



# Genworth Financial Changing Market Landscape AMI Conference

August 2009

# Economic Outlook

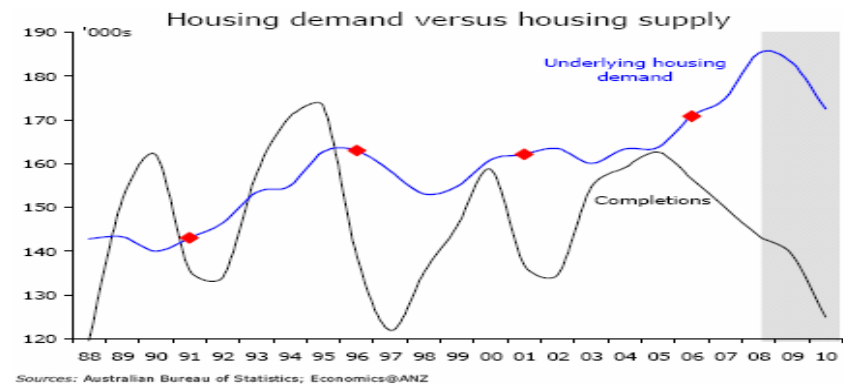
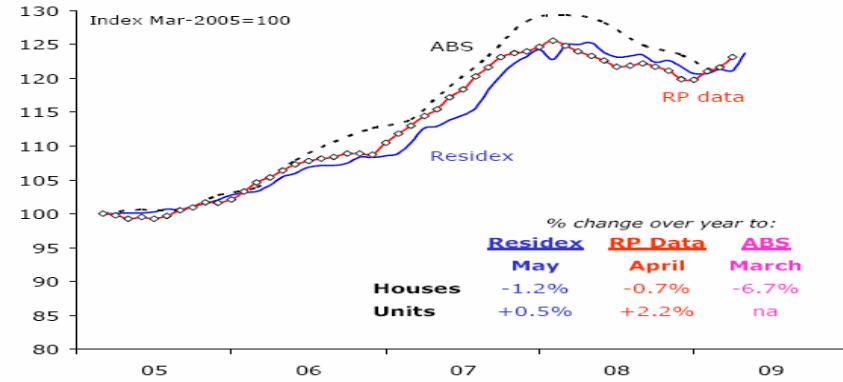
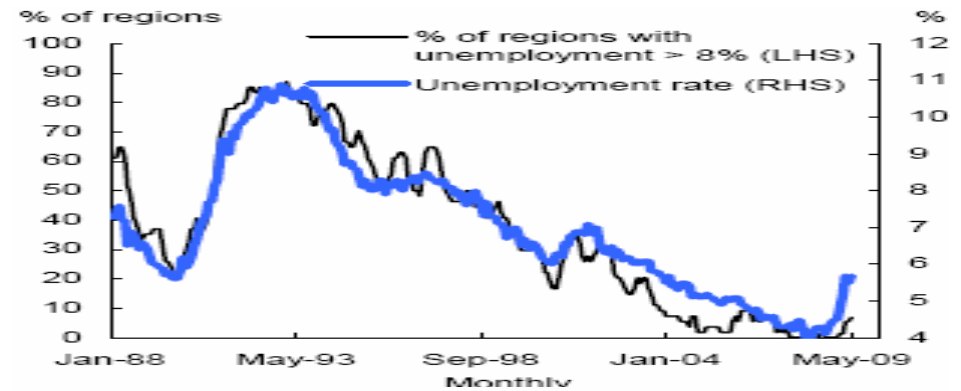
## Macroeconomic Trends

- GDP proved resilient in 1Q-08 ...Due to combined impact of aggressive monetary and fiscal policy...Interest rates at 45 year lows
- Business Investment expected to normalize...Unemployment expected to increase to 6.8% by year end...Effect of this increase on economic activity will be cushioned –
  - Compared to previous recession in 90s, very low portion of regions are experiencing unemployment >8%
  - Reduction in average duration of unemployment

## Housing Market

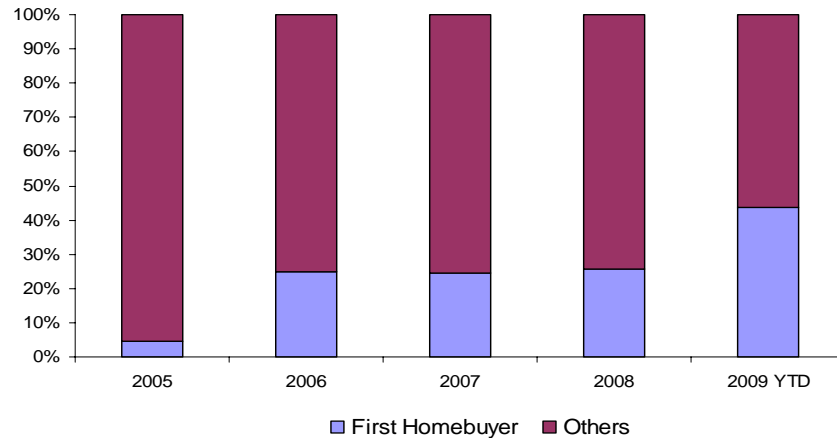
- Australian housing market expected to remain well supported. FHB contributing about 27% of loan originations
- Shortage in housing supply is set to put an upward pressure on both rents and house prices. Will keep a floor on prices
- RP data suggests housing market recovery with median house price increased 3.7% in 5 months to May

Source: Macquarie research, Access economics Business Outlook



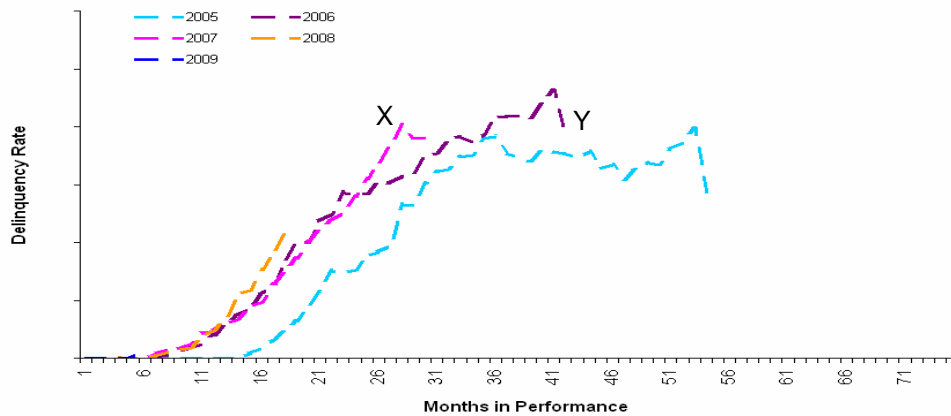
# Portfolio Trends - First Homebuyers

## New Business Written

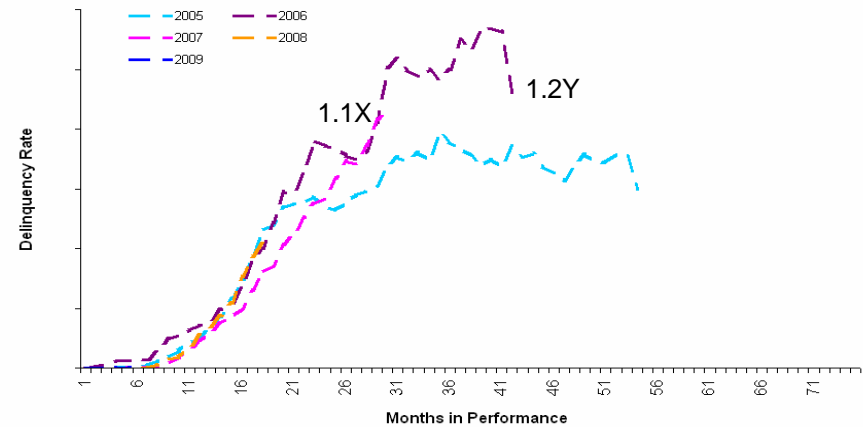


- The government's first home owner grant, and home affordability driving increase in proportion of first home owners
- The substantial policy changes will mitigate potential risk attributable to this growth.
- Strong performance of FHB versus others

## Performance Trend (FHB 85-95 LTV)



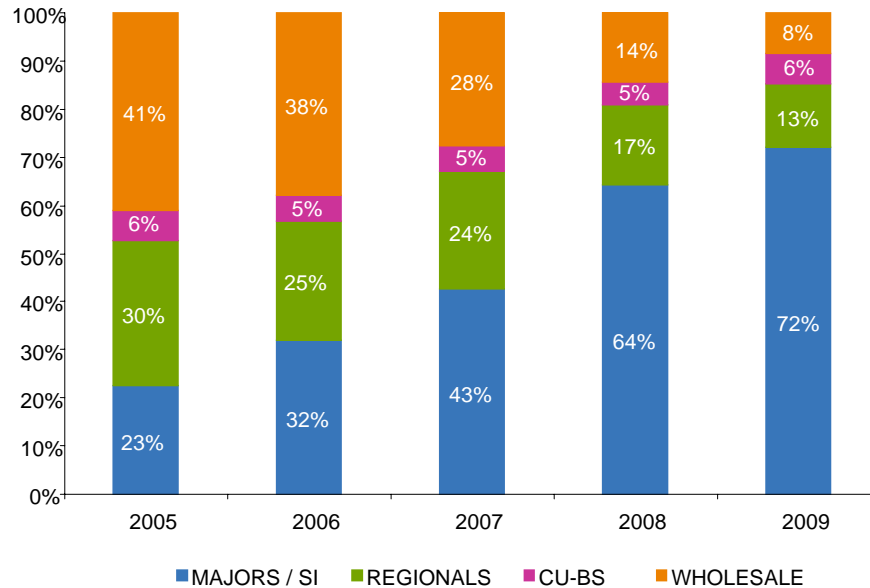
## Performance Trend (Others 85-95 LTV)



Core, US Flow Business, Data as at June '09

# Portfolio Trends - Refinance

## Customer Segment Trends



## Stacked Risk Factors

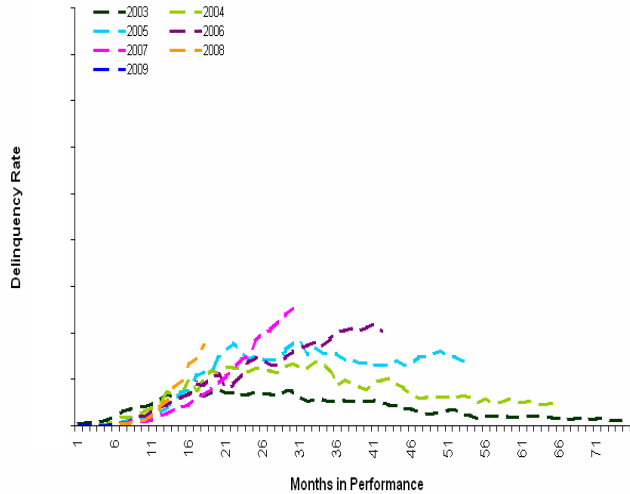
- Refinance ~ 2.4 times worse than purchase
- Investment ~ 1.1 times worse than owner-occupied
- Unit ~ 1.3 times worse than house
- Minor Regional ~ 1.9 times worse than metro region

- Proportion of refinances in portfolio is increasing – 47% for new originations in '09
- Types of refinances – debt consolidation, equity release, property upgrade

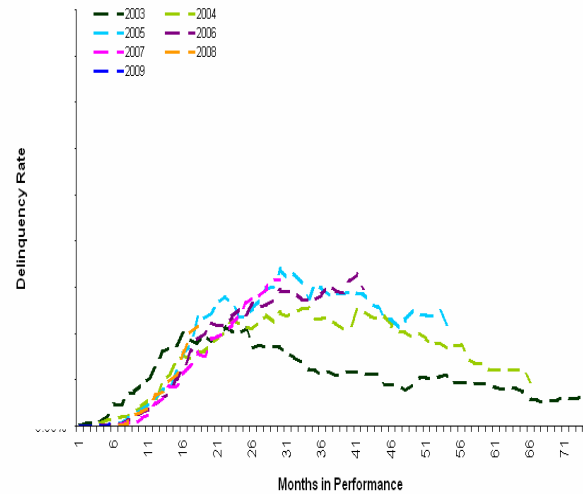
Australia Flow Only

# Portfolio Trends - Regional

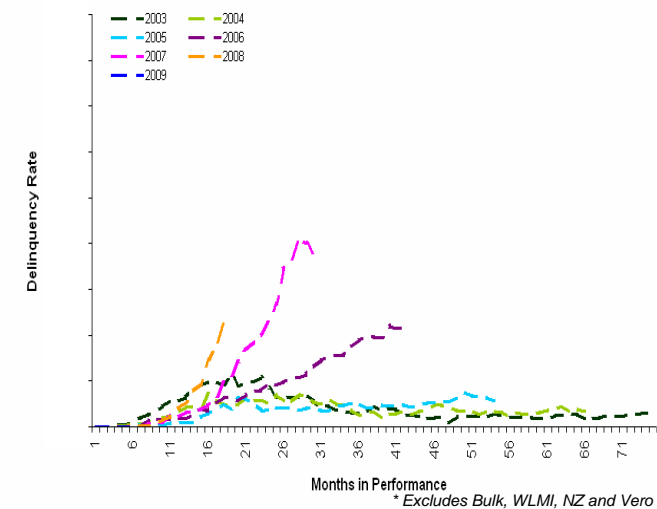
## Queensland



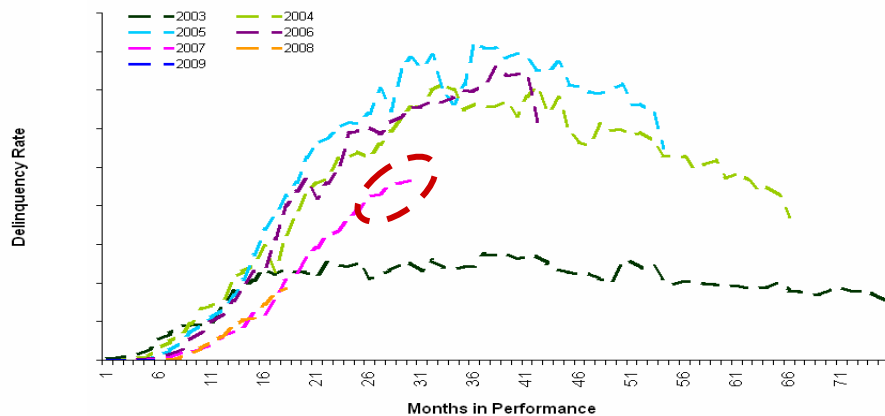
## Victoria



## Western Australia



## New South Wales

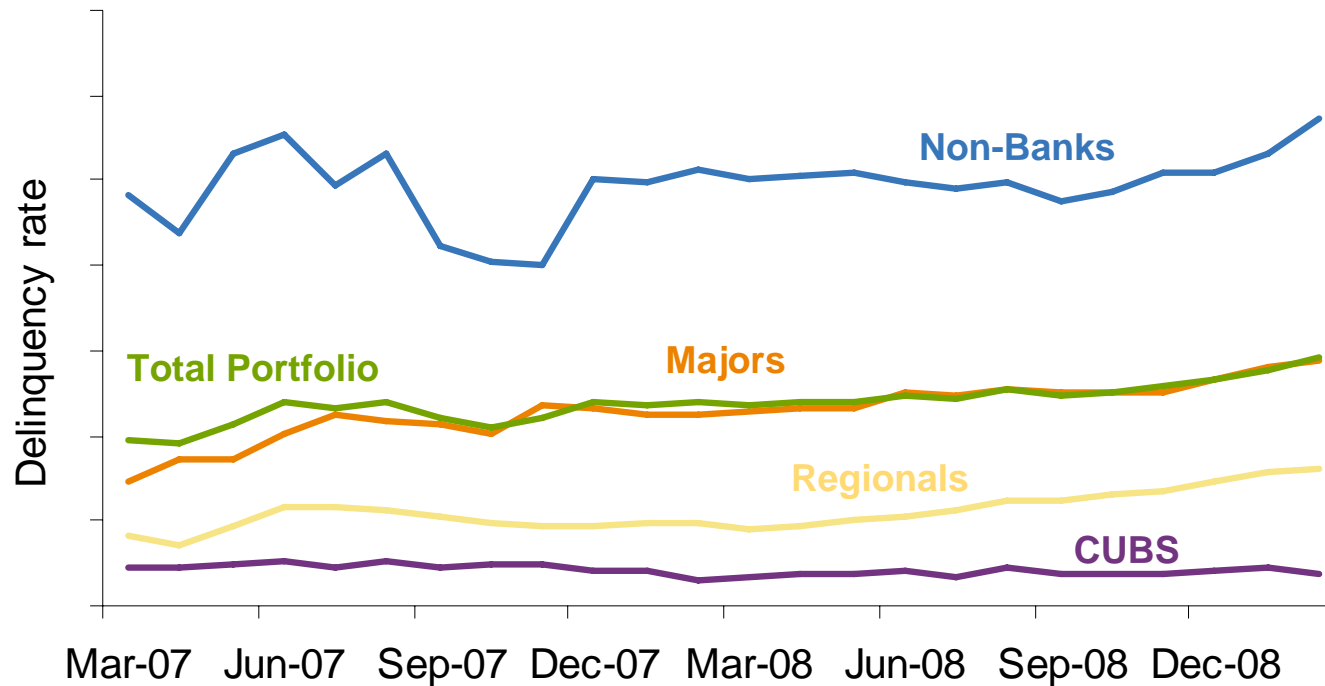


- NSW continues to show the effects from the property boom of 2004-2006
- The resource states, WA & QLD continue to perform well, however we have recently started to see a slight increase in delinquencies
- All delinquencies are coming off historically low bases

Australia Flow Only. Data as at June 09

# Australian Portfolio Trends - Segment

## Customer Segment Trends

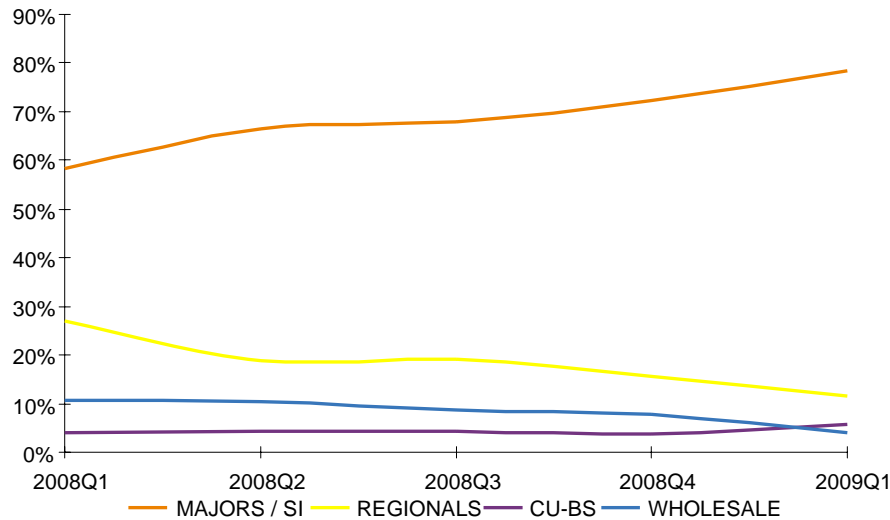


- Non-banks have experienced poorer performance, primarily due to systemic underwriting breakdowns, a decentralised underwriting process and concentration in high risk areas.
- Credit Unions and Building Societies have continued to perform strongly

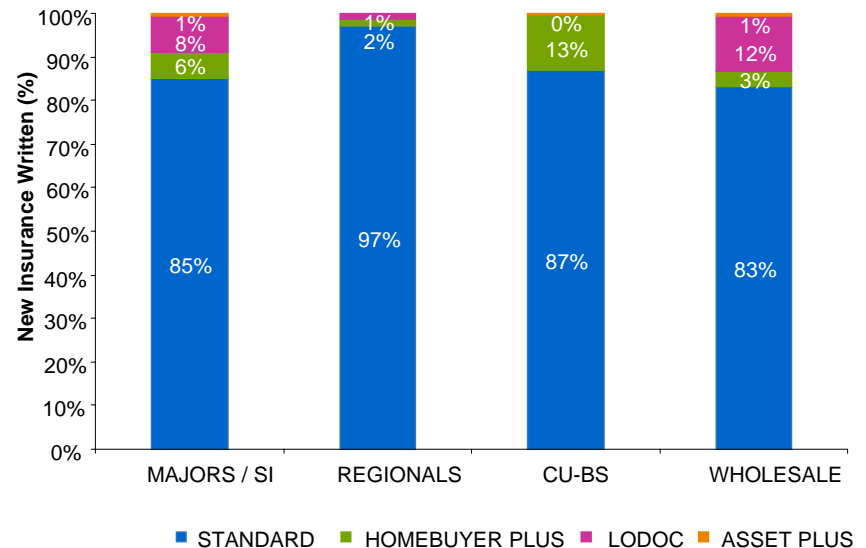
Australia Flow Only. Data as at Feb09

# Portfolio Trends – CUBS

## New Insurance Written Trend



## Product Mix



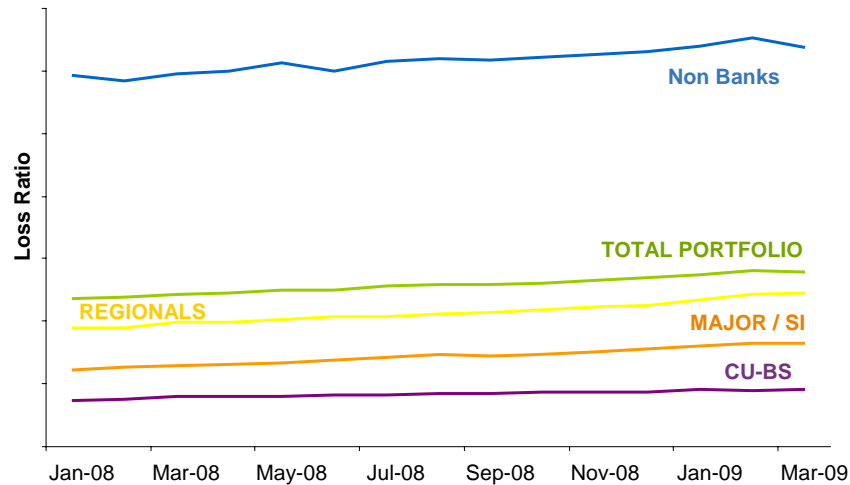
- Major banks continue to dominate new insurance written trend
- CUBS are the biggest writers of Homebuyer plus

**Opportunities for CUBS to gain market share**

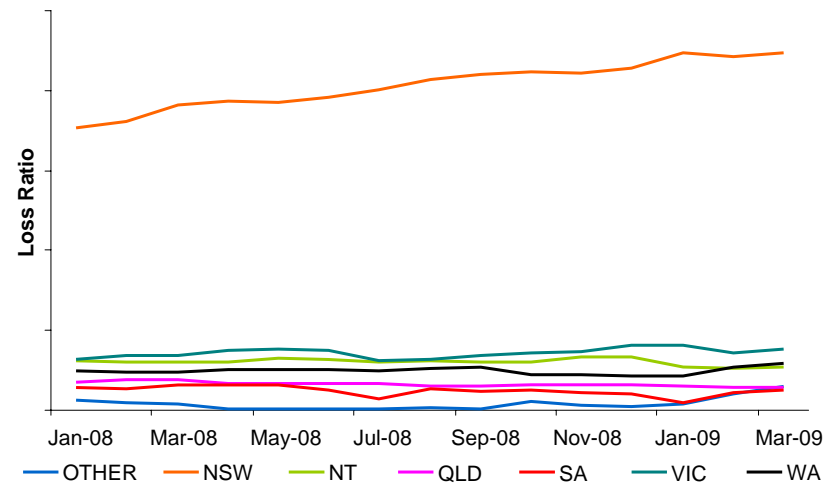
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# Portfolio Trends – CUBS

## Loss Ratio Trend



## State Mix



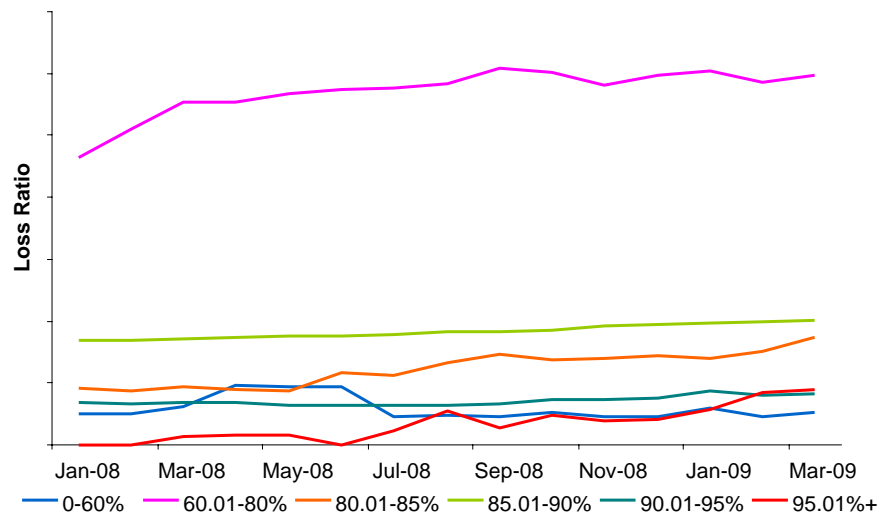
- Non-banks with a decentralised model are the poorest performing, with CUBS consistently performing well
- NSW continues to perform poorly, with Queensland loss ratios steady and within expectations

**Queensland continues to perform well**

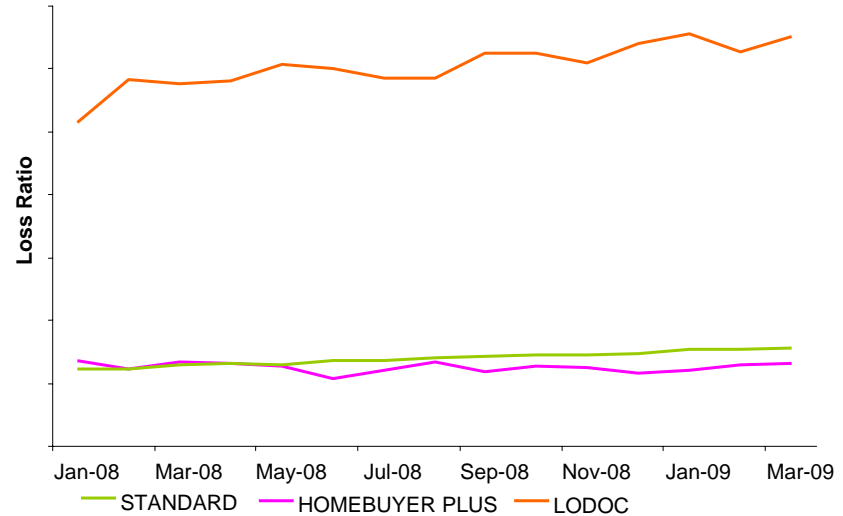
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# Portfolio Trends – CUBS

## LVR Mix



## Product Mix



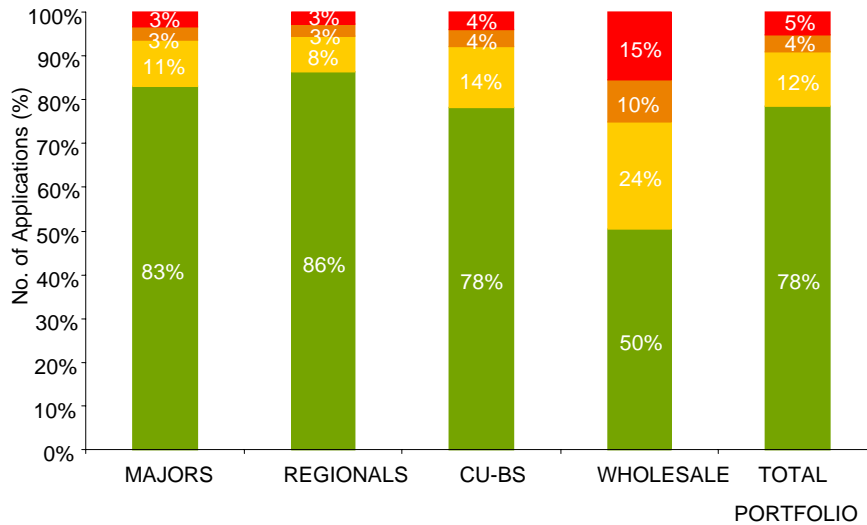
- Loans written in the 60%-80% LVR have the highest loss ratio
- Loans in the 80%-85% and 95%+ categories are facing an upswing

**CUBS have unique loss trends**

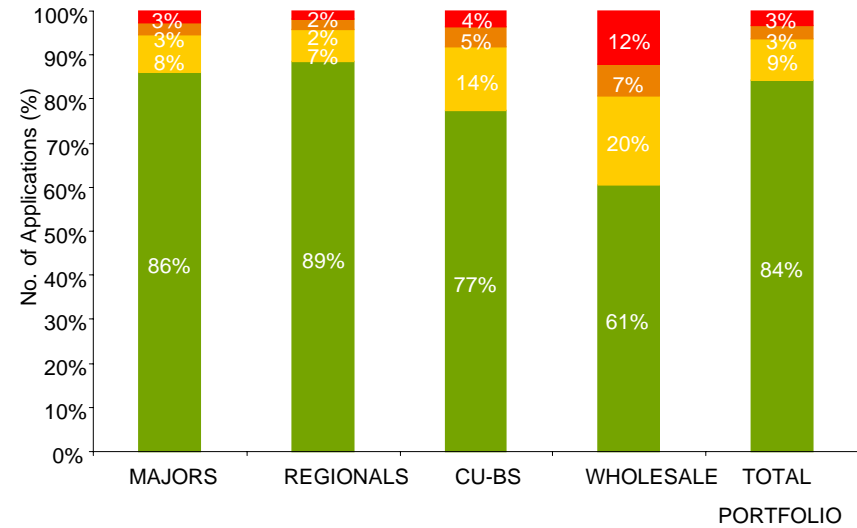
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# Portfolio Trends – CUBS

## Scorecard Mix - 2008



## Scorecard Mix – 2009 YTD



- CUBS are performing in line with our portfolio in terms of green credit scores, with numbers consistent across 2008 and 2009

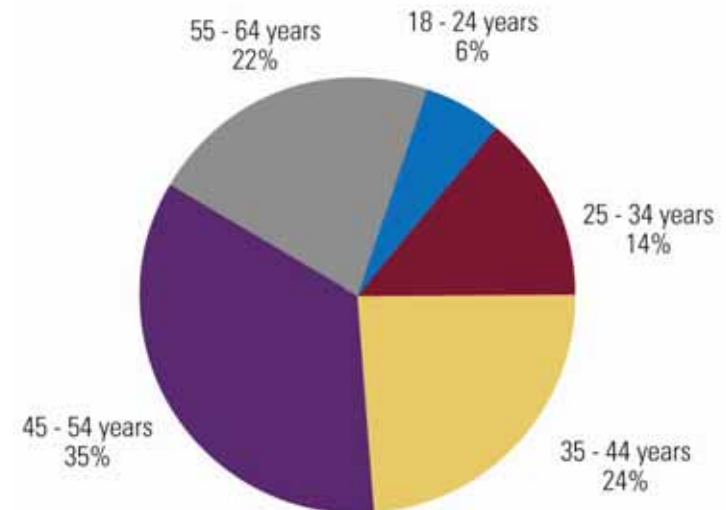
**Consistently solid underwriting and prudent practices**

Australia Flow Only

# CUBS

- CUBS customers are the least likely to choose a part-fixed/part-variable loan – only 4%
- Rely on positive word-of-mouth and recommendations from friends and family
- CUBS have significantly higher penetration in TAS & SA
- 57% of CUBS customers are over 45, with an average age of 44.9. Significantly higher than any other institution
- Customers are stickier – 55% have never refinanced – however 25% still plan to refinance in next 12 months
- Are the least likely to have had repayment problems in the past 12 months
- 18% could only repay their mortgage for 1 month if they lost their job, the highest of all lender segments

Age profile of CUBS borrowers



Source: Retail Finance Intelligence (RFI)

# Other Lenders

- Major banks dominate the mortgage market and are the preferred lender of choice by 62%
- 75% of recent FHB sourced their mortgage from the major banks
- Regional/Overseas bank borrowers are the most broker friendly, with 58% of other bank borrowers sourcing last mortgage through a mortgage broker
- Regional/Overseas bank borrowers are the least likely to approach their lender for assistance in the event they lose their job
- Non-bank borrowers are the most confident about their ability to repay their mortgage in the next 12 months, with only 11% expecting difficulty
- 16% have faced redundancy in the last 12 months, and 3% have had their hours reduced

