



Genworth
Financial
Canada

Real Estate & Mortgage Market Overview

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March 24, 2011

Company Confidential

Agenda

- **Genworth Financial In Canada**
- **Mortgage & Housing Market**
- **Ontario Housing Outlook**
- **Toronto Housing Outlook**
- **Wrap Up & Questions**

Genworth “The Homeownership Company”

Genworth's Role In The Mortgage Market



Mortgage And Housing Market Update

Canada Market Dynamics

Economy

Economic recovery ongoing, led by Western Canada
Low rate environment expected to continue in 2011
Modest improvement in unemployment rate

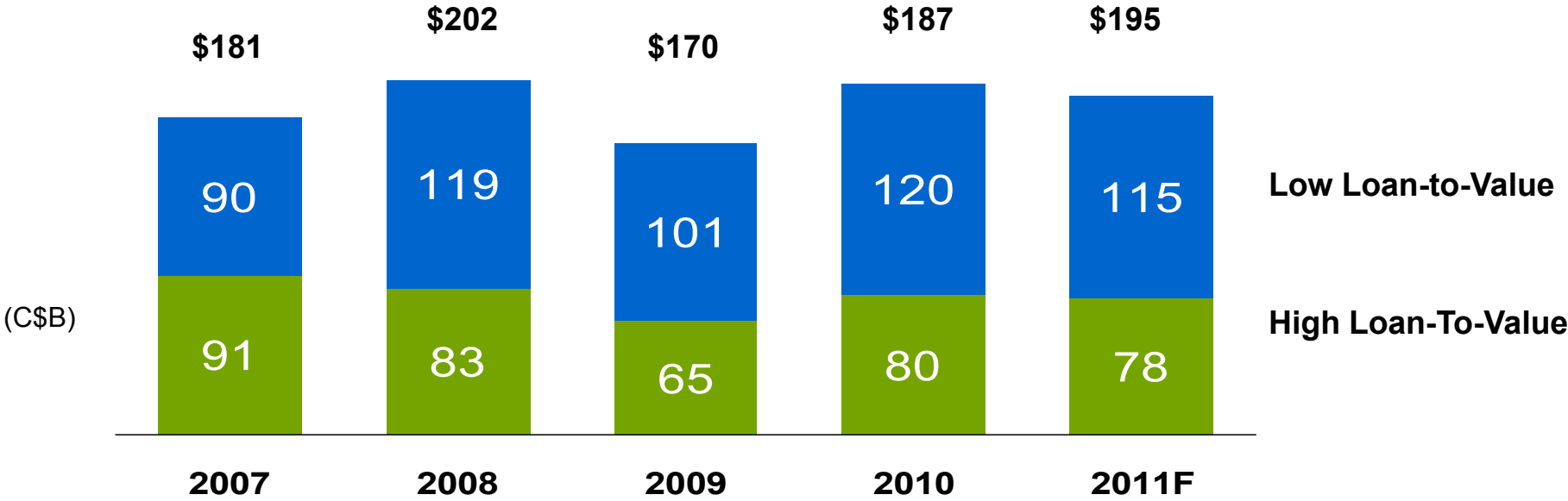
Mortgage Market

Markets normalizing, supply and demand balanced
House prices & originations to be flattish in 2011
Spring likely stronger than Fall

Regulators

Canadian mortgage system praised for resilience
Government of Canada concerned about level of consumer indebtedness
Recent changes improve safety and soundness

Mortgage Originations



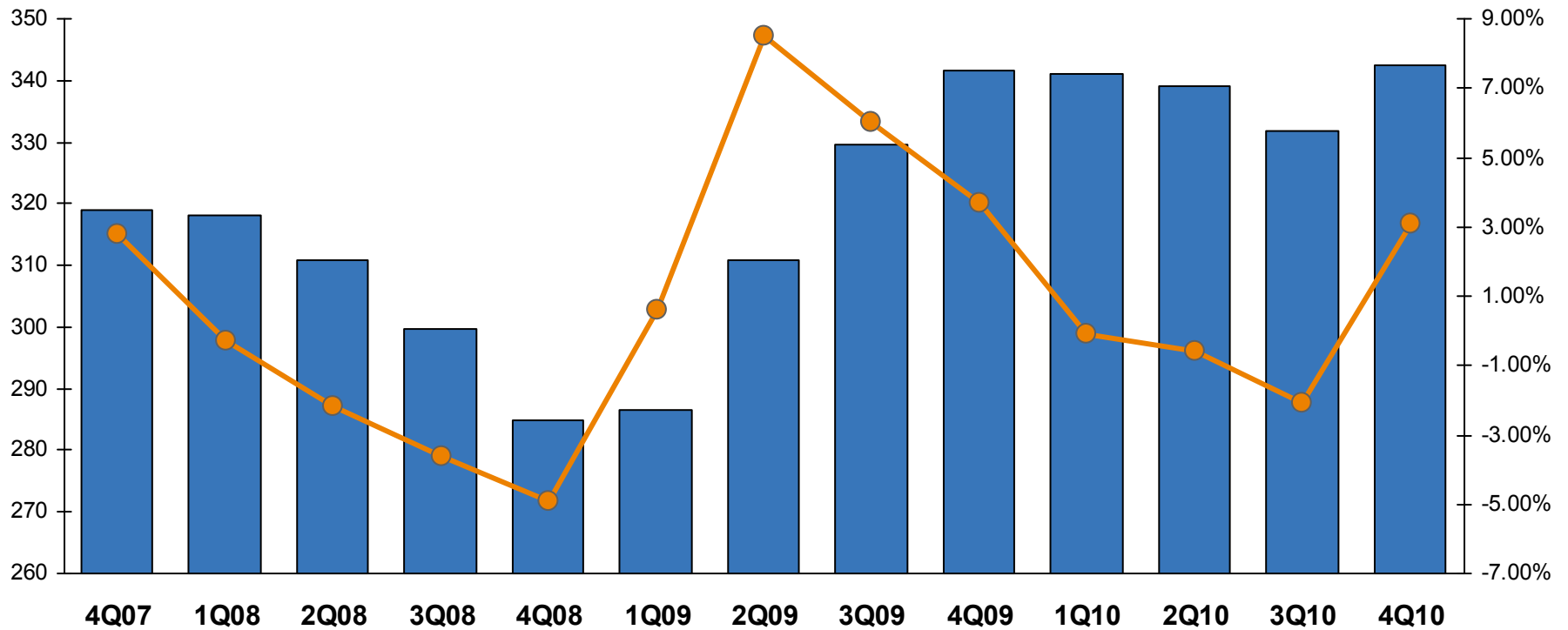
- Market Expected To Be Flattish In 2011 – Both Volumes & Prices

Source: Genworth Financial Canada

CDA Home Prices Normalizing

■ Average Home Price
—●— Sequential Home Price Appreciation

(CAD\$ 000)



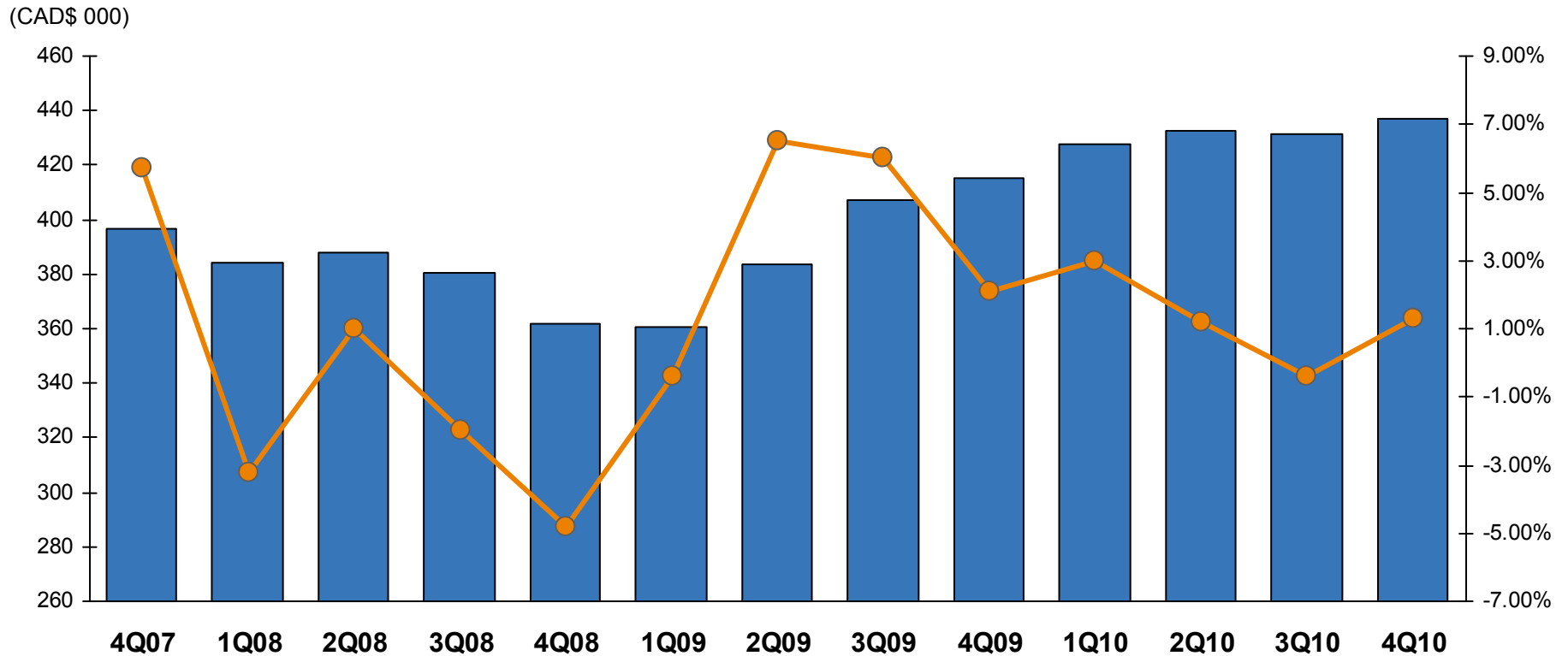
Source: Canada Real Estate Association (CREA)

Prices Declined ~8% in 2008, Followed By Strong Recovery In '09

Average Prices Expected To Remain Stable Through 2011

GTA Home Prices Stabilizing

■ Average Home Price
—●— Sequential Home Price Appreciation



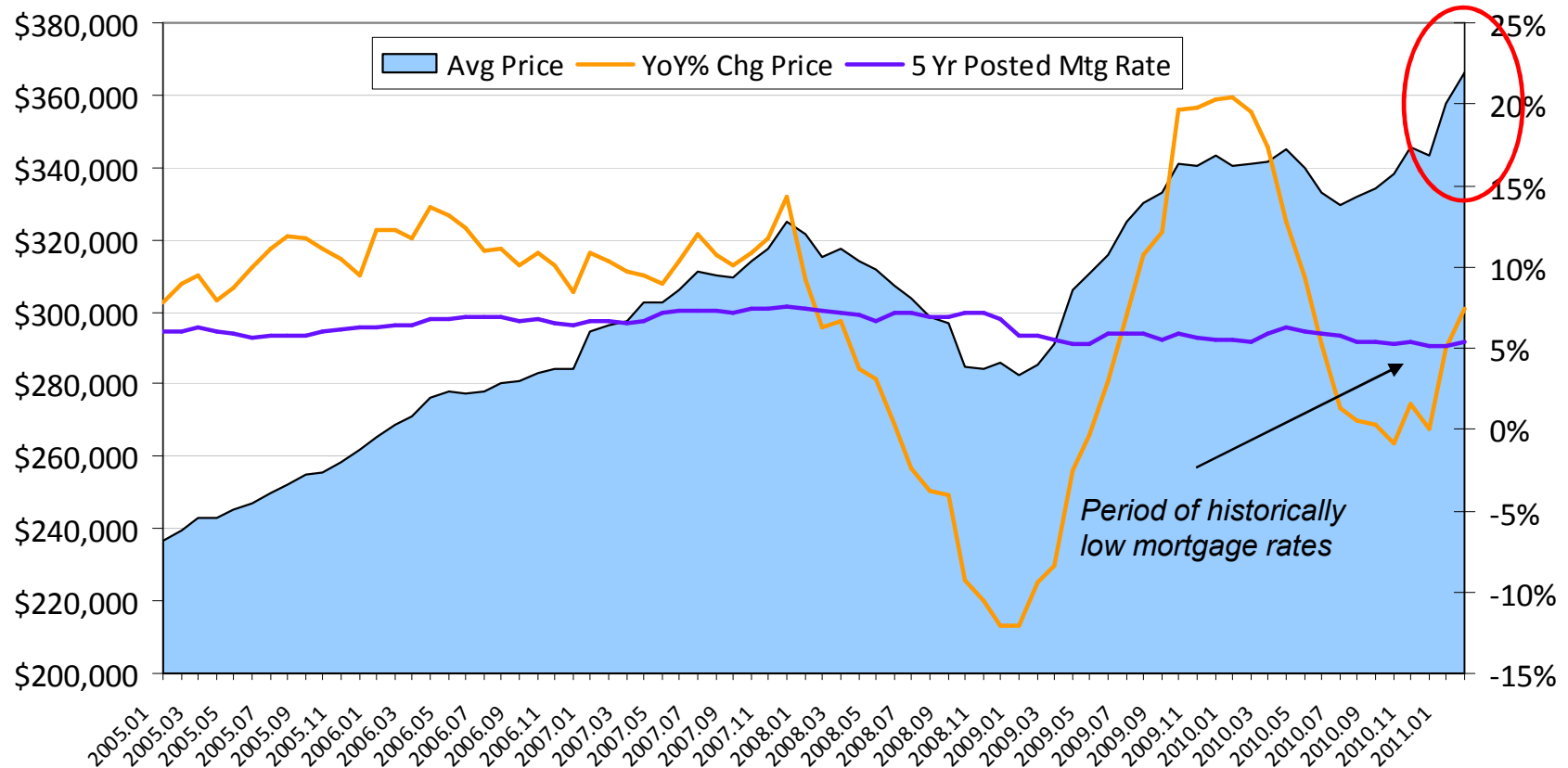
Source: Canada Real Estate Association (CREA)

Prices Declined ~11% in 2008, Followed By Strong Recovery In '09

Average Prices Expected To Remain Stable Through 2011

Strong Recovery In Canadian Market

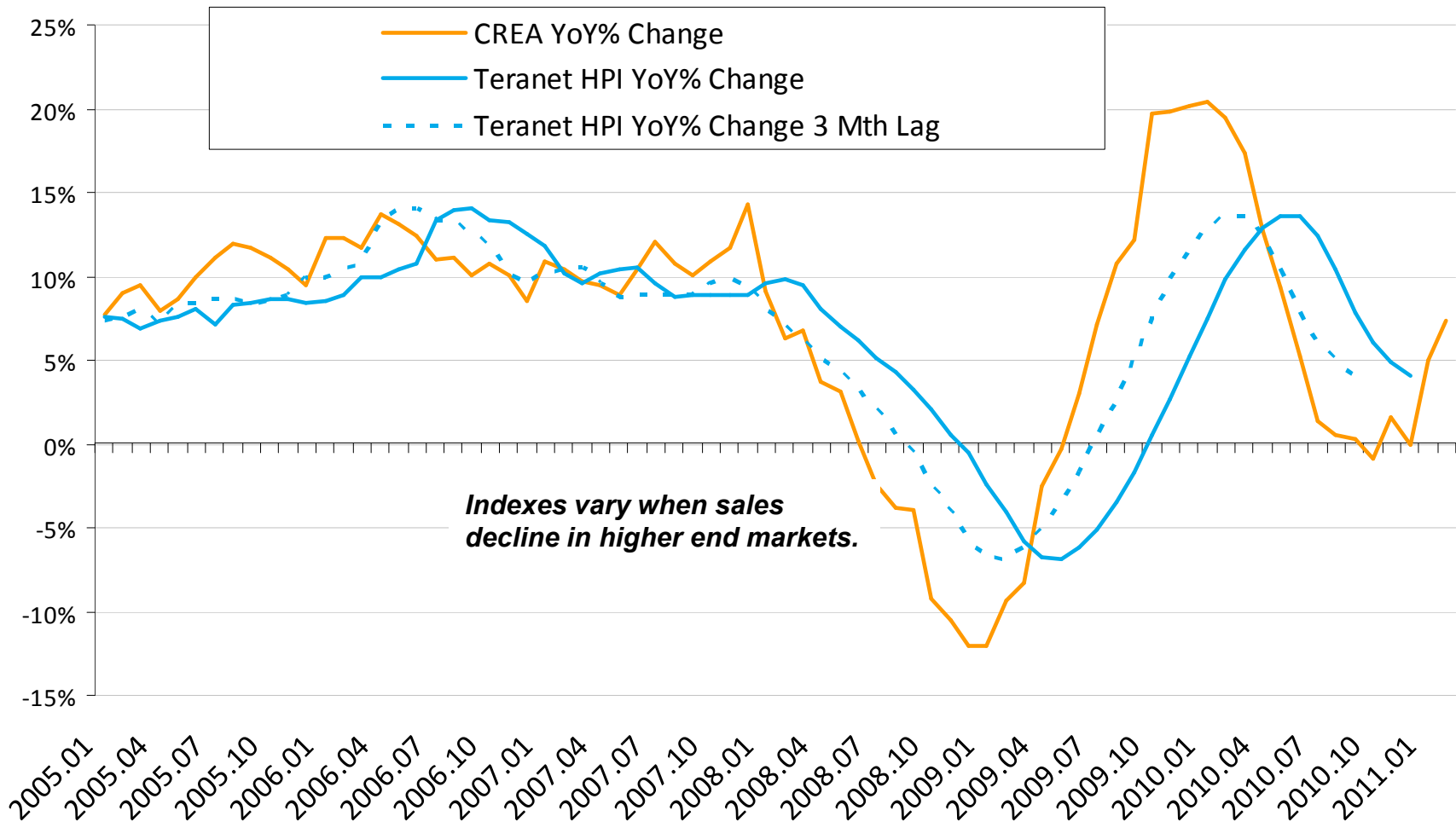
CREA Prices Exceed Pre-Crisis Levels as Rates Remain at Historical Lows



Source: CREA, Teranet-National Bank, Statistics Canada

Another Measure of HPA... Teranet HPI

Teranet-National Bank HPI Shows a More Muted Recovery Than CREA



How We Measure The Housing Market

What

Price Change

- ✓ Canadian Real Estate Association (CREA)
- ✓ Teranet House Price Index

Supply vs Demand

- ✓ Sales To New Listings Ratio (CREA)

Affordability

- ✓ Price To Income Multiple (MIC & Market)
- ✓ Price To Rent Multiple
- ✓ Debt To Income Ratio
- ✓ Mortgage Rates

Trigger Points Influence Underwriting Policy Review

Canada Housing Bubble Indicators

Fundamental Price Indicators

Risk In Force:	National (100%)	Toronto (25%)	Vancouver (8%)	Calgary (7%)	Montreal (4%)
Home Price Appreciation	●	●	●	●	●
Price To Income	●	●	●	●	●
Price To Rent	●	●	●	●	●
Affordability	●	●	●	●	●
Supply Vs. Demand	●	●	●	●	●

● Within Trigger
 ● Moderate Deviation From Historical Avg. (1 Std Dev)
 ● Significant Deviation From Historical Avg. (2 Std Dev)

Home Prices Are High Relative To Income Levels But Supported By Fundamental Demand

Our View Of The Current Housing Market

- **No Housing Bubble - Markets Returning To A More Balanced State**
- **House Prices Up ~4% For 2010**
- **Expect Flattish House Prices In 2011,**
- **2 – 3% Annual Growth Thereafter**
- **Regional Focus Areas ... Vancouver**

Canadian Housing Market Normalizing Again

Fundamentals Support Housing Demand

- **Employment Back To Pre-Recession Levels**
- **Tentative Consumer Confidence**
- **Relatively Low Mortgage Rates**
- **Moderating Home Prices**
- **Immigration And Demographics Driving ~180,000 New Households Annually**

First Time Homebuyers Are Key To Household Formation

Positive Impact of Dept Finance Changes

Action	Market Safety	Comments
<u>October 2008</u>		
▪ Max LTV Reduced To 95%	✓ ✓ ✓	Stopped Expansion Of Higher Risk Mortgage Products
▪ Max Amortization Reduced To 35 Yrs	✓ ✓	
<u>April 2010</u>		
▪ Max LTV On Refinance Reduced To 90%	✓ ✓	Increased Home Equity Driving More Fixed Rate Mortgages Reduced Speculation In Higher Risk HLTV Market
▪ Increased Min Qualifying Interest Rate	✓ ✓ ✓	
▪ Eliminated HLTV Investor Properties	✓ ✓	
<u>March/April 2011</u>		
▪ Max LTV On Refinance Reduced To 85%	✓ ✓	Increases Home Equity Small Impact On Affordability MI Focused On Home Ownership
▪ Max Amortization Reduced To 30 Yrs	✓	
▪ Conventional HELOCS No Longer MI Eligible	✓	

Changes Increase Safety & Soundness In Cdn Market

Drivers Of Growth In Canadian Indebtedness

▪ Household Debt As A Share Of PDI Has Tripled To 150% Since The Mid 1980's: Why?

1. Secular Decline In Interest Rates

» Improved Asset Affordability

2. Households More Comfortable With Greater Debt Loads

» Increased Job Security, Dual Incomes, Asset Appreciation

3. Financial Product Innovation & Supply Of Credit

» HELOC's – Flexible Access To Home Equity At Low Rates

» Mortgage Securitization – Lowered Cost Of Funding

» Credit Card Award Programs – Drove Increased Usage

Constraining Growth In Canadian Debt

▪ Natural Brakes To Credit Growth Are Evident:

1. A More Subdued Housing Market

» Growth Returning To More Historical Levels 2 – 3% pa

2. Capacity To Borrow Is More Constrained

» Consumers Have Less Capacity/ Home Equity To Utilize

» Rising Rates Will Reduce Credit Qualification Rates

3. More Restrictive Mortgage Qualifying Rules

» Govt Of Canada Changes Reduce Mortgage Affordability

4. Changing Demographics

» Retiring Baby Boomers No Longer Moving Up The Housing Cycle

Our View On Household Debt

- **Vulnerability Of The Mortgage Market Somewhat Overstated By The Media:**

1. Debt Service Ratios For Mortgage Holders Are Much Lower Than Maximum Allowable

- » Total Debt Ratios On High Ratio Borrowers Ave 33%

2. Vast Majority Of Borrowers Choose Fixed Rates Over Variable

- » 75% Chose Fixed Rate Mortgages – 5 Yr Term Most Popular

3. Variable Rate Customers Are Qualified At Posted 5 Year Rate

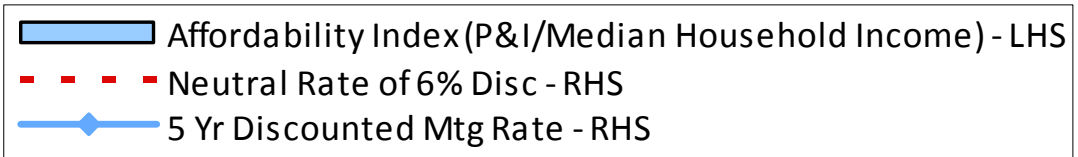
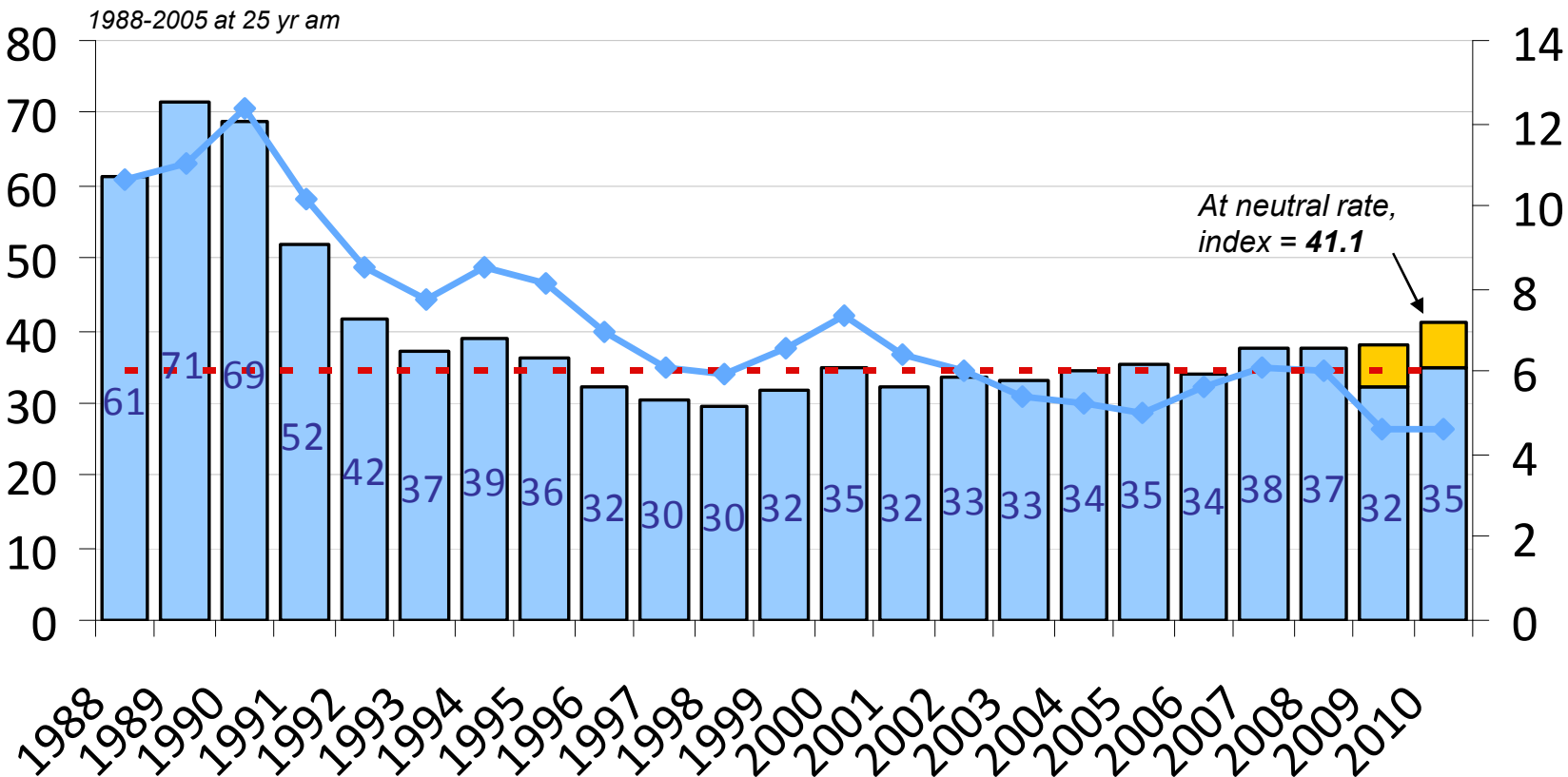
- » Acts As A Buffer Against Future Rate Increases

Ontario And GTA Market Outlook

GTA Market Highlights

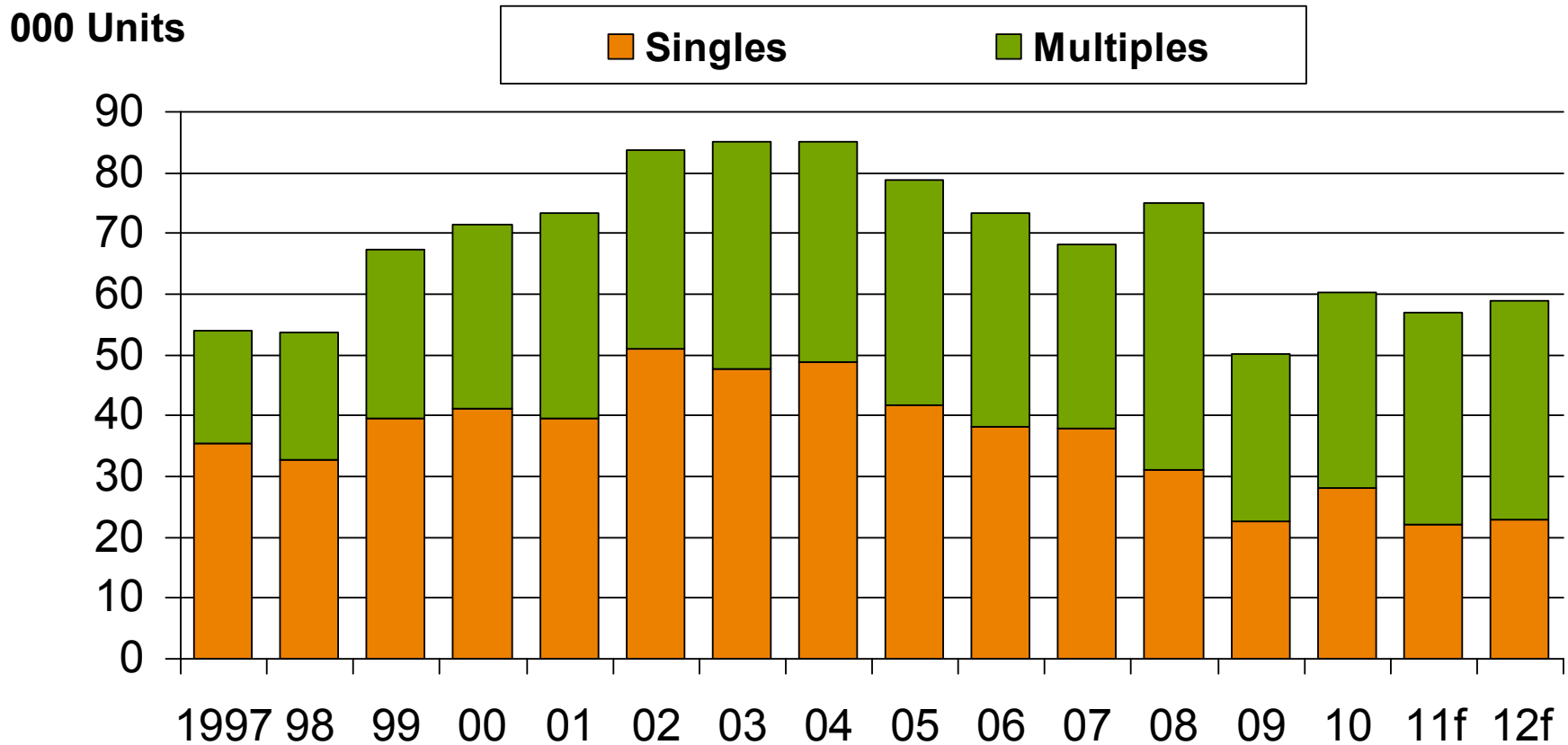
- **Existing Home Sales Surprised in 2010, Leveling Expected in 2011**
- **Average Price Up Marginally In 2011**
- **Multiples Will Remain Strong in 2011**
- **Population Will Continue Aging Trend**

GTA Affordability Still Reasonable For Now



Housing Starts

Ontario (1997-2011)

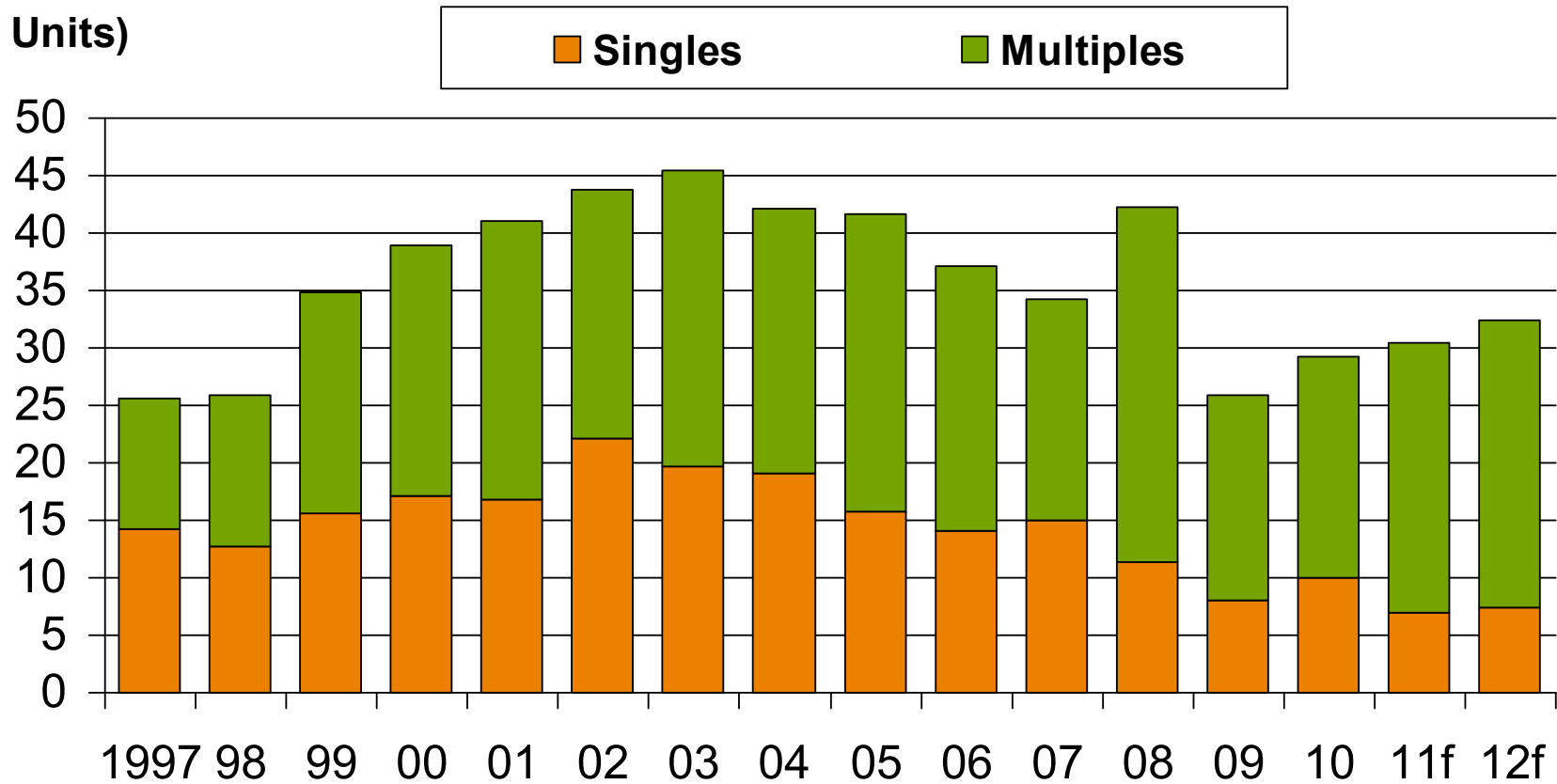


Sources: The Conference Board of Canada

Housing Starts

Toronto (1997-2011)

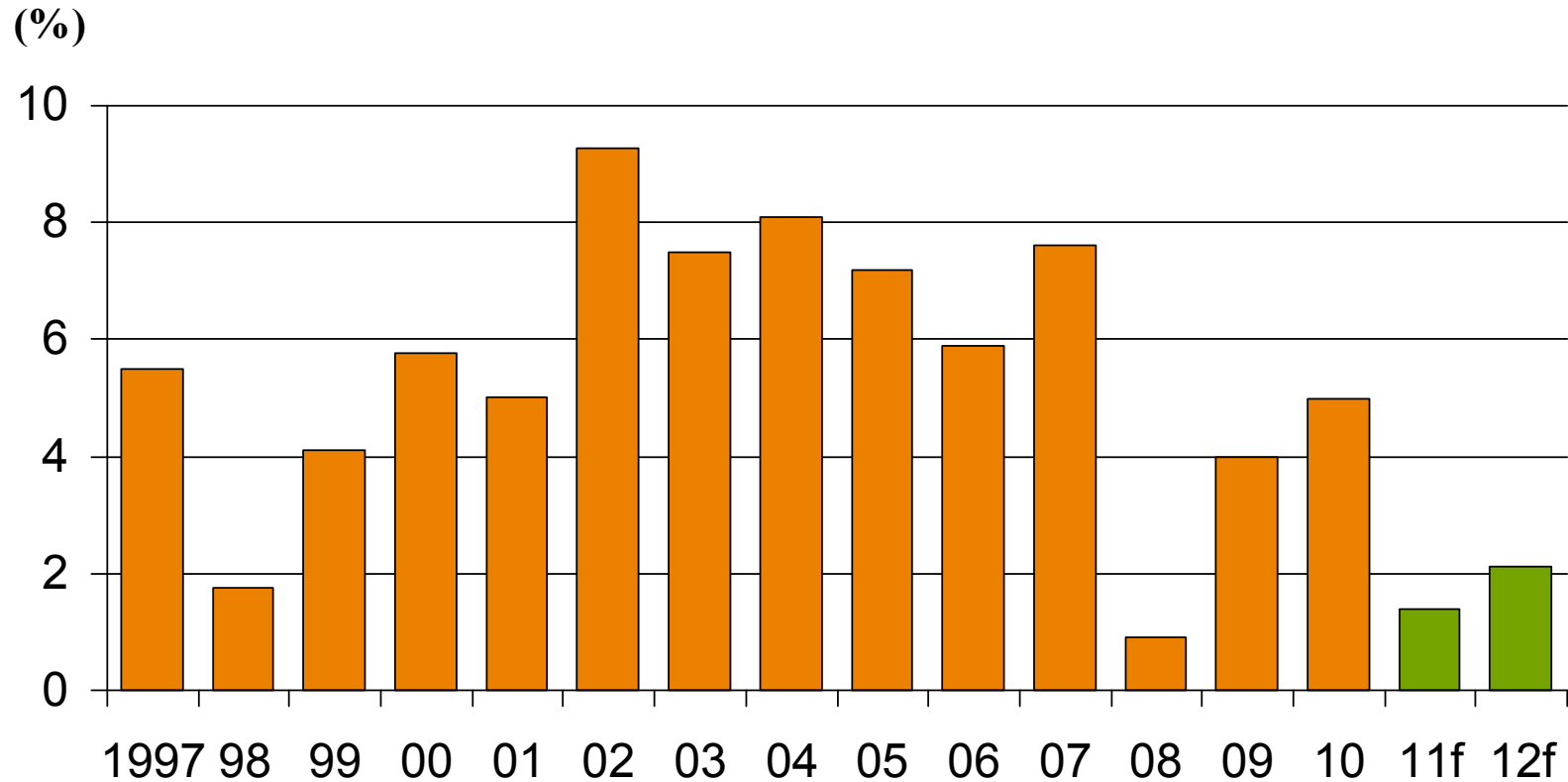
(000 Units)



Sources: The Conference Board of Canada.

Existing House Price Growth

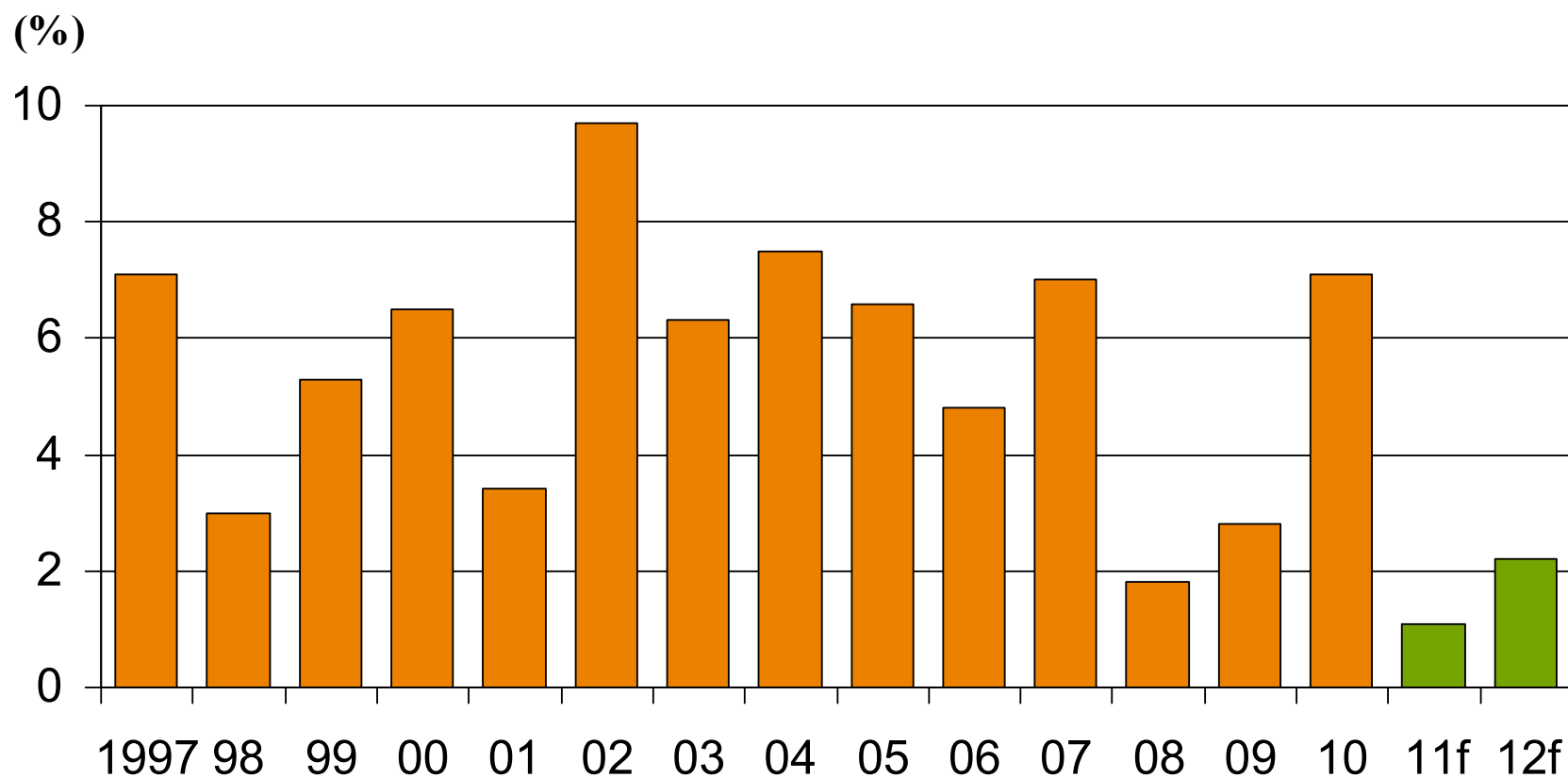
Ontario (1997-2011)



Sources: The Conference Board of Canada; Statistics Canada; CREA.

Existing House Price Growth

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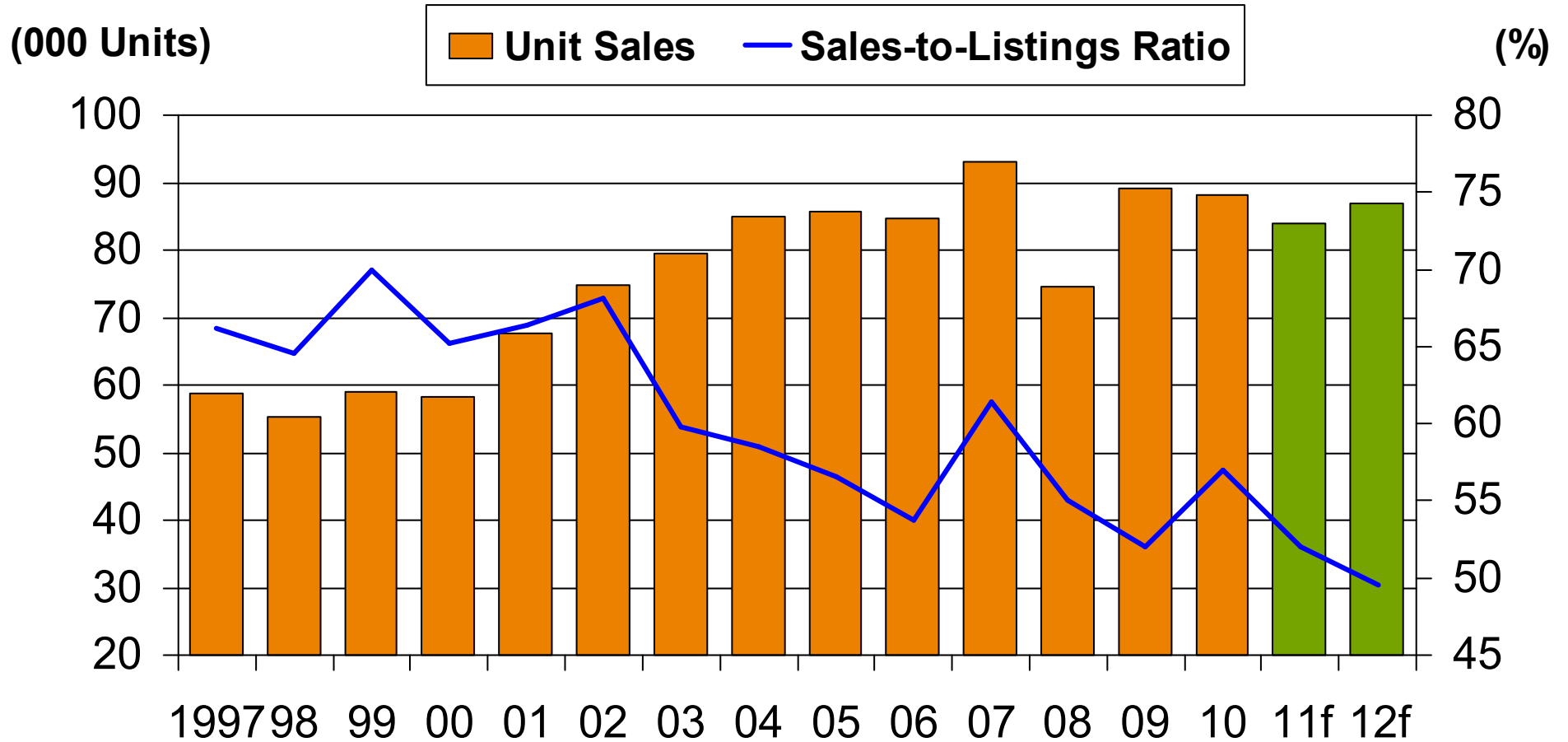


Sources: The Conference Board of Canada; Statistics Canada; CREA.



Resale Market

Toronto (1997-2011)



Sources: The Conference Board of Canada.

Toronto Market Quick Facts

	Feb '10	Feb '11	Y-o-Y Change
# of Sales	7,291	6,266	-14%
# of Listings	14,514	14,365	- 1%
Average Price	\$431,701	\$454,423	+5%
Days on Market	22	27	+23%

Source: TREB

Toronto Market Headed For A Strong Year In 2011

Questions?

Genworth MI Canada Inc.
2009 Annual Report



The **homeownership** company

