



Genworth®
Financial



SPOTLIGHT EXPRESS

ISSUE 1

Welcome to the first issue of Spotlight Express, an extension to our Spotlight Series, providing updates on key issues in the mortgage industry, and within Genworth's portfolio. In this issue we look at hardship trends, with unemployment now being the key driver of hardship, and provide tips on how to effectively manage hardships with borrowers. We also share some emerging trends about claims within our portfolio.

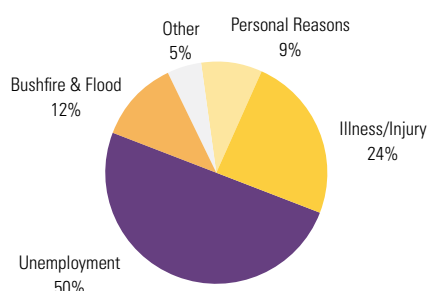
Hardship Solutions Trends

In late 2006 Genworth established a Hardship Solutions Team, dedicated to facilitating assistance for those having short-term difficulty meeting their mortgage repayments. Since its inception, over 5000 borrowers have been provided with a better chance to stay in their home.

Unemployment now the key driver of hardship

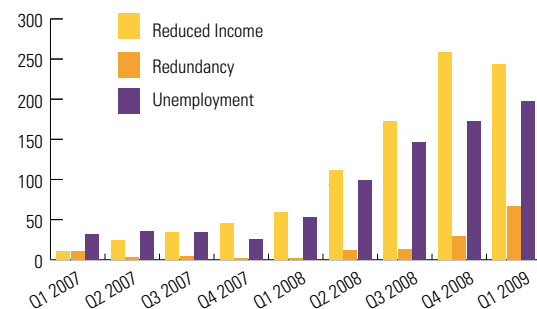
- The effects of the Global Financial Crisis are evident in hardship approvals, with unemployment related drivers now accounting for the majority of applications. This is a significant shift from previous years, where illness and injury were the main drivers of hardship. 50% of approvals in 2009 are as a consequence of unemployment related drivers, compared to 40% in 2008 (and 33% in 2007).

Reasons for hardship 2009



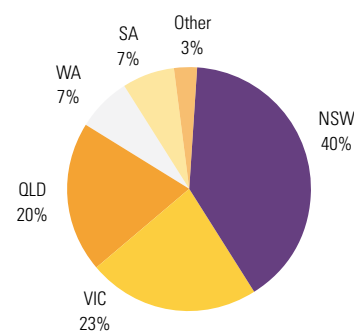
- In the first quarter of 2009, over 500 hardship applications were approved as a result of employment related drivers. Increasingly, a key driver for hardship is underemployment, as borrowers feel the effects of reduced hours, a lack of overtime or scaled back bonuses.

Hardship approvals as a result of employment related drivers



- Hardship approvals by state mirror Genworth's portfolio, with NSW representing 33% of Genworth's portfolio and 40% of all hardship cases.

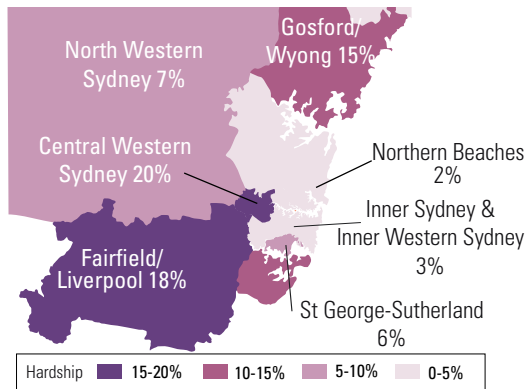
Hardship approvals by state 2007-2009



- Borrowers with refinance loans, and in particular equity release, are over-represented in terms of hardships, with refinances accounting for 37% of hardship cases and 28% of Genworth's total portfolio. Equity release loans account for 17% of hardships, however they only account for 8% of Genworth's portfolio.

- Hardships are predominately provided to borrowers in capital cities rather than rural areas. Hardship approvals in NSW are concentrated in the outskirts of Sydney, with 20% granted in Central Western Sydney and 18% from Fairfield/Liverpool & Outer South Western Sydney.

Two-thirds of all NSW hardships are from the outskirts of Sydney



- In Victoria, 22% of hardship cases were from South Eastern Melbourne and 16% from Inner Eastern Melbourne. Brisbane's north and western suburbs accounted for 21% of QLD hardship approvals, while 15% came from Brisbane City Outer Ring.
- The majority of hardships occur early in the loan's life, with more than half of all hardships approved less than 2 years into the loan term.
- 26% of all hardship approvals in 2008 were for First Home Buyers.
- Approvals as a result of maternity leave increased 120% in 2008 from 2007.

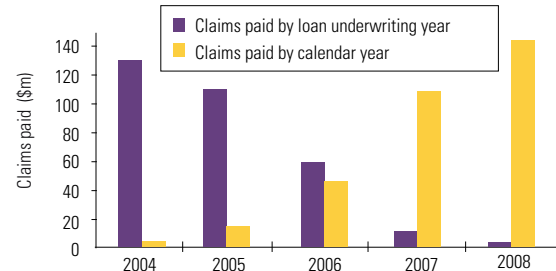
Hardship Solutions Tips

- The borrower's ability to service the loan over the long term and different economic cycles is essential. Interest rates may be at historic lows, however they are likely to fluctuate over the next 30 years.
- Consider changing personal circumstances in a borrower's ability to service their mortgage. Going down to one income for a variety of reasons, including maternity leave or reduced overtime, can have serious implications for already overstretched borrowers.
- Be proactive with borrowers who are struggling to meet their repayments. The earlier a borrower contacts their lender, the more options that are available to keep them in their home.
- Raise awareness with all borrowers, not just those in arrears, about hardship assistance programs. Whether it be through on-hold advertising, on loan statements or through awareness campaigns, ensuring all borrowers know their options can reduce the likelihood of entering into delinquency.

Claims

In line with a deteriorating economic environment, Genworth is seeing an increase in claims submitted and paid. In 2008, Genworth paid \$148million in claims, and over the 2006-2008 period paid 94% of all claims submitted.

Claims by loan underwriting year vs claims paid by calendar year



Emerging Trends

- The average claim amount has more than tripled since 2003 to \$76,000 in 2008 reflecting increases in house prices nationally, and in particular in NSW where the majority of losses have occurred.
- The average claim amount paid in NSW to date is 23% higher than the national average.
- NSW makes up 33% of Genworth's portfolio, but has contributed to 83% of losses (by dollar value) since 2006, primarily driven by claims in Western Sydney. Since 2006, 31% of NSW claims were from Fairfield/Liverpool & Outer South West Sydney, followed by 23% from Central Western Sydney.
- QLD has performed very strongly, and to date has not seen the level of claims experienced in previous recessionary periods. Since 2006, QLD makes up 23% of Genworth's portfolio, however has contributed to only 4% of losses.
- Despite higher delinquencies for investment loans, over 70% of claims have been for owner-occupied loans.

- Understand the historical performance of your loan portfolio or customers, and think about who is more likely to be vulnerable in the current environment. Self-employed borrowers may be more likely to face reduced income, however a middle-management salaried employee may be more likely to face redundancy.
- Embed hardship options into your collections process, and ensure all staff are trained to recognise hardship and offer potential solutions where appropriate.
- Consider the full range of hardship assistance options available to borrowers designed to suit individual circumstances. Options include capitalising arrears, repayment holidays, switching to interest only, extending the loan term or offering part payments.