-call five year subordinated notes. The notes qualified as Tier 2 Capital under the APRA's capital adequacy framework.

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 3.5% per annum.
- The notes mature on 3 July 2025 (non-callable for the first five years) with the issuer having the option to redeem at par from 3 July 2020. Redemption at maturity, or any earlier date provided for in the terms and conditions of issue, is subject to prior approval by APRA.

5.3 Equity

(a) Share capital

	2019 Number of shares '000	2019 $'000	2018 Number of shares '000	2018 $'000
Issued fully paid capital				
Balance as at 1 January	437,465	1,154,084	492,351	1,303,151
Buy-back shares, net of transaction costs	(24,951)	(63,904)	(54,886)	(149,067)
Balance as at 31 December	412,514	1,090,180	437,465	1,154,084

The Company's issued shares do not have a par value. 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.

On-market buy-back

On 6 February 2019, the Company announced its intention to commence, with effect from 21 February 2019, an on-market share buy-back program for shares up to a maximum value of $100.0 million. This share buy-back program ceased on 30 June 2019. At that date the Company had acquired 24,950,648 shares for a total consideration of $63.9 million. The remaining $36.1 million was effectively paid out on 28 August 2019 as part of an unfranked special dividend (refer to note 3.6 for more details on dividends).

The shares acquired by the Company as part of on-market share buy-back programs have been cancelled and removed from the share register.

(b) Share-based payment reserve

	2019 $'000	2018 $'000
Balance as at 1 January	1,659	2,528
Share-based payment expense	2,095	668
Share-based payment settled	(1,545)	(1,537)
Balance as at 31 December	2,209	1,659

Refer to note 7.6 Share-based payments for further detailed information.

5.4 Capital commitments and contingencies

Capital commitments

There were no capital commitments as at 31 December 2019. The Group adopted AASB 16 *Leases* as at 1 January 2019 utilising the modified retrospective approach which resulted in all the leases of the Group previously classified as operating leases and not brought on-balance sheet being recognised on the balance sheet in the form of right-of-use assets and corresponding lease liabilities. Refer to note 6.3 for further details.

Contingencies

Contingent liabilities are not recognised on the balance sheet but are disclosed where the possibility of settlement is less than probable but more than remote. Provisions are not required with respect to these matters as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not reliably measurable. If settlement becomes probable, a provision is recognised. The best estimate of the settlement amount is used in measuring a contingent liability for disclosure.

There were no contingent liabilities as at 31 December 2019 (2018: Nil).

5.5 Other reserves

	2019 $'000	2018 $'000
Other reserves	(476,559)	(476,559)

The balance represents reserves recognised from the reorganisation of the intragroup debt and equity arrangements when the Company became the holding company of the Group. 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 arose; therefore, any difference in these transactions was recognised directly in equity as other reserves.

Section 6 Operating assets and liabilities

6.1 Cash and cash equivalents

Accounting policies

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term and highly liquid investments with maturity from date of acquisitions of three months or less that are readily convertible to known amounts of cash, that are subject to an insignificant risk of changes in value and which are used to meet short-term cash commitments. 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:

	2019 $'000	2018 $'000
Cash assets	87,254	141,450

6.2 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. The amounts are discounted where the time value of money effect is material.

	2019 $'000	2018 $'000
Premium receivable	37,749	55,040
Sub-lease receivable	3,184	–
Trade and other receivables	2,033	16,112
Income tax receivable	4,140	9,407
	47,106	80,559
Comprising:		
Current	25,498	44,931
Non current	21,608	35,628
	47,106	80,559

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

6.3 Leases

The Group leases properties for its office space. These leases have varying terms (from three to five years), escalation clauses and renewal rights. On renewal, the terms of the leases are usually renegotiated. At the time of adopting AASB 16, the Group determined that it was not reasonably certain to exercise renewal options. The optional term is usually the same length as the initial term.

The Group also leased equipment for its offices. These leases have varying terms, from one year to three years. The equipment assets leased are of low value.

Accounting policies

Under AASB 16

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This policy is applied to contracts entered or changed on or after 1 January 2019.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use-asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Notes to the financial statements (continued)

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets, including office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As an intermediate lessor

The Group classifies a sub-lease as finance or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset (i.e. the item of property being leased).

The Group accounts for its interests in the head lease and the sub-lease separately. At the commencement date of a sub-lease, the Group assesses whether the sub-lease transfers substantially all the risks and rewards incidental to ownership of the right-of-use asset arising from the head lease. If this is the case, then the sub-lease is a finance lease; if not, then it is an operating lease.

At inception of a finance sub-lease, the Group derecognises the right-of-use asset that arises from the head lease and recognises its net investment in the sub-lease as a receivable, measured as the present value of the future payments to be received from the tenant, using the same discount rate used for the head lease.

The Group subsequently measures the net investment in a sub-lease using the effective interest rate method.

Under AASB 117

In the comparative period the Group leased property and equipment under operating leases where the lessor retained substantially all the risks and benefits of ownership of the leased items. Lease payments were recognised as an expense in profit and loss on a straight-line basis over the term of these leases. Lease incentives received were recognised as an integral part of the total lease expense over the term of the lease.

Lease assets (right-of-use assets)

	2019 $'000	2018 $'000
Balance as at 1 January (adoption of AASB 16)	14,346	–
Depreciation charge for the year	(3,245)	–
Modification of leases	65	–
Balance as at 31 December	11,166	–

Lease liabilities

	2019 $'000	2018 $'000
Balance as at 1 January (adoption of AASB 16)	19,108	–
Payments made	(3,551)	–
Interest expense	808	–
Modification of leases	65	–
Balance as at 31 December	16,430	–
Comprising of:		
Current	4,790	–
Non-current	11,640	–
	16,430	–

Maturity analysis – contractual undiscounted cash flows

	2019 $'000	2018 $'000
Future payments to be made arising from lease contracts:		–
Within one year	4,909	–
One year or later and no later than five years	12,879	–
Total undiscounted lease liabilities as at 31 December	17,788	–

Amounts recognised in profit and loss

	2019 $'000	2018 $'000
Depreciation charge for the period	(3,245)	–
Interest expense on lease liabilities	(808)	–
Income from subleasing right-of-use assets	158	–

The interest expense on lease liabilities and the income from subleasing the right-of-use assets are presented as financing costs in the statement of comprehensive income.

6.4 Intangibles

The intangibles balance represents software development expenditure.

Accounting policies

Acquired software

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).

Internally developed capitalised software

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 its carrying value. An impairment charge is recognised in the statement of comprehensive income when the carrying value exceeds the calculated recoverable amount. 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 (2018: Nil).

Reconciliations

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

	2019 $'000	2018 $'000
Cost		
Balance as at 1 January	30,618	25,263
Additions	2,226	5,355
Disposals	(390)	–
Balance as at 31 December	32,454	30,618
Accumulated amortisation and impairment losses		
Balance as at 1 January	(24,423)	(23,962)
Amortisation	(1,048)	(461)
Disposals	357	–
Balance as at 31 December	(25,114)	(24,423)
Intangibles	7,340	6,195

Notes to the financial statements (continued)

6.5 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 has an indefinite useful life and is therefore not subject to amortisation, but is tested for impairment annually, or more often if there is an indication of impairment. Goodwill is stated at deemed cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGU). At 31 December 2019, the Group comprises of a single CGU (Mortgage Insurance Australia), which reflects the level at which goodwill is monitored for impairment by management.

The impairment test involves the use of accounting estimates and assumptions. The recoverable amount of the CGU is determined on the basis of value in use calculation which is performed on a pre-tax basis. The present value of future cash flow projections is based on the most recent management approved budgets.

	2019 $'000	2018 $'000
Goodwill – at deemed cost	9,123	9,123

The following describes the key assumptions on which management based its cash flow projections when conducting the impairment testing:

- Cash flow forecast is based on the latest five-year business plan approved by management. This business plan is based on a combination of historical performance and management's expectations of future performance based on prevailing and anticipated market factors.
- Terminal value is calculated using a perpetuity growth formula applied to the cash flows projected for the last year of the forecast period. The terminal growth rate used by management for its impairment assessment as at 31 December 2019 is 1.7% (2018: 1.9%).
- Discount rate reflects a beta and equity risk premium associated to GMA. The pre-tax discount rate used at 31 December 2019 is 13.6% (2018: 14.3%).

Management believes that any reasonably possible change in the key assumptions on which the value in use of GMA's CGU is based would not cause GMA's goodwill to be impaired. This is demonstrated in the sensitivity analysis below:

Sensitivity analysis

Under each of the stressed assumption scenarios used below (all other assumptions remaining constant), GMA's goodwill is not impaired:

- Reduction of the projected cash flow by 15%.
- Terminal growth rate of 0%.
- Increase of the discount rate by 300 basis points.

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 to 60 days. The carrying amount of accounts payable approximates fair value.

	2019 $'000	2018 $'000
Accrued expenses	15,919	17,545
Trade creditors and other payables	25,810	24,570
Related party payables	98	323
Derivative financial instruments	–	9,418
	41,827	51,856
Comprising:		
Current	38,645	47,554
Non-current	3,182	4,302
	41,827	51,856

6.7 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 corporate bond yields 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 Group has a defined contribution superannuation plan. 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.

	2019 $'000	2018 $'000
Annual leave	2,583	2,790
Long service leave	4,513	4,467
	7,096	7,257
Comprising:		
Current	5,313	5,280
Non-current	1,783	1,977
	7,096	7,257

As at the balance date there were 195 employees (2018: 213).

Notes to the financial statements (continued)

Section 7 Other disclosures

7.1 Parent entity disclosures

	2019 $'000	2018 $'000
Results of the parent entity		
Profit for the year	303,237	169,883
Total comprehensive income for the year	303,237	169,883
Financial position of parent entity		
Current assets	6,355	32,203
Total assets	1,821,382	1,847,229
Current liabilities	949	50
Total liabilities	949	50
Net assets	1,820,433	1,847,179
Total equity of the parent entity comprising of:		
Share capital	1,090,180	1,154,084
Retained earnings	294,006	257,402
Share-based payments	1,572	1,018
Other reserves	434,675	434,675
Total equity	1,820,433	1,847,179

7.2 Remuneration of auditors

	2019 $	2018 $
Audit and review of financial statements	840,743	831,138
Regulatory audit services	91,275	88,188
Audit related services	12,780	–
	944,798	919,326
Non-assurance services	–	35,000
	944,798	954,326

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	Executive KMP
David Foster	Michael Bencsik (appointed on 4 February 2019)
Ian MacDonald	Andrew Cormack
Gai McGrath	Steven Degetto
Georgette Nicholas (ceased as a Director on 31 December 2019)	Tobin Fonseca (ceased on 31 January 2019)
Christine Patton	William Milner (ceased as Acting Chief Financial Officer on 4 February 2019)
Stuart Take	
Gayle Tollifson	
Jerome Upton	
Duncan West	

The key management personnel remuneration is:

	2019 $'000	2018 $'000
Short-term employee benefits	4,857	4,892
Post-employment benefits	725	429
Equity compensation benefits	1,541	629
	7,123	5,950

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 initial public offering (IPO), the Group entered into certain agreements with Genworth Financial, Inc (GFI) 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 ordinary shares of the Company or at the request of either party giving six months' notice prior to the automatic annual renewal terms after 31 December each year. 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 $4,584,000 (2018: $3,550,000) for the year ended 31 December 2019. There is a payable balance of $98,000 as at 31 December 2019 (2018: $323,000).

Share buy-back

GFI participated in on-market sale transactions during the buy-back program to maintain the approximately 52% stake in the Group. GFI has sold 13.0 million (2018: 28.5 million) shares for a total consideration of $32.9 million as at 31 December 2019 (2018: $76.4 million). Refer to note 5.3 Equity for further details.

Other related party transactions

Certain non-executive directors of the Group were employed by the major shareholder, GFI, during the financial year. Costs of services provided by these directors were not charged to the Group.

Major shareholder and its ultimate parent entity

The major shareholder of the Group is Genworth Financial International Holdings, LLC & Genworth Holdings, Inc. (as partners of the Genworth Australian General Partnership) representing 51.95% ownership. The ultimate parent entity of Australian General Partnership is GFI which is incorporated in Delaware, United States of America.

In October 2016, GFI and China Oceanwide announced that they had entered into a definitive agreement under which China Oceanwide agreed to acquire all of the outstanding shares of GFI, subject to approval by GFI stockholders as well as other closing conditions. Upon completion of the transaction GFI will be a standalone subsidiary of China Oceanwide. As at 31 December 2019, the closing of the merger remains subject to the receipt of required regulatory approvals in the U.S. and China and other closing conditions. Genworth Financial and China Oceanwide also continue to be actively engaged with the other relevant regulators regarding the pending applications.

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 entity. In assessing control, the Company considers the purpose and design of each entity 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 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 (%) 2019	Equity holding (%) 2018
Genworth Financial Mortgage Insurance Pty Limited	Australia	Ordinary	100	100
Genworth Financial Mortgage Indemnity Limited	Australia	Ordinary	100	100
Balmoral Insurance Company Limited	Bermuda	Ordinary	100	100

7.6 Share-based payments

Accounting policies

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.

The fair value at the grant date, being the date both the employee and the employer agree to the arrangement, is determined using a valuation model based on the share price at grant date and the vesting conditions. The 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 is 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.

Notes to the financial statements (continued)

Share Rights Plan

Between 7 May 2015 and 1 March 2017, the Group granted restricted share rights to a number of key employees. The aggregate amount of these share rights was $1,501,907. One quarter of the share rights granted during the year vest on each of the first, second, third and fourth anniversaries of the grant date. If at any time an 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.

From 1 January 2018, it was decided that no grants would be made under the share rights plan. All outstanding grants (prior to 2018) made under the share rights plan will continue to vest per the original terms and conditions of the plan.

Share rights plan grant date	Available to	Vesting period	Total ($)
7 May 2015	Nominated employees	Four equal tranches vested on first anniversary of grant date	$509,967
6 May 2016	Nominated employees	Four equal tranches vested on first anniversary of grant date	$499,030
1 March 2017	Nominated employees	Four equal tranches vested on first anniversary of grant date	$492,910

The fair value of the share rights is calculated as at the grant date using a Black Scholes valuation. The factors and assumptions used for the valuation are summarised in the below table:

	2017	2016	2015
Grant date	1 March 2017	6 May 2016	7 May 2015
Share price on grant date ($)	$2.81	$3.00	$3.09
Dividend yield	8.60%	11.36%	11.16%
Risk free rate (%)	Tranche 1: 1.83%	Tranche 1: 1.57%	Tranche 1: 2.03%
	Tranche 2: 2.00%	Tranche 2: 1.57%	Tranche 2: 2.03%
	Tranche 3: 2.15%	Tranche 3: 1.57%	Tranche 3: 2.20%
	Tranche 4: 2.29%	Tranche 4: 1.80%	Tranche 4: 2.35%
Vesting dates	Tranche 1: 1 March 2018	Tranche 1: 1 March 2017	Tranche 1: 1 March 2016
	Tranche 2: 1 March 2019	Tranche 2: 1 March 2018	Tranche 2: 1 March 2017
	Tranche 3: 1 March 2020	Tranche 3: 1 March 2019	Tranche 3: 1 March 2018
	Tranche 4: 1 March 2021	Tranche 4: 1 March 2020	Tranche 4: 1 March 2019

The final tranche of the 2015 Equity Plan grant vested on 1 March 2019.

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.

Deferred short term incentive

Plan	Eligibility	Nature of award	Vesting conditions
Short Term Incentive (STI) Deferral Plan	Executives and any employee with an annual STI award >$50,000	• One-third of the dollar value of the annual short-term incentive is converted to a grant of deferred share rights for executives. • For any annual STI payment greater than $50,000 one-third of the amount greater than $50,000 is converted to a grant of deferred share rights, provided the amount is $10,000 or more (applies to any non-executive incentive > $50,000). • 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 deferral period.	• 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.

2019 Equity Grant

A one-off grant of 53,702 share rights was made on 4 February 2019 to an employee subject to ongoing tenure and minimum performance thresholds as follows:

- 31,326 share rights vesting on 2 August 2019.
- 22,376 share rights vesting on 2 December 2019.
- The key terms and conditions are similar to the rights issued under the Equity Plan.

Both tranches of the 2019 Equity Grant are now vested in full.

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

2019 Grant date	Balance at 1 January 2019 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2019 Number	Vested and exercisable at end of the year Number
7 May 2015	21,292	–	(21,292)	–	–	–
22 June 2015	1,935	–	(1,935)	–	–	–
6 May 2016	74,970	–	(36,737)	(3,931)	34,302	–
1 March 2017	161,700	–	(51,298)	(25,009)	85,393	–
1 March 2018	166,920	16,464	(183,384)	–	–	–
4 February 2019	–	53,702	(53,702)	–	–	–
1 March 2019	–	215,087[1]	–	–	215,087	–
Total	426,817	285,253	(348,348)	(28,940)	334,782	–

1 The number of share rights granted in the year representing the deferred short-term incentive component under the 2018 remuneration program.

2018 Grant date	Balance at 1 January 2018 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2018 Number	Vested and exercisable at end of the year Number
21 May 2014	294,344	–	(269,187)	(25,157)	–	–
7 May 2015	51,936	–	(22,710)	(7,934)	21,292	–
22 June 2015	3,869	–	(1,934)	–	1,935	–
6 May 2016	154,224	–	(43,158)	(36,096)	74,970	–
1 March 2017	363,374	5,890	(173,951)	(33,613)	161,700	–
1 March 2018	–	191,636[1]	(11,790)	(12,926)	166,920	–
Total	867,747	197,526	(522,730)	(115,726)	426,817	–

1 The number of share rights granted in the year representing the deferred short-term incentive component under the 2017 remuneration program.

Long term incentive plan

The Group implemented a long term incentive (LTI) plan for executive KMP which is performance oriented and reflects local market practice.

The vesting conditions for each of the LTI plan granted include:

- Continuous active employment for four years from grant date.
- Subject to performance conditions.

LTI grant date	Nature of award	Total
7 May 2015	share rights	$1,822,777
6 May 2016	share rights	$1,729,230
1 March 2017	share rights	$1,873,986
1 March 2018	share rights	$1,886,491
1 March 2019	share rights	$1,688,601

Key terms and conditions for the 2019 LTI:

- The rights are granted for nil consideration.
- Holders are entitled to receive notional dividend equivalents during the vesting period but do not have voting rights.
- Each allocation is split into two portions which are subject to different performance hurdles with a twelve month deferral period after the performance period ends. The first vesting condition is not market related and requires continuous active employment for four years from grant date. The second set of vesting conditions are as follows:
  - 25% is subject to a Underlying ROE performance condition. The Group's three-year average Underlying ROE (based on mid-point of the Board's targeted range above the Prescribed Capital Amount) is tested against target Underlying ROE over a three year period.
  - 75% is subject to a relative TSR performance condition. The Group's TSR is tested against comparator group, the ASX 200 financial services excluding Real Estate Investment Trust (REITs) over a three year period.
- The number of share rights offered is determined by dividing the grant value of the 2019 long term incentive plan by $2.1727, being the 10-day volume weighted average price (VWAP) of the Company share price as at 31 December 2018 results, rounded down to the nearest whole share right. Each share right is a right granted to acquire a fully paid ordinary share of the Company.
- The fair value of the share rights is the share price as at the grant date.

If an employee ceases employment with the Group before the performance conditions are tested, their unvested rights will generally lapse.

Notes to the financial statements (continued)

The fair value of the share rights for LTI is calculated as at the grant date using Monte Carlo simulation. The factors and assumptions used for the valuation are summarised in the below table.

		2019	2018	2017
Grant date		1 March 2019	1 March 2018	1 March 2017
Share price on grant date	($)	$2.53	$2.37	$2.81
Dividend yield	(%)	0% [1]	0% [1]	8.60%
Volatility	(%)	31.02%	34.1%	35.00%
Correlation		A correlation matrix for the ASX 200 financial services (excluding REITs) has been used	A correlation matrix for the ASX 200 financial services (excluding REITs) has been used	A correlation matrix for the ASX 200 (excluding resource companies) has been used
Risk free rate	(%)	2.24%	2.1%	2.0%
Vesting date		31 December 2022	31 December 2021	31 December 2020

1 Consistent with the requirements set out in AASB 2, given participants in the LTI plan are entitled to dividend equivalents on the underlying shares, the input for expected dividend yield has been set to zero. For the purposes of relative TSR fair value calculations, the expected dividend yield of the comparator group has also been set to zero.

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

2019 Grant date	Balance at 1 January 2019 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2019 Number	Vested and exercisable at end of the year Number
7 May 2015 [1]	–	23,789	(23,789)	–	–	–
6 May 2016	552,604	–	(139,291)	(413,313)	–	–
1 March 2017	531,042	–	–	(77,612)	453,430	–
17 July 2017	75,025	–	–	–	75,025	–
1 March 2018	667,766	–	–	(84,551)	583,215	–
1 March 2019	–	777,190	–	–	777,190	
Total	1,826,437	800,979	(163,080)	(575,476)	1,888,860	–

1 Represents notional dividends awarded as share rights associated with 2015 LTI plan share rights that had previously vested/been exercised on 31 December 2018.

2018 Grant date	Balance at 1 January 2018 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2018 Number	Vested and exercisable at end of the year Number
7 May 2015	116,196	–	(33,696)	(82,500)	–	–
6 May 2016	648,988	–	–	(96,384)	552,604	–
1 March 2017	646,425	–	–	(115,383)	531,042	–
17 July 2017	75,025	–	–	–	75,025	–
1 March 2018	–	708,914	–	(41,148)	667,766	–
Total	1,486,634	708,914	(33,696)	(335,415)	1,826,437	–

Omnibus Incentive Plan

GFI and GFMI 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.

Under the Omnibus Incentive Plans, GFI issues stock options, stock appreciation rights, restricted stock, restricted stock units (RSU), other stock-based awards and dividend equivalent awards with respect to its common stock to employees of its affiliates throughout the world. 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:

2019 Grant date	Expiry date	Exercise price ($)	Balance at 1 January 2019 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2019 Number	Vested and exercisable at end of the year Number
10/02/2010	10/02/2020	20.20	27,000	–	–	–	27,000	27,000
09/02/2011	09/02/2021	18.16	26,500	–	–	–	26,500	26,500
14/02/2012	14/02/2022	12.65	32,100	–	–	–	32,100	32,100
15/02/2013	15/02/2023	12.91	31,500	–	–	–	31,500	31,500
20/02/2014	20/02/2024	21.70	14,000	–	–	–	14,000	14,000
Total			131,100	–	–	–	131,100	131,100
Weighted average exercise price ($)			16.35	–	–	–	16.35	16.35

2018 Grant date	Expiry date	Exercise price ($)	Balance at 1 January 2018 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2018 Number	Vested and exercisable at end of the year Number
13/02/2008	13/02/2018	32.37	3,000	–	–	(3,000)	–	–
19/08/2009	13/02/2018	11.07	6,288	–	–	(6,288)	–	–
10/02/2010	10/02/2020	20.13	27,000	–	–	–	27,000	27,000
09/02/2011	09/02/2021	18.10	29,000	–	–	(2,500)	26,500	26,500
14/02/2012	14/02/2022	12.61	38,100	–	–	(6,000)	32,100	32,100
15/02/2013	15/02/2023	12.86	37,000	–	–	(5,500)	31,500	31,500
20/02/2014	20/02/2024	21.62	19,500	–	–	(5,500)	14,000	14,000
Total			159,888	–	–	(28,788)	131,100	131,100
Weighted average exercise price ($)			16.34	–	–	16.58	16.29	16.29

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

2019 Grant date	Balance at 1 January 2019 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2019 Number	Vested and exercisable at end of the year Number
20/03/2015	675	–	(675)	–	–	–
Total	675	–	(675)	–	–	–

2018 Grant date	Balance at 1 January 2018 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2018 Number	Vested and exercisable at end of the year Number
20/2/2014	12,746	–	(12,746)	–	–	–
20/03/2015	1,350	–	(675)	–	675	–
Total	14,096	–	(13,421)	–	675	–

7.7 Events subsequent to reporting date

As this event occurred after reporting date and did not relate to conditions existing at reporting date, no account has been taken in the financial statements for the current reporting year ended 31 December 2019.

- On 24 January 2020, the Company announced the appointment of Pauline Blight-Johnson as Chief Executive Officer and Managing Director effective 2 March 2020.
- On 5 February 2020, the Directors declared a 100% fully franked final dividend of 7.5 cents per share totalling $30.9 million.
- On 18 February 2020, the Company announced the retirement of Gayle Tollifson from the Board of Genworth effective 15 March 2020 and the appointment of Andrea Waters to the Board effective 16 March 2020. These changes were made as part of Genworth's Board renewal program.

Directors' declaration

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 52 to 92 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 2019 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 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.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2019.

Signed in accordance with a resolution of the Directors

Ian MacDonald
Chairman

Dated 26 February 2020

Independent auditor's report

to the shareholders of Genworth Mortgage Insurance Australia Limited

Report on the audit of the Financial Report

Opinion

We have audited the **financial report** of Genworth Mortgage Insurance Australia Limited (the Company).

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with Australian *Accounting Standards* and the *Corporations Regulations 2001*.

The **financial report** comprises:

- Consolidated statement of financial position as at 31 December 2019;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The **Group** consists of Genworth Mortgage Insurance Australia Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Valuation of Gross Outstanding Claims Liability
- Valuation of Unearned Premium Liability and Net Earned Premium

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Gross Outstanding Claims Liability ($361m)

Refer to accounting policy in Note 4.1 Net claims incurred, Note 4.4 Outstanding claims, Note 4.8 Accounting estimates and judgements and Note 4.9 Actuarial assumptions and methods.

The key audit matter

The valuation of gross outstanding claims liability is a key audit matter as it is highly judgemental and requires assumptions to be made with inherent estimation uncertainty. These assumptions can have significant impacts on the valuation. This complexity requires us to exercise judgement when evaluating the methodology and assumptions adopted by the Group.

The Group's insurance policies are similar in nature. As a result our audit focused on the Group's consistent identification and application of common characteristics to segment the stages of claim emergence when applying frequency and severity (size) factors to determine the gross outstanding claims liability. These common characteristics include region, loan originator, outstanding loan size, and loan-to-value ratio. As a result of these factors, the estimation of the liability is highly dependent on the integrity of the underlying data.

The gross outstanding claims liability reflects the Groups' internal actuarial experts' assessment of future expected outcomes. These outcomes are influenced by a number of factors, including macroeconomic ones, which are subject to a wide range of views and interpretations. The valuation methodology requires the Group to make assumptions in respect of these factors including:

- the uncertainty in the timing of claim payments and recoveries;
- the frequency at which claims emerge, and the subsequent severity of those claims. Frequency and severity are likely to be influenced by changes in macroeconomic factors such as interest rates, unemployment, property prices, and performance of industry and geographic segments;
- the timing of receipt of information from lenders indicating a delinquency or claim has occurred; and
- past claims experience being an appropriate predictor of future experience.

The assumptions adopted have a significant impact on the financial performance of the Group, and therefore, are a focus of our audit attention. As a result, we involved senior audit team members, including specialists, who collectively understand the valuation methodology, the Group's business, its industry and the economic and regulatory environment it operates in.

How the matter was addressed in our audit

Our procedures included:

We tested the key controls designed and operated by the Group for gross outstanding claims liability.

Along with our IT specialists, we assessed the key controls for significant data inputs used by the Group to determine the outstanding claims liability. Our assessment included testing specific reconciliation controls and interfaces from key IT systems that provide data used in the actuarial valuation processes underlying the outstanding claims liability.

We focused on the assumptions and valuation methodology used by the Group in estimating the gross outstanding claims liability. In so doing we challenged the methodology and the assumptions used in the valuation, including the Group's approach to segmenting the portfolio using common characteristics, against the criteria of the accounting standards. We were assisted by our actuarial specialists in this and in our consideration of the work and findings of the Group's internal actuarial experts, including their competency, objectivity, and scope of work. We considered the Group's valuation methodology and assumptions for consistency between reporting periods, as well as for indicators of possible bias.

Our challenge focused on the assumptions applied to delinquencies and claims data. We did this by:

- evaluating underlying documentation. For example, we considered actual versus expected claims data and the timing of claims payments and recoveries using historical data.
- considering external information available (e.g. macroeconomic assumptions such as forecast interest rates, unemployment, property prices) and investigating significant variances. Specifically, we have considered the impact of recent trends in housing prices on the selected assumptions.
- identifying and analysing key changes in frequency and severity assumptions by comparing selected assumptions to experience exhibited to date.
- assessing the consistency of information, such as claims experience and trends across the Group's operations.

KPMG

Valuation of Unearned Premium Liability ($1,280m) and Net Earned Premium ($298m)

Refer to the accounting policy in Note 4.6 Unearned premium, Note 4.8 Accounting estimates and judgements, and Note 4.9 Actuarial assumptions and methods.

The key audit matter	How the matter was addressed in our audit
Genworth receives payment for its insurance policies upfront, however it is their policy to recognise this premium revenue over time. The timing pattern for recognition of premium earned and the resulting valuation of the unearned premium liability (the proportion of the premium revenue not yet recognised), is determined by the Group applying actuarial modelling techniques to develop an earnings curve. In this way, the timing of revenue recognition is dependent on the way in which claims are expected to emerge. As a result the complexities noted in the key audit matter on '*Valuation of Gross Outstanding Claims Liability*' are also relevant to our work over net earned premium and the valuation of the unearned premium liability. Net earned premium and the Valuation of unearned premium liability are a key audit matter due to the complexity of the actuarial methodology used to model the earnings curve and the significant level of judgement applied by us in assessing the assumptions adopted by the Group. In addition to those assumptions we identified as relevant to the key audit matter on '*Valuation of Gross Outstanding Claims Liability*', the Group considers the following to further impact the length and development of the earnings curve: underwriting year, loan type, policy type, premium cancellation and loan increase (top-up) rates. The assumptions adopted have a significant impact on the financial performance of the Group. As a result, we involved senior audit team members, including specialists, who collectively understand the valuation methodology, the Group's business and the economic and regulatory environment it operates in.	Our procedures included: We tested the key controls designed and operated by the Group for the unearned premium liability and net earned premium. Along with our IT specialists, we assessed the key controls for significant data inputs. This included testing specific reconciliation controls, including those over the reliability of data used in the actuarial modelling processes and interfaces from key IT systems used in the valuation of the unearned premium liability. With the assistance of our Actuarial specialists, we focused on the assumptions and valuation methodology used by the Group in their assessment. We performed additional procedures for each key segment of the portfolio, reflecting underwriting year, loan type and policy type and considered indicators of possible bias. These included: • an assessment of consistency in the adopted pattern of risk emergence by comparing the methodology utilised in the current year to the methodology adopted for previous assessments; • an assessment of sensitivity of the adopted earnings curve to more recent experience in key model assumptions including claims frequency, cancellations and top-ups; and, • consideration of the impact of more recent experience on the applied earnings curve. Our detailed testing also included the procedures outlined in the key audit matter on Valuation of Gross Outstanding Claims Liability as timing of revenue recognition is dependent upon future claim emergence.

Other Information

Other Information is financial and non-financial information in Genworth Mortgage Insurance Australia Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinions.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Genworth Mortgage Insurance Australia Limited for the year ended 31 December 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 30 to 48 of the Directors' report for the year ended 31 December 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

David Kells
Partner

Sydney
26 February 2020

Shareholder information

Unless otherwise stated, the information in this section is current as at 31 January 2020.

Annual General Meeting

The 2020 AGM of Genworth Mortgage Insurance Australia Limited will be held on Thursday, 7 May 2020, at The Mint, 10 Macquarie Street, Sydney NSW 2000. The AGM will be webcast live on the internet at 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 ASX and its ordinary shares are quoted under the ASX code "GMA".

Annual report

The default option for receiving annual reports is in electronic format via Genworth's website at genworth.com.au. To request a copy of the Annual Report, please contact the Share Registry. Share Registry contact information can be found in the Corporate Directory of this report.

Online voting

Shareholders can lodge voting instructions electronically either as a direct vote or by appointing a proxy for the 2020 AGM at 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 AGM.

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 shareholders 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 relation 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 investorcentre.linkmarketservices.com.au.

Questions for the Company's auditor must be received by 5pm on Thursday, 30 April 2020. 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.

Manage your holding

Questions regarding shareholdings can be directed to the Company's Share Registry. Your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) will be required to verify your identity.

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 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 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)

Important dates[1]

Company financial year end	31 December 2019
Full year results and dividend announced	5 February 2020
Record date for dividend	5 March 2020
Dividend paid	19 March 2020
Annual Report and Notice of AGM mail out commences	27 March 2020
AGM	7 May 2020

1 Note: some dates may be subject to change.

Ordinary shares and share rights

As at 31 January 2020, the Company had on issue the following equity securities:

- 412,514,184 Shares
- 2,217,766 Share Rights

Ordinary share information

Substantial holders of ordinary shares

Name	Number of shares	Voting power (%)	Date of notice
Genworth Financial International Holdings, LLC and Genworth Holdings, Inc. (as partners of the Genworth Australian General Partnership), and their related bodies corporate	337,700,000	52.0	2 October 2015
Asia Pacific Global Capital Co., Ltd. and Asia Pacific Global Capital USA Corporation	264,634,553	51.95	25 October 2016

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	Genworth Financial International Holdings, LLC and Genworth Holdings, Inc. (as partners of the Genworth Australian General Partnership)	214,316,838	51.95
2	HSBC Custody Nominees (Australia) Limited	68,702,781	16.65
3	J P Morgan Nominees Australia Pty Limited	27,689,104	6.71
4	Citicorp Nominees Pty Limited	25,297,507	6.13
5	National Nominees Limited	13,778,875	3.34
6	Brazil Farming Pty Ltd	4,300,000	1.04
7	Argo Investments Limited	3,208,901	0.78
8	BNP Paribas Noms Pty Ltd	2,862,916	0.69
9	Prudential Nominees Pty Ltd	2,800,000	0.68
10	National Exchange Pty Ltd	2,000,000	0.48
11	BNP Paribas Nominees Pty Ltd	1,850,966	0.45
12	CS Third Nominees Pty Limited	1,341,298	0.33
13	National Nominees Limited	1,086,615	0.26
14	Woodross Nominees Pty Ltd	946,220	0.23
15	Girt By Sea Investments P/L	801,974	0.19
16	BNP Paribas Nominees Pty Ltd	461,237	0.11
17	FJP Pty Ltd	438,750	0.11
18	Rhodium Capital Pty Limited	400,000	0.10
19	Stanbox Pty Limited	400,000	0.10
20	Aotearoa Investment Company Pty Limited	380,765	0.09
	Total for Top 20	**373,064,747**	**90.44**

Shareholder information (continued)

Distribution schedule of holders of ordinary shares

Range	Number of holders	Number of shares	% of issued shares
1–1000	1,252	610,169	0.15
1,001–5,000	1,649	4,622,096	1.12
5,001–10,000	817	6,364,329	1.54
10,001–100,000	814	20,645,831	5.00
100,001 and over	56	380,271,759	92.18
Total	**4,588**	**412,514,184**	**100.00**

Shareholders with less than a marketable parcel of 137 ordinary shares ($3.66 on 31 January 2020) is 203 and they hold 4,037 ordinary shares

Dividend details

Share class	Dividend	Franking	Amount per share	Payment date
Ordinary	Interim	Fully franked	9.0 cents	28 August 2019
Ordinary	Special	Unfranked	21.9 cents	28 August 2019
Ordinary	Special	Unfranked	24.2 cents	28 November 2019
Ordinary	Final	Fully franked	7.5 cents	19 March 2020[1]

1 Dividend declared on 5 February 2020.

Share rights information

Distribution schedule of holders of share rights

Range	Number of holders	Number of share rights	% of total share rights
1–1000	0	0	0
1,001–5,000	14	38,327	1.73
5,001–10,000	5	32,311	1.46
10,001–100,000	5	116,943	5.27
100,001 and over	5	2,030,185	91.54
Total	**29**	**2,217,766**	**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.

Shares purchased on-market for the purposes of the Rights Plan

511,446 shares were purchased on-market for the purposes of the Rights Plan during the period from 1 January 2019 to 31 December 2019 at an average price of $2.95 per share.

On-market share buy-back

As at 31 January 2020, there was no current on-market share buy-back.

Glossary

Term	Description
AASB	Australian Accounting Standards Board
AGP	Genworth Australian General Partnership
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 sum of the loss ratio and the expense ratio
China Oceanwide	China Oceanwide Holdings Group Co., Ltd
DUA	Delegated underwriting authority
EPS	Earnings per share
Expense ratio	Calculated by dividing the sum of the acquisition costs and the other underwriting expenses by the net earned premium
FBT	Fringe benefit tax
Genworth or the Group	The Company and its subsidiaries
Genworth Financial Group	Genworth Financial and its subsidiaries, excluding Genworth
Genworth Financial or GFI	Genworth Financial, Inc. and, where relevant, its predecessors
GFMI	Genworth Financial Mortgage Insurance Pty Limited
GMA or the Company	Genworth Mortgage Insurance Australia Limited ABN 72 154 890 730
Gross earned premium or GEP	The earned premium for a given period prior to any outward reinsurance expense
GWP	Gross written premium
HLVR	High loan to value ratio. Generally, a residential mortgage loan with an LVR in excess of 80% is referred to as an HLVR loan
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 Limited
Insurance margin	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	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
IPO	Initial Public Offering
KMP	Key Management Personnel, as the term is defined in the *Corporations Act 2001* (Cth)
Level 2 and Level 2 Group	"Level 2 insurance group" as defined by APRA under Prudential Standard GPS 001, referring to a consolidated insurance group

Glossary (continued)

Term	Description
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	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 or Major Lenders	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
Mark-to-market	Unrealised gains/losses (exclusive of foreign exchange)
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
Omnibus Incentive Plans	The Genworth Financial 2004 Omnibus Incentive Plan and 2012 Omnibus Incentive Plan
PCA	Prescribed capital amount
PCA coverage	Calculated by dividing the regulatory capital base by the prescribed capital amount
PCR	The PCA plus any supervisory adjustment determined by APRA
PCP	Prior corresponding period
PDR	Performance and Development Review
Performance NPAT	Performance NPAT excludes the after-tax impact of realised mark-to-market gains/(losses) on the investment portfolio, and the impact of foreign exchange rates on Genworth's investment portfolio. The bulk of these foreign exchange exposures are hedged.
PoA	Probability of adequacy
Regulatory capital base	The sum of Tier 1 Capital and Tier 2 Capital
ReMS	Reinsurance Management Strategy
Return on equity (ROE)	Calculated by dividing NPAT by the average of the opening and closing equity balance for a financial period
Rights Plan	Genworth Share Rights Plan
RMF	Risk Management Framework
RMS	Risk Management Strategy
RSU	Restricted share units

Glossary (continued)

Term	Description
S&P	Standard & Poor's Ratings Services
Shareholder Agreement	The agreement between the Company, Genworth Holdings, Inc., Genworth Financial International Holdings, LLC and Genworth Financial dated 21 May 2014, as amended
SLT	Senior Leadership Team
Statutory NPAT	Net profit after tax
STI	Short-term incentive
Supply and Service Contract	A contract between a lender customer and Genworth for the supply of LMI and related services
Technical Funds	Investments held to support unearned premium and outstanding claims reserves
TFR	Total fixed remuneration
Tier 2 Capital	As defined by GPS 112, Tier 2 Capital comprises components of capital that 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
TSR	Total shareholder return
Underlying Equity	Underlying equity is defined as total equity excluding the after-tax impact of mark-to-market gains/(losses) on the investment portfolio, and the impact of unhedged movements in foreign exchange rates on Genworth's non-AUD exposures
Underlying NPAT	Underlying NPAT excludes the after-tax impact of mark-to-market gains/(losses) on the investment portfolio, and the impact of foreign exchange rates on Genworth's investment portfolio. The bulk of these foreign exchange exposures are hedged
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
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital
WGEA	Workplace Gender Equality Agency
XOL	Excess of loss

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: genworth.com.au

Company Secretary

Ms Prudence Milne, General Counsel & Company Secretary

Assistant Company Secretary

Mr Brady Weissel, Corporate Counsel & Assistant 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: linkmarketservices.com.au
Link Investor Centre: 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 investor.genworth.com.au.

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Genworth