Genworth

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26 February 2021

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

Genworth Mortgage Insurance Australia Limited (ASX:GMA)
2020 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 2020.

The release of this announcement was authorised by the Board.

Yours faithfully

Prudence Milne
General Counsel and Company Secretary

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Genworth

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 more sustainable housing market in Australia.

VALUES

Our values underpin how we interact with each other, how we interact with our customers and how we build a brand that truly reflects the character of our business.

- **Act with integrity**
  have courage. do what's right.
- **Rethink the everyday**
  experiment. embrace change. adapt.
- **One team**
  work together to deliver on our commitments.
- **Own it**
  be accountable. plan. get it done.
- **Focus on your customer**
  listen. be relevant. be flexible.

Genworth is a leading provider of Lenders Mortgage Insurance (LMI) and capital and risk management solutions in Australia. 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.

SUPPORTING THE DREAM OF HOME OWNERSHIP

Years of facilitating home ownership

50+

Lender customers

50+

Borrowers experiencing financial stress and hardship supported since 2013[1]

70,964

1. Via our lender customers

Strategic Report

Directors' Report

Financial Report

FY20 highlights

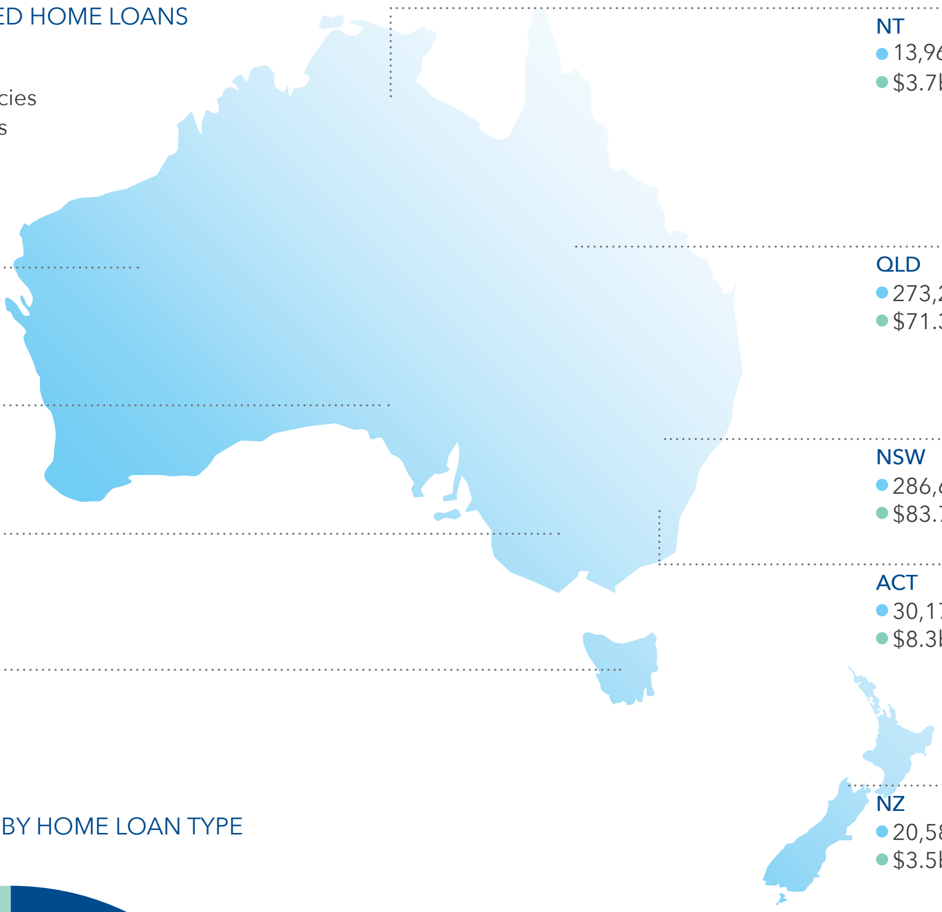
► Overview

INSURED LOANS IN-FORCE[1]

1,195,907

PORTFOLIO OF INSURED HOME LOANS (DECEMBER 2020)

- Number of Insured Policies
- Value of Insured Policies



NT		
	13,962	1.2%
	$3.7b	1.2%
WA		
	146,374	12.2%
	$38.9b	12.7%
QLD		
	273,201	22.8%
	$71.3b	23.3%
SA		
	90,621	7.6%
	$18.7b	6.1%
NSW		
	286,627	24.0%
	$83.7b	27.4%
VIC		
	290,313	24.3%
	$70.7b	23.1%
ACT		
	30,176	2.5%
	$8.3b	2.7%
TAS		
	44,049	3.7%
	$6.9b	2.3%
NZ		
	20,584	1.7%
	$3.5b	1.1%

INSURANCE IN-FORCE BY HOME LOAN TYPE AND VALUE[2]

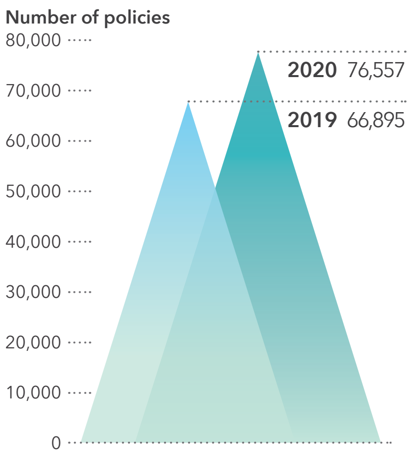
Value of Insured Policies 31 December 2020

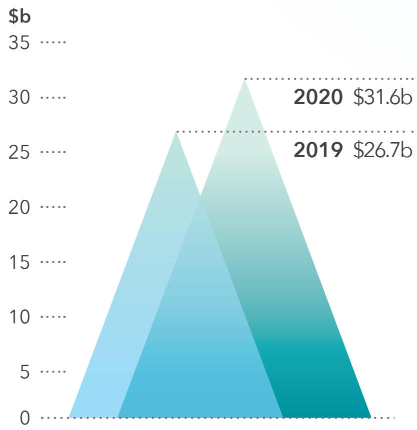
Owner Occupier + Principal & Interest	$193.0b	63%
Owner Occupier + Interest Only	$27.7b	9%
Investor + Principal & Interest	$32.0b	10%
Investor + Interest Only	$31.6b	11%
OTHER	$21.4b	7%

1. Number of insured loans in-force at 31 December 2020
2. Value of insurance in-force at 31 December 2020

Operational

NEW INSURANCE WRITTEN





LENDER CUSTOMERS FOR 2020

50+

DEFERRAL APPLICATIONS IN 2020

56,630

CLAIMS PAID IN 2020

1,254

AMOUNT OF CLAIMS PAID IN 2020

$120.8m

Financial strength

PCA ratio of 1.65 times, with surplus capital of $203 million above the top end of board target range of 1.32 to 1.44 times

1.65x

CREDIT RATINGS

S&P Insurer Financial Strength

A Rating

Fitch Insurer Financial Strength

A Rating

Shareholder[3]

CLOSING SHARE PRICE

$2.39

SHARES ON ISSUE

413m

MARKET CAPITALISATION

$985.9m

Shareholders by Geography

North America	61%
Australia	29%
Europe	2%
Other	8%

Shareholders by Type

Corporate	52%
Domestic institutions	22%
Foreign institutions	11%
Private	6%
Other	9%

3. As at 31 December 2020

Chairman's review

In these unprecedented times, the fundamental role of our Company has never been more pertinent – to help Australians realise their dream of owning a home.

We are committed to working in partnership with our lender customers to enable people to buy homes sooner and, wherever possible, to help them remain in their homes in difficult times.

2020 has been a challenging year for Australians. With many people and communities already dealing with a record drought and devastating bushfires at the start of the year, it was the onset of what would become a global pandemic that ultimately defined our nation and the world in 2020.

SUPPORTING AUSTRALIAN HOMEBUYERS AND HOMEOWNERS

Your Company did not hesitate to support Australians in their time of need. With our lender customers, we assisted over 63,000 borrowers who were experiencing difficulties, including those impacted by COVID-19.

In addition, Genworth wrote over 75,000 new Lenders Mortgage Insurance (LMI) policies over the year, reflecting the historically low interest rates and strong mortgage market competition. At the end of 2020, Genworth had 1.2 million policies with insurance in-force of $305.7 billion.

Our commitment to enabling homeownership underpinned the way we supported our people and customers throughout the year. The unprecedented nature of the pandemic necessitated our people rapidly adapting to new ways of working, and this was enabled by a robust business continuity plan and the automated technology that Genworth has invested in over recent years. Our people have worked hard under challenging circumstances and it is a credit to them that they maintained high standards of service to Genworth's lender customers.

BUSINESS PERFORMANCE AND CAPITAL MANAGEMENT

Genworth's 2020 financial performance was materially impacted by the effects of COVID-19 on the economy, that led to increased reserving for anticipated future claims outcomes contributing to a full year Statutory NPAT loss of $107.6 million.

Pleasingly, Genworth was in a strong financial position when the pandemic arose, and your Company continues to remain well positioned. As at 31 December 2020, Genworth's regulatory solvency ratio was 1.65 times the Prescribed Capital Amount (PCA) on a Group (Level 2) basis, comfortably above the Board's target range of 1.32 to 1.44 times and representing surplus capital of $203.2 million above the top end of the range.

Due to the uncertain economic outlook, APRA's regulatory guidance and the Company's FY20 Statutory NPAT loss, the Board concluded it would preserve capital and not pay an interim or final ordinary dividend for 2020. Your Board acknowledges the importance of dividends for shareholders and remains committed to resuming dividend payments when we believe it is appropriate to do so, taking into account the impacts of COVID-19 on the Company's financial and capital position as further information becomes available.

STRATEGY FOR GROWTH

Genworth's operating environment is rapidly evolving. Even before the pandemic, the financial sector had been facing disruption from new and emerging technologies, evolving consumer expectations, and continuing regulatory change.

In response to these developments, over the past few years Genworth has enhanced its data and technology tools and leveraged our capabilities to launch new products and improve customer experience. For example, this year we successfully piloted the monthly premium LMI offering and we are currently in discussions with further customers regarding their requirements.

During 2020, the Company undertook a strategic review to confirm organisation priorities in this new environment and realign the business structure to support growth. Genworth's strategic direction is now being refreshed to build an even stronger, more efficient and sustainable business for the years ahead.

SUSTAINABLE BUSINESS PRACTICE

The Board believes that to have a sustainable business, Genworth needs to continue to make a positive contribution to Australia's social fabric. This commitment is embedded in our sustainability framework that supports our people, the community and the Australian dream of home ownership. In delivering sustainable growth, the Board places significant importance on managing our business responsibly, 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 on the Genworth website.

An integral component of Genworth's success is a culture that encourages collaboration and accountability. These characteristics were certainly evident in the flexibility and adaptability of Genworth's people in moving seamlessly to remote working and continuing to collaborate and innovate to serve our customers. Details of Genworth's sustainability approach and response to COVID-19 are provided on pages 10 to 13 of this Annual Report.

REMUNERATION REFLECTING PERFORMANCE

Whilst management did an excellent job leading their teams during a challenging year, the effects of COVID-19 impacted FY20 profit and returns to shareholders. The Board and management believe that the impact on shareholders should be shared by our management team and therefore executive Key Management Personnel did not receive any fixed remuneration increases or Short-Term Incentives (STI) for 2020. More information is provided in the Remuneration Report on pages 30 – 49.

BOARD RENEWAL

The program of Board renewal continued in 2020. Gayle Tollifson retired in February after eight years of service; Christine Patton retired in August after almost two years of service; and Jerome Upton retired in September after eight years of service. In March, Andrea Waters was appointed as an independent director; in August, Graham Mirabito was appointed as an independent director; and in September, Rajinder Singh was appointed as a non-executive director, replacing Jerome on the Board as a Genworth Financial, Inc. designee.

I would like to thank the retiring and current Directors for their wise counsel and support over the year, with additional thanks to Duncan West who acted as Chief Executive Officer in early 2020 until Pauline Blight-Johnston commenced in March. I also express my thanks to Pauline who, despite the challenges of her first year as Chief Executive Officer, has led the organisation admirably, supported by the Senior Leadership Team and Genworth's hard working and dedicated people who continued to demonstrate their passion and commitment.

LOOKING AHEAD

As we look ahead, your Board understands how important it is for Genworth to play our part in the nation's rebuilding program, by continuing to support our lender customers, their borrowers and the broader community. While the outlook for the Australian economy is improving, uncertainty remains. In facing the challenges ahead, Genworth has the balance sheet strength to continue to assist Australian homeowners on their homeownership journey.

In closing, on behalf of the Board, thank you for your ongoing support.

Ian MacDonald
Chairman

CEO's report

Financial strength, resilience and a commitment to facilitating homeownership have underpinned 2020 at Genworth. In an unprecedented year, our priorities have been to prudently and efficiently manage our business, support Genworth's customers and take care of our people.

All of us at Genworth are dedicated to helping Australians in need in a financially and socially responsible manner. I am proud of the passion and commitment of our people to go above and beyond to support our lender customers and their borrowers, guided by Genworth's role in helping Australians realise the dream of home ownership.

SUPPORTING OUR CUSTOMERS

Our business was operationally and financially well positioned for the challenges of 2020. We responded rapidly when COVID-19 emerged, establishing an incident management team in January and implementing our business continuity and contingency plans in March when the pandemic was declared.

The Company's investment in data and technology over recent years enabled us to mobilise quickly, setting up our people to safely and productively work remotely to service our lender customers. Our people adapted well to the new operating environment, working together with lender customers to help families and individuals into homes and support those experiencing hardship.

We took actions to decisively and prudently support our customers impacted by COVID-19. We expanded our Hardship Policy to include pandemics. We redirected teams to where they were needed the most, to process over 55,000 home loan repayment deferrals, as well as high volumes of new business being written by lender customers as a result of a low interest rate environment.

We adapted processes and enhanced controls to electronically ingest data, creating operational efficiencies and enabling rapid customer response. This work was delivered while meeting all contractual service level agreements.

By the end of the year, most borrowers who were on repayment deferrals had opted out or had their loans restructured, with approximately 8,100 still requiring support. As we manage through the economic recovery, we will remain sensitive to borrower circumstances, working closely with our lender customers around appropriate hardship solutions to support Australians in need and mitigate potential losses.

FINANCIAL PERFORMANCE

Turning to the Company's financial performance for the full year ended 31 December 2020 (FY20), Statutory NPAT was a $107.6 million loss and Underlying NPAT was a $104.3 million loss.

The FY20 results were materially impacted by the effects of COVID-19 on the economy and the anticipated flow on to our claims experience. While we delivered substantial growth in gross written premium (GWP) to $561.7 million, profits were reduced primarily by the write-down of deferred acquisition cost (DAC) of $181.8 million (pre-tax) at 31 March 2020, and the 18 December 2020 reserving review of $109.1 million (pre-tax).

In response to the pandemic, repayment deferrals and moratoriums on foreclosures were introduced to support borrowers. These initiatives interrupted the typical behaviour patterns of delinquencies and claims, leading to lower than anticipated claims activity. To allow for these unusual circumstances, Genworth increased reserving and refined our reserving methodology to bring forward the average timing for recognising the potential liability for losses.

Importantly, despite the unforeseen economic downturn, the business remains in a strong capital position, able to withstand a wide range of future claims outcomes. As at 31 December 2020, the PCA ratio was 1.65 times on a Group (Level 2) basis, comfortably above the Board's target range of 1.32 to 1.44 times and representing surplus capital of $203.2 million. The Company's cash and investment portfolio had a market value of $3.4 billion.

PARTNERSHIPS AND COLLABORATION

Genworth has long-standing partnerships with major, non-major, mutual and non-bank mortgage originators. During the year we renewed a number of contracts for the exclusive provision of Lenders Mortgage Insurance (LMI). We also introduced to market our monthly premium product, underpinning our expected premium revenues for the coming years.

We continued to add value along the mortgage chain, sharing data insights and developing education tools to support our lender customers and brokers. Taking advantage of the remote working environment, we launched the Genworth Insights series to digitally share data and customer research insights. Topics included First Homebuyer Sentiment research, providing independent analysis of first homebuyer perceptions and behaviours in the current economic environment.

SHAPING THE BUSINESS FOR THE FUTURE

The unusual circumstances presented by COVID-19 have become a catalyst for innovation in the way our people interact, collaborate and solve problems, both with each other and with our customers and brokers. Consumer behaviour is also continuing its rapid evolution as people become increasingly comfortable in allowing more digitisation and automation into their lives.

In response to the changing environment, we undertook a strategic review of the business in 2020. We are now finalising a business strategy that repositions our customer value proposition to maintain market leadership in LMI as well as achieve sustainable growth through product innovation and complementary product offerings.

In order to set the business up for growth, we introduced a more customer-centric operating model accompanied by a leaner organisation design that removes duplication, creates efficiencies and clear end-to-end accountabilities. We have recruited additional management expertise, including a Chief Operating Officer and Chief Commercial Officer, New Ventures, to help lead the business towards a more agile future, supporting the next phase of Genworth's growth.

Our ability to move quickly over this past year to support our lender customers, while also prioritising our people's wellbeing, is a testament to Genworth's culture and capability. The new operating model will further enhance our ability to respond to lender customers and borrowers, whilst continuing to prudently manage risk. This will ensure our Company emerges from COVID-19 in a stronger position, with a more customer-centric approach that amplifies the passion and dedication of our people to our customers, empowering them to do even more.

WELL POSITIONED THROUGH THE ECONOMIC RECOVERY

The Company is well capitalised, with a solid balance sheet to ensure we can support lenders and their borrowers at this time of need and over the longer term. We will continue to actively manage our capital position while delivering long-term shareholder returns and retaining the flexibility to grow the business for the future.

In closing, I would like to thank the Chairman and my fellow Directors for their stewardship of the Company and support to me since I joined Genworth last March. To all our Genworth people, thank you for your hard work and commitment to our customers. I am extremely proud of how our people have adapted to meet the challenges of the year and maintained service standards.

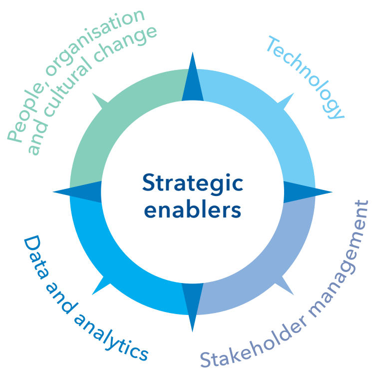
To our customers and other partners, thank you for your support, and I look forward to continuing these strong relationships. Finally, I would like to thank you, our shareholders for your support.

Pauline Blight-Johnston
Chief Executive Officer and Managing Director

Our strategy and business

Genworth's strategic objective over recent years has been to redefine and then enhance our core business model to help Australians into homes by providing excellent LMI products and service.

The strategic initiatives we implemented allow Genworth to better meet customer needs in a dynamic market environment and deliver profitable growth. Since 2019, we have transitioned our focus to leveraging our new capabilities to launch new products and enhance customer experience.



► 2020 PROGRESS

In 2020, we leveraged expanded product and technology capabilities to add value across the mortgage value chain. Our Initiatives enhanced our customer value proposition, as exhibited by several key customer renewals as well as a meaningful increase in our Net Promoter Score. We delivered a successful pilot launch of our monthly premium offering and expect further expansion in 2021.

Throughout the COVID-19 environment, our enhanced digital capabilities allowed us to prudently manage the quality of business written as well as support borrowers on home loan repayment deferrals.

A REFINED STRATEGIC PLAN TO DELIVER PROFITABLE GROWTH OVER THE MEDIUM-TERM

In 2021, Genworth's strategic focus will be on enhancing the competitiveness of our existing LMI business, evolving LMI to meet the changing needs of lenders, brokers and borrowers and leveraging the capabilities we've built to expand out business into complimentary service offerings.

► Business model

GENWORTH'S BUSINESS ACTIVITIES

Genworth supports 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.

SHAREHOLDER VALUE CHAIN

Products and income

Premium income
- Customers
- New insurance written
- Gross written premium
- Revenue recognition

Financial income
- Interest rates
- Investment income

Costs

Claims
- Delinquencies
- Reserving
- Payment of claims

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

Distribution

Dividends and retained earnings
- Underlying NPAT
- Payout ratio
- Special dividends
- Share buy-backs

Strategy, risk and capital management

► Our business

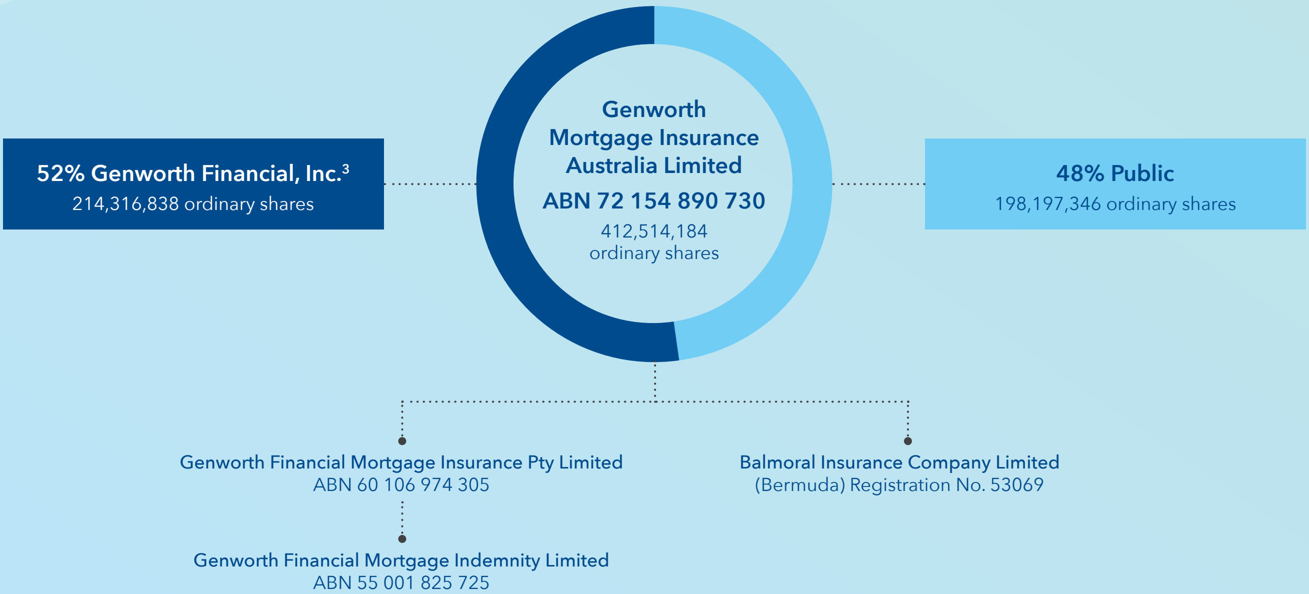
PRINCIPAL ACTIVITY

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 high loan to value ratio (HLVR) residential mortgage loans.

ORGANISATION OVERVIEW

Genworth is the leading provider in Australia and a provider of capital and risk management solutions in the Australian residential mortgage market. The Group estimates that it had approximately 52% of the Australian HLVR LMI market[1] by GWP for the 12 months ended 31 December 2020. Genworth is listed on the Australian Securities Exchange (ASX: GMA). As at 31 December 2020, the number of Genworth shares on issue was 412.5 million.

CORPORATE STRUCTURE[2]



PRODUCTS AND CUSTOMERS

In 2020, Genworth continued to focus on our first in market, monthly premium LMI product as a complement to our traditional upfront LMI offering (Standard LMI, Homebuyer Plus and Business Select). Our monthly premium LMI product continues to gain momentum with several customers commencing activities with a goal to implement in 2021, following our successful pilot during 2020.

In 2020, GWP was predominantly generated from insurance written on a flow and portfolio basis. The Company maintains commercial relationships with over 50 lender customers across Australia, with a majority of its mortgage insurance business concentrated in a small number of key customers. We have a very strong relationship with our largest customer, as well as with others who are growing well and we are strengthening relationships.

Lender customers	2020 GWP[4]
Largest customer	56.9%
Second largest customer	11.0%
Largest customers 3–10	24.5%
All others	7.6%

1. Estimates based on APRA quarterly general insurance statistics and management estimates
2. Genworth corporate structure as at 31 December 2020
3. Genworth Financial, Inc.'s interest in the Company is held indirectly through the Genworth Financial Group
4. Includes excess of loss insurance

Response to COVID-19

In response to COVID-19, our priorities and actions have been to support our lender customers and borrowers, protect our people and support the community.

Our priority has been to help Australians maintain their home ownership during these uncertain times wherever possible. We will continue to work with our lender customers to provide support to meet the needs of their borrowers.

► OUR PEOPLE

The health and wellbeing of our people is critical to our business and from March Genworth's workforce successfully transitioned to working remotely in accordance with government guidelines, with a strong focus on sustaining physical and mental health.

Physical wellbeing was supported by providing employees the necessary equipment to set up safe and ergonomic home workspaces as well as the introduction of an additional two week's personal leave to assist with any COVID-19 related illness and carer responsibilities.

People managers were provided with training in managing employee mental health whilst working remotely and several employees were trained and appointed as mental health first aiders to provide additional support to colleagues.

Our regular COVID-19 employee pulse surveys indicated a very high level of satisfaction and confidence in the way our business has managed the pandemic and supported our employee's health and wellbeing.

► OUR CUSTOMERS

Customer engagement

We responded quickly to support our lender customers and their borrowers. With the need for a heightened level of engagement, we met more regularly with our customers' credit and collections teams to understand their rapidly changing needs and ensured we continued this dialogue throughout 2020. We adapted our processes and systems to allow for additional due diligence. Throughout the year we provided detailed portfolio reporting and insights to our customers to understand trends, impacts and support needed, with a sharp focus on deferred payment arrangements. Our customers have expressed appreciation for our support.

Hardship and deferrals support

As regulators and our lender customers made changes to assist affected borrowers, Genworth quickly adjusted our disaster and hardship policies and delegations to ensure rapid support could be provided. We extended COVID-19 related payment deferrals for up to 10 months. We adjusted our processes and systems which allowed activity to occur with limited impact. All debt recovery activity was placed on hold in 2020.

► OUR PARTNERS

We worked closely with our partners and suppliers to ensure continuity of service to our customers. Pre-COVID-19, Genworth had established robust and tested business continuity and supplier governance practices, which enabled us to swiftly work with our key suppliers to identify and monitor potential COVID-19 impacts to service. Our suppliers' response to the pandemic underscored our strong relationships and ensured flexibility to adjust priorities as the year progressed.

► ONGOING RESPONSE

As COVID-19 evolves, it will likely present new challenges. We will continue to monitor and adapt our response as required to ensure our customers and people are supported through these challenging times.

> "Genworth responded quickly to support our people and customers at the onset of the pandemic, and our support continued throughout the year."

Our approach to sustainability

Our sustainability framework creates value for stakeholders by providing better long term outcomes for investors, our customers, first home buyers and employees.

Sustainability framework

Genworth is committed to making a positive contribution to the communities of which we are part.

Our Sustainability Framework reflects the important environmental, social and governance (ESG) matters that we believe are critical to achieving business objectives and long-term value for all stakeholders.

The Framework is structured around four pillars (our people, community, environment and marketplace), highlighting the areas identified as being those most material to the business and of greatest relevance to stakeholders.

In 2020 we continued to deliver initiatives that supported our people, industry, environment and the communities in which we operate. We continued to invest in the diversity and inclusiveness of our workforce, we further developed our approach to Reconciliation and formed our first reconciliation action plan (RAP) Working Group. We educated the market on the benefit of LMI, and we also improved our environmental footprint by reducing our net lettable area.

Four pillars of sustainability

2020 Highlights

DIVERSITY AND INCLUSION

	Male	Female
Board	67%	33%
Senior Leadership Team	56%	44%
Other management roles (ex SLT)	64%	36%
Overall	53%	47%

INDIRECT EMISSIONS DOWN BY MORE THAN[1]

30% ▼

COMMUNITY DONATIONS, GRANTS AND WORKPLACE GIVING

$170,000+

LMI POLICIES ISSUED

75,000+

1. On a 2018 baseline

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 framework outlines the process for managing the risks faced by Genworth, using a 'three lines' approach that drives accountability and responsibility. The Board and Senior Leadership Team are accountable for Genworth's risk culture and ensure we continue to develop and improve practices to measure, assess and manage risk at Genworth.

Our strategies for managing risks are developed across all levels of the organisation, reflecting the principle that it is everyone's role to manage risk. Specific risk management strategies for our most important organisational risks are outlined in the table below.

Material Risks	Risk Management Strategies
Housing and Underwriting Risks[1]	
Economic Risk	• Back book loss management actions and new business underwriting responses (including where applicable underwriting policy, product and pricing changes/responses).
Underwriting Risk (In-force Portfolio)	• Strong mortgage default risk management policies and disciplines through the economic cycle; • Active management of in-force portfolio risks (loss management of arrears, claims, hardships practices).
Underwriting Risk (New Business)	• Genworth manages its underwriting policy settings in a dynamic and responsive manner relative to the current and emerging environment; • Underwriting policy includes geographic risks of oversupply and high-risk postcodes, policy constraints such as LVR, loan size, loan purpose, property types, borrower attributes and credit score; • Genworth considers other aspects of LMI product design and pricing as further levers to manage risk actively.
Strategic Risks	
LMI Market Risk	• Key existing accounts management and early renewal where possible; • Actively participate in open tenders for new business opportunities from non-Genworth LMI customers; • Seeking to enhance core market as well as diversify concentration risks through the 2021.

Material Risks	Risk Management Strategies
Product Risk	• Seeking to enhance core LMI product proposition with a stronger alignment of value to the borrower, lender and distribution stakeholders; • Continue to rollout alternative LMI propositions (including monthly premium) which can vary product attributes and pricing; • Strategic programs established with strong review and challenge to support strategic execution.
Regulatory Change/Political Risk	• Maintain strong engagement in Government and Regulatory Relations to enable proactive input on regulatory developments.
Strategic Execution Risk	• Establish focused teams with the appropriate capabilities to separately support both core LMI growth and in leveraging our core capabilities into complementary offerings.
Market, Credit and Liquidity Risk	
Market, Credit and Liquidity Risk	• Strategic asset allocation (risk/return in low yield environment); • Structuring the investment portfolio for long term profitability.
Operational Risks	
Operational Risk	• Continue to drive a risk culture where people are accountable end to end for risk management and driving business outcomes; • Continue to drive a focus on getting to root cause and resolution of issues, challenges and incidents in the business; • Focus on execution and optimising balance between risk and reward; • Ongoing assessments of the risk of processes including the design and operating effectiveness of controls.
IT Risk (including Cyber Risk)	• Ensure implementation of the Technology Roadmap and currency of technology platform to be fit for purpose or proportionate to the business strategy, in particular with the increased uptake of digital and automation; • Continue to drive the appropriate IT surveillance and controls around cyber risk including the Information Security Policy framework, Council governance, Vulnerability Management Program, independent audit of cyber security controls and Cyber Risk insurance coverage.
Reinsurance Risk	
Reinsurance Renewal Risk	• Annual cancel and rewrite reinsurance program continuing to seek new markets and maintaining continuity of coverage provisions to mitigate renewal risk.
Compliance and Conduct Risk	
Compliance and Conduct Risk	• Continue to drive a risk culture where people are accountable end to end for compliance and conduct risk management and driving appropriate business and stakeholder outcomes; • Continue to drive a focus on getting to root cause and resolution of issues, challenges and incidents in the business.
Reputational Risk	
Reputational Risk	• Continue to actively manage reputational risk through appropriate internal controls and a coherent set of externally facing processes including disclosure and external stakeholder management.
Cross risk class	
Pandemic and Contagions Risks	• Consider the long term implications of COVID-19 as well as other potential black swan events and how to manage and/or risk protect.
Climate Change Risk	• Provide quantified insight into the effects of present and future physical climate change on our Risk in-force and any climate transition risks and their impacts.

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 2020 and the auditor's report thereon.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement is available on the Genworth website.

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

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.

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
None.

► PAULINE BLIGHT-JOHNSTON

Chief Executive Officer and Managing Director, Genworth Financial Designee

Pauline joined Genworth as Chief Executive Officer and Managing Director on 2 March 2020.

Qualifications and experience: Pauline has over 25 years of senior management, financial and strategic experience in wealth management and insurance in Australia, New Zealand and globally.

Prior to joining Genworth, Pauline held senior leadership and strategic roles in Challenger, AMP and RGA Reinsurance Company. She has also served as Chief Financial Officer and Appointed Actuary of Asteron Life, and consulted to the insurance and wealth management industry at KPMG and Tillinghast-Towers Perrin.

An active industry participant, Pauline has served on the boards of the Institute of Actuaries, the Financial Services Council and the Australian Institute of Insurance and Finance, as well as been a member of and chaired numerous committees of these bodies.

Pauline is a Fellow of each of the Institute of Actuaries of Australia, the New Zealand Society of Actuaries, the Actuarial Society of South Africa, Finsia, the Australian and New Zealand Institute of Insurance and Finance and the Australian Institute of Company Directors. She also holds a Master of Economics degree from Macquarie University.

Special responsibilities (including Committee memberships):
Managing Director.

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
None.

► 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):
Remuneration and Nominations Committee – Chair; Technology Committee – Chair; Capital and Investment Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
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).

Board of directors
(continued)

► 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 and 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.

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

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
Steadfast Group (since 1 June 2018); Investa Listed Funds Management Limited as responsible entity of Investa Office Fund (from 17 October 2017 to 14 December 2018).

► GRAHAM MIRABITO

Director, Independent, Genworth Financial Designee

Graham was appointed to the Board on 10 August 2020.

Qualifications and experience: Graham has over 35 years' experience in the information technology industry including 10 years in engineering and 25 years in sales, marketing, operations, mergers, acquisitions and general management. Graham has held senior roles at Telstra as MD Telstra Europe and EVP Telstra Asia.

Graham previously spent 12 years as CEO of RP Data which he took public on the ASX in 2006 and was acquired by strategic shareholder CoreLogic in 2011. His last executive role was as CEO CoreLogic International responsible for operations in Australia, Asia and UK.

Graham is currently a non-executive director of Cipherpoint Ltd, Harcourts International, Auscred Services Ltd and Archistar Pty Ltd.

Graham holds an Associate Diploma in Electrical Engineering from the Queensland University of Technology.

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

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
Cipherpoint Ltd (since 1 November 2019).

► RAJINDER (RAJ) SINGH

Director, Genworth Financial Designee

Raj was appointed to the Board on 9 September 2020.

Qualifications and experience: Raj is Chief Risk Officer of Genworth Mortgage Insurance for Genworth Financial, Inc, a position he has held since 2014.

His previous roles include Managing Director and Chief Risk Officer for Citigroup's U.S. Mortgage Business; Chief Credit Risk Officer for Ally Financial (formerly known as GMAC Financial Services); Chief Risk Officer for GE Money Americas (division of GE Capital), and Head of Retail Risk at U.S. Bancorp, Minneapolis.

Raj also serves on the boards of India Mortgage Guarantee Corporation Private Limited, Genworth Seguros de Credito a la Vivienda, S.A. de C.V. in Mexico, and the Appalachian Trail Conservancy.

Raj holds an MBA in Finance from the University of Rochester's Simon Business School, an MS in Mechanical and Aerospace Engineering from Rutgers University, a B.Tech. in Mechanical Engineering from the Indian Institute of Technology Kanpur, and is a graduate of Wharton's Advanced Risk Management Program.

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

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
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 2018 – 31 December 2020):
None.

► ANDREA WATERS

Director, Independent

Andrea was appointed to the Board on 16 March 2020.

Qualifications and experience: Andrea has over 35 years' experience in financial services as an auditor, accountant and non executive director. She was a former partner of KPMG (until 2012) specialising in financial services audit and has a deep experience in risk management and in implementing and enhancing audit and governance structures in financial services. She brings to the Board a strong strategic perspective and deep experience understanding complex business operations.

Andrea is a Fellow of Chartered Accountants Australia and New Zealand and a member and accredited facilitator of the Australian Institute of Company Directors.

Andrea is currently a director of MyState Limited, Grant Thornton Australia Limited, Bennelong Funds Management Group, Citywide Service Solutions Pty Limited and the Colonial Foundation.

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

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
MyState Limited (since 19 October 2017); Cash Converters International Limited (from 9 February 2017 to 14 December 2018).

► DUNCAN WEST

Director, Independent

Duncan was appointed to the Board on 1 September 2018.

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.

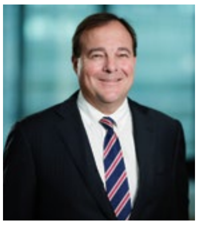
He is currently a Director of Challenger Limited, Chairman of Hollard Insurance Company Pty Limited, Lawcover Insurance Pty Ltd, Habitat for Humanity Australia and is a Director of Avant Group Holdings Limited.

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):
Capital and Investment Committee – Chair; Audit Committee – Member; Risk Committee – Member; Technology Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2018 – 31 December 2020):
Challenger Limited (since 10 September 2018).

Senior leadership team


► PAULINE BLIGHT-JOHNSTON

Chief Executive Officer and Managing Director

Pauline joined Genworth as Chief Executive Officer and Managing Director in March 2020. Pauline has over 25 years of senior management, financial and strategic experience in wealth management and insurance in Australia, New Zealand and globally.

Prior to joining Genworth, Pauline held senior leadership and strategic roles in Challenger, AMP and RGA Reinsurance Company. She has also served as Chief Financial Officer and Appointed Actuary of Asteron Life, and consulted to the insurance and wealth management industry at KPMG and Tillinghast-Towers Perrin.

An active industry participant, Pauline has served on the boards of the Institute of Actuaries, the Financial Services Council and the Australian Institute of Insurance and Finance, as well as been a member of and chaired numerous committees of these bodies.

Pauline is a Fellow of each of the Institute of Actuaries of Australia, the New Zealand Society of Actuaries, the Actuarial Society of South Africa, Finsia, the Australian and New Zealand Institute of Insurance and Finance and the Australian Institute of Company Directors. She also holds a Master of Economics degree from Macquarie University.

► MICHAEL BENCSIK

Chief Financial Officer

Michael joined Genworth as Chief Financial Officer 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 Chief Financial Officer and Head of 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 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 market leading risk and compliance practices and developing high achieving teams engaged in delivering the company's key strategic objectives and outcomes.

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 and Marketing and Chief Financial Officer.

Earlier in his career, Andy spent three 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

Chief of Staff

Brad joined Genworth in August 2002, was appointed to the senior leadership role of Head of Strategy and Innovation in October 2018, and subsequently appointed to the new role of Chief of Staff in December 2020.

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 has also recently completed a Global Leadership program through Tuck Business School at Dartmouth College.

► NICOLE LANG

Chief People and Culture Officer

Nicole joined Genworth in January 2021 as Chief People and Culture Officer. She is a global HR executive with extensive experience delivering significant strategic and operational initiatives to drive transformation and cultural change.

Nicole recently moved back to Australia from Hong Kong where she led the Human Resources function for the Commonwealth Bank's International Financial Services Business and was Company Director for a number of their offshore entities.

Nicole has a Master's in Business (International Human Resources), Graduate Diploma in Education and a Bachelor of Science Degree.

► 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

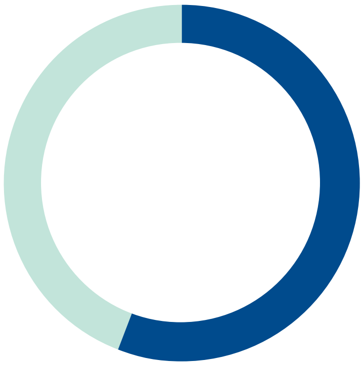
Erica joined Genworth in November 2014 as New Business leader and was appointed Head of Operations in July 2017. With over 20 years of financial experience in both banking and insurance, Erica brings international experience having worked in South Africa, the United Kingdom and Australia.

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.

SENIOR LEADERSHIP TEAM



56% Male (56% in 2019)

44% Female (44% in 2019)

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 (A$ million)	FY20	FY19
Gross written premium	561.7	433.2
Gross earned premium	381.4	368.4
Net earned premium	312.0	298.2
Statutory NPAT	(107.6)	120.1
Underlying NPAT	(104.3)	97.0

Non-IFRS performance metrics	FY20 (%)	FY19 (%)
Loss ratio	92.9	50.6
Expense ratio	82.1	35.3
Combined ratio	175.0	85.9
Insurance margin	(55.8)	36.2
Investment return	2.7	4.4
ROE	(7.4)	7.4
Underlying return on equity (ROE)	(7.3)	6.0

The underwriting performance in 2020 reflects:

a. Gross written premium growth of 29.7% reflected higher LMI flow volumes across lender customers with underlying credit quality remaining strong;
b. Net earned premium increased 4.6% mainly reflecting higher business volumes and the seasoning of current and prior book years;
c. The anticipated economic impacts of COVID-19 led to a $181.8 million deferred acquisition costs (DAC) write-down in 1Q20;
d. The reserving review undertaken during 4Q20 had the effect of increasing the net claims incurred by $109.1 million and increasing the loss ratio to 92.9%;
e. The expense ratio increased from 35.3% in FY19 to 82.1% in FY20 largely due to the $181.8 million DAC write-down in 1Q20. Excluding the DAC write-down and the associated DAC amortisation benefit from 2Q20 to 4Q20, the expense ratio increased 60 bps to 35.9% reflecting slightly higher underwriting expenses in the current year as a result of increased new business;
f. The insurance margin decreased to (55.8%) compared to 36.2% for FY19 mainly driven by the DAC write-down in 1Q20 and the increase in net claims incurred as a result of the reserving review undertaken in 4Q20. Excluding the DAC write-down and the associated DAC amortisation benefit from 2Q20 to 4Q20; and excluding the increase in net claims incurred as a result of the reserving review undertaken in 4Q20, the insurance margin decreased 10.8 percentage points to 25.4% mainly reflecting higher net claims incurred in the current year.

Operating and financial review
(continued)

REVIEW OF FINANCIAL CONDITION

Key assets and liabilities (A$ million)	FY20	FY19
Cash and investments	3,425.5	3,131.1
Deferred acquisition costs	41.6	181.2
Deferred tax assets	55.6	9.1
Total assets	**3,680.6**	**3,477.4**
Outstanding claims	540.4	360.9
Unearned premium	1,461.2	1,280.5
Interest bearing liabilities	187.8	199.4
Total liabilities	**2,292.7**	**1,949.9**
Net assets	**1,387.9**	**1,527.5**

Total assets as at 31 December 2020 of $3,680.6 million increased by $203.2 million from 31 December 2019 driven by:

- $294.4 million increase in cash and investments, due to strong operating cash flows from gross written premiums during the year;
- $139.6 million decrease in DAC as a result of the $181.8 million write-down in 1Q20, partially offset by additional expenditure associated with obtaining and recording mortgage insurance contracts from 2Q20 to 4Q20;
- $46.5 million increase in deferred tax assets largely from the timing difference created by the $181.8 million DAC write-down in 1Q20.

The total liabilities as at 31 December 2020 of $2,292.7 million increased by $342.8 million from 31 December 2019 driven by:

- $180.7 million increase in unearned premium resulting from strong performance in gross written premium during the year;
- $179.5 million increase in outstanding claims driven by additional COVID-19 related reserving including the reserving methodology review undertaken in 4Q20 where the Group now holds re-delinquency claims reserves for all in-force policies that have at any point experienced delinquency, up until the associated policy is cancelled or a case reserve is established.

The equity of the Group as at 31 December 2020 of $1,387.9 million decreased $139.6 million from 31 December 2019. The movement is mainly attributable to the payment of $30.9 million of the final FY19 dividend in March 2020 and $107.6 million in current year losses.

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 2020, the Group's capital mix was:

- Net tangible equity (net of goodwill and intangibles) 88.0%;
- Debt 12.0%.

Operating and financial review
(continued)

CAPITAL MANAGEMENT

The Group remains strongly capitalised with regulatory capital of $1,616.3 million at 31 December 2020 (2019: $1,659.6 million). The Group has solvency of 1.65 times the prescribed capital amount (PCA) and a Common Equity Tier 1 (CET1) ratio of 1.45 times, 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 2020 compared with 31 December 2019.

PCA COVERAGE RATIO (LEVEL 2)

(A$ million), as at	31 Dec 20	31 Dec 19
Common Equity Tier 1 Capital (incl. net excess technical provisions)	1,426.3	1,459.6
Tier 2 Capital	190.0	200.0
Regulatory capital base	**1,616.3**	**1,659.6**
Insurance concentration risk charge	511.7	479.1
Asset risk charge	166.1	125.7
Insurance risk charge	332.0	284.4
Operational risk charge	43.4	35.7
Aggregation benefit	(71.9)	(55.7)
Total PCA	**981.3**	**869.3**
PCA coverage	**1.65x**	**1.91x**

The decrease in PCA coverage in 2020 mainly reflects the impact of the DAC write-down in 1Q20, the increase in reserves and strong gross written premium throughout the year.

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 2020 was $985.9 million based on the closing share price of $2.39.

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 12 February 2021, the directors determined that no dividend declaration would be made for the year ended 31 December 2020.

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.

Operating and financial review
(continued)

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
Pauline Blight-Johnston (commenced as a Director on 2 March 2020)
David Foster
Gai McGrath
Graham Mirabito (commenced as a Director on 10 August 2020)
Rajinder Singh (commenced as a Director on 9 September 2020)
Stuart Take
Andrea Waters (commenced as a Director on 16 March 2020)
Duncan West

Former directors

Christine Patton (ceased to be a Director on 9 August 2020)
Gayle Tollifson (ceased to be a Director on 15 March 2020)
Jerome Upton (ceased to be a Director on 8 September 2020)

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, initial public offerings, equity raisings and joint ventures. Brady holds a Bachelor of Commerce and Bachelor of Laws from the University of Sydney.

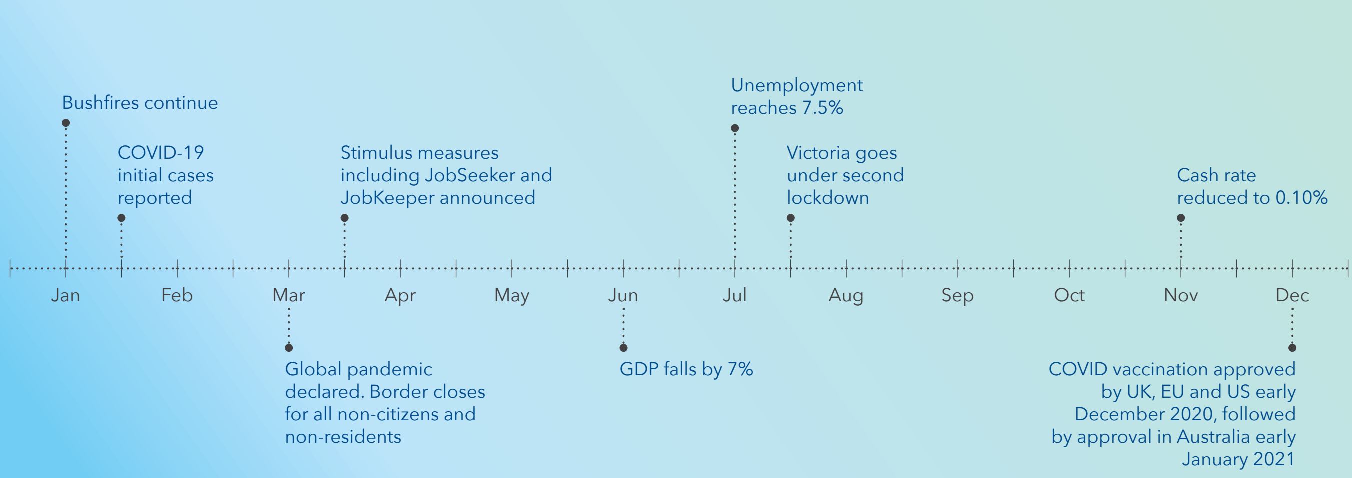
Operating and financial review
(continued)

► Economic overview and outlook

ECONOMIC OVERVIEW

Prior to 2020, the Australian economy had experienced just two years of negative growth during the previous six decades. However, 2020 saw the Australian economy enter its first recession in nearly three decades.

► KEY ECONOMIC HIGHLIGHTS OVER 2020



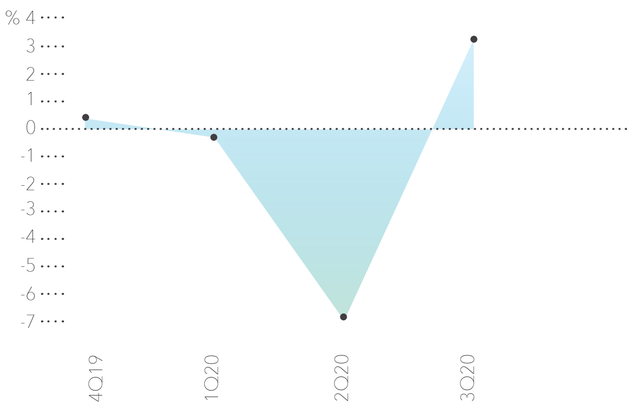
Movements in key economic indicators over 2020 are discussed below.

GROSS DOMESTIC PRODUCT

Economic growth slowed in the first quarter of 2020 as the impacts of bushfires were felt across the economy. Economic activity was further impacted in the second quarter as COVID-19 related restrictions took effect, with yearly GDP bottoming at -6.4% in June 2020 despite the unprecedented level of Government fiscal policy stimulus, accommodative monetary policy and lender support programs.

GDP growth recovered in the third quarter of 2020 as COVID-19 restrictions eased, improving yearly GDP to -3.8%. December 2020 data is expected to be released by the Australian Bureau of Statistics in early March 2021.

Quarterly national GDP growth



Data sourced from ABS at Dec '20

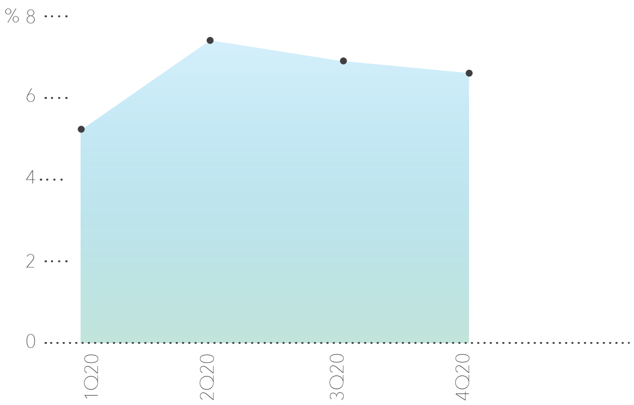
Operating and financial review
(continued)

UNEMPLOYMENT

COVID-19 proved particularly disruptive for Australia's labour market. The unemployment rate reached a 2020 low of 5.1% in February 2020 but began to rise sharply over the course of the second quarter and early into the third quarter of 2020 assisted by the Government's JobKeeper support measures as economic activity slowed, peaking at 7.5% in July 2020.

Over the course of the third quarter, the unemployment rate began to fall, reflecting the pickup in economic activity boosted by the end of state border closures. However, the December 2020 unemployment rate of 6.6% remains well above the 5.1% reported at December 2019.

Quarter end national unemployment rate



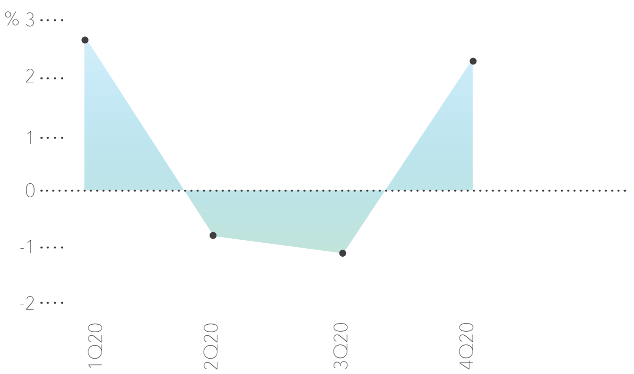
Data sourced from ABS at Dec '20

HOUSE PRICES

The effects of COVID-19 were also visible on the Australian housing market with dwelling values initially declining from April to September 2020, falling 2.1% from their April 2020 peak.

Dwelling values began to recover over the fourth quarter of 2020 rising by 2.3%, as the housing market responded to a combination of the Reserve Bank of Australia (RBA) cutting its official cash rate to 0.1%, government stimulus packages and an improved employment and economic outlook.

Quarterly national house price movements



Data sourced from Corelogic's Hedonic Home Value Index at Dec '20

ECONOMIC OUTLOOK

Genworth expects its financial performance in 2021 to be influenced by several factors:

- The recovery of the Australian economy is expected to continue but is likely to be uneven. The Reserve Bank does not expect GDP to reach 2019 levels until mid-year 2021;
- The unemployment rate is likely to remain above pre COVID-19 levels as the participation rate rises and government stimulus measures cease;
- The RBA expects the cash rate to remain at 0.1% for the next three years, which is expected to continue to provide some support to the Australian housing market.

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.

	Board															
Director	Scheduled Meetings		Unscheduled Meetings		Subcommittee Meetings		Audit Committee		Risk Committee		Capital and Investment Committee		Remuneration and Nomination Committee		Technology Committee	
	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H
Ian MacDonald	9	9	2	2	–	–	–	–	2	2	–	–	–	–	–	–
Pauline Blight-Johnston	7	7	2	2	4	4	–	–	–	–	–	–	–	–	–	–
David Foster	9	9	2	2	–	–	–	–	–	–	7	7	5	5	4	4
Gai McGrath	9	9	2	2	2	2	7	7	6	6	–	–	5	5	4	4
Graham Mirabito	3	3	–	–	–	–	2	2	–	–	2	2	–	–	1	1
Christine Patton	6	6	2	2	–	–	5	5	–	–	5	5	–	–	–	–
Raj Singh	2	2	–	–	–	–	2	2	2	2	2	2	–	–	1	1
Stuart Take	9	9	2	2	–	–	–	–	6	6	–	–	5	5	–	–
Gayle Tollifson	2	2	1	1	–	–	2	2	2	2	1	1	2	2	–	–
Jerome Upton	6	7	2	2	2	2	5	5	4	4	5	5	–	–	3	3
Andrea Waters	7	7	1	1	2	2	5	5	4	4	6	6	3	3	–	–
Duncan West	9	9	2	2	4	4	5	5	4	4	6	6	–	–	3	3

Note: A represents the number of meetings attended, and H represents the 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 2020 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 2021.

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.

Operating and financial review
(continued)

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services during the year by the auditor of $nil (2019: $nil), 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 and 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

Each of the following persons was an Officer of the Company during 2020, and was a partner of KPMG at a time when KPMG undertook an audit of the Company:

- Ms Andrea Waters, Director since 16 March 2020, was a partner of KPMG from 1996 – 2012;
- Ms Pauline Blight-Johnston, Chief Executive Officer and Managing Director since 2 March 2020, was a partner of KPMG from 2019 – 2020.

Remuneration report

Dear Shareholder,

On behalf of your Board, I am pleased to present our annual remuneration report for the year ended 31 December 2020.

THE 2020 YEAR IN REVIEW

COVID-19 has created unprecedented challenges across Australia and Genworth has worked hard to respond quickly and effectively for our customers, employees and to focus on the long-term financial stability of the business.

To respond to the challenging and unpredictable business conditions in the Australian mortgage market, Genworth has implemented a range of targeted financial and operational measures to ensure that we will continue to be able to pursue our mission to promote the dream of home ownership in Australia, and play a role in contributing to the ongoing stability of the housing market.

For our employees, Genworth responded quickly with a safe and effective transition to remote working with no disruption to business activities. Genworth's employees were then able to continue to deliver high customer service standards despite the challenges of high home loan deferral volumes. Genworth also worked closely with our lender customers to implement loss management strategies to support borrowers who entered into repayment deferrals, while still prudently managing portfolio risk. Genworth did not rely upon the government JobKeeper initiative during 2020 to remunerate our employees.

Genworth quickly adapted our capital management strategy to respond to the COVID-19 pandemic by maintaining a strong balance sheet to provide flexibility to meet any future challenges. Our strong capital base of 1.65 times the Prescribed Capital Amount (PCA) provides a capital buffer that means we are well positioned to navigate and prepare for a potential increase in delinquency rates once repayment deferrals cease. Genworth moved quickly to respond to the projected impacts of the pandemic by increasing reserving during the year by $179.5 million and recognising a one-off $181.8 million write-down of Deferred Acquisition Costs (DAC) at 1Q20. These impacts contributed to a $227.7 million decrease in statutory Net Profit After Tax (NPAT) for 2020 compared to 2019. Due to the uncertain economic outlook, APRA's regulatory guidance and the Company's FY20 statutory net loss, the Board concluded it would preserve capital and not pay an interim or final dividend for 2020.

The low interest rate environment has contributed to increased new business reflected in an 18.1% increase in New Insurance Written (NIW) in 2020.

The Board is cognisant that 2020 has been a difficult year for our shareholders with high volatility in the Genworth share price coupled with no dividend returns. Whilst the prudent capital preservation actions taken in 2020 will help to ensure the longer-term sustainability of the business for our shareholders in the future, the Board and Senior Leadership Team felt it appropriate that 2020 executive remuneration outcomes were reflective of the shareholder outcomes.

SHORT TERM INCENTIVE OBJECTIVES

The conditions noted above resulted in 2020 financial performance against Genworth's Short-Term Incentive (STI) objectives as follows:

- Performance NPAT loss of $137.5 million, a below threshold outcome driven by the write-down of the DAC accounting expense and additional reserving;
- Capital management – no dividend returns to shareholders in 2020 due to the uncertain economic outlook, APRA's regulatory guidance and the Company's FY20 Statutory net loss and the Board's decision to preserve capital;
- Gross written premium of $561.7 million, an outcome that outperformed the maximum stretch target.

Genworth delivered several strategic priorities in 2020. Building on our core business model and investment in data and technology over recent years, we implemented the first ever monthly premium LMI offering in Australia in 2020; we delivered sophisticated new loss forecast modelling; and continued our ongoing data and technology to drive business efficiencies. There were some positive customer outcomes as reflected in Net Promoter Score (NPS) improvements and new customer acquisition, however the National Australia Bank contract was not renewed during the year.

The linkage between our remuneration framework and Company strategy and performance is set out in more detail in section 2.5 – Executive Key Management Personnel (KMP) remuneration programs.

More details on the 2020 STI outcomes are provided in section 3.2 – Link between performance and STI outcomes.

Remuneration report
(continued)

EXECUTIVE REMUNERATION OUTCOMES FOR 2020

The COVID-19 pandemic contributed to a Total Shareholder Return (TSR) for 2020 of (34.5%) and dividend returns of zero cents per share. While the Board recognises the agility and responsiveness of management in prudently managing the Company through the effects of COVID-19 and increased new business volumes, remuneration outcomes for executive KMP have reduced ensuring greater alignment with shareholder returns:

- No Fixed Remuneration adjustments for executive KMP for 2021;
- To reflect shareholder outcomes in 2020, the Chief Executive Officer (CEO) and other executive KMP voluntarily elected not to receive a 2020 STI award acknowledging the need for executive and shareholder aligned outcomes, notwithstanding the valuable individual contributions of executive KMP and the CEO during a challenging year;
- Short-term incentive funding for the broader organisation was determined to be 53% of target (section 3.2) representing a 45 percentage point reduction from the 2019 outcome of 98%;
- The 2018 Long-Term Incentive (LTI) relative TSR tranche (75% of the overall grant) exceeded the upper quartile of the comparator group across the performance period, while the underlying ROE tranche (25% of the overall grant) did not meet the minimum hurdle. This will result in an overall vesting outcome of 75% at the conclusion of the vesting period in December 2021. More details on these outcomes in FY20 are outlined in section 3.3 – Link between performance and LTI outcomes.

In addition, there were no Director base or committee fee increases for 2020[1].

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;
6. Recognise the importance of executing on the Company's strategy to evolve the business model and deliver a sustainable future for the Company;
7. Attract the talent we need to underpin strategy execution.

GENWORTH'S REMUNERATION APPROACH FOR 2021

The Board remains satisfied that the revised incentive plan structure implemented in 2020 supports Genworth's business strategy and drives alignment with shareholders and, as such, has made no structural adjustments to the remuneration framework for 2021. A review will be undertaken in 2021 to ensure that the incentive plan structure continues to meet evolving regulatory expectations and aligns to changes in strategy. The 2021 STI scorecard metrics have been updated to align to our 2021 strategic priorities and the underlying ROE vesting scale for the 2021 LTI plan updated for the current lower interest rate environment (refer to tables 2.7b – 2021 STI performance objectives and weightings and 2.8b – 2021 LTI key characteristics for more information).

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. Ongoing preparations are underway for anticipated regulatory changes for APRA-regulated institutions. More detail on these initiatives and outcomes of the Board's approach to consequence management is provided in section 2.4 – Alignment of risk and remuneration.

While 2020 has been a challenging year for Genworth, the Board is confident that we are well positioned to ensure the long-term sustainability and success of the Company.

David Foster
Chairman – Remuneration and Nominations Committee

1. D Foster's overall fees increased from FY19 to FY20 due to changes in Committee membership, while D West's fees from FY19 to FY20 increased due to remuneration received as Acting CEO from 1 January to 1 March 2020

Remuneration report
(continued)

► 1. EXECUTIVE KMP REMUNERATION SUMMARY

1.1 Executive KMP Remuneration

This report provides shareholders with an overview of Genworth's remuneration governance, strategy, programs and outcomes for KMP for the year ended 31 December 2020. The table below provides a concise summary of the remuneration received by executive KMP for the year ended 2020. 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 – 2020 Remuneration summary table (unaudited) as at 31 December 2020

		Fixed remuneration		At-risk/performance remuneration			
				Short-term incentive (STI)		Long-term incentive (LTI)	
Name and position – Executive KMP		Contract TFR[1]	Actual TFR received[2]	STI target	Actual STI awarded[3]	LTI maximum opportunity[4]	LTI vested[5]
Pauline Blight-Johnston[6] Chief Executive Officer (CEO)	2020	$900,000	$742,892	$600,000	–	$600,000	–
	2019	–	–	–	–	–	–
Michael Bencsik[7] Chief Financial Officer (CFO)	2020	$510,000	$509,059	$255,000	–	$250,000	–
	2019	$500,000	$456,357	$226,712	$222,178	$120,000	$187,062
Andrew Cormack Chief Risk Officer (CRO)	2020	$517,523	$517,657	$207,009	–	$253,688	$145,280
	2019	$507,375	$505,428	$202,950	$179,002	$247,500	$111,029
Steven Degetto Chief Commercial Officer (CCO)	2020	$468,234	$464,876	$234,117	–	$225,113	$86,938
	2019	$450,225	$447,776	$225,113	$253,702	$217,500	–

1.2 Overview of Genworth's KMP in 2020

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 2020

Name	Position	Term as KMP
Executive KMP		
P Blight-Johnston	CEO	2 March – 31 December
M Bencsik	CFO	Full year
A Cormack	CRO	Full year
S Degetto	CCO	Full year

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 each disclosed year 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 includes any amounts delivered as deferred STI – see section 4 for more details
4. The LTI grant reflects the face value of the LTI grant awarded during the respective year
5. Represents the dollar value of vested awards as at the date of vesting under the Genworth LTI plan, excluding any deferred STI plans
6. Ms Blight-Johnston's 2020 STI target and LTI grant were pro-rated from commencement in the CEO role on 2 March 2020
7. Mr Bencsik's 2019 target and actual STI is pro-rated from commencement in the CFO role on 4 February 2019

Remuneration report
(continued)

In 2019, the Board asked Mr Duncan West, a current Non-Executive Director (NED) with extensive insurance industry experience, to serve as Acting CEO effective 1 January 2020 until a permanent CEO appointment was made. Fees received by Mr West during this period are disclosed in table 7c.

The Board appointed Ms Pauline Blight-Johnston as CEO and Managing Director effective from 2 March 2020. Mr West then stepped down as Acting CEO on 1 March immediately prior to Ms Blight-Johnston's commencement and returned to his NED duties on the Board.

1.3 Termination Payments to former CEO

Ms Georgette Nicholas announced her retirement from Genworth in May 2019 and stepped down as CEO and as a member of the Board effective 31 December 2019.

Termination payments associated with the former CEO's retirement were within the termination benefit limits prescribed in the Corporations Act.

Table 1c – Termination payments to former CEO

Award	Value	Description
Accrued annual leave	$20,797	Statutory entitlement
Accrued long service leave	$284,475	Contractual entitlement
Relocation benefits	$19,195	Costs associated with the conclusion of the international assignment
LTI 2019	128,008 share rights	A pro-rated portion of the 2019 LTI award remains unvested and subject to ongoing participation in the plan subject to ongoing hurdles and vesting timeframes[1]
LTI 2017 and LTI 2018	No entitlement	Grants forfeited

1. Any part of the 2019 LTI grant that passes performance hurdles will vest on 31 December 2022; 281,620 share rights under Ms Nicholas' 2019 LTI grant were forfeited on termination

► 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 did not receive advice from external advisers in 2020. 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.

Remuneration report
(continued)

2.4 Alignment of risk and remuneration

The Genworth Remuneration Policy provides a link between risk and remuneration through a number of measures including:

- Board discretion to adjust remuneration in the event of misconduct and risk and compliance breaches;
- Articulation of the different remuneration package elements and associated governance considerations;
- Linking remuneration governance and prudent financial and non-financial risk taking and consideration of customer outcomes.

The Genworth deferred STI and LTI plans include malus and clawback provisions that may be applied at the discretion of the Board.

'Risk Health Dashboard' assessments for the business are provided to the Remuneration and Nominations Committee, 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 2020 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 Risk Management;
- review of the outcomes of 'Risk Health Assessments' conducted over 2020 and any material risk matters arising in 2020;
- 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 (including behaviour) assessments of executives.

Genworth has undertaken a program of work to prepare for pending regulatory changes, including the Financial Accountability Regime and APRA's CPS511 Remuneration. This work included mapping accountabilities, developing accountability statements, and implementation of malus and clawback for variable remuneration. Genworth continues to monitor ongoing regulatory and governance trends to continue to adopt best practice.

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;
- 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.

Remuneration report
(continued)

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

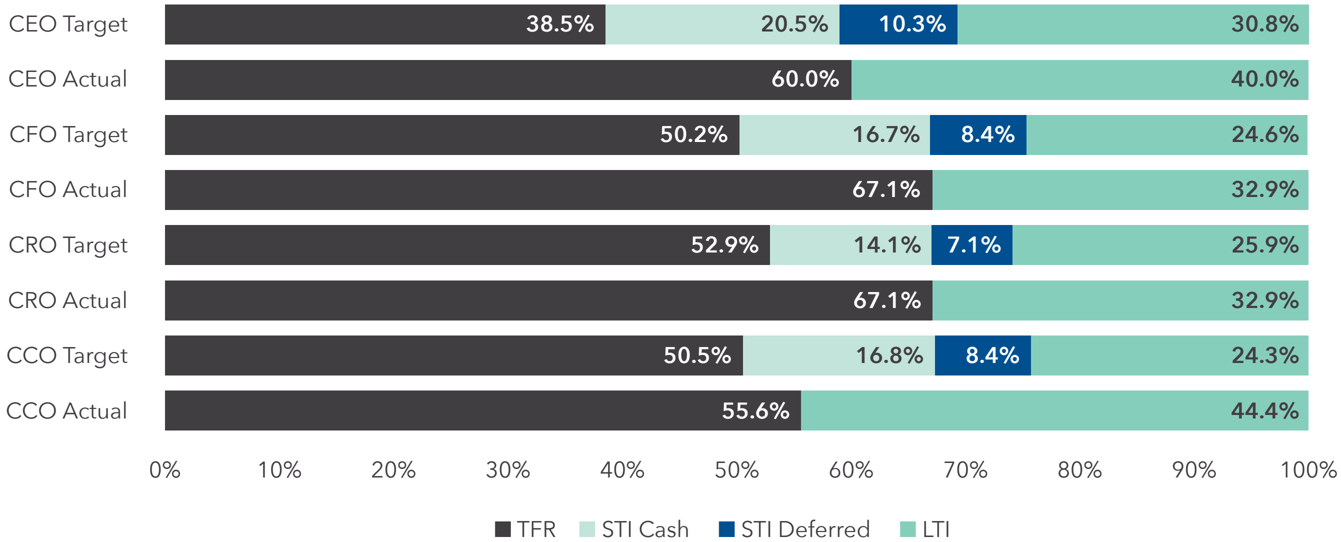
Business vision	Remuneration strategy
To be the leading provider of customer-focused capital and risk management solutions in the Australian residential mortgage market.	To attract, retain and motivate talented people dedicated to achieving business objectives in line with Genworth's, shareholders' and 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: • Improving the efficiency and competitiveness of the core LMI offering; • Evolve LMI to respond to the changing needs of our customers and partners including lenders, brokers and borrowers; • Investigate revenue diversification opportunities that leverage Genworth's core capabilities where we have or can build competitive advantage. 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 18.1% year on year. GWP growth in our core business increased by 29.7% in 2020 reflecting strong lender customer performance and the impact of ongoing low interest rates. NEP increased by 4.6% in 2020 and the loss ratio increased to 92.9% in 2020. Statutory NPAT in 2020 decreased to a $107.6 million loss including an after-tax unrealised loss of $3.3 million on the investment portfolio. Underlying NPAT decreased to a $104.3 million loss in 2020. Performance NPAT for 2020 was a $137.5 million loss; • Genworth introduced the first monthly premium LMI product into the Australian market in 2020; • Genworth was able to leverage recently developed flexible risk-based pricing capabilities in FY20; • An ongoing focus on our customer value proposition has resulted in several key customer contract renewals (noting that a significant account was lost) and significant positive improvements in our customer Net Promoter Score to +49; • The measures of the key elements of culture which are seen as a key contributor to effectively implementing Genworth's strategy did not materially change.

Vision and strategy reflected in remuneration programs and actual outcomes

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.	**TFR** • There were no increases to executive KMP remuneration in the 2021 remuneration review.
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	**STI** • Scorecard performance resulted in 53% STI funding, with no STI paid to executive KMP to align to shareholder outcomes in 2020. STI awards for actively employed executive KMP represented 0% of the maximum.
LTI Awards reflect Company performance against underlying ROE and relative TSR targets.	**LTI** • The 2018 LTI plan exceeded the upper quartile of the comparator market for the relative TSR component across the three-year performance period. The underlying ROE hurdle did not meet the performance threshold across the three-year performance period. This means that the 2018 LTI plan will vest at 75% overall. 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 2020 target mix of pay (relative weight of each component as a percentage of total remuneration as at 31 December 2020)



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 maximum opportunity) is used as a secondary reference point.

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.

Remuneration report
(continued)

Table 2.7a 2020 STI key characteristics

2020 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:	80%	160%
	CFO and CCO:	50%	100%
	CRO:	40%	80%
Performance objectives	**Financial objectives** Performance NPAT (25%) Capital Management (15%) Gross Written Premium (20%)	**Strategic objectives** Execute key strategic priorities (40%)	
Aggregate objective weighting	**Financial objectives** 60%	**Strategic objectives** 40%	
Performance period	1 January 2020 – 31 December 2020.		
Performance assessment	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 zero if appropriate).		
Payment date	On or around 15 March 2021.		
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 2021.		
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 2020. 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 (with the exception of those leaving with good leaver status), 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, or converted to cash.		
Change of control	Board has discretion.		

Remuneration report
(continued)

Table 2.7b 2021 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 (10%)	Prudent and efficient management of capital.
Gross Written Premium (GWP – 25%)	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%)	2021 strategic objectives include optimizing core LMI profitability, reimagining LMI, developing complementary business opportunities and culture enhancement.

2.8 Long-term incentive

Executive KMP participate in an annual Long-Term Incentive grant of share rights which are subject to performance-based vesting conditions in respect of company performance against Underlying ROE and Relative TSR across a three-year performance period, followed by an additional one-year vesting period.

Table 2.8a 2020 LTI key characteristics

LTI 2020 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** – **Grant % (of TFR)** CEO – 80% Other KMP – 50%
Performance metrics	**Underlying ROE:** 25% of the 2020 LTI grant. Calculated as the average of three-year Underlying ROE 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) 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 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 notionally reinvested on the ex-dividend date closing price and franking credits are excluded.
Relative TSR comparator group	ASX top 200 financial services companies excluding Real Estate Investment Trusts (REITs).
Vesting scales summary	See vesting scales table 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 2020 – 31 December 2022.
Performance assessment	Performance to be assessed in 1Q23. 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).
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).

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 2020 features	Detail
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 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	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.

As interest rates have declined over recent years, the Board has approved a change to the underlying ROE vesting scale for 2021. In addition, given the uncertainty around forecast underlying ROE in 2021 due to effects of COVID-19, the weighting of the 2021 individual performance year has been reduced relative to the other performance years for the 2021 LTI grant (refer to table 2.8b for details).

Table 2.8b 2021 LTI key characteristics

LTI 2021 features	Detail
Performance metrics	**Underlying ROE:** 25% of the 2021 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. For the 2021 LTI grant, the Underlying ROE outcome for 2021 will be weighted 25.0%, while the Underlying ROE outcomes for 2022 and 2023 will each be weighted 37.5%. This is intended to reflect uncertainty around the forecast outcome for Underlying ROE in 2021. **Relative TSR:** 75% of the 2021 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 notionally 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	See below. Note the 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 2021.

Vesting %	0%	50%	60%	70%	80%	90%	100%
Underlying ROE	<7.0%	7.0%	7.7%	8.4%	9.1%	9.8%	10.5%
Relative TSR	<50th	50th	55th	60th	65th	70th	75th

Remuneration report
(continued)

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[1]. The CEO is required to hold two times, and other executive KMP one times, 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 FY20 financial results reflected performance impacted by effects of the COVID-19 pandemic. Key metrics included:

- New Insurance Written (NIW) was up 18.1% to $31.6 billion;
- Gross Written Premium (GWP) increased 29.7% in 2020;
- Net earned premium increased by 4.6% to $312.0 million;
- Performance NPAT for 2020 was a loss of $137.5 million impacted by the 1Q20 DAC write-down and increased reserving during 2020;
- There were no capital returns to shareholders due to dividend restrictions and prudential considerations related to the COVID-19 pandemic;
- Genworth's absolute Total Shareholder Return[2] (TSR) was a decrease of 34.5% from 1 January to 31 December 2020;
- 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 +49, noting the non-renewal of a key customer during the year.

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

Table 3.1a Summary of Genworth's performance (2014–2020)

Financial results	2015	2016	2017	2018	2019	2020
Gross Written Premium ($m)	$507.6	$381.9	$369.0	$460.2	$433.2	$561.7
Net Investment Income ($m)	$107.9	$126.0	$103.3	$77.9	$139.1	$89.9
Underlying NPAT ($m)	$264.7	$212.2	$171.1	$93.9	$97.0	($104.3)
Expense Ratio	26.2%	25.7%	29.3%	33.6%	35.3%	82.1%
Underlying ROE[3]	11.6%	10.4%	9.0%	5.2%	6.0%	(7.3%)
Dividends paid[4]	$0.503	$0.405	$0.260	$0.200	$0.626	$0.0
Share price at start of reporting period	$3.64	$2.76	$3.27	$3.00	$2.19	$3.65
Share price at end of reporting period	$2.76	$3.27	$3.00	$2.19	$3.65	$2.39

1. Share rights granted via equity plans that have met applicable hurdles but not yet vested due to outstanding tenure-based vesting hurdles are counted towards the executive's shareholding
2. Including value of notionally re-invested dividends
3. Underlying ROE is calculated by dividing underlying NPAT by the average of the opening and closing underlying equity balance for a financial period
4. Reflects dividends related to the performance year paid or subsequently declared

Remuneration report
(continued)

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 Stakeholder expectations following the release of our prior year financial results. In light of Genworth's performance against 2020's STI objectives, the Board determined the STI pool funding level to be 53% of STI targets.

Table 3.2a 2020 STI performance objectives and Board assessment of performance

STI performance objective and weighting	Rationale	Assessment of 2020 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 2020 was a loss of $137.5 million. 2020 results were lower than expected primarily due to the 1Q20 DAC write-down and strengthening of claims reserves during 2020 to provision for potentially higher rates of defaults due to COVID-19. This outcome translated into an incentive outcome below threshold.
Capital Management (15%)	Reflects proactive management of our capital structure to optimise returns for shareholders.	There were no returns of capital to shareholders related to FY20. Due to the onset of COVID-19 Genworth decided not to proceed with the intended capital plan actions in order to preserve capital to support long-term sustainability which aligned with regulatory guidance during COVID-19. This translated into an incentive outcome below threshold.
Gross Written Premium (20%)	Incentivises generation of new business within the current performance period, subject to achievement of new business pricing return of in excess of the WACC.	Strong growth in our traditional LMI flow business across lender customers driven by lender campaigns and low interest rates resulted in GWP performance above target at $561.2 million, an increase of 29.7% over 2019 translating into an incentive outcome above stretch performance level.
Leverage enhanced core capabilities (25%)	Key strategic priorities for each performance period may vary year-to-year based on Genworth's priorities. For the 2020 performance period, short-term incentive plan strategic priorities included leveraging technology and underwriting efficiencies, product enhancement and renewal of key customer contracts.	New loss forecasting capabilities were utilised for COVID-19 loss modelling and portfolio stress testing. Customer outcomes were reflected in an improvement of customer Net Promoter Score and customer renewals, however this was balanced with non-renewal of a key customer. The first monthly premium product was implemented in the Australian market. The consolidated incentive outcome was between threshold and target.
Culture and engagement (15%)	Culture enhancement and employee engagement and alignment.	Employee survey outcomes did not reach threshold requirements as there were not year-on-year increases in all culture related survey questions.

Remuneration report
(continued)

3.3 Link between performance and LTI outcomes

2018 LTI award

In January 2018, executive KMP roles were provided with a grant of share rights which vest subject to Company performance against underlying ROE and relative Total Shareholder Return (TSR). A 12-month deferral period applies from the end of the relevant performance period (31 December 2020), meaning the first tranche of Performance Rights will vest in 1Q22. The vesting outcomes for this grant are outlined below.

LTI performance objective and weighting	Detailed calculation	Performance Range	Drivers of performance
Underlying ROE (25%)	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)	Threshold performance (50% vesting): 7.5% Maximum performance (100% vesting): 12.0%	The threshold Underlying ROE hurdle for the 2018 award was 7.5% and the actual Underlying ROE result was 2.5%. None of the underlying ROE awards vested.
Relative TSR (75%)	Calculated as the relative Total Shareholder Return against a comparator group (the ASX200 Financial Services firms excluding REITs)	Threshold performance (50% vesting): median Maximum performance (100% vesting): upper quartile	The TSR outcome for Genworth across the measurement period was achievement at the 76th percentile (i.e. above the upper quartile). Accordingly, 100% of the relative TSR component will vest, representing 75% 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. Two executive KMP will qualify for partial vesting in 1Q22, at which point more detail on actual vesting outcomes will be provided.

► 4. REMUNERATION OUTCOMES FOR EXECUTIVE KMP

Table 4a 2020 STI outcomes

Executive KMP	Target STI (% of TFR)	Target STI $	Max STI $	Cash STI awarded[1]	Deferred STI awarded	Deferred STI share rights	Total STI awarded $	Actual STI awarded (% of TFR)	Actual STI awarded (% of max)	STI not awarded (% of max)
P Blight-Johnston[2] CEO	80%	$600,000	$1,200,000	$0	$0	0	$0	0%	0%	100%
M Bencsik CFO	50%	$255,000	$510,000	$0	$0	0	$0	0%	0%	100%
A Cormack CRO	40%	$207,009	$414,018	$0	$0	0	$0	0%	0%	100%
S Degetto CCO	50%	$234,117	$468,234	$0	$0	0	$0	0%	0%	100%

1. Cash STI awarded figure is inclusive of superannuation
2. Ms Blight-Johnston's 2020 STI target was pro-rated for her start date of 2 March 2020

Remuneration report

(continued)

► 5. CONTRACTUAL ARRANGEMENTS FOR EXECUTIVE KMP

5.1 Contractual arrangements for executive KMP

Table 5a Summary of contract details

Executive KMP	Term of agreement	Notice period	Termination payments
CEO	Ongoing	Six 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 2020

		Short-term remuneration					
KMP		Cash salary[1]	Other benefits[2]	Non-monetary benefits[3]	Cash STI awarded[4]	Deferred STI[5]	Sub-total
Executive KMP							
P Blight-Johnston CEO	2020	$721,543	$600	$15,235	$0	$0	$737,378
	2019	–	–	–	–	–	–
M Bencsik CFO	2020	$487,710	$600	$8,703	$0	$0	$497,013
	2019	$428,057	$600	$13,259	$148,119	$74,059	$664,094
A Cormack CRO	2020	$496,308	$600	$1,786	$0	$0	$498,694
	2019	$484,662	$600	$1,838	$119,335	$59,667	$666,102
S Degetto CCO	2020	$443,527	$600	$4,791	$0	$0	$448,918
	2019	$421,003	$600	$27,232	$169,135	$84,567	$702,537

1. Cash salary consists of base salary and any salary sacrifice arrangements
2. Other benefits include annual health reimbursement offered to all employees
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 the respective performance year, inclusive of super, accrued for during the performance year. Actual payment made in March of the following year
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
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 2018, 2019 and 2020 LTI grants, LTI 2016 (associated notional dividend awards) and vested 2017 LTI awards

Table 6b Share right holdings for the reporting period ended 31 December 2020

Executive KMP	Grant detail	Grant date[1]	Issue price[2]	Vesting date
Name and position				
P Blight-Johnston CEO	LTI '20	1 Jan '20	$3.73	31 Dec '23
M Bencsik CFO	LTI '20	1 Jan '20	$3.73	31 Dec '23
	Deferred STI '19	1 Mar '20	$3.73	1 Mar '21
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 '18	1 Mar '19	$2.17	1 Mar '20
	Deferred STI '19	1 Mar '20	$3.73	1 Mar '21
	LTI '18	1 Jan '18	$2.66	31 Dec '21
	LTI '19	1 Jan '19	$2.17	31 Dec '22
	LTI '20	1 Jan '20	$3.73	31 Dec '23
S Degetto CCO	LTI '17	1 Jan '17	$2.90	31 Dec '20
	Deferred STI '18	1 Mar '19	$2.17	1 Mar '20
	Deferred STI '19	1 Mar '20	$3.73	1 Mar '21
	LTI '18	1 Jan '18	$2.66	31 Dec '21
	LTI '19	1 Jan '19	$2.17	31 Dec '22
	LTI '20	1 Jan '20	$3.73	31 Dec '23

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

Remuneration report
(continued)

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
$21,348	$17,060	$0	$0	$775,786	0%	0%
–	–	–	–	–	–	–
$21,348	$22,068	$0	$0	$540,429	0%	0%
$20,767	$11,909	$186,963	$0	$883,733	25%	0%
$21,348	$31,218	$53,583	$0	$604,843	0%	0%
$20,767	$21,505	$267,733	$0	$976,107	18%	0%
$21,348	$37,489	$50,521	$0	$558,276	0%	0%
$20,767	$28,488	$91,729	$0	$843,521	30%	0%

	Movement during the year				
# Held 31/12/19	Number granted	Forfeited	Vested	Exercised	# Held 31/12/20
0	160,681	0	0	0	160,681
0	66,950	0	0	0	66,950
0	19,833	0	0	0	19,833
0	13,189	0	13,189	13,189	0
83,649	0	41,825	41,824	41,824	0
21,263	3,590	0	24,853	24,853	0
0	15,979	0	0	0	15,979
91,127	0	0	0	0	91,127
113,913	0	0	0	0	113,913
0	67,938	0	0	0	67,938
75,025	0	37,513	37,512	37,512	0
26,861	4,535	0	31,396	31,396	0
0	22,647	0	0	0	22,647
81,733	0	0	0	0	81,733
100,105	0	0	0	0	100,105
0	60,285	0	0	0	60,285

Remuneration report

(continued)

► 7. NON-EXECUTIVE DIRECTOR REMUNERATION

Table 7a KMP in 2020 – Non-executive directors

Name	Position	Term as KMP
Ian MacDonald	Chairman	Full Period
David Foster	Independent Director – Genworth Financial designee	Full Period
Gai McGrath	Independent Director	Full Period
Graham Mirabito	Independent Director – Genworth Financial designee	10 August – 31 December 2020
Rajinder Singh	Director – Genworth Financial designee	9 September – 31 December 2020
Stuart Take	Director – Genworth Financial designee	Full Period
Andrea Waters	Independent Director	16 March – 31 December 2020
Duncan West[1]	Independent Director	Full Period
Former Non-Executive Directors		
Christine Patton	Independent Director – Genworth Financial designee	1 January – 9 August 2020
Gayle Tollifson	Independent Director	1 January – 15 March 2020
Jerome Upton	Director – Genworth Financial designee	1 January – 8 September 2020

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, Mr Upton and Mr Singh) 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, J Upton and R Singh)	
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. There was no increase in base or committee fee rates in 2020[2].

In 2020, the share ownership guidelines for NEDs were adjusted to better align to market practice and shareholder interests through introduction of a mandatory minimum share ownership requirement for independent NEDs of one times their annual base fees in Company shares. The current independent directors support this approach and will achieve this requirement within five years of the approval of the mandatory minimum shareholding guidelines or appointment date to the Board, whichever is later.

1. Mr West served as Acting CEO for 1 January – 1 March 2020
2. D Foster's overall fees increased from FY19 to FY20 due to changes in Committee membership, while D West's fees from FY19 to FY20 increased due to remuneration received as Acting CEO from 1 January to 1 March 2020

Remuneration report
(continued)

Table 7c Statutory remuneration table – 1 January to 31 December 2020

KMP[1]	Year	Fees	Other short-term benefits	Non-monetary benefits	Superannuation benefits	Total
Non-Executive Directors						
I MacDonald	2020	$243,652	$0	$0	$21,348	$265,000
Chairman	2019	$244,233	$0	$0	$20,767	$265,000
D Foster[2]	2020	$162,086	$0	$0	$15,398	$177,484
Director	2019	$159,817	$0	$0	$15,183	$175,000
G McGrath[3]	2020	$159,817	$0	$0	$15,183	$175,000
Director	2019	$159,817	$0	$0	$15,183	$175,000
G Mirabito[4]	2020	$54,122	$0	$0	$5,142	$59,264
Director	2019	N/A	N/A	N/A	N/A	N/A
R Singh[5]	2020	$0	$0	$0	$0	$0
Director	2019	N/A	N/A	N/A	N/A	N/A
S Take[6]	2020	$0	$0	$0	$0	$0
Director	2019	$0	$0	$0	$0	$0
A Waters[7]	2020	$134,328	$0	$0	$4,449	$138,777
Director	2019	N/A	N/A	N/A	N/A	N/A
D West[8]	2020	$145,349	$150,000	$0	$0	$295,349
Director	2019	$163,000	$0	$0	$0	$163,000
Former Non-Executive Directors						
C Patton	2020	$77,120	$0	$0	$7,326	$84,446
Director	2019	$126,941	$0	$0	$12,059	$139,000
G Tollifson	2020	$33,080	$0	$0	$3,143	$36,223
Director	2019	$159,817	$0	$0	$15,183	$175,000
J Upton	2020	$0	$0	$0	$0	$0
Director	2019	$0	$0	$0	$0	$0

1. R Singh, S Take and former Director J Upton were employed by Genworth Financial in the ordinary course of their duties and were not paid fees by Genworth Australia hence receive no director fees in table 7c, however because they are still directors of GMA, they are disclosed in table 7c
2. Mr Foster is Chairman of the Remuneration and Nominations Committee and Technology Committee and a member of the Capital and Investment Committee; note Mr Foster's fees increased from FY19 to FY20 due to changes in Committee membership
3. Ms McGrath is Chairman of the Risk Committee and a member of the Audit Committee, Remuneration and Nominations Committee and Technology Committee
4. Mr Mirabito is a member of the Audit Committee, Capital and Investment Committee and Technology Committee
5. Mr Singh is a member of the Audit Committee, Risk Committee, Capital and Investment Committee and Technology Committee
6. Mr Take is a member of the Risk Committee and the Remuneration and Nominations Committee
7. Ms Waters is Chairman of the Audit Committee and a member of the Risk Committee, Capital and Investment Committee and Remuneration and Nominations Committee
8. Mr West is Chairman of the Capital and Investment Committee, and member of the Audit Committee, Risk Committee and Technology Committee. "Other short-term benefits" represent fees received while Acting CEO for 1 January – 1 March 2020

Remuneration report
(continued)

► 8. OTHER TABLES

Table 8a KMP and their related parties direct, indirect and beneficial shareholdings (including movements during the period ending 31 December 2020)

	Balance at 31-Dec-19[1]	Received via vesting/ exercising	Other changes[2]	Balance at 31-Dec-20
Executive KMP				
P Blight-Johnston – CEO	N/A	0	0	0
M Bencsik – CFO	38,202	0	0	38,202
A Cormack – CRO	69,738	79,866	-30,000	119,604
S Degetto – CCO	12,593	68,908	0	81,501
Non-Executive Directors				
I MacDonald – Chairman	85,000	–	46,823	131,823
D Foster – Director	12,133	–	10,802	22,935
G McGrath – Director	29,650	–	–	29,650
G Mirabito – Director	N/A	–	–	0
R Singh – Director	N/A	–	–	0
S Take – Director	8,297	–	–	8,297
A Waters – Director	N/A	–	50,000	50,000
D West – Director	2,318	–	58,000	60,318

1. Several KMP were not yet appointed to their roles in Genworth as at 1 January 2020 and their shareholding balance is therefore recorded as N/A
2. Acquisition or sale of shares on market

Remuneration report
(continued)

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 2020	Genworth Financial balance held directly or indirectly at 31 Dec 2020
Name		
I MacDonald	Shares: 131,823	None
P Blight-Johnston	Shares: None Share rights: 160,681	None
D Foster	Shares: 22,935	None
G McGrath	Shares: 29,650	None
G Mirabito	Shares: None	None
R Singh	Shares: None	Shares: None Restricted Stock Units: 51,958
S Take	Shares: 8,297	Shares: 65,885 Stock appreciation rights: 53,200
A Waters	Shares: 50,000	None
D West	Shares: 60,318	None

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 2021

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 of Genworth Mortgage Insurance Australia Limited for the financial year ended 31 December 2020 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

Sydney
26 February 2021

Financial statements

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► NOTES TO THE FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Gross written premium	3.1	561,730	433,248
Movement in unearned premium		(180,363)	(64,806)
Outward reinsurance premium expense		(69,346)	(70,229)
Net earned premium		312,021	298,213
Net claims incurred	4.1	(289,846)	(150,886)
Acquisition costs	4.7	(196,229)	(46,859)
Other underwriting expenses	3.3	(61,164)	(59,489)
Other underwriting revenue		1,197	1,197
Underwriting result		(234,021)	42,176
Investment income on assets backing insurance liabilities	3.2	59,917	65,891
Insurance (loss)/profit		(174,104)	108,067
Investment income on equity holders' funds	3.2	34,391	77,449
Investment expense on equity holders' funds		(4,363)	(4,256)
Financing costs		(10,709)	(11,785)
(Loss)/profit before income tax		(154,785)	169,475
Income tax benefit/(expense)	3.5(a)	47,203	(49,391)
(Loss)/profit for the year		**(107,582)**	**120,084**
Total comprehensive (loss)/income for the year		**(107,582)**	**120,084**
Earnings per share			
Basic (loss)/earnings per share (cents per share)	3.7	(26.1)	28.6
Diluted (loss)/earnings per share (cents per share)	3.7	(26.0)	28.5

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 2020

	Note	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	6.1	104,557	87,254
Accrued investment income		20,492	19,529
Investments	2.2(d)	3,320,968	3,043,814
Trade and other receivables	6.2	56,225	47,106
Prepayments		1,760	2,077
Deferred reinsurance expense	4.2	20,218	31,771
Non-reinsurance recoveries	4.5	33,286	22,770
Deferred acquisition costs	4.3	41,604	181,234
Plant and equipment		4,301	5,120
Lease assets	6.3	5,955	11,166
Deferred tax assets	3.5(b)	55,624	9,104
Intangibles	6.4	6,490	7,340
Goodwill	6.5	9,123	9,123
Total assets		**3,680,603**	**3,477,408**
Liabilities			
Trade and other payables	6.6	50,898	41,827
Lease liabilities	6.3	12,324	16,430
Reinsurance payable		32,450	43,854
Outstanding claims	4.4	540,353	360,905
Unearned premium	4.6	1,461,232	1,280,451
Employee benefits provision	6.7	7,645	7,096
Interest bearing liabilities	5.2	187,781	199,369
Total liabilities		**2,292,683**	**1,949,932**
Net assets		**1,387,920**	**1,527,476**
Equity			
Share capital	5.3(a)	1,090,180	1,090,180
Share-based payment reserve	5.3(b)	1,174	2,209
Other reserves	5.5	(476,559)	(476,559)
Retained earnings		773,125	911,646
Total equity		**1,387,920**	**1,527,476**

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 2020

	Share capital $'000	Other reserves $'000	Retained earnings $'000	Share-based payment reserve $'000	Total $'000
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 *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**
Balance at 1 January 2020	1,090,180	(476,559)	911,646	2,209	1,527,476
Loss after taxation	–	–	(107,582)	–	(107,582)
Dividend declared and paid	–	–	(30,939)	–	(30,939)
Share-based payment expense recognised	–	–	–	42	42
Share-based payment settled	–	–	–	(1,077)	(1,077)
Balance at 31 December 2020	**1,090,180**	**(476,559)**	**773,125**	**1,174**	**1,387,920**

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 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Premiums received		638,660	497,068
Interest and other income		45,985	80,375
Claims paid		(123,930)	(133,960)
Outwards reinsurance premium expense paid		(69,197)	(57,037)
Interest paid		(12,190)	(9,931)
Cash payments in the course of operations		(159,320)	(139,312)
Income tax paid		(23,421)	(45,385)
Net cash provided by operating activities	3.4	**296,587**	**191,818**
Cash flows from investing activities			
Payments for plant, equipment and intangibles		(529)	(2,447)
Payments for the purchase of investments		(3,425,068)	(2,330,133)
Proceeds from sale of investments		3,192,327	2,421,871
Proceeds from sub-lease of property		1,629	946
Net cash (used in)/provided by investing activities		**(231,641)**	**90,237**
Cash flows from financing activities			
Net repayments of long-term borrowings		(12,434)	–
Payment of lease liabilities		(4,304)	(3,527)
Dividends paid		(30,939)	(266,633)
Payments for the on-market buy-back of shares		–	(63,904)
Net cash used in financing activities		**(47,677)**	**(334,064)**
Net increase/(decrease) in cash held		17,269	(52,009)
Effects of exchange rate changes on balances of cash held in foreign currencies		34	(2,187)
Cash and cash equivalents at the beginning of the financial year		87,254	141,450
Cash and cash equivalents at the end of the financial year	6.1	**104,557**	**87,254**

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 2020 and comprises the consolidated financial statements for Genworth Mortgage Insurance Australia Limited (the Company) 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 2021.

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 2023. 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 notes 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.

Notes to the financial statements
(continued)

(i) New and amended standards adopted by the Group
There are additional new accounting standards and interpretations, effective on or after 1 January 2020 (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 2018-6	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
AASB 2019-1	Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020
AASB 2019-3	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1 January 2020
AASB 2019-5	Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not yet Issued in Australia	1 January 2020
AASB 2020-4	Amendments to Australian Accounting Standards – COVID-19 - Related Rent Concessions	1 June 2020

(ii) 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 2021 and have not been applied in preparing these consolidated financial statements. An initial assessment of the financial impact of these 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/ AASB 2020-5	Insurance Contracts/Amendments to Australian Accounting Standards – Insurance Contracts	1 January 2023
AASB 9	Financial Instruments	1 January 2023 (subject to exemption)
AASB 2017-5	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022
AASB 2020-1	Amendments to Australian Accounting standards – Classification of Liabilities as Current or Non-current	1 January 2022
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022
AASB 2020-6	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022
AASB 2020-7	Amendments to Australian Accounting Standards – COVID-19 - Related Rent Concessions: Tier 2 Disclosures	1 July 2021
AASB 2019-8	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 January 2021

(iii) AASB 17 Insurance Contracts
AASB 17 (including amendments within AASB 2020-5), the new accounting standard for insurance contracts, was adopted by the Australian Accounting Standards Board in July 2020. Various implementation and interpretation matters are still being discussed by various stakeholders at the AASB 17 Transition Resource Group. At this stage, it is not expected that those discussions will lead to further changes to AASB 17.

The first applicable annual reporting period for the Group will be the year ending 31 December 2023, with the comparative period for the year ending 31 December 2022 and the Consolidated Statement of Financial Position as at 1 January 2022. 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 has completed a detailed impact assessment of the new standard and has determined 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.

Notes to the financial statements
(continued)

It is expected that the timing of recognition of profit will change under the new standard. As AASB 17 is to be applied retrospectively, a different valuation method for the insurance liability and a different model for the recognition of profit could lead to significant changes in the net asset position between 31 December 2021 (under the current insurance accounting standard) and 1 January 2022 (to be determined under AASB 17 in the Group's financial statements as at 31 December 2023). AASB 17 will require substantial changes to the presentation and the disclosures of the financial statements.

To achieve those changes, significant modifications to systems and processes are required. The Group will also consider revising the key performance indicators relevant for its employee incentive schemes.

In November 2020, the Australian Prudential Regulation Authority (APRA) has issued a Quantitative Impact Study to be completed by a sample of insurance companies in Australia, as part of its ongoing work to update its prudential and reporting standards, in light of the adoption of AASB 17. APRA has indicated that those updates were not intended to alter the minimum capital levels required to be held by insurance company.

(iv) 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, including insurance debt instruments, 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%).

The AASB (in line with the IASB) extended the temporary exemption from the adoption of AASB 9 to reporting periods beginning 1 January 2023, 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 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.

(i) Coronavirus (COVID-19) pandemic
The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The Group has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability including the estimates of future claims and related expenses for the preparation of the liability adequacy test, recoverable amount assessments of non-financial assets and fair value measurement of investments.

The impact of the COVID-19 pandemic on accounting estimates is discussed further below and in the relevant notes to the financial statements.

Notes to the financial statements
(continued)

Outstanding claims liability
Responses to COVID-19 such as government stimulus and repayment deferrals are delaying the development and progression of delinquencies and claims and increasing uncertainty around potential claims emergence. The Group has allowed for those factors in its reserving process, which led to the outstanding claims liability increasing from $360.9 million as at 31 December 2019 to $540.4 million as at 31 December 2020. This movement includes the estimated impact of the delayed claims progression of claims and a refinement of the reserving methodology for future re-reporting of cured delinquencies, as well as an increase in the risk margin to reflect the elevated uncertainty. Refer to notes 4.4 and 4.9 for more detail.

In addition to the COVID-19 specific element reflected in the outstanding claims provision, any COVID-19 underwriting exposure related to unexpired risk has been incorporated within the estimation of premium liabilities and, as a result, in the calculation of the Group's regulatory capital position. Refer to note 4.7 and note 4.9 for further details on the liability adequacy test (LAT) and capital adequacy position respectively.

Goodwill and intangible assets impairment
The assumptions underpinning the value-in-use calculations used to evaluate the recoverability of goodwill and intangible assets were adjusted to reflect reasonable estimates of the impact of COVID-19 and the increased risks associated with the estimated cash flows. Whilst there is no impairment in relation to the cash-generating unit at 31 December 2020, there is a heightened level of uncertainty around key assumptions in the current environment. This has the potential to materially impact the value-in-use assessment moving forward and potentially the carrying value of the respective intangible assets and goodwill. Refer to note 6.4 and note 6.5 for further details on intangible assets and goodwill respectively.

Fair value measurement of investments
The Group's investments are designated at fair value through profit and loss, and for the vast majority of the investments, the fair value is determined based on observable market data. This measurement basis has not changed as a result of COVID-19. The investments which are subject to valuation using unobservable inputs are disclosed in the Group's fair value hierarchy. Refer to note 2.2(d) for further details on investments.

(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.

► 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 a 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 Company'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.

Notes to the financial statements
(continued)

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.

In Australia, 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	2020 GWP	2019 GWP
Largest customer	56.9%	55.0%
Second largest customer	11.0%	12.0%

The second largest customer's contract with the Group was not renewed and expired on 20 November 2020.

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 the Group'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 interest bearing 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 (before tax) resulting from 10% depreciation or 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:

	2020		2019	
	+10% $'000	-10% $'000	+10% $'000	-10% $'000
New Zealand dollar	(79)	79	(268)	268
United States dollar	(347)	347	(75)	75
Euro	201	(201)	67	(67)

Notes to the financial statements
(continued)

(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 (before tax) resulting from 50 basis points (2019: 100 basis points) increase or decrease in interest rates on interest bearing assets, assuming all other variables remain constant, are shown below:

	2020		2019	
	+50bps $'000	-50bps $'000	+100bps $'000	-100bps $'000
Interest bearing assets	(41,962)	41,962	(63,033)	65,903

(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 investments in equities and equity unit trusts.

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

	2020		2019	
	+10% $'000	-10% $'000	+10% $'000	-10% $'000
Investments – unit trusts equity securities	11,631	(11,631)	7,885	(7,885)
Investments – unlisted equities	967	(967)	400	(400)

(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 80% (2019: 81%) 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.

Notes to the financial statements
(continued)

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

	2020 $'000	2019 $'000
Cash at bank and short-term deposits		
AAA	13,176	2,098
AA	189,709	149,117
A	23,975	72,737
BBB	10,000	56,435
	236,860	**280,387**
Investments (excluding short-term deposits)		
AAA	1,037,638	1,253,623
AA	906,963	579,999
A	583,671	493,868
BBB	519,831	424,113
BB	14,590	16,231
	3,062,693	**2,767,834**
Accrued interest receivable		
AAA	5,407	7,244
AA	8,185	5,737
A	2,529	3,098
BBB	3,356	2,918
BB	200	263
Not rated	815	269
	20,492	**19,529**
Trade and other receivables		
Premium receivables		
AA	18,896	37,149
A	–	600
Not rated	254	-
Other receivables		
AAA	28,240	4,140
A	–	570
Not rated	8,835	4,647
	56,225	**47,106**

Notes to the financial statements
(continued)

(c) Liquidity risk

Liquidity risk is the risk of having 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.

2020 Financial liabilities	Less than 1 year $'000	1 - 5 years $'000	Total $'000
Trade and other payables	49,058	1,840	50,898
Reinsurance payable	21,788	10,662	32,450
Lease liabilities	4,978	7,346	12,324
	75,824	**19,848**	**95,672**

2019 Financial liabilities	Less than 1 year $'000	1 - 5 years $'000	Total $'000
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**

Interest bearing liabilities which is classified as financial liabilities are separately disclosed in note 5.2.

(d) Fair value measurements

Accounting policies

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.
- *Interest bearing 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.
- *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 backing general insurance liabilities

The assets backing general insurance liabilities are 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.

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.

Notes to the financial statements
(continued)

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).

Investments	2020 $'000	2019 $'000
Fixed interest rate		
Short-term deposits	107,216	133,274
Australian government and state-government bonds	1,433,219	1,327,689
Corporate bonds and others	864,136	672,344
	2,404,571	**2,133,307**
Floating interest rate		
Short-term deposits	25,087	59,860
Corporate bonds and others	747,867	757,768
	772,954	**817,628**
Derivatives		
Investment related derivatives	17,471	10,033
Equity securities		
Unlisted unit trusts	116,306	78,846
Unlisted equities	9,666	4,000
	125,972	**82,846**
Total investments	**3,320,968**	**3,043,814**
Comprising:		
Current	399,813	644,193
Non-current	2,795,183	2,316,775
Equities	125,972	82,846
	3,320,968	**3,043,814**

For further details on the impact from COVID-19 refer to note 1.2(e).

Notes to the financial statements
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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 2020, 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	
2020 Financial assets	Fair value $'000	Change in fair value $'000	Fair value $'000	Change in fair value $'000
Short-term deposits	132,303	(71)	–	–
Bonds	3,006,202	(7,244)	39,020	275
Derivatives	–	–	17,471	–
Unlisted equities	–	–	9,666	5,666
Unlisted unit trusts	–	–	116,306	(2,540)
	3,138,505	**(7,315)**	**182,463**	**3,401**

	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)**

Trade and other receivables are financial assets which are in the scope of AASB 9 and are SPPI assets. These assets amounted to $56,225,000 at 31 December 2020 (2019: $47,106,000). These assets are measured at their present value less any impairment loss for any doubtful accounts (no doubtful account at 31 December 2020 and 31 December 2019) which approximates fair value.

The credit risk ratings of SPPI financial assets at 31 December 2020 is set out in the table below:

2020	Credit Risk	Fair value $'000	Fair value %
Bonds and short-term investments			
AAA	Low	1,050,570	33.5
AA	Low	974,643	31.1
A	Low	607,647	19.4
BBB	Low	491,055	15.6
BB	Other	14,590	0.4
		3,138,505	**100.0**

Notes to the financial statements
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2019	Credit Risk	Fair value $'000	Fair value %
Bonds and short-term investments			
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**

Trade and other receivables at 31 December 2020 have the following credit rating: AAA with low credit risk $28,240,000 (2019: $4,140,000), AA with low credit risk $18,896,000 (2019: $37,149,000), A with low credit risk $nil (2019: $1,170,000) and not rated with other credit risk $9,089,000 (2019: $4,647,000).

Fair value hierarchy
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 the unlisted equities. The fair value has been supported based on a discounted cash flow analysis performed utilising the latest available cash flows projection from the entity.

2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial instruments				
Australian government and state-government bonds	–	1,433,219	–	1,433,219
Corporate bonds and others	–	1,612,003	–	1,612,003
Short-term deposits	132,303	–	–	132,303
Derivative assets	–	17,471	–	17,471
Unlisted unit trusts	–	116,306	–	116,306
Unlisted equities	–	–	9,666	9,666
	132,303	**3,178,999**	**9,666**	**3,320,968**

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial instruments				
Australian government and state-government bonds	–	1,327,689	–	1,327,689
Corporate bonds and others	–	1,430,112	–	1,430,112
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
	193,134	**2,846,680**	**4,000**	**3,043,814**

There have not been any transfers between levels during the current and prior years.

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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 2020 $'000	Purchases $'000	Disposals $'000	Movement in fair value $'000	Balance at 31 December 2020 $'000
Financial instruments					
Unlisted equities	4,000	–	–	5,666	9,666
	4,000	**-**	**-**	**5,666**	**9,666**

	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
	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.

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:

	2020			2019		
	Exposure $'000	Fair value asset $'000	Fair value liability $'000	Exposure $'000	Fair value asset $'000	Fair value liability $'000
Forward foreign exchange contracts	673,100	17,471	14	578,679	10,033	–
	673,100	**17,471**	**14**	**578,679**	**10,033**	**-**

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.

	2020 $'000	2019 $'000
Direct premium	560,322	431,974
Inward reinsurance premium	1,408	1,274
	561,730	**433,248**

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/distribution 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.

	2020 $'000	2019 $'000
Interest revenue	50,102	78,448
Dividend/distribution revenue	1,210	3,583
Unrealised (losses)/gains including derivatives	(45,937)	26,656
Realised gains including derivatives	90,369	33,155
Other income (losses)/gains	(1,436)	1,498
Total investment income	**94,308**	**143,340**
Represented by:		
Investment income on assets backing insurance liabilities	59,917	65,891
Investment income on equity holders' funds	34,391	77,449
	94,308	**143,340**

Notes to the financial statements
(continued)

3.3 Other underwriting expenses

	2020 $'000	2019 $'000
Depreciation and amortisation expense	4,859	5,172
Employee expenses:		
– Salaries and wages	26,270	26,847
– Superannuation contributions	1,656	1,786
– Employee benefits	302	(90)
Occupancy expenses	1,789	2,276
Marketing expenses	506	520
Administrative expenses	25,782	22,978
	61,164	**59,489**

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 flows.

	2020 $'000	2019 $'000
(Loss)/profit after income tax	(107,582)	120,084
Less items classified as investing/financing activities:		
– Gain on sale of investments including derivatives	(90,369)	(33,155)
– Unrealised losses/(gains) on investments including derivatives	45,937	(26,656)
Add non-cash items:		
– Share-based payments	(1,035)	552
– Loss on disposal of plant and equipment	–	33
– Depreciation and amortisation	4,869	5,172
– Interest (income)/expense leases	(221)	674
Net cash (used in)/provided by operating activities before change in assets and liabilities	**(148,401)**	**66,704**
Change in assets and liabilities during the financial year:		
Decrease in receivables	16,808	43,613
Increase in outstanding claims liability	179,448	21,842
(Decrease)/increase in payables and borrowings	(25,708)	9,227
Decrease/(increase) in deferred acquisition costs	139,630	(14,389)
Increase/(decrease) in provision for employee entitlements	549	(161)
Increase in unearned premiums	180,781	66,245
Increase in deferred tax asset balances	(46,520)	(1,263)
Net cash provided by operating activities	**296,587**	**191,818**

Notes to the financial statements

(continued)

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 (benefit)/expense

	2020 $'000	2019 $'000
Current tax	–	51,076
Deferred tax	(46,486)	(1,239)
Over provision in prior year		
Current tax	(683)	(423)
Deferred tax	(34)	(23)
	(47,203)	**49,391**

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

	2020 $'000	2019 $'000
Prima facie income tax (benefit)/expense calculated at 30% of (loss)/profit	(46,435)	50,842
(Increase)/decrease in income tax (benefit)/expense due to:		
Over provision in prior year	(717)	(446)
Other non-taxable items	–	(233)
Non-deductible items	345	96
Franking tax credit	(396)	(868)
Income tax (benefit)/expense	**(47,203)**	**49,391**

(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.

Notes to the financial statements

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(b) Deferred tax assets

	2020 $'000	2019 $'000
Deferred tax asset balance comprises temporary differences attributable to:		
Leases	557	624
Employee benefits	3,519	3,775
Share-based payments and accrued expenses	509	488
Tax losses carried forward	2,151	–
Deferred acquisition costs	43,322	–
Provision for indirect claims handling costs	5,335	4,075
Other	231	142
	55,624	**9,104**
Net deferred tax		
Balance as at 1 January	9,104	7,875
Debited to retained earnings	–	(34)
Credited to the statement of comprehensive income	46,486	1,239
Over provision of prior year tax	34	24
Balance as at 31 December	**55,624**	**9,104**

As at 31 December 2020 the Group had carried forward tax losses in New Zealand amounting to $74,145,000 (2019: $75,160,000). These tax losses will be available to be used against future taxable income generated by the Group's New Zealand operations. No deferred tax asset has been recognised in respect of these tax losses due to insufficient certainty of future profits to utilise those losses.

In 2020, due to a strengthening of outstanding claims liabilities as a response to the COVID-19 pandemic, the Group has incurred a tax loss in Australia. Management considers it is probable that future taxable profits will be available to utilise those tax losses. Accordingly, the Group has recognised a deferred tax asset on the totality of those tax losses.

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.

	2020		2019	
	Cents per share	$'000	Cents per share	$'000
2020 nil (2019: unfranked special dividend)	–	–	24.2	99,828
2020 nil (2019: interim dividend fully franked at 30%)	–	–	9.0	37,126
2020 nil (2019: unfranked special dividend)	–	–	21.9	90,341
2019 final dividend paid on 19 March 2020 (2018: final dividend) fully franked at 30%	7.5	30,939	9.0	39,338[1]
	7.5	**30,939**	**64.1**	**266,633**

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
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(b) Dividends not recognised at reporting date

	2020		2019	
	Cents per share	$'000	Cents per share	$'000
2020 nil (2019: final dividend fully franked at 30%)	–	–	7.5	30,939
Total	**–**	**–**	**7.5**	**30,939**

On 12 February 2021, the directors determined that no final dividend declaration would be made for the year ended 31 December 2020.

(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.

	2020 $'000	2019 $'000
Franking account surplus balance – tax paid basis	25,436	14,959

After taking into consideration the impact of franking credits and debits relating to the settlement of current tax balances the franking account balance would have a deficit of $2,804,000 (2019: $10,819,000 surplus).

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 (loss)/earnings per share is calculated by dividing the (loss)/profit after tax by the weighted average number of shares on issue during the reporting period.

Diluted (loss)/earnings per share is calculated by dividing the (loss)/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 (loss)/earnings per share have been calculated using the weighted average and dilutive number of shares outstanding during the year of 412,514,000 (2019: 420,164,000) and 413,388,000 (2019: 420,780,000) respectively. The difference between basic and diluted (loss)/earnings per share is caused by the granting of potentially dilutive securities such as share rights, options and restricted share units (RSUs).

	2020	2019
Basic (loss)/earnings per share (cents per share)	(26.1)	28.6
Diluted (loss)/earnings per share (cents per share)	(26.0)	28.5

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

	2020 $'000	2019 $'000
Net (loss)/profit after tax	(107,582)	120,084
Net (loss)/profit used in calculating basic and diluted (loss)/earnings per share	(107,582)	120,084

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(continued)

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

	2020 $'000	2019 $'000
Weighted average number of ordinary shares on issue	412,514	420,164
Weighted average number of shares used in the calculation of basic (loss)/earnings per share	412,514	420,164
Weighted average number of dilutive potential ordinary shares		
Bonus element of shares	874	616
Weighted average number of shares used in the calculation of diluted (loss)/earnings per share	413,388	420,780

► 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

	2020 $'000	2019 $'000
Gross claims incurred	296,835	162,043
Reinsurance and other recoveries revenue	(6,989)	(11,157)
Net claims incurred	**289,846**	**150,886**

(b) Claims development

	2020			2019		
	Current year $'000	Prior years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims expense						
Direct	133,507	147,755	281,262	169,960	(11,982)	157,978
Inwards reinsurance	5,729	9,844	15,573	4,760	(695)	4,065
Gross claims incurred[1]	139,236	157,599	296,835	174,720	(12,677)	162,043
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries	(398)	(6,591)	(6,989)	(1,723)	(9,434)	(11,157)
Net claims incurred	**138,838**	**151,008**	**289,846**	**172,997**	**(22,111)**	**150,886**

1. Including reinsurance and other recoveries provision movement

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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.

	2020 $'000	2019 $'000
Balance as at 1 January	31,771	43,333
Expensing/reversing of reinsurance premium previously deferred	(11,553)	(11,562)
Balance as at 31 December	**20,218**	**31,771**
Comprising:		
Current	11,553	11,553
Non-current	8,665	20,218
	20,218	**31,771**

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.

	2020 $'000	2019 $'000
Balance as at 1 January	181,234	166,845
Acquisition costs incurred during the year	56,824	59,468
Amortisation charge	(196,454)	(45,079)
Balance as at 31 December	**41,604**	**181,234**
Comprising:		
Current	5,904	37,966
Non-current	35,700	143,268
	41,604	**181,234**

After conducting the liability adequacy test as at 31 March 2020, the Group had a liability deficiency of $181.8 million which resulted in a DAC write-down of $181.8 million (2019: $nil). Refer to note 4.7 for further details.

Notes to the financial statements
(continued)

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.

	2020 $'000	2019 $'000
Central estimate	462,961	319,340
Risk margin	77,392	41,565
Gross outstanding claims	**540,353**	**360,905**

(a) Reconciliation of changes in outstanding claims

	2020 $'000	2019 $'000
Balance as at 1 January	360,905	339,063
Current period net claims incurred	289,846	150,886
Movement in non-reinsurance and borrower recoveries	10,516	1,555
Claims paid	(120,914)	(130,599)
Balance as at 31 December	**540,353**	**360,905**
Comprising:		
Current	148,578	160,101
Non-current	391,775	200,804
	540,353	**360,905**

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(b) Claims development

Underwriting years	Prior years $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	Total $'000
At end of year of underwrite		992	1,079	1,021	777	1,424	860	1,162	1,019	632	2,231	
One year later		6,668	7,805	6,825	12,917	6,803	8,620	6,716	11,193	13,399		
Two years later		10,997	11,246	20,870	20,319	16,711	8,680	8,885	18,599			
Three years later		9,989	24,535	29,722	21,130	13,560	8,238	18,443				
Four years later		15,925	43,917	28,494	20,825	14,601	17,099					
Five years later		23,182	34,634	30,254	31,018	31,787						
Six years later		14,669	21,273	18,955	38,764							
Seven years later		14,053	13,540	31,205								
Eight years later		10,687	26,026									
Nine years later		15,274										
Net incurred to date		122,436	184,055	167,346	145,750	84,886	43,497	35,206	30,811	14,031	2,231	
Net paid to date		94,031	142,462	111,257	75,378	31,548	8,882	4,417	1,456	60	–	
Net outstanding claims provision at 31 December 2020	146,309	28,405	41,593	56,089	70,372	53,338	34,615	30,789	29,355	13,971	2,231	507,067
Non-reinsurance recoveries on unpaid claims at 31 December 2020												33,286
Gross outstanding claims provision at 31 December 2020												540,353

For further details on the impact from COVID-19 refer to note 1.2(e).

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.

	2020 $'000	2019 $'000
Balance as at 1 January	22,770	21,215
Movement of non-reinsurance recoveries	10,516	1,555
Balance as at 31 December	**33,286**	**22,770**

There were no reinsurance recoveries at 31 December 2020 (2019: nil).

Notes to the financial statements
(continued)

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.

	2020 $'000	2019 $'000
Balance as at 1 January	1,280,451	1,214,206
Premiums incepted during the year	561,730	433,248
Premiums earned during the year	(380,949)	(367,003)
Balance as at 31 December	**1,461,232**	**1,280,451**
Comprising:		
Current	315,781	286,114
Non-current	1,145,451	994,337
	1,461,232	**1,280,451**

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 probability of adequacy (POA) adopted for LAT 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).

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The table below provides the details of the net premium liabilities (net of reinsurance and adjusted for the appropriate risk margin) used in the LAT as at 31 December 2020, 31 March 2020 and 31 December 2019:

	31 December 2020 $'000	31 March 2020 $'000	31 December 2019 $'000
Unearned premium	1,461,232	1,302,208	1,280,451
Less: Deferred acquisition costs	(41,604)	(183,798)[1]	(181,234)
Less: Deferred reinsurance expense	(20,218)	(72,030)	(31,771)
Net unearned premium	**1,399,410**	**1,046,380**	**1,067,446**
Net central estimate of present value of expected cash flows associated with future claims	983,564	1,071,823	899,295
Risk margin of the present value of expected cash flows on future claims	137,124	156,349	121,454
Net premium liabilities	**1,120,688**	**1,228,172**	**1,020,749**
LAT surplus/(deficiency)	**278,722**	**(181,792)**	**46,697**
Risk margin percentage	17%	17%	17%
Probability of adequacy	70%	70%	70%

1. Prior to DAC write-down

Expected future claims are inherently uncertain, particularly in the current environment as the economic effects of COVID-19 continue to emerge. The Group has projected future claims from COVID-19 based on a range of possible economic scenarios and has adopted a central scenario estimate for the liability valuation incorporating a median view of economic forecasts.

At 31 March 2020, the Group had a LAT deficiency of $181.8 million which resulted in a DAC write down of $181.8 million. This related to older book years, as newer book years have benefitted from higher pricing and enhanced underwriting standards and are expected to remain profitable.

At 31 December 2020, under the Group's central scenario estimate, expected future claims (including an appropriate risk margin) exceeded the net insurance liabilities, creating a LAT surplus of $278.7 million.

The $181.8 million DAC write-down is included in the "Acquisition costs" line which totals $196.2 million in the consolidated statement of comprehensive income for the year ended 31 December 2020, and is the key driver of the reduction in "Deferred acquisition costs" in the consolidated statement of financial position from $181.2 million at 31 December 2019 to $41.6 million at 31 December 2020.

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 gross 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 earnings curve which recognises the premium in accordance with the incidence of claims risk.

The review of the premium earnings curve 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 earnings curve. Changes to earnings curve assumptions, which in turn impact the timing of the recognition of unearned premium and DAC, are recognised 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 curve 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 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.

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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.

In establishing the COVID-19 specific element of the net outstanding claims liability, significant management judgement has been applied to derive a reasonable estimate of the probability-weighted view of potential future cash flows. Key areas of judgement relate to the exposure period, the estimation of potential economic loss, related key macroeconomic variables (including unemployment), reinsurance coverage and legal risk. Given the extent of the uncertainty, the range of potential financial outcomes in relation to these matters is unusually wide. All related uncertainties have been factored into the Group's probability weighting when estimating the provision. For further details on the impact from COVID-19 refer to note 1.2(e).

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 delinquency portfolio. The Group establishes provisions for outstanding claims in two parts:

- Delinquent policies advised to the Group by lenders as being 90 days delinquent at the valuation date;
- IBNR, being the liability for future claims from policies which have missed at least 1 monthly repayment (or equivalent) and are not currently reported by lenders as being 3 months or more in delinquency. This includes policies that were reported delinquent in past periods and may re-report as delinquent in future periods.

For loans where the mortgagee is in possession (MIP) 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 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.

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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 for policies being 90 days delinquent at the valuation date:

- Average frequency factor is 31% (2019: 26%);
- Average severity factor is 27% (2019: 28%).

Incurred But Not Reported
The IBNR provision is estimated by analysing the historical pattern of reported delinquencies, separated into:

- Policies estimated as being between 30 and 90 days delinquent at the valuation date, or otherwise delinquent at that date but not reported by lenders;
- Policies which were at least 30 days delinquent in prior periods and may re-report as delinquent in subsequent periods;
- In the context of the increased uncertainty created by the COVID-19 pandemic and the associated government stimulus and repayment deferrals, the Group has revised its estimate of the re-delinquency reserve in 2020. At 31 December 2019, the Group was holding claims reserves within its IBNR for a period of six months after a delinquent loan had been cured to allow for the possibility that the loan could become re-delinquent. At 31 December 2020, the Group holds re-delinquency claims reserves for all policies that have at any point experienced delinquency up until the associated policy is cancelled or a case reserve is established. This change in assumption increased the outstanding claims liability by $116.1 million and its non-reinsurance recoveries by $7.0 million as at 31 December 2020.

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 18% (2019: 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 (2019: nil).

The weighted average term to settlement, which is estimated to be 28 months (2019: 22 months).

Notes to the financial statements
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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 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, 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.

Impact on net outstanding claims liabilities to changes in key variables

	2020				2019			
	Net outstanding claims liability		Net premium liability		Net outstanding claims liability		Net premium liability	
Sensitivity change	$M	%	$M	%	$M	%	$M	%
Base	429		984		297		899	
Ultimate loss ratio								
Upside Economics – 5% House Price Appreciation, 1% reduction in unemployment rate	(22)	(5)	(145)	(15)	(9)	(3)	(62)	(7)
Downside Economics – 5% House Price Depreciation (HPD), 1% increase in unemployment rate	22	5	156	16	9	3	102	11
Downside Economics – 10% HPD, 1% increase in unemployment rate	34	8	209	21	18	6	146	16
Downside Economics – 15% HPD	33	8	146	15	27	9	154	17
Discount rate								
+ 0.5%	–	–	(27)	(2)	–	–	(19)	(2)
+ 1.0%	–	–	(50)	(5)	–	–	(39)	(4)

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 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 2020. 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 $10.0 million, with an equal and opposite impact in non-current unearned premium, as at 31 December 2020 and 31 December 2019.

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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 2020:

- Genworth Mortgage Insurance Australia Limited;
- Genworth Financial Mortgage Insurance Pty Limited (GFMI);
- Genworth Financial Mortgage Indemnity Limited;
- Balmoral Insurance Company Limited.

The calculation of the Prescribed Capital Amount (PCA) provided below is based on the APRA Level 2 Group requirements.

	2020 $'000	2019 $'000
Tier 1 capital		
Paid-up ordinary shares	1,090,180	1,090,180
Reserves	(475,385)	(474,350)
Retained earnings	773,125	911,646
Less: Deductions	(73,457)	(25,567)
Net surplus/(deficit) relating to insurance liabilities	111,879	(42,327)
Common equity Tier 1 capital	**1,426,342**	**1,459,582**
Tier 2 capital	**190,000**	**200,000**
Total capital base	**1,616,342**	**1,659,582**
Insurance risk charge	332,031	284,442
Insurance concentration risk charge	511,717	479,115
Asset risk charge	166,088	125,679
Operational risk charge	43,428	35,726
Aggregation benefit	(71,949)	(55,703)
Total PCA	**981,315**	**869,259**
PCA coverage	**1.65x**	**1.91x**

Notes to the financial statements

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► 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 incorporated in Australia 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.

Following an assessment of the impact of the COVID-19 pandemic, in May 2020, ratings agencies revised the insurer financial strength (IFS) rating of the Group's operating subsidiary Genworth Financial Mortgage Insurance Pty Limited. GFMI's rating was affirmed by Standard and Poor's at 'A', with the outlook changed from 'stable' to 'negative'. Fitch revised its rating from 'A+' (Strong) to 'A' (Strong); with the outlook maintained as 'negative'. Both agencies acknowledged the capital strength and strong competitive position of GFMI.

(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.

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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.

	2020 $'000	2019 $'000
Subordinated notes		
$200 million subordinated notes (A)	–	200,000
$190 million subordinated notes (B)	190,000	–
Less: capitalised transaction costs	(2,219)	(631)
	187,781	**199,369**

(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. On 3 July 2020, GFMI exchanged $146,575,000 of the outstanding $200,000,000 due in July 2025 (existing 2015 notes) for $146,575,000 of a new 10-year, non-call five-year floating rate subordinated notes due on 3 July 2030 (new 2020 notes). $5,000,000 of the existing 2015 notes were redeemed on 25 August 2020 with the remainder $48,425,000 of existing 2015 notes redeemed by GFMI on 6 October 2020.

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.

(B) On 3 July 2020, GFMI exchanged $146,575,000 of the outstanding $200,000,000 due in July 2025 (existing 2015 notes) for $146,575,000 of new 10-year, non-call five-year floating rate subordinated notes due on 3 July 2030 (new 2020 notes). GFMI also issued $43,425,000 additional new 2020 notes. The new 2020 notes qualify as Tier 2 Capital under the APRA's capital adequacy framework. As at 31 December 2020 GFMI has $190,000,000 of new 2020 notes on issue.

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 5.0% per annum;
- The notes mature on 3 July 2030 (non-callable for the first five years) with the issuer having the option to redeem at par from 3 July 2025. Redemption at maturity, or any earlier date provided for in the terms and conditions of issue, is subject to prior approval by APRA.

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5.3 Equity

(a) Share capital

	2020 Number of shares '000	2020 $'000	2019 Number of shares '000	2019 $'000
Issued fully paid capital				
Balance as at 1 January	412,514	1,090,180	437,465	1,154,084
Buy-back shares, net of transaction costs	–	–	(24,951)	(63,904)
Balance as at 31 December	**412,514**	**1,090,180**	**412,514**	**1,090,180**

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.

(b) Share-based payment reserve

	2020 $'000	2019 $'000
Balance as at 1 January	2,209	1,659
Share-based payment expense	42	2,095
Share-based payment settled	(1,077)	(1,545)
Balance as at 31 December	**1,174**	**2,209**

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 2020 (31 December 2019: nil).

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 2020 (31 December 2019: nil).

5.5 Other reserves

	2020 $'000	2019 $'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.

Notes to the financial statements
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► 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:

	2020 $'000	2019 $'000
Cash assets	104,557	87,254

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.

	2020 $'000	2019 $'000
Premium receivable	19,150	37,749
Sub-lease receivable	4,514	3,184
Trade and other receivables	4,321	2,033
Income tax receivable	28,240	4,140
	56,225	**47,106**
Comprising:		
Current	52,873	25,498
Non-current	3,352	21,608
	56,225	**47,106**

Carrying amounts of receivables reasonably approximate fair value at the reporting date. None of the receivables are impaired or past due as at 31 December 2020 and 31 December 2019.

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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 asset leased are of low value.

Accounting policies

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.

The lease liability is measured at amortised cost using the effective interest 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 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 or 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.

Lease assets (right-of-use assets)

	2020 $'000	2019 $'000
Balance as at 1 January	11,166	14,346
Additions	300	–
Disposals	(8)	–
Decrease from recognition of sub-lease asset	(2,739)	–
Depreciation charge for the year	(2,671)	(3,245)
Modification of leases	(93)	65
Balance as at 31 December	**5,955**	**11,166**

Notes to the financial statements
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Lease liabilities

	2020 $'000	2019 $'000
Balance as at 1 January	16,430	19,108
Payments made	(4,935)	(3,551)
Additions	300	–
Disposals	(17)	–
Interest expense	639	808
Modification of leases	(93)	65
Balance as at 31 December	**12,324**	**16,430**
Comprising:		
Current	4,978	4,790
Non-current	7,346	11,640
	12,324	**16,430**
Maturity analysis – contractual undiscounted cash flows		
Future payments to be made arising from lease contracts:		
Within one year	5,097	4,909
One year or later and no later than five years	7,942	12,879
Total undiscounted lease liabilities as at 31 December	**13,039**	**17,788**
Amounts recognised in profit and loss		
Depreciation charge for the period	(2,671)	(3,245)
Interest expense on lease liabilities	(639)	(808)
Income from subleasing right-of-use assets	221	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.

Notes to the financial statements
(continued)

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 (2019: nil).

For further details on the impact from COVID-19 refer to note 1.2(e).

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

	2020 $'000	2019 $'000
Cost		
Balance as at 1 January	32,454	30,618
Additions	407	2,226
Disposals	–	(390)
Balance as at 31 December	**32,861**	**32,454**
Accumulated amortisation and impairment losses		
Balance as at 1 January	(25,114)	(24,423)
Amortisation	(1,257)	(1,048)
Disposals	–	357
Balance as at 31 December	**(26,371)**	**(25,114)**
Total net intangibles	**6,490**	**7,340**

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 2020, 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.

For further details on the impact from COVID-19 refer to note 1.2(e).

	2020 $'000	2019 $'000
Goodwill – at deemed cost	9,123	9,123

Notes to the financial statements
(continued)

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 2020 is 1.6% (2019: 1.7%);
- Discount rate reflects a beta and equity risk premium applicable to the Group. The pre-tax discount rate used at 31 December 2020 is 12.9% (2019: 13.6%).

Management believes that any reasonably possible change in the key assumptions on which the value in use of the Group's CGU is based would not cause the Group'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), the Group's goodwill is not impaired:

- Reduction of the net cash flow projection by 15%;
- Terminal growth rate of 0%;
- Increase of the discount rate by 200 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 30-60 days. The carrying amount of accounts payable approximates fair value.

	2020 $'000	2019 $'000
Accrued expenses	15,362	15,919
Trade creditors and other payables	35,520	25,810
Related party payables	2	98
Derivative financial instruments	14	-
	50,898	**41,827**
Comprising:		
Current	49,058	38,645
Non-current	1,840	3,182
	50,898	**41,827**

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 Group'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.

Notes to the financial statements
(continued)

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.

	2020 $'000	2019 $'000
Annual leave	2,943	2,583
Long service leave	4,702	4,513
	7,645	**7,096**
Comprising:		
Current	5,842	5,313
Non-current	1,803	1,783
	7,645	**7,096**

As at the balance date there were 181 employees (2019: 195).

► SECTION 7 – OTHER DISCLOSURES
7.1 Parent entity disclosures

	2020 $'000	2019 $'000
Results of the parent entity		
Profit for the year	30,060	303,237
Total comprehensive income for the year	30,060	303,237
Financial position of parent entity		
Current assets	5,528	6,355
Total assets	1,822,706	1,821,382
Current liabilities	3,731	949
Total liabilities	3,731	949
Net assets	**1,818,975**	**1,820,433**
Total equity of the parent entity comprising of:		
Share capital	1,090,180	1,090,180
Retained earnings	293,127	294,006
Share-based payments	993	1,572
Other reserves	434,675	434,675
Total equity	**1,818,975**	**1,820,433**

7.2 Remuneration of auditors

	2020 $	2019 $
Audit and review of financial statements	905,743	840,743
Regulatory audit services	91,275	91,275
Audit related services	53,330	12,780
	1,050,348	**944,798**

Notes to the financial statements
(continued)

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

Pauline Blight-Johnston (appointed on 2 March 2020)

David Foster

Ian MacDonald

Graham Mirabito (appointed on 10 August 2020)

Rajinder Singh (appointed on 9 September 2020)

Stuart Take

Andrea Waters (appointed on 16 March 2020)

Duncan West

Executive KMP

Michael Bencsik

Andrew Cormack

Steven Degetto

Former Directors

Christine Patton (resigned on 9 August 2020)

Gayle Tollifson (resigned on 15 March 2020)

Jerome Upton (resigned on 8 September 2020)

The key management personnel compensation is:

	2020 $'000	2019 $'000
Short-term employee benefits	3,342	4,857
Post-employment benefits	265	725
Equity compensation benefits	104	1,541
	3,711	**7,123**

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 $4,561,000 (2019: $4,584,000) for the year ended 31 December 2020. There is a payable balance of $2,000 as at 31 December 2020 (2019: $98,000).

Share buy-back

There has been no on-market share buy-back for the year ended 31 December 2020. In 2019 GFI participated in on-market sale transactions during the buy-back program to maintain approximately a 52% stake in the Group. GFI had sold 13.0 million shares for a total consideration of $32.9 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.

Notes to the financial statements
(continued)

Major shareholder and its ultimate parent entity

The major shareholder of the Group is Genworth Financial International Holdings, LLC and 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. On 5 January 2021, GFI announced that, given the uncertainty around the completion and timing of the remaining steps required to close the transaction, GFI and China Oceanwide have not extended the current 31 December 2020 end date under the merger agreement. However, the merger agreement remains in effect, although either party is able to terminate the merger agreement at any time. Further details are set out in the Company's announcement of 5 January 2021.

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 (%) 2020	Equity holding (%) 2019
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.

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.

Notes to the financial statements
(continued)

Share rights plan grant date	Available to	Vesting period	Total ($)
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
Grant date	1 March 2017	6 May 2016
Share price on grant date ($)	$2.81	$3.00
Dividend yield	8.60%	11.36%
Risk free rate (%)	Tranche 1: 1.83% Tranche 2: 2.00% Tranche 3: 2.15% Tranche 4: 2.29%	Tranche 1: 1.57% Tranche 2: 1.57% Tranche 3: 1.57% Tranche 4: 1.80%
Vesting dates	Tranche 1: 1 March 2018 Tranche 2: 1 March 2019 Tranche 3: 1 March 2020 Tranche 4: 1 March 2021	Tranche 1: 1 March 2017 Tranche 2: 1 March 2018 Tranche 3: 1 March 2019 Tranche 4: 1 March 2020

The final tranche of the 2016 Equity Plan grant vested on 1 March 2020.

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.

Notes to the financial statements
(continued)

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

2020 Grant date	Balance at 1 January 2020 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2020 Number	Vested and exercisable at end of the year Number
6 May 2016	34,302	–	(34,302)	–	–	–
1 March 2017	85,393	–	(42,674)	(2,542)	40,177	–
1 March 2019	215,087	35,321	(244,532)	(5,876)	–	–
1 March 2020	–	117,533[1]	–	–	117,533	–
Total	**334,782**	**152,854**	**(321,508)**	**(8,418)**	**157,710**	**-**

1. The number of share rights granted in the period representing the deferred short term incentive component under the 2019 remuneration program

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

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
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
1 March 2020	share rights	$1,771,188

Notes to the financial statements

(continued)

Key terms and conditions for the 2020 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 Underlying return on equity (ROE) performance condition. The Group's three-year average Underlying ROE measured against regulatory capital (based on the upper end of the Board's target range above the prescribed capital amount) is tested against target Underlying ROEs over a three-year period;
  - 75% is subject to relative total shareholder return (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 2020 long term incentive plan by $3.7341, being the 10-day volume weighted average price (VWAP) of the Company share price as at 31 December 2019 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.

The fair value of the share rights for LTI linked to relative TSR performance huddles 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.

	2020	2019	2018	2017
Grant date	1 March 2020	1 March 2019	1 March 2018	1 March 2017
Share price on grant date ($)	$3.22	$2.53	$2.37	$2.81
Dividend yield (%)	0%[1]	0%[1]	0%[1]	8.60%
Volatility (%)	31.94%	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 financial services (excluding REITs) has been used	A correlation matrix for the ASX 200 (excluding resource companies) has been used
Risk free rate (%)	0.54%	2.24%	2.1%	2.0%
Vesting date	31 December 2023	31 December 2022	31 December 2021	31 December 2020

1. Consistent with the requirements set out in AASB 2 *Share-based payment*, 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

Notes to the financial statements
(continued)

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

2020 Grant date	Balance at 1 January 2020 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2020 Number	Vested and exercisable at end of the year Number
6 May 2016[1]	–	60,393	(60,393)	–	–	–
1 March 2017	453,430	–	(80,112)	(373,318)	–	–
17 July 2017	75,025	–	(37,512)	(37,513)	–	–
1 March 2018	583,215	–		(336,233)	246,982	–
1 March 2019	777,190	–	–	(305,783)	471,407	–
1 March 2020	–	474,328	–	(23,620)	450,708	–
Total	**1,888,860**	**534,721**	**(178,017)**	**(1,076,467)**	**1,169,097**	**–**

1. Represents notional dividends awarded as share rights associated with 2016 LTI plan share rights that had previously vested/been exercised on 31 December 2019

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

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.

Notes to the financial statements
(continued)

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

2020 Grant date	Expiry date	Exercise price ($)	Balance at 1 January 2020 Number	Granted in the year Number	Exercised in the year Number	Cancelled/ forfeited in the year Number	Balance at 31 December 2020 Number	Vested and exercisable at end of the year Number
10/02/2010	10/02/2020	18.41	27,000	–	–	(27,000)	–	–
09/02/2011	09/02/2021	16.55	26,500	–	–	(18,000)	8,500	8,500
14/02/2012	14/02/2022	11.53	32,100	–	–	(20,400)	11,700	11,700
15/02/2013	15/02/2023	11.76	31,500	–	–	(18,000)	13,500	13,500
20/02/2014	20/02/2024	19.77	14,000	–	–	–	14,000	14,000
Total			**131,100**	**-**	**-**	**(83,400)**	**47,700**	**47,700**
Weighted average exercise price ($)			14.90	–	–	14.89	14.91	14.91

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

7.7 Events subsequent to reporting date

On 12 February 2021, the Directors determined that no dividend declaration would be made for the year ended 31 December 2020.

There are no events that have arisen since 31 December 2020 to the date of this report that, in the opinion of the Directors, that have significantly affected or may significantly affect the operations of the Group or the state of affairs of the Group in future years.

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 53 to 99 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 2020 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 2020.

Signed in accordance with a resolution of the Directors

Ian MacDonald
Chairman

Dated 26 February 2021

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 2020 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 2020;
- 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; and
- Directors' Declaration.

The **Group** consists of 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 (including Independence Standards)* (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.

Independent auditor’s report

(continued)

Valuation of Gross Outstanding Claims Liability (A$540m)

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;
- past claims experience being an appropriate predictor of future experience; and
- the impact of COVID-19 including the related government stimulus and lender payment deferral programs on future delinquencies and claim payments.

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

We tested the key controls designed and operated by the Group over the valuation of the 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 property prices and other impacts due to the COVID-19 pandemic 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.

Independent auditor's report
(continued)

Valuation of Unearned Premium Liability (A$1,461m), Net Earned Premium (A$312m) and the Liability Adequacy Test (LAT)

Refer to the accounting policy in Note 4.6 Unearned premium, Note 4.7 Liability adequacy test, Note 4.8 Accounting estimates and judgements, and Note 4.9 Actuarial assumptions and methods to the Financial Report.

The key audit matter

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 unearned premium liability is also subject to a Liability Adequacy Test (LAT) at each reporting date, whereby it is compared to the present value of cash flows relating to future claims plus an additional risk margin. Expected future claims are estimated in a consistent manner to the earnings pattern described above and therefore also have a high degree of estimation uncertainty. Further, the impact of COVID-19 on future claims significantly increased the estimation uncertainty during the year. The LAT resulted in a $181.8 million write-down of the deferred acquisition costs in 2020.

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.

How the matter was addressed in our audit

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 the methodology adopted to compare the pattern of risk emergence with current year experience and consideration of estimated future experience;
- 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, including impacts from COVID-19, 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.

KPMG

Independent auditor's report
(continued)

Other Information

Other Information is financial and non-financial information in Genworth Mortgage 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.

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*; and
- 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: https://auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Independent auditor's report
(continued)

Report on the Remuneration Report

Opinion	Directors' responsibilities
In our opinion, the Remuneration Report of Genworth Mortgage Insurance Australia Limited for the year ended 31 December 2020, complies with *Section 300A* of the *Corporations Act 2001*.	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 49 of the Directors' report for the year ended 31 December 2020. 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 2021

Shareholder information

Unless otherwise stated, the information in this section is current as at 18 January 2021.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting (AGM) of Genworth Mortgage Insurance Australia Limited will be held on Thursday, 6 May 2021. 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. Further details will be set out in the Notice of 2021 AGM to be released on ASX in due course.

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 2021 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, 29 April 2021. Members will also be given a reasonable opportunity to ask questions of the Company and the auditor at the AGM.

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 2020
Full year results announced	12 February 2021
Annual Report and Notice of AGM mail out commences	26 March 2021
AGM	6 May 2021

1. Some dates may be subject to change

ORDINARY SHARES AND SHARE RIGHTS

As at 18 January 2021, the Company had on issue the following equity securities:

- 412,514,184 Shares
- 1,326,807 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
AXA S.A.	82,090,323	19.9	21 July 2020
National Nominees Ltd ACF Australian Ethical Investment Limited	20,694,424	5.02	18 December 2020

Note: substantial holder details are as disclosed in substantial holding notices given to the Company

Shareholder information

(continued)

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)	132,226,515	32.05
2	Genworth Financial International Holdings, LLC and Genworth Holdings, Inc. (as partners of the Genworth Australian General Partnership) <Pledged Shares A/C>	82,090,323	19.90
3	HSBC Custody Nominees (Australia) Limited	56,117,910	13.60
4	Citicorp Nominees Pty Limited	27,099,081	6.57
5	National Nominees Limited	24,990,471	6.06
6	J P Morgan Nominees Australia Pty Limited	19,398,210	4.70
7	Brazil Farming Pty Ltd	6,661,673	1.62
8	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	3,563,840	0.87
9	Argo Investments Limited	3,208,901	0.78
10	Prudential Nominees Pty Ltd	2,935,000	0.71
11	National Exchange Pty Ltd	2,000,000	0.49
12	BNP Paribas Noms Pty Ltd <DRP>	1,995,091	0.48
13	Mr Guthrie John Williamson	1,292,170	0.31
14	BNP Paribas Nominees Pty Ltd <IB AU Noms Retail Client DRP>	1,202,482	0.29
15	Solium Nominees (Australia) Pty Ltd <VSA A/C>	1,147,571	0.28
16	Girt by Sea Investments P/L <Mort Bay S/F A/C>	823,469	0.20
17	National Nominees Limited <Db A/C>	744,245	0.18
18	Mr Sunny Yang + Mrs Connie Yang <Yang's Family A/C>	450,891	0.11
19	FJP Pty Ltd <Palazzo Family S/F A/C>	438,750	0.11
20	Aotearoa Investment Company Pty Limited <Roberts Investment No2 A/C>	380,765	0.09
	Total for Top 20	**368,767,358**	**89.40**

Shareholder information
(continued)

Distribution schedule of holders of ordinary shares

Range	Number of holders	Number of shares	% of issued shares
1 – 1000	1,504	710,093	0.17
1,001 – 5,000	1,689	4,749,273	1.15
5,001 – 10,000	774	6,084,213	1.48
10,001 – 100,000	880	22,047,854	5.34
100,001 and over	76	378,922,751	91.86
Total	**4,923**	**412,514,184**	**100.00**

Note: Shareholders with less than a marketable parcel of 223 ordinary shares ($2.250 on 18 January 2021) is 368 and they hold 29,022 ordinary shares.

Dividend details

Share class	Dividend	Franking	Amount per share	Payment date
Ordinary	Final (FY19)	Fully franked	7.5 cents	19 March 2020

SHARE RIGHTS INFORMATION

Distribution schedule of holders of share rights

Range	Number of holders	Number of share rights	% of total share rights
1 – 1,000	1	911	0.1
1,001 – 5,000	12	18,992	1.4
5,001 – 10,000	4	29,531	2.2
10,001 – 100,000	4	279,807	21.1
100,001 and over	5	997,566	75.2
Total	**26**	**1,326,807**	**100.0**

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

499,525 shares were purchased on-market for the purposes of the Rights Plan during the period from 1 January 2020 to 31 December 2020 at an average price of $3.27 per share.

On-market share buy-back

As at 18 January 2021, there was no current on-market share buy-back.

Glossary

AASB	Australian Accounting Standards Board
APRA	Australian Prudential Regulation Authority
ASX	Australian Securities Exchange
Book Year	The calendar year an LMI policy is originated
Business Select	LMI product offered by Genworth to provide self-employed borrowers access to residential mortgage finance by providing limited evidence of income. The borrower self certifies an income that is used to establish serviceability
Central estimate	The value of insurance liabilities which represents the average (i.e. statistical mean) of the estimated distribution of outcomes
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; • rank behind the claims of policyholders and creditors in the event of winding up
China Oceanwide	China Oceanwide Holdings Group Co., Ltd
Combined ratio	The sum of the loss ratio and the expense ratio
COVID-19	A disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease
DAC	Deferred acquisition costs
Deferral	Temporary relief granted to borrowers impacted by COVID-19 by lender customers, allowing them to defer loan repayments for a period of time. Active – comprised of new and existing deferrals Cumulative – All deferral notifications received to date Closures – lender notified opt outs and closures. Also includes expiry of deferral periods
Delinquency	Any insured loan which is reported as three or more months of repayments in arrears
Delinquency rate	The delinquency rate is calculated by dividing the number of reported delinquent loans insured by the number of in-force policies (excluding excess of loss insurance)
EPS	Earnings per share
Excess of loss or XOL	A type of insurance in which the insurer indemnifies the insured for losses that exceed a specified limit
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
Fitch	Fitch Ratings
Flow	Policies written by Genworth on a loan by loan basis at the time of origination by the lender customer
GDP	Gross domestic product
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

Glossary
(continued)

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
Homebuyer Plus	LMI product offered by Genworth that allows borrowers to purchase a property for owner occupation with limited or no deposit, or those wishing to use money not sourced from their own savings as a deposit
HPA/HPD	House price appreciation/depreciation
IBNR	Delinquent loans that have been incurred but not reported
IFRS	International Financial Reporting Standards
Indemnity	Genworth Financial Mortgage Indemnity Ltd
Insurance in-force	The original principal balance of all mortgage loans currently insured (excludes excess of loss insurance)
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
Insured loans in-force	The count of policies currently insured (excludes excess of loss insurance)
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
JobKeeper/JobSeeker	Payment designed to help businesses affected by COVID-19 to cover the costs of their employees' wages/financial help for people aged between 22 and the aged pension
KMP	Key Management Personnel, as the term is defined in the Corporations Act 2001 (Cth)
LAT	Liability adequacy test – AASB 1023 – General Insurance Contracts requires a LAT test. If the LAT test is failed, the DAC asset is written-down and an unexpired risk reserve established if there is a further deficiency after the write-down of DAC
Lender customers	Those with a direct relationship with Genworth such as traditional lenders and funding programs. Excludes mortgage managers and originators who generate loans though a funding program
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
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
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
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

Glossary
(continued)

NIW	New insurance written
NPAT	Net profit after tax
Omnibus incentive plans	The Genworth Financial 2004 Omnibus Incentive Plan and 2012 Omnibus Incentive Plan
PCA	Prescribed capital amount
PCA coverage	Calculated by dividing the regulatory capital base by the prescribed capital amount
PCR	The PCA plus any supervisory adjustment determined by APRA
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
Premium liabilities	Premium liabilities reflects the present value of (a) expected cash flows associated with anticipated future claims based on the net central estimate; and (b) risk margin
Regulatory capital base	The sum of Tier 1 Capital and Tier 2 Capital
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
Risk margin	An additional amount that is added to the central estimate loss forecast and reserves to reflect the inherent uncertainty in forecasting loss outcomes
RSU	Restricted share units
S&P	Standard & Poor's Ratings Services
SLT	Senior Leadership Team
Statutory NPAT	Net profit/(loss) after tax
STI	Short-term incentive
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
Top-ups	When a lender customer purchases additional LMI policies to cover an increase in the amount of original mortgage loan
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 unhedged movements in foreign exchange rates on Genworth's non-AUD exposures. The bulk of these foreign exchange exposures are fully 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

Corporate directory

REGISTERED OFFICE

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Company Secretary

Ms Prudence Milne, General Counsel and Company Secretary

Assistant Company Secretary

Mr Brady Weissel, Corporate Counsel and Assistant Company Secretary

SHARE REGISTRY

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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.

genworth.com.au