Genworth

Level 26
101 Miller Street
North Sydney NSW 2060
Australia
Tel 1300 655 422
genworth.com.au

25 February 2022

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

Genworth Mortgage Insurance Australia Limited (ASX:GMA)
2021 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 2021.

The release of this announcement was authorised by the Board.

Yours faithfully

Prudence Milne
General Counsel and Company Secretary

For more information, analysts, investors and other interested parties should contact:

Investors:
Paul O'Sullivan
Head of Investor Relations
M: +61 499 088 640

Media:
Alexandra Crowley
Corporate Communications Manager
M: +61 459 967 747

Genworth

Annual Report 2021

Making home ownership dreams a reality

At Genworth, our vision is to be the leading choice for flexible home ownership solutions.

We work with our lender customers, regulators and policy leaders to help people into homes and promote a more accessible 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 Genworth was founded as Housing Loan Insurance Corporation (HLIC) by the Australian Government in 1965.

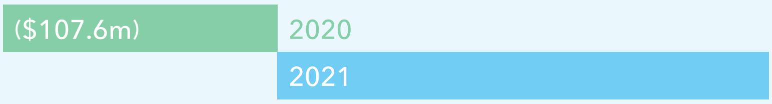
Genworth Mortgage Insurance Australia Limited and its controlled entities
ABN 72 154 890 730

FY21 Highlights

Financial

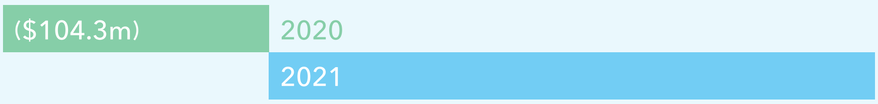
Statutory NPAT

$192.8m



Underlying NPAT

$237.8m



Gross written premium

$549.6m

Net earned premium

$370.5m

Loss ratio

(2.2%)*

*Loss ratio is negative driven by release of reserves

Underwriting result

$295.8m

Combined ratio

20.2%

Financial strength

PCA ratio

2.03x

Board target range of 1.32 to 1.44 times

Credit ratings

S&P Insurer Financial Strength

A Rating

Fitch Insurer Financial Strength

A Rating

Claims paying ability

$4.5b

Cash, investments & reinsurance coverage

524

Claims paid in 2021

$40.2m

Amount of claims paid in 2021

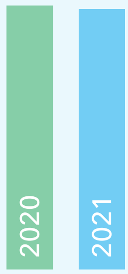
Operational

New insurance written

Number of policies

72,512

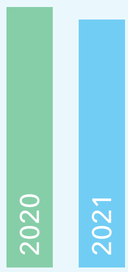
▼ 5.3% from FY20



Value of policies

$30.2b

▼ 4.4% from FY20



Customer

Hardship assistance

8,134

Number of delinquencies[1]

5,826

Delinquency rate[1]

0.52%

Lender customers

50+

Customer net promoter score (NPS)

+75

+49 in 2020

Contract renewals[2]

2

Shareholder

Earnings, returns & dividends

Underlying diluted earnings per share

57.6 cps

Underlying ROE

16.3%

Total dividend per share

29.0 cps

Comprised of an ordinary dividend of 17.0 cps & special dividend of 12.0 cps

Announced on-market buy-back

$100.0m

Market capitalisation

$954.7m

Using closing share price at 31 December 2021 of $2.32

1. As at 31st December 2021.
2. Excludes the CBA renewal which is subject to the agreement of contractual terms.

Chairman's message

Genworth is well positioned to improve the efficiency and competitiveness of LMI as we evolve and expand our business for a new generation of home buyers.

Over the past year, as the housing market outpaced the financial ability of many Australians to achieve their dream of home ownership, Genworth has played a pivotal role for home buyers. Whilst the impact of the COVID-19 pandemic continued to create disruption and uncertainty for businesses and the community, our team remained steadfast as we worked with lender customers to help home buyers into homes sooner.

On behalf of the Board, I would like to thank our people for their adaptability and commitment across the year. I would also like to thank our management team who, led by Pauline Blight-Johnston as CEO, guided our business to deliver another strong performance for our customers, shareholders and the community.

GFI Separation

In March 2021, Genworth Financial, Inc. (GFI) sold its entire holding of shares in Genworth, which at that time comprised approximately 52% of the Company's shares on issue. GFI ceased to be a substantial holder in Genworth and no longer owns any shares in the Company.

As a result, our business has undertaken a programme of separation activity to create a new brand and to transition relevant services in-house or to other providers which is progressing on schedule. The Board and I look forward to the opportunity this chapter brings as we harness our new independence and strategic freedom to evolve our role in the Australian market.

Supporting home buyers

In 2021, Genworth wrote over 72,000 new Lenders Mortgage Insurance (LMI) policies, reflecting the historically low interest rates and strong mortgage market competition. As at December 2021, Genworth had over 1.1 million policies in-force with insurance in-force of $304.5 billion.

Our commitment to enabling home ownership encompasses supporting our customers to both help people into homes and keep them in their homes even through times of hardship. Together with our lender customers, we approved 8,134 hardship requests to assist borrowers who were experiencing difficulties, including those impacted by COVID-19 in 2021.

The continued impact of the pandemic and multiple lockdowns across the year saw our people continuing to work flexibly as we embraced an ongoing hybrid model. Our people have delivered seamless support to Genworth's lender customers, maintaining the expert standards of service they have come to expect from our team despite a challenging environment and the demands of an exceptionally high-volume business period.

Capital Management

Our business 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. The Board was pleased to resume dividend payments to shareholders with a 1H21 unfranked interim ordinary dividend of 5 cents per share, payable to shareholders registered as at 18 August 2021, and FY21 fully franked final ordinary dividend of 12.0 cps and a fully franked special dividend of 12.0 cps, both payable on 25 March 2022 to shareholders registered as at 11 March 2022.

On 8 December 2021, we also commenced an on-market share buy-back for shares up to a maximum aggregate value of $100 million. This decision was made to bring Genworth's solvency ratio more in line with the Board's target capital range of 1.32 to 1.44 times APRA's Prescribed Capital Amount (PCA) on a Level 2 basis. The on-market share buy-back is consistent with Genworth ensuring we have an efficient capital structure and helps us to deliver improved returns to our shareholders.

We will continue to actively manage our capital position while delivering long-term shareholder returns and retaining the flexibility to grow the business.

Board Changes

This year, following the sale of GFI's holding in Genworth, Rajinder Singh and Stuart Take (GFI designees) resigned from the Board effective 1 March 2021. Graham Mirabito also stepped down from the Board in August 2021. I would like to thank Rajinder, Stuart and Graham for their great contribution and service to Genworth.

Following an extensive search to find suitable replacements for these roles, we welcomed the appointment of Alistair Muir and Gerd Schenkel as independent, non-executive directors to the Genworth Board, effective 1 December 2021.

Alistair brings extensive technology and digital transformation experience whilst Gerd has over 25 years of experience in business innovation and strategy in the financial services and telco industries. We look forward to having their unique skills and perspectives compliment our team as we support and guide Genworth in the year ahead.

Sustainability

During FY21, a new Sustainability council was established to drive the development of a refreshed strategic approach for 2022 to ensure we are making a positive contribution to the social, economic and environmental wellbeing of Australia and its communities. Our new approach will help Genworth better leverage and progress our current initiatives, especially in our approach to operations, product innovation and focus on climate change.

As expectations from all stakeholders increased, Genworth reaffirmed our commitment to shift sustainability from a standalone focus, to an integrated mindset and philosophy that underpins every business priority, practice, and partnership across our business. Incorporating the right environment, social and governance (ESG) factors as a critical and integrated part of Genworth's culture, operations and strategy is a key priority for the Board.

The Sustainability section of this Annual Report and our 2021 Sustainability report provide further details on our current approach.

Looking ahead

After a year of significant investment in technology infrastructure, operational enhancements and deepening our customer and industry insights, we are well positioned to continue our focus on improving the efficiency and competitiveness of Genworth's core LMI business.

The Board is looking forward to making the most of our newly gained independence in 2022 to swiftly progress our vision for the future. With continued focus on advancing our risk culture and a commitment to delivering the goal of diversifying our business, we are excited by the strategy to Evolve and Extend our offering for a new generation of home buyers.

We believe that our team is well positioned to deliver these strategic priorities for sustained success and growth as we guide Genworth to become the leading choice for flexible home ownership solutions.

On behalf of my fellow directors, I would like to thank our team, customers and shareholders for your continued support this year.

Ian MacDonald
Chairman

CEO's message

"Genworth's trusted partnerships, operational enhancements and responsible financial management positioned us well to capitalise on the strong housing market conditions in 2021."

Genworth has a proud history of supporting generations of home buyers across Australia to achieve the dream of home ownership. Over 2021, we have gained significant momentum in understanding the needs and preferences of today's home buyers and evolving our offering to make home ownership more accessible to a new generation.

In another unprecedented year of economic and social uncertainty due to the global COVID-19 pandemic, the Australian housing market remained robust. A low interest rate environment provided ongoing motivation to buyers and we saw first home buyers in particular struggle to overcome the deposit gap to enter a competitive market. Overall, it was a favourable period for the business with high home price appreciation (HPA), low levels of delinquency and claims, and improving economic conditions.

The performance and progress we achieved this past year would not have been possible without the talent and commitment of our people at Genworth. Everyone has continued to support the business and each other through the challenges of lockdowns and remote working, showcasing seamless professionalism and customer service our entire team can be proud of. Thank you all for your commitment to our customers, home buyers, each other and all our stakeholders.

Customer partnerships

Genworth has long-standing partnerships with major banks, non-major banks, mutual and nonbank mortgage originators. During the year we successfully renewed two customer contracts for the exclusive provision of Lenders Mortgage Insurance (LMI).

A key partnership for our business has been our relationship with the Commonwealth Bank of Australia (CBA). Following an extensive tender process, we were pleased to be selected as the exclusive provider of LMI to CBA (excluding Bankwest) for a period of three years commencing 1 January 2023, subject to agreeing contractual terms.

To meet the evolving needs of our lender customers, we have applied a human-centred design approach to reimagining LMI for the next generation of home buyers. This year we completed in-depth research with lenders and borrowers to understand challenges and opportunities facing home buyers so we can evolve and extend the role we play in helping Australians into homes. We continued to roll out our innovative monthly premium product to new customers and introduced Family Assistance; a new LMI product that makes it easier for families to support the next generation of home buyers to overcome the increasingly challenging deposit gap.

We will continue to leverage the learnings from our borrower research over coming years to meet the needs of more borrowers and underpin business growth opportunities.

Enhancing our business

During FY21, the GFI sell-down offered a unique opportunity for our business to undertake a comprehensive review of our operations, systems, and providers as we build our new brand identity and strategic priorities. We have focused on maximising the efficiencies of our technology and operational capabilities to create a more agile and streamlined experience for our people and to provide more efficiency and simplicity for customers.

As the pandemic continued through the year, our people sustained an attitude of adaptability and perseverance through lockdowns and disruptions to deliver exceptional service to customers and a strong financial performance for shareholders. In line with the changed operating environment, our investment in technology and ways of working facilitated a smooth transition between office based and remote working as part of an ongoing hybrid model.

Genworth's long-term focus on our trusted partnerships, operational enhancements, responsible financial management and the wellbeing of our people ultimately positioned us well to benefit from the strong housing market conditions of 2021.

Financial performance

Genworth delivered a strong financial performance for the full year ended 31 December 2021 (FY21), reporting a Statutory NPAT $192.8 million and an improved underwriting result of $295.8 million. Our FY21 results reflect a supportive economic environment and an unusually strong housing market, together with the strategic and operational enhancements we have been implementing.

Gross written premium (GWP) decreased 2.2% to $549.6 million, however, underlying volumes grew when adjusted for the National Australian Bank contract loss in 2020. Net earned premiums increased 18.8% to $370.5 million as a result of the strong written premium growth over recent years.

Our results reflected the unusually favourable claims environment driven by high dwelling value price growth, falling delinquencies and low numbers of mortgages in possession. Importantly, our track record of responsible financial management has ensured Genworth remains well capitalised and able to withstand a wide range of future claims outcomes.

As at 31 December 2021, the PCA ratio was 2.03 times on a Group (Level 2) basis, above the Board's target range of 1.32 to 1.44 times. The Company's cash and investment portfolio had a market value of $3.7 billion. We will continue to actively balance the need for financial security and flexibility with a focus on delivering appropriate shareholder returns on capital, and to this end have been pleased to reinstate dividends and commence a share buy-back programme during 2021.

Supporting the Community

Genworth is committed to making a positive impact in the communities we serve by not only supporting home buyers, but through helping to safeguard access to safe and secure housing for all Australians.

In response to the ongoing impact of COVID-19, we continued to include pandemics in our Hardship Policy. We remained sensitive to borrower circumstances, working closely with our lender customers around appropriate hardship solutions to support Australians in need and mitigate potential losses.

We are also proud to have continued our longstanding charity partnerships with St Vincent de Paul Society and Youth off the Streets in 2021. Through these partnerships we are funding programmes to address housing security such as homelessness, emergency shelters, youth support, education and early intervention for at risk members of our community. We will continue to strengthen our focus on the holistic impact we can make for our customers and the community as part of our renewed approach to sustainability.

Looking ahead

Whilst we are pleased with our 2021 performance, we remain cautious in our approach to managing our business through the economic recovery and housing environment for the year ahead. 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. With customer-centric innovation driving our strategic focus to enhance and evolve our business, we look forward to exploring new and meaningful opportunities to further improve the home owner experience in the year ahead.

I would like to thank our Chairman, Ian MacDonald, and my fellow Directors for guiding our company through a watershed year of change and progression for our business, and to our people who are relentless in their commitment to serving our customers and in helping us to reimagine pathways to home ownership for the future.

Finally, we thank our shareholders for your ongoing support.

Pauline Blight-Johnston
Chief Executive Officer &
Managing Director

Our strategy & business

Our strategy

Genworth's strategy is designed to accelerate us towards achieving our vision to be 'the leading choice for flexible home ownership solutions'.

Our strategic objectives represent our continued focus on enhancing and evolving LMI, and extending into complementary offerings. By doing this, we will deliver profitable and sustainable growth in a highly dynamic environment.

In 2021, we progressed a number of strategic initiatives, leveraging our strong technology and product capabilities and customer relationships.

Enhance

Improve the efficiency and competitiveness of LMI

2021 Progress

- Invested in operational and technology efficiencies to streamline service delivery
- Renewed key customer contracts
- Maintained strong customer engagement and improved net promoter score (NPS) to +75
- Supported our customers and our people through COVID-19, and borrowers with home loan payment deferrals

Strategic Priorities

- Win new customers
- Retain and delight our customers and deepen customer relationships

Evolve

Reimagine LMI for a new generation of home buyers

2021 Progress

- Launched new Family Assistance offering, with demonstrated uptake from multiple customers
- Continued to evolve monthly premium LMI and expand use across multiple customers
- Completed Human Centred Design research and defined a roadmap to deliver reimagined LMI features
- Enhanced support for lender customers and home buyers through updated education, fact sheets and resources

Strategic Priorities

- Bring additional, innovative LMI offerings and approaches to market

Extend

Leverage our core capabilities into complementary offerings

2021 Progress

- Evaluated partnership opportunities to solve housing affordability challenges in new ways

Strategic Priorities

- Develop new products and services generating diversified revenue streams to build our future business

Supported by key enablers

- Future-fit people and culture
- Future-fit organisation
- Strong risk culture and risk 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. 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 (underwriting and other costs).

Organisation overview

Genworth is the leading provider of LMI in Australia and a provider of capital and risk management solutions in the Australian residential mortgage market. The Group estimates that it had approximately 43% of the Australian HLVR LMI market[1] by GWP for the 12 months ended 30 September 2021. Genworth is listed on the Australian Securities Exchange (ASX: GMA). As at 31 December 2021, the number of Genworth shares on issue was 411.5 million.

Genworth Financial Inc. separation programme

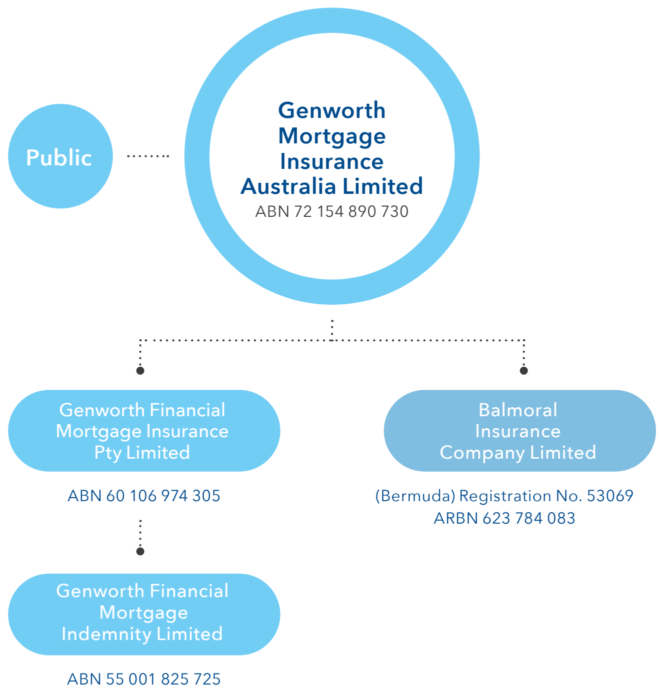
On 1 March 2021 Genworth Financial, Inc. (GFI) sold its entire holding of 214,316,838 fully paid ordinary shares in Genworth, which at that time comprised approximately 52% of the Company's shares on issue. On settlement of the sale on 3 March 2021, GFI ceased to be a substantial holder in Genworth and no longer owns any shares in the Company.

As a result of the sale of GFI's holding in Genworth, two directors who were GFI designees (Mr Rajinder Singh and Mr Stuart Take) resigned from the Board effective 1 March 2021.

Genworth and GFI were party to a number of commercial arrangements established at the time of the initial public offering which have varying termination dates following transition periods.

The cost estimate to complete the separation programme is \$15m to \$19m. The programme is well progressed and on track to complete by March 2022.

Corporate structure[2]



1. Estimates based on APRA quarterly general insurance statistics and management estimates.
2. Genworth corporate structure as at 31 December 2021.

Our strategy & business continued

Our business continued

Products and customers

Product innovation to meet evolving lender needs

Genworth continues to partner with our lender customers to help Australians build financial security and wellbeing through home ownership.

A broad suite of offerings providing tailored risk and capital management solutions

Product	Key features
Traditional LMI	• Our traditional LMI offering assists lender customers to reduce the risks and costs associated with higher LVR lending (generally less than 20% deposit) • It protects lenders in the event that a borrower defaults on a home loan and there is a shortfall in the sale proceeds from the secured property.
Portfolio LMI	• Genworth provides portfolio LMI cover for lender customers looking to insure the loans in a pool at the same time • Portfolio LMI is generally purchased by the lender to cover lower LVR loans (greater than 20% deposit) that were originated more than six months earlier • This offering is commonly used for credit enhancement on a securitisation transaction or for other risk transfer and capital purposes.
Structured capital and risk management solutions	• Genworth has established a Bermudan domiciled and licenced insurance subsidiary that can structure bespoke risk management and capital solutions across both high and low LVR segments • This Bermudan subsidiary can access global reinsurance markets and respond to portfolio co-mingling and concentration risk • Offering capability includes aggregate excess of loss insurance, guarantees and financial instruments subject to regulatory approval and other regulatory requirements.
Variations on traditional LMI	

Premium payment (for Traditional LMI)	• Upfront payment:
	  • Capitalised into the loan or paid at time of settlement
	  • Family Assistance – provides an additional 15% premium reduction if cost of LMI is paid by family members at time of settlement.
	• Monthly:
	  • Policy cancelled when loan discharged or at agreed LVR, usually 75%.

Micro markets LMI	• Borrower paid LMI offering for lenders seeking cover on lower LVR loans (greater than 20% deposit loans) relating to residential properties located in higher risk market segments.
Risk share – top and bottom cover; quota share	• Loan level losses are in effect shared between the lender and Genworth • Designed to protect lender customers in a mild or moderate stress environments.
Limited term cover (fixed term cover and fixed LVR cover)	• Provides cover for the period in which the borrower has the highest propensity to default • Cover can be limited by time or by LVR • Enables lender customers to manage loss volatility in a benign or mild stress environment.

In early December 2021 we launched our Family Assistance product which offers a simple solution for family members to help with the purchase of a home, without having to be a guarantor on the loan. We continue to explore LMI product innovations to meet the needs of home buyers and our lender customers.

Our services

Unmatched expertise for LMI service and solutions, now and for the future.

- A trusted partner
- A tailored approach
- A seamless experience

Education

- **Information for home buyers and home owners** is available on the Genworth website.
- **Lender/Broker training**

Insights

- **Customer analytics and insights**
  – Market insights
  – Bespoke and portfolio reporting
  – Tailored benchmarking
  – Location risk insights
  – Performance benchmarking
- **Underwriting Assurance** – Partnering with our lender customers by providing insights and opportunities through our quality assurance reviews

Delivery

- **Delegated Underwriting** – Allowing for in-house processing by lenders and faster speed to yes for their borrowers
- **Auto decisioning capability** – Allowing for auto-approvals within 60 seconds on all flow applications
- **Digitalisation and integration** – API connectivity. Access to our eLMI portal which allows LMI submissions, premium quotations and hardship and claims submissions
- **Valuation options** – Acceptance of alternative valuations methods. Desktop valuations and purchase price acceptance validated by automated valuation models
- **Review & investigation** – Dual way communication on potentially fraudulent activities identified
- **Streamline claims** – faster, more efficient claims payment
- **Aligned with Industry leading service providers** – Equifax, CoreLogic, Pexa
- **Delegated hardships** – faster speed to yes for borrowers impacted by financial difficulty

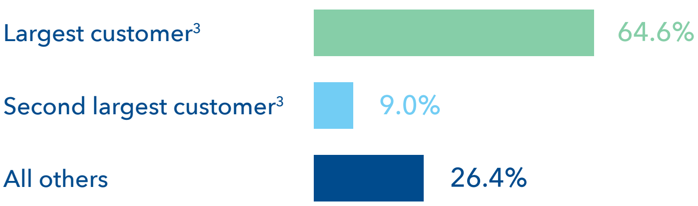
Solutions

- **Borrower sale programme** – Targeted assistance for borrowers who are not able to rectify their financial situation
  – Financial support to assist borrowers to sell their home
- **Property sale expertise**
  – Real estate & valuer expertise

Our customers

In 2021, Genworth continued to maintain commercial relationships with over 50 lender customers across Australia. We continued to strengthen our partnerships with our lender customers and were pleased to announce that Genworth has been selected as the exclusive provider of LMI to CBA[1] for a further period of three years commencing 1 January 2023.

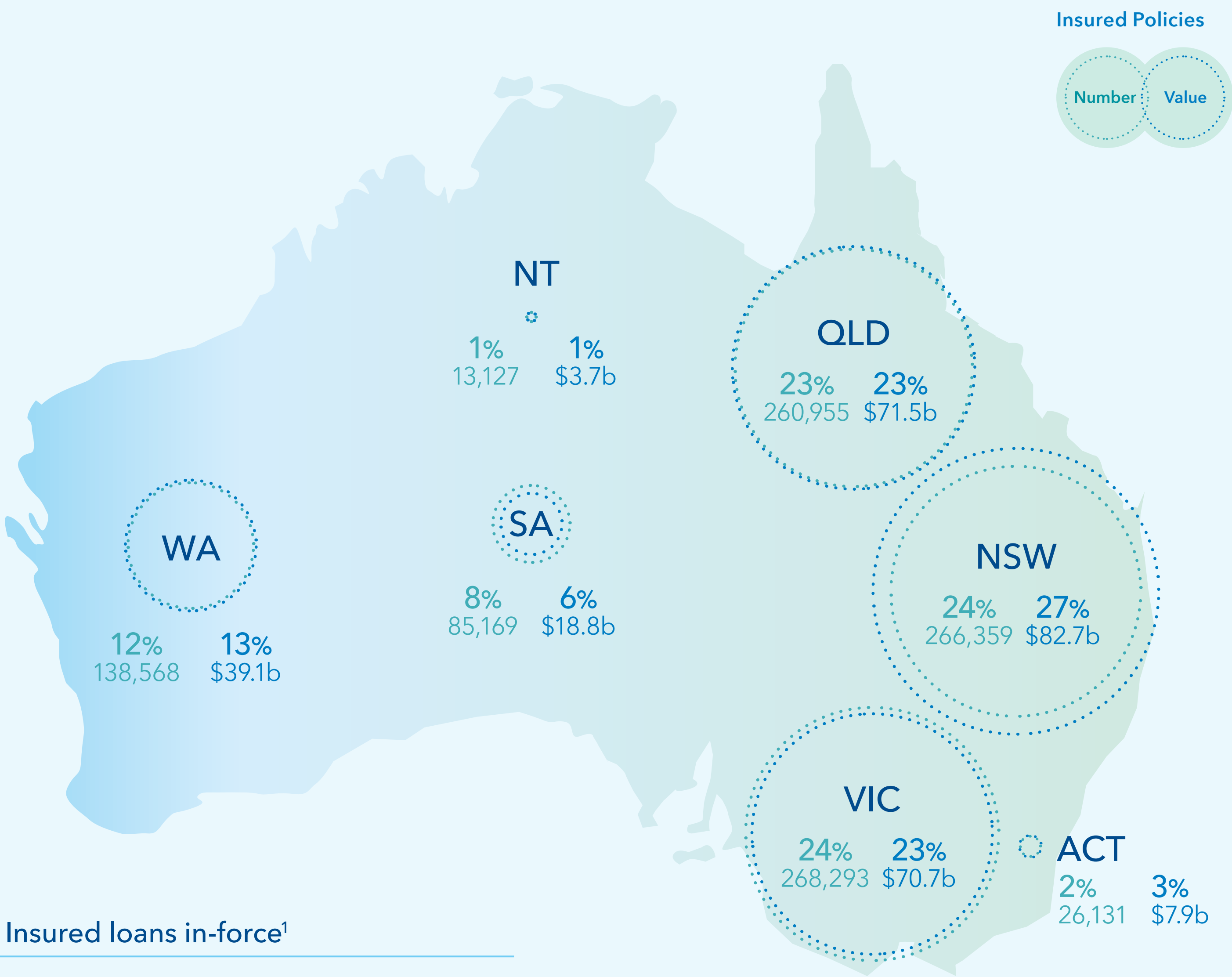
Lender customers 2021 GWP[2]

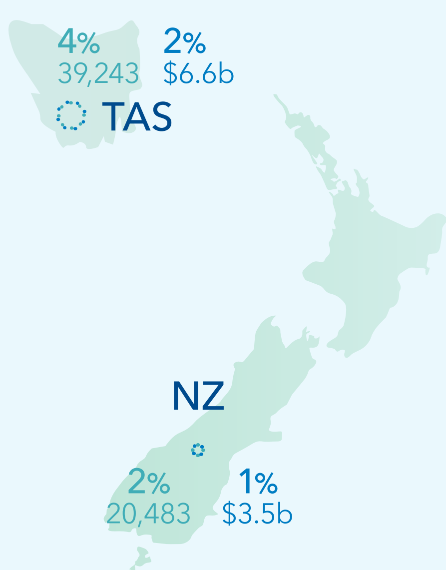


1. Subject to agreeing contractual terms and excluding Bankwest.
2. Includes excess of loss insurance.
3. Genworth renewed its second largest customer in 2021 and is in the process of renewing CBA, its largest customer contract.

Performance overview

Portfolio of insured home loans



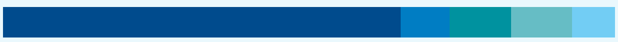


Insured loans in-force[1]

1,118,328

Insurance in-force by home loan type

$304.5b



- Owner Occupier + Principal & Interest **$197.1b** (65%)
- Owner Occupier + Interest Only **$25.9b** (8%)
- Investor + Principal & Interest **$31.2b** (10%)
- Investor + Interest Only **$29.2b** (10%)
- Other **$21.1b** (7%)

Operating result – 5-year summary

Income statement	2021	2020	2019	2018	2017
Gross written premium (GWP) ($m)	549.6	561.7	433.2	460.2	369.0
Net earned premium (NEP) ($m)	370.5	312.0	298.2	281.3	370.5
Underwriting result ($m)	295.8	(234.0)	42.1	41.0	120.3
Insurance profit/(loss) ($m)	261.8	(174.1)	108.0	79.7	148.3
Statutory net profit/(loss) after tax (NPAT) ($m)	192.8	(107.6)	120.1	75.7	149.2
Underlying net profit/(loss) after tax ($m)	237.8	(104.3)	97.0	93.9	171.1

Key financial measures	2021	2020	2019	2018	2017
New insurance written (NIW) ($b)	30.2	31.6	26.7	22.2	23.9
Loss ratio (%)	(2.2)	92.9	50.6	51.9	38.3
Combined ratio (%)	20.2	175.0	85.9	85.4	67.5
Insurance margin (%)	70.7	(55.8)	36.2	28.3	40.0
Closing delinquencies (number)	5,826	6,964	7,221	7,145	6,696
Delinquency rate (%)	0.52	0.58	0.56	0.54	0.47

Balance sheet & regulatory capital	2021	2020	2019	2018	2017
Total assets	3,913.3	3,680.6	3,477.4	3,590.1	3,765.9
Total liabilities	2,356.0	2,292.7	1,949.9	1,852.8	1,843.7
Net assets	1,557.3	1,387.9	1,527.5	1,737.3	1,922.2
Net Tangible Assets per share ($)	3.75	3.33	3.66	3.94	3.88
Underlying return on equity (%)	16.3	(7.3)	6.0	5.2	9.0
PCA coverage ratio (times)	2.03x	1.65x	1.91x	1.94x	1.93x

Shareholder measures	2021	2020	2019	2018	2017
Market capitalisation ($)	954.7	985.9	1,505.7	958.1	1,477.1
Share price ($)	2.32	2.39	3.65	2.19	3.00
Underlying diluted earnings/(loss) per share (cps)	57.6	(25.2)	23.1	20.4	34.1
Ordinary dividend per share (cps)	17.0	–	16.5[2]	17.0[2]	24.0[2]
Ordinary dividend payout ratio (%)	29.4	–	70.2	80.0	70.3
Special dividend per share (cps)	12.0[2]	–	46.1[1]	4.0[2]	2.0[2]

1. Unfranked.
2. Fully franked.

Our approach to sustainability

We are committed to making a positive contribution to the social, economic and environmental wellbeing of Australia and its communities.

Our sustainability approach

Our four sustainability pillars, Our people, Community, Environment and Marketplace set the framework for our sustainability priorities. These pillars reflect the important environmental, social and governance (ESG) matters that we believe are critical to achieving our business objectives and long-term value for investors, our customers, home buyers and our people. We are especially focused on overcoming barriers to safe and accessible housing for all Australians. This includes providing support to people living without housing security, education for first home buyers and offering flexibility through our lender customers to borrowers experiencing financial hardship or disadvantages.

Four pillars of sustainability

Our people

- Culture
- Diversity and inclusion
- Workplace safety and wellbeing
- Training and development

Community

- Borrower education
- Supporting home buyers
- Charitable donations
- Volunteering

Environment

- Energy consumption
- Water consumption
- Waste management
- GHG emissions

Marketplace

- The role of LMI
- Direct economic value generated
- Supporting innovation and collaboration
- Sustainable and ethical business practice

2021 progress

In 2021 we continued to invest in the diversity and inclusiveness of our workforce, we submitted our first Reconciliation Action Plan (RAP) to Reconciliation Australia, and we committed to developing a carbon neutral roadmap for the future.

We also continued to offer COVID-19 related hardship and deferrals support to our lender customers and borrowers, and to safeguard the health and wellbeing of our people through lockdowns with flexible and supportive practices.

Our people

Our people are the foundation of our success.

We are committed to providing a work environment where our people feel safe, empowered and included, within a collaborative and customer-focused culture that nurtures individual growth and development.

We are building a team of exceptional people who reflect the diversity of culture, thought and identity of the communities in which we operate, to ensure Genworth is equipped for sustainable success now and in the future.

2021 progress

3000+

Total training hours for all staff

50%

Women in senior leadership

Community

We are committed to addressing social, economic and educational barriers to achieving financial security though home ownership via community partnerships and campaigns.

Through our major charity partnerships with St Vincent De Paul and Youth off the Streets, we are investing in organisations who are making a positive impact in the community. We help to fund targeted interventions and programmes dedicated to addressing homelessness, domestic violence and financial education whilst providing access to safe and sustainable housing for at risk people.

2021 progress

7th edition of It's my home magazine

79,098

Borrowers experiencing hardship supported since 2013

*support offered to borrowers via our lender customers

Community donations

$500,000

Environment

We recognise the importance of minimising the environmental impact on and of our business.

Climate change is having, and will continue to have, a material impact on borrowers and Australian communities. We are considering the impact of climate change holistically through our business in relation to our insurance business, investment portfolio and our corporate footprint.

We are increasingly prioritising our focus on environmental impacts as we work with our stakeholders to ensure we manage the risks and opportunities from a changing climate.

2021 progress

▼ 8%

Reduction in GHG emissions YoY

66%

Waste recycled

▼ 29%

Water consumption

Marketplace

We know that to help Australians realise their aspirations of home ownership, our products and services need to continually evolve to meet the specific needs of a rapidly changing market.

By utilising a human centric approach that puts our customers and stakeholders at the centre of everything we do, we are designing solutions and processes that facilitate educated and sensible decision making for home buyers.

By working together with our lender customers, regulators and other market participants, we promote a more accessible, stronger and sustainable housing market in Australia.

2021 progress

72,512

LMI policies written in 2021.

Monthly premium & Family Assistance products in market

Risk management

Genworth's disciplined approach to risk management enables us to appropriately develop and implement strategies, policies, procedures and controls to manage the risks to our business, people and customers.

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

We underwrite to a defined set of underwriting policies that determine which residential mortgage loans or portfolios of loans we will insure or reinsure.

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 following table.

Risk Name	Risk Management Strategies
Economic Risk	• Ensuring we have a forward looking assessment of the economic outlook including modelling and stress testing and a responsive and proactive action plan that can be deployed quickly to address any economic risks or opportunities.
Underwriting Risk (In-force Portfolio)	• Ensuring we proactively manage the in-force portfolio including arrears management, claims handling and hardship support measures.
Underwriting Risk (New Business)	• Ensuring we manage our underwriting policy and systems and work proactively with our lenders to respond quickly and fairly to emerging and present underwriting and market risks and opportunities.
Strategic Risk	• Continue to explore diversification opportunities in prioritised areas.
Regulatory Change /Political Risk	• Maintain strong engagement in Government and Regulatory Relations to enable early awareness of issues and proactive input/action plans on regulatory developments to promote strategies to increase access to home ownership.
Market, Credit and Liquidity Risk	• Strategic asset allocation and asset/liability matching. • Ensuring appropriate controls are in place to manage our investment risks and supervision of our investment managers to manage.
Operational Risk	• Continue to enhance our core operating systems and processes including more use of digital to reduce overall operational risk exposures. • Maintaining appropriate controls over our change management process and governance.
Cyber Risk	• Strengthen our cyber defences with zero-trust policies that allow us to explore new opportunities safely.
Technology Risk	• Consolidate the multiple sources of data across the organisation through an enhanced data management framework, processes and organisation. • Modernise operational technology platforms and extend to operational processes to accelerate automation improving controls, speed and reduce cost base.
Capital Financing Risk	• Continue to manage the adequacy and optimisation of all sources of capital within board approved risk appetite ensuring the appropriate risk/return metrics are achieved. • Continue to maintain a good reinsurance risk management process.
Compliance Risk	• Modernise our enterprise risk management, incident management and compliance obligations register in a consolidated Governance, Risk and Compliance platform, to encourage further alignment with our risk management framework and engagement with our key stakeholders.
Conduct and Reputational Risk	• Continue to increase focus on borrower experience and outcomes.
People Risk	• Provide an environment that supports us to attract and retain our people. • Continue to provide a flexible work environment. • Provide an environment where people have opportunities to develop.
Climate Change Risk	• Continue to enhance our risk and operational framework, policy and processes to manage Climate Risk including aligning our approach and framework to the APRA Guide CPG 229 Climate Change Financial Risks released in 2021.

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 2021 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 and Chief Operating Officer Yorkshire Bank from 1997–1999.

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 2019 – 31 December 2021):

None.

Pauline Blight-Johnston

Chief Executive Officer and Managing Director

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 2019 – 31 December 2021):

None.

David Foster

Director, Independent

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 G8 Education Limited and a director of Bendigo and Adelaide Bank Limited, Youi Pty Limited and Australian Reinsurance Pool Corporation.

Special responsibilities (including Committee memberships):

Remuneration and Nominations Committee – Chair; Technology Committee – Chair[1]; Capital and Investment Committee – Member[2].

Directorships of other ASX listed companies and period of appointment (1 January 2019 – 31 December 2021):

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 (Director since 1 February 2016 and Chairman since 29 November 2021).

Former: Thorn Group Limited (from 1 November 2014 to 23 October 2019).

1. On 7 May 2021 the Technology Committee was merged with the Risk Committee.
2. On 7 May 2021 the Capital and Investment Committee was merged with the Risk Committee.

Board of directors continued

Gai McGrath

Director, Independent

Gai was appointed to the Board on 31 August 2016.

Qualifications and experience:

Gai has over 35 years of financial services and Legal experience, specifically in Retail banking and wealth management. Gai previously held numerous senior executive positions with the Westpac Group from 2003 to 2015 including:

- General Manager, Retail Banking, Westpac Australia;
- General Manager, Retail Banking, Westpac New Zealand;
- 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 Chair of BT Funds Management (Trustee of BT Super), a director of 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[3].

Directorships of other ASX listed companies and period of appointment (1 January 2019 – 31 December 2021):

Steadfast Group (since 1 June 2018).

Alistair Muir

Director, Independent

Alistair was appointed to the Board on 1 December 2021.

Qualifications and experience:

Alistair has extensive experience in technology, digital transformation and fintech. He is an experienced digital executive and entrepreneur with a focus on growing and scaling digital businesses.

Alistair has worked with a broad range of ASX and Fortune 500 companies to successfully launch new digital products and ventures and advised government departments on artificial intelligence and innovation including the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and other publicly funded research institutes.

Alistair holds a first class honours degree in computer science from the Dublin Institute of Technology and attended both Harvard Business School and Massachusetts Institute of Technology as part of an executive education focusing on disruptive strategy, innovation and the business applications of Artificial Intelligence.

Alistair is currently a non-executive director of Humm Group Ltd (formerly Flexi Group Ltd).

Special responsibilities (including Committee memberships):

Risk Committee – member.

Directorships of other ASX listed companies and period of appointment (1 January 2019 – 31 December 2021):

Humm Group Limited (since 31 March 2021).

Gerd Schenkel

Director, Independent

Gerd was appointed to the Board on 1 December 2021.

Qualifications and experience:

Gerd has over 25 years' experience in business innovation having established Telstra Digital, Telstra's enterprise-wide digital team and digitalisation programme and having founded UBank for National Australia Bank. Other previous roles have included strategy and innovation roles in various Australian financial services institutions.

Gerd is a management consulting partner with Kearney, a global consultancy based in Sydney, where he advises large organisations in financial services and telecommunications on their technology, digital and analytics agendas. Gerd holds a Master of Science from University of Stuttgart, a Master of Business Administration (MBA) from Columbia Business School and attended University of Sydney as a Visiting Scholar focussing on Robotics.

Gerd is currently a non-executive director of Credit Clear Limited.

Special responsibilities (including Committee memberships):

Audit Committee – member.

Directorships of other ASX listed companies and period of appointment (1 January 2019 – 31 December 2021):

Credit Clear Limited (since 16 November 2018).

3. On 7 May 2021 the Technology Committee was merged with the Risk Committee.

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 a Graduate 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[4]; Remuneration and Nominations Committee – Member.

Directorships of other ASX listed companies and period of appointment (1 January 2019 – 31 December 2021):

MyState Limited (since 19 October 2017).

Duncan West

Director, Independent

Duncan was appointed to the Board on 1 September 2018.

Qualifications and experience:

Duncan has more than 35 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 Suncorp Group Limited, Challenger Limited, Avant Mutual Group Limited, and chair of Habitat for Humanity Australia.

Duncan is a Graduate of the Australian Institute of Company Directors, 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.

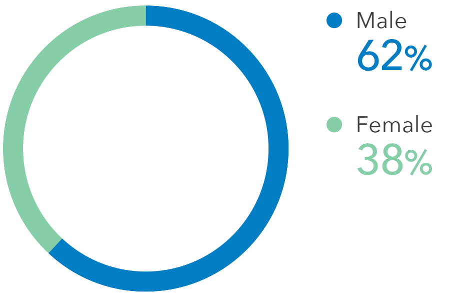
Special responsibilities (including Committee memberships):

Capital and Investment Committee – Chair[4]; Audit Committee – Member; Risk Committee – Member; Technology Committee – Member[5].

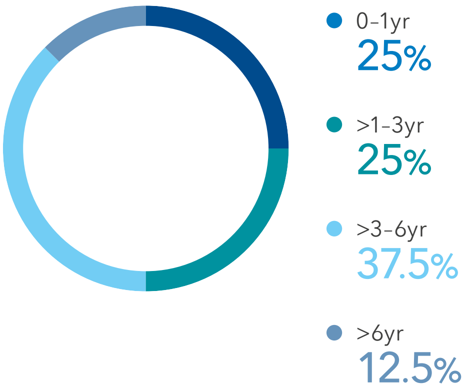
Directorships of other ASX listed companies and period of appointment (1 January 2019 – 31 December 2021):

Challenger Limited (since 10 September 2018), Suncorp Group Limited (since 23 September 2021).

Diversity



Tenure



4. On 7 May 2021 the Capital and Investment Committee was merged with the Risk Committee.
5. On 7 May 2021 the Technology Committee was merged with the Risk Committee.

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 Cant

Chief Financial Officer

Michael joined Genworth as Chief Financial Officer in September 2021. Michael has over 30 years' experience in the Australian financial services industry across insurance, wealth management and retail and business banking.

Prior to joining Genworth, Michael held a range of senior leadership roles at the Commonwealth Bank of Australia (CBA), including heading the Retail Banking product function, leading CBAs Corporate Banking business, Chief Financial Officer (CFO) for the Wealth Management and Insurance division, and General Manager of distribution for Colonial First State. Michael has also worked at specialist life insurer Australian Casualty & Life, where he held the roles of Managing Director and CFO.

Michael Cant is a Fellow of the Institute of Actuaries of Australia, holds an Economics degree from Macquarie University and is a graduate of the Advanced Management Programme at Harvard University.

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.

Lisa Griffin

Chief Commercial Officer, New Ventures

Lisa joined Genworth as Chief Commercial Officer, New Ventures in March 2021. Lisa has over 25 years' of senior management, financial, customer and strategy experience in insurance, wealth management and banking in Australia.

Prior to joining Genworth, Lisa held senior roles in IAG, AMP and Suncorp leading some of the largest transformation programmes in financial services and insurance.

She has a track record for combining financial and strategic discipline with innovation and creativity to take businesses in new directions. Lisa holds a Bachelor of Business (Economics) from LaTrobe University, a Master of Business Administration (MBA) from AGSM and is a Graduate of the Australian Institute of Company Directors (GAICD).

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 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 of Business (International Human Resources), Graduate Diploma in Education and a Bachelor of Science Degree.

Jeremy Francis

Chief Operating Officer (COO)

Jeremy joined Genworth as Chief Operating Officer in April 2021. With over 20 years' experience in technology, banking and finance, Jeremy is passionate about delivering digital business strategies to create new opportunities for customers, drive new business growth, and deliver cultural, technology and operational change.

Prior to joining Genworth, Jeremy was Chief Information Officer at Pepper Money where he was responsible for the digital transformation of Pepper's mortgage, asset finance and servicing businesses. Jeremy has previously held senior leadership roles in financial services at Westpac, Lloyds Banking Group and Capital Finance across business and commercial banking, asset finance and consumer lending.

Jeremy holds a Bachelor of Information Technology degree from the University of Technology Sydney.

Prudence Milne

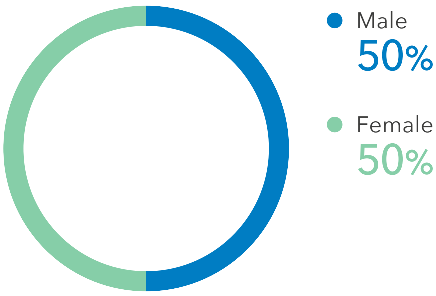
General Counsel and Company Secretary

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.

Senior leadership team



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)	FY21	FY20
Gross written premium	549.6	561.7
Gross earned premium	439.0	381.4
Net earned premium	370.5	312.0
NPAT	192.8	(107.6)
Underlying NPAT	237.8	(104.3)

Non-IFRS performance metrics	FY21	FY20
Loss ratio (%)	(2.2)	92.9
Expense ratio (%)	22.4	82.1
Combined ratio (%)	20.2	175.0
Insurance margin (%)	70.7	(55.8)
Investment return (%)	(0.3)	2.7
ROE (%)	13.1	(7.4)
Underlying ROE (%)	16.3	(7.3)

The performance in 2021 reflects:

a. Gross written premium slightly decreased by 2.2% reflecting a reduction in premiums from the loss of the National Australia Bank (NAB) contract which was not renewed at the end of FY20, largely offset by higher LMI flow volumes across the remaining lender customers;

b. Net earned premium increased 18.8% mainly driven by strong GWP growth in recent years and borrower refinancing activity resulting in higher policy cancellations, partially offset by 2Q21 change to the earnings curve pattern of premium recognition;

c. Net claims incurred were extremely low (a write-back of $8.3 million) due to low claims paid, favourable delinquency and house price appreciation, which resulted in a release of reserves;

d. The expense ratio decreased from 82.1% in FY20 to 22.4% in FY21 largely due to the $181.8 million DAC write-down in 1Q20. The 2021 expense ratio also benefits from this past write-down of DAC due to the ongoing amortisation benefit. In addition, there was no COVID-19 related financial support received from the Government during the year (2020: nil);

e. The insurance margin of 70.7% was very high reflecting the very low claims incurred and loss ratio.

REVIEW OF FINANCIAL CONDITION

Key assets and liabilities (A$ million)	FY21	FY20
Cash and investments	3,703.8	3,425.5
Trade and receivables	7.8	56.2
Deferred acquisition costs	88.5	41.6
Total assets	**3,913.3**	**3,680.6**
Outstanding claims reserve	480.3	540.4
Unearned premium	1,571.8	1,461.2
Interest bearing liabilities	188.2	187.8
Total liabilities	**2,356.0**	**2,292.7**
Net assets	**1,557.3**	**1,387.9**

Total assets as at 31 December 2021 of $3,913.3 million increased by $232.7 million from 31 December 2020 driven mainly by:

- $278.3 million increase in cash and investments due to strong positive operating cash flows, partially offset by funding for the share buy-back and dividends;
- $46.9 million build up in deferred acquisition costs in the current year following the write-down in 1Q20; partly offset by
- $48.4 million decrease in trade and other receivables due to a decrease in income tax receivable with the Group in a tax payable position at year end.

The total liabilities as at 31 December 2021 of $2,356.0 million increased by $63.3 million from 31 December 2020 driven by:

- $110.6 million increase in unearned premium resulting from strong performance in gross written premium during the year;
- $60.1 million decrease in outstanding claims reflecting lower levels of delinquencies and higher house prices.

The equity of the Group as at 31 December 2021 of $1,557.3 million increased by $169.4 million from 31 December 2020. The movement is mainly attributable to $192.8 million in current year profits offset by the payment of $20.6 million of the interim FY21 dividend in August 2021.

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 2021, the Group's capital mix was:

- Net tangible equity (net of goodwill and intangibles) 89.1%;
- Debt 10.9%.

Operating and financial review continued

CAPITAL MANAGEMENT

The Group remains strongly capitalised with regulatory capital of $2,054.4 million at 31 December 2021 (2020: $1,616.3 million). The Group has solvency of 2.03 times (2020: 1.65 times) the APRA prescribed capital amount (PCA) and a Common Equity Tier 1 (CET1) ratio of 1.85 times (2020: 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 2021 compared with 31 December 2020.

PCA COVERAGE RATIO (LEVEL 2)

(A$ million), as at	31 Dec 21	31 Dec 20
Common Equity Tier 1 Capital (incl. net excess technical provisions)	1,864.4	1,426.3
Tier 2 Capital	190.0	190.0
Regulatory capital base	**2,054.4**	**1,616.3**
Insurance concentration risk charge	578.7	511.7
Asset risk charge	203.5	166.1
Insurance risk charge	277.6	332.0
Operational risk charge	35.6	43.4
Aggregation benefit	(85.7)	(71.9)
Total PCA	**1,009.7**	**981.3**
PCA coverage	**2.03x**	**1.65x**

The increase in PCA coverage in 2021 mainly reflects the strong current year earnings partly offset by $20.6 million of dividends paid and the $2.4 million related to the on-market share buy-back, which commenced in December 2021.

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. Consequently, GFI no longer owns any shares in the issued capital of the Company. Since this date, the Company has no majority shareholder or ultimate parent entity.

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. As a result, the Group has undertaken a programme of separation activity to transition relevant services to in-house or to local service providers which is progressing on schedule.

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 2021 was $954.7 million based on the closing share price of $2.32.

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 25 February 2022, the directors declared a 12.0 cent per ordinary share fully franked final dividend and a 12.0 cent per ordinary share fully franked special dividend totalling approximately $98.8 million for the year ended 31 December 2021.

The Group announced on 27 January 2022 that it was selected as the exclusive provider of Lenders Mortgage Insurance (LMI) to the Commonwealth Bank of Australia (CBA), excluding Bankwest, subject to agreeing contractual terms. The terms of the new contract is expected to be for a period of 3 years commencing 1 January 2023 and expiring on 31 December 2025.

The current Supply and Service contract between CBA and Genworth will expire at the end of the current exclusivity agreement on 31 December 2022.

LIKELY DEVELOPMENTS

Significant groundwork has been undertaken on the rebranding of the business and shareholders will be asked to approve the new Company name over the course of 2022.

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

ECONOMIC OVERVIEW AND OUTLOOK

Over 2021, the Australian economy staged a strong recovery from the recessionary environment of the immediate post-pandemic period, although impacted by the Delta-variant lockdowns in NSW and Victoria. Government assistance schemes remained in place and household savings have remained very robust, leading to many households building "buffers" against adverse events.

Unemployment continued to recover throughout 2021 from the high at the onset of the pandemic, although overall employment numbers are still below the pre-COVID-19 level.

Domestic housing markets finished the year with a 22% capital gain, driven by lower interest rates, robust household balance sheets and high demand.

Genworth expects its financial performance in 2022 to be influenced by several factors:

- The recovery of the Australian economy is expected to continue from the easing of COVID-19 lockdowns and border restrictions. However, uncertainty surrounds the possible impact on economic activity from the Omicron-variant. Government policy will be an important driver of economic activity in 2022, with a federal election due by May;
- Unemployment is expected to remain favourable, with employment returning to pre-COVID-19 levels due to increased labour supply from the easing of international borders;
- The rate of house price appreciation is expected to slow down during 2022, with forecasts indicating a small correction likely in the following year;
- The RBA expects the cash rate to remain at 0.1% for some time. However, bond markets are pricing in earlier rises in interest rates which may result in a correction in the housing market in 2023. Inflation has become a growing concern globally and this may impact Australian interest rates to some extent.

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, David Foster, Gai McGrath, Alistair Muir (commenced as a Director on 1 December 2021), Gerd Schenkel (commenced as a Director on 1 December 2021), Andrea Waters, Duncan West.

Former directors

Graham Mirabito (ceased to be a Director on 4 August 2021), Rajinder Singh (ceased to be a Director on 1 March 2021), Stuart Take (ceased to be a Director on 1 March 2021).

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

DIRECTORS' MEETINGS

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

Director	Board: Scheduled Meetings		Board: Unscheduled Meetings		Board: Sub-committee Meetings		Audit Committee		Risk Committee[1]		Capital and Investment Committee[2]		Remuneration and Nominations Committee		Technology Committee[3]	
	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H
Ian MacDonald	9	9	4	4	1	1	–	–	–	–	–	–	–	–	–	–
Pauline Blight-Johnston	9	9	4	4	7	7	–	–	–	–	–	–	–	–	–	–
David Foster	9	9	4	4	1	1	–	–	4	4	3	3	6	6	1	1
Gai McGrath	9	9	4	4	–	–	8	8	7	7	–	–	6	6	1	1
Graham Mirabito	6	6	2	2	–	–	6	6	2	2	3	3	–	–	1	1
Alistair Muir[4]	1	1	–	–	–	–	–	–	1	1	–	–	–	–	–	–
Gerd Schenkel[5]	1	1	–	–	–	–	1	1	–	–	–	–	–	–	–	–
Raj Singh[6]	2	2	–	–	–	–	2	2	2	2	1	1	–	–	–	–
Stuart Take[7]	2	2	–	–	–	–	–	–	2	2	–	–	2	2	–	–
Andrea Waters	9	9	4	4	6	6	8	8	7	7	3	3	6	6	–	–
Duncan West	9	9	2	4	3	3	7	8	6	7	3	3	4	4	1	1

Note: A represents the number of meetings attended, and H represents the number of meetings held during the period that the director held office.

1. A joint meeting of the Risk Committee and Board was held on 30 June 2021.
2. The Capital and Investment Committee merged with the Risk Committee effective 7 May 2021.
3. The Technology Committee merged with the Risk Committee effective 7 May 2021.
4. Appointed as a director effective 1 December 2021.
5. Appointed as a director effective 1 December 2021.
6. Resigned as a director effective 1 March 2021.
7. Resigned as a director effective 1 March 2021.

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 2021 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 2022. 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 instrument, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services during the year by the auditor of $35,000 (2020: $nil), GST exclusive, 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 2021, 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 2021.

THE 2021 YEAR IN REVIEW

In 2021 Genworth returned to profit, provided consistent customer service delivery, renewed key exclusive customer contracts, separated from GFI, brought new LMI product innovations to market and made good progress in its strategic agenda to evolve and extend its product offerings to meet the changing needs of a new generation of home buyers. The company's financial results were underpinned by a benign claims experience resulting from a robust Australian housing market and responsible reserving settings put in place early in the COVID-19 pandemic. Our ongoing operational enhancements, customer-centred innovations to enhance and evolve our business and active management of our capital position allowed us to capitalise on favourable market conditions to deliver sound returns to our shareholders. The sale of GFI's holding in Genworth provided an opportunity to focus on maximising the efficiencies of our technology and operational capabilities to create a more agile and streamlined workforce and to provide more efficiency and simplicity for external stakeholders.

This year we completed in-depth market research with lenders and borrowers providing valuable insights that we will leverage to ensure our core LMI offering evolved over time to meet the changing needs of today's and tomorrow's home buyers. 2021 has concluded with strong financial returns, a sound balance sheet, continued operational enhancements and enhanced strategic focus to deliver on our value proposition of providing home buyers with flexible solutions to help achieve property goals and accelerate financial wellbeing. Confirmation of the renewal of the CBA contract, subject to the agreement of contractual terms, was an endorsement of Genworth's compelling customer value proposition and underpins Genworth's ongoing position as a long-term leader in the Australian housing market.

SHORT-TERM INCENTIVE OUTCOMES

STI pool funding is assessed by performance against financial metrics (60% of scorecard) and strategic metrics (40% of scorecard), subject to Board discretion to make adjustments to reflect overall business performance or account for any risk issues.

Financial Performance

The outcomes for variable remuneration in 2021 reflect financial performance above stretch for Performance NPAT and Gross Written Premium, together with proactive management of capital, that adapted to the changing circumstances of the business during the year.

- Performance Net Profit After Tax (NPAT) of $233.8 million, a return to profit that reflects the favourable operating environment, responsible financial management and proactive engagement with lenders.
- Capital management – returned to providing shareholder returns by resuming dividends, with an ordinary dividend of a 5 cents per share interim dividend, final ordinary and special dividends declared of 24 cents per share in total; and initiation of on-market share buy-back of up to a maximum aggregate value of $100 million.
- Gross Written Premium (GWP) of $549.6 million, 2.2% down on 2021 reflecting loss of a major client in 2020 largely offset by underlying volume growth from other clients.

GENWORTH'S APPROACH TO REMUNERATION

Our strategic vision is to position Genworth as the leading choice for flexible home ownership solutions. 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 programmes 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. Ensure competitive remuneration pitched at the median of the market range to attract and retain quality talent;
5. Meet regulatory changes and requirements;
6. Support strong governance, culture and accountability across Genworth;
7. Enable proactive management of our capital structure to optimise returns for shareholders;
8. Recognise the importance of executing on the Company's strategy to evolve the business model and deliver a sustainable future for the Company; and
9. Attract and retain the talent we need to underpin strategy execution.

Strategic Initiatives

For the 2021 performance period, short-term incentive plan strategic priorities focussed on progressing Genworth's strategic transformation pillars of Enhance (improve the efficiency and effectiveness of LMI), Evolve (reimagine LMI) and Extend (leverage our core capabilities into complementary offerings), while embedding the cultural foundations to execute on the strategy.

Our Strategic Programme of Work and our focus on culture and the engagement of our people, which will continue to deliver benefits into the future, continue to progress. Achievements include:

- Implementation of monthly premium with two lender customers, and introduction of Family Assistance, which is now available to borrowers via 11 lender customers;
- Utilisation of Human Centred Design market research to evolve our LMI offering;
- Ongoing product development for a range of complementary business opportunities;
- Ongoing evaluation of partnership opportunities to assist borrowers to bridge the deposit gap in new ways; and
- Successful deployment of a new cultural framework reflected in improved culture and engagement survey outcomes over the year.

These achievements were delivered in addition to successful delivery of the unexpected separation from majority shareholder GFI that involved major system implementations for key finance, HR and technology systems, and the tender for renewal of LMI services to CBA, subject to agreement of contractual terms.

EXECUTIVE REMUNERATION OUTCOMES FOR 2021

Absolute Total Shareholder Return (TSR) for 2021 of -0.7% remained subdued, as a result of contributing factors including shareholder cautiousness as a result of the ongoing tender for CBA's LMI business, the COVID-19 pandemic and uncertainty around ongoing economic conditions. Dividend returns were an interim dividend of 5 cents per share plus final ordinary and special dividends declared of 24 cents per share in total. On 8 December we commenced an on-market share buy-back for shares up to a maximum aggregate value of $100 million. More details are provided in section 3.2 – link between performance and STI outcomes.

The 2019 LTI grant relative TSR component achieved an outcome between the median and upper quartile of the comparison market, while the underlying return on equity (ROE) component performance was marginally above threshold. This resulted in a vesting outcome of 73%. The grant remains subject to an additional one-year deferral period. More details on these outcomes in FY2021 are outlined in section 3.3 – link between performance and LTI outcomes.

The Board has worked to deliver remuneration outcomes for 2021 that appropriately reflect performance outcomes for participants and the value delivered to shareholders:

- Fixed Remuneration adjustments for executive KMP averaged 3.2% for 2022;
- 2021 short-term incentive funding was determined to be 125% of target (section 3.2);
- The 2019 long-term incentive grant will partially vest in early 2023 (section 3.3).

GENWORTH'S REMUNERATION APPROACH FOR 2022

Genworth's vision to position Genworth as the leading choice for flexible home ownership solutions relies on attracting and retaining key talent. To deliver on our strategy, we must continually evolve our executive remuneration framework to ensure strategic, shareholder and market alignment.

The Board has undertaken a review of the executive remuneration framework to ensure alignment to execution of Genworth's revised strategy, alignment to shareholder and regulatory expectations and appropriate market competitiveness.

Based on the executive framework review recommendations, Genworth will implement the following in 2022 for executives:

- The STI deferral scheme will include an expanded 50% STI deferral component of two equal tranches vesting after one and after two successive years.
- To balance the outcomes for executives of increased deferral quantum and duration, executive KMP STI targets will increase by 10% of Fixed Remuneration (this applies to the CEO, CFO, and COO).
- The CRO will receive a fixed remuneration adjustment, however he will not receive an STI target adjustment for FY2022[2].
- To increase alignment to shareholder value creation and market practice, the LTI of the CEO will be increased by 15% of Fixed Remuneration[1], however the CEO will not receive any adjustment to fixed remuneration for FY2022.
- The LTI scheme performance period will change from three to four years in 2022, and the subsequent one-year vesting period will be removed.

1. The CEO's LTI-22 grant will be presented for shareholder approval at the 2022 Annual General Meeting.
2. This is in order to continue to minimise the CRO's exposure to short-term financial results to maintain independence in line with regulatory and market best practice.

Remuneration report continued

More detail of the proposed executive remuneration framework changes are included in **2.7b – 2022 STI performance objectives and weighting** and **table 2.8b – 2022 LTI key features**.

The financial STI objectives in 2022 will continue to focus on delivering financial returns via performance NPAT, effective management of capital and new business as measured via GWP. Strategic STI objectives in 2022 will focus on growing our core business via customer retention and profitable new business, progression of our strategic agenda to evolve and extend our home ownership solutions; and improving the efficiency of our business. Strategy execution will be underpinned by ongoing focus on our employees' engagement and our culture.

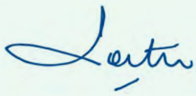
The Board continues to oversee an ongoing programme of work to embed governance, culture and accountability that supports the long-term sustainability of the organisation and promotes behaviour that is aligned to Genworth's values. This includes ongoing initiatives to comply with and align to regulatory best practice reflected in APRA CPS511 and the Financial Accountability regime (FAR). Initiatives in 2022 include:

- A component of the revised executive remuneration framework is a formalised risk modifier that provides for an adjustment to executive STI reflecting group outcomes of risk events and proactive actions linked to risk culture. This modifier will result in potential adjustments to executive group STIs ranging from 75% to 125%, with a potential reduction to zero should extreme risk events occur.
- There will also be the introduction of weighted individual risk Key Performance Indicators in 2022. The Genworth Remuneration Policy has been updated to reflect evolving best practice in risk governance, including greater articulation of the link between risks and consequences.

More detail on these initiatives is provided in section 2.4 – Alignment of risk and remuneration.

Finally, the Board strongly supports equity ownership amongst Genworth employees, and have endorsed the introduction of a new Employee Share Scheme (ESS) in 2022. Under the ESS, permanent employees with at least six months of tenure will receive a grant of $1,000 of Genworth shares, subject to a three-year trading restriction. More detail on the new ESS will be provided in the 2022 remuneration report.

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



David Foster
Chairman – Remuneration and Nominations Committee

1. EXECUTIVE KMP REMUNERATION SUMMARY

1.1 Executive KMP Remuneration

This report provides shareholders with an overview of Genworth's remuneration governance, strategy, programmes and outcomes for KMP for the year ended 31 December 2021.

The table below provides a summary of the remuneration received by executive KMP for the year ended 2021. 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 other non-monetary benefits.

Table 1a – 2021 Remuneration summary table (unaudited) as at 31 December 2021

				At-risk/performance remuneration			
		Fixed remuneration		Short-term incentive (STI)		Long-term incentive (LTI)	
Name and position		Contract TFR[1]	Actual TFR received[2]	STI target[3]	Actual STI awarded[4]	LTI Grant[5]	LTI vested[6]
Executive KMP							
Pauline Blight-Johnston[7] Chief Executive Officer (CEO)	2021	$900,000	$900,074	$720,000	$990,000	$720,000	–
	2020	$900,000	$742,892	$600,000	–	$600,000	–
Michael Cant[8] Chief Financial Officer (CFO)	2021	$580,000	$160,194	$76,274	$78,181	–	–
	2020						–
Andrew Cormack Chief Risk Officer (CRO)	2021	$517,523	$517,523	$207,009	$212,184	$207,009	$256,791
	2020	$517,523	$517,657	$207,009	–	$253,688	$145,280
Jeremy Francis[9] Chief Operating Officer (COO)	2021	$430,000	$295,413	$147,260	$220,890	$147,260	–
	2020						–
Former Executive KMP							
Michael Bencsik[10] Chief Financial Officer (CFO)	2021	$510,000	$439,266	$215,877	$188,892	$255,000	$53,807
	2020	$510,000	$509,059	$255,000	–	$250,000	–
Steven Degetto[11] Chief Commercial Officer (CCO)	2021	$468,234	$310,322	$117,058	$73,162	$187,294	$107,776
	2020	$468,234	$464,876	$234,117	–	$225,113	$86,938

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. STI target is pro-rated for partial years served where applicable.
4. Actual STI awarded includes any amounts delivered as deferred STI – see section 4 for more details.
5. The LTI grant reflects the face value of the LTI grant awarded during the respective year.
6. Represents the dollar value of vested awards as at the date of vesting under the Genworth LTI plan that vested during FY2021, including any deferred STI plans.
7. Ms Blight-Johnston's actual TFR received and her STI target and LTI grants as a percentage of fixed remuneration remained unchanged from 2020 to 2021 – the lower 2020 target values reflect pro-ration for her Genworth hire date of 2 March 2020.
8. Mr Cant was appointed to the CFO role on 27 September 2021.
9. Mr Francis was appointed to the COO role on 26 April 2021.
10. Mr Bencsik ceased employment as CFO with effect 24 September 2021. The 2021 target STI value has been pro-rated for the proportion of the financial year served to his cessation of employment date.
11. Mr Degetto ceased employment as CCO with effect 30 August 2021. The 2021 target STI value has been pro-rated for the proportion of the financial year served to the date he ceased to perform his functions as CCO.

Remuneration report continued

1.2 Overview of Genworth's KMP in 2021

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 2021

Name	Position	Term as KMP
Executive KMP		
P Blight-Johnston	CEO	Full year
M Cant	CFO	27 September – 31 December
A Cormack	CRO	Full year
J Francis	COO	26 April – 31 December
Former Executive KMP		
M Bencsik	CFO	1 January – 24 September
S Degetto	CCO	1 January – 30 August

Termination Arrangements for former KMP

- Mr Bencsik ceased employment from the position of CFO effective 24 September 2021.
- Mr Degetto ceased employment from the position of CCO effective 30 August 2021.

Termination benefits provided to the former CFO and former CCO comprised statutory and contractual entitlements, along with ongoing participation in short and long-term incentive programmes subject to ongoing hurdles and timeframes, and with entitlements pro-rated for time employed in accordance with plan documentation. Details of termination payments and ongoing LTI plan participation are disclosed in table 6a – Statutory remuneration and 6b – Share rights holdings. These termination payments were within the termination benefit limits prescribed in the Corporations Act.

2. REMUNERATION GOVERNANCE, POLICY AND PROGRAMMES

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 remuneration recommendations as defined under the Corporations Act in relation to KMP from external advisers in 2021.

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 programmes 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, and stakeholders. This strategy is reflected in specific remuneration programmes which, subject to Board (and, where applicable, shareholder) approval, deliver remuneration outcomes which align shareholder and stakeholder interests over the long-term.

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 or 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 2021 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 2021 and any material risk matters arising in 2021;
- 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 programme of work to prepare for pending regulatory changes, including the Financial Accountability Regime and APRA's CPS511 Remuneration. In 2021, this work included reviewing the Genworth Remuneration Policy to align to APRA's CPS511. Policy revisions included better articulation of the Board's role in governance over the remuneration framework and its application, articulation of risk events that could give rise to remuneration consequences and a consequence management framework to guide the Board's use of discretion.

2.5 Executive KMP remuneration programmes

Genworth's executive KMP remuneration programmes 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 aligned remuneration outcomes over an appropriate time frame, including deferral of a portion of Senior Leadership Team (SLT) short-term variable remuneration;
- linking fixed remuneration increases to individual performance and market benchmarks (e.g. median of relevant comparator group);
- ensuring variable remuneration programmes 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 and CPS511 Remuneration).

Genworth's executive KMP remuneration programmes 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 programmes and outcomes.

Remuneration report continued

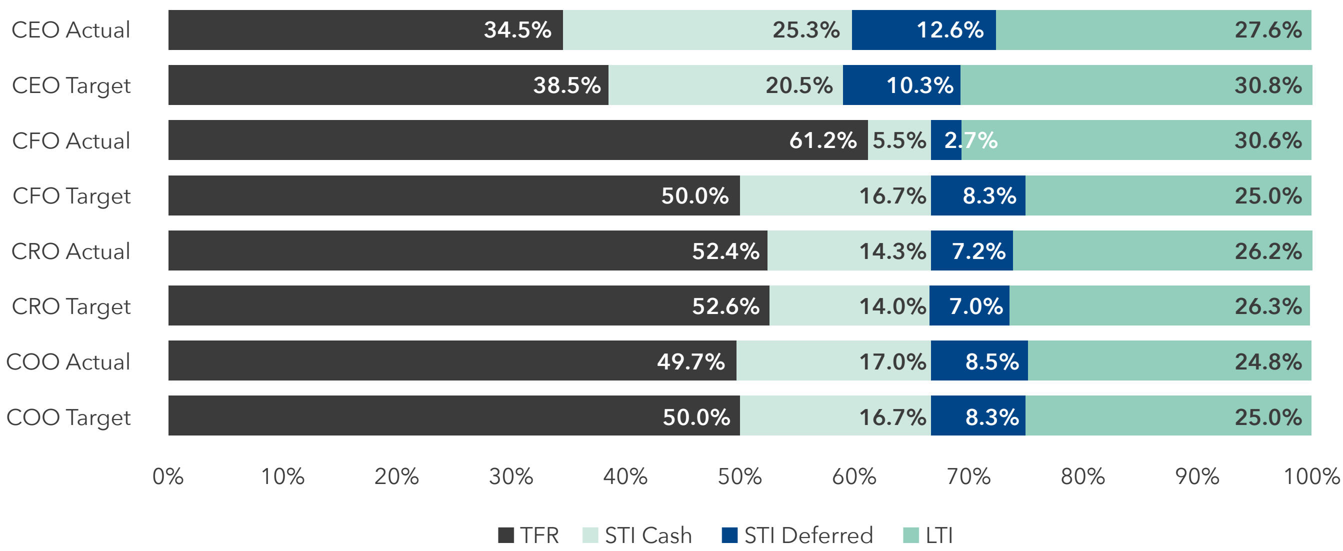
Table 2.5a Remuneration framework and linkage to Company strategy and performance

Business vision	Remuneration strategy
The leading choice for flexible home ownership solutions	To attract, retain and motivate talented people dedicated to achieving business objectives in line with Genworth's and, shareholders' 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.	• Statutory NPAT in 2021 increased to $192.8 million including an unrealised loss of -$55.8 million on the investment portfolio. Underlying NPAT increased to a $237.8 million in 2021. Performance NPAT for 2021 was $233.8 million; • NEP increased by 18.8% in 2021; • New insurance written decreased by -4.4% year on year due to the loss of the NAB contract in 2020 largely offset in growth volume from other lenders. GWP reduced by -2.2% largely reflecting change in NIW; • GWP was high by historical levels, reflecting a continuing strong home lending market; • Genworth added a further monthly premium LMI customer in 2021; • Family assistance launched – a new LMI product targeted at families wishing to support first home buyers; • An ongoing focus on our customer value proposition has resulted in key customer contract renewals; • Culture measures and cultural improvements aligned to our new strategy; • Good progress in identifying diversification opportunities.

Vision and strategy reflected in remuneration programmes 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** • The average increases to executive KMP remuneration in the 2022 remuneration review were 3.2%.
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 125% STI funding.
LTI Awards reflect Company performance against underlying ROE and relative TSR targets.	>	**LTI** • The 2019 LTI plan achieved performance between median and upper quartile against the comparator market for the relative TSR component across the three-year performance period. The underlying ROE hurdle partially met the performance threshold across the three-year performance period. This means that the 2019 LTI plan will vest at 73% overall. For further detail on performance of the LTI plan, refer to section 3.3 – Link between performance and LTI outcomes.

Table 2.5b 2021 target mix of pay (relative weight of each component as a percentage of total remuneration as at 31 December 2021)



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). In determining the CEO's STI award, the Chairman provides recommendations to the Committee. The Committee reviews these recommendations and evaluates the CEO's performance taking account of the performance of the business as a whole, 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 2021 STI key characteristics

2021 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 COO:	50%	100%
	CRO:	40%	80%
Performance objectives	**Financial objectives** Performance NPAT (25%) Capital Management (10%) Gross Written Premium (25%)	**Strategic objectives** Execute key strategic priorities (40%)	
Aggregate objective weighting	**Financial objectives** 60%	**Strategic objectives** 40%	
Performance period	1 January 2021 – 31 December 2021.		
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 2022.		
Payment method	STI – 2/3 of the award paid in cash (inclusive of superannuation). – 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 2022.		
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 deferred 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.		

Table 2.7b 2022 STI performance objectives and weightings

STI performance objective and weighting	Rationale
Performance NPAT (30%)	Performance NPAT is a measure of performance of the in-force portfolio.
Capital Management (15%)	Prudent and efficient management of capital.
Gross Written Premium (GWP – 15%)	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%)	2022 strategic objectives include revenue expansion via customer retention and acquisition, revenue diversification, implementation of system enhancements and efficiencies and continued improvements in engagement, culture and risk culture.

In 2022 the STI deferral component proportion and deferral for executive KMP has been changed to better align to remuneration governance and market practice:

- The proportion of STI to be deferred will increase from 33.3% to 50.0%.
- The deferral timeframe will be extended from one year to vesting in equal tranches after one year and after two years.
- The deferred STI component will continue to be in share rights with any associated notional dividend equivalent rights granted after vesting as additional share rights that vest immediately.

A principle of this change approved by the Board was that executives should receive at least comparable value moving forward following the STI deferral changes, and accordingly STI target have been increased by an additional 10% of fixed remuneration from 2022 onwards. This change also better aligns to the benchmark comparator market, and provides additional incentivisation for executives to execute the new Genworth strategy. Note that the CRO's STI target was not increased to reflect the increased STI deferral, rather his fixed remuneration was increased so as not to increase CRO direct exposure to short term financial results in line with market and regulatory best practice.

Remuneration report continued

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 2021 LTI key characteristics

LTI 2021 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 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) 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. For the 2021 LTI grant, the Underlying ROE outcome for 2021 was weighted 25.0%, while the Underlying ROE outcomes for 2022 and 2023 will each be weighted 37.5%. This was intended to reflect uncertainty around the forecast outcome for Underlying ROE in 2021 given the uncertainty around the withdrawal of government job keeper support. **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	ASX top 200 financial services companies excluding Real Estate Investment Trusts (REITs).
Vesting scales summary	(see vesting scale 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 2021 – 31 December 2023.
Performance assessment	Performance to be assessed in 1Q24. 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).
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 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.

Vesting scales summary:

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

LTI 2021 features	Detail
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' (in accordance with table 2.7a 'treatment of terminating executive KMPs').
Change of control	Board has discretion.

Table 2.8b 2022 LTI key characteristics

LTI 2022 features	Detail
Performance metrics	**Underlying ROE:** 25% of the 2022 LTI grant. Calculated as the average of four-year Underlying NPAT divided by the four-year average equity (excluding mark-to-market value of investments) measured against regulatory capital (based on the upper end of the Board's target range above the Prescribed Capital Amount). Underlying ROE is a strategically important internal measure of financial performance for Genworth. It captures the Company's ability to convert equity into returns (profit) and supports a number of Genworth's strategic priorities. **Relative TSR:** 75% of the 2022 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 vesting table below.

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

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, and the Board may make adjustments to the scale to reflect appropriate stretch in relation to material changes in the interest rate environment or other relevant factors during the performance period.

In 2022, the performance period has been increased from three to four years, and there will no longer be a subsequent vesting period.

The Relative TSR vesting schedule remains unchanged for 2022.

2.9 Share ownership requirement for executive KMP

To strengthen the alignment between executive KMP and shareholders, executive KMP are required to accumulate and maintain a minimum value of shares in the Company. The CEO is required to hold two times, and other executive KMP one times, 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 year. Until the ownership requirements are met, 25% of shares vested via equity plans (deferred STI component and LTI) must be retained.

Remuneration report continued

3. RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION

3.1 Performance overview

Genworth's FY21 financial results included:

- Performance NPAT for 2021 was a profit of $233.8 million;
- Net earned premium increased by 18.8% to $370.5 million;
- New Insurance Written (NIW) reduced by 4.4% to $30.2 billion year on year due to the loss of the NAB contract in 2020 largely offset in growth in volume from other lenders;
- Gross Written Premium (GWP) decreased by -2.2% in 2021 largely in line with NIW trends. GWP was high by historical levels, reflecting a continuing strong home lending market;
- There were capital returns to shareholders of including a 5 cents per share interim dividend, final ordinary and special dividends declared of 24 cents per share in total, plus $2.4 million in on-market share buy-backs of the $100 million program;
- Genworth's absolute Total Shareholder Return[1] (TSR) was a decrease of -0.7% from 1 January to 31 December 2021;
- Ongoing focus on enhancement of our customer experience and value proposition resulted in key customer renewals, with the CBA renewal subject to agreeing contractual terms.

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

1. Including value of notionally re-invested dividends.

Table 3.1a Summary of Genworth's performance (2015–2021)

Financial results	2015	2016	2017	2018	2019	2020	2021
Gross Written Premium ($m)	$507.6	$381.9	$369.0	$460.2	$433.2	$561.7	$549.6
Net Investment Income ($m)	$107.9	$126.0	$103.3	$77.9	$139.1	$89.9	($10.6)
Underlying NPAT ($m)	$264.7	$212.2	$171.1	$93.9	$97.0	($104.3)	$237.8
Expense Ratio	26.2%	25.7%	29.3%	33.6%	35.3%	82.1%	22.4%
Underlying ROE[1]	11.6%	10.4%	9.0%	5.2%	6.0%	(7.3%)	16.3%
Dividends paid[2]	$0.503	$0.405	$0.260	$0.200	$0.626	$0.0	$0.29
Share price at start of reporting period	$3.64	$2.76	$3.27	$3.00	$2.19	$3.65	$2.39
Share price at end of reporting period	$2.76	$3.27	$3.00	$2.19	$3.65	$2.39	$2.32

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

3.2 Link between performance and STI outcomes

The link between remuneration outcomes and business performance is fundamental to the design, administration and outcomes of Genworth's remuneration programmes. 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 2021's STI objectives, the Board determined the STI pool funding level to be 125% of STI targets.

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.

Table 3.2a 2021 STI performance objectives and Board assessment of performance

STI performance objective & weighting	Rationale	Assessment of 2021 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 returned to profit in 2021 with an outcome of $233.8 million, supported by a low interest rate environment paired with low levels of delinquency and improving economic conditions. This translated to an outcome above stretch for this metric. Prudent provisioning and proactive engagement with lenders around support for hardship were key contributions to this outcome.
Capital Management (10%)	Reflects proactive management of our capital structure to optimise returns for shareholders.	Capital management initiatives in 2021 included a 1H dividend of 5 cps, a final ordinary and special dividend of 24 cps and approved share buyback up to $100 million with $2.4 million of shares bought back by 31 December 2021. Maintaining a strong PCA ratio. This translated to a performance outcome of at target.
Gross Written Premium (25%)	Incentivises generation of new business within the current performance period, subject to achievement of new business pricing return in excess of the WACC.	GWP reduced by -2.2% to $549.6 million, influenced by the loss of National Australia Bank (NAB) in 2020, however there was new customer growth and this was high by historic levels. Ongoing system and process enhancements contributed to seamless execution of high loan volumes. This represented stretch performance against the 2021 GWP target of $462 million.
Strategic Priorities (30%)	For the 2021 performance period, short-term incentive plan priorities were focussed on the key strategic focus areas of core LMI profitability, reimagining LMI and complementary business opportunities.	• Retained and acquired key strategic customers maintaining pricing returns at target • Completed HCD market research and associated new product development • Launched Family Assistance product • Developed diversification opportunities into alternative revenue streams • Successful outcomes in retaining and winning new business reflected innovation and new capabilities developed as an outcome of implementation of our new strategic approach • This represented on target performance
Culture (10%)	Culture required to achieve strategy deployed and embedded in the employee lifecycle.	• Culture framework developed, integrated with People Strategy and communicated across organisation • Launched new Culture and Engagement Survey (June) • Culture and Engagement Survey results – shows positive movement with an 8% increase for Culture and 3% increase for Engagement • This represented on target performance

Remuneration report continued

3.3 Link between performance and LTI outcomes

2019 LTI award

In January 2019, 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 2021), meaning the first tranche of Performance Rights will vest in 1Q23. The vesting outcomes for this grant are outlined below.

LTI performance objective & 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 mid-point 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 2019 award was 7.5% and the actual Underlying ROE result was 8.37%. Accordingly, 60% of the underlying ROE component will vest, representing 15% of the overall grant.
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 64th percentile (i.e. between the median and upper quartile). Accordingly, 78% of the relative TSR component will vest, representing 58% of the overall grant. One current executive KMP and one former executive KMP will qualify for partial vesting in 1Q23, at which point more detail on actual vesting outcomes will be provided.

4. REMUNERATION OUTCOMES FOR EXECUTIVE KMP

Table 4a 2021 STI outcomes

	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)
Executive KMP										
P Blight-Johnston CEO	80%	$720,000	$1,440,000	$660,000	$330,000	139,387	$990,000	110%	69%	31%
M Cant[2] CFO	50%	$290,000	$580,000	$52,121	$26,060	11,007	$78,181	13%	13%	87%
A Cormack CRO	40%	$207,009	$414,018	$141,456	$70,728	29,874	$212,184	41%	51%	49%
J Francis[3] COO	50%	$215,000	$430,000	$147,260	$73,630	31,100	$220,890	51%	51%	49%
Former Executive KMP										
M Bencsik CFO	50%	$255,000	$510,000	$188,892	–	–	$188,892	37%	37%	63%
S Degetto CCO	50%	$234,117	$468,234	$73,162	–	–	$73,162	16%	16%	84%

1. Cash STI awarded figure is inclusive of superannuation.
2. Mr Cant's 2021 STI awarded was pro-rated for his start date of 27 September 2021.
3. Mr Francis' 2021 STI awarded was pro-rated for his start date of 26 April 2021.

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. Payment in lieu of notice at Company discretion. No notice if terminated for cause i.e. serious misconduct.	Company termination with notice, six months fixed remuneration termination payment, plus statutory entitlements. If terminated for cause, statutory entitlements only.
Other executive KMP	Ongoing	Three months either party. Payment in lieu of notice at Company discretion. No notice if terminated for cause i.e. serious misconduct.	Company termination with notice, six months fixed remuneration termination payment, plus statutory entitlements. If terminated for cause, statutory entitlements only.

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 2021

KMP		Short-term remuneration				
		Cash salary[1]	Other benefits[2]	Non-monetary benefits[3]	Cash STI awarded[4]	Deferred STI[5]
Executive KMP						
P Blight-Johnston CEO	2021	$871,355	$600	$11,364	$660,000	$330,000
	2020	$721,543	$600	$15,235	–	–
M Cant[8] CFO	2021	$147,555	–	$1,414	$52,121	$26,060
	2020	–	–	–	–	–
A Cormack CRO	2021	$494,892	$600	$2,065	$141,456	$70,728
	2020	$496,308	$600	$1,786	–	–
J Francis[9] COO	2021	$276,883	$600	$1,929	$147,260	$73,630
	2020	–	–	–	–	–
Former Executive KMP[10]						
M Bencsik CFO	2021	$413,486	$600	$7,700	$188,892	–
	2020	$487,710	$600	$8,703	–	–
S Degetto CCO	2021	$291,249	$600	$6,904	$73,162	–
	2020	$443,527	$600	$4,791	–	–

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 2019, 2020 and 2021 LTI grants, LTI 2017 (associated notional dividend awards) and vested 2018 LTI awards.
8. Mr Cant appointed 27 September 2021.
9. Mr Francis appointed 26 April 2021.
10. Termination benefits to former executive KMP in 2021 comprised statutory and contractual entitlements.

	Long-term/post-employment benefits						
Sub-total	Super benefits	Long serv leave[6]	Share-based payments RSUs[7]	Termination benefits	Total	% of total that is performance related	% of total that are options
$1,873,319	$22,631	$13,242	$52,972	–	$1,962,164	50%	0%
$737,378	$21,348	$17,060	–	–	$775,786	0%	0%
$227,150	$11,693	$2,122	–	–	$240,965	32%	0%
–	–	–	–	–	–	–	–
$709,741	$22,631	$13,666	$200,613	–	$946,651	22%	0%
$498,694	$21,348	$31,218	$53,583	–	$604,843	0%	0%
$500,302	$17,208	$1,100	$4,723	–	$523,333	42%	0%
–	–	–	–	–	–	–	–
$610,678	$22,631	–	$2,308	$379,340	$1,014,957	19%	0%
$497,013	$21,348	$22,068	–	–	$540,429	0%	0%
$371,915	$16,739	–	$44,690	$408,864	$842,208	9%	0%
$448,918	$21,348	$37,489	$50,521	–	$558,276	0%	0%

Remuneration report continued

Table 6b Share right holdings for the reporting period ended 31 December 2021

Name and position	Grant detail	Grant date[1]	Issue price[2]	Vesting date
Executive KMP				
P Blight-Johnston CEO	Deferred STI '20	1 Mar '21	$2.31	1 Mar '22
	LTI '20	1 Jan '20	$3.73	31 Dec '23
	LTI '21	1 Jan '21	$2.31	31 Dec '24
M Cant[3] CFO	LTI '21	1 Jan '21	$2.31	
A Cormack CRO	LTI '17	1 Jan '17	$2.90	31 Dec '20
	Deferred STI '19	1 Mar '20	$3.73	1 Mar '21
	Deferred STI '20	1 Mar '21	$2.31	1 Mar '22
	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
	LTI '21	1 Jan '21	$2.31	31 Dec '24
J Francis[4] COO	LTI '21	1 Jan '21	$2.31	31 Dec '24
Former Executive KMP				
M Bencsik[5] CFO	Deferred STI '19	1 Mar '20	$3.73	1 Mar '21
	Deferred STI '20	1 Mar '21	$2.31	1 Mar '22
	LTI '20	1 Jan '20	$3.73	31 Dec '23
	LTI '21	1 Jan '21	$2.31	31 Dec '24
S Degetto[6] CCO	LTI '17	1 Jan '17	$2.90	31 Dec '20
	Deferred STI '19	1 Mar '20	$3.73	1 Mar '21
	Deferred STI '20	1 Mar '21	$2.31	1 Mar '22
	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
	LTI '21	1 Jan '21	$2.31	31 Dec '24

1. Grant date represents the commencement of the performance period.
2. Issue price is the share price of the instrument at the date of grant.
3. Mr Cant appointed 27 September 2021.
4. Mr Francis appointed 26 April 2021.
5. Mr Bencsik ceased employment effective 24 September 2021, retained ongoing participation in LTI '21 after a pro-rated proportion of the grant was forfeited in accordance with the plan rules.
6. Mr Degetto ceased employment effective 30 August 2021, retained ongoing participation in LTI '19, LTI '20 and LTI '21 after a pro-rated proportion of the grants were forfeited in accordance with the plan rules.

	Movement during the year				
# Held 31/12/20	Number granted	Forfeited	Vested	Exercised	# Held 31/12/21
–	–	–	–	–	–
160,681	–	–	–	–	160,681
–	311,593	–	–	–	311,593
–	–	–	–	–	–
–	22,371	–	22,371	22,371	–
15,979	440	–	16,419	16,419	–
–	–	–	–	–	–
91,127	–	22,782	68,345	68,345	–
113,913	–	–	–	–	113,913
67,938	–	–	–	–	67,938
–	89,587	–	–	–	89,587
–	63,729	–	–	–	63,729
19,833	547	–	20,380	20,380	–
–	–	–	–	–	–
66,950	–	66,950	–	–	–
–	110,356	79,215	–	–	31,141
–	20,065	–	20,065	20,065	–
22,647	624	–	23,271	23,271	–
–	–	–	–	–	–
81,733	–	81,733	–	–	–
100,105	–	33,437	–	–	66,668
60,285	–	35,198	–	–	25,087
–	81,054	63,141	–	–	17,913

Remuneration report continued

7. NON-EXECUTIVE DIRECTOR REMUNERATION

Table 7a KMP in 2021

Name	Position	Term as KMP
Non-executive directors		
Ian MacDonald	Chairman	Full Period
David Foster	Independent Director – Genworth Financial designee	Full Period
Gai McGrath	Independent Director	Full Period
Alistair Muir	Independent Director	1 December – 31 December 2021
Gerd Schenkel	Independent Director	1 December – 31 December 2021
Andrea Waters	Independent Director	Full Period
Duncan West	Independent Director	Full Period
Former Non-Executive Directors		
Graham Mirabito	Independent Director – Genworth Financial designee	1 January – 4 August 2021
Rajinder Singh	Director – Genworth Financial designee	1 January – 1 March 2021
Stuart Take	Director – Genworth Financial designee	1 January – 1 March 2021

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. Former non-executive directors who are executives of Genworth Financial (Mr Take and Mr Singh) were paid by Genworth Financial Inc (GFI) in the ordinary course of their duties and were not paid fees by Genworth Australia.

After GFI sold its majority shareholding in Genworth Australia, David Foster's and Graham Mirabito's GFI designate statuses ceased to apply.

Table 7b NED fee table

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

* The Chairman fee for the Risk Committee was increased to $30,000 from $24,000 from 1 October 2021 to reflect the increased scope and workload associated with the role due to adoption of activities previously undertaken by the discontinued Capital and Investment Committee and Technology Committee.

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 programmes for NEDs are neither performance based or at risk. There was no increase in base fee rates in 2021. As the Capital and Investment Committee and the Technology Committee were discontinued effective 1 May 2021, the total Committee fees paid in 2021 to Non-Executive Directors reduced from 2020.

The mandatory minimum share ownership requirement for independent NEDs is 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 2020 approval of the mandatory minimum shareholding guidelines or appointment date to the Board, whichever is later. All Directors are in compliance with the share ownership requirement as at the reporting date.

Table 7c Statutory remuneration table – 1 January to 31 December 2021

KMP	Year	Fees	Other short-term benefits	Non-monetary benefits	Superannuation benefits	Total
Non-Executive Directors						
I MacDonald	2021	$242,369	–	–	$22,631	$265,000
Chairman	2020	$243,652	–	–	$21,348	$265,000
D Foster[1]	2021	$145,240	–	–	$14,141	$159,381
Director	2020	$162,086	–	–	$15,398	$177,484
G McGrath[2]	2021	$153,711	–	–	$14,980	$168,691
Director	2020	$159,817	–	–	$15,183	$175,000
A Muir[3]	2021	$9,621	–	–	$962	$10,583
Director	2020	–	–	–	–	–
G Schenkel[4]	2021	$10,583	–	–	–	$10,583
Director	2020	–	–	–	–	–
A Waters[5]	2021	$167,190	–	–	–	$167,190
Director	2020	$134,328	–	–	$4,449	$138,777
D West[6]	2021	$159,381	–	–	–	$159,381
Director	2020	$145,349	$150,000	–	–	$295,349
Former Non-Executive Directors						
G Mirabito[7]	2021	$79,263	–	–	$7,590	$86,853
Director	2020	$54,122	–	–	$5,142	$59,264
R Singh[8]	2021	–	–	–	–	–
Director	2020	–	–	–	–	–
S Take[9]	2021	–	–	–	–	–
Director	2020	–	–	–	–	–

1. Mr Foster is Chairman of the Remuneration & Nominations Committee and a member of the Risk Committee.
2. Ms McGrath is Chairman of the Risk Committee and a member of the Audit Committee, and Remuneration & Nominations Committee.
3. Mr Muir was appointed to the Board on 1 December 2021. He is a member of the Risk Committee.
4. Mr Schenkel was appointed to the Board on 1 December 2021. He is a member of the Audit Committee.
5. Ms Waters is Chairman of the Audit Committee and a member of the Risk Committee, and Remuneration & Nominations Committee.
6. Mr West is a member of the Audit Committee, Risk Committee and Remuneration & Nominations Committee "Other short-term benefits" for Mr West represent fees received while Acting CEO for 1 January –1 March 2020.
7. Mr Mirabito ceased to be a director on 4 August 2021.
8. Mr Singh was employed by Genworth Financial in the ordinary course of his duties and was not paid fees by Genworth Australia.
9. Mr Take was employed by Genworth Financial in the ordinary course of his duties and was not paid fees by Genworth Australia.

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 2021)

	Balance at 31 Dec 20[1]	Received via vesting/ exercising	Other changes[2]	Balance at 31 Dec 21
Executive KMP				
P Blight-Johnston – CEO	–	–	–	–
M Cant – CFO	N/A	–	–	–
A Cormack – CRO	119,604	107,135	–	226,739
J Francis – COO	N/A	–	–	–
Former Executive KMP				
M Bencsik – CFO	38,202	20,380	–	N/A
S Degetto – CCO	81,501	43,336	–	N/A
Non-Executive Directors				
I MacDonald – Chairman	131,823	–	–	131,823
D Foster – Director	22,935	–	4,273	27,208
G McGrath – Director	29,650	–	41,500	71,150
A Muir – Director	N/A	–	–	–
G Schenkel – Director	N/A	–	–	–
A Waters – Director	50,000	–	10,000	60,000
D West – Director	60,318	–	–	60,318
Former Non-Executive Directors				
G Mirabito – Director	–	–	–	N/A
R Singh – Director	–	–	–	N/A
S Take – Director	8,297	–	–	N/A

1. Several KMP were not yet appointed to their roles in Genworth as at 1 January 2021 and their shareholding balance is therefore recorded as N/A.
2. Acquisition or sale of shares on market.

Table 8b Relevant interest of each director in Genworth Australia and its related bodies corporate (unaudited)

	GMA Group balance held directly or indirectly at 31 Dec 2021
Directors	
I MacDonald	Shares: 131,823
P Blight-Johnston	Shares: – Share rights: 472,274
D Foster	Shares: 27,208
G McGrath	Shares: 71,150
A Muir	Shares: –
G Schenkel	Shares: –
A Waters	Shares: 60,000
D West	Shares: 60,318
Former Non-Executive Directors	
G Mirabito	N/A
R Singh	N/A
S Take	N/A

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 25 February 2022

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 2021 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

Julia Gunn
Partner

Sydney
25 February 2022

Financial statements

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NOTES TO THE FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Gross written premium	3.1	549,587	561,730
Movement in unearned premium		(110,586)	(180,363)
Outward reinsurance premium expense		(68,493)	(69,346)
Net earned premium		370,508	312,021
Net claims written back/(incurred)	4.1	8,266	(289,846)
Acquisition costs		(10,799)	(196,229)
Other underwriting expenses	3.3	(73,389)	(61,164)
Other underwriting revenue		1,197	1,197
Underwriting result		295,783	(234,021)
Investment (loss)/income on assets backing insurance liabilities	3.2	(33,978)	59,917
Insurance profit/(loss)		261,805	(174,104)
Investment income on equity holders' funds	3.2	27,450	34,391
Investment expense		(4,029)	(4,363)
Financing costs		(10,291)	(10,709)
Profit/(loss) before income tax		274,935	(154,785)
Income tax (expense)/benefit	3.5(a)	(82,114)	47,203
Profit/(loss) for the year		192,821	(107,582)
Total comprehensive income/(loss) for the year		**192,821**	**(107,582)**
Earnings per share			
Basic earnings/(loss) per share (cents per share)	3.7	46.7	(26.1)
Diluted earnings/(loss) per share (cents per share)	3.7	46.7	(26.0)

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 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents	6.1	76,724	104,557
Accrued investment income		16,837	20,492
Investments	2.2(d)	3,627,122	3,320,968
Trade and other receivables	6.2	7,821	56,225
Prepayments		4,203	1,760
Deferred reinsurance expense	4.2	8,665	20,218
Recoveries receivable	4.5	21,604	33,286
Deferred acquisition costs	4.3	88,510	41,604
Plant and equipment		3,448	4,301
Lease assets	6.3	3,618	5,955
Deferred tax assets	3.5(b)	40,994	55,624
Intangibles	6.4	4,643	6,490
Goodwill	6.5	9,123	9,123
Total assets		**3,913,312**	**3,680,603**
Liabilities			
Trade and other payables	6.6	79,360	50,898
Lease liabilities	6.3	7,663	12,324
Reinsurance payable		21,359	32,450
Outstanding claims	4.4	480,256	540,353
Unearned premium	4.6	1,571,834	1,461,232
Employee benefits provision	6.7	7,282	7,645
Interest bearing liabilities	5.2	188,229	187,781
Total liabilities		**2,355,983**	**2,292,683**
Net assets		**1,557,329**	**1,387,920**
Equity			
Share capital	5.3(a)	1,087,762	1,090,180
Share-based payment reserve	5.3(b)	806	1,174
Other reserves	5.5	(476,559)	(476,559)
Retained earnings		945,320	773,125
Total equity		**1,557,329**	**1,387,920**

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 2021

	Share capital $'000	Other reserves $'000	Retained earnings $'000	Share-based payment reserve $'000	Total $'000
Balance at 1 January 2020	1,090,180	(476,559)	911,646	2,209	1,527,476
Loss after taxation	–	–	(107,582)	–	(107,582)
Dividends 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**
Balance at 1 January 2021	1,090,180	(476,559)	773,125	1,174	1,387,920
Profit after taxation	–	–	192,821	–	192,821
Buy-back of shares, including transaction costs	(2,418)	–	–	–	(2,418)
Dividend declared and paid	–	–	(20,626)	–	(20,626)
Share-based payment expense recognised	–	–	–	555	555
Share-based payment settled	–	–	–	(923)	(923)
Balance at 31 December 2021	**1,087,762**	**(476,559)**	**945,320**	**806**	**1,557,329**

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 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Premiums received		619,358	638,660
Interest and other income		42,981	45,985
Claims paid		(41,141)	(123,930)
Outwards reinsurance premium expense paid		(68,031)	(69,197)
Interest paid		(12,268)	(12,190)
Cash payments in the course of operations		(187,352)	(159,320)
Income tax paid		(8,881)	(23,421)
Net cash provided by operating activities	3.4	**344,666**	**296,587**
Cash flows from investing activities			
Payments for plant, equipment and intangibles		–	(529)
Payments for purchase of investments		(2,534,579)	(3,425,068)
Proceeds from sale of investments		2,188,541	3,192,327
Proceeds from sub-lease of property		1,774	1,629
Net cash used in investing activities		**(344,264)**	**(231,641)**
Cash flows from financing activities			
Payments for the on-market buy-back of shares	5.3	(2,418)	–
Net repayments of long-term borrowings		–	(12,434)
Payment of lease liabilities		(4,649)	(4,304)
Dividends paid		(20,626)	(30,939)
Net cash used in financing activities		**(27,693)**	**(47,677)**
Net (decrease)/increase in cash held		(27,291)	17,269
Effects of exchange rate changes on balances of cash held in foreign currencies		(542)	34
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 year	6.1	**76,724**	**104,557**

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 2021 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 lender's 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 25 February 2022.

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 (refer to note 1.2(c)(iii)). 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 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.

(i) 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 for annual periods beginning on or after 1 January 2022 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.

	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 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2022

Notes to the financial statements continued

(iii) AASB 17 Insurance Contracts

AASB 17, 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 for the year ending 31 December 2023, with the comparative period for the year ending 31 December 2022 and the Statement of Financial Position at 1 January 2022.

The Group continues to progress its AASB 17 implementation program including the detailed impact assessment of the new standard and the requirements to implement and modify systems and processes for adoption on 1 January 2023. As at the date of this report, key aspects considered under the Group's detailed impact assessment of the new standard include:

- **Insurance contracts** – the Group currently comprises a single portfolio, of insurance contracts with similar risks which are managed together. The Group expects that all its contracts considered to be insurance contracts under AASB 1023 will continue to be accounted for as insurance contracts under AASB 17. Under AASB 17, the insurance contract portfolio is required to be disaggregated to a more granular level into underwriting years and levels of profitability at inception. For the Group's direct insurance business, the insurance contract is expected to be deemed at the borrower level (as opposed to the lender policyholder) as the Group has the ability to accept or reject individual applications. For the Group's reinsurance business, the insurance contract is expected to be at the lender policyholder level. The Group is expecting to include direct contracts issued and reinsurance contracts issued in different groups;
- **Level of aggregation** – the Group's single portfolio of insurance contracts needs to be disaggregated by underwriting years, with a further breakdown for contracts considered onerous (unprofitable);
- **Measurement overview** – AASB 17 also introduces a new general measurement model for accounting of insurance contracts based on fulfilment cashflows (discounted future cash flows risk adjusted for non-financial risk) and contractual service margin (CSM). The application of a simplified approach is permitted in certain circumstances, although the vast majority of insurance contracts underwritten by the Group are not expected to meet the requirements of the simplified approach due to their long-term coverage period;
- **Fulfillment cash flows** – all future fulfilment cash flows relating to in-force insurance contracts need to be estimated and recognised within the insurance contract liabilities;
- **CSM** – for each group of insurance contracts, the expected future profit is included within the insurance contract liability and represents the CSM. The CSM is released to insurance revenue over the coverage period as the insurance service is provided by the Group. The provision of insurance service, which underpins the recognition of the CSM, is expected to be based on several factors including the estimated negative equity within the portfolio (shortfall of the property value compared to the outstanding loan balance). This is expected to be estimated by adjusting the outstanding loan balance by severity factors, informed by past experience. These assumptions will be reviewed on a regular basis;
- **Risk adjustment** – the insurance liability also includes a risk adjustment for non-financial risk under AASB 17 to reflect the compensation that the entity requires for bearing uncertainty about the amount and timing of the cash flows. The risk adjustment is expected to be determined using a confidence level approach to measure insurance contract liabilities;
- **Discounting** – the fulfilment cash flows within the insurance contract liability is expected to be discounted using discount rates that are based on market rates at the valuation date. The Group expects to recognise the insurance finance expense (effect of unwinding the discounting impact and the changes in discount rates) fully in profit or loss, as opposed to disaggregating it between profit or loss and other comprehensive income. This would ensure the most effective matching with the investment portfolio which is expected to be measured at fair value through profit or loss upon adoption of AASB 9 as disclosed in note 1.2(c)(iv); and
- **Presentation and disclosures** – AASB 17 introduces substantial changes to the presentation and disclosures of the financial statements. The disclosures are expected to be more extensive, requiring increased granularity and analysis of movements.

In December 2021, the Australian Prudential Regulation Authority (APRA) has issued a second Quantitative Impact Study (QIS), as part of its ongoing work to update its prudential and reporting standard in light of the adoption of AASB 17. APRA has invited all the insurance companies to participate in the QIS, on a best endeavours basis, with responses due by 31 March 2022. APRA has indicated that the updates to its prudential and reporting framework were not intended to alter the minimum capital levels required to be held by insurance companies.

The requirements of AASB 17 are complex and the Group's expectations noted above are subject to change as it continues to assess the impact of the standard and interpretation developments. Regulators are considering their response to the new standard which may result in changes to the prudential and reporting standards, as well as the *Income Tax Assessment Act 1997*. The Group continues to closely monitor all these developments and to assess the financial impacts of the standard on the Group.

The Group expects the timing of recognition of profit will change under AASB 17 due to the different valuation method used to determine the insurance liability. This could lead to a significant change in the net asset position on transition at 1 January 2023. At the date of this report, the financial impact of adopting AASB 17 remains uncertain and cannot be reasonably estimated by the Group.

(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 these criteria. The Group, having met those criteria, has deferred the adoption of AASB 9 and is expecting to adopt AASB 9 at the same time as AASB 17.

AASB 9 introduces changes to the classification and measurements of financial instruments, replaces the 'incurred losses' impairment model with a new 'expected loss' model when recognising expected credit losses on financial assets, and includes new general hedge accounting requirements.

The Group's investments are currently designated at fair value through profit or 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 on a fair value basis. Under the Group's current business model, it is expected the adoption of AASB 9 is likely to result in the investment portfolio continuing to be measured at fair value through profit or loss. Hence, the Group does not expect any material changes to the carrying value of its financial instruments upon the adoption of AASB 9.

(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 instrument, 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.

Notes to the financial statements continued

(i) 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 31 December 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 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 (refer to note 4.4 and 4.8);
- valuation of the Unearned Premium (refer to note 4.6 and 4.8);
- estimates of future claims and related expenses for the preparation of the Liability Adequacy Test (refer to note 4.7) and the Group's regulatory capital position (refer to note 4.9);
- recoverable amount assessments of Intangible Assets (refer to note 6.4);
- recoverable amount assessments of Goodwill (refer to note 6.5); and
- fair value measurement of investments (refer to note 2.2(d)).

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

(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 reclassified, 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 and an Audit 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.

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, 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.

2.2 Financial risk management

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

(a) Market risk

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

(i) Currency risk

Currency risk is the risk of loss arising from an unfavourable movement in market exchange rates. The Group is exposed to currency risk on its investments in debt securities, in receivables and payables denominated in a currency other than Australian dollars and the net investment in foreign branch operations. The currencies giving rise to the risk are United States dollars and New Zealand dollars (2020: 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 currencies other than Australian dollars. 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.

Notes to the financial statements continued

The potential impact on the Group's profit or 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:

	2021		2020	
	+10% $'000	-10% $'000	+10% $'000	-10% $'000
New Zealand dollar	(160)	160	(79)	79
United States dollar	(158)	158	(347)	347
Euros	–	–	201	(201)

(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 predominantly 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 or loss (before tax) resulting from 50 basis points (2020: 50 basis points) increase or decrease in interest rates on interest bearing assets, assuming all other variables remain constant, are shown below:

	2021		2020	
	+50bps $'000	-50bps $'000	+50bps $'000	-50bps $'000
Interest bearing assets	(33,027)	33,027	(41,962)	41,962

(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 or loss (before tax) resulting from a 10% increase or decrease in the value of equity securities at the reporting date are shown below:

	2021		2020	
	+10% $'000	-10% $'000	+10% $'000	-10% $'000
Investments – unit trusts equity securities	19,364	(19,364)	11,631	(11,631)
Investments – unlisted equities	767	(767)	967	(967)

(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 84% (2020: 80%) of total securities and cash with counterparties having a rating of A- or better. The Group does not expect any investment counterparties to fail to meet their obligations given their strong credit ratings.

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

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

	2021 $'000	2020 $'000
Cash at bank and short-term deposits		
AAA	25,088	13,176
AA	225,566	189,709
A	115,558	23,975
BBB	–	10,000
	366,212	**236,860**
Investments (excluding short-term deposits and equities)		
AAA	850,633	1,037,638
AA	954,878	906,963
A	931,029	583,671
BBB	399,780	519,831
BB	–	14,590
	3,136,320	**3,062,693**
Accrued interest receivable		
AAA	2,679	5,407
AA	7,362	8,185
A	3,428	2,529
BBB	1,766	3,356
BB	–	200
Not rated	1,602	815
	16,837	**20,492**
Trade and other receivables		
Premium receivables		
AA	3,830	18,896
Not rated	–	254
Other receivables		
AAA	–	28,240
Not rated	3,991	8,835
	7,821	**56,225**

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.

2021 Financial liabilities	Less than 1 year $'000	1 – 5 years $'000	Total $'000
Trade and other payables	78,377	983	79,360
Reinsurance payable	21,359	–	21,359
Lease liabilities	4,922	2,741	7,663
	104,658	**3,724**	**108,382**

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**

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 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 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 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 or 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 or loss on the same basis as those backing insurance liabilities.

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 or 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 or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value through profit or 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).

The following table presents investments that are measured and recognised at fair value:

Investments	2021 $'000	2020 $'000
Fixed interest rate		
Short-term deposits	289,489	107,216
Australian government and State-government bonds	1,063,850	1,433,219
Corporate bonds and others	790,286	864,136
	2,143,625	**2,404,571**
Floating interest rate		
Short-term deposits	–	25,087
Corporate bonds and others	1,282,183	747,867
	1,282,183	**772,954**
Derivatives		
Investment related derivatives	–	17,471
Equity securities		
Unlisted unit trusts	193,640	116,306
Unlisted equities	7,674	9,666
	201,314	**125,972**
Total investments	**3,627,122**	**3,320,968**
Comprising:		
Current	875,259	399,813
Non-current	2,550,549	2,795,183
Equity	201,314	125,972
	3,627,122	**3,320,968**

There were $180.0 million of undrawn commitments to an externally managed unlisted infrastructure fund at 31 December 2021 (2020: nil).

Since the fair value of the majority of the Group's investments is determined based on observable market data, this measurement basis has not changed as a result of COVID-19.

Notes to the financial statements continued

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 assessed based on the most recent capital raising price of the unlisted equity investment.

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial instruments				
Australian Government and State-government bonds	–	1,063,850	–	1,063,850
Corporate bonds and others	–	2,072,469	–	2,072,469
Short-term deposits	289,489	–	–	289,489
Unlisted unit trusts	–	193,640	–	193,640
Unlisted equities	–	–	7,674	7,674
Total	**289,489**	**3,329,959**	**7,674**	**3,627,122**

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**

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

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 $'000	Purchases $'000	Disposals $'000	Movement in fair value $'000	Balance at 31 December 2021 $'000
Financial instruments					
Unlisted equities	9,666	–	–	(1,992)	7,674
Total	**9,666**	**–**	**–**	**(1,992)**	**7,674**

	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
Total	**4,000**	**–**	**–**	**5,666**	**9,666**

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:

	2021			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	339,120	–	10,260	673,100	17,471	14
	339,120	**–**	**10,260**	**673,100**	**17,471**	**14**

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.

	2021 $'000	2020 $'000
Direct premium	547,724	560,322
Inward reinsurance premium	1,863	1,408
	549,587	**561,730**

In Australia, the majority of mortgages are originated through the country's four largest banks. The gross written premium (GWP) for the Group's two largest customers is included in the table below. The second largest customer changed in 2021 with the loss of the National Australia Bank (NAB) contract, which was not renewed and expired on 20 November 2020.

Lender customer	2021 GWP	2020 GWP
Largest customer	64.6%	56.9%
Second largest customer	9.0%	11.0%

3.2 Investment (loss)/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.

	2021 $'000	2020 $'000
Interest revenue	36,516	50,102
Dividend/distribution revenue	6,839	1,210
Unrealised losses including derivatives	(10,946)	(45,937)
Realised (losses)/gains including derivatives	(39,725)	90,369
Other income gains/(losses)	788	(1,436)
Total investment (loss)/income	**(6,528)**	**94,308**
Represented by:		
Investment (loss)/income on assets backing insurance liabilities	(33,978)	59,917
Investment income on equity holders' funds	27,450	34,391
	(6,528)	**94,308**

3.3 Other underwriting expenses

	2021 $'000	2020 $'000
Depreciation and amortisation expense	5,036	4,859
Employee expenses:		
– Salaries and wages	29,823	26,270
– Superannuation contributions	1,950	1,656
– Employee benefits	(203)	302
Administrative expenses	36,783[1]	28,077
	73,389	**61,164**

1. Includes separation costs of $8.4 million for the cost of transition and implementation of new software, hardware and services previously provided by GFI.

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.

	2021 $'000	2020 $'000
Profit/(loss) after income tax	192,821	(107,582)
Less items classified as investing/financing activities:		
– Loss/(gain) on sale of investments including derivatives	39,725	(90,369)
– Unrealised losses on investments including derivatives	10,946	45,937
Add non-cash items:		
– Share-based payments	(368)	(1,035)
– Depreciation and amortisation	5,036	4,869
– Interest income from leases	(164)	(221)
Net cash provided by/(used in) operating activities before change in assets and liabilities	**247,996**	**(148,401)**
Change in assets and liabilities during the financial year:		
Decrease in receivables	42,893	16,808
(Decrease)/increase in outstanding claims liability	(60,097)	179,448
Increase/(decrease) in payables and borrowings	35,911	(25,708)
(Increase)/decrease in deferred acquisition costs	(46,906)	139,630
(Decrease)/increase in provision for employee entitlements	(363)	549
Increase in unearned premiums	110,602	180,781
Decrease/(increase) in deferred tax asset balances	14,630	(46,520)
Net cash provided by operating activities	**344,666**	**296,587**

Notes to the financial statements continued

3.5 Income taxes

Accounting policies

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

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date.

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

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

(a) Income tax expense/(benefit)

	2021 $'000	2020 $'000
Current tax	67,484	–
Deferred tax	14,630	(46,486)
Under/(over) provision in prior year		
Current tax	–	(683)
Deferred tax	–	(34)
Income tax expense/(benefit)	**82,114**	**(47,203)**

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

	2021 $'000	2020 $'000
Prima facie income tax expense/(benefit) calculated at 30% of profit/(loss)	82,480	(46,435)
Decrease/(increase) in income tax expense/(benefit) due to:		
Over provision in prior year	–	(717)
Non-deductible items	138	345
Franking tax credit	(504)	(396)
Income tax expense/(benefit)	**82,114**	**(47,203)**

(ii) Current tax liabilities

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

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

(b) Deferred tax assets

	2021 $'000	2020 $'000
Deferred tax asset balance comprises temporary differences attributable to:		
Leases	345	557
Employee benefits	4,691	3,519
Share-based payments and accrued expenses	848	509
Tax losses carried forward	–	2,151
Deferred acquisition costs	29,330	43,322
Provision for indirect claims handling costs	5,463	5,335
Other	317	231
	40,994	**55,624**
Net deferred tax		
Balance as at 1 January	55,624	9,104
(Debited)/credited to the statement of comprehensive income	(14,630)	46,486
Over provision of prior year tax	–	34
Balance as at 31 December	**40,994**	**55,624**

In the current year, the New Zealand shareholder continuity test requiring at least 49% of a company's voting shares to be maintained was not met due to the divestiture of the Company by GFI. This, in isolation, would have resulted in the loss of the entire $74,145,000 of carried forward tax losses from 2020. No deferred tax asset had been recognised in respect of these tax losses due to insufficient certainty of future profits in New Zealand to utilise those losses.

During the year, the New Zealand Inland Revenue Department also introduced a business continuity test to be considered in addition to the shareholder continuity test. This business continuity test allows, where there has been no major change in the business during the year, companies to continue to carry forward tax losses incurred from the 2013-14 income year onwards even if the shareholder continuity test has not been met. The Group has met the conditions of the business continuity test and as such, the eligible carry forward tax losses from the New Zealand operations from 2013–14 income year onwards was $1,009,000. These carry forward tax losses were fully utilised against the income generated by the Group's New Zealand operations in 2021. As at 31 December 2021, the Group has carried forward tax losses from the New Zealand operations amounting to nil (2020: $74,145,000).

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.

	2021		2020	
	Cents per share	$'000	Cents per share	$'000
2020 final dividend nil (2019 final dividend paid on 19 March 2020 fully franked at 30%)	–	–	7.5	30,939
2021 interim dividend paid on 31 August 2021 (2020: nil) unfranked	5.0	20,626	–	–
	5.0	**20,626**	**7.5**	**30,939**

Notes to the financial statements continued

(b) Dividends not recognised at reporting date

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

	2021		2020	
	Cents per share	$'000	Cents per share	$'000
2021 final dividend to be paid on 25 March 2022 (2020: nil) fully franked	12.0	49,379	–	–
2021 special dividend to be paid on 25 March 2022 (2020:nil) fully franked	12.0	49,379	–	–
Total	**24.0**	**98,758**	**–**	**–**

(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.

	2021 $'000	2020 $'000
Franking account surplus balance – tax paid basis	34,973	25,436

After taking into consideration the impact of franking credits and debits relating to the income tax payable and receivable for the 2021 year the franking account balance would have a surplus of $65,338,000 (2020: $2,804,000 deficit).

In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has assumed the benefit of available franking credits. The Company actively manages the franking account to ensure the balance remains positive at each reporting date, in accordance with the tax legislation.

3.7 Earnings per share

Accounting policies

Basic earnings/(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.

Basic and diluted earnings/(loss) per share have been calculated using the weighted average and dilutive number of shares outstanding during the year of 412,469,000 (2020: 412,514,000) and 412,785,000 (2020: 413,388,000) respectively. The difference between basic and diluted earnings/(loss) per share is caused by the granting of potentially dilutive securities such as share rights, options and restricted share units (RSUs).

	2021	2020
Basic earnings/(loss) per share (cents per share)	46.7	(26.1)
Diluted earnings/(loss) per share (cents per share)	46.7	(26.0)

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

	2021 $'000	2020 $'000
Net profit/(loss) after tax	192,821	(107,582)
Net profit/(loss) used in calculating basic and diluted earnings/(loss) per share	192,821	(107,582)

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

	2021 $'000	2020 $'000
Weighted average number of ordinary shares on issue	412,469	412,514
Weighted average number of shares used in the calculation of basic earnings/(loss) per share	412,469	412,514
Weighted average number of dilutive potential ordinary shares		
Bonus element of shares	316	874
Weighted average number of shares used in the calculation of diluted earnings/(loss) per share	412,785	413,388

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 (written back)/incurred

(a) Claims analysis

	2021 $'000	2020 $'000
Gross claims (written back)/incurred	(4,733)	296,835
Reinsurance and other recoveries revenue	(3,533)	(6,989)
Net claims (written back)/incurred	**(8,266)**	**289,846**

(b) Claims development

	2021			2020		
	Current year $'000	Prior years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims expense						
Direct	90,482	(86,570)	3,912	133,507	147,755	281,262
Inwards reinsurance	2,584	(11,229)	(8,645)	5,729	9,844	15,573
Gross claims (written back)/incurred[1]	93,066	(97,799)	(4,733)	139,236	157,599	296,835
Reinsurance and other recoveries revenue	(263)	(3,270)	(3,533)	(398)	(6,591)	(6,989)
Net claims (written back)/incurred	**92,803**	**(101,069)**	**(8,266)**	**138,838**	**151,008**	**289,846**

1. Including reinsurance and other recoveries provision movement.

Net claims written back in 2021 was supported by favourable claims experience from high growth in dwelling prices, and low numbers of mortgages in possession, new delinquencies and paid claims.

Notes to the financial statements continued

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.

	2021 $'000	2020 $'000
Balance as at 1 January	20,218	31,771
Amortisation of reinsurance premium previously deferred	(11,553)	(11,553)
Balance as at 31 December	**8,665**	**20,218**
Comprising:		
Current	8,665	11,553
Non-current	–	8,665
	8,665	**20,218**

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 (including Actuarial assumptions and methods) for further detailed information.

	2021 $'000	2020 $'000
Balance as at 1 January	41,604	181,234
Acquisition costs incurred during the year	57,705	56,824
Amortisation charge	(10,799)	(196,454)[1]
Balance as at 31 December	**88,510**	**41,604**
Comprising:		
Current	10,779	5,904
Non-current	77,731	35,700
	88,510	**41,604**

1. 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.

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 or loss in the reporting period in which the estimates are changed.

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

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

	2021 $'000	2020 $'000
Central estimate	410,219	462,961
Risk margin	70,037	77,392
Gross outstanding claims	**480,256**	**540,353**

(a) Reconciliation of changes in outstanding claims

	2021 $'000	2020 $'000
Balance as at 1 January	540,353	360,905
Current period net claims (written back)/incurred	(8,266)	289,846
Movement in non-reinsurance and borrower recoveries	(11,682)	10,516
Claims paid	(40,149)	(120,914)
Balance as at 31 December	**480,256**	**540,353**
Comprising:		
Current	95,869	148,578
Non-current	384,387	391,775
	480,256	**540,353**

Notes to the financial statements continued

(b) Claims development

Underwriting years	Prior years $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	Total $'000
At end of year of underwriting		1,079	1,021	777	1,424	860	1,162	1,019	632	2,231	1,354	
One year later		7,805	6,825	12,917	6,803	8,620	6,716	11,193	13,399	7,299		
Two years later		11,246	20,870	20,319	16,711	8,680	8,885	18,599	5,720			
Three years later		24,535	29,722	21,130	13,560	8,238	18,443	1,010				
Four years later		43,917	28,494	20,825	14,601	17,099	(516)					
Five years later		34,634	30,254	31,018	31,787	1,533						
Six years later		21,273	18,955	38,764	(7,958)							
Seven years later		13,540	31,205	(13,098)								
Eight years later		26,026	(5,143)									
Nine years later		(3,477)										
Net incurred to date		180,578	162,203	132,652	76,928	45,030	34,690	31,821	19,751	9,530	1,354	
Net paid to date		148,500	118,569	82,190	35,021	10,000	5,605	1,729	109	43	–	
Net outstanding claims provision at 31 December 2021	165,881	32,078	43,634	50,462	41,907	35,030	29,085	30,092	19,642	9,487	1,354	458,652
Non-reinsurance recoveries at 31 December 2021												21,604
Gross outstanding claims provision at 31 December 2021												480,256

4.5 Recoveries receivable

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 an asset within the Recoveries receivable balance.

The following table presents non-reinsurance recoveries.

	2021 $'000	2020 $'000
Balance as at 1 January	33,286	22,770
Movement of non-reinsurance recoveries	(11,682)	10,516
Balance as at 31 December	**21,604**	**33,286**

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

4.6 Unearned premium

Accounting policies

Earned and unearned premium revenue

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

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

	2021 $'000	2020 $'000
Balance as at 1 January	1,461,232	1,280,451
Premiums incepted during the year	549,587	561,730
Premiums earned during the year	(438,985)	(380,949)
Balance as at 31 December	**1,571,834**	**1,461,232**
Comprising:		
Current	272,951	315,781
Non-current	1,298,883	1,145,451
	1,571,834	**1,461,232**

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 4.8(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 4.8(a).

As at 31 December 2021 and 31 December 2020, the LAT resulted in surpluses for the LMI portfolio:

	2021 $'000	2020 $'000
Net central estimate of present value of expected cash flows associated with future claims	805,171	983,564
Risk margin of the present value of expected cash flows on future claims	111,337	137,124
Net premium liabilities	**916,508**	**1,120,688**
Risk margin percentage	17%	17%
Probability of adequacy	70%	70%

Notes to the financial statements continued

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 31 December 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 $558.2 million (2020: $278.7 million).

4.8 Accounting estimates and judgements (including Actuarial assumptions and methods)

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.

(a) Outstanding claims

Estimation of outstanding claims liabilities (note 4.4)

Provision is made for the estimated claim cost of 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.

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.

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.

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 delinquency and claim experience in 2021 has been favourable with lower numbers of new delinquencies reported and lower ageing of delinquencies due to significant house price increases over the year. 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. All related uncertainties have been factored into the Group's probability weighting when estimating the provision.

Actuarial valuation approach

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.

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 greater than 90 days delinquent at the valuation date:

- Average frequency factor is 33% (2020: 31%)
- Average severity factor is 27% (2020: 27%)

Notes to the financial statements continued

IBNR

The IBNR provision is estimated by analysing the historical pattern of reported delinquencies, separated into:

- Policies reported by lenders as being between 30 and 90 days delinquent at the valuation date (not all lenders provide such reporting);
- Policies estimated as being at least 30 days delinquent at the valuation date but not reported by lenders; and
- Policies which were reported as being at least 30 days delinquent in past periods and may re-report as delinquent in future periods.

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 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.

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% (2020: 18%) 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 (2020: nil).

The weighted average term to settlement is estimated to be 31 months (2020: 28 months).

Sensitivity analysis

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

Future economic conditions and, in particular, house prices, interest rates and unemployment 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 or 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

Sensitivity Change	2021				2020			
	Net Outstanding Claims Liability		Net Premium Liability		Net Outstanding Claims Liability		Net Premium Liability	
	$M	%	$M	%	$M	%	$M	%
Base[1]	389		805		429		984	
Ultimate Loss Ratio								
Upside Economics – 5% House Price Appreciation (HPA), 1% reduction in unemployment rate	(19)	(5)	(62)	(8)	(22)	(5)	(145)	(15)
Downside Economics – 5% House Price Depreciation (HPD), 1% increase in unemployment rate	20	5	96	12	22	5	156	16
Downside Economics – 10% HPD, 1% increase in unemployment rate	30	8	143	18	34	8	209	21
Downside Economics – 15% HPD	30	8	144	18	33	8	146	15
Discount Rate								
+ 0.5%	–	–	(20)	(2)	–	–	(27)	(2)
+ 1.0%	–	–	(39)	(5)	–	–	(50)	(5)

1. Net outstanding claims liability includes central estimate less non-reinsurance recoveries.

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

Estimation of premium revenue/unearned premium/deferred acquisition costs (note 3.1, note 4.6 and note 4.3)

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 review of the premium earnings curve is based on analysis of a number of factors including the historical pattern of claims incurred, the pattern of policy cancellations, economic outlook and policyholder risk profile. Changes are recommended by the Appointed Actuary when the results of an analysis indicate an ongoing change in the pattern of emergence of risk.

The review of the earnings curve resulted in a lengthening of the average duration of the period over which we recognise our revenue. The updated curve has been applied in the recognition of earned premium in the profit or loss from 1 April 2021. The changes resulted in a reduction in Net Earned Premium in 2021 of approximately $38.5 million.

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

The adopted earnings curve recognises premium written over a period of 12 years post-underwriting. The impact of shortening (or lengthening) the term over which premium is recognised by six months would increase (or decrease) the current unearned premium by less than $10.0 million (2020: $10.0 million), with an equal and opposite impact in non-current unearned premium, as at 31 December 2021.

Notes to the financial statements continued

4.9 Capital adequacy

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

The following companies comprise the APRA Level 2 Group as at 31 December 2021:

- 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.

	2021 $'000	2020 $'000
Tier 1 capital		
Paid-up ordinary shares	1,087,762	1,090,180
Reserves	(475,753)	(475,385)
Retained earnings	945,320	773,125
Less: Deductions	(56,532)	(73,457)
Net surplus relating to insurance liabilities	363,561	111,879
Common equity Tier 1 capital	**1,864,358**	**1,426,342**
Tier 2 capital	**190,000**	**190,000**
Total capital base	**2,054,358**	**1,616,342**
Insurance risk charge	277,573	332,031
Insurance concentration risk charge	578,708	511,717
Asset risk charge	203,482	166,088
Operational risk charge	35,637	43,428
Aggregation benefit	(85,669)	(71,949)
Total PCA	**1,009,731**	**981,315**
PCA coverage	**2.03x**	**1.65x**

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 policyholders' interests and satisfy regulatory requirements. Capital finances growth and capital expenditure also provide 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 two core 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 policyholders' 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 main operating entity, Genworth Financial Mortgage Insurance Pty Limited (GFMI), maintains capital strength by reference to a targeted financial strength rating from two independent rating agencies. The ratings help reflect the financial strength of the entity and demonstrate to stakeholders its ability to pay claims.

Following a reassessment of the impact of the COVID-19 pandemic, in May 2021, Fitch affirmed the insurer financial strength (IFS) rating of the GFMI as 'A' (Strong) and revised the outlook from 'negative' to 'stable'. In February 2022, Standard and Poor affirmed the IFS rating as 'A', with the outlook revised from 'negative' to 'stable'. Both agencies acknowledged the capital strength and strong competitive position of GFMI.

Internal capital adequacy assessment process (ICAAP) management

The Company has implemented an ICAAP as part of its compliance with the Life And General Insurance Capital standards. The purpose of ICAAP is to assist the Company in making a proactive internal assessment of its capital requirements considering the current strategy, business plan and associated risks inherent in that business plan. The ICAAP recognises the capital required for regulatory and ratings agency purposes and identifies planned and potential sources of capital required to meet these objectives. The ICAAP is also designed to further augment the current corporate governance practices undertaken by the Board of Directors in respect of the ongoing assessment of the Company's risk profile, risk appetite, strategic plan and capital adequacy.

The ICAAP summary statement is designed to summarise the major components of the ICAAP, which are:

(i) Risk Management Framework

(ii) Risk Management Strategy

(iii) Capital Management and Planning
- The identification of the amount of capital required to be held against the risks of the business;
- The strategy for ensuring adequate capital is maintained over time, including the identification of specific capital targets; and
- The plans for how target levels of capital are to be met and the means available for sourcing additional capital if and when required;

(iv) Capital Monitoring
- The actions and procedures for monitoring the Company's compliance with its regulatory capital requirements and capital targets including the triggers to alert management to, and specified actions to avert and rectify, potential breaches of these requirements; and
- The processes for reporting on the ICAAP and its outcomes to the Board and senior management.

(v) Stress Testing and scenario analysis relating to potential risk exposures and available capital resources.

(vi) ICAAP integration – ensuring that the ICAAP is taken into account in making business decisions.

Notes to the financial statements continued

5.2 Interest bearing liabilities

Accounting policies

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

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

	2021 $'000	2020 $'000
Subordinated notes	190,000	190,000
Less: capitalised transaction costs	(1,771)	(2,219)
	188,229	**187,781**

On 3 July 2020, Genworth Financial Mortgage Insurance Pty Limited (GFMI) exchanged $146,575,000 of the previously outstanding $200,000,000 due in July 2025 (prior 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.

5.3 Equity

(a) Share capital

	2021		2020	
	Number of shares '000	$'000	Number of shares '000	$'000
Issued fully paid capital				
Balance as at 1 January	412,514	1,090,180	412,514	1,090,180
Buy-back shares, including transaction costs	(1,022)	(2,418)	–	–
Balance as at 31 December	**411,492**	**1,087,762**	**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.

On-market buy-back

On 23 November 2021, the Company announced its intention to commence, with effect from 8 December 2021, an on-market share buy-back program for shares up to a maximum value of $100.0 million. The Company will not buy-back more than 10% of its ordinary shares without shareholder approval. As at 31 December 2021, the Company has acquired 1,022,012 shares for a total consideration of $2.4 million.

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

(b) Share-based payment reserve

	2021 $'000	2020 $'000
Balance as at 1 January	1,174	2,209
Share-based payment expense	555	42
Share-based payment settled	(923)	(1,077)
Balance as at 31 December	**806**	**1,174**

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 2021 (31 December 2020: 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 2021 (31 December 2020: nil).

5.5 Other reserves

	2021 $'000	2020 $'000
Other reserves	(476,559)	(476,559)

The balance represents reserves recognised from the reorganisation of the intragroup debt and equity arrangements when the Company became the holding company of the group. The Group has determined that the reorganisation represents a business combination involving entities under common control and therefore the Group is not required to account for the reorganisation as a business combination under AASB 3 *Business Combinations*. The reorganisation involved transactions with owners from which no goodwill arose; therefore, any difference in these transactions was recognised directly in equity as other reserves.

SECTION 6 OPERATING ASSETS AND LIABILITIES

6.1 Cash and cash equivalents

Accounting policies

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

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

	2021 $'000	2020 $'000
Cash assets	76,724	104,557

Notes to the financial statements continued

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.

	2021 $'000	2020 $'000
Premium receivable	3,830	19,150
Sub-lease receivable	2,903	4,514
Trade and other receivables	1,088	4,321
Income tax receivable	–	28,240
	7,821	**56,225**
Comprising:		
Current	2,521	52,873
Non-current	5,300	3,352
	7,821	**56,225**

Carrying amounts of receivables reasonably approximate fair value at the reporting date. None of the receivables are impaired or past due at 31 December 2021 and 31 December 2020.

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. As a result of the adoption of 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)

	2021 $'000	2020 $'000
Balance as at 1 January	5,955	11,166
Additions	–	300
Disposals	–	(8)
Decrease from recognition of sub-lease asset	–	(2,739)
Depreciation charge for the year	(2,330)	(2,671)
Modification of leases	(7)	(93)
Balance as at 31 December	**3,618**	**5,955**

Lease liabilities

	2021 $'000	2020 $'000
Balance as at 1 January	12,324	16,430
Payments made	(5,098)	(4,935)
Additions	–	300
Disposals	(12)	(17)
Interest expense	445	639
Modification of leases	4	(93)
Balance as at 31 December	**7,663**	**12,324**
Comprising:		
Current	4,922	4,978
Non-current	2,741	7,346
	7,663	**12,324**

Notes to the financial statements continued

Maturity analysis – contractual undiscounted cash flows

	2021 $'000	2020 $'000
Future payments to be made arising from lease contracts:		
Within one year	5,263	5,097
One year or later and no later than five years	2,678	7,942
Total undiscounted lease liabilities as at 31 December	**7,941**	**13,039**
Amounts recognised in profit or loss		
Depreciation charge for the period	(2,330)	(2,671)
Interest expense on lease liabilities	(445)	(639)
Income from subleasing right-of-use assets	164	221

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

6.4 Intangibles

The intangibles balance represents software development expenditure.

Accounting policies

Acquired software

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

Internally developed capitalised software

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

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

Impairment assessment

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

The assumptions underpinning the value-in-use calculation continue to reflect reasonable estimates of the impact of COVID-19 and the increased risks associated with the estimated cash flows.

There was no impairment charge recognised during the year (2020: nil).

Reconciliations

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

	2021 $'000	2020 $'000
Cost		
Balance as at 1 January	32,861	32,454
Additions	–	407
Balance as at 31 December	**32,861**	**32,861**
Accumulated amortisation and impairment losses		
Balance as at 1 January	(26,371)	(25,114)
Amortisation	(1,847)	(1,257)
Balance as at 31 December	**(28,218)**	**(26,371)**
Total net intangibles	**4,643**	**6,490**

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 2021, 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.

The assumptions underpinning the value-in-use calculation continue to reflect reasonable estimates of the impact of COVID-19 and the increased risks associated with the estimated cash flows.

	2021 $'000	2020 $'000
Goodwill – at deemed cost	9,123	9,123

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

- Cash flow forecast is based on the latest five-year business plan approved by management. This business plan is based on a combination of historical performance and management's expectations of future performance based on prevailing and anticipated market factors;
- Terminal value is calculated using a perpetuity growth formula applied to the cash flows projected for the last year of the forecast period. The terminal growth rate used by management for its impairment assessment as at 31 December 2021 is 1.3% (2020: 1.6%);
- Discount rate reflects a beta and equity risk premium applicable to the Group. The pre-tax discount rate used at 31 December 2021 is 12.9% (2020: 12.9%).

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.

Notes to the financial statements continued

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.

	2021 $'000	2020 $'000
Accrued expenses	22,427	15,362
Trade creditors and other payables	16,308	35,522
Income tax payable	30,365	–
Derivative financial instruments	10,260	14
	79,360	**50,898**
Comprising:		
Current	78,377	49,058
Non-current	983	1,840
	79,360	**50,898**

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.

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.

	2021 $'000	2020 $'000
Annual leave	2,667	2,943
Long service leave	4,615	4,702
	7,282	**7,645**
Comprising:		
Current	6,250	5,842
Non-current	1,032	1,803
	7,282	**7,645**

As at the balance date there were 209 employees (2020: 181).

SECTION 7 OTHER DISCLOSURES

7.1 Parent entity disclosures

	2021 $'000	2020 $'000
Results of the parent entity		
Profit for the year	39,268	30,060
Total comprehensive income for the year	39,268	30,060
Financial position of parent entity		
Current assets	19,885	5,528
Total assets	1,834,911	1,822,706
Current liabilities	–	3,731
Total liabilities	–	3,731
Net assets	**1,834,911**	**1,818,975**
Total equity of the parent entity comprising of:		
Share capital	1,087,762	1,090,180
Retained earnings	311,769	293,127
Share-based payments	705	993
Other reserves	434,675	434,675
Total equity	**1,834,911**	**1,818,975**

7.2 Remuneration of auditors

	2021 $	2020 $
Audit and review of financial statements[1]	911,569	905,743
Regulatory audit services	91,275	91,275
Audit related services	10,085	53,330
Other services	35,000	–
	1,047,929	**1,050,348**

1. Includes Audit and review of financial statements for the Group of $447,629 (2020: $501,985) and controlled entities of $463,940 (2020: $403,758).

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
David Foster
Ian MacDonald (Chairman)
Gai McGrath
Andrea Waters
Duncan West
Alistair Muir (appointed on 1 December 2021)
Gerd Schenkel (appointed on 1 December 2021)

Executive KMP

Andrew Cormack
Jeremy Francis (appointed on 26 April 2021)
Michael Cant (appointed on 27 September 2021)

Former Directors

Rajinder Singh (resigned on 1 March 2021)
Stuart Take (resigned on 1 March 2021)
Graham Mirabito (retired on 4 August 2021)

Former Executive KMP

Michael Bencsik (ceased employment on 24 September 2021)
Steven Degetto (ceased employment on 30 August 2021)

Notes to the financial statements continued

The key management personnel compensation is:

	2021 $'000	2020 $'000
Short-term employee benefits	5,260	3,342
Termination and post-employment benefits	992	265
Equity compensation benefits	305	104
	6,557	**3,711**

7.4 Related party disclosures

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

Major shareholder and its ultimate parent entity

On 3 March 2021, Genworth Financial Inc (GFI) (through certain wholly owned subsidiaries) sold its entire holding of shares in the Company. Consequently, GFI no longer owns any shares in the issued capital of the Company. Since this date, the Company has no majority shareholder or ultimate parent entity.

Parent entity transactions

On settlement of the Company's IPO in 2014, the Group entered into certain agreements with 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. As a result of the GFI sale of its ownership interest in the Company, the Company is in the process of separating from all remaining service provided by GFI which is expected to be completed in 2022.

The Group incurred net charges of $698,317 for the year ended 31 December 2021 (2020: $4,561,000) in relation to the period which GFI was the majority shareholder and ultimate parent entity. There is no payable balance to related parties as at 31 December 2021 (2020: $2,000).

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.

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.

			Equity holding (%)	
Name of entity	Country of incorporation	Class of shares	2021	2020
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 or 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.

(a) 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 ceased continuous service with the Group, any unvested share rights were immediately cancelled, except in cases of retirement, redundancy, total and permanent disability or death.

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

Share rights plan grant date	Available to	Vesting period	Total ($)
1 March 2017	Nominated employees	Four equal tranches vested on successive anniversaries of grant date	$492,910

The fair value of the share rights was 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.

Notes to the financial statements continued

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.

(b) 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 for the short term incentive during the year were as follows:

2021	Balance at 1 January 2021	Granted in the year	Exercised in the year	Cancelled/ forfeited in the year	Balance at 31 December 2021	Vested and exercisable at end of the year
Grant date	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
1 March 2017[1]	40,177	–	(40,177)	–	–	–
1 March 2020	117,533	3,237[3]	(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.
3. The number of notional dividends issued in relation to vest awards from the 2019 STI deferral plan.

2020	Balance at 1 January 2020	Granted in the year	Exercised in the year	Cancelled/ forfeited in the year	Balance at 31 December 2020	Vested and exercisable at end of the year
Grant date	**Number**	**Number**	**Number**	**Number**	**Number**	**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.

(c) 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;
- Performance conditions.

LTI grant date	Nature of award	Total
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 Trusts (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.

Notes to the financial statements continued

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

2021	Balance at 1 January 2021	Granted in the period	Exercised in the period	Cancelled/ forfeited in the period	Balance at 31 December 2021	Vested and exercisable at end of the period
Grant date	Number	Number	Number	Number	Number	Number
1 March 2017[1]	–	62,915	(62,915)	–	–	–
1 March 2018	246,982	–	(123,937)	(123,045)	–	–
1 March 2019	471,407	–	–	(33,437)	437,970	–
1 March 2020	450,708	–	–	(126,900)	323,808	–
1 March 2021	–	993,777	–	(185,155)	808,622	–
Total	**1,169,097**	**1,056,692**	**(186,852)**	**(468,537)**	**1,570,400**	**-**

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	Balance at 1 January 2020	Granted in the year	Exercised in the year	Cancelled/ forfeited in the year	Balance at 31 December 2020	Vested and exercisable at end of the year
Grant date	Number	Number	Number	Number	Number	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.

(d) 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.

There have been no grants to employees of GFMI under the Omnibus Incentive Plans since 2014, and the Group will continue to satisfy all remaining obligations under this plan notwithstanding the GFI is no longer the major shareholder or ultimate parent entity.

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

2021	Expiry date	Exercise price[1]	Balance at 1 January 2021	Granted in the year	Exercised in the year	Cancelled /forfeited in the year	Balance at 31 December 2021	Vested and exercisable at end of the year
Grant date		$	Number	Number	Number	Number	Number	Number
09/02/2011	09/02/2021	17.53	8,500	–	–	(8,500)	–	–
14/02/2012	14/02/2022	12.21	11,700	–	–	–	11,700	11,700
15/02/2013	15/02/2023	12.46	13,500	–	–	–	13,500	13,500
20/02/2014	20/02/2024	20.94	14,000	–	–	–	14,000	14,000
Total			**47,700**	**-**	**-**	**(8,500)**	**39,200**	**39,200**
Weighted average exercise price ($)			15.79	–	–	17.53	15.41	15.41

1. The exercise price is the AUD equivalent of the USD exercise price at 31 December 2021.

2020	Expiry date	Exercise price[1]	Balance at 1 January 2020	Granted in the year	Exercised in the year	Cancelled /forfeited in the year	Balance at 31 December 2020	Vested and exercisable at end of the year
Grant date		$	Number	Number	Number	Number	Number	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

1. The exercise price is the AUD equivalent of the USD exercise price at 31 December 2020.

7.7 Events subsequent to reporting date

On 25 February 2022, the directors declared a 12.0 cent per ordinary share fully franked final dividend and 12.0 cent per ordinary share fully franked special dividend totalling approximately $98.8 million for the year ended 31 December 2021.

The Group announced on 27 January 2022 that it was selected as the exclusive provider of Lenders Mortgage Insurance (LMI) to the Commonwealth Bank of Australia (CBA), excluding Bankwest, subject to agreeing contractual terms. The terms of the new contract is expected to be for a period of 3 years commencing 1 January 2023 and expiring on 31 December 2025.

The current Supply and Service contract between CBA and Genworth will expire at the end of the current exclusivity agreement on 31 December 2022.

There are no other events that have arisen since 31 December 2021 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 56 to 101 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 2021 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

c) the financial statements and notes comply with International Financial Reporting Standards; and

d) 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 2021.

Signed in accordance with a resolution of the Directors

Ian MacDonald

Chairman

Dated 25 February 2022

Independent auditor's report

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 2021 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 2021;
- 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.

Independent auditor's report continued

Key Audit Matters

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

- Valuation of Gross Outstanding Claims Liability
- Valuation of Unearned Premium Liability, Net Earned Premium and Liability Adequacy Test (LAT)

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

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

Valuation of Gross Outstanding Claims Liability (A$480m)

Refer to accounting policy in Note 4.1 Net claims (written back)/incurred, Note 4.4 Outstanding claims, Note 4.8 Accounting estimates and judgements (including Actuarial assumptions and methods).

The key audit matter	How the matter was addressed in our audit
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	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 experience in relation to the number of delinquencies and the severity assumptions, together with the timing of

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 ongoing 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.	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 the impacts COVID-19 have had on the claims experience and 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.

Valuation of Unearned Premium Liability (A$1,572m), Net Earned Premium (A$371m) 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 (including Actuarial assumptions and methods).	
The key audit matter	**How the matter was addressed in our audit**
Genworth receives payment for its insurance policies upfront, however it is their accounting 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	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,

Independent auditor's report continued

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 earnings curve was modified from 1 April 2021 resulting in a slightly longer average duration of the period of revenue recognition and reducing Net Earned Premium recognised during the year. 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. 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.	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 appropriateness of the earnings curve. Our detailed testing also included the procedures outlined in the key audit matter on Valuation of Gross Outstanding Claims Liability as timing of revenue recognition is dependent upon future claim emergence.

Other Information

Other Information is financial and non-financial information in Genworth Mortgage 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*;
- 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; and
- 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

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

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 30 to 52 of the Directors' report for the year ended 31 December 2021.

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

KPMG

Julia Gunn

Partner

Sydney

25 February 2022

Shareholder information

Unless otherwise stated, the information in this section is current as at 24 January 2022.

ANNUAL GENERAL MEETING

The 2022 Annual General Meeting (AGM) of Genworth Mortgage Insurance Australia Limited will be held on Thursday, 12 May 2022.

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 2022 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 2022 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 5 May 2022. 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.

Shareholder information continued

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.au.

Important dates[1]	
Company financial year end	31 December 2021
Full year results announced	25 February 2022
Annual Report and Notice of AGM mail out commences	6 April 2022
AGM	12 May 2022

1. Some dates may be subject to change.

ORDINARY SHARES AND SHARE RIGHTS

As at 24 January 2022, the Company had on issue the following equity securities:

- 411,492,172 Shares
- 1,591,202 Share Rights

ORDINARY SHARE INFORMATION

Substantial holders of ordinary shares

Name	Number of shares	Voting power (%)	Date of notice
National Nominees Ltd ACF Australian Ethical Investment Limited	30,200,766	7.32	1 March 2021
PERPETUAL LIMITED and its related bodies corporate	20,770,633	5.04	2 September 2021

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

Twenty largest holders of ordinary shares

Rank	Name	Number of shares	% of issued shares
1	HSBC Custody Nominees (Australia) Limited	127,768,607	31.05
2	National Nominees Limited	53,394,552	12.98
3	Citicorp Nominees Pty Limited	50,628,426	12.30
4	J P Morgan Nominees Australia Pty Limited	50,025,354	12.16
5	BNP Paribas NOMS Pty Ltd <DRP>	8,386,447	2.04
6	Brazil Farming Pty Ltd	7,851,631	1.91
7	Brispot Nominees Pty Ltd <House Head Nominee A/C>	7,781,420	1.89
8	UBS Nominees Pty Ltd	7,771,883	1.89
9	CS Third Nominees Pty Ltd <HSBC CUST NOM AU LTD 13 A/C>	7,275,102	1.77
10	Argo Investments Limited	7,186,063	1.75
11	BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	4,162,298	1.01
12	Prudential Nominees Pty Ltd	3,000,000	0.73
13	Citicorp Nominees Pty Limited <Colonial First State INV A/C>	2,757,667	0.67
14	Resimac Limited	2,411,741	0.59
15	National Exchange Pty Ltd	2,150,000	0.52
16	HSBC Custody Nominees (Australia) Limited – A/C 2	1,953,356	0.47
17	Neweconomy COM AU Nominees Pty Limited	1,492,034	0.36
18	BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	1,394,396	0.34
19	Woodross Nominees Pty Ltd	1,334,723	0.32
20	Mr John Armour	1,250,000	0.30
Total for Top 20		**349,975,700**	**85.05**

Distribution schedule of holders of ordinary shares

Range	Number of holders	Number of shares	% of issued shares
1 – 1000	1,655	768,176	0.19
1,001 – 5,000	1,740	4,914,334	1.19
5,001 – 10,000	758	5,993,860	1.46
10,001 – 100,000	926	24,908,351	6.05
100,001 and over	103	374,907,451	91.11
Total	**5,182**	**411,492,172**	**100.00**

Note: The number of security investors holding less than a marketable parcel of 216 securities ($2.320 on 24 January 2022) is 378 and they hold 26,878 securities.

Dividend details

Share class	Dividend	Franking	Amount per share	Payment date
Ordinary	Interim (FY21)	Unfranked	5.0 cents	31 August 2021

Shareholder information continued

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	0	0	0.0
1,001 – 5,000	2	9,647	0.6
5,001 – 10,000	1	5,431	0.3
10,001 – 100,000	4	214,764	13.5
100,001 and over	7	1,361,360	85.6
Total	**14**	**1,591,202**	**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

347,799 shares were purchased on-market for the purposes of the Rights Plan during the period from 1 January 2021 to 31 December 2021 at an average price of $2.489 per share.

On-market share buy-back

On 23 November 2021, Genworth announced its intention to commence an on-market share buy-back for shares up to a maximum of aggregate value of $100 million. As at 31 December 2021, 1.0m shares were purchased on-market for consideration of $2.4m. The total number of shares to be purchased by Genworth will depend on business and market conditions, the prevailing share price, market volumes and other considerations and Genworth will not buy-back more than 10% of the Company's ordinary shares without shareholder approval.

Glossary

AASB	Australian Accounting Standards Board
APRA	Australian Prudential Regulation Authority
ASX	Australian Securities Exchange
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
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
CPS	Cents per share
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
ESG	Environmental, social and governance
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
Genworth or the Group	The Company and its subsidiaries
Genworth Financial Group	Genworth Financial and its subsidiaries, excluding Genworth
Genworth Financial or GFI	Genworth Financial, Inc. and, where relevant, its predecessors
GFMI	Genworth Financial Mortgage Insurance Pty Limited
GMA or the Company	Genworth Mortgage Insurance Australia Limited ABN 72 154 890 730
Gross earned premium or GEP	The earned premium for a given period prior to any outward reinsurance expense
GWP	Gross written premium
HCD	Human Centred Design is an approach to problem solving that puts the people we are designing for at the heart of the process
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
HPA/HPD	House price appreciation/depreciation

Glossary continued

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
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 programmes. Excludes mortgage managers and originators who generate loans though a funding programme
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
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
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	APRA prescribed capital amount
PCA coverage	Calculated by dividing the regulatory capital base by the APRA 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 from policies not one or more months of repayments in arrears based on the net central estimate; and (b) risk margin; plus future policy administration expenses, premium refunds and reinsurance costs related to these policies
Regulatory capital base	The sum of Tier 1 Capital and Tier 2 Capital
RAP	Reconciliation Action Plan
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
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

Genworth Mortgage Insurance Australia Limited

Level 26
101 Miller Street
North Sydney NSW 2060

Telephone: +61 1300 655 422
Fax: +61 1300 366 228

Website: genworth.com.au

Company Secretary

Ms Prudence Milne, General Counsel and Company Secretary

Assistant Company Secretary

Mr Brady Weissel, Corporate Counsel and Assistant Company Secretary

SHARE REGISTRY

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000

Telephone: +61 1300 554 474
Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au
Website: linkmarketservices.com.au
Link Investor Centre: investorcentre.linkmarketservices.com.au

Australian Securities Exchange

Genworth Mortgage Insurance Australia Limited is listed under the ASX code "GMA".

Annual Report

To request a copy of the Annual Report, please contact the Share Registry.

Electronic versions of the Annual Report are available at investor.genworth.com.au.

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