

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

SYDNEY 6 May 2021 – Thank you, Ian, and good morning everyone.

I am Pauline Blight-Johnston, Genworth's Chief Executive Officer and Managing Director. When I joined Genworth last March, I was certainly not anticipating that 2020 would become such an extraordinary year. It has been a privilege to lead Genworth through this period, one that highlighted the critical role our Company plays in helping more Australians to achieve homeownership and to stay in those homes wherever possible.

Supporting our people and customers

Genworth was operationally and financially well positioned for the challenges of 2020. When COVID-19 emerged, we responded promptly by implementing our business continuity and contingency plans. In March 2020, Genworth's people transitioned to working remotely, and we have successfully operated a mixture of remote and in-office activity since then.

Throughout 2020, we worked closely with our lender customers to assist their borrowers, whilst prudently managing underwriting risk. We adapted processes and enhanced controls to electronically ingest large volumes of borrower support data, creating operational efficiencies and enabling rapid customer response.

We expanded our hardship policy to include pandemics and processed over 55,000 home loan repayment deferrals. In addition, we efficiently administered the high volumes of new business written by lender customers as a result of the low interest rate environment and rising house prices.

It is a testament to the quality of our people and our systems that this work was delivered remotely whilst meeting all contractual service level agreements and continued strong customer service. Our lender customers have expressed their appreciation for our commitment and support. In addition, our employee survey results reported a very high level of satisfaction and confidence in the way we have managed the pandemic and supported employee health and wellbeing.

Sustainable business practice

Underpinning our business achievements is Genworth's sustainability framework. We believe that to be a sustainable business, Genworth needs to create a culture of empowerment and innovation for our people; support our lender customers to help people purchase and stay in their homes; make a positive contribution to the communities we are part of; and manage our environmental impact.

In 2020, we implemented a range of learning and development programmes, and health and wellbeing initiatives to support our people. These included mental health training; our "Leading into the future" course, and 'Women in leadership' programme. Genworth continued to exceed our target of maintaining at least 40 per cent female representation in senior management. We are proudly a Diversity Council of Australia Inclusive Employer and a Workplace Gender Equality Agency (WGEA) Employer of Choice.

We have long standing relationships with lender customers and in 2020, Genworth wrote over 75,000 new Lenders Mortgage Insurance policies, and we assisted over 63,000 borrowers in hardship, including those affected by COVID-19.

We supported two community partners that are working hard to address homelessness, namely St. Vincent de Paul Society and Youth Off the Streets. Whilst our people were unable to participate in volunteering due to COVID-19 restrictions, Genworth contributed over \$170,000 to the community in 2020.

Genworth reduced its energy, water and waste usage in 2020 as our employees worked remotely, with indirect emissions falling by more than 30 per cent on a 2018 baseline. We continued to progress our understanding of the physical and transitional risks to our business associated with climate change, and we also added sustainability considerations into our investment policy and underlying investment mandates.

Company financial highlights

Turning now to the Company's financial performance. Genworth's results since the start of the pandemic last March, reflect the unusual operating environment that has been created by the impact of COVID-19 on the economy.

In response to the pandemic, repayment deferrals and moratoriums on foreclosures were introduced to support borrowers. These initiatives and government support packages interrupted the typical incidence patterns of loan delinquencies and claims. To compensate for these impacts, Genworth refined our reserving methodology in 2020 and increased reserving.

For the full year ended 31 December 2020, Genworth reported a Statutory net loss of \$107.6 million and an Underlying net loss of \$104.3 million. 2020 profits were reduced primarily by the write-down of deferred acquisition cost of \$181.8 million (pre-tax) in March 2020, and the December 2020 reserving review of \$109.1 million (pre-tax).

Whilst reporting a loss for the full year was disappointing, Genworth maintained its strong financial position with a capital ratio solvency well in excess of the Prescribed Capital Amount.

In addition, Genworth's fundamentals remain strong, with numerous encouraging achievements delivered during 2020, including:

- strong top line growth in premium revenue with gross written premium increasing 29.7% to \$561.7million compared to FY19;
- New insurance written increasing by 18.1% to \$31.6 billion;
- Net earned premium increasing 4.6% to \$312 million;
- Improving our Net Promoter Score, as rated by our lender customers;
- Renewing a number of lender customer contracts for the exclusive provision of Lenders Mortgage Insurance; and
- Introducing to market our monthly premium product, an industry first innovation that enhances the value proposition of LMI for many borrowers. I will talk more about this achievement shortly.

Last week, we reported our first quarter results for 2021, and we have had a good start to the new year. Genworth delivered Underlying net profit after tax of \$30.3 million, and a Statutory net profit after tax of \$3.4m, after allowing for unrealised mark-to-market asset losses as a result of rising bond rates.

The strong new business performance has continued with first quarter gross written premium up 25.1% to \$143 million, compared to the same period last year.

It is pleasing that the economic recovery is underway, and that COVID-19 health outcomes and the economic outlook continue to improve with the vaccine rollout. Uncertainty remains as home loan repayment deferrals and the JobKeeper scheme have only recently ended.

We are working very closely with our lender customers to support Australian borrowers and to understand the likely future performance of those loans that were previously on repayment deferral. Over coming periods, it will become increasingly evident how many insured loans may continue to experience difficulty, and hence the ultimate impact of COVID-19 on Genworth's financial results.

Importantly, Genworth remains in a strong operational and financial position. As at 31 March 2021, the Company's regulatory solvency ratio was 1.63 times the Prescribed Capital Amount (PCA) on a Level 2 basis. This remains comfortably above the Board's target range of 1.32 to 1.44 times representing surplus capital of \$200.9 million above the top end of the range.

Our strong capital position provides us with the capacity to adapt to changing circumstances, withstand a wide range of future claims outcomes, and deliver on our new business growth strategy.

Shaping the business for growth

Whilst we have been very focused on prudently and efficiently managing the business in this new operating environment, we have also kept an eye on the future.

During 2020 we introduced a more customer-centric operating model accompanied by a leaner organisation design that removes duplication, creates efficiencies and clear end-to-end accountabilities.

We are now developing a business growth strategy that will Enhance our current business by improving its efficiency and competitiveness; and Evolve our LMI offering by refreshing it for a new generation of homebuyers.

As I mentioned earlier, Genworth has recently launched its monthly premium LMI product which provides borrowers with an alternative to an upfront premium. We have worked very closely with a number of our lender customers to develop this product, and it is pleasing to see the strong interest in this innovation from borrowers, lenders and brokers.

We are also beginning to explore opportunities to Extend our core LMI capabilities in ways that support our goal of increasing home ownership in Australia.

Well positioned through the economic recovery

As we look forward, Genworth is well placed to navigate the challenges and opportunities ahead.

The Company's capital strength, along with our operational flexibility, will enable us to manage a wide range of future claims outcomes, as well as deliver our sustainable growth strategy. We will continue to focus on operational excellence and strategic initiatives that support more Australians to build financial security through home ownership.

In closing, I would like to thank our Chairman, Ian, and my fellow Directors for their stewardship of the Company and support to me since I joined Genworth last March. To all our Genworth people, thank you for your hard work, your resilience and your commitment to each other, our customers and Australian borrowers.

I am extremely proud of how each and every one of you have adapted to meet the challenges of the past year.

To our customers and other partners, thank you for your support, and I look forward to continuing to build on our longstanding relationships. Finally, I would like to thank you, our shareholders, for your support and investment in Genworth.

I will now hand back to Ian for the formal business of the meeting.

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.