



Genworth
Financial

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Dear Reader,

Welcome to the third issue of our regular quarterly bulletin, which brings you news and insight on the mortgage markets in the Nordic region.

In this issue we have expanded our regular analysis of macroeconomic indicators and housing market trends in Sweden to include similar analysis of the Danish Market.

Our special feature articles this quarter include a review of new Danish Legislation governing Co-operative Housing Societies; an interview with Rutger Barnekow, former Deputy CEO, SEB Group and non-Executive director of Genworth Financial, Sweden and a report on the recent Genworth Financial Housing Market seminar – “Housing Prices – Bubble or Not?”

Firstly, here are the highlights of our quarterly market analysis:

After a highly productive 2004, the Swedish economy experienced a slight downturn in private consumption and exports during the first quarter of 2005. This economic slowdown is expected to be short-lived – partly due to expansionary investment plans in the private sector.

The repo rate in Sweden reached an historical low of 1.5% , following a decrease of 50 basis points by the Swedish Central Bank on 20th June.

Over the past couple of years the Danish economy has grown overall productivity resulting in a 2.1% increase for the full year 2004. As a result of this growth, the unemployment rate is expected to reduce to 5.5% total workforce by the end of 2005.

Interest rates in Denmark have been stable for a couple of years – with no immediate indications of change in the near term.

For a more detailed analysis, read on page 2 and onwards.

Claes Billing

Managing Director, Nordic
Mortgage Insurance - Europe

About Genworth Financial in Europe.

Genworth Financial is a leading insurance holding company, serving three major customer needs: protection, retirement income and investment and mortgage insurance. We have more than 15 million customers, with operations in more than 20 countries, including Australia, Canada, Denmark, Finland, France, Italy, Ireland, Germany, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the UK and the US.

About Mortgage Insurance

Mortgage Insurance (MI) is a type of insurance designed to protect lenders in the event that a mortgage borrower defaults on a loan and the proceeds of the sale of the property are insufficient to pay the outstanding debt. Due to its credit protection features, MI extends home ownership opportunities to consumers by enabling house purchase with lower deposits. In addition, MI from a highly rated mortgage insurance company can facilitate the sale of High Loan To Value portfolios on the secondary market.

CONTENTS

Macro economic indicators 2

Housing and Mortgage Market Sweden 4

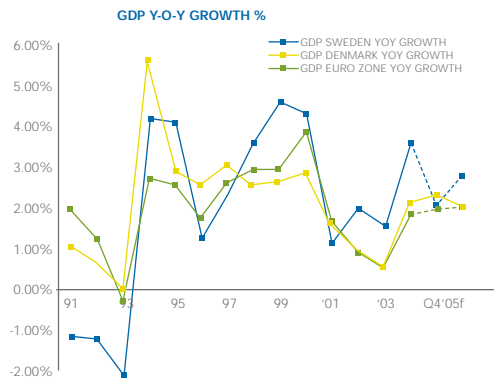
Housing and Mortgage Market Denmark 5

Swedish house prices ... The great debate 6

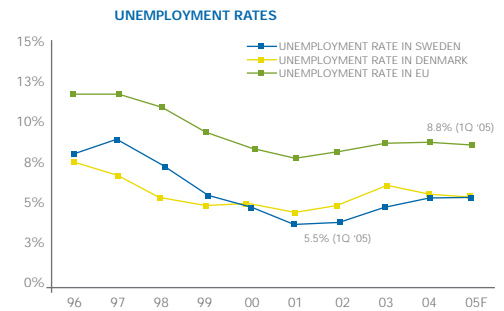
New Danish legislation governing co-operative housing societies 7

Interview with Rutger Barnekow 9

MACRO ECONOMIC INDICATORS



Sources: Konjunkturinstitutet, May 2005



Sources: SCB / Statbank

GDP

...Danish unemployment rate is expected to decrease to approximately 5.5 percent...

After a highly productive 2004, +3,8%, the Swedish economy experienced a slight downturn in private consumption and export during the first quarter of this year. This slowdown is expected to be short-lived, partly due to expansionary investment plans in the private sector. Growth is expected to speed up substantially in the period ahead, though there is considerable uncertainty about the upswing. Forecasts suggest growth will end up on +2,1% for this year and +2,8 percent next year.

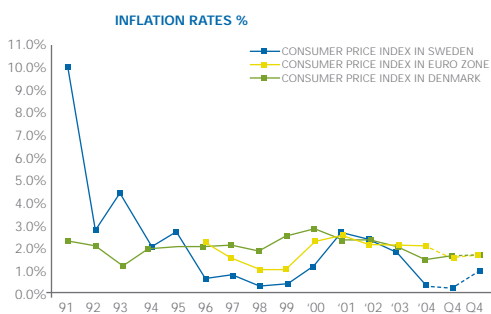
In the last couple of years the Danish economy has experienced overall growth in productivity levels, which last year resulted in an increase of 2.1 percent for the full year. This growth has been driven by domestic demand, which will continue at a high level this year. Private consumption is expected to grow strongly during 2005. With this extra push, the productivity growth is expected to end up at approximately +2.25 percent for 2005 and 2.0 percent 2006.

UNEMPLOYMENT

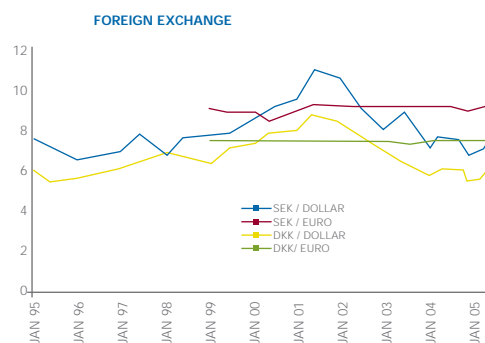
The unemployment rate in Sweden has shown a slightly downward trend over the past year, resulting in 5.2 percent unemployment of the labour force, (about 234,000 people) as at May 2005. This is 23,000 fewer people than a year ago, mainly due to increased participation in labour market programmes last year. The unemployment rate forecasted for full year 2005 is 5.5 percent.

As a consequence of the Danish productivity growth, the Danish unemployment rate is expected to decrease to approximately 5.5 percent of the labour force by end of this year. 15,000 people are forecasted to find work during 2005. In the long-term perspective the decrease in unemployment rate will slow and is expected to be around 5.1 percent in 2007.

MACRO ECONOMIC INDICATORS



Sources:Riks Bank / Finansministeriet



Sources:Riksbank / Nationalbanken

INFLATION

*... a steadily weakening
Krona rate...*

Inflation in Sweden is currently at a very low level. The consumer price index, year on year, showed an increase of 0.1 percent in May. The forecast is that it will continue to be at a low level this year, 0,3 percent for the full year. Only late next year it will break the 1 percent barrier, +1.1 percent 2006.

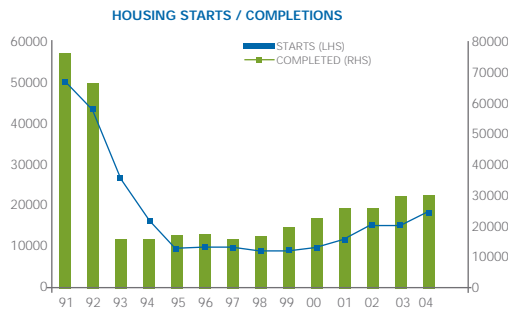
Consumer prices in Denmark will increase by approximately 1,7 percent this year, after a slightly lower rate during 2004, +1,5 percent. The increase in growth rate is a result of expected growth in wages by 3,5 percent in 2005. The forecast for 2006 is an increase in consumer prices by 1,6 percent.

EXCHANGE RATE

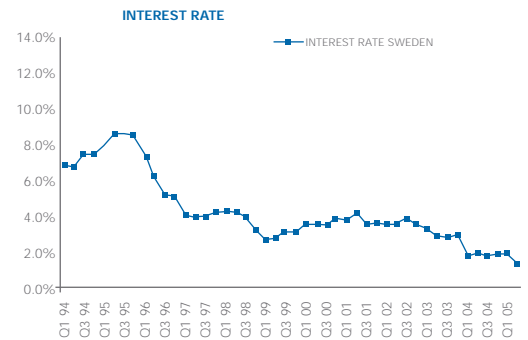
After several years of a Swedish Krona growing stronger against the Dollar, we have experienced a steadily weakening Krona rate over the last couple of months. Consequently, the exchange rate is back to the same level as the same time last year. The Euro rate has remained stable for several years.

The Danish Krona has after several years of growing stronger against the Dollar experienced an upward shift of the exchange rate curve late this spring. This has resulted in a 10 percent rate increase Krona compared to 6 months ago.

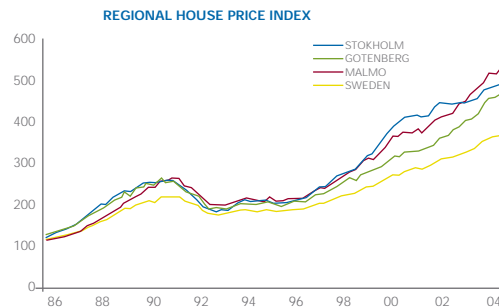
HOUSING AND MORTGAGE MARKET SWEDEN



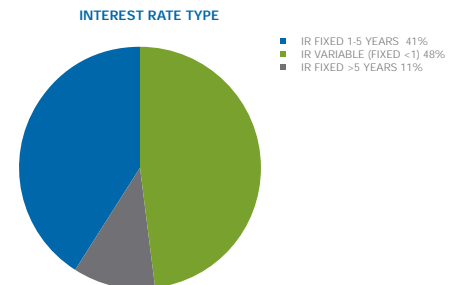
Sources:SCB



Sources:Riksbank



Sources:SCB



Sources:The Swedish Bankers' Association

STARTS AND COMPLETIONS

...house prices in Sweden have started to grow again...

New housing starts did not increase as much in 2004 as in the last couple of years. One of the reasons for this is that the rules and regulation regarding the tax levels in Sweden is still counteracting attempts to increase new housing starts.

On the completion side, the last year has been productive with an increase of over 21 percent compared to 2003. But completions continue to remain at a very low level and the overall completion during 2004 was 24,335 dwellings

HOUSE PRICE INDEX

...the interest rate is now at a historical low level...

Since the Spring, house prices in Sweden have started to grow again following a couple of months where prices started to plateau following a long climb.

The three major metropolitan areas have all shown increases in prices and with the newly decrease of the repo rate it is likely that this growth will at least continue well into 2006 and more likely even into 2007.

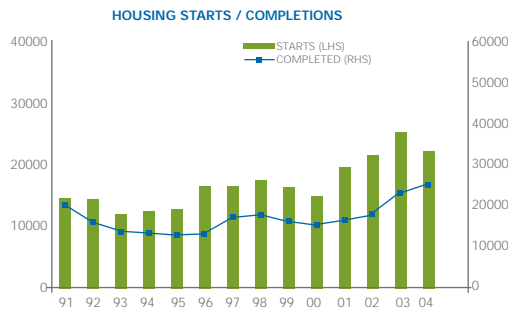
INTEREST RATE

The Swedish central bank decreased the repo rate by 50 basis points on the 20th of June and the rate is now at a historical low level of 1.5 percent. The decrease came as an effect of the drop in the growth rate that the economy has experienced so far this year. This low interest level is forecasted to withhold until the second part of 2006.

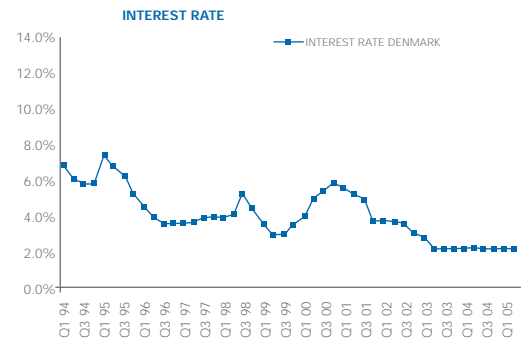
INTEREST RATE TYPE

48% of Swedish borrowers opt for flexible interest rates when choosing a mortgage. This is a slight decrease from last year but much higher than the year before. This indicates that many mortgage holders are taking advantage of low interest rates on the market. We will probably see more and more borrowers choosing a fixed interest rate as we progress through next year.

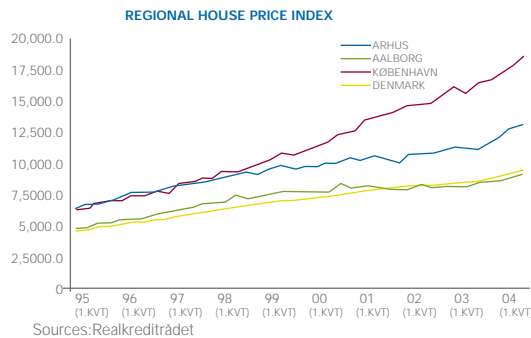
HOUSING AND MORTGAGE MARKET DENMARK



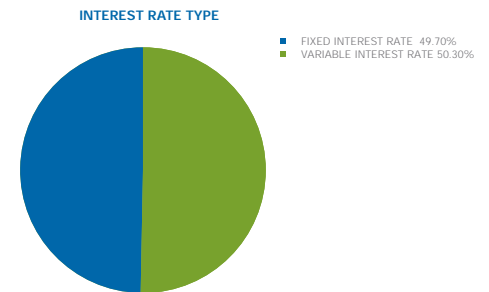
Sources: Statistikbanken



Sources: Nationalbanken



Sources: Realkreditrådet



Sources: Danish Nationalbanken

STARTS AND COMPLETIONS

House prices in Denmark have been growing in a steady pace...

In 2004 the number of new builds in Denmark decreased year on year, when numbers reduced from 25,151 for 2003 to 21,958. One of the reasons for this is thought to be that supply is balancing with demand. Another might be that the supply for building sites especially within the Copenhagen area is diminishing.

Completions continued to increase during 2004 but will most likely decrease during 2005 due to the reduction in the number of new- building projects.

HOUSE PRICE INDEX

House prices in Denmark have been growing in a steady pace and there are no indications that this trend will break in the near future. The Copenhagen market, where 20 percent of Danes live, has seen an increase in price per square metre of over 13 percent during 2004.

INTEREST RATE

Interest rates in Denmark have been at the same level for a couple of years and no change is expected in the immediate future. The interest rate is currently 2.25 percent and has been so since the second quarter of 2003.

INTEREST RATE TYPE

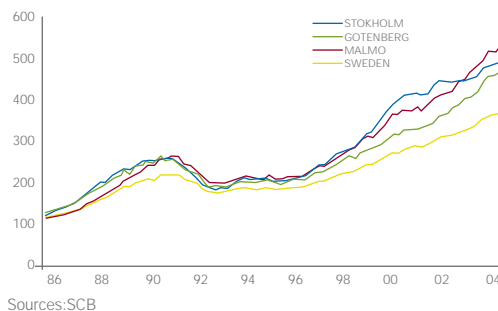
The flexible interest rate has been a big success since it was introduced on the Danish mortgage market. Now the number of mortgage loans with variable rate in the Danish banks and Mortgage credit institutes is over the 50 percent mark and by the end of the first quarter this year reached 50.3 percent of the overall market.

SWEDISH HOUSE PRICES. . . THE GREAT DEBATE



There was much focus on the issue of rising house prices in Sweden during a recent Genworth Financial seminar, which took place in Stockholm. The event, entitled "Housing Prices – a bubble or not?" brought together Bengt Turner (Professor at Uppsala University), Tomas Pousette (Economist & Interest Rate Analyst, SBAB) and Erik Olsson (Founder of Erik Olssons Fastighetsförmedling) to lead the debate. The seminar and debate were subsequently featured in some detail in Dagens Industri and Privata Affärer.

The housing market in Sweden has seen a steady growth in prices since 1997. In the main cities growth has been particularly prevalent – with prices in Malmö and Gothenburg rising even faster than those in Stockholm over recent years.



Debate surrounding house prices at the seminar was fierce, but ultimately our guest speakers were unanimous in the opinion that prices would stabilise.

*... unanimous in the opinion
that the prices would stabilise...*

Housing Market Drivers

The main factors affecting housing market trends are interest rates, levels of disposable income and unemployment figures. In addition to these main factors, Erik Olsson pointed to stock market performance, which certainly impacts prices in large cities such as Stockholm. The housing supply as a factor influencing house prices was also discussed during the seminar. According to Bengt Turner, housing supply is the worst enemy of house prices. During the last couple of years the supply of houses has somewhat increased but is still on a very low level compared to earlier years. Sweden has the lowest housing investment per capita in Europe.

Near Term Predictions¹

According to Erik Olsson growth rates in the west will gradually level out and predicted a slight rise in prices overall. Bengt Turner agreed but pointed out that house prices are still rising faster than disposable income. However, the continuing low interest rates have had a positive impact on affordability. Looking to the future Tomas Pousette added that given the current favourable macro economic environment, there should be only moderate interest rate rises – which is good news for home buyers.

¹The drop of the Swedish repo rate of 50 bps was hard to predict 3 months ago, and the effect on the mortgage market is hard to predict but will probably be smaller compared to what an increase of the repo rate would have had. It's probably fair to expect house prices to increase steadily if nothing else happens in the market.

NEW DANISH LEGISLATION GOVERNING CO-OPERATIVE HOUSING SOCIETIES

...will have the same rights to mortgage their Co-operative Housing Societies...

The Danish Government has passed no fewer than three new pieces of legislation governing Co-operative Housing Societies ("CHS") during the first six months of 2005.

On 1st February 2005 the law governing CHS was amended to allow CHS members to mortgage their shares in a private CHS. The aim of this particular piece of legislation is to facilitate the sale and/or financing of CHS property.

This change opens up the possibility for a member of a private CHS to take out a mortgage with a financial institution secured on the CHS share, which that member owns.

The changes within the new legislation are aimed at giving CHS members equivalent financing rights to those currently enjoyed by owners of real property. The new legislation also sets out to regulate and combat investor speculation and 'under the table payments' commonly made by purchasers of CHS property, which have historically been a problem in the selling and buying of CHS property in the Danish market.

The Danish CHS regime allows individuals to purchase a "share" in a CHS that gives the holder (known as member) the right to occupy a part of a property owned by the CHS subject to certain conditions, including for example the payment of a share of any loan repayments on the underlying property, taxes and service charges. The CHS regime contains certain limitations on a member's right to sell or refinance their share, including strict limitations on selling for profit.

There are no restrictions or limitations on the purpose of financing under the new regime. This means it will be possible for CHS members to take out loans for home improvement as well as other purposes which may bear no relation to their share in the property, such as freeing up capital for investment in other asset classes or taking out a loan for personal debt consolidation purposes. Additionally, it will now be possible for CHS members to take out inexpensive top-up loans secured against their CHS share in the same way as an owner of real property can take out a similar loan secured against the equity of the real property, and under equally attractive conditions.

Under the new legislation, CHS members will have the same rights to mortgage their CHS shares regardless of any provisions to the contrary in the CHS's Articles of Association. The Articles of Association of a CHS can however fix a "Loan To Value" limit on any loan secured against a CHS share to 80% of the value of the share in the underlying property. Mortgaging can take place either when a member buys a CHS share or subsequently against any free equity available in the share of the underlying property.

The value of each individual CHS share will, as it always has been, remain linked to the net capital of the entire CHS property and it is therefore not envisaged that this new piece of legislation will in itself result in an increase in CHS property prices.

NEW DANISH LEGISLATION GOVERNING CO-OPERATIVE HOUSING SOCIETIES

*...aims to stop any CHS
dissolving itself and
subsequently selling its property
on to a new CHS...*

On 24th May 2005 the Danish Government passed the second change in legislation governing CHS. This change comes into force on 1st September 2005 and includes the following:

- A statutory obligation to register any sale of any CHS that is in the process of being set up.
- 6 days grace following purchase of any CHS that is in the process of being set up.
- Up to 4 months imprisonment for any individual convicted of selling CHS property at a price in excess of that permitted by the CHS regime. This includes any "under the table" payments.

On 16th June 2005 the Danish Government passed the third change in the legislation governing CHS. This piece of legislation aims to stop any CHS dissolving itself and subsequently selling its property on to a new CHS for the purposes of realising capital gains. The new legislation does not allow any property sold by a CHS to be purchased by another private CHS within a period of 5 years from sale.

This change came into force on the 22nd June 2005.

Mortgages over charged CHS shares will be entered onto a new register that keeps records of mortgages, charges and liens over all CHS shares. This register (Andelsboligbog) is to be kept at the Law Courts in Aarhus.

In an effort to ease proceedings between members of CHS, The Association of CHS and financial institutions, The Danish Bankers Association (Finansrådet) has, together with The Association for Joint Representation of CHS (the "ABF") and The National Agency for Enterprise and Construction (the "EBST"), developed two extensive step-by-step procedure guides in regards to the mortgaging of CHS property.

These useful and accessible guides set out the typical procedures under the new legislation for mortgaging a CHS share. The guides¹ take the reader step-by-step through each action needed and clearly sets out who should be responsible for which action.

¹ The guides can be found in their entirety on:
<http://www.finansraadet.dk>

- For the guide to purchase of CHS Property go to:
Om Kunde forhold/Pengeinstitutter og Forbrugere/Lån mod pant i andelsboliger/Andelsboliglån ved køb.
- For the guide to Mortgaging of Free Equity go to:
Om Kunde forhold/Pengeinstitutter og Forbrugere/Lån mod pant i andelsboliger/Andelsboliglån mod friværdi

QUESTIONS & ANSWERS

With Rutger Barnekow, non-executive director Genworth Financial Mortgage Insurance



Rutger Barnekow joined the board of Genworth Financial Mortgage Insurance in 2004.

Q. Can you tell us about your career

A. I started off by selling insurances to consumers (knocking on their doors at night) and learnt how to do business. My goal was to work harder than anyone else. I succeeded and was asked to become managing director for Vendax, a company for Factoring and Leasing, and start up their business. After a couple of years I became Managing Director of Smålands Bank in Jönköping, owned partly by Providencia which was a part of the Wallenberg group, but left there following the sales to Göteborgs Bank. I was then offered the job as deputy CEO at SEB by the CEO Lars-Erik Thunholm. Since then I was as CEO SEB and deputy CEO of the SEB group. Furthermore, I have had some board assignments in many well-known companies.

...more selling of mortgages through the internet...

Q. Mortgage Market Experience?

A. I have been on the board at Fastighetskredit for the Småland region during the 60's and 70's and then chairman for the whole group during the 80's. I also was representative of the board in Bofab, a state-owned company.

Q. What interested you in becoming non-executive director at GNW MI?

A. When I was offered the position, it sounded interesting with a new product on the market.

Q. In your position as non-executive director, what do you see as your most important contributions

A. Financial knowledge of the Nordic market and many contacts in Sweden and partly Norway and Denmark.

Q. What is the most dramatic change in the mortgage market during the last 25 years?

A. All the banks have taken their mortgage institutes back into the banking organisation and do all the product marketing through their banks. Before they did the marketing in the name of the mortgage institute. Another big change is the new single loan product launched some time ago by SBAB.

Q. Why do you feel that the market is interesting?

A. The mortgage market is an essential part of the financial sector in a country. Real-estate credit (not just single family homes) are profitable for both parties (both lender and borrower), but there are big, local risks in the market i.e. where the growth and development is poor.

Q. What is your view on recent trends towards rising bottom loans and the increase in single loan products? What is the next step? Is Sweden ready for importing alternative products?

A. It is very exciting with product development and competition is very good for the business climate. The mortgage market is very simple and sophisticated, I believe we will see more selling of mortgages through the internet. Some of the lenders already do most of their business through internet and telephone. The branch offices of banks will remain but will be more of an office for advising people on their banking business. Also, if we can see new influences and efficient methods for mortgage lending, I think that Sweden will follow the examples.

QUESTIONS & ANSWERS

With Rutger Barnekow, non-executive director Genworth Financial Mortgage Insurance

...important for the lender to be able to deliver a product with the right price and right security...

Q. What do you think is the biggest challenge for the mortgage lenders on the market today? Compared to 30 years ago?

A. It is important for the lender to be able to deliver a product with the right price and right security for the borrower. (the most efficient product with the least risk for the borrower at the best price). Before, the biggest challenge was to deliver a well-supported answer in a reasonable time (normally it took more than three weeks and the challenge was to shorten that time).

Q. Do the lenders treat the customers in a different way today than before?

A. Yes, the lender of today looks more at the cash-flow of the borrower than on the security of the house/apartment.

Q. How do you think the mortgage market will look like in 10 years, any changes from today?

A. Fewer but bigger and more international lenders, where foreign lenders want to enter the Swedish market as well. I also think that the Swedish lenders will export more mortgage products to other countries since Sweden is at the cutting edge regarding many things on the mortgage market.

Q. With decreasing margins, why are mortgages still an interesting business for a bank ?

A. It is always interesting because in the bank where the customer have their mortgage, they also tend to have all their other business. It is a way for the banks to recruit customers and businesses.

Q. Do you think it's important to be able to own your own home? Why?

A. It is more satisfying to own your own home than to rent.

Name: Rutger Barnekow

Date of birth: 1935

Family: wife and 4 children

Experience:

- Insurance Inspector at Insurance Company Trygg Fylgia 1958-1964
- Managing Director, AB Vendax (company of Factoring and Leasing) 1964-1969
- Managing Director, Smålands Bank 1969-1973
- Deputy CEO, SEB 1973
- CEO, SEB 1982-1990
- Deputy CEO, SEB group 1990-1993

Current corporate board assignments:

- Robert Bosch AB, chairman
- Fredells AB, chairman
- Skoogs Åkeri AB, chairman
- Wikman & Malmkjell AB, chairman
- SEB Finans AB
- SEB Trygg Liv
- Stockholm Spine Center, chairman

Previous corporate board assignments:

- SAAB Scania AB (before sales to General Motors)
- Svenska Dagbladet (before the sales to Schibstedt)
- SEB
- Orrefors Kosta Boda
- Svenska Fastighetskredit AB (current SEB Bolån)
- Smålands Bank
- Swedish Bank Association
- Stockholm Chamber of Commerce

Pro bono assignments:

- Swedish Physician Society (treasurer)
- Karolinska Cancer Center Foundation (treasurer)
- Stockholm Council of the Salvation Army
- The investment council of the cultural foundation of His Majesty the King
- Gustaf VI Adolf
- His Majesty the King's Hunting Club (director)
- Council of WWF

Organisation

The Nordic Platform of Genworth Financial Mortgage Insurance Europe consists of:

Claes Billing

Managing Director Nordic
claes.billing@genworth.com
t: +46 8 559 501 15

Sara Sillén

Operations Project Manager
sara.sillen@genworth.com
t: +46 8 559 501 06

Tomas Lundmark

Client Relationship Manager
tomas.lundmark@genworth.com
t: +46 8 559 501 27

Johan Engkvist

Audit Leader
johan.engkvist@genworth.com
t: +46 8 559 501 20

Camilla Zakrisson

Marketing Specialist
camilla.zakrisson@genworth.com
t: +46 8 559 501 24

Johan Lundberg

Junior Client Relationship Manager
johan.lundberg@genworth.com
t: +46 8 559 501 31

Mark Fawbert

Product Development Manager
mark.fawbert@genworth.com
t: +46 8 559 501 46

For more information about this publication or information on Genworth Financial Mortgage Insurance in the Nordic Market contact:

Genworth Financial Mortgage Insurance, Europe

Box 360
171 75 Stockholm
Visiting address: Solna Strandväg 98

Tel: +46 8 559 501 24
Fax: +46 8 559 501 04
Email: info.sv@genworth.com
www.genworth.se

Recommended literature:

Mortgage Credit Scoring and Omniscore™, Nordic Quarterly Bulletin, 2nd Quarter 2005, no.2, Genworth Financial Mortgage Insurance

Risk and Funding in European Residential Mortgages – Responding to changes in mortgage demand, April 2005, Mortgage Insurance Trade Association and Mercer Oliver Wyman

Turner, B., (2004) "Wealth Effects and Price Volatility – How Vulnerable are the Households?", paper presented at the ENHR international conference in Cambridge, July

Bengt Turner and Zan Yang (2004), "Shock Hunting: The Relative Effects of Regional-Dependent, Regional-Specific and Interest Rate Shocks in the Property Market"

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