Genworth Mortgage Insurance Australia Limited

ABN 72 154 890 730

Half Year Financial Report 30 June 2021

Appendix 4D

Contents **Page**

1) Company details

Genworth Mortgage Insurance Australia Limited
ABN 72 154 890 730
Reporting period: 1 January 2021 to 30 June 2021
Previous corresponding reporting period: 1 January 2020 to 30 June 2020

2) Results for announcement to the market

	Up/ down	% change	Half year ended 30 June 2021 $'000	Half year ended 30 June 2020 $'000
Revenue from ordinary activities[1]	Down	(12.3%)	208,721	237,894
Net profit / (loss) from ordinary activities after income tax attributable to shareholders	Up	N.M.[2]	59,366	(90,024)
Net profit / (loss) for the period attributable to shareholders	Up	N.M.[2]	59,366	(90,024)

1 Includes Gross written premium, Movement in unearned premium, Other underwriting revenue, Investment income on assets backing insurance liabilities and Investment income on equity holders' funds.

2 N.M. Not Meaningful (increases or decreases greater than 100%).

Dividends	Amount per security (cents)	Franked amount per security (cents)
Interim dividend	5.0	unfranked

The record date of interim dividend is 18 August 2021

Brief explanation of any figures reported above

Please refer to the commentary in the review of operations and activities section of the directors' report and the half year results announcement accompanying this half year report.

3) Net tangible assets per security

	Half year ended 30 June 2021 $	Half year ended 30 June 2020 $
Net tangible assets per security	3.47	3.37

Net tangible assets per ordinary share has been determined by using the net assets on the balance sheet adjusted for intangible assets and goodwill.

4) Entities over which control has been gained or lost during the period

None

5) Dividends

Refer to note 3.1 in the half year financial report attached.

6) Dividend reinvestment plan

Not applicable

7) Details of associates and joint venture entities

Not applicable

8) For foreign entities, which set of accounting standards is used in compiling the report

Not applicable

9) Audit dispute or qualification

Not applicable

Genworth Mortgage Insurance Australia Limited

ABN 72 154 890 730

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2021

Contents

Directors' report

The Directors present their report together with the financial statements of Genworth Mortgage Insurance Australia Limited (the Company) and its controlled entities (the Group) for the half year ended 30 June 2021 and the independent auditor's review report thereon.

Directors

The directors of the Company at any time during or since the end of the half year ended 30 June 2021 are as follows:

Pauline Blight-Johnston
David Foster
Ian MacDonald (Chairman)
Gai McGrath
Graham Mirabito
Rajinder Singh (resigned 1 March 2021)
Stuart Take (resigned 1 March 2021)
Andrea Waters
Duncan West

Principal activity

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

Review and results of operations

The Group reported a net profit after tax of $59.4 million compared to the $90.0 million net loss after tax in the prior corresponding period which was impacted by the $181.8 million DAC write-down. Net claims incurred improved in the 2021 half year results reflecting the improving economic environment.

The Appointed Actuary has undertaken a review of the earnings curve. The earnings curve has been recalibrated resulting in a lengthening of the average duration of the period over which we recognise our revenue based on a more favourable loss experience and economic outlook than was expected at the time of the December 2020 review. The updated curve has been applied in the recognition of earned premium in the profit and loss from 1 April 2021. Due to the size of the unearned premium, any changes to the earnings pattern are likely to have a significant impact on results in any given year. The changes applied to the premium earning pattern as part of the annual review process resulted in a reduction in net earned premium by $12.4 million in the 2021 half year result.

The COVID-19 pandemic and the extent and duration of the impact of actions by government, business and consumers in response to COVID-19 continues to have significant economic impacts and will continue to evolve. The economic outlook continues to improve with the vaccine rollout, however further incidence of further localised city lockdowns or state border closures may continue. Estimation uncertainty persists in the preparation of the financial report, in particular, assumptions associated with the frequency and severity at which claims will emerge. The Group has developed various accounting estimates in this financial report based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2021 about future events that the Directors believe are reasonable in the circumstances.

Change in the state of affairs

On 3 March 2021, Genworth Financial Inc (GFI) (through certain wholly owned subsidiaries) sold its entire holding of shares in the Company. As a result of the sale of GFI's holding in the Company, GFI's appointed directors resigned from the Board of the Company.

A number of commercial agreements to which the Company and GFI (or their related bodies corporate) are party, which were established at the time of the initial public offering of the Company will terminate following transition periods, including a Trademark License Agreement, IT Services Agreement and Shared Services

Agreement. The Group has prepared a disengagement plan in respect of the services provided under these agreements and is putting in place alternative arrangements.

Regulatory capital

The Group's regulatory capital at 30 June 2021 was 1.74 times the Prescribed Capital Amount (PCA) on a level 2 basis and the Common Equity Tier 1 (CET1) ratio was 1.56 times. Regulatory capital is above the Board's target capital range (1.32 to 1.44 times) and reflects its strong capital position.

Corporate structure

The Company is a company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange (ASX).

Market capitalisation

The market capitalisation of the Company as at 30 June 2021 was $907.5 million based on the closing share price of $2.20.

Events subsequent to reporting date

On 4 August 2021, the directors declared a 5.0 cent per ordinary share unfranked interim dividend totalling approximately $20.6 million for the half year ended 30 June 2021.

There are no other events that have arisen since 30 June 2021 to the date of this report that, in the opinion of the directors, have significantly affected or may significantly affect the operations of the Group or the state of affairs of the Group in future years.

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.

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 Instrument, amounts in the consolidated financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report.

Signed in accordance with a resolution of the Directors:

Ian MacDonald

Chairman

Dated: 4 August 2021

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 review of Genworth Mortgage Insurance Australia Limited for the half-year ended 30 June 2021 there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Julia Gunn
Partner
Sydney
4 August 2021

Consolidated financial statements

Contents

Consolidated statement of comprehensive income

For the half year ended 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Gross written premium		289,715	239,321
Movement in unearned premium		(84,601)	(53,996)
Outward reinsurance premium expense		(34,247)	(34,539)
Net earned premium		**170,867**	**150,786**
Net claims incurred		(49,320)	(101,085)
Acquisition costs		(3,549)	(194,546)
Other underwriting expenses		(30,865)	(29,181)
Other underwriting revenue		599	599
Underwriting result		**87,732**	**(173,427)**
Investment (loss)/income on assets backing insurance liabilities		(16,225)	45,300
Insurance profit/(loss)		**71,507**	**(128,127)**
Investment income on equity holders' funds		19,233	6,670
Investment expense on equity holders' funds		(1,938)	(2,216)
Financing costs		(5,119)	(4,963)
Profit/(loss) before income tax		**83,683**	**(128,636)**
Income tax (expense)/benefit		(24,317)	38,612
Profit/(loss) for the period		**59,366**	**(90,024)**
Total comprehensive income/(loss) for the period		**59,366**	**(90,024)**
Earnings per share			
Basic earnings/(loss) per share (cents per share)	3.2	14.4	(21.8)
Diluted earnings/(loss) per share (cents per share)	3.2	14.4	(21.8)

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

Consolidated statement of financial position

As at 30 June 2021

	Note	30 June 2021 $'000	31 December 2020 $'000
Assets			
Cash and cash equivalents		89,623	104,557
Accrued investment income		22,189	20,492
Investments	2.1	3,493,267	3,320,968
Trade and other receivables		43,032	56,225
Prepayments		5,305	1,760
Deferred reinsurance expense		42,905	20,218
Non-reinsurance recoveries	4.2	35,351	33,286
Deferred acquisition costs		66,091	41,604
Plant and equipment		3,835	4,301
Lease assets		4,789	5,955
Deferred tax assets		46,890	55,624
Intangibles		5,557	6,490
Goodwill		9,123	9,123
Total assets		**3,867,957**	**3,680,603**
Liabilities			
Trade and other payables		50,971	50,898
Lease liabilities		10,073	12,324
Reinsurance payable		51,665	32,450
Outstanding claims	4.1	567,164	540,353
Unearned premium		1,545,842	1,461,232
Employee benefits provision		7,508	7,645
Interest bearing liabilities	5.1	188,002	187,781
Total liabilities		**2,421,225**	**2,292,683**
Net assets		**1,446,732**	**1,387,920**
Equity			
Share capital	5.2	1,090,180	1,090,180
Share-based payment reserve		620	1,174
Other reserves		(476,559)	(476,559)
Retained earnings		832,491	773,125
Total equity		**1,446,732**	**1,387,920**

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

Consolidated statement of changes in equity

For the half year ended 30 June 2021

	Share capital	Other reserves	Retained earnings	Share-based payment reserve	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2020	1,090,180	(476,559)	911,646	2,209	1,527,476
Loss after taxation	-	-	(90,024)	-	(90,024)
Dividends declared and paid	-	-	(30,939)	-	(30,939)
Share-based payment expense recognised	-	-	-	(95)	(95)
Share-based payment settled	-	-	-	(876)	(876)
Balance at 30 June 2020	**1,090,180**	**(476,559)**	**790,683**	**1,238**	**1,405,542**
Balance at 1 January 2021	1,090,180	(476,559)	773,125	1,174	1,387,920
Profit after taxation	-	-	59,366	-	59,366
Share-based payment expense recognised	-	-	-	176	176
Share-based payment settled	-	-	-	(730)	(730)
Balance at 30 June 2021	**1,090,180**	**(476,559)**	**832,491**	**620**	**1,446,732**

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

Consolidated statement of cash flows

For the half year ended 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Premiums received		316,368	263,638
Interest and other income		20,561	27,187
Claims paid		(25,205)	(69,472)
Interest paid		(4,850)	(4,103)
Outwards reinsurance premium expense paid		(37,719)	(38,672)
Cash payments in the course of operations		(103,038)	(89,220)
Income tax refund/(paid)		1,878	(14,727)
Net cash provided by operating activities		**167,995**	**74,631**
Cash flows from investing activities			
Payment for plant and equipment and intangibles		-	(480)
Payments for the purchase of investments		(1,160,288)	(1,845,467)
Proceeds from sale of investments		978,599	1,797,665
Proceeds from sub-lease of property		957	762
Net cash used in investing activities		**(180,732)**	**(47,520)**
Cash flows from financing activities			
Dividends paid		-	(30,939)
Payment of lease liabilities		(2,250)	(2,400)
Net cash used in financing activities		**(2,250)**	**(33,339)**
Net decrease in cash held		**(14,987)**	**(6,228)**
Effects of exchange rate changes on balances of cash held in foreign currencies		53	(125)
Cash and cash equivalents at the beginning of the financial year		**104,557**	**87,254**
Cash and cash equivalents at the end of the financial period		**89,623**	**80,901**

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

Section 1 Basis of preparation

1.1 Reporting entity

This general purpose consolidated financial report is for the half year ended 30 June 2021 and comprises the consolidated financial statements of 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 lenders mortgage insurance business in Australia, therefore no segment information is presented.

The financial statements were authorised for issue by the Board of Directors on 4 August 2021.

The consolidated half year financial report does not include all the information required for full annual financial reports and should be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made during the half year reporting period in accordance with the continuous disclosure reporting requirements of the *Corporations Act 2001*.

1.2 Significant accounting policies

(a) Statement of compliance

This consolidated financial report is a general purpose half year financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and all other applicable 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 (AIFRS). The half year financial report of the consolidated entity also complies with IAS 34 *Interim Financial Reporting,* 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 changes in 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 consolidated financial statements have been prepared on the historical cost basis except for investments and derivatives being stated at fair value and outstanding claims and the related recoveries on unpaid claims being reported at present value. All values are rounded to the nearest thousand dollars, unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/191.

(c) Accounting policies adopted

The accounting policies adopted in the preparation of these financial statements have been applied consistently by the Group and are the same as those applied for the previous reporting period, unless otherwise stated.

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

There are additional new accounting standards and interpretations, effective on or after 1 January 2021 (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 2020-8	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 January 2021

(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 after 30 June 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 for AASB 17 and AASB 9, which has been noted in the Annual Report for the year ended 31 December 2020.

	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 2020-1 / AASB 2020-6	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2023
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 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022

(d) 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 the 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.

Judgement 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 4.3, including the impacts from the annual review of the earnings curve.

The approach to key estimates and judgements for this reporting period are consistent with those noted in the Annual Report for the year ended 31 December 2020.

COVID-19 pandemic

The ongoing COVID-19 pandemic continues to impact 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 30 June 2021 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 forecasts 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 and unearned premium 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.

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 30 June 2021, there is a 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.

Fair value measurement of investments

The Group's investments are designated at fair value through profit and loss and for the 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 2.1 for further details on investments.

(e) Comparative figures

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

Section 2 Investments

2.1 Investments

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

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

- *Cash assets and bank overdrafts* are carried at face value of the amounts deposited or drawn.
- *Interest bearing instruments, derivatives and unlisted equities* 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 assumptions are used. Valuation techniques maximise the use of observable inputs and minimise the use of unobservable inputs.
- *Unlisted unit trust 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 those assets required to cover the technical insurance liabilities (outstanding claims and unearned premium) plus an allowance for capital adequacy.

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

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.

30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial instruments				
Australian government and state-government bonds	-	1,191,896	-	1,191,896
Corporate bonds and others	-	1,963,448	-	1,963,448
Short-term deposits	160,424	-	-	160,424
Derivative assets	-	63	-	63
Unlisted unit trusts	-	167,770	-	167,770
Unlisted equities	-	-	9,666	9,666
Total	160,424	3,323,177	9,666	3,493,267

31 December 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
Total	132,303	3,178,999	9,666	3,320,968

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 2021	Purchases	Disposals	Movement in fair value	Balance at 30 June 2021
	$'000	$'000	$'000	$'000	$'000
Financial Instruments					
Unlisted equities	9,666	-	-	-	9,666
Total	9,666	-	-	-	9,666

There have been no further investments in level 3 unlisted equities.

2.2 Derivative financial instruments

The Group used 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 and 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).

Reporting date positions

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

	30 June 2021			31 December 2020		
	Exposure $'000	Fair value asset $'000	Fair value liability $'000	Exposure $'000	Fair value asset $'000	Fair value liability $'000
Forward foreign exchange contracts	742,371	63	12,765	673,100	17,471	14

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

Section 3 Results for the period

3.1 Dividends

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.

	30 June 2021		30 June 2020	
	Cents per share	$'000	Cents per share	$'000
2020 nil (2019: final dividend fully franked at 30%)	-	-	7.5	30,939
2020 nil (2019: interim dividend fully franked at 30%)	-	-	9.0	37,126
2020 nil (2019: unfranked special dividend)	-	-	21.9	90,341

Dividends not recognised at reporting date

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

	30 June 2021		30 June 2020	
	Cents per share	$'000	Cents per share	$'000
2021 interim dividend paid on 31 August 2021 (2020: nil) unfranked	5.0	20,626	-	-

3.2 Earnings per share

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

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) 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.

	30 June 2021	30 June 2020
Basic earnings/(loss) per share (cents per share)	14.4	(21.8)
Diluted earnings/(loss) per share (cents per share)	14.4	(21.8)

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

	30 June 2021 $'000	30 June 2020 $'000
Net profit/(loss) after tax	59,366	(90,024)
Net profit/(loss) used in calculating basic and diluted earnings/(loss) per share	59,366	(90,024)

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

	30 June 2021 '000	30 June 2020 '000
Weighted average number of ordinary shares on issue	412,514	412,514
Weighted average number of shares used in the calculation of basic earnings/(loss) per share	412,514	412,514
Weighted average number of dilutive potential ordinary shares		
Bonus element of shares	376	872
Weighted average number of shares used in the calculation of diluted earnings/(loss) per share	412,890	413,386

Section 4 Insurance contracts

4.1 Outstanding claims

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.

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

Refer to note 4.3 Accounting estimates and judgements for further detailed information.

	30 June 2021 $'000	31 December 2020 $'000
Central estimate	485,933	462,961
Risk margin	81,231	77,392
Gross outstanding claims	567,164	540,353

Reconciliation of changes in outstanding claims

	30 June 2021 $'000	31 December 2020 $'000
Balance as at 1 January	540,353	360,905
Current period net claims incurred	49,320	289,846
Movement in non-reinsurance recoveries and borrower recoveries	2,065	10,516
Claims paid	(24,574)	(120,914)
Closing balance	567,164	540,353
Comprising:		
Current	172,914	148,578
Non-current	394,250	391,775
	567,164	540,353

4.2 Non-reinsurance recoveries

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.

	30 June 2021 $'000	31 December 2020 $'000
Balance as at 1 January	33,286	22,770
Movement of non-reinsurance recoveries	2,065	10,516
Closing balance	35,351	33,286

There were no reinsurance recoveries at 30 June 2021 (31 December 2020: nil).

4.3 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

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 Appointed Actuary has undertaken a review of the earnings curve. The earnings curve has been recalibrated resulting in a lengthening of the average duration of the period over which we recognise our revenue based on a more favourable loss experience and economic outlook than was expected at the time of the December 2020 review. The updated curve has been applied in the recognition of earned premium in the profit and loss from 1 April 2021. Due to the size of the unearned premium, any changes to the earnings pattern are likely to have a significant impact on results in any given year. The changes applied to the premium earning pattern as part of the annual review process resulted in a reduction in Net Earned Premium by $12.4 million in the 2021 half year result.

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 deferred acquisition costs (DAC), are recognised prospectively. Changes are recommended by the Appointed Actuary when the results of an analysis indicate an ongoing change in the pattern of emergence of risk.

DAC are amortised under the same premium earnings curve as the related insurance contract.

Estimation of outstanding claims liabilities

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.

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 not often be apparent to the insured until sometime after the events giving rise to the claims have happened.

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.

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 wide. All related uncertainties have been factored into the Group’s probability weighting when estimating the provision.

4.4 Liability adequacy test

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 the liability adequacy test is set at 70% and differs from the 75% probability of adequacy adopted in determining the outstanding claims liabilities. 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 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 30 June 2021 and 31 December 2020:

	30 June 2021 $'000	31 December 2020 $'000
Unearned premium	1,545,842	1,461,232
Less: Deferred acquisition costs	(66,091)	(41,604)
Less: Deferred reinsurance expense	(42,905)	(20,218)
Net unearned premium	**1,436,846**	**1,399,410**
Net central estimate of present value of expected cash flows associated with future claims	886,883	983,564
Risk margin of the present value of expected cash flows on future claims	125,740	137,124
Net premium liabilities	**1,012,623**	**1,120,688**
LAT surplus	**424,223**	**278,722**
Risk margin percentage	17%	17%
Probability of adequacy	70%	70%

Expected future claims are inherently uncertain, particularly in the current environment as the economic effects of COVID-19 continue to evolve. The Group has projected future claims 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 30 June 2021, 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 $424.2 million (31 December 2020: $278.7 million).

Section 5 Capital management and financing

5.1 Interest bearing liabilities

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.

The Group considers the carrying value of the interest-bearing liabilities to approximate its fair value.

	30 June 2021 $'000	31 December 2020 $'000
Subordinated notes	190,000	190,000
Less: capitalised transaction costs	(1,998)	(2,219)
	188,002	187,781

On 3 July 2020, Genworth Financial Mortgage Insurance Pty Limited (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 totalling $190,000,000 qualify as Tier 2 Capital under APRA's capital adequacy framework.

Key terms and conditions are:

- Interest is payable quarterly in arrears, with the rate each calendar quarter being the average of the 90-day bank bill swap rate at the end of the prior quarter plus a margin equivalent to 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.

5.2 Share capital

	30 June 2021 Number of shares '000	30 June 2021 $'000	31 December 2020 Number of shares '000	31 December 2020 $'000
Issued fully paid capital	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.

5.3 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 30 June 2021 (31 December 2020: nil).

Section 6 Other disclosures

6.1 Related party disclosures

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

Corporate overhead

On settlement of the Company's IPO in 2014, the Group entered into certain agreements with Genworth Financial Inc (GFI) and its affiliates. Under the agreements GFI 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.

In March 2021, GFI (through certain wholly owned subsidiaries) sold their entire holding of shares in the Company. Consequently, a number of commercial agreements to which the Company and GFI (or their related bodies corporate) are party will terminate following transition periods including services consisting of finance, human resources, legal and compliance, investments services, information technology and other specified services.

Up to the sale of GFI's shares in the Company, the Group incurred net charges of $698,317 for the half year ended 30 June 2021 (30 June 2020: $2,344,000). There is no payable balance to related parties as at 30 June 2021 (30 June 2020: $37,000).

6.2 Share-based payments

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.

Share rights plan grant date	Available to	Vesting period	Total ($)
6 May 2016	Nominated employees	Four equal tranches vested on successive anniversaries of grant date	$499,030
1 March 2017	Nominated employees		$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
Grant date	1 March 2017
Share price on grant date ($)	$2.81
Dividend yield	8.60%
Risk free rate (%)	Tranche 1: 1.83% Tranche 2: 2.00% Tranche 3: 2.15% Tranche 4: 2.29%
Vesting dates	Tranche 1: 1 March 2018 Tranche 2: 1 March 2019 Tranche 3: 1 March 2020 Tranche 4: 1 March 2021

The final tranche of the 2017 Equity Plan grant vested on 1 March 2021.

Key terms and conditions:

- The share rights are granted for nil consideration.
- Holders do not receive dividends and do not have voting rights until the share 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 (STI) 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 STI > $50,000 for non-executive employees); • 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.

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

2021 Grant date	Balance at 1 January 2021	Granted in the period	Exercised in the period	Cancelled/forfeited in the period	Balance at 30 June 2021	Vested and exercisable at end of the period
	Number	Number	Number	Number	Number	Number
1 March 2017[1]	40,177	-	(40,177)	-	-	-
1 March 2020	117,533	3,237	(120,770)	-	-	-
1 March 2021[2]	-	20,802	-	-	20,802	-
Total	157,710	24,039	(160,947)	-	20,802	-

[1] The share rights balance in the period originally granted on 1 March 2017 represent the outstanding awards from the 2017 Equity Plan. All remaining share rights under this plan have now vested and been fully expensed.

[2] The number of share rights granted in the period representing the deferred short-term incentive component under the 2020 remuneration program.

2020						
Grant date	Balance at 1 January 2020	Granted in the period	Exercised in the period	Cancelled/forfeited in the period	Balance at 30 June 2020	Vested and exercisable at end of the period
	Number	Number	Number	Number	Number	Number
6 May 2016	34,302	-	(34,302)	-	-	-
1 March 2017	85,393	-	(42,674)	-	42,719	-
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)	(5,876)	160,252	-

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

Long term incentive plan

The Group implemented a long-term incentive (LTI) plan for executive key management personnel (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
- 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
1 March 2021	share rights	$1,694,685

Key terms and conditions for the 2021 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, and weighted for each year during the performance period as follows:

- 2021 – 25.0%
- 2022 – 37.5%
- 2023 – 37.5%

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 2021 long term incentive plan by $2.3107, being the 10-day volume weighted average price (“VWAP”) of the Company share price as at 31 December 2020 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.

	2021	2020	2019	2018
Grant date	1 March 2021	1 March 2020	1 March 2019	1 March 2018
Share price on grant date ($)	$2.42	$3.22	$2.53	$2.37
Dividend yield (%)	0%1	0%1	0%[1]	0%[1]
Volatility (%)	48.23%	31.94%	31.02%	34.1%
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 financial services (excluding REITs) has been used
Risk free rate (%)	0.40%	0.54%	2.24%	2.1%
Vesting date	31 December 2024	31 December 2023	31 December 2022	31 December 2021

[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.

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

2021 Grant date	Balance at 1 January 2021	Granted in the period	Exercised in the period	Cancelled/forfeited in the period	Balance at 30 June 2021	Vested and exercisable at end of the period
	Number	Number	Number	Number	Number	Number
1 March 2017[1]	-	62,915	(62,915)	-	-	-
1 March 2018	246,982	-	-	-	246,982	-
1 March 2019	471,407	-	-	-	471,407	-
1 March 2020	450,708	-	-	(24,752)	425,956	-
1 March 2021	-	993,777	-	(42,799)	950,978	-
Total	1,169,097	1,056,692	(62,915)	(67,551)	2,095,323	-

[1] Represents notional dividends awarded as share rights associated with 2017 LTI plan share rights that had previously vested/been exercised on 31 December 2020.

2020 Grant date	Balance at 1 January 2020	Granted in the period	Exercised in the period	Cancelled/forfeited in the period	Balance at 30 June 2020	Vested and exercisable at end of the period
	Number	Number	Number	Number	Number	Number
6 May 2016[1]	-	60,393	(60,393)	-	-	-
1 March 2017	453,430	-	-	(293,204)	160,226	-
17 July 2017	75,025	-	-	-	75,025	-
1 March 2018	583,215	-	-	(326,932)	256,283	-
1 March 2019	777,190	-	-	(281,620)	495,570	-
1 March 2020	-	474,328	-	-	474,328	-
Total	1,888,860	534,721	(60,393)	(901,756)	1,461,432	-

[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.

6.3 Events subsequent to reporting date

On 4 August 2021, the directors declared a 5.0 cent per ordinary share unfranked interim dividend totalling approximately $20.6 million for the half year ended 30 June 2021.

There are no other events that have arisen since 30 June 2021 to the date of this report that, in the opinion of the Directors, 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 condensed consolidated financial statements and notes set out on pages 7 to 25 are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date; and

   (ii) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b) 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 provided with the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the half year ended 30 June 2021.

Signed in accordance with a resolution of the Directors

Ian MacDonald

Chairman

Dated: 4 August 2021

KPMG

Independent Auditor's Review Report

To the shareholders of Genworth Mortgage Insurance Australia Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Genworth Mortgage Insurance Australia Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Genworth Mortgage Insurance Australia Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 6 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Genworth Mortgage Insurance Australia Limited ("the Company") and the entities it controlled at the half-year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Julia Gunn

Partner

Sydney

4 August 2021