

Genworth Mortgage Insurance Australia Limited 2021 Annual General Meeting Chairman's Address

SYDNEY 6 May 2021 – When I addressed shareholders at last year's Annual General Meeting, the nation and the world were coming to grips with the sudden onset of a global pandemic, COVID-19. Over the year, the pandemic significantly affected our way of life and the economy. I will now spend some time reflecting on how Genworth navigated this unprecedented year, enabled by its robust business fundamentals and strong customer relationships.

After my remarks, our Chief Executive Officer, Pauline Blight-Johnston will discuss the Company's 2020 performance in greater detail and will also update you on our first quarter results that were released last Friday.

Supporting Australian homebuyers and homeowners

In a very challenging year, your Company did not hesitate to support Australians in their time of need. With our lender customers, Genworth assisted over 63,000 borrowers who were experiencing difficulties, including those impacted by COVID-19.

Genworth continued to partner with our lender customers to enable thousands more Australians to build financial security by purchasing homes and investment properties. With home ownership appearing increasingly out of reach for many Australians, the role that Genworth plays in increasing access to the housing market has never been more important.

The Company wrote over 75,000 new Lenders Mortgage Insurance (LMI) policies during the year, reflecting the historically low interest rates and rising house prices. At the end of 2020, Genworth had 1.2 million policies, with insurance in-force of \$305.7 billion.

Genworth has long-standing strong relationships with its lender customers. During 2020, the Company renewed a number of customer contracts for the exclusive provision of LMI, including the Supply and Service Contract with our largest customer, Commonwealth Bank, effective 1 January 2020. Over the remainder of the year, the Company secured further customer renewals. These included an exclusive LMI relationship with a non-major bank, and an extension of our relationship with a mutual lender, for the first time on an exclusive basis.

In 2020, the Company undertook a strategic review to better position the business for growth, grounded in a deeper understanding of the needs and desires of today's lenders and borrowers. Pauline will talk about the learnings from the review and the sustainable growth strategy that is now being developed. This strategy will build on the Strategic Programme of Work undertaken in recent years to facilitate adaptation and innovation in our business.

Responding to COVID-19 to support our people and customers

Genworth's commitment to enabling home ownership underpinned the way we supported our people and customers throughout the year.

At the start of the pandemic, the Company's management and employees responded quickly to assist lender customers and their borrowers. Genworth's people have worked hard under difficult circumstances and it is a credit to them that the Company maintained high standards of service to our lender customers throughout the year.

Financial result impacted by COVID-19

Moving on now to Genworth's 2020 financial result. The Company's 2020 performance was materially impacted by the effect of COVID-19 on the economy. In response, Genworth increased reserving for anticipated future claims outcomes, which contributed to a full year Statutory net loss of \$107.6 million and an underwriting net loss of \$234 million.

Pleasingly, Genworth was in a strong financial position when the pandemic arose and continues to remain well positioned.

As at 31 December 2020, Genworth's regulatory solvency ratio was 1.65 times the Prescribed Capital Amount (PCA) on a Group (Level 2) basis. This was comfortably above the Board's target range of 1.32 to 1.44 times and represented surplus capital of \$203.2 million above the top end of the range.

The Company's cash and investment portfolio as at 31 December 2020 had a market value of \$3.4 billion, of which 81 per cent was held in cash and fixed interest securities with a rating of 'A-' or better.

Capital management and dividends

Whilst we maintained a strong capital position throughout 2020, for the first time in Genworth's history, our shareholders did not receive a dividend during the year.

Since listing on the Australian Securities Exchange in 2014, Genworth has returned over 100 per cent of after-tax profits by way of ordinary and special dividends to shareholders; and implemented other capital management initiatives including buy-backs and capital reductions.

In 2020, due to the uncertain economic outlook, regulatory guidance from the Australian Prudential Regulation Authority, and the Company's FY20 Statutory net loss, the Board concluded it would preserve capital and not pay an interim or final ordinary dividend for 2020.

The Board and management believe that the impact on shareholders should be shared by our key management. Therefore, whilst management did an excellent job leading their teams during a challenging year, executive Key Management Personnel voluntarily elected not to receive any fixed remuneration increases or Short-Term Incentives for 2020.

I assure you that your Board appreciates the importance of dividends for shareholders. We will resume dividend payments when we believe it is appropriate to do so, taking into account the impacts of COVID-19 on the Company's financial and capital position.

Sustainable business practice

Turning now to our commitment to operate in a responsible and sustainable manner. The Board believes that to have a sustainable business that delivers long term value for shareholders and other stakeholders, Genworth needs to continue to make a positive contribution to Australia's social fabric. Our commitment is embedded in a sustainability framework that supports our people, customers, the community and home ownership.

In April, Genworth released our latest Sustainability Report that is aligned with the Global Reporting Initiative Sustainability Reporting Standards. Pauline will outline the key 2020 achievements shortly. I would, however, like to note one of the results specifically relating to the Board's composition. Genworth has a target of 40 per cent women on the Board and we continue to exceed this target.

Genworth Financial Inc. sell-down

I want to touch briefly now on the recent sell-down by majority shareholder Genworth Financial, Inc. (GFI).

On 3 March 2021, GFI (through certain wholly owned subsidiaries) sold its entire holding of shares in Genworth. Consequently, GFI no longer owns any shares in the issued capital of our Company.

The sale has no impact on Genworth employees, customer contracts or local service offerings, although key service agreements between GFI and Genworth will terminate over time. Both companies will transition the relevant services in-house or to local service providers. Management has established a dedicated team to manage the transition plan and is in the process of finalising the project scoping.

Board renewal

During the year we continued our programme of Board renewal to maintain a diverse and appropriate mix of competencies and experience.

Following the sale of GFI's holding, GFI executive designee directors, Rajinder Singh and Stuart Take, resigned from our Board; and David Foster and Graham Mirabito ceased to be GFI designees and have continued on the Board as independent non-executive directors. Jerome Upton, a former GFI executive, had already retired from our Board in September 2020. The Board will consider whether to appoint additional directors to fill those vacancies in due course.

In February 2020, Gayle Tollifson retired, and Christine Patton retired in August. In March 2020, Andrea Waters was appointed as an independent director and in August 2020, Graham Mirabito was appointed as an independent director.

At this Annual General Meeting, Graham will retire and offer himself for election. I will also retire and offer myself for re-election as Chairman. Shareholders will hear from us shortly, when we speak to the respective resolutions that deal with our elections.

I would like to thank the former and current Directors for their wise counsel and support during a very unusual and unprecedented year.

I also express my thanks to Pauline who in her first year as Genworth's CEO, has skilfully led the business through a very challenging period, ably supported by a talented and experienced management team and the dedicated and committed Genworth employees. Together they have operated the business prudently and efficiently through 2020, managing the demands presented by COVID-19 whilst continuing to reposition the business for the future.

Closing remarks

In closing, I would like to thank shareholders for your ongoing support and patience through an unprecedented year. Your Board understands how important it is for Genworth to play our part in the nation's rebuilding programme, by continuing to support our lender customers, their borrowers and the broader community.

As we look ahead, it is pleasing that we are now operating in a better economic environment than anyone anticipated when I spoke to you all one year ago. However, there will still be challenges ahead as the impact of COVID-19 continues to flow through the economy and to Genworth's business.

Against this backdrop, your Company is well capitalised and well positioned to manage the business through the economic recovery.

I will now hand over to Pauline.

ENDS

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

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The release of this announcement was authorised by the Disclosure Committee.

About Genworth

Genworth Mortgage Insurance Australia Limited (Genworth), through its subsidiary companies Genworth Financial Mortgage Insurance Pty Ltd and Genworth Financial Mortgage Indemnity Ltd (together, the Genworth Group or the Group), is the leading provider of Lenders Mortgage Insurance (LMI) in the Australian residential mortgage lending market. The Genworth Group has been part of the Australian residential mortgage lending market for over 50 years since the Housing Loans Insurance Corporation was founded by the Australian Government in 1965 to provide LMI in Australia.