Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-32195

GENWORTH FINANCIAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**80-0873306** **(I.R.S. Employer Identification Number)**
6620 West Broad Street **Richmond, Virginia** **(Address of Principal Executive Offices)**	**23230** **(Zip Code)**

(804) 281-6000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 24, 2014, 496,616,897 shares of Class A Common Stock, par value $0.001 per share, were outstanding.

TABLE OF CONTENTS

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except per share amounts)

	June 30, 2014 (Unaudited)	December 31, 2013
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	$ 62,360	$ 58,629
Equity securities available-for-sale, at fair value	320	341
Commercial mortgage loans	5,986	5,899
Restricted commercial mortgage loans related to securitization entities	217	233
Policy loans	1,514	1,434
Other invested assets	1,963	1,686
Restricted other invested assets related to securitization entities, at fair value	404	391
Total investments	72,764	68,613
Cash and cash equivalents	4,138	4,214
Accrued investment income	642	678
Deferred acquisition costs	5,085	5,278
Intangible assets	266	399
Goodwill	867	867
Reinsurance recoverable	17,276	17,219
Other assets	695	639
Separate account assets	9,911	10,138
Total assets	$ 111,644	$ 108,045
Liabilities and stockholders' equity		
Liabilities:		
Future policy benefits	$ 34,497	$ 33,705
Policyholder account balances	25,834	25,528
Liability for policy and contract claims	7,223	7,204
Unearned premiums	4,191	4,107
Other liabilities ($40 and $50 other liabilities related to securitization entities)	3,702	4,096
Borrowings related to securitization entities ($83 and $75 at fair value)	233	242
Non-recourse funding obligations	2,024	2,038
Long-term borrowings	4,691	5,161
Deferred tax liability	1,074	206
Separate account liabilities	9,911	10,138
Total liabilities	93,380	92,425
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, $0.001 par value; 1.5 billion shares authorized; 585 million and 583 million shares issued as of June 30, 2014 and December 31, 2013, respectively; 497 million and 495 million shares outstanding as of June 30, 2014 and December 31, 2013, respectively	1	1
Additional paid-in capital	11,986	12,127
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	2,109	914
Net unrealized gains (losses) on other-than-temporarily impaired securities	19	12
Net unrealized investment gains (losses)	2,128	926
Derivatives qualifying as hedges	1,652	1,319
Foreign currency translation and other adjustments	381	297
Total accumulated other comprehensive income (loss)	4,161	2,542
Retained earnings	2,783	2,423
Treasury stock, at cost (88 million shares as of June 30, 2014 and December 31, 2013)	(2,700)	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	16,231	14,393
Noncontrolling interests	2,033	1,227
Total stockholders' equity	18,264	15,620
Total liabilities and stockholders' equity	$ 111,644	$ 108,045

See Notes to Condensed Consolidated Financial Statements

Table of Contents

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in millions, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues:				
Premiums	$1,343	$ 1,286	$2,650	$2,547
Net investment income	813	821	1,618	1,635
Net investment gains (losses)	34	21	17	(40)
Insurance and investment product fees and other	225	243	452	532
Total revenues	2,415	2,371	4,737	4,674
Benefits and expenses:				
Benefits and other changes in policy reserves	1,256	1,269	2,450	2,470
Interest credited	184	184	367	368
Acquisition and operating expenses, net of deferrals	404	413	782	846
Amortization of deferred acquisition costs and intangibles	138	137	272	259
Interest expense	120	121	247	247
Total benefits and expenses	2,102	2,124	4,118	4,190
Income from continuing operations before income taxes	313	247	619	484
Provision for income taxes	85	73	172	149
Income from continuing operations	228	174	447	335
Income (loss) from discontinued operations, net of taxes	—	6	—	(14)
Net income	228	180	447	321
Less: net income attributable to noncontrolling interests	52	39	87	77
Net income available to Genworth Financial, Inc.'s common stockholders	$ 176	$ 141	$ 360	$ 244
Income from continuing operations available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	$ 0.35	$ 0.27	$ 0.73	$ 0.52
Diluted	$ 0.35	$ 0.27	$ 0.72	$ 0.52
Net income available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	$ 0.35	$ 0.29	$ 0.73	$ 0.49
Diluted	$ 0.35	$ 0.28	$ 0.72	$ 0.49
Weighted-average common shares outstanding:				
Basic	496.6	493.4	496.2	492.9
Diluted	503.6	497.5	503.2	497.2
Supplemental disclosures:				
Total other-than-temporary impairments	$ (2)	$ (2)	$ (3)	$ (14)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	(3)	—	(3)
Net other-than-temporary impairments	(2)	(5)	(3)	(17)
Other investments gains (losses)	36	26	20	(23)
Total net investment gains (losses)	$ 34	$ 21	$ 17	$ (40)

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net income	$ 228	$ 180	$ 447	$ 321
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities not other-than-temporarily impaired	533	(1,216)	1,239	(1,433)
Net unrealized gains (losses) on other-than-temporarily impaired securities	1	26	7	52
Derivatives qualifying as hedges	114	(218)	333	(328)
Foreign currency translation and other adjustments	148	(353)	127	(457)
Total other comprehensive income (loss)	796	(1,761)	1,706	(2,166)
Total comprehensive income (loss)	1,024	(1,581)	2,153	(1,845)
Less: comprehensive income (loss) attributable to noncontrolling interests	113	(40)	117	(29)
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	$ 911	$ (1,541)	$2,036	$(1,816)

See Notes to Condensed Consolidated Financial Statements

Table of Contents

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in millions)
(Unaudited)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc.'s stockholders' equity	Noncontrolling interests	Total stockholders' equity
Balances as of December 31, 2013	$ 1	$ 12,127	$ 2,542	$ 2,423	$ (2,700)	$ 14,393	$ 1,227	$ 15,620
Initial sale of subsidiary shares to noncontrolling interests	—	(145)	(57)	—	—	(202)	713	511
Comprehensive income (loss):								
Net income	—	—	—	360	—	360	87	447
Net unrealized gains (losses) on securities not other-than-temporarily impaired	—	—	1,217	—	—	1,217	22	1,239
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	—	7	—	—	7	—	7
Derivatives qualifying as hedges	—	—	333	—	—	333	—	333
Foreign currency translation and other adjustments	—	—	119	—	—	119	8	127
Total comprehensive income (loss)						2,036	117	2,153
Dividends to noncontrolling interests	—	—	—	—	—	—	(27)	(27)
Stock-based compensation expense and exercises and other	—	4	—	—	—	4	3	7
Balances as of June 30, 2014	$ 1	$ 11,986	$ 4,161	$ 2,783	$ (2,700)	$ 16,231	$ 2,033	$ 18,264
Balances as of December 31, 2012	$ 1	$ 12,127	$ 5,202	$ 1,863	$ (2,700)	$ 16,493	$ 1,288	$ 17,781
Repurchase of subsidiary shares	—	—	—	—	—	—	(21)	(21)
Comprehensive income (loss):								
Net income	—	—	—	244	—	244	77	321
Net unrealized gains (losses) on securities not other-than-temporarily impaired	—	—	(1,396)	—	—	(1,396)	(37)	(1,433)
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	—	52	—	—	52	—	52
Derivatives qualifying as hedges	—	—	(328)	—	—	(328)	—	(328)
Foreign currency translation and other adjustments	—	—	(388)	—	—	(388)	(69)	(457)
Total comprehensive income (loss)						(1,816)	(29)	(1,845)
Dividends to noncontrolling interests	—	—	—	—	—	—	(26)	(26)
Stock-based compensation expense and exercises and other	—	12	—	—	—	12	1	13
Balances as of June 30, 2013	$ 1	$ 12,139	$ 3,142	$ 2,107	$ (2,700)	$ 14,689	$ 1,213	$ 15,902

See Notes to Condensed Consolidated Financial Statements

Table of Contents

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Six months ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	$ 447	$ 321
Less loss from discontinued operations, net of taxes	—	14
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of fixed maturity securities discounts and premiums and limited partnerships	(69)	(40)
Net investment losses (gains)	(17)	40
Charges assessed to policyholders	(376)	(404)
Acquisition costs deferred	(239)	(212)
Amortization of deferred acquisition costs and intangibles	272	259
Deferred income taxes	28	(213)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	79	35
Stock-based compensation expense	15	17
Change in certain assets and liabilities:		
Accrued investment income and other assets	(92)	21
Insurance reserves	1,102	1,183
Current tax liabilities	(164)	260
Other liabilities and other policy-related balances	(408)	(638)
Cash from operating activities—discontinued operations	—	3
Net cash from operating activities	578	646
Cash flows from investing activities:		
Proceeds from maturities and repayments of investments:		
Fixed maturity securities	2,568	2,820
Commercial mortgage loans	262	474
Restricted commercial mortgage loans related to securitization entities	17	31
Proceeds from sales of investments:		
Fixed maturity and equity securities	1,256	2,245
Purchases and originations of investments:		
Fixed maturity and equity securities	(4,873)	(4,558)
Commercial mortgage loans	(347)	(431)
Other invested assets, net	175	113
Policy loans, net	4	(1)
Proceeds from sale of a subsidiary, net of cash transferred	—	25
Cash from investing activities—discontinued operations	—	—
Net cash from investing activities	(938)	718
Cash flows from financing activities:		
Deposits to universal life and investment contracts	1,548	920
Withdrawals from universal life and investment contracts	(1,270)	(2,059)
Redemption of non-recourse funding obligations	(14)	(12)
Proceeds from issuance of long-term debt	144	—
Repayment and repurchase of long-term debt	(621)	(15)
Repayment of borrowings related to securitization entities	(17)	(32)
Proceeds from sale of subsidiary shares to noncontrolling interests	519	—
Repurchase of subsidiary shares	—	(21)
Dividends paid to noncontrolling interests	(27)	(26)
Other, net	(32)	(17)
Cash from financing activities—discontinued operations	—	—
Net cash from financing activities	230	(1,262)
Effect of exchange rate changes on cash and cash equivalents	54	(118)
Net change in cash and cash equivalents	(76)	(16)
Cash and cash equivalents at beginning of period	4,214	3,653
Cash and cash equivalents at end of period	4,138	3,637
Less cash and cash equivalents of discontinued operations at end of period	—	24
Cash and cash equivalents of continuing operations at end of period	$ 4,138	$ 3,613

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Formation of Genworth and Basis of Presentation

Genworth Holdings, Inc. ("Genworth Holdings") (formerly known as Genworth Financial, Inc.) was incorporated in Delaware in 2003 in preparation for an initial public offering of Genworth common stock, which was completed on May 28, 2004. On April 1, 2013, Genworth Holdings completed a holding company reorganization pursuant to which Genworth Holdings became a direct, 100% owned subsidiary of a new public holding company that it had formed. The new public holding company was incorporated in Delaware on December 5, 2012, in connection with the reorganization, under the name Sub XLVI, Inc., and was renamed Genworth Financial, Inc. ("Genworth Financial") upon the completion of the reorganization.

References to "Genworth," the "Company," "we" or "our" in the accompanying unaudited condensed consolidated financial statements and these notes thereto have the following meanings, unless the context otherwise requires:

- For periods prior to April 1, 2013: Genworth Holdings and its subsidiaries
- For periods from and after April 1, 2013: Genworth Financial and its subsidiaries

The accompanying unaudited condensed financial statements include on a consolidated basis the accounts of Genworth and our affiliate companies in which we hold a majority voting interest or where we are the primary beneficiary of a variable interest entity ("VIE"). All intercompany accounts and transactions have been eliminated in consolidation.

We have the following operating segments:

- ***U.S. Life Insurance.*** We offer and manage a variety of insurance and fixed annuity products in the United States. Our primary products include life insurance, long-term care insurance and fixed annuities.
- ***International Mortgage Insurance.*** We are a leading provider of mortgage insurance products and related services in Canada and Australia and also participate in select European and other countries. Our products predominantly insure prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We also selectively provide mortgage insurance on a structured, or bulk, basis that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- ***U.S. Mortgage Insurance.*** In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We selectively provide mortgage insurance on a bulk basis with essentially all of our bulk writings prime-based. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- ***International Protection.*** We are a leading provider of payment protection coverages (referred to as lifestyle protection) in multiple European countries and have operations in select other countries. Our lifestyle protection insurance products primarily help consumers meet specified payment obligations should they become unable to pay due to accident, illness, involuntary unemployment, disability or death.
- ***Runoff.*** The Runoff segment includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of funding agreements, funding agreements backing notes ("FABNs")

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

and guaranteed investment contracts ("GICs"). In January 2011, we discontinued new sales of retail and group variable annuities while continuing to service our existing blocks of business.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other non-core businesses that are managed outside of our operating segments, including discontinued operations.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. These unaudited condensed consolidated financial statements include all adjustments (including normal recurring adjustments) considered necessary by management to present a fair statement of the financial position, results of operations and cash flows for the periods presented. The results reported in these unaudited condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and related notes contained in our 2013 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) Accounting Changes

Accounting Pronouncement Recently Adopted

On January 1, 2014, we adopted new accounting guidance on the scope, measurement and disclosure requirements for investment companies. The new guidance clarified the characteristics of an investment company, provided comprehensive guidance for assessing whether an entity is an investment company, required investment companies to measure noncontrolling ownership interest in other investment companies at fair value rather than using the equity method of accounting and required additional disclosures. The adoption of this accounting guidance did not have any impact on our consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In June 2014, the Financial Accounting Standards Board (the "FASB") issued new accounting guidance related to the accounting for repurchase-to-maturity transactions and repurchase financings, and added disclosure requirements for all repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. The new guidance changes the accounting for repurchase-to-maturity transactions and repurchase financing such that they will be consistent with secured borrowing accounting. In addition, the guidance requires new disclosures for all repurchase agreements and securities lending transactions. We do not have repurchase-to-maturity transactions but have repurchase agreements and securities lending transactions that will be subject to additional disclosures. These new requirements will be effective for us on January 1, 2015 and early adoption is not permitted. This new guidance will only impact our disclosures.

In May 2014, the FASB issued new accounting guidance related to revenue from contracts with customers. The key principle of the new guidance is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. The guidance also includes disclosure requirements that provide information about the nature, amount, timing and uncertainty of revenue and cash flows arising from

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

contracts with customers. The guidance is effective for us on January 1, 2017 and early adoption is not permitted. Although insurance contracts are specifically scoped out of this new guidance, we have minor services that may be subject to the new revenue recognition guidance and are still in the process of evaluating the impact, if any, the guidance may have on our consolidated financial statements.

(3) Earnings Per Share

Basic and diluted earnings per share are calculated by dividing each income (loss) category presented below by the weighted-average basic and diluted shares outstanding for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Weighted-average shares used in basic earnings per common share calculations	496.6	493.4	496.2	492.9
Potentially dilutive securities:				
Stock options, restricted stock units and stock appreciation rights	7.0	4.1	7.0	4.3
Weighted-average shares used in diluted earnings per common share calculations	503.6	497.5	503.2	497.2
Income from continuing operations:				
Income from continuing operations	$ 228	$ 174	$ 447	$ 335
Less: income from continuing operations attributable to noncontrolling interests	52	39	87	77
Income from continuing operations available to Genworth Financial, Inc.’s common stockholders	$ 176	$ 135	$ 360	$ 258
Basic per common share	$ 0.35	$ 0.27	$ 0.73	$ 0.52
Diluted per common share	$ 0.35	$ 0.27	$ 0.72	$ 0.52
Income (loss) from discontinued operations:				
Income (loss) from discontinued operations, net of taxes	$ —	$ 6	$ —	$ (14)
Less: income from discontinued operations, net of taxes, attributable to noncontrolling interests	—	—	—	—
Income (loss) from discontinued operations, net of taxes, available to Genworth Financial, Inc.’s common stockholders	$ —	$ 6	$ —	$ (14)
Basic per common share	$ —	$ 0.01	$ —	$ (0.03)
Diluted per common share	$ —	$ 0.01	$ —	$ (0.03)
Net income:				
Income from continuing operations	$ 228	$ 174	$ 447	$ 335
Income (loss) from discontinued operations, net of taxes	—	6	—	(14)
Net income	228	180	447	321
Less: net income attributable to noncontrolling interests	52	39	87	77
Net income available to Genworth Financial, Inc.’s common stockholders	$ 176	$ 141	$ 360	$ 244
Basic per common share	$ 0.35	$ 0.29	$ 0.73	$ 0.49
Diluted per common share	$ 0.35	$ 0.28	$ 0.72	$ 0.49

Table of Contents

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(4) Investments

(a) Net Investment Income

Sources of net investment income were as follows for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Fixed maturity securities—taxable	$ 666	$ 672	$1,314	$1,328
Fixed maturity securities—non-taxable	3	2	6	4
Commercial mortgage loans	81	81	164	163
Restricted commercial mortgage loans related to securitization entities	4	7	8	14
Equity securities	4	6	8	10
Other invested assets	39	39	89	87
Restricted other invested assets related to securitization entities	1	—	2	—
Policy loans	32	32	63	64
Cash, cash equivalents and short-term investments	7	5	12	12
Gross investment income before expenses and fees	837	844	1,666	1,682
Expenses and fees	(24)	(23)	(48)	(47)
Net investment income	$ 813	$ 821	$1,618	$1,635

(b) Net Investment Gains (Losses)

The following table sets forth net investment gains (losses) for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Available-for-sale securities:				
Realized gains	$ 38	$ 78	$ 45	$ 118
Realized losses	(14)	(47)	(37)	(113)
Net realized gains (losses) on available-for-sale securities	24	31	8	5
Impairments:				
Total other-than-temporary impairments	(2)	(2)	(3)	(14)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	(3)	—	(3)
Net other-than-temporary impairments	(2)	(5)	(3)	(17)
Trading securities	8	(19)	20	(9)
Commercial mortgage loans	3	2	6	4
Net gains (losses) related to securitization entities	9	15	15	22
Derivative instruments (1)	(7)	(2)	(28)	(44)
Contingent consideration adjustment	—	(1)	—	—
Other	(1)	—	(1)	(1)
Net investment gains (losses)	$ 34	$ 21	$ 17	$ (40)

(1) See note 5 for additional information on the impact of derivative instruments included in net investment gains (losses).

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

We generally intend to hold securities in unrealized loss positions until they recover. However, from time to time, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, we sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield and liquidity requirements. If a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we determined that we have the intent to sell the securities or it is more likely than not that we will be required to sell the securities prior to recovery. The aggregate fair value of securities sold at a loss during the three months ended June 30, 2014 and 2013 was $243 million and $308 million, respectively, which was approximately 95% and 87%, respectively, of book value. The aggregate fair value of securities sold at a loss during the six months ended June 30, 2014 and 2013 was $507 million and $885 million, respectively, which was approximately 93% and 89%, respectively, of book value.

The following represents the activity for credit losses recognized in net income on debt securities where an other-than-temporary impairment was identified and a portion of other-than-temporary impairments was included in other comprehensive income (loss) ("OCI") as of and for the periods indicated:

(Amounts in millions)	As of or for the three months ended June 30, 2014	As of or for the three months ended June 30, 2013	As of or for the six months ended June 30, 2014	As of or for the six months ended June 30, 2013
Beginning balance	$ 99	$ 251	$ 101	$ 387
Additions:				
Other-than-temporary impairments not previously recognized	1	—	1	2
Increases related to other-than-temporary impairments previously recognized	—	3		7
Reductions:				
Securities sold, paid down or disposed	(5)	(75)	(7)	(217)
Ending balance	$ 95	$ 179	$ 95	$ 179

(c) Unrealized Investment Gains and Losses

Net unrealized gains and losses on available-for-sale investment securities reflected as a separate component of accumulated other comprehensive income (loss) were as follows as of the dates indicated:

(Amounts in millions)	June 30, 2014	December 31, 2013
Net unrealized gains (losses) on investment securities:		
Fixed maturity securities	$ 4,951	$ 2,346
Equity securities	36	23
Other invested assets	(3)	(4)
Subtotal	4,984	2,365
Adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves	(1,571)	(869)
Income taxes, net	(1,188)	(517)
Net unrealized investment gains (losses)	2,225	979
Less: net unrealized investment gains (losses) attributable to noncontrolling interests	97	53
Net unrealized investment gains (losses) attributable to Genworth Financial, Inc.	$ 2,128	$ 926

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The change in net unrealized gains (losses) on available-for-sale investment securities reported in accumulated other comprehensive income (loss) was as follows as of and for the periods indicated:

	As of or for the three months ended June 30,	
(Amounts in millions)	2014	2013
Beginning balance	$1,624	$ 2,443
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	1,193	(2,510)
Adjustment to deferred acquisition costs	(96)	202
Adjustment to present value of future profits	(39)	70
Adjustment to sales inducements	(15)	41
Adjustment to benefit reserves	(200)	396
Provision for income taxes	(295)	628
Change in unrealized gains (losses) on investment securities	548	(1,173)
Reclassification adjustments to net investment (gains) losses, net of taxes of $8 and $9	(14)	(17)
Change in net unrealized investment gains (losses)	534	(1,190)
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	30	(41)
Ending balance	$2,128	$ 1,294

	As of or for the six months ended June 30,	
(Amounts in millions)	2014	2013
Beginning balance	$ 926	$ 2,638
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	2,624	(2,937)
Adjustment to deferred acquisition costs	(195)	218
Adjustment to present value of future profits	(91)	71
Adjustment to sales inducements	(28)	38
Adjustment to benefit reserves	(388)	487
Provision for income taxes	(673)	734
Change in unrealized gains (losses) on investment securities	1,249	(1,389)
Reclassification adjustments to net investment (gains) losses, net of taxes of $2 and $(4)	(3)	8
Change in net unrealized investment gains (losses)	1,246	(1,381)
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	44	(37)
Ending balance	$2,128	$ 1,294

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(d) Fixed Maturity and Equity Securities

As of June 30, 2014, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	Amortized cost or cost	Not other-than-temporarily impaired	Other-than-temporarily impaired	Not other-than-temporarily impaired	Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,894	$ 677	$ —	$ (88)	$ —	$ 5,483
Tax-exempt	353	21	—	(21)	—	353
Government—non-U.S.	1,989	146	—	(3)	—	2,132
U.S. corporate	24,113	2,809	19	(94)	—	26,847
Corporate—non-U.S.	14,695	1,087	—	(33)	—	15,749
Residential mortgage-backed	4,923	309	14	(33)	(1)	5,212
Commercial mortgage-backed	2,721	138	4	(17)	(1)	2,845
Other asset-backed	3,744	39	—	(44)	—	3,739
Total fixed maturity securities	57,432	5,226	37	(333)	(2)	62,360
Equity securities	284	40	—	(4)	—	320
Total available-for-sale securities	$ 57,716	$ 5,266	$ 37	$ (337)	$ (2)	$62,680

As of December 31, 2013, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	Amortized cost or cost	Not other-than-temporarily impaired	Other-than-temporarily impaired	Not other-than-temporarily impaired	Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,710	$ 331	$ —	$ (231)	$ —	$ 4,810
Tax-exempt	324	7	—	(36)	—	295
Government—non-U.S.	2,057	104	—	(15)	—	2,146
U.S. corporate	23,614	1,761	19	(359)	—	25,035
Corporate—non-U.S.	14,489	738	—	(156)	—	15,071
Residential mortgage-backed	5,058	232	9	(70)	(4)	5,225
Commercial mortgage-backed	2,886	75	2	(62)	(3)	2,898
Other asset-backed	3,171	35	—	(57)	—	3,149
Total fixed maturity securities	56,309	3,283	30	(986)	(7)	58,629
Equity securities	318	36	—	(13)	—	341
Total available-for-sale securities	$ 56,627	$ 3,319	$ 30	$ (999)	$ (7)	$58,970

The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of June 30, 2014:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses (1)	Number of securities	Fair value	Gross unrealized losses (1)	Number of securities
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ —	$ —	—	$ 857	$ (88)	29	$ 857	$ (88)	29
Tax-exempt	—	—	—	110	(21)	13	110	(21)	13
Government—non-U.S.	46	(1)	12	117	(2)	11	163	(3)	23
U.S. corporate	638	(6)	80	2,008	(88)	307	2,646	(94)	387
Corporate—non-U.S.	437	(3)	91	821	(30)	99	1,258	(33)	190
Residential mortgage-backed	291	(5)	42	341	(29)	111	632	(34)	153
Commercial mortgage-backed	—	—	—	570	(18)	76	570	(18)	76
Other asset-backed	519	(2)	85	468	(42)	46	987	(44)	131
Subtotal, fixed maturity securities	1,931	(17)	310	5,292	(318)	692	7,223	(335)	1,002
Equity securities	—	—	—	51	(4)	6	51	(4)	6
Total for securities in an unrealized loss position	$1,931	$ (17)	310	$5,343	$ (322)	698	$7,274	$ (339)	1,008
% Below cost—fixed maturity securities:									
<20% Below cost	$1,931	$ (17)	310	$5,171	$ (263)	658	$7,102	$ (280)	968
20%-50% Below cost	—	—	—	118	(51)	23	118	(51)	23
>50% Below cost	—	—	—	3	(4)	11	3	(4)	11
Total fixed maturity securities	1,931	(17)	310	5,292	(318)	692	7,223	(335)	1,002
% Below cost—equity securities:									
<20% Below cost	—	—	—	51	(4)	6	51	(4)	6
Total equity securities	—	—	—	51	(4)	6	51	(4)	6
Total for securities in an unrealized loss position	$1,931	$ (17)	310	$5,343	$ (322)	698	$7,274	$ (339)	1,008
Investment grade	$1,861	$ (16)	300	$5,038	$ (294)	615	$6,899	$ (310)	915
Below investment grade (2)	70	(1)	10	305	(28)	83	375	(29)	93
Total for securities in an unrealized loss position	$1,931	$ (17)	310	$5,343	$ (322)	698	$7,274	$ (339)	1,008

(1) Amounts included $2 million of unrealized losses on other-than-temporarily impaired securities.

(2) Amounts that have been in a continuous loss position for 12 months or more included $2 million of unrealized losses on other-than-temporarily impaired securities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As indicated in the table above, the majority of the securities in a continuous unrealized loss position for less than 12 months were investment grade and less than 20% below cost. These unrealized losses were primarily attributable to lower credit ratings since acquisition for corporate securities across various industry sectors and an increase in U.S. Treasury yields since these securities were purchased. For securities that have been in a continuous unrealized loss position for less than 12 months, the average fair value percentage below cost was approximately 1% as of June 30, 2014.

Fixed Maturity Securities In A Continuous Unrealized Loss Position For 12 Months Or More

Of the $263 million of unrealized losses on fixed maturity securities in a continuous unrealized loss for 12 months or more that were less than 20% below cost, the weighted-average rating was “AA-” and approximately 94% of the unrealized losses were related to investment grade securities as of June 30, 2014. These unrealized losses were attributable to the lower credit ratings for these securities since acquisition, primarily associated with corporate securities in the finance and insurance and utilities and energy sectors and structured securities, in addition to U.S. government, agencies and government-sponsored enterprises securities resulting from an increase in U.S. Treasury yields since these securities were purchased. The average fair value percentage below cost for these securities was approximately 5% as of June 30, 2014. See below for additional discussion related to fixed maturity securities that have been in a continuous loss position for 12 months or more with a fair value that was more than 20% below cost.

Table of Contents

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables present the concentration of gross unrealized losses and fair values of fixed maturity securities that were more than 20% below cost and in a continuous loss position for 12 months or more by asset class as of June 30, 2014:

	Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Fixed maturity securities:								
Tax-exempt	$ 19	$ (7)	2%	2	$—	$ —	— %	—
Corporate—non-U.S.	1	(1)	—	2	—	—	—	—
Structured securities:								
Residential mortgage-backed	6	(3)	1	3	3	(3)	1	4
Other asset-backed	71	(28)	8	4	—	—	—	—
Total structured securities	77	(31)	9	7	3	(3)	1	4
Total	$ 97	$ (39)	11%	11	$ 3	$ (3)	1%	4

	Below Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Fixed maturity securities:								
Structured securities:								
Residential mortgage-backed	$ 3	$ (2)	1%	6	$—	$ (1)	— %	7
Commercial mortgage-backed	10	(4)	1	5	—	—	—	—
Other asset-backed	8	(6)	2	1	—	—	—	—
Total structured securities	21	(12)	4	12	—	(1)	—	7
Total	$ 21	$ (12)	4%	12	$—	$ (1)	— %	7

For all securities in an unrealized loss position, we expect to recover the amortized cost based on our estimate of cash flows to be collected. We do not intend to sell nor do we expect that we will be required to sell these securities prior to recovering our amortized cost. See below for further discussion of gross unrealized losses by asset class.

Structured Securities

Of the $47 million of unrealized losses related to structured securities that have been in an unrealized loss position for 12 months or more and were more than 20% below cost, $1 million related to other-than-temporarily impaired securities where the unrealized losses represented the portion of the other-than-temporary impairment recognized in OCI. The extent and duration of the unrealized loss position on our structured securities was primarily due to credit spreads that have widened since acquisition. Additionally, the fair value of certain structured securities has been impacted from high risk premiums being incorporated into the valuation as a result of the amount of potential losses that may be absorbed by the security in the event of additional deterioration in the U.S. economy.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

While we considered the length of time each security had been in an unrealized loss position, the extent of the unrealized loss position and any significant declines in fair value subsequent to the balance sheet date in our evaluation of impairment for each of these individual securities, the primary factor in our evaluation of impairment is the expected performance for each of these securities. Our evaluation of expected performance is based on the historical performance of the associated securitization trust as well as the historical performance of the underlying collateral. Our examination of the historical performance of the securitization trust included consideration of the following factors for each class of securities issued by the trust: i) the payment history, including failure to make scheduled payments; ii) current payment status; iii) current and historical outstanding balances; iv) current levels of subordination and losses incurred to date; and v) characteristics of the underlying collateral. Our examination of the historical performance of the underlying collateral included: i) historical default rates, delinquency rates, voluntary and involuntary prepayments and severity of losses, including recent trends in this information; ii) current payment status; iii) loan to collateral value ratios, as applicable; iv) vintage; and v) other underlying characteristics such as current financial condition.

We used our assessment of the historical performance of both the securitization trust and the underlying collateral for each security, along with third-party sources, when available, to develop our best estimate of cash flows expected to be collected. These estimates reflect projections for future delinquencies, prepayments, defaults and losses for the assets that collateralize the securitization trust and are used to determine the expected cash flows for our security, based on the payment structure of the trust. Our projection of expected cash flows is primarily based on the expected performance of the underlying assets that collateralize the securitization trust and is not directly impacted by the rating of our security. While we consider the rating of the security as an indicator of the financial condition of the issuer, this factor does not have a significant impact on our expected cash flows for each security. In limited circumstances, our expected cash flows include expected payments from reliable financial guarantors where we believe the financial guarantor will have sufficient assets to pay claims under the financial guarantee when the cash flows from the securitization trust are not sufficient to make scheduled payments. We then discount the expected cash flows using the effective yield of each security to determine the present value of expected cash flows.

Based on this evaluation, the present value of expected cash flows was greater than or equal to the amortized cost for each security. Accordingly, we determined that the unrealized losses on each of our structured securities represented temporary impairments as of June 30, 2014.

Despite the considerable analysis and rigor employed on our structured securities, it is at least reasonably possible that the underlying collateral of these investments will perform worse than current market expectations. Such events may lead to adverse changes in cash flows on our holdings of structured securities and future write-downs within our portfolio of structured securities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of December 31, 2013:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses [1]	Number of securities	Fair value	Gross unrealized losses [1]	Number of securities
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 796	$ (109)	32	$ 335	$ (122)	13	$ 1,131	$ (231)	45
Tax-exempt	82	(3)	26	97	(33)	9	179	(36)	35
Government—non-U.S.	479	(15)	60	—	—	—	479	(15)	60
U.S. corporate	4,774	(260)	707	663	(99)	82	5,437	(359)	789
Corporate—non-U.S.	3,005	(127)	379	287	(29)	34	3,292	(156)	413
Residential mortgage-backed	1,052	(55)	139	157	(19)	92	1,209	(74)	231
Commercial mortgage-backed	967	(42)	107	370	(23)	62	1,337	(65)	169
Other asset-backed	1,089	(17)	133	145	(40)	17	1,234	(57)	150
Subtotal, fixed maturity securities	12,244	(628)	1,583	2,054	(365)	309	14,298	(993)	1,892
Equity securities	95	(13)	41	—	—	—	95	(13)	41
Total for securities in an unrealized loss position	$12,339	$ (641)	1,624	$2,054	$ (365)	309	$14,393	$ (1,006)	1,933
% Below cost—fixed maturity securities:									
<20% Below cost	$12,009	$ (547)	1,571	$1,575	$ (163)	238	$13,584	$ (710)	1,809
20%-50% Below cost	235	(81)	12	466	(187)	51	701	(268)	63
>50% Below cost	—	—	—	13	(15)	20	13	(15)	20
Total fixed maturity securities	12,244	(628)	1,583	2,054	(365)	309	14,298	(993)	1,892
% Below cost—equity securities:									
<20% Below cost	87	(11)	40	—	—	—	87	(11)	40
20%-50% Below cost	8	(2)	1	—	—	—	8	(2)	1
Total equity securities	95	(13)	41	—	—	—	95	(13)	41
Total for securities in an unrealized loss position	$12,339	$ (641)	1,624	$2,054	$ (365)	309	$14,393	$ (1,006)	1,933
Investment grade	$11,896	$ (616)	1,515	$1,631	$ (315)	208	$13,527	$ (931)	1,723
Below investment grade [2]	443	(25)	109	423	(50)	101	866	(75)	210
Total for securities in an unrealized loss position	$12,339	$ (641)	1,624	$2,054	$ (365)	309	$14,393	$ (1,006)	1,933

(1) Amounts included $7 million of unrealized losses on other-than-temporarily impaired securities.

(2) Amounts that have been in a continuous loss position for 12 months or more included $7 million of unrealized losses on other-than-temporarily impaired securities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The scheduled maturity distribution of fixed maturity securities as of June 30, 2014 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(Amounts in millions)	Amortized cost or cost	Fair value
Due one year or less	$ 2,757	$ 2,784
Due after one year through five years	10,097	10,701
Due after five years through ten years	12,605	13,401
Due after ten years	20,585	23,678
Subtotal	46,044	50,564
Residential mortgage-backed	4,923	5,212
Commercial mortgage-backed	2,721	2,845
Other asset-backed	3,744	3,739
Total	$ 57,432	$62,360

As of June 30, 2014, $6,503 million of our investments (excluding mortgage-backed and asset-backed securities) were subject to certain call provisions.

As of June 30, 2014, securities issued by utilities and energy, finance and insurance, and consumer—non-cyclical industry groups represented approximately 24%, 19% and 12%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio. This portfolio is widely diversified among various geographic regions in the United States and internationally, and is not dependent on the economic stability of one particular region.

As of June 30, 2014, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of stockholders' equity.

(e) Commercial Mortgage Loans

Our mortgage loans are collateralized by commercial properties, including multi-family residential buildings. The carrying value of commercial mortgage loans is stated at original cost net of prepayments, amortization and allowance for loan losses.

Table of Contents

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

We diversify our commercial mortgage loans by both property type and geographic region. The following tables set forth the distribution across property type and geographic region for commercial mortgage loans as of the dates indicated:

	June 30, 2014		December 31, 2013	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Property type:				
Retail	$ 2,162	36%	$ 2,073	35%
Industrial	1,585	26	1,581	27
Office	1,533	26	1,558	26
Apartments	480	8	491	8
Mixed use/other	253	4	229	4
Subtotal	6,013	100%	5,932	100%
Allowance for losses	(27)		(33)	
Total	$ 5,986		$ 5,899	

	June 30, 2014		December 31, 2013	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Geographic region:				
Pacific	$ 1,607	27%	$ 1,590	27%
South Atlantic	1,565	26	1,535	26
Middle Atlantic	812	13	828	14
Mountain	514	9	478	8
East North Central	409	7	404	7
West North Central	366	6	377	6
New England	350	6	337	6
West South Central	254	4	241	4
East South Central	136	2	142	2
Subtotal	6,013	100%	5,932	100%
Allowance for losses	(27)		(33)	
Total	$ 5,986		$ 5,899	

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables set forth the aging of past due commercial mortgage loans by property type as of the dates indicated:

	June 30, 2014					
(Amounts in millions)	31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	$ —	$ —	$ 12	$ 12	$ 2,150	$2,162
Industrial	—	—	18	18	1,567	1,585
Office	—	—	6	6	1,527	1,533
Apartments	—	—	—	—	480	480
Mixed use/other	—	—	—	—	253	253
Total recorded investment	$ —	$ —	$ 36	$ 36	$ 5,977	$6,013
% of total commercial mortgage loans	— %	— %	1%	1%	99%	100%

	December 31, 2013					
(Amounts in millions)	31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	$ —	$ —	$ 10	$ 10	$ 2,063	$2,073
Industrial	2	2	16	20	1,561	1,581
Office	—	—	6	6	1,552	1,558
Apartments	—	—	—	—	491	491
Mixed use/other	1	—	—	1	228	229
Total recorded investment	$ 3	$ 2	$ 32	$ 37	$ 5,895	$5,932
% of total commercial mortgage loans	— %	— %	1%	1%	99%	100%

As of June 30, 2014 and December 31, 2013, we had no commercial mortgage loans that were past due for more than 90 days and still accruing interest. We did not have any commercial mortgage loans that were past due for less than 90 days on non-accrual status as of June 30, 2014 and December 31, 2013.

We evaluate the impairment of commercial mortgage loans on an individual loan basis. As of June 30, 2014, our commercial mortgage loans greater than 90 days past due included loans with appraised values in excess of the recorded investment and the current recorded investment of these loans was expected to be recoverable.

During the six months ended June 30, 2014 and the year ended December 31, 2013, we modified or extended 15 and 33 commercial mortgage loans, respectively, with a total carrying value of $182 million and $165 million, respectively. All of these modifications or extensions were based on current market interest rates, did not result in any forgiveness in the outstanding principal amount owed by the borrower and were not considered troubled debt restructurings.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table sets forth the allowance for credit losses and recorded investment in commercial mortgage loans as of or for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	2014	2013	2014	2013
Allowance for credit losses:				
Beginning balance	$ 30	$ 40	$ 33	$ 42
Charge-offs	—	(2)	(1)	(2)
Recoveries	—	—	—	—
Provision	(3)	—	(5)	(2)
Ending balance	$ 27	$ 38	$ 27	$ 38
Ending allowance for individually impaired loans	$ —	$ —	$ —	$ —
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	$ 27	$ 38	$ 27	$ 38
Recorded investment:				
Ending balance	$ 6,013	$ 5,868	$ 6,013	$ 5,868
Ending balance of individually impaired loans	$ 17	$ 1	$ 17	$ 1
Ending balance of loans not individually impaired that were evaluated collectively for impairment	$ 5,996	$ 5,867	$ 5,996	$ 5,867

As of June 30, 2014, we had individually impaired commercial mortgage loans included within the industrial property type with a recorded investment of $15 million, an unpaid principal balance of $16 million, charge-offs of $1 million and an average recorded investment of $15 million. As of June 30, 2014 and December 31, 2013, we had individually impaired commercial mortgage loans included within the retail property type with a recorded investment of $2 million, an unpaid principal balance of $3 million, charge-offs of $1 million, which were recorded in the second quarter of 2013, and an average recorded investment of $2 million.

In evaluating the credit quality of commercial mortgage loans, we assess the performance of the underlying loans using both quantitative and qualitative criteria. Certain risks associated with commercial mortgage loans can be evaluated by reviewing both the loan-to-value and debt service coverage ratio to understand both the probability of the borrower not being able to make the necessary loan payments as well as the ability to sell the underlying property for an amount that would enable us to recover our unpaid principal balance in the event of default by the borrower. The average loan-to-value ratio is based on our most recent estimate of the fair value for the underlying property which is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A lower loan-to-value indicates that our loan value is more likely to be recovered in the event of default by the borrower if the property was sold. The debt service coverage ratio is based on “normalized” annual net operating income of the property compared to the payments required under the terms of the loan. Normalization allows for the removal of annual one-time events such as capital expenditures, prepaid or late real estate tax payments or non-recurring third-party fees (such as legal, consulting or contract fees). This ratio is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A higher debt service coverage ratio indicates the borrower is less likely to default on the loan. The debt service coverage ratio should not be used without considering other factors associated with the borrower, such as the borrower’s liquidity or access to other resources that may result in our expectation that the borrower will continue to make the future scheduled payments.

Table of Contents

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables set forth the loan-to-value of commercial mortgage loans by property type as of the dates indicated:

	June 30, 2014					
(Amounts in millions)	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% (1)	Total
Property type:						
Retail	$ 615	$ 436	$ 1,010	$ 79	$ 22	$2,162
Industrial	438	248	787	78	34	1,585
Office	399	169	773	129	63	1,533
Apartments	201	101	162	16	—	480
Mixed use/other	68	46	128	11	—	253
Total recorded investment	$ 1,721	$ 1,000	$ 2,860	$ 313	$ 119	$6,013
% of total	29%	17%	47%	5%	2%	100%
Weighted-average debt service coverage ratio	2.11	2.03	1.57	1.03	0.51	1.75

(1) Included $17 million of impaired loans, $6 million of loans past due and not individually impaired and $96 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 120%.

	December 31, 2013					
(Amounts in millions)	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% (1)	Total
Property type:						
Retail	$ 596	$ 336	$ 1,024	$ 95	$ 22	$2,073
Industrial	430	237	748	146	20	1,581
Office	397	191	716	191	63	1,558
Apartments	201	86	176	27	1	491
Mixed use/other	71	36	110	12	—	229
Total recorded investment	$ 1,695	$ 886	$ 2,774	$ 471	$ 106	$5,932
% of total	28%	15%	47%	8%	2%	100%
Weighted-average debt service coverage ratio	2.14	1.79	1.66	1.03	0.63	1.75

(1) Included $2 million of impaired loans, $5 million of delinquent loans and $99 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 119%.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables set forth the debt service coverage ratio for fixed rate commercial mortgage loans by property type as of the dates indicated:

	June 30, 2014					
(Amounts in millions)	Less than 1.00	1.00 - 1.25	1.26 - 1.50	1.51 - 2.00	Greater than 2.00	Total
Property type:						
Retail	$ 101	$ 316	$ 477	$ 789	$ 379	$2,062
Industrial	183	105	287	727	283	1,585
Office	157	180	215	646	328	1,526
Apartments	2	37	115	181	145	480
Mixed use/other	20	8	34	127	64	253
Total recorded investment	$ 463	$ 646	$ 1,128	$ 2,470	$ 1,199	$5,906
% of total	8%	11%	19%	42%	20%	100%
Weighted-average loan-to-value	78%	67%	63%	60%	43%	59%

	December 31, 2013					
(Amounts in millions)	Less than 1.00	1.00 - 1.25	1.26 - 1.50	1.51 - 2.00	Greater than 2.00	Total
Property type:						
Retail	$ 106	$ 314	$ 374	$ 779	$ 399	$1,972
Industrial	195	100	270	721	295	1,581
Office	131	181	225	637	376	1,550
Apartments	3	31	107	187	163	491
Mixed use/other	16	9	32	106	66	229
Total recorded investment	$ 451	$ 635	$ 1,008	$ 2,430	$ 1,299	$5,823
% of total	8%	11%	17%	42%	22%	100%
Weighted-average loan-to-value	80%	68%	63%	60%	43%	59%

As of June 30, 2014 and December 31, 2013, we had floating rate commercial mortgage loans of $107 million and $109 million, respectively.

(f) Restricted Commercial Mortgage Loans Related To Securitization Entities

We have a consolidated securitization entity that holds commercial mortgage loans that are recorded as restricted commercial mortgage loans related to securitization entities.

(g) Restricted Other Invested Assets Related To Securitization Entities

We have consolidated securitization entities that hold certain investments that are recorded as restricted other invested assets related to securitization entities. The consolidated securitization entities hold certain investments as trading securities whereby the changes in fair value are recorded in current period income (loss). The trading securities comprise asset-backed securities, including residual interest in certain policy loan securitization entities and highly rated bonds that are primarily backed by credit card receivables.

Table of Contents

(5) Derivative Instruments

Our business activities routinely deal with fluctuations in interest rates, equity prices, currency exchange rates and other asset and liability prices. We use derivative instruments to mitigate or reduce certain of these risks. We have established policies for managing each of these risks, including prohibitions on derivatives market-making and other speculative derivatives activities. These policies require the use of derivative instruments in concert with other techniques to reduce or mitigate these risks. While we use derivatives to mitigate or reduce risks, certain derivatives do not meet the accounting requirements to be designated as hedging instruments and are denoted as "derivatives not designated as hedges" in the following disclosures. For derivatives that meet the accounting requirements to be designated as hedges, the following disclosures for these derivatives are denoted as "derivatives designated as hedges," which include both cash flow and fair value hedges.

The following table sets forth our positions in derivative instruments as of the dates indicated:

	Derivative assets			Derivative liabilities		
		Fair value			Fair value	
(Amounts in millions)	Balance sheet classification	June 30, 2014	December 31, 2013	Balance sheet classification	June 30, 2014	December 31, 2013
Derivatives designated as hedges						
Cash flow hedges:						
Interest rate swaps	Other invested assets	$ 205	$ 121	Other liabilities	$ 118	$ 569
Inflation indexed swaps	Other invested assets	—	—	Other liabilities	90	60
Foreign currency swaps	Other invested assets	3	4	Other liabilities	1	2
Forward bond purchase commitments	Other invested assets	8	—	Other liabilities	—	13
Total cash flow hedges		216	125		209	644
Fair value hedges:						
Interest rate swaps	Other invested assets	1	1	Other liabilities	—	—
Total fair value hedges		1	1		—	—
Total derivatives designated as hedges		217	126		209	644
Derivatives not designated as hedges						
Interest rate swaps	Other invested assets	387	314	Other liabilities	99	6
Interest rate swaps related to securitization entities	Restricted other invested assets	—	—	Other liabilities	22	16
Credit default swaps	Other invested assets	7	11	Other liabilities	—	—
Credit default swaps related to securitization entities	Restricted other invested assets	—	—	Other liabilities	16	32
Foreign currency swaps	Other invested assets	1	—	Other liabilities	—	—
Equity index options	Other invested assets	4	12	Other liabilities	—	—
Financial futures	Other invested assets	—	—	Other liabilities	—	—
Equity return swaps	Other invested assets	—	—	Other liabilities	5	1
Other foreign currency contracts	Other invested assets	1	8	Other liabilities	7	4
GMWB embedded derivatives	Reinsurance recoverable (1)	3	(1)	Policyholder account balances (2)	146	96
Fixed index annuity embedded derivatives	Other assets	—	—	Policyholder account balances (3)	219	143
Indexed universal life embedded derivatives	Reinsurance recoverable	—	—	Policyholder account balances (4)	2	—
Total derivatives not designated as hedges		403	344		516	298
Total derivatives		$ 620	$ 470		$ 725	$ 942

(1) Represents embedded derivatives associated with the reinsured portion of our guaranteed minimum withdrawal benefits ("GMWB") liabilities.
(2) Represents the embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.
(3) Represents the embedded derivatives associated with our fixed index annuity liabilities.
(4) Represents the embedded derivatives associated with our indexed universal life liabilities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The fair value of derivative positions presented above was not offset by the respective collateral amounts retained or provided under these agreements. The amounts recognized for derivative counterparty collateral retained by us was recorded in other invested assets with a corresponding amount recorded in other liabilities to represent our obligation to return the collateral retained by us.

The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB, fixed index annuity embedded derivatives and indexed universal life embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2013	Additions	Maturities/ terminations	June 30, 2014
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 13,926	$ —	$ (400)	$13,526
Inflation indexed swaps	Notional	561	10	(2)	569
Foreign currency swaps	Notional	35	—	—	35
Forward bond purchase commitments	Notional	237	—	(113)	124
Total cash flow hedges		14,759	10	(515)	14,254
Fair value hedges:					
Interest rate swaps	Notional	6	—	(1)	5
Total fair value hedges		6	—	(1)	5
Total derivatives designated as hedges		14,765	10	(516)	14,259
Derivatives not designated as hedges					
Interest rate swaps	Notional	4,822	2	(3)	4,821
Interest rate swaps related to securitization entities	Notional	91	—	(6)	85
Credit default swaps	Notional	639	—	—	639
Credit default swaps related to securitization entities	Notional	312	—	—	312
Equity index options	Notional	777	237	(254)	760
Financial futures	Notional	1,260	2,680	(2,620)	1,320
Equity return swaps	Notional	110	113	(110)	113
Foreign currency swaps	Notional	—	84	—	84
Other foreign currency contracts	Notional	487	670	(783)	374
Total derivatives not designated as hedges		8,498	3,786	(3,776)	8,508
Total derivatives		$ 23,263	$ 3,796	$ (4,292)	$22,767

(Number of policies)	Measurement	December 31, 2013	Additions	Maturities/ terminations	June 30, 2014
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	42,045	—	(1,541)	40,504
Fixed index annuity embedded derivatives	Policies	7,705	3,767	(110)	11,362
Indexed universal life embedded derivatives	Policies	29	110	—	139

Cash Flow Hedges

Certain derivative instruments are designated as cash flow hedges. The changes in fair value of these instruments are recorded as a component of OCI. We designate and account for the following as cash flow hedges when they have met the effectiveness requirements: (i) various types of interest rate swaps to convert floating rate investments to fixed rate investments; (ii) various types of interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) receive U.S. dollar fixed on foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments; (iv) forward starting interest rate swaps to hedge against changes in interest rates associated with future fixed rate bond purchases and/or interest income; (v) forward bond purchase commitments to hedge against the variability in the anticipated cash flows required to purchase future fixed rate bonds; and (vi) other instruments to hedge the cash flows of various forecasted transactions.

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended June 30, 2014:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income [(1)]	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ 215	$ 13	Net investment income	$ 3	Net investment gains (losses)
Interest rate swaps hedging liabilities	(14)	1	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	(27)	(7)	Net investment income	—	Net investment gains (losses)
Forward bond purchase commitments	10	—	Net investment income	—	Net investment gains (losses)
Total	$ 184	$ 7		$ 3	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended June 30, 2013:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income [(1)]	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ (350)	$ 10	Net investment income	$ (7)	Net investment gains (losses)
Interest rate swaps hedging assets	—	1	Net investment gains (losses)	—	Net investment gains (losses)
Interest rate swaps hedging liabilities	22	—	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	25	(5)	Net investment income	—	Net investment gains (losses)
Foreign currency swaps	(1)	—	Interest expense	—	Net investment gains (losses)
Forward bond purchase commitments	(25)	—	Net investment income	—	Net investment gains (losses)
Total	$ (329)	$ 6		$ (7)	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the six months ended June 30, 2014:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income [(1)]	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ 572	$ 28	Net investment income	$ 7	Net investment gains (losses)
Interest rate swaps hedging liabilities	(34)	1	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	(30)	(8)	Net investment income	—	Net investment gains (losses)
Forward bond purchase commitments	28	—	Net investment income	—	Net investment gains (losses)
Total	$ 536	$ 21		$ 7	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the six months ended June 30, 2013:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income [(1)]	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ (503)	$ 19	Net investment income	$ (10)	Net investment gains (losses)
Interest rate swaps hedging assets	—	1	Net investment gains (losses)	—	Net investment gains (losses)
Interest rate swaps hedging liabilities	22	1	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	34	(2)	Net investment income	—	Net investment gains (losses)
Forward bond purchase commitments	(39)	—	Net investment income	—	Net investment gains (losses)
Total	$ (486)	$ 19		$ (10)	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

The following tables provide a reconciliation of current period changes, net of applicable income taxes, for these designated derivatives presented in the separate component of stockholders' equity labeled "derivatives qualifying as hedges," for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	2013
Derivatives qualifying as effective accounting hedges as of April 1	$ 1,538	$ 1,799
Current period increases (decreases) in fair value, net of deferred taxes of $(65) and $116	119	(213)
Reclassification to net (income), net of deferred taxes of $2 and $1	(5)	(5)
Derivatives qualifying as effective accounting hedges as of June 30	$ 1,652	$ 1,581

(Amounts in millions)	Six months ended June 30, 2014	2013
Derivatives qualifying as effective accounting hedges as of January 1	$1,319	$1,909
Current period increases (decreases) in fair value, net of deferred taxes of $(189) and $171	347	(315)
Reclassification to net (income), net of deferred taxes of $7 and $6	(14)	(13)
Derivatives qualifying as effective accounting hedges as of June 30	$1,652	$1,581

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The total of derivatives designated as cash flow hedges of $1,652 million, net of taxes, recorded in stockholders' equity as of June 30, 2014 is expected to be reclassified to net income in the future, concurrently with and primarily offsetting changes in interest expense and interest income on floating rate instruments and interest income on future fixed rate bond purchases. Of this amount, $46 million, net of taxes, is expected to be reclassified to net income in the next 12 months. Actual amounts may vary from this amount as a result of market conditions. All forecasted transactions associated with qualifying cash flow hedges are expected to occur by 2047. No amounts were reclassified to net income during the three months ended June 30, 2014 in connection with forecasted transactions that were no longer considered probable of occurring.

Fair Value Hedges

Certain derivative instruments are designated as fair value hedges. The changes in fair value of these instruments are recorded in net income. In addition, changes in the fair value attributable to the hedged portion of the underlying instrument are reported in net income. We designate and account for the following as fair value hedges when they have met the effectiveness requirements: (i) interest rate swaps to convert fixed rate liabilities into floating rate liabilities; (ii) cross currency swaps to convert non-U.S. dollar fixed rate liabilities to floating rate U.S. dollar liabilities; and (iii) other instruments to hedge various fair value exposures of investments.

There were no pre-tax income (loss) effects of fair value hedges and related hedged items for the three months ended June 30, 2014. The following table provides information about the pre-tax income (loss) effects of fair value hedges and related hedged items for the three months ended June 30, 2013:

	Derivative instrument				Hedged item	
(Amounts in millions)	Gain (loss) recognized in net income	Classification of gain (losses) recognized in net income	Other impacts to net income	Classification of other impacts to net income	Gain (loss) recognized in net income	Classification of gain (losses) recognized in net income
Interest rate swaps hedging liabilities	$ (3)	Net investment gains (losses)	$ 4	Interest credited	$ 3	Net investment gains (losses)
Total	$ (3)		$ 4		$ 3	

There were no pre-tax income (loss) effects of fair value hedges and related hedged items for the six months ended June 30, 2014. The following table provides information about the pre-tax income (loss) effects of fair value hedges and related hedged items for the six months ended June 30, 2013:

	Derivative instrument				Hedged item	
(Amounts in millions)	Gain (loss) recognized in net income	Classification of gain (losses) recognized in net income	Other impacts to net income	Classification of other impacts to net income	Gain (loss) recognized in net income	Classification of gain (losses) recognized in net income
Interest rate swaps hedging liabilities	$ (11)	Net investment gains (losses)	$ 12	Interest credited	$ 11	Net investment gains (losses)
Foreign currency swaps	(31)	Net investment gains (losses)	—	Interest credited	31	Net investment gains (losses)
Total	$ (42)		$ 12		$ 42	

The difference between the gain (loss) recognized for the derivative instrument and the hedged item presented above represents the net ineffectiveness of the fair value hedging relationships. The other impacts presented above represent the net income effects of the derivative instruments that are presented in the same location as the income (loss) activity from the hedged item. There were no amounts excluded from the measurement of effectiveness.

Derivatives Not Designated As Hedges

We also enter into certain non-qualifying derivative instruments such as: (i) interest rate swaps and financial futures to mitigate interest rate risk as part of managing regulatory capital positions; (ii) credit default swaps to enhance yield and reproduce characteristics of investments with similar terms and credit risk; (iii) equity index options, equity return swaps, interest rate swaps and financial futures to mitigate the risks associated with liabilities that have guaranteed minimum benefits, fixed index annuities and indexed universal life; (iv) interest rate swaps where the hedging relationship does not qualify for hedge accounting; (v) credit default swaps to mitigate loss exposure to certain credit risk; (vi) foreign currency swaps, options and forward contracts to mitigate currency risk associated with non-functional currency investments held by certain foreign subsidiaries and future dividends or other cash flows from certain foreign subsidiaries to our holding company; and (vii) equity index options to mitigate certain macroeconomic risks associated with certain foreign subsidiaries. Additionally, we provide GMWBs on certain variable annuities that are required to be bifurcated as embedded derivatives. We also offer fixed index annuity and indexed universal life products and have reinsurance agreements with certain features that are required to be bifurcated as embedded derivatives.

We also have derivatives related to securitization entities where we were required to consolidate the related securitization entity as a result of our involvement in the structure. The counterparties for these derivatives typically only have recourse to the securitization entity. The interest rate swaps used for these entities are typically used to effectively convert the interest payments on the assets of the securitization entity to the same basis as the interest rate on the borrowings issued by the securitization entity. Credit default swaps are utilized in certain securitization entities to enhance the yield payable on the borrowings issued by the securitization entity and also include a settlement feature that allows the securitization entity to provide the par value of assets in the securitization entity for the amount of any losses incurred under the credit default swap.

The following table provides the pre-tax gain (loss) recognized in net income for the effects of derivatives not designated as hedges for the periods indicated:

	Three months ended June 30,		Classification of gain (loss) recognized in net income
(Amounts in millions)	2014	2013	
Interest rate swaps	$ (2)	$ (6)	Net investment gains (losses)
Interest rate swaps related to securitization entities	(3)	7	Net investment gains (losses)
Credit default swaps	—	2	Net investment gains (losses)
Credit default swaps related to securitization entities	11	17	Net investment gains (losses)
Equity index options	(11)	(2)	Net investment gains (losses)
Financial futures	17	(56)	Net investment gains (losses)
Equity return swaps	(4)	1	Net investment gains (losses)
Other foreign currency contracts	(2)	3	Net investment gains (losses)
Foreign currency swaps	1	—	Net investment gains (losses)
GMWB embedded derivatives	2	63	Net investment gains (losses)
Fixed index annuity embedded derivatives	(11)	(1)	Net investment gains (losses)
Total derivatives not designated as hedges	$ (2)	$ 28	

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table provides the pre-tax gain (loss) recognized in net income for the effects of derivatives not designated as hedges for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Classification of gain (loss) recognized in net income
Interest rate swaps	$ (5)	$ (5)	Net investment gains (losses)
Interest rate swaps related to securitization entities	(6)	9	Net investment gains (losses)
Credit default swaps	—	6	Net investment gains (losses)
Credit default swaps related to securitization entities	18	25	Net investment gains (losses)
Equity index options	(18)	(18)	Net investment gains (losses)
Financial futures	44	(153)	Net investment gains (losses)
Equity return swaps	(5)	(9)	Net investment gains (losses)
Other foreign currency contracts	(11)	3	Net investment gains (losses)
Foreign currency swaps	1	—	Net investment gains (losses)
GMWB embedded derivatives	(29)	145	Net investment gains (losses)
Fixed index annuity embedded derivatives	(12)	(4)	Net investment gains (losses)
Total derivatives not designated as hedges	$ (23)	$ (1)	

Derivative Counterparty Credit Risk

Most of our derivative arrangements with counterparties require the posting of collateral upon meeting certain net exposure thresholds. For derivatives related to securitization entities, there are no arrangements that require either party to provide collateral and the recourse of the derivative counterparty is typically limited to the assets held by the securitization entity and there is no recourse to any entity other than the securitization entity.

The following tables present additional information about derivative assets and liabilities subject to an enforceable master netting arrangement as of the dates indicated:

	June 30, 2014						
				Gross amounts not offset in the balance sheet			
(Amounts in millions)	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments (3)	Collateral pledged/ received	Over collateralization	Net amount
Derivative assets (1)	$ 640	$ —	$ 640	$ (202)	$ (416)	$ 2	$ 24
Derivative liabilities (2)	325	—	325	(202)	(137)	17	3
Net derivatives	$ 315	$ —	$ 315	$ —	$ (279)	$ (15)	$ 21

(1) Included $25 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives.
(2) Included $7 million of accruals on derivatives classified as other liabilities and does not include amounts related to embedded derivatives and derivatives related to securitization entities.
(3) Amounts represent derivative assets and/or liabilities that are presented gross within the balance sheet but are held with the same counterparty where we have a master netting arrangement. This adjustment results in presenting the net asset and net liability position for each counterparty.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	December 31, 2013						
				Gross amounts not offset in the balance sheet			
(Amounts in millions)	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments (3)	Collateral pledged/ received	Over collateralization	Net amount
Derivative assets (1)	$ 496	$ —	$ 496	$ (286)	$ (199)	$ 16	$ 27
Derivative liabilities (2)	662	—	662	(286)	(394)	23	5
Net derivatives	$ (166)	$ —	$ (166)	$ —	$ 195	$ (7)	$ 22

(1) Included $25 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives.

(2) Included $7 million of accruals on derivatives classified as other liabilities and does not include amounts related to embedded derivatives and derivatives related to securitization entities.

(3) Amounts represent derivative assets and/or liabilities that are presented gross within the balance sheet but are held with the same counterparty where we have a master netting arrangement. This adjustment results in presenting the net asset and net liability position for each counterparty.

Except for derivatives related to securitization entities, almost all of our master swap agreements contain credit downgrade provisions that allow either party to assign or terminate derivative transactions if the other party's long-term unsecured debt rating or financial strength rating is below the limit defined in the applicable agreement. If the downgrade provisions had been triggered as of June 30, 2014 and December 31, 2013, we could have been allowed to claim or required to disburse up to the net amounts shown in the last column of the charts above. The charts above exclude embedded derivatives and derivatives related to securitization entities as those derivatives are not subject to master netting arrangements.

Credit Derivatives

We sell protection under single name credit default swaps and credit default swap index tranches in combination with purchasing securities to replicate characteristics of similar investments based on the credit quality and term of the credit default swap. Credit default triggers for both indexed reference entities and single name reference entities follow the Credit Derivatives Physical Settlement Matrix published by the International Swaps and Derivatives Association. Under these terms, credit default triggers are defined as bankruptcy, failure to pay or restructuring, if applicable. Our maximum exposure to credit loss equals the notional value for credit default swaps. In the event of default for credit default swaps, we are typically required to pay the protection holder the full notional value less a recovery rate determined at auction.

In addition to the credit derivatives discussed above, we also have credit derivative instruments related to securitization entities that we consolidate. These derivatives represent a customized index of reference entities with specified attachment points for certain derivatives. The credit default triggers are similar to those described above. In the event of default, the securitization entity will provide the counterparty with the par value of assets held in the securitization entity for the amount of incurred loss on the credit default swap. The maximum exposure to loss for the securitization entity is the notional value of the derivatives. Certain losses on these credit default swaps would be absorbed by the third-party noteholders of the securitization entity and the remaining losses on the credit default swaps would be absorbed by our portion of the notes issued by the securitization entity.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table sets forth our credit default swaps where we sell protection on single name reference entities and the fair values as of the dates indicated:

	June 30, 2014			December 31, 2013		
(Amounts in millions)	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
Investment grade						
Matures in less than one year	$ —	$ —	$ —	$ —	$ —	$ —
Matures after one year through five years	39	1	—	39	1	—
Total credit default swaps on single name reference entities	$ 39	$ 1	$ —	$ 39	$ 1	$ —

The following table sets forth our credit default swaps where we sell protection on credit default swap index tranches and the fair values as of the dates indicated:

	June 30, 2014			December 31, 2013		
(Amounts in millions)	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
Original index tranche attachment/detachment point and maturity:						
7% - 15% matures after one year through five years(1)	$ 100	$ 2	$ —	$ 100	$ 3	$ —
9% - 12% matures after one year through five years(2)	250	3	—	250	5	—
10% - 15% matures in less than one year(3)	250	1	—	250	2	—
Total credit default swap index tranches	600	6	—	600	10	—
Customized credit default swap index tranches related to securitization entities:						
Portion backing third-party borrowings maturing 2017(4)	12	—	—	12	—	1
Portion backing our interest maturing 2017(5)	300	—	16	300	—	31
Total customized credit default swap index tranches related to securitization entities	312	—	16	312	—	32
Total credit default swaps on index tranches	$ 912	$ 6	$ 16	$ 912	$ 10	$ 32

(1) The current attachment/detachment as of June 30, 2014 and December 31, 2013 was 7% – 15%.
(2) The current attachment/detachment as of June 30, 2014 and December 31, 2013 was 9% – 12%.
(3) The current attachment/detachment as of June 30, 2014 and December 31, 2013 was 10% – 15%.
(4) Original notional value was $39 million.
(5) Original notional value was $300 million.

(6) Fair Value of Financial Instruments

Assets and liabilities that are reflected in the accompanying consolidated financial statements at fair value are not included in the following disclosure of fair value. Such items include cash and cash equivalents, investment securities, separate accounts, securities held as collateral and derivative instruments. Other financial assets and liabilities—those not carried at fair value—are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. The fair value estimates are made at a specific point in time, based upon

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

available market information and judgments about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets.

The basis on which we estimate fair value is as follows:

Commercial mortgage loans. Based on recent transactions and/or discounted future cash flows, using current market rates. Given the limited availability of data related to transactions for similar instruments, we typically classify these loans as Level 3.

Restricted commercial mortgage loans. Based on recent transactions and/or discounted future cash flows, using current market rates. Given the limited availability of data related to transactions for similar instruments, we typically classify these loans as Level 3.

Other invested assets. Primarily represents short-term investments and limited partnerships accounted for under the cost method. The fair value of short-term investments typically does not include significant unobservable inputs and approximate our amortized cost basis. As a result, short-term investments are classified as Level 2. Limited partnerships are valued based on comparable market transactions, discounted future cash flows, quoted market prices and/or estimates using the most recent data available for the underlying instrument. Cost method limited partnerships typically include significant unobservable inputs as a result of being relatively illiquid with limited market activity for similar instruments and are classified as Level 3.

Long-term borrowings. We utilize available market data when determining fair value of long-term borrowings issued in the United States and Canada, which includes data on recent trades for the same or similar financial instruments. Accordingly, these instruments are classified as Level 2 measurements. In cases where market data is not available such as our long-term borrowings in Australia, we use broker quotes for which we consider the valuation methodology utilized by the third party, but the valuation typically includes significant unobservable inputs. Accordingly, we classify these borrowings where fair value is based on our consideration of broker quotes as Level 3 measurements.

Non-recourse funding obligations. We use an internal model to determine fair value using the current floating rate coupon and expected life/final maturity of the instrument discounted using the floating rate index and current market spread assumption, which is estimated based on recent transactions for these instruments or similar instruments as well as other market information or broker provided data. Given these instruments are private and very little market activity exists, our current market spread assumption is considered to have significant unobservable inputs in calculating fair value and, therefore, results in the fair value of these instruments being classified as Level 3.

Borrowings related to securitization entities. Based on market quotes or comparable market transactions. Some of these borrowings are publicly traded debt securities and are classified as Level 2. Certain borrowings are not publicly traded and are classified as Level 3.

Investment contracts. Based on expected future cash flows, discounted at current market rates for annuity contracts or institutional products. Given the significant unobservable inputs associated with policyholder behavior and current market rate assumptions used to discount the expected future cash flows, we classify these instruments as Level 3 except for certain funding agreement-backed notes that are traded in the marketplace as a security and are classified as Level 2.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following represents our estimated fair value of financial assets and liabilities that are not required to be carried at fair value as of the dates indicated:

	June 30, 2014					
			Fair value			
(Amounts in millions)	Notional amount	Carrying amount	Total	Level 1	Level 2	Level 3
Assets:						
Commercial mortgage loans	$ (1)	$ 5,986	$ 6,364	$ —	$ —	$ 6,364
Restricted commercial mortgage loans	(1)	217	243	—	—	243
Other invested assets	(1)	160	167	—	82	85
Liabilities:						
Long-term borrowings	(1)	4,691	5,340	—	5,202	138
Non-recourse funding obligations	(1)	2,024	1,453	—	—	1,453
Borrowings related to securitization entities	(1)	150	166	—	166	—
Investment contracts	(1)	17,458	18,112	—	19	18,093
Other firm commitments:						
Commitments to fund limited partnerships	62	—	—	—	—	—
Ordinary course of business lending commitments	153	—	—	—	—	—

	December 31, 2013					
			Fair value			
(Amounts in millions)	Notional amount	Carrying amount	Total	Level 1	Level 2	Level 3
Assets:						
Commercial mortgage loans	$ (1)	$ 5,899	$ 6,137	$ —	$ —	$ 6,137
Restricted commercial mortgage loans	(1)	233	258	—	—	258
Other invested assets	(1)	307	311	—	221	90
Liabilities:						
Long-term borrowings	(1)	5,161	5,590	—	5,460	130
Non-recourse funding obligations	(1)	2,038	1,459	—	—	1,459
Borrowings related to securitization entities	(1)	167	182	—	182	—
Investment contracts	(1)	17,330	17,827	—	86	17,741
Other firm commitments:						
Commitments to fund limited partnerships	65	—	—	—	—	—
Ordinary course of business lending commitments	138	—	—	—	—	—

(1) These financial instruments do not have notional amounts.

Recurring Fair Value Measurements

We have fixed maturity, equity and trading securities, derivatives, embedded derivatives, securities held as collateral, separate account assets and certain other financial instruments, which are carried at fair value. Below is a description of the valuation techniques and inputs used to determine fair value by class of instrument.

Fixed maturity, equity and trading securities

The valuations of fixed maturity, equity and trading securities are determined using a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. For all exchange-traded equity securities, the valuations are classified as Level 1.

We utilize certain third-party data providers when determining fair value. We consider information obtained from third-party pricing services ("pricing services") as well as third-party broker provided prices, or broker quotes, in our determination of fair value. Additionally, we utilize internal models to determine the valuation of securities using an income approach where the inputs are based on third-party provided market inputs. While we consider the valuations provided by pricing services and broker quotes to be of high quality, management determines the fair value of our investment securities after considering all relevant and available information. We also use various methods to obtain an understanding of the valuation methodologies and procedures used by third-party data providers to ensure sufficient understanding to evaluate the valuation data received, including an understanding of the assumptions and inputs utilized to determine the appropriate fair value. For pricing services, we analyze the prices provided by our primary pricing services to other readily available pricing services and perform a detailed review of the assumptions and inputs from each pricing service to determine the appropriate fair value when pricing differences exceed certain thresholds. We also evaluate changes in fair value that are greater than 10% each month to further aid in our review of the accuracy of fair value measurements and our understanding of changes in fair value, with more detailed reviews performed by the asset managers responsible for the related asset class associated with the security being reviewed.

In general, we first obtain valuations from pricing services. If a price is not supplied by a pricing service, we will typically seek a broker quote for public or private fixed maturity securities. In certain instances, we utilize price caps for broker quoted securities where the estimated market yield results in a valuation that may exceed the amount that we believe would be received in a market transaction. For certain private fixed maturity securities where we do not obtain valuations from pricing services, we utilize an internal model to determine fair value since transactions for identical securities are not readily observable and these securities are not typically valued by pricing services. For all securities, excluding certain private fixed maturity securities, if neither a pricing service nor broker quotes valuation is available, we determine fair value using internal models.

For pricing services, we obtain an understanding of the pricing methodologies and procedures for each type of instrument. Additionally, on a monthly basis we review a sample of securities, examining the pricing service's assumptions to determine if we agree with the service's derived price. In general, a pricing service does not provide a price for a security if sufficient information is not readily available to determine fair value or if such security is not in the specific sector or class covered by a particular pricing service. Given our understanding of the pricing methodologies and procedures of pricing services, the securities valued by pricing services are typically classified as Level 2 unless we determine the valuation process for a security or group of securities utilizes significant unobservable inputs, which would result in the valuation being classified as Level 3.

For private fixed maturity securities, we utilize an internal model to determine fair value and utilize public bond spreads by sector, rating and maturity to develop the market rate that would be utilized for a similar public bond. We then add an additional premium, which represents an unobservable input, to the public bond spread to adjust for the liquidity and other features of our private placements. We utilize the estimated market yield to discount the expected cash flows of the security to determine fair value. In certain instances, we utilize price caps for securities where the estimated market yield results in a valuation that may exceed the amount that would be received in a market transaction. When a security does not have an external rating, we assign the security an internal rating to determine the appropriate public bond spread that should be utilized in the valuation. While we generally consider the public bond spreads by sector and maturity to be observable inputs, we evaluate the similarities of our private placement with the public bonds, any price caps utilized, liquidity premiums applied, and whether external ratings are available for our private placements to determine whether the spreads utilized would be considered observable inputs. We classify private securities without an external rating and public bond spread as Level 3. In general, increases (decreases) in credit spreads will decrease (increase) the fair value for our fixed maturity securities.

For broker quotes, we consider the valuation methodology utilized by the third party, but the valuation typically includes significant unobservable inputs. Accordingly, we classify the securities where fair value is based on our consideration of broker quotes as Level 3 measurements.

For remaining securities priced using internal models, we maximize the use of observable inputs but typically utilize significant unobservable inputs to determine fair value. Accordingly, the valuations are typically classified as Level 3.

Restricted other invested assets related to securitization entities

We have trading securities related to securitization entities that are classified as restricted other invested assets and are carried at fair value. The trading securities represent asset-backed securities. The valuation for trading securities is determined using a market approach and/or an income approach depending on the availability of information. For certain highly rated asset-backed securities, there is observable market information for transactions of the same or similar instruments, which is provided to us by a third-party pricing service and is classified as Level 2. For certain securities that are not actively traded, we determine fair value after considering third-party broker provided prices or discounted expected cash flows using current yields for similar securities and classify these valuations as Level 3.

Securities lending and derivative counterparty collateral

The fair value of securities held as collateral is primarily based on Level 2 inputs from market information for the collateral that is held on our behalf by the custodian. We determine fair value after considering prices obtained by third-party pricing services.

Contingent consideration

We have certain contingent purchase price payments and receivables related to acquisitions and sales that are recorded at fair value each period. Fair value is determined using an income approach whereby we project the expected performance of the business and compare our projections of the relevant performance metric to the thresholds established in the purchase or sale agreement to determine our expected payments or receipts. We then discount these expected amounts to calculate the fair value as of the valuation date. We evaluate the underlying projections used in determining fair value each period and update these underlying projections when there have been significant changes in our expectations of the future business performance. The inputs used to determine the discount rate and expected payments or receipts are primarily based on significant unobservable inputs and result in the fair value of the contingent consideration being classified as Level 3. An increase in the discount rate or a decrease in expected payments or receipts will result in a decrease in the fair value of contingent consideration.

Separate account assets

The fair value of separate account assets is based on the quoted prices of the underlying fund investments and, therefore, represents Level 1 pricing.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Derivatives

We consider counterparty collateral arrangements and rights of set-off when evaluating our net credit risk exposure to our derivative counterparties. Accordingly, we are permitted to include consideration of these arrangements when determining whether any incremental adjustment should be made for both the counterparty's and our non-performance risk in measuring fair value for our derivative instruments. As a result of these counterparty arrangements, we determined that any adjustment for credit risk would not be material and we do not record any incremental adjustment for our non-performance risk or the non-performance risk of the derivative counterparty for our derivative assets or liabilities. We determine fair value for our derivatives using an income approach with internal models based on relevant market inputs for each derivative instrument. We also compare the fair value determined using our internal model to the valuations provided by our derivative counterparties with any significant differences or changes in valuation being evaluated further by our derivatives professionals that are familiar with the instrument and market inputs used in the valuation.

Interest rate swaps. The valuation of interest rate swaps is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an observable input, and results in the derivative being classified as Level 2. For certain interest rate swaps, the inputs into the valuation also include the total returns of certain bonds that would primarily be considered an observable input and result in the derivative being classified as Level 2. For certain other swaps, there are features that provide an option to the counterparty to terminate the swap at specified dates. The interest rate volatility input used to value these options would be considered a significant unobservable input and results in the fair value measurement of the derivative being classified as Level 3. These options to terminate the swap by the counterparty are based on forward interest rate swap curves and volatility. As interest rate volatility increases, our valuation of the derivative changes unfavorably.

Interest rate swaps related to securitization entities. The valuation of interest rate swaps related to securitization entities is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an observable input, and results in the derivative being classified as Level 2.

Inflation indexed swaps. The valuation of inflation indexed swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, the current consumer price index and the forward consumer price index curve, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Foreign currency swaps. The valuation of foreign currency swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and foreign currency exchange rates, both of which are considered an observable input, and results in the derivative being classified as Level 2.

Credit default swaps. We have both single name credit default swaps and index tranche credit default swaps. For single name credit default swaps, we utilize an income approach to determine fair value based on using current market information for the credit spreads of the reference entity, which is considered observable inputs based on the reference entities of our derivatives and results in these derivatives being classified as Level 2. For index tranche credit default swaps, we utilize an income approach that utilizes current market information related to credit spreads and expected defaults and losses associated with the reference entities that comprise the respective index associated with each derivative. There are significant unobservable inputs associated with the timing and amount of losses from the reference entities as well as the timing or amount of losses, if any, that will

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

be absorbed by our tranche. Accordingly, the index tranche credit default swaps are classified as Level 3. As credit spreads widen for the underlying issuers comprising the index, the change in our valuation of these credit default swaps will be unfavorable.

Credit default swaps related to securitization entities. Credit default swaps related to securitization entities represent customized index tranche credit default swaps and are valued using a similar methodology as described above for index tranche credit default swaps. We determine fair value of these credit default swaps after considering both the valuation methodology described above as well as the valuation provided by the derivative counterparty. In addition to the valuation methodology and inputs described for index tranche credit default swaps, these customized credit default swaps contain a feature that permits the securitization entity to provide the par value of underlying assets in the securitization entity to settle any losses under the credit default swap. The valuation of this settlement feature is dependent upon the valuation of the underlying assets and the timing and amount of any expected loss on the credit default swap, which is considered a significant unobservable input. Accordingly, these customized index tranche credit default swaps related to securitization entities are classified as Level 3. As credit spreads widen for the underlying issuers comprising the customized index, the change in our valuation of these credit default swaps will be unfavorable.

Equity index options. We have equity index options associated with various equity indices. The valuation of equity index options is determined using an income approach. The primary inputs into the valuation represent forward interest rate volatility and time value component associated with the optionality in the derivative, which are considered significant unobservable inputs in most instances. The equity index volatility surface is determined based on market information that is not readily observable and is developed based upon inputs received from several third-party sources. Accordingly, these options are classified as Level 3. As equity index volatility increases, our valuation of these options changes favorably.

Financial futures. The fair value of financial futures is based on the closing exchange prices. Accordingly, these financial futures are classified as Level 1. The period end valuation is zero as a result of settling the margins on these contracts on a daily basis.

Equity return swaps. The valuation of equity return swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and underlying equity index values, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Forward bond purchase commitments. The valuation of forward bond purchase commitments is determined using an income approach. The primary input into the valuation represents the current bond prices and interest rates, which are generally considered an observable input, and results in the derivative being classified as Level 2.

Other foreign currency contracts. We have certain foreign currency options classified as other foreign currency contracts. The valuation of foreign currency options is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, foreign currency exchange rates, forward interest rate, foreign currency exchange rate volatility, foreign equity index volatility and time value component associated with the optionality in the derivative. As a result of the significant unobservable inputs associated with the forward interest rate, foreign currency exchange rate volatility and foreign equity index volatility inputs, the derivative is classified as Level 3. As foreign currency exchange rate volatility and foreign equity index volatility increases, the change in our valuation of these options will be favorable for purchase options and unfavorable for options sold. We also have foreign currency forward contracts where the valuation is determined using an income approach. The primary inputs into the valuation represent the forward foreign currency exchange rates, which are generally considered observable inputs and results in the derivative being classified as Level 2.

GMWB embedded derivatives

We are required to bifurcate an embedded derivative for certain features associated with annuity products and related reinsurance agreements where we provide a GMWB to the policyholder and are required to record the GMWB embedded derivative at fair value. The valuation of our GMWB embedded derivative is based on an income approach that incorporates inputs such as forward interest rates, equity index volatility, equity index and fund correlation, and policyholder assumptions such as utilization, lapse and mortality. In addition to these inputs, we also consider risk and expense margins when determining the projected cash flows that would be determined by another market participant. While the risk and expense margins are considered in determining fair value, these inputs do not have a significant impact on the valuation. We determine fair value using an internal model based on the various inputs noted above. The resulting fair value measurement from the model is reviewed by the product actuarial, risk and finance professionals each reporting period with changes in fair value also being compared to changes in derivatives and other instruments used to mitigate changes in fair value from certain market risks, such as equity index volatility and interest rates.

For GMWB liabilities, non-performance risk is integrated into the discount rate. Our discount rate used to determine fair value of our GMWB liabilities includes market credit spreads above U.S. Treasury rates to reflect an adjustment for the non-performance risk of the GMWB liabilities. As of June 30, 2014 and December 31, 2013, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of $55 million and $46 million, respectively.

To determine the appropriate discount rate to reflect the non-performance risk of the GMWB liabilities, we evaluate the non-performance risk in our liabilities based on a hypothetical exit market transaction as there is no exit market for these types of liabilities. A hypothetical exit market can be viewed as a hypothetical transfer of the liability to another similarly rated insurance company which would closely resemble a reinsurance transaction. Another hypothetical exit market transaction can be viewed as a hypothetical transaction from the perspective of the GMWB policyholder. In determining the appropriate discount rate to incorporate non-performance risk of the GMWB liabilities, we also considered the impacts of state guarantees embedded in the related insurance product as a form of inseparable third-party guarantee. We believe that a hypothetical exit market participant would use a similar discount rate as described above to value the liabilities.

For equity index volatility, we determine the projected equity market volatility using both historical volatility and projected equity market volatility with more significance being placed on projected near-term volatility and recent historical data. Given the different attributes and market characteristics of GMWB liabilities compared to equity index options in the derivative market, the equity index volatility assumption for GMWB liabilities may be different from the volatility assumption for equity index options, especially for the longer dated points on the curve.

Equity index and fund correlations are determined based on historical price observations for the fund and equity index.

For policyholder assumptions, we use our expected lapse, mortality and utilization assumptions and update these assumptions for our actual experience, as necessary. For our lapse assumption, we adjust our base lapse assumption by policy based on a combination of the policyholder's current account value and GMWB benefit.

We classify the GMWB valuation as Level 3 based on having significant unobservable inputs, with equity index volatility and non-performance risk being considered the more significant unobservable inputs. As equity index volatility increases, the fair value of the GMWB liabilities will increase. Any increase in non-performance risk would increase the discount rate and would decrease the fair value of the GMWB liability. Additionally, we consider lapse and utilization assumptions to be significant unobservable inputs. An increase in our lapse assumption would decrease the fair value of the GMWB liability, whereas an increase in our utilization rate would increase the fair value.

Fixed index annuity embedded derivatives

We offer fixed indexed annuity products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Indexed universal life embedded derivatives

We offer indexed universal life products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Borrowings related to securitization entities

We record certain borrowings related to securitization entities at fair value. The fair value of these borrowings is determined using either a market approach or income approach, depending on the instrument and availability of market information. Given the unique characteristics of the securitization entities that issued these borrowings as well as the lack of comparable instruments, we determine fair value considering the valuation of the underlying assets held by the securitization entities and any derivatives, as well as any unique characteristics of the borrowings that may impact the valuation. After considering all relevant inputs, we determine fair value of the borrowings using the net valuation of the underlying assets and derivatives that are backing the borrowings. Accordingly, these instruments are classified as Level 3. Increases in the valuation of the underlying assets or decreases in the derivative liabilities will result in an increase in the fair value of these borrowings.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables set forth our assets and liabilities by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

	June 30, 2014			
(Amounts in millions)	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 5,483	$ —	$ 5,479	$ 4
Tax-exempt	353	—	353	—
Government—non-U.S.	2,132	—	2,107	25
U.S. corporate	26,847	—	24,424	2,423
Corporate—non-U.S.	15,749	—	13,895	1,854
Residential mortgage-backed	5,212	—	5,139	73
Commercial mortgage-backed	2,845	—	2,840	5
Other asset-backed	3,739	—	2,471	1,268
Total fixed maturity securities	62,360	—	56,708	5,652
Equity securities	320	243	10	67
Other invested assets:				
Trading securities	226	—	195	31
Derivative assets:				
Interest rate swaps	593	—	593	—
Foreign currency swaps	4	—	4	—
Credit default swaps	7	—	1	6
Equity index options	4	—	—	4
Forward bond purchase commitments	8	—	8	—
Other foreign currency contracts	1	—	1	—
Total derivative assets	617	—	607	10
Securities lending collateral	277	—	277	—
Derivatives counterparty collateral	76	—	76	—
Total other invested assets	1,196	—	1,155	41
Restricted other invested assets related to securitization entities	404	—	180	224
Reinsurance recoverable (1)	3	—	—	3
Separate account assets	9,911	9,911	—	—
Total assets	$ 74,194	$ 10,154	$ 58,053	$ 5,987
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives (2)	$ 146	$ —	$ —	$ 146
Fixed index annuity embedded derivatives	219	—	—	219
Indexed universal life embedded derivatives	2	—	—	2
Total policyholder account balances	367	—	—	367
Derivative liabilities:				
Interest rate swaps	217	—	217	—
Interest rate swaps related to securitization entities	22	—	22	—
Inflation indexed swaps	90	—	90	—
Foreign currency swaps	1	—	1	—
Credit default swaps related to securitization entities	16	—	—	16
Equity return swaps	5	—	5	—
Other foreign currency contracts	7	—	7	—
Total derivative liabilities	358	—	342	16
Borrowings related to securitization entities	83	—	—	83
Total liabilities	$ 808	$ —	$ 342	$ 466

(1) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.
(2) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Amounts in millions)	December 31, 2013 Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 4,810	$ —	$ 4,805	$ 5
Tax-exempt	295	—	295	—
Government—non-U.S.	2,146	—	2,123	23
U.S. corporate	25,035	—	22,635	2,400
Corporate—non-U.S.	15,071	—	13,252	1,819
Residential mortgage-backed	5,225	—	5,120	105
Commercial mortgage-backed	2,898	—	2,892	6
Other asset-backed	3,149	—	1,983	1,166
Total fixed maturity securities	58,629	—	53,105	5,524
Equity securities	341	256	7	78
Other invested assets:				
Trading securities	239	—	205	34
Derivative assets:				
Interest rate swaps	436	—	436	—
Foreign currency swaps	4	—	4	—
Credit default swaps	11	—	1	10
Equity index options	12	—	—	12
Other foreign currency contracts	8	—	5	3
Total derivative assets	471	—	446	25
Securities lending collateral	187	—	187	—
Derivatives counterparty collateral	70	—	70	—
Total other invested assets	967	—	908	59
Restricted other invested assets related to securitization entities	391	—	180	211
Reinsurance recoverable (1)	(1)	—	—	(1)
Separate account assets	10,138	10,138	—	—
Total assets	$70,465	$10,394	$54,200	$ 5,871
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives (2)	$ 96	$ —	$ —	$ 96
Fixed index annuity embedded derivatives	143	—	—	143
Total policyholder account balances	239	—	—	239
Derivative liabilities:				
Interest rate swaps	575	—	575	—
Interest rate swaps related to securitization entities	16	—	16	—
Inflation indexed swaps	60	—	60	—
Foreign currency swaps	2	—	2	—
Credit default swaps related to securitization entities	32	—	—	32
Equity return swaps	1	—	1	—
Forward bond purchase commitments	13	—	13	—
Other foreign currency contracts	4	—	3	1
Total derivative liabilities	703	—	670	33
Borrowings related to securitization entities	75	—	—	75
Total liabilities	$ 1,017	$ —	$ 670	$ 347

(1) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

(2) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers between levels at the beginning fair value for the reporting period in which the changes occur. Given the types of assets classified as Level 1, which primarily represents mutual fund investments, we typically do not have any transfers between Level 1 and Level 2 measurement categories and did not have any such transfers during any period presented.

Our assessment of whether or not there were significant unobservable inputs related to fixed maturity securities was based on our observations obtained through the course of managing our investment portfolio, including interaction with other market participants, observations related to the availability and consistency of pricing and/or rating, and understanding of general market activity such as new issuance and the level of secondary market trading for a class of securities. Additionally, we considered data obtained from third-party pricing sources to determine whether our estimated values incorporate significant unobservable inputs that would result in the valuation being classified as Level 3.

The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of April 1, 2014	Total realized and unrealized gains (losses): Included in net income	Total realized and unrealized gains (losses): Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2014	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 4	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 4	$ —
Government—non-U.S.	24	—	—	1	—	—	—	—	—	25	—
U.S. corporate (1)	2,368	6	40	55	(39)	—	(58)	87	(36)	2,423	7
Corporate—non-U.S.	1,798	1	39	132	(76)	—	(55)	15	—	1,854	1
Residential mortgage-backed	93	—	1	—	—	—	(2)	11	(30)	73	—
Commercial mortgage-backed	13	—	1	—	—	—	(1)	—	(8)	5	—
Other asset-backed (1)	1,153	2	11	195	—	—	(41)	22	(74)	1,268	—
Total fixed maturity securities	5,453	9	92	383	(115)	—	(157)	135	(148)	5,652	8
Equity securities	78	—	—	—	(11)	—	—	—	—	67	—
Other invested assets:											
Trading securities	31	—	—	—	—	—	—	—	—	31	—
Derivative assets:											
Credit default swaps	8	—	—	—	—	—	(2)	—	—	6	—
Equity index options	11	(11)	—	4	—	—	—	—	—	4	(11)
Other foreign currency contracts	1	—	—	—	(1)	—	—	—	—	—	—
Total derivative assets	20	(11)	—	4	(1)	—	(2)	—	—	10	(11)
Total other invested assets	51	(11)	—	4	(1)	—	(2)	—	—	41	(11)
Restricted other invested assets related to securitization entities	218	6	—	—	—	—	—	—	—	224	6
Reinsurance recoverable (2)	2	—	—	—	—	1	—	—	—	3	—
Total Level 3 assets	$ 5,802	$ 4	$ 92	$ 387	$(127)	$ 1	$ (159)	$ 135	$ (148)	$ 5,987	$ 3

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Beginning balance as of April 1, 2013	Total realized and unrealized gains (losses) Included in net income	Total realized and unrealized gains (losses) Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2013	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 5	$ —	$ —	$ —	$—	$ —	$ —	$ —	$ —	$ 5	$ —
Government—non-U.S.	8	—	—	—	—	—	—	—	—	8	—
U.S. corporate (1)	2,644	6	(49)	37	(24)	—	(185)	50	(20)	2,459	5
Corporate—non-U.S.	1,970	—	(37)	16	(19)	—	(84)	—	—	1,846	—
Residential mortgage- backed	130	(1)	—	—	(5)	—	(8)	—	—	116	1
Commercial mortgage- backed	26	(2)	1	—	—	—	(16)	4	—	13	(1)
Other asset-backed (1)	951	4	4	59	—	—	(41)	44	—	1,021	3
Total fixed maturity securities	5,734	7	(81)	112	(48)	—	(334)	98	(20)	5,468	8
Equity securities	92	2	(1)	1	(6)	—	—	—	—	88	—
Other invested assets:											
Trading securities	67	4	—	—	(29)	—	(8)	—	—	34	—
Derivative assets:											
Interest rate swaps	1	(1)	—	—	—	—	—	—	—	—	(1)
Credit default swaps	7	1	—	—	—	—	(2)	—	—	6	1
Equity index options	17	(2)	—	7	—	—	(9)	—	—	13	(1)
Total derivative assets	25	(2)	—	7	—	—	(11)	—	—	19	(1)
Total other invested assets	92	2	—	7	(29)	—	(19)	—	—	53	(1)
Restricted other invested assets related to securitization entities	199	(6)	—	—	—	—	—	—	—	193	(6)
Other assets (2)	10	(1)	—	—	—	—	(9)	—	—	—	—
Reinsurance recoverable (3)	6	(3)	—	—	—	—	—	—	—	3	(3)
Total Level 3 assets	$ 6,133	$ 1	$ (82)	$ 120	$ (83)	$ —	$ (362)	$ 98	$ (20)	$ 5,805	$ (2)

(1) The transfers into and out of Level 3 were primarily related to private fixed rate U.S. corporate and structured securities. For private fixed rate U.S. corporate securities, the transfers into and out of Level 3 resulted from a change in the observability of the additional premium to the public bond spread to adjust for the liquidity and other features of our private placements and resulted in unobservable inputs having a significant impact on certain valuations for transfers in or no longer having significant impact on certain valuations for transfers out. For structured securities, the transfers into and out of Level 3 were attributable to the changes in the observability of inputs used in the valuation as a result of liquidity or marketability of certain instruments that had a significant impact on the primary pricing source used to value the instruments.

(2) Represents contingent receivables associated with recent business dispositions.

(3) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2014	Total realized and unrealized gains (losses): Included in net income	Total realized and unrealized gains (losses): Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2014	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 5	$ —	$ —	$ —	$ —	$ —	$ (1)	$ —	$ —	$ 4	$ —
Government—non-U.S.	23	—	—	3	—	—	(1)	—	—	25	—
U.S. corporate (1)	2,400	11	69	145	(39)	—	(100)	101	(164)	2,423	12
Corporate—non-U.S.	1,819	2	48	168	(76)	—	(90)	15	(32)	1,854	2
Residential mortgage-backed	105	—	2	—	(23)	—	(5)	24	(30)	73	—
Commercial mortgage- backed	6	—	3	—	—	—	(2)	6	(8)	5	—
Other asset-backed (1)	1,166	3	7	211	(5)	—	(78)	58	(94)	1,268	1
Total fixed maturity securities	5,524	16	129	527	(143)	—	(277)	204	(328)	5,652	15
Equity securities	78	—	—	—	(11)	—	—	—	—	67	—
Other invested assets:											
Trading securities	34	—	—	—	—	—	(3)	—	—	31	—
Derivative assets:											
Credit default swaps	10	—	—	—	—	—	(4)	—	—	6	—
Equity index options	12	(18)	—	10	—	—	—	—	—	4	(18)
Other foreign currency contracts	3	(2)	—	—	(1)	—	—	—	—	—	—
Total derivative assets	25	(20)	—	10	(1)	—	(4)	—	—	10	(18)
Total other invested assets	59	(20)	—	10	(1)	—	(7)	—	—	41	(18)
Restricted other invested assets related to securitization entities	211	13	—	—	—	—	—	—	—	224	13
Reinsurance recoverable (2)	(1)	2	—	—	—	2	—	—	—	3	2
Total Level 3 assets	$ 5,871	$ 11	$ 129	$ 537	$(155)	$ 2	$ (284)	$ 204	$ (328)	$ 5,987	$ 12

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Beginning balance as of January 1, 2013	Total realized and unrealized gains (losses) Included in net income	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2013	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 9	$ —	$ —	$ —	$ —	$ —	$ (4)	$ —	$ —	$ 5	$ —
Government—non-U.S.	9	—	—	—	—	—	(1)	—	—	8	—
U.S. corporate (1)	2,683	8	(31)	93	(121)	—	(236)	112	(49)	2,459	4
Corporate—non-U.S. (1)	1,983	1	(28)	69	(19)	—	(107)	—	(53)	1,846	1
Residential mortgage-backed	157	(2)	1	—	(5)	—	(19)	—	(16)	116	—
Commercial mortgage-backed	35	(4)	(1)	—	—	—	(26)	9	—	13	(3)
Other asset-backed (1)	864	3	15	124	(44)	—	(71)	130	—	1,021	3
Total fixed maturity securities	5,740	6	(44)	286	(189)	—	(464)	251	(118)	5,468	5
Equity securities	99	2	(1)	1	(13)	—	—	—	—	88	—
Other invested assets:											
Trading securities	76	7	—	—	(40)	—	(9)	—	—	34	2
Derivative assets:											
Interest rate swaps	2	(1)	—	—	—	—	(1)	—	—	—	(1)
Credit default swaps	7	4	—	—	—	—	(5)	—	—	6	3
Equity index options	25	(17)	—	14	—	—	(9)	—	—	13	(16)
Total derivative assets	34	(14)	—	14	—	—	(15)	—	—	19	(14)
Total other invested assets	110	(7)	—	14	(40)	—	(24)	—	—	53	(12)
Restricted other invested assets related to securitization entities	194	(1)	—	—	—	—	—	—	—	193	(1)
Other assets (2)	9	—	—	—	—	—	(9)	—	—	—	—
Reinsurance recoverable (3)	10	(8)	—	—	—	1	—	—	—	3	(8)
Total Level 3 assets	$ 6,162	$ (8)	$ (45)	$ 301	$(242)	$ 1	$ (497)	$ 251	$ (118)	$ 5,805	$ (16)

(1) The transfers into and out of Level 3 were primarily related to private fixed rate U.S. corporate and corporate—non-U.S. securities and structured securities. For private fixed rate U.S. corporate and corporate—non-U.S. securities, the transfers into and out of Level 3 resulted from a change in the observability of the additional premium to the public bond spread to adjust for the liquidity and other features of our private placements and resulted in unobservable inputs having a significant impact on certain valuations for transfers in or no longer having significant impact on certain valuations for transfers out. For structured securities, the transfers into and out of Level 3 were attributable to the changes in the observability of inputs used in the valuation as a result of liquidity or marketability of certain instruments that had a significant impact on the primary pricing source used to value the instruments.

(2) Represents contingent receivables associated with recent business dispositions.

(3) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

Table of Contents

The following table presents the gains and losses included in net income from assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Total realized and unrealized gains (losses) included in net income:				
Net investment income	$ 13	$ 11	$ 21	$ 20
Net investment gains (losses)	(9)	(10)	(10)	(28)
Total	$ 4	$ 1	$ 11	$ (8)
Total gains (losses) included in net income attributable to assets still held:				
Net investment income	$ 9	$ 10	$ 17	$ 17
Net investment gains (losses)	(6)	(12)	(5)	(33)
Total	$ 3	$ (2)	$ 12	$ (16)

The amount presented for unrealized gains (losses) included in net income for available-for-sale securities represents impairments and accretion on certain fixed maturity securities.

The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of April 1, 2014	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2014	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives (1)	$ 138	$ (2)	$ —	$ —	$—	$ 10	$ —	$ —	$ —	$ 146	$ (1)
Fixed index annuity embedded derivatives	180	10	—	—	—	29	—	—	—	219	10
Indexed universal life embedded derivatives	—	—	—	—	—	2	—	—	—	2	—
Total policyholder account balances	318	8	—	—	—	41	—	—	—	367	9
Derivative liabilities:											
Credit default swaps related to securitization entities	25	(11)	—	2	—	—	—	—	—	16	(11)
Other foreign currency contracts	2	—	—	—	(2)	—	—	—	—	—	—
Total derivative liabilities	27	(11)	—	2	(2)	—	—	—	—	16	(11)
Borrowings related to securitization entities	79	4	—	—	—	—	—	—	—	83	4
Total Level 3 liabilities	$ 424	$ 1	$ —	$ 2	$ (2)	$ 41	$ —	$ —	$ —	$ 466	$ 2

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Beginning balance as of April 1, 2013	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2013	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives (1)	$ 272	$ (66)	$ —	$ —	$—	$ 9	$ —	$ —	$ —	$ 215	$ (68)
Fixed index annuity embedded derivatives	34	1	—	—	—	9	—	—	—	44	1
Total policyholder account balances	306	(65)	—	—	—	18	—	—	—	259	(67)
Derivative liabilities:											
Credit default swaps related to securitization entities	97	(18)	—	1	—	—	—	—	—	80	(18)
Equity index options	1	—	—	—	—	—	—	—	—	1	—
Total derivative liabilities	98	(18)	—	1	—	—	—	—	—	81	(18)
Borrowings related to securitization entities	71	3	—	—	—	—	—	—	—	74	3
Total Level 3 liabilities	$ 475	$ (80)	$ —	$ 1	$—	$ 18	$ —	$ —	$ —	$ 414	$ (82)

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2014	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2014	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives (1)	$ 96	$ 31	$ —	$ —	$—	$ 19	$ —	$ —	$ —	$ 146	$ 33
Fixed index annuity embedded derivatives	143	12	—	—	—	65	(1)	—	—	219	12
Indexed universal life embedded derivatives	—	—	—	—	—	2	—	—	—	2	—
Total policyholder account balances	239	43	—	—	—	86	(1)	—	—	367	45
Derivative liabilities:											
Credit default swaps related to securitization entities	32	(18)	—	2	—	—	—	—	—	16	(18)
Other foreign currency contracts	1	1	—	—	(2)	—	—	—	—	—	—
Total derivative liabilities	33	(17)	—	2	(2)	—	—	—	—	16	(18)
Borrowings related to securitization entities	75	8	—	—	—	—	—	—	—	83	8
Total Level 3 liabilities	$ 347	$ 34	$ —	$ 2	$ (2)	$ 86	$ (1)	$ —	$ —	$ 466	$ 35

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Beginning balance as of January 1, 2013	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2013	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives (1)	$ 350	$ (153)	$ —	$ —	$—	$ 18	$ —	$ —	$ —	$ 215	$ (151)
Fixed index annuity embedded derivatives	27	4	—	—	—	13	—	—	—	44	4
Total policyholder account balances	377	(149)	—	—	—	31	—	—	—	259	(147)
Derivative liabilities:											
Credit default swaps	1	(1)	—	—	—	—	—	—	—	—	(1)
Credit default swaps related to securitization entities	104	(26)	—	2	—	—	—	—	—	80	(26)
Equity index options	—	1	—	—	—	—	—	—	—	1	1
Total derivative liabilities	105	(26)	—	2	—	—	—	—	—	81	(26)
Borrowings related to securitization entities	62	12	—	—	—	—	—	—	—	74	12
Total Level 3 liabilities	$ 544	$ (163)	$ —	$ 2	$—	$ 31	$ —	$ —	$ —	$ 414	$ (161)

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

The following table presents the gains and losses included in net (income) from liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Total realized and unrealized (gains) losses included in net (income):				
Net investment income	$—	$ —	$—	$ —
Net investment (gains) losses	1	(80)	34	(163)
Total	$ 1	$ (80)	$ 34	$(163)
Total (gains) losses included in net (income) attributable to liabilities still held:				
Net investment income	$—	$ —	$—	$ —
Net investment (gains) losses	2	(82)	35	(161)
Total	$ 2	$ (82)	$ 35	$(161)

Purchases, sales, issuances and settlements represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases, sales and settlements of fixed maturity, equity and trading securities and purchases, issuances and settlements of derivative instruments.

Issuances and settlements presented for policyholder account balances represent the issuances and settlements of embedded derivatives associated with our GMWB liabilities where: issuances are characterized as the change in fair value associated with the product fees recognized that are attributed to the embedded derivative to equal the expected future benefit costs upon issuance and settlements are characterized as the change in fair value upon exercising the embedded derivative instrument, effectively representing a settlement of the embedded derivative instrument. We have shown these changes in fair value separately based on the classification of this activity as effectively issuing and settling the embedded derivative instrument with all remaining changes in the fair value of these embedded derivative instruments being shown separately in the category labeled "included in net (income)" in the tables presented above.

Certain classes of instruments classified as Level 3 are excluded below as a result of not being material or due to limitations in being able to obtain the underlying inputs used by certain third-party sources, such as broker quotes, used as an input in determining fair value. The following table presents a summary of the significant unobservable inputs used for certain fair value measurements that are based on internal models and classified as Level 3 as of June 30, 2014:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range (weighted-average)
Assets				
Fixed maturity securities:				
U.S. corporate	Internal models	$ 2,217	Credit spreads	55bps - 425bps (157bps)
Corporate—non-U.S.	Internal models	1,686	Credit spreads	64bps - 226bps (127bps)
Derivative assets:				
Credit default swaps	Discounted cash flows	6	Credit spreads	5bps - 29bps (13bps)
Equity index options	Discounted cash flows	4	Equity index volatility	14% - 22% (21%)
Liabilities				
Policyholder account balances:				
			Withdrawal utilization rate	—% - 98%
			Lapse rate	—% - 15%
			Non-performance risk (credit spreads)	35bps - 85bps (73bps)
GMWB embedded derivatives (1)	Stochastic cash flow model	146	Equity index volatility	14% - 24% (20%)
Fixed index annuity embedded derivatives	Option budget method	219	Expected future interest credited	—% - 3% (2%)
Indexed universal life embedded derivatives	Option budget method	2	Expected future interest credited	3% - 7% (5%)

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(7) Commitments and Contingencies

(a) Litigation and Regulatory Matters

We face the risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In our insurance operations, we are, have been, or may become subject to class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, increases to in-force long-term care insurance premiums, payment of contingent or other sales commissions, claims payments and procedures, product design, product disclosure, administration, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits, charging excessive or impermissible fees on products, recommending unsuitable products to customers, our pricing structures and business practices in our mortgage insurance businesses, such as captive reinsurance arrangements with lenders and contract underwriting services, violations of the Real Estate Settlement and Procedures Act of 1974 ("RESPA") or related state anti-inducement laws, and mortgage insurance policy rescissions and curtailments, and breaching fiduciary or other duties to customers, including but not limited to breach of customer information. Plaintiffs in class action and other

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

lawsuits against us may seek very large or indeterminate amounts which may remain unknown for substantial periods of time. In our investment-related operations, we are subject to litigation involving commercial disputes with counterparties. We are also subject to litigation arising out of our general business activities such as our contractual and employment relationships. In addition, we are also subject to various regulatory inquiries, such as information requests, subpoenas, books and record examinations and market conduct and financial examinations from state, federal and international regulators and other authorities. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have an adverse effect on our business, financial condition or results of operations.

In April 2014, Genworth Financial, Inc., and a former and current officer were named in a putative class action lawsuit captioned*City of Hialeah Employees' Retirement System v. Genworth Financial, Inc.*, *et al*, in the United States District Court for the Southern District of New York. Plaintiff alleges securities law violations involving certain disclosures in 2012 concerning Genworth's Australian mortgage insurance business, including our plans for an initial public offering of the business. The lawsuit seeks unspecified damages, costs and attorneys' fees and such equitable/injunctive relief as the court may deem proper. We intend to vigorously defend this action.

As previously disclosed, in December 2009, one of our former non-insurance subsidiaries, one of the former subsidiary's officers and Genworth Financial, Inc. (now known as Genworth Holdings, Inc.) were named in a putative class action lawsuit captioned *Michael J. Goodman and Linda Brown v. Genworth Financial Wealth Management, Inc. et al*., in the United States District Court for the Eastern District of New York. Plaintiffs allege securities law and other violations involving the selection of mutual funds by our former subsidiary on behalf of certain of its Private Client Group clients. The lawsuit seeks unspecified monetary and other relief. Oral argument on plaintiffs' motion to certify a class action was conducted on January 30, 2013. On April 15, 2014, the court issued its decision denying the plaintiffs' motion to certify a class. On April 29, 2014 plaintiffs filed a motion with the Second Circuit Court of Appeals for leave to appeal the District Court's denial of their motion to certify a class, which we opposed. On July 9, 2014, the Second Circuit Court of Appeals denied plaintiffs' motion.

As previously disclosed, in April 2012, two of our U.S. mortgage insurance subsidiaries were named as respondents in two arbitrations, one brought by Bank of America, N.A. and one brought by Countrywide Home Loans, Inc. and Bank of America, N.A. as claimants. Claimants alleged breach of contract and breach of the covenant of good faith and fair dealing and seek a declaratory judgment relating to our denial, curtailment and rescission of mortgage insurance coverage. In June 2012, our U.S. mortgage insurance subsidiaries responded to the arbitration demands and asserted numerous counterclaims against the claimants. On December 31, 2013, the parties reached an agreement to resolve that portion of both arbitrations involving rescission practices. The effectiveness of the agreement was conditioned upon consent by the government-sponsored enterprises ("GSEs") to and the parties' execution of a definitive agreement requiring submission of curtailment and denial disputes to a binding alternative dispute proceeding ("Curtailment ADR Agreement"). In March 2014, the parties executed the Curtailment ADR Agreement. In the second quarter of 2014, the GSEs consented to the December 31, 2013 agreement, the final condition precedent to the effectiveness of the rescission settlement. The GSEs also consented to the Curtailment ADR Agreement during the second quarter of 2014. With the effectiveness of the rescission settlement, the parties have commenced the process necessary for a final dismissal of the arbitration demands and counterclaims related to that portion of both arbitrations involving rescission practices. That dismissal is expected to occur in the third quarter of 2014. Claims curtailments and denials are the only remaining areas of dispute under the arbitrations. The parties have selected an arbitration panel. The first phase of the arbitration hearing is scheduled to begin in March 2015. Claimants and our U.S. mortgage insurance subsidiaries are engaged in settlement negotiations regarding a potential resolution of the pending disputes related to claims curtailments or denials. In the event settlement is not reached, we intend to vigorously defend our practices in these arbitrations.

As previously disclosed, beginning in December 2011 and continuing through January 2013, one of our U.S. mortgage insurance subsidiaries was named along with several other mortgage insurers and mortgage lenders as a defendant in twelve putative class action lawsuits alleging that certain "captive reinsurance arrangements" were in violation of RESPA. On June 26, 2014, the court in the *Hill* action granted our motion for summary judgment. We intend to vigorously defend the remaining actions.

At this time, we cannot determine or predict the ultimate outcome of any of the pending legal and regulatory matters specifically identified above or the likelihood of potential future legal and regulatory matters against us. In light of the inherent uncertainties involved in these matters, no amounts have been accrued. We also are not able to provide an estimate or range of possible losses related to these matters.

(b) Commitments

As of June 30, 2014, we were committed to fund $62 million in limited partnership investments, $105 million in U.S. commercial mortgage loans and $48 million in private placement investments.

(c) Other

During the second quarter of 2014, we experienced meaningful increases in adverse claims experience for our long-term care insurance products, resulting in significant deterioration in operating income which included an increase to our prior year claim reserves of $39 million. As a result of recent experience, and in connection with our regular review of claims reserve assumptions for our long-term care insurance products, we are conducting a comprehensive review of our long-term care insurance claim reserves. The primary areas of focus in this review are: (i) an analysis of potential causes of the meaningful increase in adverse claims experience and (ii) an assessment of the assumptions and methodology underlying the associated reserves, including morbidity, mortality, interest rates and claim terminations. We intend to complete this review before the release of financial results for the third quarter of 2014. We continue to believe that the existing assumptions and methodology provide the most reliable best estimate. However, given the review underway that will include both long-term and recent experience, we will likely change some of our assumptions, which could increase our long-term care insurance claim reserves, and any increase may or may not be material.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(8) Borrowings and Other Financings

The following table sets forth total long-term borrowings as of the dates indicated:

(Amounts in millions)	June 30, 2014	December 31, 2013
5.75% Senior Notes, due 2014 (1)	$ —	$ 485
4.59% Senior Notes, due 2015 (2)	—	141
8.625% Senior Notes, due 2016 (1)	300	300
6.52% Senior Notes, due 2018 (1)	600	600
5.68% Senior Notes, due 2020 (2)	257	258
7.70% Senior Notes, due 2020 (1)	400	400
7.20% Senior Notes, due 2021 (1)	399	399
7.625% Senior Notes, due 2021 (1)	759	759
Floating Rate Junior Notes, due 2021 (3)	132	125
4.90% Senior Notes, due 2023 (1)	399	399
4.24% Senior Notes, due 2024 (2)	150	—
4.80% Senior Notes, due 2024 (1)	400	400
6.50% Senior Notes, due 2034 (1)	297	297
6.15% Junior Notes, due 2066	598	598
Total	$ 4,691	$ 5,161

(1) We have the option to redeem all or a portion of the senior notes at any time with notice to the noteholders at a price equal to the greater of 100% of principal or the sum of the present value of the remaining scheduled payments of principal and interest discounted at the then-current treasury rate plus an applicable spread.

(2) Senior notes issued by our majority-owned subsidiary, Genworth MI Canada Inc. ("Genworth Canada").

(3) Subordinated floating rate notes issued by our indirect wholly-owned subsidiary, Genworth Financial Mortgage Insurance Pty Limited.

We repaid $485 million of our 5.75% senior notes that matured in June 2014.

On April 1, 2014, Genworth Canada, our majority-owned subsidiary, issued CAD$160 million of 4.24% senior notes due 2024. The senior notes are redeemable at the option of Genworth Canada, in whole or in part, at any time. The net proceeds of the offering were used to redeem, in full, its existing senior notes due December 2015 with a principal amount of CAD$150 million and bearing a fixed annual interest rate of 4.59%. In conjunction with the redemption, Genworth Canada made an early redemption payment to existing noteholders of approximately CAD$7 million and accrued interest of approximately CAD$2 million in the second quarter of 2014.

(9) Segment Information

We operate through three divisions: U.S. Life Insurance, Global Mortgage Insurance and Corporate and Other. Under these divisions, there are five operating business segments. The U.S. Life Insurance Division includes the U.S. Life Insurance segment. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The Corporate and Other Division includes the International Protection and Runoff segments and Corporate and Other activities. Our operating business segments are as follows: (1) U.S. Life Insurance, which includes our life insurance, long-term care insurance and

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

fixed annuities businesses; (2) International Mortgage Insurance, which includes mortgage insurance-related products and services; (3) U.S. Mortgage Insurance, which includes mortgage insurance-related products and services; (4) International Protection, which includes our lifestyle protection insurance business; and (5) Runoff, which includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of: funding agreements, FABNs and GICs.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other businesses that are managed outside of our operating segments, including discontinued operations.

We use the same accounting policies and procedures to measure segment income (loss) and assets as our consolidated net income and assets. Our chief operating decision maker evaluates segment performance and allocates resources on the basis of "net operating income (loss)." We define net operating income (loss) as income (loss) from continuing operations excluding the after-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and infrequent or unusual non-operating items. Gains (losses) on insurance block transactions are defined as gains (losses) on the early extinguishment of non-recourse funding obligations, early termination fees for other financing restructuring and/or resulting gains (losses) on reinsurance restructuring for certain blocks of business. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt and gains (losses) on insurance block transactions are also excluded from net operating income (loss) because, in our opinion, they are not indicative of overall operating trends. Other non-operating items are also excluded from net operating income (loss) if, in our opinion, they are not indicative of overall operating trends.

In the fourth quarter of 2013, we revised our definition of net operating income (loss) to exclude gains (losses) on the early extinguishment of debt and gains (losses) on insurance block transactions to better reflect the basis on which the performance of our business is internally assessed and to reflect management's opinion that they are not indicative of overall operating trends. All prior periods have been re-presented to reflect this new definition.

The following transaction was excluded from net operating income (loss) for the periods presented as it related to the loss on the early extinguishment of debt. In the second quarter of 2014, we paid an early redemption payment of approximately $2 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Canada's notes that were scheduled to mature in 2015.

There were no infrequent or unusual items excluded from net operating income (loss) during the periods presented other than a $13 million, net of taxes, expense recorded in the second quarter of 2013 related to restructuring costs.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

While some of these items may be significant components of net income (loss) available to Genworth Financial, Inc.'s common stockholders in accordance with U.S. GAAP, we believe that net operating income (loss), and measures that are derived from or incorporate net operating income (loss), are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses net operating income (loss) as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from net operating income (loss) have occurred in the past and could, and in some cases will, recur in the future. Net operating income (loss) is not a substitute for net income (loss) available to Genworth Financial, Inc.'s common stockholders determined in accordance with U.S. GAAP. In addition, our definition of net operating income (loss) may differ from the definitions used by other companies.

Adjustments to reconcile net income attributable to Genworth Financial, Inc.'s common stockholders and net operating income assume a 35% tax rate and are net of the portion attributable to noncontrolling interests. Net investment gains (losses) are also adjusted for deferred acquisition costs and other intangible amortization and certain benefit reserves.

The following is a summary of revenues for our segments and Corporate and Other activities for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	2014	2013	2014	2013
Revenues:				
U.S. Life Insurance segment:				
Life insurance	$ 504	$ 502	$ 984	$ 996
Long-term care insurance	872	826	1,728	1,601
Fixed annuities	257	275	514	527
U.S. Life Insurance segment's revenues	1,633	1,603	3,226	3,124
International Mortgage Insurance segment:				
Canada	180	194	348	386
Australia	134	144	265	287
Other Countries	6	11	15	21
International Mortgage Insurance segment's revenues	320	349	628	694
U.S. Mortgage Insurance segment's revenues	156	151	311	305
International Protection segment's revenues	223	202	430	407
Runoff segment's revenues	89	69	162	112
Corporate and Other's revenues	(6)	(3)	(20)	32
Total revenues	$ 2,415	$ 2,371	$4,737	$4,674

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following is a summary of net operating income (loss) for our segments and Corporate and Other activities and a reconciliation of net operating income (loss) for our segments and Corporate and Other activities to net income for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
U.S. Life Insurance segment:				
Life insurance	$ 39	$ 27	$ 60	$ 63
Long-term care insurance	6	26	52	46
Fixed annuities	24	26	51	55
U.S. Life Insurance segment's net operating income	69	79	163	164
International Mortgage Insurance segment:				
Canada	47	43	88	85
Australia	57	55	119	101
Other Countries	(7)	(9)	(11)	(16)
International Mortgage Insurance segment's net operating income	97	89	196	170
U.S. Mortgage Insurance segment's net operating income	39	13	72	34
International Protection segment's net operating income	2	1	9	7
Runoff segment's net operating income	15	6	27	22
Corporate and Other's net operating loss	(64)	(55)	(115)	(113)
Net operating income	158	133	352	284
Net investment gains (losses), net	20	15	10	(13)
Gains (losses) on early extinguishment of debt, net	(2)	—	(2)	—
Expenses related to restructuring, net	—	(13)	—	(13)
Income (loss) from discontinued operations, net of taxes	—	6	—	(14)
Net income available to Genworth Financial, Inc.'s common stockholders	176	141	360	244
Add: net income attributable to noncontrolling interests	52	39	87	77
Net income	$ 228	$ 180	$ 447	$ 321

The following is a summary of total assets for our segments and Corporate and Other activities as of the dates indicated:

(Amounts in millions)	June 30, 2014	December 31, 2013
Assets:		
U.S. Life Insurance	$ 80,916	$ 77,261
International Mortgage Insurance	9,518	9,194
U.S. Mortgage Insurance	2,322	2,361
International Protection	2,116	2,061
Runoff	13,856	14,062
Corporate and Other	2,916	3,106
Total assets	$111,644	$ 108,045

Table of Contents

(10) Changes in Accumulated Other Comprehensive Income (Loss)

The following tables show the changes in accumulated OCI, net of taxes, by component as of and for the periods indicated:

(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of April 1, 2014	$ 1,624	$ 1,538	$ 321	$3,483
OCI before reclassifications	548	119	148	815
Amounts reclassified from (to) OCI	(14)	(5)	—	(19)
Current period OCI	534	114	148	796
Balances as of June 30, 2014 before noncontrolling interests	2,158	1,652	469	4,279
Less: change in OCI attributable to noncontrolling interests	30	—	88	118
Balances as of June 30, 2014	$ 2,128	$ 1,652	$ 381	$4,161

(1) Net of adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of April 1, 2013	$ 2,443	$ 1,799	$ 582	$ 4,824
OCI before reclassifications	(1,173)	(213)	(353)	(1,739)
Amounts reclassified from (to) OCI	(17)	(5)	—	(22)
Current period OCI	(1,190)	(218)	(353)	(1,761)
Balances as of June 30, 2013 before noncontrolling interests	1,253	1,581	229	3,063
Less: change in OCI attributable to noncontrolling interests	(41)	—	(38)	(79)
Balances as of June 30, 2013	$ 1,294	$ 1,581	$ 267	$ 3,142

(1) Net of adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2014	$ 926	$ 1,319	$ 297	$2,542
OCI before reclassifications	1,249	347	127	1,723
Amounts reclassified from (to) OCI	(3)	(14)	—	(17)
Current period OCI	1,246	333	127	1,706
Balances as of June 30, 2014 before noncontrolling interests	2,172	1,652	424	4,248
Less: change in OCI attributable to noncontrolling interests	44	—	43	87
Balances as of June 30, 2014	$ 2,128	$ 1,652	$ 381	$4,161

(1) Net of adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2013	$ 2,638	$ 1,909	$ 655	$ 5,202
OCI before reclassifications	(1,389)	(315)	(457)	(2,161)
Amounts reclassified from (to) OCI	8	(13)	—	(5)
Current period OCI	(1,381)	(328)	(457)	(2,166)
Balances as of June 30, 2013 before noncontrolling interests	1,257	1,581	198	3,036
Less: change in OCI attributable to noncontrolling interests	(37)	—	(69)	(106)
Balances as of June 30, 2013	$ 1,294	$ 1,581	$ 267	$ 3,142

(1) Net of adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

The foreign currency translation and other adjustments balance included $6 million and $26 million, respectively, net of taxes of $1 million and $13 million, respectively, related to a net unrecognized postretirement benefit obligation as of June 30, 2014 and 2013. Amount also included taxes of $35 million and $42 million, respectively, related to foreign currency translation adjustments as of June 30, 2014 and 2013.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table shows reclassifications in (out) of accumulated other comprehensive income (loss), net of taxes, for the periods presented:

	Amount reclassified from accumulated other comprehensive income				
	Three months ended June 30,		Six months ended June 30,		Affected line item in the consolidated statements of income
(Amounts in millions)	2014	2013	2014	2013	
Net unrealized investment (gains) losses:					
Unrealized (gains) losses on investments (1)	$ (22)	$ (26)	$ (5)	$ 12	Net investment (gains) losses
Provision for income taxes	8	9	2	(4)	Provision for income taxes
Total	$ (14)	$ (17)	$ (3)	$ 8	
Derivatives qualifying as hedges:					
Interest rate swaps hedging assets	$ (13)	$ (10)	$ (28)	$ (19)	Net investment income
Interest rate swaps hedging assets	—	(1)	—	(1)	Net investment (gains) losses
Interest rate swaps hedging liabilities	(1)	—	(1)	(1)	Interest expense
Inflation indexed swaps	7	5	8	2	Net investment income
Provision for income taxes	2	1	7	6	Provision for income taxes
Total	$ (5)	$ (5)	$ (14)	$ (13)	

(1) Amounts exclude adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves.

(11) Noncontrolling Interests

On May 15, 2014, Genworth Mortgage Insurance Australia Limited ("Genworth Australia"), a holding company for Genworth's Australian mortgage insurance business, priced its initial public offering of 220,000,000 of its ordinary shares at an initial public offering price of AUD$2.65 per ordinary share. The offering closed on May 21, 2014. Following completion of the offering, Genworth Financial beneficially owns 66.2% of the ordinary shares of Genworth Australia.

The net proceeds of the offering were used by Genworth Australia to repay a portion of certain intercompany funding arrangements with our subsidiaries and those funds were then be distributed to Genworth Holdings. The gross proceeds of the offering (before payment of fees and expenses) were approximately $541 million. Fees and expenses in connection with the offering were approximately $27 million, including approximately $3 million paid in 2013.

Consistent with applicable accounting guidance, changes in noncontrolling interests that do not result in a change of control are accounted for as equity transactions. When there are changes in noncontrolling interests of a subsidiary that do not result in a change of control, any difference between carrying value and fair value related to the change in ownership is recorded as an adjustment to stockholders' equity. A summary of these changes in

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

ownership interests and the effect on stockholders' equity for the periods presented was as follows for the periods presented:

(Amounts in millions)	Three months ended June 30, 2014	Six months ended June 30, 2014
Net income available to Genworth Financial, Inc.'s common stockholders	$ 176	$ 360
Transfers to the noncontrolling interests:		
Decrease in Genworth Financial, Inc.'s additional paid-in capital for initial sale of Genworth Australia to noncontrolling interests	(145)	(145)
Net transfers to noncontrolling interests	(145)	(145)
Change from net income available to Genworth Financial, Inc.'s common stockholders and transfers to noncontrolling interests	$ 31	$ 215

(12) Condensed Consolidating Financial Information

Genworth Financial provides a full and unconditional guarantee to the trustee of Genworth Holdings' outstanding senior notes and the holders of the senior notes, on an unsecured unsubordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, each outstanding series of senior notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior notes indenture in respect of such senior notes. Genworth Financial also provides a full and unconditional guarantee to the trustee of Genworth Holdings' outstanding subordinated notes and the holders of the subordinated notes, on an unsecured subordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, the outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the subordinated notes indenture in respect of the subordinated notes.

The following condensed consolidating financial information of Genworth Financial and its direct and indirect subsidiaries have been prepared pursuant to rules regarding the preparation of consolidating financial information of Regulation S-X. The condensed consolidating financial information has been prepared as if the guarantee had been in place during the periods presented herein.

The condensed consolidating financial information presents the condensed consolidating balance sheet information as of June 30, 2014 and December 31, 2013, the condensed consolidating income statement information and the condensed consolidating comprehensive income statement information for the three and six months ended June 30, 2014 and 2013 and the condensed consolidating cash flow statement information for the six months ended June 30, 2014 and 2013.

The condensed consolidating financial information reflects Genworth Financial ("Parent Guarantor"), Genworth Holdings ("Issuer") and each of Genworth Financial's other direct and indirect subsidiaries (the "All Other Subsidiaries") on a combined basis, none of which guarantee the senior notes or subordinated notes, as well as the eliminations necessary to present Genworth Financial's financial information on a consolidated basis and total consolidated amounts.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The accompanying condensed consolidating financial information is presented based on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the subsidiaries' cumulative results of operations, capital contributions and distributions, and other changes in equity. Elimination entries include consolidating and eliminating entries for investments in subsidiaries and intercompany activity.

The following table presents the condensed consolidating balance sheet information as of June 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	$ —	$ 151	$ 62,409	$ (200)	$ 62,360
Equity securities available-for-sale, at fair value	—	—	320	—	320
Commercial mortgage loans	—	—	5,986	—	5,986
Restricted commercial mortgage loans related to securitization entities	—	—	217	—	217
Policy loans	—	—	1,514	—	1,514
Other invested assets	—	17	1,946	—	1,963
Restricted other invested assets related to securitization entities, at fair value	—	—	404	—	404
Investments in subsidiaries	16,214	16,239	—	(32,453)	—
Total investments	16,214	16,407	72,796	(32,653)	72,764
Cash and cash equivalents	—	1,073	3,065	—	4,138
Accrued investment income	—	—	646	(4)	642
Deferred acquisition costs	—	—	5,085	—	5,085
Intangible assets	—	—	266	—	266
Goodwill	—	—	867	—	867
Reinsurance recoverable	—	—	17,276	—	17,276
Other assets	2	198	497	(2)	695
Intercompany notes receivable	—	260	365	(625)	—
Separate account assets	—	—	9,911	—	9,911
Total assets	$ 16,216	$17,938	$ 110,774	$ (33,284)	$ 111,644
Liabilities and stockholders' equity					
Liabilities:					
Future policy benefits	$ —	$ —	$ 34,497	$ —	$ 34,497
Policyholder account balances	—	—	25,834	—	25,834
Liability for policy and contract claims	—	—	7,223	—	7,223
Unearned premiums	—	—	4,191	—	4,191
Other liabilities	(2)	303	3,406	(5)	3,702
Intercompany notes payable	3	566	256	(825)	—
Borrowings related to securitization entities	—	—	233	—	233
Non-recourse funding obligations	—	—	2,024	—	2,024
Long-term borrowings	—	4,151	540	—	4,691
Deferred tax liability	(16)	(927)	2,017	—	1,074
Separate account liabilities	—	—	9,911	—	9,911
Total liabilities	(15)	4,093	90,132	(830)	93,380
Stockholders' equity:					
Common stock	1	—	—	—	1
Additional paid-in capital	11,986	9,162	17,080	(26,242)	11,986
Accumulated other comprehensive income (loss)	4,161	4,099	4,152	(8,251)	4,161
Retained earnings	2,783	584	(2,628)	2,044	2,783
Treasury stock, at cost	(2,700)	—	—	—	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	16,231	13,845	18,604	(32,449)	16,231
Noncontrolling interests	—	—	2,038	(5)	2,033
Total stockholders' equity	16,231	13,845	20,642	(32,454)	18,264
Total liabilities and stockholders' equity	$ 16,216	$17,938	$ 110,774	$ (33,284)	$ 111,644

Table of Contents

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating balance sheet information as of December 31, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	$ —	$ 150	$ 58,679	$ (200)	$ 58,629
Equity securities available-for-sale, at fair value	—	—	341	—	341
Commercial mortgage loans	—	—	5,899	—	5,899
Restricted commercial mortgage loans related to securitization entities	—	—	233	—	233
Policy loans	—	—	1,434	—	1,434
Other invested assets	—	91	1,595	—	1,686
Restricted other invested assets related to securitization entities, at fair value	—	—	391	—	391
Investments in subsidiaries	14,358	14,929	—	(29,287)	—
Total investments	14,358	15,170	68,572	(29,487)	68,613
Cash and cash equivalents	—	1,219	2,995	—	4,214
Accrued investment income	—	—	682	(4)	678
Deferred acquisition costs	—	—	5,278	—	5,278
Intangible assets	—	—	399	—	399
Goodwill	—	—	867	—	867
Reinsurance recoverable	—	—	17,219	—	17,219
Other assets	(2)	276	367	(2)	639
Intercompany notes receivable	8	248	393	(649)	—
Separate account assets	—	—	10,138	—	10,138
Total assets	$ 14,364	$16,913	$ 106,910	$ (30,142)	$ 108,045
Liabilities and stockholders' equity					
Liabilities:					
Future policy benefits	$ —	$ —	$ 33,705	$ —	$ 33,705
Policyholder account balances	—	—	25,528	—	25,528
Liability for policy and contract claims	—	—	7,204	—	7,204
Unearned premiums	—	—	4,107	—	4,107
Other liabilities	(3)	365	3,739	(5)	4,096
Intercompany notes payable	—	601	248	(849)	—
Borrowings related to securitization entities	—	—	242	—	242
Non-recourse funding obligations	—	—	2,038	—	2,038
Long-term borrowings	—	4,636	525	—	5,161
Deferred tax liability	(26)	(796)	1,028	—	206
Separate account liabilities	—	—	10,138	—	10,138
Total liabilities	(29)	4,806	88,502	(854)	92,425
Stockholders' equity:					
Common stock	1	—	—	—	1
Additional paid-in capital	12,127	9,297	17,215	(26,512)	12,127
Accumulated other comprehensive income (loss)	2,542	2,507	2,512	(5,019)	2,542
Retained earnings	2,423	303	(2,551)	2,248	2,423
Treasury stock, at cost	(2,700)	—	—	—	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	14,393	12,107	17,176	(29,283)	14,393
Noncontrolling interests	—	—	1,232	(5)	1,227
Total stockholders' equity	14,393	12,107	18,408	(29,288)	15,620
Total liabilities and stockholders' equity	$ 14,364	$16,913	$ 106,910	$ (30,142)	$ 108,045

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating income statement information for the three months ended June 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$ —	$ —	$ 1,343	$ —	$ 1,343
Net investment income	—	—	816	(3)	813
Net investment gains (losses)	—	(5)	39	—	34
Insurance and investment product fees and other	—	(3)	229	(1)	225
Total revenues	—	(8)	2,427	(4)	2,415
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	1,256	—	1,256
Interest credited	—	—	184	—	184
Acquisition and operating expenses, net of deferrals	3	—	401	—	404
Amortization of deferred acquisition costs and intangibles	—	—	138	—	138
Interest expense	—	83	41	(4)	120
Total benefits and expenses	3	83	2,020	(4)	2,102

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(3)	(91)	407	—	313
Provision (benefit) for income taxes	(5)	(18)	112	(4)	85
Equity in income of subsidiaries	174	194	—	(368)	—
Income from continuing operations	176	121	295	(364)	228
Income from discontinued operations, net of taxes	—	—	—	—	—
Net income	176	121	295	(364)	228
Less: net income attributable to noncontrolling interests	—	—	52	—	52
Net income available to Genworth Financial, Inc.'s common stockholders	$ 176	$ 121	$ 243	$ (364)	$ 176

The following table presents the condensed consolidating income statement information for the three months ended June 30, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$ —	$ —	$ 1,286	$ —	$ 1,286
Net investment income	(1)	1	824	(3)	821
Net investment gains (losses)	—	7	14	—	21
Insurance and investment product fees and other	—	—	245	(2)	243
Total revenues	(1)	8	2,369	(5)	2,371
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	1,269	—	1,269
Interest credited	—	—	184	—	184
Acquisition and operating expenses, net of deferrals	10	1	402	—	413
Amortization of deferred acquisition costs and intangibles	—	—	137	—	137
Interest expense	—	79	47	(5)	121
Total benefits and expenses	10	80	2,039	(5)	2,124
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(11)	(72)	330	—	247
Provision (benefit) for income taxes	(5)	(14)	92	—	73
Equity in income of subsidiaries	147	194	—	(341)	—
Income from continuing operations	141	136	238	(341)	174
Income (loss) from discontinued operations, net of taxes	—	(9)	15	—	6
Net income	141	127	253	(341)	180
Less: net income attributable to noncontrolling interests	—	—	39	—	39
Net income available to Genworth Financial, Inc.'s common stockholders	$ 141	$ 127	$ 214	$ (341)	$ 141

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating income statement information for the six months ended June 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$ —	$ —	$ 2,650	$ —	$ 2,650
Net investment income	—	—	1,625	(7)	1,618
Net investment gains (losses)	—	(9)	26	—	17
Insurance and investment product fees and other	—	(3)	456	(1)	452
Total revenues	—	(12)	4,757	(8)	4,737
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	2,450	—	2,450
Interest credited	—	—	367	—	367
Acquisition and operating expenses, net of deferrals	10	—	772	—	782
Amortization of deferred acquisition costs and intangibles	—	—	272	—	272
Interest expense	—	167	88	(8)	247
Total benefits and expenses	10	167	3,949	(8)	4,118
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(10)	(179)	808	—	619
Provision (benefit) for income taxes	5	(64)	235	(4)	172
Equity in income of subsidiaries	375	396	—	(771)	—
Income from continuing operations	360	281	573	(767)	447
Income from discontinued operations, net of taxes	—	—	—	—	—
Net income	360	281	573	(767)	447
Less: net income attributable to noncontrolling interests	—	—	87	—	87
Net income available to Genworth Financial, Inc.'s common stockholders	$ 360	$ 281	$ 486	$ (767)	$ 360

Table of Contents

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating income statement information for the six months ended June 30, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$ —	$ —	$ 2,547	$ —	$ 2,547
Net investment income	(1)	1	1,642	(7)	1,635
Net investment gains (losses)	—	3	(43)	—	(40)
Insurance and investment product fees and other	—	—	535	(3)	532
Total revenues	(1)	4	4,681	(10)	4,674
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	2,470	—	2,470
Interest credited	—	—	368	—	368
Acquisition and operating expenses, net of deferrals	10	1	835	—	846
Amortization of deferred acquisition costs and intangibles	—	—	259	—	259
Interest expense	—	159	98	(10)	247
Total benefits and expenses	10	160	4,030	(10)	4,190
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(11)	(156)	651	—	484
Provision (benefit) for income taxes	(5)	(53)	207	—	149
Equity in income of subsidiaries	250	316	—	(566)	—
Income from continuing operations, net of taxes	244	213	444	(566)	335
Loss from discontinued operations, net of taxes	—	(14)	—	—	(14)
Net income	244	199	444	(566)	321
Less: net income attributable to noncontrolling interests	—	—	77	—	77
Net income available to Genworth Financial, Inc.'s common stockholders	$ 244	$ 199	$ 367	$ (566)	$ 244

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating comprehensive income statement information for the three months ended June 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 176	$ 121	$ 295	$ (364)	$ 228
Other comprehensive income (loss):					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	525	514	531	(1,037)	533
Net unrealized gains (losses) on other-than-temporarily impaired securities	1	1	1	(2)	1
Derivatives qualifying as hedges	114	114	123	(237)	114
Foreign currency translation and other adjustments	95	80	148	(175)	148
Total other comprehensive income (loss)	735	709	803	(1,451)	796
Total comprehensive income (loss)	911	830	1,098	(1,815)	1,024
Less: comprehensive income attributable to noncontrolling interests	—	—	113	—	113
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	$ 911	$ 830	$ 985	$ (1,815)	$ 911

The following table presents the condensed consolidating comprehensive income statement information for the three months ended June 30, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 141	$ 127	$ 253	$ (341)	$ 180
Other comprehensive income (loss):					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(1,175)	(1,136)	(1,212)	2,307	(1,216)
Net unrealized gains (losses) on other-than-temporarily impaired securities	26	26	26	(52)	26
Derivatives qualifying as hedges	(218)	(218)	(230)	448	(218)
Foreign currency translation and other adjustments	(315)	(303)	(352)	617	(353)
Total other comprehensive income (loss)	(1,682)	(1,631)	(1,768)	3,320	(1,761)
Total comprehensive income (loss)	(1,541)	(1,504)	(1,515)	2,979	(1,581)
Less: comprehensive income attributable to noncontrolling interests	—	—	(40)	—	(40)
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	$ (1,541)	$(1,504)	$ (1,475)	$ 2,979	$ (1,541)

Table of Contents

The following table presents the condensed consolidating comprehensive income statement information for the six months ended June 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 360	$ 281	$ 573	$ (767)	$ 447
Other comprehensive income (loss):					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	1,217	1,189	1,238	(2,405)	1,239
Net unrealized gains (losses) on other-than-temporarily impaired securities	7	7	7	(14)	7
Derivatives qualifying as hedges	333	333	355	(688)	333
Foreign currency translation and other adjustments	119	120	127	(239)	127
Total other comprehensive income (loss)	1,676	1,649	1,727	(3,346)	1,706
Total comprehensive income (loss)	2,036	1,930	2,300	(4,113)	2,153
Less: comprehensive income attributable to noncontrolling interests	—	—	117	—	117
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	$ 2,036	$1,930	$ 2,183	$ (4,113)	$ 2,036

The following table presents the condensed consolidating comprehensive income statement information for the six months ended June 30, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 244	$ 199	$ 444	$ (566)	$ 321
Other comprehensive income (loss):					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(1,396)	(1,363)	(1,429)	2,755	(1,433)
Net unrealized gains (losses) on other-than-temporarily impaired securities	52	52	52	(104)	52
Derivatives qualifying as hedges	(328)	(328)	(340)	668	(328)
Foreign currency translation and other adjustments	(388)	(358)	(456)	745	(457)
Total other comprehensive income (loss)	(2,060)	(1,997)	(2,173)	4,064	(2,166)
Total comprehensive income (loss)	(1,816)	(1,798)	(1,729)	3,498	(1,845)
Less: comprehensive income attributable to noncontrolling interests	—	—	(29)	—	(29)
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	$ (1,816)	$(1,798)	$ (1,700)	$ 3,498	$ (1,816)

Table of Contents

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating cash flow statement information for the six months ended June 30, 2014:

	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 360	$ 281	$ 573	$ (767)	$ 447
Adjustments to reconcile net income to net cash from operating activities:					
Equity in income from subsidiaries	(375)	(396)	—	771	—
Dividends from subsidiaries	—	563	(563)	—	—
Amortization of fixed maturity discounts and premiums and limited partnerships	—	—	(69)	—	(69)
Net investment losses (gains)	—	9	(26)	—	(17)
Charges assessed to policyholders	—	—	(376)	—	(376)
Acquisition costs deferred	—	—	(239)	—	(239)
Amortization of deferred acquisition costs and intangibles	—	—	272	—	272
Deferred income taxes	10	(117)	139	(4)	28
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	—	—	79	—	79
Stock-based compensation expense	10	—	5	—	15
Change in certain assets and liabilities:					
Accrued investment income and other assets	(3)	59	(148)	—	(92)
Insurance reserves	—	—	1,102	—	1,102
Current tax liabilities	(12)	(19)	(133)	—	(164)
Other liabilities and other policy-related balances	13	27	(448)	—	(408)
Net cash from operating activities	3	407	168	—	578
Cash flows from investing activities:					
Proceeds from maturities and repayments of investments:					
Fixed maturity securities	—	—	2,568	—	2,568
Commercial mortgage loans	—	—	262	—	262
Restricted commercial mortgage loans related to securitization entities	—	—	17	—	17
Proceeds from sales of investments:					
Fixed maturity and equity securities	—	—	1,256	—	1,256
Purchases and originations of investments:					
Fixed maturity and equity securities	—	—	(4,873)	—	(4,873)
Commercial mortgage loans	—	—	(347)	—	(347)
Other invested assets, net	—	—	175	—	175
Policy loans, net	—	—	4	—	4
Intercompany notes receivable	8	(12)	28	(24)	—
Capital contributions to subsidiaries	(12)	—	12	—	—
Net cash from investing activities	(4)	(12)	(898)	(24)	(938)
Cash flows from financing activities:					
Deposits to universal life and investment contracts	—	—	1,548	—	1,548
Withdrawals from universal life and investment contracts	—	—	(1,270)	—	(1,270)
Redemption and repurchase of non-recourse funding obligations	—	—	(14)	—	(14)
Proceeds from the issuance of long-term debt	—	—	144	—	144
Repayment and repurchase of long-term debt	—	(485)	(136)	—	(621)
Repayment of borrowings related to securitization entities	—	—	(17)	—	(17)
Proceeds from sale of subsidiary shares to noncontrolling interests	—	—	519	—	519
Dividends paid to noncontrolling interests	—	—	(27)	—	(27)
Proceeds from intercompany notes payable	3	(35)	8	24	—
Other, net	(2)	(21)	(9)	—	(32)
Net cash from financing activities	1	(541)	746	24	230
Effect of exchange rate changes on cash and cash equivalents	—	—	54	—	54
Net change in cash and cash equivalents	—	(146)	70	—	(76)
Cash and cash equivalents at beginning of period	—	1,219	2,995	—	4,214
Cash and cash equivalents at end of period	$ —	$1,073	$ 3,065	$ —	$ 4,138

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating cash flow statement information for the six months ended June 30, 2013:

	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 244	$ 199	$ 444	$ (566)	$ 321
Less loss from discontinued operations, net of taxes	—	14	—	—	14
Adjustments to reconcile net income to net cash from operating activities:					
Equity in income from subsidiaries	(250)	(316)	—	566	—
Dividends from subsidiaries	135	150	(285)	—	—
Amortization of fixed maturity discounts and premiums and limited partnerships	—	—	(40)	—	(40)
Net investment losses (gains)	—	(3)	43	—	40
Charges assessed to policyholders	—	(3)	(401)	—	(404)
Acquisition costs deferred	—	—	(212)	—	(212)
Amortization of deferred acquisition costs and intangibles	—	—	259	—	259
Deferred income taxes	(3)	(46)	(164)	—	(213)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	—	—	35	—	35
Stock-based compensation expense	11	—	6	—	17
Change in certain assets and liabilities:					
Accrued investment income and other assets	(1)	68	(46)	—	21
Insurance reserves	—	—	1,183	—	1,183
Current tax liabilities	—	(7)	267	—	260
Other liabilities and other policy-related balances	(4)	26	(660)	—	(638)
Cash from operating activities—discontinued operations	—	(14)	17	—	3
Net cash from operating activities	132	68	446	—	646
Cash flows from investing activities:					
Proceeds from maturities and repayments of investments:					
Fixed maturity securities	—	—	2,820	—	2,820
Commercial mortgage loans	—	—	474	—	474
Restricted commercial mortgage loans related to securitization entities	—	—	31	—	31
Proceeds from sales of investments:					
Fixed maturity and equity securities	—	—	2,245	—	2,245
Purchases and originations of investments:					
Fixed maturity and equity securities	—	—	(4,558)	—	(4,558)
Commercial mortgage loans	—	—	(431)	—	(431)
Other invested assets, net	—	—	113	—	113
Policy loans, net	—	—	(1)	—	(1)
Intercompany notes receivable	(1)	15	30	(44)	—
Capital contributions to subsidiaries	(131)	(1)	132	—	—
Proceeds from sale of a subsidiary, net of cash transferred	—	—	25	—	25
Cash from investing activities—discontinued operations	—	—	—	—	—
Net cash from investing activities	(132)	14	880	(44)	718
Cash flows from financing activities:					
Deposits to universal life and investment contracts	—	—	920	—	920
Withdrawals from universal life and investment contracts	—	—	(2,059)	—	(2,059)
Redemption and repurchase of non-recourse funding obligations	—	—	(12)	—	(12)
Repayment and repurchase of long-term debt	—	(15)	—	—	(15)
Repayment of borrowings related to securitization entities	—	—	(32)	—	(32)
Repurchase of subsidiary shares	—	—	(21)	—	(21)
Dividends paid to noncontrolling interests	—	—	(26)	—	(26)
Proceeds from intercompany notes payable	—	(30)	(14)	44	—
Other, net	—	(24)	7	—	(17)
Cash from financing activities—discontinued operations	—	—	—	—	—
Net cash from financing activities	—	(69)	(1,237)	44	(1,262)
Effect of exchange rate changes on cash and cash equivalents	—	—	(118)	—	(118)
Net change in cash and cash equivalents	—	13	(29)	—	(16)
Cash and cash equivalents at beginning of period	—	843	2,810	—	3,653
Cash and cash equivalents at end of period	—	856	2,781	—	3,637
Less cash and cash equivalents of discontinued operations at end of period	—	—	24	—	24
Cash and cash equivalents of continuing operations at end of period	$ —	$ 856	$ 2,757	$ —	$ 3,613

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Our insurance company subsidiaries are restricted by state and foreign laws and regulations as to the amount of dividends they may pay to their parent without regulatory approval in any year, the purpose of which is to protect affected insurance policyholders and contractholders, not stockholders. Any dividends in excess of limits are deemed "extraordinary" and require approval. Based on estimated statutory results as of December 31, 2013, in accordance with applicable dividend restrictions, our subsidiaries could pay dividends of approximately $1.0 billion to us in 2014 without obtaining regulatory approval, and the remaining net assets are considered restricted. While the $1.0 billion is unrestricted, we do not expect our insurance subsidiaries to pay dividends to us in 2014 at this level as they retain capital for growth and to meet capital requirements and desired thresholds. As of June 30, 2014, both Genworth Financial's and Genworth Holdings' subsidiaries had restricted net assets of $15.2 billion.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included herein and with our 2013 Annual Report on Form 10-K.

Cautionary note regarding forward-looking statements

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expects," "intends," "anticipates," "plans," "believes," "seeks," "estimates," "will" or words of similar meaning and include, but are not limited to, statements regarding the outlook for our future business and financial performance. Forward-looking statements are based on management's current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially due to global political, economic, business, competitive, market, regulatory and other factors and risks, including, but not limited to, the following:

- *Risks relating to our businesses*, including downturns and volatility in global economies and equity and credit markets; downgrades or potential downgrades in our financial strength or credit ratings; interest rate fluctuations and levels; adverse capital and credit market conditions; the valuation of fixed maturity, equity and trading securities; defaults or other events impacting the value of our fixed maturity securities portfolio; defaults on our commercial mortgage loans or the mortgage loans underlying our investments in commercial mortgage-backed securities and volatility in performance; availability, affordability and adequacy of reinsurance; defaults by counterparties to reinsurance arrangements or derivative instruments; an adverse change in risk-based capital and other regulatory requirements; insufficiency of reserves and required increases to reserve liabilities; legal and regulatory constraints on dividend distributions by our subsidiaries; competition, including from government-owned and government-sponsored enterprises ("GSEs") offering mortgage insurance; loss of key distribution partners; regulatory restrictions on our operations and changes in applicable laws and regulations; legal or regulatory investigations or actions; the failure of or any compromise of the security of our computer systems and confidential information contained therein; the occurrence of natural or man-made disasters or a pandemic; the effect of the Dodd-Frank Wall Street Reform and Consumer Protection Act; ineffective or inadequate risk management program; changes in accounting and reporting standards; goodwill impairments; impairments of or valuation allowances against our deferred tax assets; significant deviations from our assumptions in our insurance policies and annuity contracts; accelerated amortization of deferred acquisition costs and present value of future profits; ability to increase premiums on in-force and future long-term care insurance products, including any current rate actions and any future rate actions; the failure of demand for life insurance, long-term care insurance and fixed annuity products to increase; medical advances, such as genetic research and diagnostic imaging, and related legislation; ability to continue to implement actions to mitigate the impact of statutory reserve requirements; political and economic instability or changes in government policies; fluctuations in foreign currency exchange rates and international securities markets; the significant portion of our international mortgage insurance risk in-force with high loan-to-value ratios; increases in U.S. mortgage insurance default rates; failure to meet, or have waived to the extent needed, our U.S. mortgage insurance subsidiaries' minimum statutory capital requirements and hazardous financial condition standards; the influence of Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and a small number of large mortgage lenders and investors and changes to the role or structure of Fannie Mae and Freddie Mac; failure to meet the revised GSE eligibility standards (the "MI Eligibility Standards") or the capital required to meet the revised standards may be higher than anticipated; ability to realize the benefits of our rescissions and curtailments; the extent to which loan modifications and other similar programs may provide benefits to us; deterioration in economic conditions or a decline in home prices in the United States; problems associated with foreclosure process defects in the United States that may defer claim payments; decreases in the volume of high loan-to-value mortgage originations or increases in mortgage insurance cancellations in the United States; increases in the use of alternatives to private mortgage insurance in the United States and reductions by lenders in the level of coverage they select; the impact of the use of reinsurance with reinsurance companies affiliated with our U.S. mortgage lending customers; and potential liabilities in connection with our U.S. contract underwriting services;

- *Other risks*, including the risk that the anticipated benefits of the announced expense reduction are not realized and we may lose key personnel related to actions like this as well as general uncertainty in the timing of our turnaround; the possibility that in certain circumstances we will be obligated to make payments to General Electric Company ("GE") under the tax matters agreement with GE even if our corresponding tax savings are never realized and payments could be accelerated in the event of certain changes in control; and provisions of our certificate of incorporation and bylaws and the tax matters agreement with GE may discourage takeover attempts and business combinations that stockholders might consider in their best interests; and
- *Risks relating to our common stock,* including the suspension of dividends and stock price fluctuations.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Overview

Our business

We are a leading financial services company dedicated to providing insurance, investment and financial solutions to our customers, with a presence in more than 25 countries. We operate through three divisions: U.S. Life Insurance, Global Mortgage Insurance and Corporate and Other. Under these divisions, there are five operating business segments. The U.S. Life Insurance Division includes the U.S. Life Insurance segment. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The Corporate and Other Division includes the International Protection and Runoff segments and Corporate and Other activities. We have the following operating segments:

- ***U.S. Life Insurance.*** We offer and manage a variety of insurance and fixed annuity products in the United States. Our primary products include life insurance, long-term care insurance and fixed annuities.
- ***International Mortgage Insurance.*** We are a leading provider of mortgage insurance products and related services in Canada and Australia and also participate in select European and other countries. Our products predominantly insure prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We also selectively provide mortgage insurance on a structured, or bulk, basis that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- ***U.S. Mortgage Insurance.*** In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We selectively provide mortgage insurance on a bulk basis with essentially all of our bulk writings prime-based. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- ***International Protection.*** We are a leading provider of payment protection coverages (referred to as lifestyle protection) in multiple European countries and have operations in select other countries. Our lifestyle protection insurance products primarily help consumers meet specified payment obligations should they become unable to pay due to accident, illness, involuntary unemployment, disability or death.

- ***Runoff.*** The Runoff segment includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of funding agreements, funding agreements backing notes ("FABNs") and guaranteed investment contracts ("GICs"). In January 2011, we discontinued new sales of retail and group variable annuities while continuing to service our existing blocks of business.

We also have Corporate and Other activities which include debt financing expenses that are incurred at Genworth Holdings, Inc. ("Genworth Holdings") level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other non-core businesses that are managed outside of our operating segments, including discontinued operations.

Business trends and conditions

Our business is, and we expect will continue to be, influenced by a number of industry-wide and product-specific trends and conditions.

General conditions and trends affecting our businesses

Financial and economic environment. The stability of both the financial markets and global economies in which we operate impacts the sales, revenue growth and profitability trends of our businesses. While equity and credit markets generally improved during 2013, credit market volatility continued into the first half of 2014 and credit spreads continued to further compress during the first half of 2014. Although the U.S. and several international financial markets experienced improvement during 2013 and into the first half of 2014, there are still concerns regarding global economies and the rate and strength of recovery, particularly given recent geographical events in Eastern Europe and the Middle East.

The U.S. housing market showed signs of recovery during 2012 and 2013 with home prices rising in a number of regions and cities, but ongoing weakness in the U.S. economy continued to impact the rate of recovery. Unemployment and underemployment levels in the United States remained elevated in 2013. The June 2014 unemployment rate in the United States declined from the March 2014 and December 2013 unemployment rates. We expect unemployment and underemployment levels in the United States to remain elevated relative to those levels prevailing before 2009 and gradually decrease over time. In Canada, stable economic conditions have persisted with housing affordability benefiting from low interest rates and employment growth and average home prices increased modestly during 2013 and into the first half of 2014. While the unemployment rate in Canada decreased slightly during 2013 and into the first quarter of 2014, it increased slightly during the second quarter of 2014 but remained near its lowest level since December 2008. In Australia, the overall housing market generally improved as modest economic growth and low interest rates persisted, coupled with average home prices increasing across most regions during 2013 and into the first half of 2014. Unemployment in Australia increased slightly during 2013, remaining close to its highest level in three years. It remained consistent through March 2014 and increased in June 2014. The Chinese economy had experienced significant growth over the past decade. This growth slowed during 2013 and into the first half of 2014 and the new Chinese administration began to implement economic and credit market reforms. Gross domestic product growth in China in 2013 and the first half of 2014 was close to that of 2012, but significantly lower from growth over the last decade even with improvement in the second quarter of 2014. Given the relative size of the Chinese economy, the impact of a significant change in the pace of economic expansion in China could impact global economies, partly as a result of lower commodity imports, particularly those from the Asia Pacific region, including Australia. Europe remained a challenging region with slow growth or a declining economic environment with lower lending activity and reduced consumer spending, particularly in Greece, Spain, Portugal, Ireland and Italy, in part as a result of actual or anticipated austerity measures, but certain areas within Europe have shown a modest level of improvement during the second half of 2013 and into the first half of 2014. See "—Trends and conditions affecting our segments" below for a discussion regarding the impacts the financial markets and global economies have on our businesses.

Slow or varied levels of economic growth, coupled with uncertain financial markets and economic outlooks, changes in government policy, regulatory reforms and other changes in market conditions, influenced, and we believe will continue to influence, investment and spending decisions by consumers and businesses as they adjust their consumption, debt, capital and risk profiles in response to these conditions. These trends change as investor confidence in the markets and the outlook for some consumers and businesses shift. As a result, our sales, revenues and profitability trends of certain insurance and investment products have been and could be further impacted negatively or positively going forward. In particular, factors such as government spending, monetary policies, the volatility and strength of the capital markets, anticipated tax policy changes and the impact of global financial regulation reform will continue to affect economic and business outlooks and consumer behaviors moving forward.

The U.S. and international governments, Federal Reserve, other central banks and other legislative and regulatory bodies have taken certain actions to support the economy and capital markets, influence interest rates, influence housing markets and mortgage servicing and provide liquidity to promote economic growth. These include various mortgage restructuring programs implemented or under consideration by the GSEs, lenders, servicers and the U.S. government. Outside of the United States, various governments and central banks have taken and continue to take actions to stimulate economies, stabilize financial systems and improve market liquidity. In aggregate, these actions had a positive effect in the short term on these countries and their markets; however, there can be no assurance as to the future level of impact these types of actions may have on the economic and financial markets, including levels of volatility. A delayed economic recovery period, a U.S. or global recession or regional or global financial crisis could materially and adversely affect our business, financial condition and results of operations.

We manage our product offerings, liquidity, capital, investment and asset-liability management strategies to moderate risk especially during periods of strained economic and financial market conditions. In addition, we continue to review our product and distribution management strategies to align with our strengths, profitability targets and risk tolerance.

Credit and investment markets. The Federal Reserve continued to reduce its asset purchases to $35.0 billion per month in July, down $10.0 billion at each Federal Reserve meeting since December 2013 from the originally announced $85.0 billion per month, and could end its Long-Term Securities Asset Purchases Program by October 2014. Despite the Federal Reserve withdrawing stimulus and normalizing monetary policy, global interest rates continued to fall, driven primarily by mixed U.S. economic data, sluggish growth concerns and further easing measures initiated by the European Central Bank.

Credit spreads for most fixed income asset classes continued to compress further throughout the first half of 2014 driven by global liquidity and strong demand. The performance was further supported by stable credit fundamentals and demand for fixed income products. The environment of continued accommodative policy stance from global central banks, along with historic lows in rate and equity volatility was beneficial for riskier assets, despite certain geopolitical concerns.

We recorded net other-than-temporary impairments of $3 million during the six months ended June 30, 2014 compared to $17 million during the six months ended June 30, 2013. Impairments have decreased across all asset classes due to improving economic conditions. Declines in interest rates and credit spreads have increased the value of our investments and derivatives, resulting in increases in net unrealized investment gains on securities of $1,246 million and derivatives qualifying as hedges of $333 million in other comprehensive income (loss) for the six months ended June 30, 2014. Economic conditions will continue to impact the valuation of our investment portfolios and the amount of other-than-temporary impairments.

Looking ahead, while we view the current credit environment as stable and corporate defaults are expected to remain low, company-specific spread widening could occur given an environment in which companies are rewarded to increase debt and return funds to shareholders. In addition, uncertainty relating to developments in emerging markets could continue to result in spread volatility in emerging market bonds. We believe the current credit environment provides us with opportunities to invest across a variety of asset classes, but our returns will continue to be pressured because of low interest rates. The current environment will also provide opportunities to continue execution of various risk management disciplines involving further diversification within the investment portfolio. See "—Investments and Derivative Instruments" for additional information on our investment portfolio.

Trends and conditions affecting our segments

U.S. Life Insurance

Life insurance. Results of our life insurance business are impacted by sales, competitor actions, mortality, persistency, investment yields, expenses, reinsurance and statutory reserve requirements. Additionally, sales of our products and persistency of our insurance in-force are dependent on competitive product features and pricing, underwriting, distribution and customer service. Shifts in consumer demand, competitors' actions, relative pricing, return on capital or reinsurance decisions and other factors, such as regulatory matters affecting life insurance policy reserve levels, can also affect our sales levels.

In 2013, we experienced favorable mortality results in our universal life, term universal life and term life insurance products as compared to priced mortality assumptions. In the second quarter of 2014, we experienced improved mortality results for our universal life and term life insurance products compared to the first quarter of 2014. Mortality levels may deviate each period from historical trends. As our 15-year term life insurance policies written in 1999 and 2000 approach their post-level rate period, we have experienced lower persistency compared to pricing. Due to the relatively small number of policies currently approaching their post-level rate period and the small difference between actual and priced for persistency, the impact on our financial statements has not been material. As more policies approach their post-level rate period, we would expect amortization of deferred acquisition costs to accelerate and lower profitability in our term life insurance products if persistency is lower compared to pricing.

Life insurance sales increased 68% during the six months ended June 30, 2014 compared to the six months ended June 30, 2013 largely attributable to our term life insurance products. Sales of our term life insurance products increased from competitive pricing and improved service platforms. Sales levels were in line with expected results as the business is transitioning to a broader set of competitive permanent life product offerings, including indexed universal life and linked benefits, and growth in sales on these products is expected to continue.

Regulations XXX and AXXX require insurers to establish additional statutory reserves for term life insurance policies with long-term premium guarantees and for certain universal life insurance policies with secondary guarantees. This increases the capital required to write these products. We have committed funding sources for approximately 95% of our anticipated peak level reserves currently required under Regulations XXX and AXXX. The National Association of Insurance Commissioners ("NAIC") adopted revised statutory reserving requirements for new and in-force secondary guarantee universal life business subject to Actuarial Guideline 38 ("AG 38") provisions, which became effective December 31, 2012. These requirements reflected an agreement reached and developed by a NAIC Joint Working Group which included regulators from several states, including New York. The financial impact related to the revised statutory reserving requirements on our in-force reserves subject to the new guidance was not significant as of December 31, 2012. On September 11, 2013, the New York Department of Financial Services (the "NYDFS") announced that it no longer supported the agreement reached by the NAIC Working Group and that it would require New York licensed companies, including our New York domiciled insurance subsidiary, to use an alternative interpretation of AG 38 for universal life insurance products with secondary guarantees. We have been in discussions with the NYDFS about its alternative interpretation and recorded $80 million of additional statutory reserves as of December 31, 2013. We continue to work with the NYDFS to determine potential future impacts. The NYDFS has not finalized a permanent update to the regulation. Depending on the final regulation, our New York domiciled insurance subsidiary's statutory reserves could increase significantly over time.

Uncertainties associated with our continued use of U.S.-domiciled captive life reinsurance subsidiaries are primarily related to potential regulatory changes. During 2012, the NAIC began a review of the insurance industry's use of captive life reinsurance subsidiaries and is considering changes to its model regulations. We are currently unable to predict the ultimate outcome of the NAIC's review.

Although we do not believe it to be likely, and the conceptual framework currently being considered by the NAIC allows for their continued use, a potential outcome of the NAIC review is that the life insurance industry may be prohibited from continuing to use captive life reinsurance subsidiaries. The expected effect of such prohibition would depend on the specific changes to state regulations that are adopted as a result of the NAIC review, including whether current captive life reinsurance structures would be allowed to continue in existence or, if not, the method and timing of their dissolution, as well as the cost and availability of alternative financing. At this time, given the uncertainty around these matters, we are unable to estimate the expected effects on our consolidated operations and financial position of the discontinuance of the use of captive life reinsurance subsidiaries to finance statutory reserves subject to Regulations XXX and AXXX and AG 38 in the future. If we were to discontinue our use of captive life reinsurance subsidiaries to finance statutory reserves in response to regulatory changes on a prospective basis, the reasonably likely impact would be increased costs related to alternative financing, such as third-party reinsurance, and potential reductions in or discontinuance of new term life or universal life with secondary guarantees insurance sales, all of which would adversely impact our consolidated results of operations and financial condition. In addition, we cannot be certain that affordable alternative financing would be available.

Long-term care insurance. Results of our long-term care insurance business are influenced by sales, competitor actions, morbidity, mortality, persistency, investment yields, expenses, changes in regulations and reinsurance. Additionally, sales of our products are impacted by the relative competitiveness of our offerings based on product features, pricing and commission levels, including the impact of in-force rate actions on distribution and consumer demand. Changes in regulations or government programs, including long-term care insurance rate action legislation, could impact our long-term care insurance business positively or negatively.

During the second quarter of 2014, we experienced meaningful increases in adverse claims experience for our long-term care insurance products, resulting in significant deterioration in operating income. The adverse claims experience in the second quarter of 2014 was due primarily to higher severity on both new and existing claims compared to the first quarter of 2014 and the second quarter of 2013, as well as an increase in new claims compared to the second quarter of 2013. As a result of recent experience, and in connection with our regular review of claims reserve assumptions for our long-term care insurance products, we are conducting a comprehensive review of our long-term care insurance claim reserves. The primary areas of focus in this review are: (i) an analysis of potential causes of the meaningful increases in adverse claims experience and (ii) an assessment of the assumptions and methodology underlying the associated reserves, including morbidity, mortality, interest rates and claim terminations. We intend to complete this review before the release of financial results for the third quarter of 2014. We continue to believe that the existing assumptions and methodology provide the most reliable best estimate. However, given the review underway that will consider both long-term and recent experience, we will likely change some of our assumptions, which could increase our long-term care insurance claim reserves, and any increase may or may not be material.

The results in the second quarter of 2014 were impacted by higher incurred losses due to higher severity on new and existing claims as compared to the first quarter of 2014. While the number of new claims in the second quarter of 2014 was slightly lower than in the first quarter of 2014, the new claims had higher average claim reserves as a result of a shift to policies with higher daily benefits, as well as policies with lifetime benefits, for which claims are expected to be paid for a longer period of time. Severity of existing claims was also higher in the second quarter of 2014 compared to the first quarter of 2014 as fewer claims were closed during the second quarter of 2014, which contributed to higher paid claims and a higher ending claim reserve.

We expect to complete our 2014 annual U.S. GAAP margin analysis during the fourth quarter of 2014. Currently, the assumptions that have the most significant impact on our margins are morbidity, lapse rates, in-force rate increases and discount rate. To the extent we change some of our assumptions as part of the comprehensive review of our long-term care insurance claim reserves, these changes could have a significant impact on our margins on this business.

The annual loss ratios of our long-term care insurance business have ranged from 62% to 68% over the last five years and have been increasing over the past several years. We experience volatility in our loss ratios on a quarterly basis, which has produced loss ratios outside of the annual range, from period-to-period caused by variances in terminations, claim severity and changes in claim counts. Our rate actions may cause fluctuations in our loss ratios mainly when policyholders choose a reduced benefit option and reserves are adjusted during the period to reflect the policy modification. In addition, we evaluate claim reserves (including the underlying assumptions, e.g., morbidity) and refine our estimates from time to time which may also cause volatility in our operating results and loss ratios.

Our long-term care insurance sales decreased 42% during the six months ended June 30, 2014 compared to the six months ended June 30, 2013 and increased 18% in the second quarter of 2014 from the first quarter of 2014. The lower sales in part reflected changes to our ability to generate consumer leads through affinity relationships, including the fact that effective June 1, 2013, we no longer offer AARP-branded long-term care insurance products. We have also been affected by the long-term care insurance industry trends in sales which were down approximately 30% year over year as companies have introduced price increases and product changes coupled with consumer concern tied to industry rate actions. In 2013, we also took steps to improve our profit and risk profile with the introduction of a product that included gender distinct pricing for single applicants and blood and lab underwriting requirements for all applicants. That product has been launched and is currently being sold in 47 states. In addition, in the fourth quarter of 2013, we began filing for regulatory approval of a new product which gives consumers the flexibility to choose the right fit for their long-term care needs, combined with the simplicity of prepackaged benefits. As of June 30, 2014, this new product had been filed in 50 states and approved in 45 states, and was launched in 42 states on July 21, 2014. In support of these products, we are continuing to invest in distribution and marketing to increase long-term care insurance sales over time and expect to see some impact from these actions during the second half of 2014.

We also manage risk and limit capital allocated to our long-term care insurance business through utilization of internal and external reinsurance in the form of coinsurance. We have a portion of our long-term care insurance business reinsured internally by one of our Bermuda-domiciled captive life reinsurance subsidiaries. One of our strategic priorities is to repatriate our long-term care insurance business into our U.S.-domiciled life insurance company which we will likely complete in 2015. There will be no impact on our U.S. generally accepted accounting principles ("U.S. GAAP") consolidated results of operations and financial condition as the financial impact of this reinsurance eliminates in consolidation and we anticipate a modest impact on our U.S. life insurance company risk-based capital ratio. In the first quarter of 2014, we executed an external reinsurance agreement reinsuring 20% of all sales of the product introduced in early 2013. In July 2014, we executed an external reinsurance agreement reinsuring 20% of all sales of the product launched in July 2014. External new business reinsurance levels vary and are dependent on a number of factors, including price, risk tolerance and capital levels. Over time, there can be no assurance that affordable, or any, reinsurance will continue to be available.

As a result of ongoing challenges in our long-term care insurance business, we continue pursuing initiatives to improve the risk and profitability profile of our business including: price increases on our in-force liabilities; product refinements; changes to our current product offerings in certain states; investing in care coordination capabilities and service offerings; refining underwriting requirements; maintaining tight expense management; actively exploring additional reinsurance strategies; executing effective investment strategies; and considering other actions to improve the performance of the overall block. These efforts have included evaluating the need for future in-force premium rate increases on issued policies. In the third quarter of 2012, we initiated a round of long-term care insurance in-force premium rate increases with an expectation of achieving an average premium increase in excess of 50% on the older generation policies and an average premium increase in excess of 25% on an earlier series of new generation policies. Subject to regulatory approval, this premium rate increase is expected to generate approximately $250 million to $300 million of additional annual premiums when fully implemented over the next several years. We also expect our reserve levels, and thus our expected profitability, to be impacted by policyholder behavior which could include taking reduced benefits or non-forfeiture options within their policy coverage. The goal of our rate actions is to mitigate losses on the older generation products and help offset higher than priced-for loss ratios due to unfavorable business mix and lower lapse rates than expected on certain newer generation products which remain profitable but with returns lower than original expectations. As of June 30, 2014, this round of rate actions had been approved in 43 states. After refining our net premium projections, our revised estimate of the net premiums increase from these 43 state approvals is approximately $190 million to $200 million when fully implemented by 2017. In the third quarter of 2013, we began filing for regulatory approval for premium rate increases ranging between 6% and 13% on more than $800 million in annualized in-force premiums on another series of new generation policies. As of June 30, 2014, we have received approvals in 18 states. The premium rate increases on these policies will help offset higher than priced-for loss ratios, which have been caused by lower than anticipated lapse rates and improvements in life expectancy. The approval process of an in-force rate increase and the amount and timing of the rate increase approved varies by state. In certain states, the decision to approve or disapprove a rate increase can take several years. Upon approval, insureds are provided with written notice of the increase and increases are generally applied on the insured's policy anniversary date. Therefore, the benefits of any rate increase are not fully realized until the implementation cycle is complete.

Continued low interest rates have put pressure on the profitability and returns of our long-term care insurance business as higher yielding investments have matured and been replaced with lower yielding investments. We seek to manage the impact of low interest rates through asset-liability management combined with hedging strategies for our long-term care insurance product cash flows.

Fixed annuities. Results of our fixed annuities business are affected by investment performance, interest rate levels, slope of the interest rate yield curve, net interest spreads, equity market conditions, mortality, policyholder surrenders, expense and commission levels, new product sales, competitor actions and competitiveness of our offerings. Our competitive position within many of our distribution channels and our ability to grow this business depends on many factors, including product offerings and relative pricing.

In fixed annuities, sales may fluctuate as a result of consumer demand, competitor actions, changes in interest rates, credit spreads, relative pricing, return on capital decisions and our approach to managing risk. We monitor and change prices and crediting rates on fixed annuities to maintain spreads and targeted returns. We have targeted distributors and producers and maintained sales capabilities that align with our strategy. We expect to continue to manage these distribution relationships while selectively adding or shifting towards other product offerings, including fixed indexed annuities.

In December 2011, we introduced new fixed indexed annuities to our product offering. Equity market performance and volatility could result in additional gains or losses, although associated hedging activities are expected to mitigate these impacts.

Refinements of product offerings and related pricing, including ongoing evaluation of commission structures and changes in investment strategies, support our objective of achieving appropriate risk-adjusted returns. Sales of fixed annuities increased $630 million during the six months ended June 30, 2014 compared to the six months ended June 30, 2013. The increase in sales was a function of increased penetration in the indexed annuity market, higher overall interest rate environment in the current year compared to the first half of 2013, and relatively low sales in the first half of 2013 due to price competition.

International Mortgage Insurance

Results of our international mortgage insurance business are affected by changes in regulatory environments, employment levels, consumer borrowing behavior, lender mortgage-related strategies, including lender servicing practices, and other economic and housing market influences, including interest rate trends, home price appreciation or depreciation, mortgage origination volume, levels and aging of mortgage delinquencies and movements in foreign currency exchange rates.

Canada and Australia comprise approximately 98% of our international mortgage insurance primary risk in-force. These established markets will continue to be key drivers of revenues and earnings in our international mortgage insurance business. During 2013 and the first quarter of 2014, foreign currencies continued weakening against the U.S. dollar, which negatively impacted the underlying reported results of our international mortgage insurance business. However, during the second quarter of 2014, many foreign currencies, including the Canadian dollar and the Australian dollar strengthened relative to the U.S. dollar. Any future movement in foreign exchange rates could impact future results.

In Canada, stable economic conditions have persisted with housing affordability benefiting from low interest rates and employment growth. While the unemployment rate decreased slightly during 2013 and into the first quarter of 2014, it increased slightly during the second quarter of 2014 but remained near its lowest level since December 2008. We expect the unemployment rate to stay near current levels throughout 2014. Additionally, average home prices increased modestly during 2013 and into the first half of 2014 and we expect home prices to remain flat or increase modestly in 2014, as a balanced housing market persists. However, some market observers have expressed concerns about the strength of the Canadian housing market, and we will continue to closely monitor the market. The Bank of Canada has maintained the overnight rate at 1.0% during recent years and we expect this rate to be maintained at or near this level in 2014.

We believe the favorable macroeconomic factors in Canada are supportive of a relatively stable housing market, including the high loan-to-value mortgage market. Going forward, we expect the growth rate of the high loan-to-value market to keep pace with growth in the overall housing resale market and home price appreciation. We expect that the 2014 residential mortgage insurance premium opportunity for high loan-to-value mortgages will be modestly higher than in 2013, in line with the expected increase in housing resale activity and an increase in mortgage insurance premium rates by an average of 15%, which became effective May 1, 2014 for new business.

In the 2013 federal budget, the Canadian government proposed to gradually limit the insurance of low loan-to-value mortgages to only those mortgages that will be used in the Canada Mortgage and Housing Corporation (“CMHC”) securitization programs. In addition, the Canadian government intends to prohibit the use of any taxpayer-backed insured mortgage, both high and low loan-to-value, as collateral in securitization vehicles that are not sponsored by CMHC. We are in ongoing discussions with the Canadian government as it designs the structure to implement the proposed changes. It is difficult to determine the impact of the changes on the business until all the related legislation has been introduced. We anticipate the proposed changes will be implemented in 2014. Flow new insurance written in Canada in 2013 decreased modestly primarily due to a smaller mortgage origination market, particularly for high loan-to-value refinance transactions, as a result of recent revisions to mortgage insurance eligibility rules. During the second quarter of 2014, flow new insurance written increased compared to the first quarter of 2014 primarily from a harsh and prolonged winter that we believe delayed home sales in the first quarter of 2014. Flow new insurance written in the second quarter of 2014 was lower than the second quarter of 2013 primarily due to foreign exchange rate fluctuations. As our large 2007 and 2008 book years are mostly past their peak earnings period, earned premiums in Canada declined in 2013 and into the first half of 2014.

During 2013, losses in Canada decreased from previous levels as the total number of delinquencies and the proportion of new higher severity delinquencies declined, and we continued to realize benefits from our loss mitigation activities. Losses decreased sequentially during each of the four quarters of 2013 and into the first half of 2014 due to fewer new delinquencies as a result of strong credit quality of recent books and a stable economic environment, and a lower average reserve per delinquency due to a higher proportion of delinquencies in provinces where severity has been lower and home prices have appreciated.

In Australia, the overall economy continued to expand during 2013 and into the first half of 2014, though at a more modest pace than in prior years, with ongoing evidence of variation in economic activity across sectors and regions. At the same time, housing activity improved primarily from sustained low interest rates. The unemployment rate increased slightly during 2013, remaining close to its highest level in three years. It remained consistent through March 2014 and increased in June 2014. The unemployment rate is expected to increase modestly from current levels through 2014. The overall housing market in Australia improved during 2013 and through the first half of 2014. During 2013, average home prices improved across all regions and during the first half of 2014 grew at the highest rate since early 2010. We expect average national home prices to increase modestly throughout the remainder of 2014. During recent years, the Reserve Bank of Australia has gradually lowered the official cash rate to 2.50%, with the latest interest rate cut occurring in August 2013, as Australian and global economic conditions were somewhat weaker than expected. This historically low level of interest rates is now below the low point reached during the global financial crisis when rates were lowered to 3.00%. While we do not expect cash rates to be reduced significantly from the current level in 2014, the Reserve Bank of Australia has indicated that it will continue to monitor the outlook and adjust monetary policy as needed to support the broader economy.

Total mortgage market activity in Australia improved during 2013 as consumer confidence improved and affordability rose to its highest level in recent years. In the first half of 2014, although home price appreciation reduced housing affordability, demand for housing activity was driven by low interest rates, limited new supply and population growth. This growth was also reflected in the higher loan-to-value mortgage origination market, and has underpinned improving levels of flow new insurance written throughout 2013. Earned premiums in Australia increased during 2013 and the first half of 2014 (excluding foreign exchange impacts) as a result of higher written premiums and the seasoning of our in-force block of business.

The overall delinquency rate continued to decrease during 2013 and the first quarter of 2014, with an expected minor seasonal increase occurring in the second quarter of 2014. The level and number of paid claims in 2013 and the first half of 2014 continued to decline due to increased borrower sales activity as well as improved severity. Losses declined sequentially throughout 2013 driven by fewer claims paid, increased borrower sales activity and improved severity. During the second quarter of 2014, losses were lower compared to the second quarter of 2013 due to a strong housing market driven by lower interest rates and stable macroeconomic conditions.

On May 15, 2014, Genworth Mortgage Insurance Australia Limited ("Genworth Australia"), a holding company for Genworth's Australian mortgage insurance business, priced its initial public offering ("IPO") of 220,000,000 of its ordinary shares at an initial public offering price of AUD$2.65 per ordinary share. The offering closed on May 21, 2014. Following completion of the offering, Genworth Financial beneficially owns 66.2% of the ordinary shares of Genworth Australia.

The overall economic environment in Europe began recovering in the second quarter of 2013 and is expected to continue to improve in 2014, but remains fragile. As a result of the lingering economic recession, we have seen an elevated number of delinquencies and lower cures, most notably in Ireland, contributing to losses in our European mortgage insurance business. In Ireland, we experienced increased delinquencies and reserves at the beginning of 2013 but more recently have observed a moderate improvement primarily driven by our loss mitigation efforts and lower number of new delinquencies. In the fourth quarter of 2013, lender settlements, primarily in Ireland, reduced delinquencies by approximately 2,400 and the outstanding risk in-force in Ireland by approximately 50%. For the remainder of 2014, we expect to continue our strategy of only writing new business in Italy, Finland, Germany and the United Kingdom.

U.S. Mortgage Insurance

Results of our U.S. mortgage insurance business are affected by the following factors: competitor actions; unemployment; underemployment; other economic and housing market trends, including interest rates, home prices, mortgage origination volume mix and practices; the levels and aging of mortgage delinquencies, which may be affected by seasonal variations, the inventory of unsold homes, lender modification and other servicing efforts; and resolution of pending or any future litigation among other items. The impact of prior years' weakness and uncertainty in the domestic economy, related levels of unemployment and underemployment and resulting increase in foreclosures, the number of borrowers seeking loan modifications and the level of housing inventories with the related impact on home values, all combined to contribute adversely to the performance of our insured portfolio relating to our 2005 through 2008 book years. Going forward, we expect moderate economic growth characterized by ongoing modest improvement in home values coupled with an expectation that unemployment and underemployment levels will continue to gradually decrease over time. Our profitability expectations are subject to the continued recovery of the U.S. housing market, the extent of seasonality that has been historically experienced in the second half of the year, and certain other items such as the cost of resolution of pending litigation.

Prior to 2012, the convergence of a weak housing market, tightened lending standards, the lack of consumer confidence and the lack of liquidity in some mortgage securitization markets, along with volatility in mortgage interest rates, came together to drive a smaller mortgage origination market. During this same period, the private mortgage insurance penetration rate was driven down by growth in the Federal Housing Administration (“FHA”) originations, associated with multiple pricing, underwriting and loan size factors, and the negative impact of GSE guarantee fees and loan level pricing which made private mortgage insurance solutions less competitive with FHA solutions. Driven by lower interest rates and a strong refinancing market, the mortgage originations market recovered and strengthened during 2012 and 2013. During this same period, the private mortgage insurance industry saw its market penetration rate improve as the private mortgage insurance industry became more competitive versus the FHA alternative driven in part by FHA price, risk management and cancelability actions. In the first quarter of 2014, mortgage originations were lower than those in the prior quarter as a result of expected seasonal trends, lower refinance activity and adverse weather conditions throughout much of the United States, while the private mortgage insurance penetration rate was flat quarter over quarter. In the second quarter, the mortgage originations market rebounded due to expected seasonal improvement and from the weather related lows experienced in the first quarter. Purchase originations, which grew faster than refinancing activities over this same period, drove an increase in the private mortgage insurance penetration rate from the prior quarter. As the mortgage originations market moves from a higher level of refinancing activities to that of a higher purchase origination market, we continue to believe the private mortgage insurance industry is likely to regain market share over time absent any other market forces. While tightened credit standards for mortgage originations remain in place, we are seeing a modest easing of lender credit policy standards for loans that fall within our own credit guidelines. In December 2013, the acting director of the Federal Housing Finance Agency (“FHFA”) published a proposal to increase GSE loan fees. In January 2014, the newly appointed director of the FHFA suspended implementation of the proposed increases. FHFA subsequently published a request for input on a series of questions related to GSE fee policy and implementation. Responses to the request are due August 4, 2014. Changes to the existing GSE fees could have an impact on mortgage originations and on the competitiveness of private mortgage insurance versus that of FHA insurance.

In late 2013, we announced reduced pricing and expanded underwriting guidelines that are more in line with industry prices and guideline standards, which we believe over time will increase our competitiveness in the mortgage insurance market while maintaining what we believe will be a profitable book of business. As a result, our U.S. mortgage insurance market share in the second quarter of 2014 is up slightly compared with the first quarter of 2014 driven in part by the impact of favorable pricing over prior periods and our differentiated service offering. Our recent principal sources of competition include other private mortgage guaranty insurers, but we cannot predict the impact on our business of the change in the mix of private mortgage guaranty insurer competition following the financial crisis when certain legacy competitors ceased writing new business while other new entrants began writing business in recent periods. Even though home affordability is above historical levels in certain regions of the United States, an ongoing rise in interest rates may slow the housing recovery. Conversely, rising interest rates and resulting slowing down of refinance activity levels improves the persistency levels of our insured portfolio as fewer loans pay off and corresponding mortgage insurance coverage remains in force. Meanwhile, we continue to manage the quality of new business through prudent underwriting guidelines, which we modify from time to time when circumstances warrant in a manner we expect will limit the amount of coverage we write on riskier loans. As of June 30, 2014, loans modified through the Home Affordable Refinance

Program (“HARP”), accounted for approximately $0.4 billion of insurance in the second quarter of 2014, and approximately $19.2 billion of insurance for the ever to-date period through June 30, 2014. For financial reporting purposes, we report HARP modified loans as a modification of the coverage on existing insurance in-force rather than new insurance written. Loans modified through HARP have extended amortization periods and reduced interest rates, which reduce borrower’s monthly payments. Over time, these modified loans are expected to result in extended premium streams and a lower incidence of default. The government has recently extended HARP through the year ending December 31, 2016.

In June 2013, the FHFA announced strategic priorities for the GSEs and indicated that there could be changes to the guidelines contained within the private mortgage insurer eligibility requirements (the “PMIERs”). On July 10, 2014, at the direction of the FHFA each GSE released publicly a draft of their respective revised PMIERs. These guidelines, as drafted, contemplate an effective date for compliance 180 days after the final publication date, which final publication is anticipated to be on or about year-end 2014. In addition, the guidelines permit a transition period, subject to GSE approval, of two years from the publication date to meet the required capital levels. We will provide comments, which are due September 8, 2014, pursuant to the request for input and we will continue to work with the FHFA and GSEs over the 60-day public comment period in an effort to make appropriate refinements before the new guidelines are finalized.

The FHFA and the GSEs have stated that the revised PMIERs are primarily intended to strengthen counterparty operational and financial requirements for qualified mortgage insurers. More specifically, these guidelines establish performance monitoring policies and procedures as well as define claim remediation options for mortgage insurers. The operational requirements contained within the revised guidelines update existing requirements regarding operational standards and practices and impose strict control over master policy terms, claims processing routines and claim loss mitigation activities. There is also a strong focus within the operational requirements guidelines on mortgage insurers quality control requirements and lender/servicer performance monitoring practices. In addition, the requirements include an operational scorecard reporting mechanism. The revised financial requirements within the guidelines include the establishment of a new risk-based sources and uses capital adequacy test for qualified mortgage insurers, which includes a minimum available asset requirement of $400 million and a risk-based required available asset amount of not less that 5.6% of a qualified insurer’s performing risk in-force. Asset restrictions within the guidelines limit available assets to highly liquid securities, including cash, bonds and publicly traded common and preferred stock, which are to be recorded as available assets at market capitalization value discounted by 25%. Capital requirements within the guidelines also vary by the attributes associated with the underlying insured loans. For example, capital requirements are higher for a non-performing insured in-force portfolio or one comprised of lower credit quality insured loans, such as those with low Fair Isaac Company credit scores or higher loan-to-value attributes. Conversely, capital requirements within the guidelines are lower for a performing in-force portfolio or a portfolio comprised of loans with higher credit quality attributes.

Based on our current views of the U.S. housing market, expected earnings and capital generation from our U.S. mortgage insurance business, anticipated prepayment of our in-force portfolio in the ordinary course, the amount and loan characteristics of new U.S. mortgage insurance business anticipated to be written and the $300 million contributed in the second quarter of 2014, which had been previously set aside, our preliminary estimate of the additional capital required to be fully compliant, assuming an effective date of June 30, 2015, will be between $450 million to $550 million and will decrease to less than $175 million by December 31, 2016. We have a variety of capital resources that could be utilized to satisfy capital requirements, and initially intend to utilize reinsurance transactions, and if needed, cash available at the holding company, which includes the proceeds of the completed Australian IPO, to fund them. Other potential sources include, but are not limited to, continued earnings from the business, available deferred tax assets, and proceeds from the issuance of securities at Genworth Financial or Genworth Holdings.

It is our intent that our U.S. mortgage insurance business will meet the additional capital requirements contained within the guidelines of the revised PMIERs by the anticipated effective date of June 30, 2015, depending upon the availability of the capital and reinsurance markets, the performance of our businesses and absent any unforeseen developments. We will seek to utilize the transition period as approved by the FHFA and

GSEs if we do not comply by the anticipated effective date. We believe that our U.S. mortgage insurance business is well positioned to meet the draft version of the operational and financial requirements contained in the revised guidelines within the prescribed transition period and expect the business to maintain its strong presence in the private mortgage insurance market.

In December 2013, Genworth Holdings issued $400 million of senior notes in anticipation of increased capital requirements then expected to be imposed by the GSEs in connection with their revised PMIERs. Following the issuance of the senior notes in December 2013, Genworth Financial contributed $100 million of the proceeds to Genworth Mortgage Insurance Corporation ("GEMICO"), our primary U.S. mortgage insurance subsidiary, with an additional $300 million contributed to Genworth Mortgage Holdings, LLC, a U.S. mortgage holding company. In advance of the release of the draft PMIERs, in May 2014, we contributed the $300 million that was being held at the U.S. mortgage holding company to GEMICO.

As of June 30, 2014, reflecting the favorable impact of the above-referenced $300 million capital contribution in May 2014, GEMICO's risk-to-capital ratio under the current regulatory framework as established under North Carolina law and enforced by the North Carolina Department of Insurance ("NCDOI"), GEMICO's domestic insurance regulator, was approximately 14.0:1, compared with a risk-to-capital ratio of approximately 18.4:1 as of March 31, 2014. This risk-to-capital ratio remains below the NCDOI's maximum risk-to-capital ratio of 25:1. The NCDOI's current regulatory framework by which GEMICO's risk-to-capital ratio is calculated differs from the draft capital requirement methodology that is intended to be effective under the new PMIERs once those new regulations are implemented. GEMICO's ongoing risk-to-capital ratio will depend principally on the magnitude of future losses incurred by GEMICO, the effectiveness of ongoing loss mitigation activities, new business volume and profitability, as well as the amount of policy lapses and the amount of additional capital that is generated within the business or capital support (if any) that we provide. Our estimate of the amount and timing of future losses is inherently uncertain, requires significant judgment and may change significantly over time.

The NAIC is reviewing the current Mortgage Guaranty Model Act, including minimum capital and surplus requirements for mortgage insurers through the Mortgage Guaranty Insurance Working Group (the "MGIWG"). The MGIWG has not established a date by which it must make proposals to change such requirements. However, as we learn more specific information about these NAIC activities, we continue to assess the potential impact, if any, that these new requirements may have on our U.S. mortgage insurance business and evaluate the options potentially available to meet any legislative or regulatory measures adopted as a result of the NAIC recommendations.

Effective July 2013, Fannie Mae no longer purchases loans with down payments of less than 5% (subject to certain limited exceptions). Freddie Mac has had a similar policy in place since June 2011. We believe this will limit the demand for private mortgage insurance on loans with down payments below 5%. In addition, FHFA issued for comment a proposal to reduce GSE loan limits. Comments on that proposal were due in March 2014 and the FHFA has not yet issued a final determination. If implemented, these actions could also limit demand for mortgage loans with private mortgage insurance coverage. In August 2013, U.S. federal regulators issued a notice of revised proposed rules to implement the credit risk retention provision under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The revised rules propose to define "qualified residential mortgages" to include low-down-payment mortgage loans, which is consistent with the definition of "qualified mortgages" that is already adopted by the Consumer Financial Protection Bureau ("CFPB"). If finalized, this rule would have the effect of including many low-down-payment mortgage loans within the definition of qualified residential mortgage, which could increase the demand for mortgage loans with private mortgage insurance coverage. We also continue to believe that the mortgage insurance industry level of market penetration and eventual market size will continue to be affected by any actions taken by the GSEs, the FHA or the U.S. government impacting housing or housing finance policy, underwriting standards, loan limits or related reforms.

While we continue to experience an ongoing decrease in the level of new delinquencies, the performance of our portfolio continues to be adversely affected by our 2005 through 2008 book years, although we believe these loans peaked in their delinquency development during the first quarter of 2010. While this amount has declined from prior years, delinquencies for these book years continue as the principal source of new delinquencies reported to us. Beginning in mid-2010, we saw an increase in foreclosure starts as well as an increase in our paid claims as late stage delinquency loans go through foreclosure. While foreclosure starts continue at a pace higher than foreclosure start levels in periods before mid-2010, we are seeing a decline in the number of foreclosure starts currently, which we believe is in part a result of the implementation of a new CFPB mortgage servicing rule (the "CFPB Rule") that requires lenders and servicers to defer foreclosure starts until a borrower is at least 120-days delinquent to permit possible loan modification or workout solutions. We believe the deferral of the foreclosure start date, coupled with the CFPB Rule's early intervention provisions that require a lender or servicer to utilize good faith efforts to establish live contact with delinquent borrowers and provide written notice of available loss mitigation options, may result in additional loan workout or modification solutions that would ultimately reduce the number of foreclosure actions from these early stage delinquencies. This decrease in the number of foreclosure starts, along with the declining rate at which foreclosures are initiated, were consistent with the current lower level of early stage or pre-foreclosure delinquencies within our delinquency inventory. In addition, we saw differences in performance among loan servicers regarding the ability to modify loans and avoid foreclosure. Moreover, a lengthening of the foreclosure process itself particularly in judicial foreclosure states has led to increased claims expense relative to foreclosures conducted in the pre-financial crisis environment. Depending on how experience evolves, we may need to adjust our reserve frequency or severity assumptions which could either increase or decrease reserves over time as experience from these programs emerges.

Expanded efforts in the mortgage servicing market to modify loans and improved performance of our 2009 through 2013 book years compared with the performance of prior book years, coupled with the diminished impact of our 2005 through 2008 book years as those loans are resolved, resulted in continued reductions in overall delinquency levels through 2013 and through the first half of 2014. As the aging of delinquencies continued to increase through the first half of 2014, loan modification efforts have continued to remain more difficult to complete. Both foreclosures and liquidations remained elevated through the same period, thereby resulting in ongoing elevated levels of loss reserves and claims. We believe that the ability to cure delinquent loans is dependent upon such things as employment levels, home values and mortgage interest rates. In addition, while we continue to execute on our loan modification strategy, which cures the underlying delinquencies and improves the ability of borrowers to meet the debt service on the mortgage loans going forward, we have seen the level of ongoing loan modification actions moderating during 2011 through the first half of 2014 compared with the levels we experienced during preceding periods. We expect our level of loan modifications to continue to decline going forward in line with the expected reduction in delinquent loans and because of the continuing aging of delinquencies. However, we further expect the rate at which we modify delinquent loans to remain steady as new programs take effect and the overall economy continues improving over time.

Our loss mitigation activities, including those relating to workouts, loan modifications, pre-sales, rescissions, claims administration (including curtailment of claim amounts) and targeted settlements, net of reinstatements or adjustments, resulted in an estimated reduction of expected losses of $216 million and $303 million, respectively, including $156 million and $175 million, respectively, from workouts and loan modifications during the six months ended June 30, 2014 and 2013.

Since 2010, benefits from loss mitigation activities have shifted from rescissions to loan modification activities and reviews of loan servicing and claims administration compliance from which we expect a majority of our loss mitigation benefits to arise going forward. While we expect to continue evaluating compliance of the insured or its loan servicer with respect to its servicing obligations under our master policy for loans insured thereunder and may curtail claim amounts payable based on our evaluations of such compliance, we cannot give assurance on the extent or level at which such claim curtailments will continue. Although loan servicers continue to pursue a wide range of approaches to execute appropriate loan modifications, government-sponsored programs such as Home Affordable Modification Program ("HAMP") continue to result in fewer modifications as alternative programs have gained momentum. With lower benefits from government-sponsored programs and the impact from alternative programs to date, we have experienced higher levels of loss reserves and/or paid claims. Recently, the Obama Administration announced that it would extend HAMP through December 31, 2015, and expand borrower eligibility by adjusting certain underwriting requirements. In addition, incentives paid to the owner of a loan that qualifies for principal reduction under HAMP are being increased and, for the first time, will be offered to the GSEs. However, to date, the GSEs are not participating in this program. While the impact of the these program extensions to date has remained positive, there can be no assurance that the increase in the number of loans that are modified under HAMP, including mortgage loans we insure currently, is sustainable over time or that any such modifications will succeed in avoiding foreclosure. In addition, while borrowers who benefitted from loan modifications under HAMP were provided mortgage payment relief through substantial interest rate reductions, beginning in the third quarter of 2014, those same borrowers will begin to experience a gradual interest rate increase of up to 1% a year until their mortgage interest rate adjusts to the market rate at the time of their loan modification. These interest rate resets are in accordance with the terms and conditions agreed to at the time of the underlying HAMP loan modification. While the government and the mortgage services industry remain committed to working with borrowers under this program, we cannot predict how these HAMP interest rate resets will affect the successes achieved under this program or if the resulting effect of avoiding foreclosure is sustainable over time once the impact of the rate reset process evolves. Depending upon the mix of loss mitigation activity, market trends, employment levels in future periods and other general economic impacts which influence the U.S. residential housing market, we could see additional adverse loss reserve development going forward. We expect the primary source of new reserves and losses to come from new delinquencies.

We have lender captive reinsurance programs in place in which we share portions of our premiums associated with flow insurance written on loans originated or purchased by lenders with captive insurance entities of these lenders in exchange for an agreed upon level of loss coverage above a specified attachment point. We have exhausted certain captive reinsurance tiers for our 2004 through 2008 book years based on loss development trends. While we continue to receive cash benefits from these captive arrangements at the time of claim payment, the level of benefit is expected to continue to decline going forward due to exhaustion of reinsurance as more reinsurers satisfy their contractual obligations such that remaining risk is borne by GEMICO. All of our captive reinsurance arrangements are in runoff with no new books of business being added going forward. However, while we have no plans currently to expand our lender captive reinsurance program, we will continue to consider appropriate new third-party reinsurance arrangements as potential available sources of capital for our U.S. mortgage insurance business.

International Protection

Growth and performance of our lifestyle protection insurance business is dependent in part on economic conditions and other factors, including competitor actions, consumer lending and spending levels, unemployment trends, client account penetration and mortality and morbidity trends. Additionally, the types and mix of our products will vary based on regulatory and consumer acceptance of our products.

Although consumer lending levels in Europe have stabilized, they remain challenged particularly given concerns regarding various European economies and the lingering effect of the European debt crisis. Unemployment rates in the second quarter of 2014 remained at levels experienced in the first quarter of 2014 with regional variation; however, in aggregate, European gross domestic product continued to grow in the first half of 2014, building on the growth in the second half of 2013 and reversing the negative trend experienced in the first half of 2013.

Net operating income of our lifestyle protection insurance business for the six months ended June 30, 2014 increased slightly from the six months ended June 30, 2013 as higher premiums and favorable taxes were mostly offset by higher losses and lower net investment income. New claim registrations decreased 16% in the six months ended June 30, 2014 from 2013 levels. We could experience higher losses if claim registrations increase, particularly with continued high unemployment in Europe. Our loss ratio for the six months ended June 30, 2014 was 27% compared to 25% for six months ended June 30, 2013 as losses increased, partially offset by higher premiums in the current year.

In Southern Europe, stressed economies have resulted in a decline in consumer lending where most of our insurance coverages attach as banks tightened lending criteria and consumer demand declined, while in Northern Europe consumer lending levels have stabilized. We have strengthened our focus in Europe on key strategic client relationships and are de-emphasizing our distribution with some other distributors where we are not expect to achieve desired sales and profitability levels. This focus should enable us to better serve our strategic clients and promote improved profitability and a lower cost structure over time. Additionally, we continue to pursue expanding our geographical distribution into Latin America and China and have secured agreements with large insurance partners in both of these regions. We are currently working with these partners to establish product, distribution and servicing capabilities and are now actively selling products in Peru, Colombia and Mexico.

Assuming the economies and lending environment in Europe are stable and do not improve in the near term, we expect our lifestyle protection insurance business to produce only slightly positive earnings in 2014. With our focus on enhanced distribution capabilities in Europe and growth in select new markets, we anticipate these efforts, coupled with sound risk and cost management disciplines, should, over time, improve profitability and help offset the impact of economic or employment pressures as well as lower levels of consumer lending in Europe. However, depending on the economic situation in Europe, we could experience declines in sales and operating results.

Distributor conduct associated with the sale of payment protection insurance products is currently under regulatory scrutiny in Ireland and Italy. While the outcome of these reviews is unknown at this time and our distributors are not Genworth employees, the outcome could impact how the product is distributed and could have a negative impact on our sales.

Runoff

Results of our Runoff segment are affected by investment performance, interest rate levels, net interest spreads, equity market conditions, mortality, policyholder loan activity, policyholder surrenders and scheduled maturities. In addition, the results of our Runoff segment can significantly impact our operating performance, regulatory capital requirements, distributable earnings and liquidity.

In January 2011, we discontinued sales of our individual and group variable annuities; however, we continue to service our existing block of business and accept additional deposits on existing contracts. Since then, equity market volatility has caused fluctuations in the results of our variable annuity products and regulatory capital requirements. In the future, equity and interest rate market performance and volatility could result in additional gains or losses in our variable annuity products although associated hedging activities are expected to partially mitigate these impacts. Volatility in the results of our variable annuity products can result in favorable or unfavorable impacts on earnings and statutory capital. In addition to the use of hedging activities to help mitigate impacts related to equity market volatility and interest rate risks, in the future, we may pursue reinsurance opportunities to further mitigate volatility in results and manage capital.

The results of our institutional products are impacted by scheduled maturities, as well as liquidity levels. However, we believe our liquidity planning and our asset-liability management will mitigate this risk. While we do not actively sell institutional products, we may periodically issue funding agreements for asset-liability matching purposes.

We expect to manage our runoff products for at least the next several years. Several factors may impact the time period for these products to runoff including the specific policy types, economic conditions and management strategies.

Table of Contents

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations and should be read in conjunction with "—Business trends and conditions." For a discussion of our segment results, see "—Results of Operations and Selected Financial and Operating Performance Measures by Segment."

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The following table sets forth the consolidated results of operations for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 1,343	$ 1,286	$ 57	4%
Net investment income	813	821	(8)	(1)%
Net investment gains (losses)	34	21	13	62%
Insurance and investment product fees and other	225	243	(18)	(7)%
Total revenues	2,415	2,371	44	2%
Benefits and expenses:				
Benefits and other changes in policy reserves	1,256	1,269	(13)	(1)%
Interest credited	184	184	—	—%
Acquisition and operating expenses, net of deferrals	404	413	(9)	(2)%
Amortization of deferred acquisition costs and intangibles	138	137	1	1%
Interest expense	120	121	(1)	(1)%
Total benefits and expenses	2,102	2,124	(22)	(1)%
Income from continuing operations before income taxes	313	247	66	27%
Provision for income taxes	85	73	12	16%
Income from continuing operations	228	174	54	31%
Income from discontinued operations, net of taxes	—	6	(6)	(100)%
Net income	228	180	48	27%
Less: net income attributable to noncontrolling interests	52	39	13	33%
Net income available to Genworth Financial, Inc.'s common stockholders	$ 176	$ 141	$ 35	25%

Premiums. Premiums consist primarily of premiums earned on insurance products for life, long-term care and accident and health insurance, single premium immediate annuities and structured settlements with life contingencies, lifestyle protection insurance and mortgage insurance.

- Our International Protection segment increased $45 million, including an increase of $10 million attributable to changes in foreign exchange rates, primarily due to $27 million of premiums driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting and higher volume driven by growth in France from a new client in the current year. These increases were partially offset by lower premiums from our runoff clients.

- Our U.S. Life Insurance segment increased $24 million mainly related to our long-term care insurance business from $25 million of increased premiums from in-force rate actions and growth of our in-force block from new sales in the current year.

- Our International Mortgage Insurance segment decreased $14 million, including a decrease of $21 million attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, premiums increased driven by Australia primarily as a result of the seasoning of our in-force block of business as larger, newer books reach their peak earnings period and higher premiums resulting from policy cancellations and new insurance written, partially offset by higher ceded reinsurance premiums in the current year. This increase was partially offset by $13 million of lower premiums in Canada primarily driven by changes in foreign exchange rates and the seasoning of our larger 2007 and 2008 in-force blocks of business, which are past their peak earnings period. Other Countries also decreased $2 million primarily as a result of lower premiums attributable to lender settlements in the prior year and higher ceded reinsurance premiums in the current year.

Net investment income. Net investment income represents the income earned on our investments.

- Annualized weighted-average investment yields were 4.6% and 4.8% for the three months ended June 30, 2014 and 2013, respectively. Annualized weighted-average investment yields decreased primarily attributable to lower reinvestment yields on higher average invested assets in the current year.
- The three months ended June 30, 2014 included a decrease of $5 million attributable to changes in foreign exchange rates.

Net investment gains (losses). Net investment gains (losses) consist primarily of realized gains and losses from the sale or impairment of our investments and unrealized and realized gains and losses from our trading securities and derivative instruments. For further discussion of the change in net investment gains (losses), see the comparison for this line item under "—Investments and Derivative Instruments."

- We recorded $2 million of net other-than-temporary impairments during the three months ended June 30, 2014 compared to $5 million during the three months ended June 30, 2013. Of total impairments during the three months ended June 30, 2014 and 2013, $1 million and $3 million, respectively, related to structured securities, including $1 million related to sub-prime and Alt-A residential mortgage-backed and asset-backed securities for both periods. During the three months ended June 30, 2014 and 2013, we also recorded $1 million and $2 million, respectively, of impairments related to commercial mortgage loans.
- Net investment losses related to derivatives of $7 million during the three months ended June 30, 2014 were primarily associated with guaranteed minimum withdrawal benefit ("GMWB") losses, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries, as well as losses related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions. These losses were partially offset by gains related to derivatives used to hedge foreign currency risk of assets held and proceeds from the IPO of our Australian mortgage insurance business. In addition, there were gains related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to a decrease in long-term interest rates. Net investment losses related to derivatives of $2 million during the three months ended June 30, 2013 were primarily associated with GMWB losses due to decreases in the values of instruments used to protect statutory surplus from declines in the Standard & Poor's Financial Services, LLC ("S&P") index and policyholder funds underperforming as compared to market indices. In addition, there were losses related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to an increase in long-term interest rates. These losses were partially offset by gains related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions and gains related to derivatives used to hedge foreign currency risk associated with near-term expected dividend payments from certain subsidiaries.

- We recorded lower net gains related to the sale of available-for-sale securities during the three months ended June 30, 2014 compared to the three months ended June 30, 2013. Net gains during the three months ended June 30, 2014 included a gain on a previously impaired financial hybrid security that was called by the issuer. We recorded $8 million of gains related to trading securities during the three months ended June 30, 2014 compared to $19 million of losses during the three months ended June 30, 2013 due to higher unrealized gains resulting from changes in the long-term interest rate environment. We also recorded $6 million of lower net gains related to securitization entities during the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily associated with derivatives.

Insurance and investment product fees and other. Insurance and investment product fees and other consist primarily of fees assessed against policyholder and contractholder account values, surrender charges, cost of insurance assessed on universal and term universal life insurance policies, advisory and administration service fees assessed on investment contractholder account values, broker/dealer commission revenues and other fees.

- Our U.S. Life Insurance segment decreased $15 million predominately from our life insurance business largely related to mortality experience in our universal life insurance products and a $4 million unfavorable correction in the current year, as well as a decrease from our term universal life insurance product that we no longer offer.

- Our International Mortgage Insurance segment decreased $4 million primarily due to non-functional currency transactions attributable to changes in foreign exchange rates on partial payments of intercompany loans related to our Australian mortgage insurance business in the current year.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves consist primarily of benefits paid and reserve activity related to current claims and future policy benefits on insurance and investment products for life, long-term care and accident and health insurance, structured settlements and single premium immediate annuities with life contingencies, lifestyle protection insurance and claim costs incurred related to mortgage insurance products.

- Our International Mortgage Insurance segment decreased $35 million, including a decrease of $3 million attributable to changes in foreign exchange rates. In Canada, losses decreased $20 million primarily driven by lower losses incurred as a result of improved performance of our newer in-force blocks of business in the current year and lower severity of claims due to a higher proportion of delinquencies in provinces where severity has been lower and home price appreciation has been higher. In Australia, losses decreased $12 million primarily driven by improved aging on our existing delinquencies from higher home price appreciation and a lower volume of existing delinquencies converting to mortgages in possession in the current year. Paid claims also decreased in the current year as a result of a decrease in both the number of claims and the average claim payment. These decreases were partially offset by a lower cure rate in the current year. Other Countries decreased $3 million primarily from lower new delinquencies, net of cures, and improved aging on our existing delinquencies in the current year. The decrease was also attributable to lender settlements in the prior year.

- Our U.S. Mortgage Insurance segment decreased $35 million primarily driven by fewer new delinquencies, as well as lower reserves on new delinquencies, and improvements in net cures and aging on existing delinquencies in the current year. Reserves for prior year delinquencies benefitted $15 million during the current year from improvements in net cures and aging.

- Our Runoff segment decreased $4 million primarily attributable to a decrease in our guaranteed minimum death benefit ("GMDB") reserves in our variable annuity products due to favorable equity market performance in the current year.

- Our U.S. Life Insurance segment increased $46 million. Our long-term care insurance business increased $72 million from the aging and growth of our in-force block and higher severity and frequency of new and existing claims in the current year. These increases were partially offset by reduced benefits of $30 million from in-force rate actions and a $4 million unfavorable adjustment in the prior year that did not recur. Reserves for prior year claims increased $39 million mainly from higher severity of existing claims in the current year. Our life insurance business decreased $23 million primarily related to slower reserve growth resulting from a favorable correction to our term universal life insurance reserves and unlocking of mortality and interest assumptions in the third quarter of 2013. This decrease was partially offset by higher claims in our term and term universal life insurance products in the current year. Our fixed annuities business decreased $3 million largely attributable to lower interest credited on reserves in the current year.

- Our International Protection segment increased $15 million, including an increase of $3 million attributable to changes in foreign exchange rates, primarily driven by $8 million of higher benefits related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The increase was also driven by higher reserves in France from a new client and higher claims of $3 million related to the ferry disaster in Korea, partially offset by a decline in new claim registrations in the current year.

Interest credited. Interest credited represents interest credited on behalf of policyholder and contractholder general account balances.

Acquisition and operating expenses, net of deferrals. Acquisition and operating expenses, net of deferrals, represent costs and expenses related to the acquisition and ongoing maintenance of insurance and investment contracts, including commissions, policy issuance expenses and other underwriting and general operating costs. These costs and expenses are net of amounts that are capitalized and deferred, which are costs and expenses that are related directly to the successful acquisition of new or renewal insurance policies and investment contracts, such as first-year commissions in excess of ultimate renewal commissions and other policy issuance expenses.

- Our U.S. Life Insurance segment decreased $21 million primarily attributable to a decrease in our long-term care insurance business of $10 million predominately related to a $7 million restructuring charge in the prior year that did not recur and from lower production in the current year. Our fixed annuities business decreased $6 million primarily from a favorable adjustment related to guarantee funds in the current year and a restructuring charge in the prior year that did not recur. Our life insurance business decreased $5 million largely from a restructuring charge of $3 million in the prior year that did not recur.

- Our International Protection segment increased $16 million, including an increase of $7 million attributable to changes in foreign exchange rates, due to higher commissions of $17 million related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. This increase was partially offset by lower operating and profit sharing expenses in the current year and a restructuring charge of $4 million in the prior year that did not recur.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles consists primarily of the amortization of acquisition costs that are capitalized, present value of future profits and capitalized software.

- Our International Protection segment increased $4 million, including an increase of $2 million attributable to changes in foreign exchange rates, as a result of higher premium volume in the current year.

- Corporate and Other activities decreased $4 million mainly related to higher software allocations to our operating segments in the current year.

Interest expense. Interest expense represents interest related to our borrowings that are incurred at Genworth Holdings or subsidiaries and our non-recourse funding obligations and interest expense related to the Tax Matters Agreement and certain reinsurance arrangements being accounted for as deposits.

Provision for income taxes. The effective tax rate decreased to 27.2% for the three months ended June 30, 2014 from 29.6% for the three months ended June 30, 2013. The decrease in the effective tax rate was primarily attributable to increased tax benefits on lower taxed foreign income, partially offset by the tax effects of stock-based compensation expense and lower benefits from tax favored investments in the current year. The three months ended June 30, 2014 included a decrease of $5 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests represents the portion of income in a subsidiary attributable to third parties. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, resulting in lower net income of $11 million in the current year.

Net income available to Genworth Financial, Inc.'s common stockholders. We had higher net income available to Genworth Financial, Inc.'s common stockholders in the current year primarily related to lower losses in our international mortgage and U.S. mortgage insurance businesses from lower new delinquencies. The increase was also attributable to lower net investment losses, higher tax benefits and $34 million of increased premiums and reduced benefits from in-force rate actions in our long-term care insurance business in the current year. These increases were partially offset by higher severity and frequency on new and existing claims in our long-term care insurance business and overall lower net investment income in the current year. The current year also included a decrease of $11 million attributable to the IPO of 33.8% of our Australian mortgage insurance business. The prior year also included $6 million of income from discontinued operations, net of taxes, related to the sale of our wealth management business that was sold in August 2013. For a discussion of each of our segments and Corporate and Other activities, see the "—Results of Operations and Selected Financial and Operating Performance Measures by Segment." Included in net income available to Genworth Financial, Inc.'s common stockholders for the three months ended June 30, 2014 was a decrease of $11 million, net of taxes, attributable to changes in foreign exchange rates.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The following table sets forth the consolidated results of operations for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$2,650	$2,547	$103	4%
Net investment income	1,618	1,635	(17)	(1)%
Net investment gains (losses)	17	(40)	57	143%
Insurance and investment product fees and other	452	532	(80)	(15)%
Total revenues	4,737	4,674	63	1%
Benefits and expenses:				
Benefits and other changes in policy reserves	2,450	2,470	(20)	(1)%
Interest credited	367	368	(1)	— %
Acquisition and operating expenses, net of deferrals	782	846	(64)	(8)%
Amortization of deferred acquisition costs and intangibles	272	259	13	5%
Interest expense	247	247	—	— %
Total benefits and expenses	4,118	4,190	(72)	(2)%
Income from continuing operations before income taxes	619	484	135	28%
Provision for income taxes	172	149	23	15%
Income from continuing operations	447	335	112	33%
Loss from discontinued operations, net of taxes	—	(14)	14	100%
Net income	447	321	126	39%
Less: net income attributable to noncontrolling interests	87	77	10	13%
Net income available to Genworth Financial, Inc.'s common stockholders	$ 360	$ 244	$116	48%

Premiums

- Our U.S. Life Insurance segment increased $76 million primarily related to our long-term care insurance business from $47 million of increased premiums from in-force rate actions, $14 million of unfavorable adjustments in the prior year that did not recur and growth of our in-force block from new sales in the current year.
- Our International Protection segment increased $55 million, including an increase of $13 million attributable to changes in foreign exchange rates, from $27 million of higher premiums primarily driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The increase in the current year was also attributable to higher volume driven by a new client in France and a favorable adjustment of $4 million related to German premium taxes, partially offset by lower premiums from our runoff clients.
- Our U.S. Mortgage Insurance segment increased $6 million mainly attributable to higher average flow insurance in-force and lower ceded reinsurance premiums in the current year.
- Our International Mortgage Insurance segment decreased $33 million, including a decrease of $48 million attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, premiums increased in Australia primarily as a result of the seasoning of our in-force block of business as larger, newer books reach their peak earnings period and higher premiums resulting from policy cancellations and new insurance written, partially offset by higher ceded reinsurance premiums in the current year. This increase was partially offset by a $27 million decrease in Canada primarily driven by changes in foreign exchange rates and the seasoning of our larger 2007 and 2008 in-force blocks of business, which are past their peak earnings period. In Other Countries, premiums decreased $3 million primarily as a result of lower premiums attributable to lender settlements in the prior year and higher ceded reinsurance premiums in the current year.

Net investment income

- Annualized weighted-average investment yields were 4.6% and 4.7% for the six months ended June 30, 2014 and 2013, respectively. The annualized weighted-average investment yields decreased primarily attributable to lower reinvestment yields on higher average invested assets and $7 million of lower gains related to bond calls and mortgage loan prepayments, partially offset by $16 million of higher gains related to limited partnerships in the current year.
- The six months ended June 30, 2014 included a decrease of $15 million attributable to changes in foreign exchange rates.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under "—Investments and Derivative Instruments."

- We recorded $3 million of net other-than-temporary impairments during the six months ended June 30, 2014 compared to $17 million during the six months ended June 30, 2013. Of total impairments during the six months ended June 30, 2014 and 2013, $1 million and $9 million, respectively, related to structured securities, including $1 million and $4 million, respectively, related to sub-prime and Alt-A residential mortgage-backed and asset-backed securities. Impairments related to corporate securities as a result of bankruptcies, receivership or concerns about the issuer's ability to continue to make contractual payments or where we have intent to sell were $6 million during the six months ended June 30, 2013.
- Net investment losses related to derivatives of $28 million during the six months ended June 30, 2014 were primarily associated with GMWB losses, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to a non-qualified

derivative strategy to mitigate interest rate risk with our statutory capital positions, in addition to losses related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries, proceeds from the IPO of our Australian mortgage insurance business and assets held. These losses were partially offset by gains related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to a decrease in long-term interest rates. Net investment losses related to derivatives of $44 million during the six months ended June 30, 2013 were primarily associated with GMWB losses due to decreases in the values of instruments used to protect statutory surplus from declines in the S&P index and policyholder funds underperforming as compared to market indices. In addition, there were losses related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to an increase in long-term interest rates. These losses were partially offset by gains related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions. Additionally, there were gains on credit default swaps where we sold protection to improve diversification and portfolio yield from narrowing credit spreads.

- We recorded higher net gains related to the sale of available-for-sale securities during the six months ended June 30, 2014 compared to the six months ended June 30, 2013, including a gain on a previously impaired financial hybrid security that was called by the issuer during the six months ended June 30, 2014. We recorded $20 million of gains related to trading securities during the six months ended June 30, 2014 compared to $9 million of losses during the six months ended June 30, 2013 due to higher unrealized gains resulting from changes in the long-term interest rate environment. We recorded $7 million of lower net gains related to securitization entities during the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily related to lower gains on derivatives, partially offset by gains on trading securities in the current year compared to losses in the prior year.

Insurance and investment product fees and other

- Corporate and Other activities decreased $43 million attributable to the sale of our reverse mortgage business on April 1, 2013.
- Our U.S. Life Insurance segment decreased $32 million predominately from our life insurance business related to mortality experience in our universal life insurance products and a $4 million unfavorable correction in the current year, as well as a decrease in our term universal life insurance product that we no longer offer.

Benefits and other changes in policy reserves

- Our International Mortgage Insurance segment decreased $88 million, including a decrease of $8 million attributable to changes in foreign exchange rates. In Australia, losses decreased $43 million primarily driven by improved aging on our existing delinquencies from higher home price appreciation and a lower volume of existing delinquencies converting to mortgages in possession in the current year. Paid claims also decreased in the current year as a result of a decrease in both the number of claims and the average claim payment. In Canada, losses decreased $38 million primarily driven by lower severity of claims due to a higher proportion of delinquencies in provinces where severity has been lower and home price appreciation has been higher and lower losses incurred as a result of improved performance of our newer in-force blocks of business in the current year. In Other Countries, losses decreased $7 million primarily from lower new delinquencies, net of cures, and improved aging on our existing delinquencies in the current year. The decrease was also attributable to lender settlements in the prior year.
- Our U.S. Mortgage Insurance segment decreased $56 million primarily driven by fewer new delinquencies, as well as lower reserves on new delinquencies, and improvements in net cures and aging on existing delinquencies in the current year, partially offset by a net reserve strengthening of

$17 million in the current year. In the first quarter of 2014, we strengthened reserves to reflect the expectation in future periods of increased claim severity primarily for late-stage delinquencies, partially offset by lower claim rates for early-stage delinquencies. Reserves for prior year delinquencies benefitted $26 million during the current year from improvements in net cures and aging.

- Our U.S. Life Insurance segment increased $102 million. Our long-term care insurance business increased $108 million primarily from the aging and growth of our in-force block, higher severity and frequency of new and existing claims and $21 million of net favorable adjustments in the prior year that did not recur. These increases were partially offset by reduced benefits of $72 million from in-force rate actions in the current year. Reserves for prior year claims increased $47 million mainly from higher severity of existing claims in the current year. Our life insurance business decreased $6 million primarily related to slower reserve growth resulting from a favorable correction to our term universal life insurance reserves and unlocking of mortality and interest assumptions in the third quarter of 2013. This decrease was largely offset by higher claims in the current year.
- Our International Protection segment increased $22 million, including an increase of $4 million attributable to changes in foreign exchange rates, primarily driven by $8 million of higher benefits related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The increase was also driven by higher reserves in France from a new client and higher claims of $3 million related to the ferry disaster in Korea, partially offset by a decline in new claim registrations in the current year.

Acquisition and operating expenses, net of deferrals

- Corporate and Other activities decreased $42 million primarily as a result of a decrease of $46 million associated with our reverse mortgage business which was sold on April 1, 2013, partially offset by higher net expenses after allocations to our operating segments in the current year.
- Our U.S. Life Insurance segment decreased $23 million from a decrease in our long-term care insurance business of $11 million predominately from a $7 million restructuring charge in the prior year that did not recur and lower production in the current year. Our fixed annuities business decreased $7 million largely from favorable adjustment related to guarantee funds in the current year and a restructuring charge in the prior year that did not recur. Our life insurance business decreased $5 million mainly from a restructuring charge of $3 million in the prior year that did not recur.
- Our U.S. Mortgage Insurance segment decreased $7 million decreased primarily from a settlement of approximately $4 million with the CFPB to end its review of industry captive reinsurance arrangements in the prior year that did not recur and lower operating expenses in the current year.
- Our International Mortgage Insurance segment decreased $5 million, including a decrease of $7 million attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, acquisition and operating expenses, net of deferrals, increased from an $8 million increase in Canada primarily from an early redemption payment of $6 million in May 2014 related to the redemption of Genworth MI Canada Inc.'s ("Genworth Canada") senior notes that were scheduled to mature in 2015 and higher expenses related to stock options from an increase in the share price in the current year. This increase was partially offset by a $9 million decrease in Australia primarily from lower operating expenses related to contract fees. Other Countries decreased $4 million from lower operating expenses in the current year and a $1 million restructuring charge in the prior year that did not recur.
- Our International Protection segment increased $15 million, including an increase of $9 million attributable to changes in foreign exchange rates, driven by higher commissions of $17 million related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. This increase was partially offset by lower operating and profit sharing expenses in the current year and a restructuring charge of $4 million in the prior year that did not recur.

Amortization of deferred acquisition costs and intangibles

- Our Runoff segment increased $26 million related to our variable annuity products primarily from lower net investment losses and a change in lapse assumptions in the current year.
- Our International Protection segment increased $6 million, including an increase of $2 million attributable to changes in foreign exchange rates, mainly as a result of higher premium volume in the current year.
- Our U.S. Life Insurance segment decreased $11 million. Our life insurance business decreased $15 million primarily related to unfavorable mortality in our universal life insurance products in the current year. Our long-term care insurance business increased $4 million largely related to growth of our in-force block, partially offset by the write-off of computer software included in a restructuring charge in the prior year that did not recur.
- Corporate and Other activities decreased $6 million mainly related to higher software allocations to our operating segments in the current year.

Provision for income taxes. The effective tax rate decreased to 27.8% for the six months ended June 30, 2014 from 30.8% for the six months ended June 30, 2013. The decrease in the effective tax rate was primarily attributable to increased tax benefits on lower taxed foreign income, prior year favorable tax adjustments of $15 million recorded in the current year and changes in valuation allowances, partially offset by the tax effects of stock-based compensation expense and a decrease in benefits from tax favored investments in the current year. The six months ended June 30, 2014 included a decrease of $11 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, resulting in lower net income of $11 million in the current year.

Net income available to Genworth Financial, Inc.'s common stockholders. We had higher net income available to Genworth Financial, Inc.'s common stockholders in the current year primarily related to significantly lower losses in our U.S. mortgage insurance business. The increase was also attributable to $75 million of increased premiums and reduced benefits from in-force rate actions in our long-term care insurance business in the current year and a $13 million restructuring charge in the prior year that did not recur. These increases were partially offset by higher severity and frequency on new and existing claims in our long-term care insurance business in the current year. The current year also included a decrease of $11 million attributable to the IPO of 33.8% of our Australian mortgage insurance business. The prior year also included a loss of $14 million from discontinued operations, net of taxes, related to the sale of our wealth management business that was sold in August 2013. For a discussion of each of our segments and Corporate and Other activities, see the "—Results of Operations and Selected Financial and Operating Performance Measures by Segment." Included in net income available to Genworth Financial, Inc.'s common stockholders for the six months ended June 30, 2014 was a decrease of $27 million, net of taxes, attributable to changes in foreign exchange rates.

Reconciliation of net income to net operating income

Net operating income for the three months ended June 30, 2014 was $158 million compared to $133 million for the three months ended June 30, 2013. Net operating income for the six months ended June 30, 2014 was $352 million compared to $284 million for the six months ended June 30, 2013. We define net operating income (loss) as income (loss) from continuing operations excluding the after-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and infrequent or unusual non-operating items. Gains (losses) on insurance block transactions are defined as gains (losses) on the early extinguishment of non-recourse funding obligations, early termination fees for other financing restructuring and/or resulting gains (losses) on reinsurance restructuring for certain blocks of business. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt and gains (losses) on insurance block transactions are also excluded from net operating income (loss) because, in our opinion, they are not indicative of overall operating trends. Other non-operating items are also excluded from net operating income (loss) if, in our opinion, they are not indicative of overall operating trends.

In the fourth quarter of 2013, we revised our definition of net operating income (loss) to exclude gains (losses) on the early extinguishment of debt and gains (losses) on insurance block transactions to better reflect the basis on which the performance of our business is internally assessed and to reflect management’s opinion that they are not indicative of overall operating trends. All prior periods have been re-presented to reflect this new definition.

The following transaction was excluded from net operating income (loss) for the periods presented as it related to the loss on the early extinguishment of debt. In the second quarter of 2014, we paid an early redemption payment of approximately $2 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Canada’s notes that were scheduled to mature in 2015.

There were no infrequent or unusual items excluded from net operating income (loss) during the periods presented other than a $13 million, net of taxes, expense recorded in the second quarter of 2013 related to restructuring costs.

While some of these items may be significant components of net income available to Genworth Financial, Inc.’s common stockholders in accordance with U.S. GAAP, we believe that net operating income, and measures that are derived from or incorporate net operating income, are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses net operating income as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from net operating income have occurred in the past and could, and in some cases will, recur in the future. Net operating income is not a substitute for net income available to Genworth Financial, Inc.’s common stockholders determined in accordance with U.S. GAAP. In addition, our definition of net operating income may differ from the definitions used by other companies.

Adjustments to reconcile net income attributable to Genworth Financial, Inc.’s common stockholders and net operating income assume a 35% tax rate and are net of the portion attributable to noncontrolling interests. Net investment gains (losses) are also adjusted for deferred acquisition costs and other intangible amortization and certain benefit reserves.

The following table includes a reconciliation of net income to net operating income for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Net income	$ 228	$ 180	$ 447	$ 321
Less: net income attributable to noncontrolling interests	52	39	87	77
Net income available to Genworth Financial, Inc.'s common stockholders	176	141	360	244
Adjustments to net income available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net	(20)	(15)	(10)	13
(Gains) losses on early extinguishment of debt, net	2	—	2	—
Expenses related to restructuring, net	—	13	—	13
(Income) loss from discontinued operations, net of taxes	—	(6)	—	14
Net operating income	$ 158	$ 133	$ 352	$ 284

Earnings per share

The following table provides basic and diluted net income available to Genworth Financial, Inc.'s common stockholders and net operating income per common share for the periods indicated:

(Amounts in millions, except per share amounts)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Income from continuing operations available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	$ 0.35	$ 0.27	$ 0.73	$ 0.52
Diluted	$ 0.35	$ 0.27	$ 0.72	$ 0.52
Net income available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	$ 0.35	$ 0.29	$ 0.73	$ 0.49
Diluted	$ 0.35	$ 0.28	$ 0.72	$ 0.49
Net operating income per common share:				
Basic	$ 0.32	$ 0.27	$ 0.71	$ 0.58
Diluted	$ 0.31	$ 0.27	$ 0.70	$ 0.57
Weighted-average common shares outstanding:				
Basic	496.6	493.4	496.2	492.9
Diluted	503.6	497.5	503.2	497.2

Diluted weighted-average shares outstanding reflect the effects of potentially dilutive securities including stock options, restricted stock units and other equity-based compensation.

Results of Operations and Selected Financial and Operating Performance Measures by Segment

Our chief operating decision maker evaluates segment performance and allocates resources on the basis of net operating income (loss). See note 9 in our "—Notes to Condensed Consolidated Financial Statements" for a reconciliation of net operating income (loss) of our segments and Corporate and Other activities to net income available to Genworth Financial, Inc.'s common stockholders.

Management's discussion and analysis by segment contains selected operating performance measures including "sales" and "insurance in-force" or "risk in-force" which are commonly used in the insurance industry as measures of operating performance.

Management regularly monitors and reports sales metrics as a measure of volume of new and renewal business generated in a period. Sales refer to: (1) annualized first-year premiums for term life and long-term care insurance products; (2) annualized first-year deposits plus 5% of excess deposits for universal and term universal life insurance products; (3) 10% of premium deposits for linked-benefits products; (4) new and additional premiums/deposits for fixed annuities; (5) new insurance written for mortgage insurance; and (6) net premiums written for our lifestyle protection insurance business. Sales do not include renewal premiums on policies or contracts written during prior periods. We consider annualized first-year premiums/deposits, premium equivalents, new premiums/deposits, new insurance written and net premiums written to be a measure of our operating performance because they represent a measure of new sales of insurance policies or contracts during a specified period, rather than a measure of our revenues or profitability during that period.

Management regularly monitors and reports insurance in-force and risk in-force. Insurance in-force for our life, international mortgage and U.S. mortgage insurance businesses is a measure of the aggregate face value of outstanding insurance policies as of the respective reporting date. For risk in-force in our international mortgage insurance business, we have computed an "effective" risk in-force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor of 35% that represents our highest expected average per-claim payment for any one underwriting year over the life of our businesses in Canada and Australia. Risk in-force for our U.S. mortgage insurance business is our obligation that is limited under contractual terms to the amounts less than 100% of the mortgage loan value. We consider insurance in-force and risk in-force to be measures of our operating performance because they represent measures of the size of our business at a specific date which will generate revenues and profits in a future period, rather than measures of our revenues or profitability during that period.

We also include information related to loss mitigation activities for our U.S. mortgage insurance business. We define loss mitigation activities as rescissions, cancellations, borrower loan modifications, repayment plans, lender- and borrower-titled pre-sales, claims administration and other loan workouts. Estimated savings related to rescissions are the reduction in carried loss reserves, net of premium refunds and reinstatement of prior rescissions. Estimated savings related to loan modifications and other cure-related loss mitigation actions represent the reduction in carried loss reserves. Estimated savings related to claims mitigation activities represent amounts deducted or "curtailed" from claims due to acts or omissions by the insured or the servicer with respect to the servicing of an insured loan that is not in compliance with obligations under our master policy. For non-cure related actions, including pre-sales, the estimated savings represent the difference between the full claim obligation and the actual amount paid. Loans subject to our loss mitigation actions, the results of which have been included in our reported estimated loss mitigation savings, are subject to re-default and may result in a potential claim in future periods, as well as potential future loss mitigation savings depending on the resolution of the re-defaulted loan. We believe that this information helps to enhance the understanding of the operating performance of our U.S. mortgage insurance business as loss mitigation activities specifically impact current and future loss reserves and level of claim payments.

Management also regularly monitors and reports a loss ratio for our businesses. For our long-term care insurance business, the loss ratio is the ratio of benefits and other changes in reserves less tabular interest on

Table of Contents

reserves less loss adjustment expenses to net earned premiums. For our mortgage and lifestyle protection insurance businesses, the loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. We consider the loss ratio to be a measure of underwriting performance in these businesses and helps to enhance the understanding of the operating performance of our businesses.

An assumed tax rate of 35% is utilized in certain adjustments to net operating income and in the explanation of specific variances of operating performance.

These operating performance measures enable us to compare our operating performance across periods without regard to revenues or profitability related to policies or contracts sold in prior periods or from investments or other sources.

The following discussions of our segment results of operations should be read in conjunction with the "—Business trends and conditions."

U.S. Life Insurance Division

Division results of operations

The following table sets forth the results of operations relating to our U.S. Life Insurance Division for the periods indicated. See below for a discussion by segment.

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013		Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net operating income:								
U.S. Life Insurance segment:								
Life insurance	$ 39	$ 27	$ 12	44%	$ 60	$ 63	$ (3)	(5)%
Long-term care insurance	6	26	(20)	(77)%	52	46	6	13%
Fixed annuities	24	26	(2)	(8)%	51	55	(4)	(7)%
U.S. Life Insurance segment	69	79	(10)	(13)%	163	164	(1)	(1)%
Total net operating income	69	79	(10)	(13)%	163	164	(1)	(1)%
Adjustments to net operating income:								
Net investment gains (losses), net	17	10	7	70%	18	2	16	NM(1)
Expenses related to restructuring, net	—	(9)	9	100%	—	(9)	9	100%
Net income available to Genworth Financial, Inc.'s common stockholders	$ 86	$ 80	$ 6	8%	$ 181	$ 157	$ 24	15%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Table of Contents

U.S. Life Insurance segment

Segment results of operations

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The following table sets forth the results of operations relating to our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 762	$ 738	$ 24	3%
Net investment income	671	658	13	2%
Net investment gains (losses)	25	17	8	47%
Insurance and investment product fees and other	175	190	(15)	(8)%
Total revenues	1,633	1,603	30	2%
Benefits and expenses:				
Benefits and other changes in policy reserves	1,087	1,041	46	4%
Interest credited	155	155	—	— %
Acquisition and operating expenses, net of deferrals	156	177	(21)	(12)%
Amortization of deferred acquisition costs and intangibles	81	80	1	1%
Interest expense	21	24	(3)	(13)%
Total benefits and expenses	1,500	1,477	23	2%
Income from continuing operations before income taxes	133	126	7	6%
Provision for income taxes	47	46	1	2%
Income from continuing operations	86	80	6	8%
Adjustments to income from continuing operations:				
Net investment (gains) losses, net	(17)	(10)	(7)	(70)%
Expenses related to restructuring, net	—	9	(9)	(100)%
Net operating income	$ 69	$ 79	$ (10)	(13)%

The following table sets forth net operating income for the businesses included in our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net operating income:				
Life insurance	$ 39	$ 27	$ 12	44%
Long-term care insurance	6	26	(20)	(77)%
Fixed annuities	24	26	(2)	(8)%
Total net operating income	$ 69	$ 79	$ (10)	(13)%

Net operating income

- Our life insurance business increased $12 million principally as a result of slower reserve growth resulting from a favorable correction to our term universal life insurance reserves and unlocking of mortality and interest assumptions in the third quarter of 2013. The increase was also attributable to mortality, which improved modestly in the current year.
- Our long-term care insurance business decreased $20 million largely attributable to higher severity and frequency on new and existing claims in the current year. These decreases were partially offset by $34 million of increased premiums and reduced benefits from in-force rate actions in the current year.
- Our fixed annuities business decreased $2 million primarily related to lower investment income and unfavorable mortality, partially offset by a favorable adjustment related to guarantee funds in the current year.

Revenues

Premiums. The increase was mainly attributable to our long-term care insurance business largely related to $25 million of increased premiums from in-force rate actions and growth of our in-force block from new sales in the current year.

Net investment income

- Our life insurance business increased $4 million primarily due to higher average invested assets in the current year.
- Our long-term care insurance business increased $15 million largely from an increase in average invested assets due to growth of our in-force block in the current year.
- Our fixed annuities business decreased $6 million principally from $8 million of lower bond calls and mortgage loan prepayments in the current year.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under "—Investments and Derivative Instruments."

- Net investment gains in our life insurance business increased $14 million largely from a gain on a previously impaired financial hybrid security that was called by the issuer in the current year.
- Our long-term care insurance business had $3 million of net investment gains in the current year primarily from net gains from the sale of investment securities and derivative gains. Net investment losses of $2 million in the prior year were mainly from impairments and net losses from the sale of investment securities.
- Our fixed annuities business had $1 million of net investment losses in the current year largely from net losses from the sale of investment securities which were mostly offset by derivative gains. Net investment gains of $10 million in the prior year were primarily from a call of an investment security.

Insurance and investment product fees and other. The decrease was primarily attributable to our life insurance business largely related to mortality experience in our universal life insurance products and a $4 million unfavorable correction in the current year, as well as a decrease from our term universal life insurance product that we no longer offer.

Benefits and expenses

Benefits and other changes in policy reserves

- Our life insurance business decreased $23 million primarily related to slower reserve growth resulting from a favorable correction to our term universal life insurance reserves and unlocking of mortality and interest assumptions in the third quarter of 2013. This decrease was partially offset by higher claims in our term and term universal life insurance products in the current year.

- Our long-term care insurance business increased $72 million primarily from the aging and growth of our in-force block and higher severity and frequency of new and existing claims in the current year. These increases were partially offset by reduced benefits of $30 million from in-force rate actions and a $4 million unfavorable adjustment in the prior year that did not recur. Reserves for prior year claims increased $39 million mainly from higher severity of existing claims in the current year.
- Our fixed annuities business decreased $3 million largely attributable to lower interest credited on reserves in the current year.

Acquisition and operating expenses, net of deferrals

- Our life insurance business decreased $5 million largely from a restructuring charge of $3 million in the prior year that did not recur.
- Our long-term care insurance business decreased $10 million primarily related to a $7 million restructuring charge in the prior year that did not recur and from lower production in the current year.
- Our fixed annuities business decreased $6 million largely attributable to a favorable adjustment related to guarantee funds in the current year and a restructuring charge in the prior year that did not recur.

Amortization of deferred acquisition costs and intangibles. The increase was primarily related to our long-term care insurance business mostly attributable to growth of our in-force block, partially offset by the write-off of computer software included in a restructuring charge in the prior year that did not recur.

Interest expense. Interest expense decreased driven by our life insurance business principally related to lower letter of credit fees in the current year.

Provision for income taxes. The effective tax rate decreased to 35.3% for the three months ended June 30, 2014 from 36.5% for the three months ended June 30, 2013. The decrease in the effective tax rate was primarily attributable to state income taxes.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The following table sets forth the results of operations relating to our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$1,521	$1,445	$ 76	5%
Net investment income	1,331	1,296	35	3%
Net investment gains (losses)	28	5	23	NM(1)
Insurance and investment product fees and other	346	378	(32)	(8)%
Total revenues	3,226	3,124	102	3%
Benefits and expenses:				
Benefits and other changes in policy reserves	2,117	2,015	102	5%
Interest credited	309	307	2	1%
Acquisition and operating expenses, net of deferrals	317	340	(23)	(7)%
Amortization of deferred acquisition costs and intangibles	156	167	(11)	(7)%
Interest expense	42	47	(5)	(11)%
Total benefits and expenses	2,941	2,876	65	2%
Income from continuing operations before income taxes	285	248	37	15%
Provision for income taxes	104	91	13	14%
Income from continuing operations	181	157	24	15%
Adjustments to income from continuing operations:				
Net investment (gains) losses, net	(18)	(2)	(16)	NM(1)
Expenses related to restructuring, net	—	9	(9)	(100)%
Net operating income	$ 163	$ 164	$ (1)	(1)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

The following table sets forth net operating income for the businesses included in our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net operating income:				
Life insurance	$ 60	$ 63	$ (3)	(5)%
Long-term care insurance	52	46	6	13%
Fixed annuities	51	55	(4)	(7)%
Total net operating income	$ 163	$ 164	$ (1)	(1)%

Net operating income

- Our life insurance business decreased $3 million principally due to higher mortality experience in the first quarter of 2014, partially offset by slower reserve growth resulting from a favorable correction in our term universal life insurance reserves and unlocking of mortality and interest assumptions in the third quarter of 2013.
- Our long-term care insurance business increased $6 million largely attributable to $75 million of increased premiums and reduced benefits from in-force rate actions in the current year. This increase was largely offset by higher severity and frequency on new and existing claims in the current year.
- Our fixed annuities business decreased $4 million primarily related to unfavorable mortality and lower investment income, partially offset by a favorable adjustment related to guarantee funds in the current year.

Revenues

Premiums. The increase was attributable to our long-term care insurance business largely related to $47 million of increased premiums from in-force rate actions, $14 million of unfavorable adjustments in the prior year that did not recur and growth of our in-force block from new sales in the current year.

Net investment income

- Our long-term care insurance business increased $41 million largely from an increase in average invested assets due to growth of our in-force block and an $8 million favorable correction to investment amortization for preferred stock in the current year. Net investment income also included $4 million of higher gains from limited partnerships in the current year.
- Our fixed annuities business decreased $7 million principally from $6 million of lower bond calls and mortgage loan prepayments in the current year.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under "—Investments and Derivative Instruments."

- Net investment gains in our life insurance business increased $19 million largely from a gain on a previously impaired financial hybrid security that was called by the issuer and lower impairments in the current year.
- Our long-term care insurance business had $3 million of net investment gains in the current year primarily from derivative gains and net gains from the sale of investment securities. Net investment losses of $5 million in the prior year were mainly from impairments and net losses from the sale of investment securities, partially offset by derivative gains.
- Net investment gains in our fixed annuities business decreased $4 million principally related to a gain on a call of an investment security in the prior year, partially offset by higher derivative gains and lower impairments in the current year.

Insurance and investment product fees and other. The decrease was primarily attributable to our life insurance business largely related to mortality experience in our universal life insurance products and a $4 million unfavorable correction in the current year, as well as a decrease from our term universal life insurance product that we no longer offer.

Benefits and expenses

Benefits and other changes in policy reserves

- Our life insurance business decreased $6 million primarily related to slower reserve growth resulting from a favorable correction to our term universal life insurance reserves and unlocking of mortality and interest assumptions in the third quarter of 2013. This decrease was largely offset by higher claims in the current year.
- Our long-term care insurance business increased $108 million primarily from the aging and growth of our in-force block, higher severity and frequency of new and existing claims and $21 million of net favorable adjustments in the prior year that did not recur. These increases were partially offset by reduced benefits of $72 million from in-force rate actions in the current year. Reserves for prior year claims increased $47 million mainly from higher severity of existing claims in the current year.

Acquisition and operating expenses, net of deferrals

- Our life insurance business decreased $5 million largely from a restructuring charge of $3 million in the prior year that did not recur.
- Our long-term care insurance business decreased $11 million primarily related to a $7 million restructuring charge in the prior year that did not recur and from lower production in the current year.
- Our fixed annuities business decreased $7 million predominately from a favorable adjustment related to guarantee funds in the current year and a restructuring charge in the prior year that did not recur.

Amortization of deferred acquisition costs and intangibles

- Our life insurance business decreased $15 million primarily related to mortality experience in our universal life insurance products in the current year.
- Our long-term care insurance business increased $4 million largely related to growth of our in-force block, partially offset by the write-off of computer software included in a restructuring charge in the prior year that did not recur.

Interest expense. Interest expense decreased driven by our life insurance business principally related to lower letter of credit fees in the current year.

Provision for income taxes. The effective tax rate decreased to 36.5% for the six months ended June 30, 2014 from 36.7% for the six months ended June 30, 2013. The decrease in the effective tax rate was primarily attributable to state taxes.

U.S. Life Insurance selected operating performance measures

Life insurance

The following tables set forth selected operating performance measures regarding our life insurance business as of or for the dates indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013		Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Term and whole life insurance								
Net earned premiums	$ 171	$ 173	$ (2)	(1)%	$ 354	$ 354	$—	— %
Sales	14	4	10	NM(1)	27	8	19	NM(1)
Term universal life insurance								
Net deposits	$ 70	$ 73	$ (3)	(4)%	$ 139	$ 143	$ (4)	(3)%
Sales	—	—	—	— %	—	1	(1)	(100)%
Universal life insurance								
Net deposits	$ 140	$ 127	$ 13	10%	$ 268	$ 272	$ (4)	(1)%
Sales:								
Universal life insurance	7	5	2	40%	13	14	(1)	(7)%
Linked-benefits	5	3	2	67%	7	5	2	40%
Total life insurance								
Net earned premiums and deposits	$ 381	$ 373	$ 8	2%	$ 761	$ 769	$ (8)	(1)%
Sales:								
Term life insurance	14	4	10	NM(1)	27	8	19	NM(1)
Term universal life insurance	—	—	—	— %	—	1	(1)	(100)%
Universal life insurance	7	5	2	40%	13	14	(1)	(7)%
Linked-benefits	5	3	2	67%	7	5	2	40%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

(Amounts in millions)	As of June 30, 2014	As of June 30, 2013	Percentage change 2014 vs. 2013
Term and whole life insurance			
Life insurance in-force, net of reinsurance	$341,383	$336,008	2%
Life insurance in-force before reinsurance	524,743	528,874	(1)%
Term universal life insurance			
Life insurance in-force, net of reinsurance	$130,270	$134,868	(3)%
Life insurance in-force before reinsurance	131,296	135,937	(3)%
Universal life insurance			
Life insurance in-force, net of reinsurance	$ 42,454	$ 43,773	(3)%
Life insurance in-force before reinsurance	49,004	50,558	(3)%
Total life insurance			
Life insurance in-force, net of reinsurance	$514,107	$514,649	— %
Life insurance in-force before reinsurance	705,043	715,369	(1)%

Term and whole life insurance

Sales of our term life insurance product have increased in the current year from pricing decreases and improved service platforms. Our life insurance in-force, net of reinsurance, increased primarily from sales growth of our term life insurance products and lower ceded reinsurance in the current year. Our life insurance in-force before reinsurance decreased from the runoff of our term life insurance products issued prior to resuming sales of these products and the runoff of our whole life insurance products.

Term universal life insurance

We no longer solicit sales of term universal life insurance products; however, we continue to service our existing block of business.

Universal life insurance

Net deposits and sales increased during the three months ended June 30, 2014 compared to the three months ended June 30, 2013 as we transitioned to a new universal life insurance product offering. Our life insurance in-force decreased primarily from lower deposits and sales for the six months ended June 30, 2014. Net deposits and sales decreased during the six months ended June 30, 2014 compared to the six months ended June 30, 2013 from our modification and re-pricing of certain product offerings in response to regulatory changes.

Long-term care insurance

The following table sets forth selected operating performance measures regarding our individual and group long-term care insurance products for the periods indicated:

	Three months ended June 30,		Increase (decrease) and percentage change		Six months ended June 30,		Increase (decrease) and percentage change	
(Amounts in millions)	2014	2013	2014 vs. 2013		2014	2013	2014 vs. 2013	
Net earned premiums:								
Individual long-term care insurance	$ 553	$ 529	$ 24	5%	$1,092	$1,019	$ 73	7%
Group long-term care insurance	24	21	3	14%	50	44	6	14%
Total	$ 577	$ 550	$ 27	5%	$1,142	$1,063	$ 79	7%
Annualized first-year premiums and deposits:								
Individual long-term care insurance	$ 24	$ 38	$(14)	(37)%	$ 45	$ 73	$(28)	(38)%
Group long-term care insurance	2	5	(3)	(60)%	3	10	(7)	(70)%
Total	$ 26	$ 43	$(17)	(40)%	$ 48	$ 83	$(35)	(42)%
Loss ratio	73%	67%	6%		68%	67%	1%	

The loss ratio is the ratio of benefits and other changes in reserves less tabular interest on reserves less loss adjustment expenses to net earned premiums.

Net earned premiums increased for the three and six months ended June 30, 2014 mainly attributable to increased premiums from in-force rate actions of $25 million and $47 million, respectively, and from growth of our in-force block from new sales in the current year. The six months ended June 30, 2013 also included $14 million of net unfavorable adjustments that did not recur.

Annualized first-year premiums and deposits decreased principally from changes in pricing and product options previously announced.

The loss ratio increased for the three months ended June 30, 2014 largely attributable to higher severity and frequency of new and existing claims, partially offset by $55 million of increased premiums and reduced benefits from in-force rate actions and a $4 million unfavorable adjustment in the prior year that did not recur. Reserves for prior year claims increased $39 million during the three months ended June 30, 2014 mainly from higher severity of existing claims in the current year.

The loss ratio increased for the six months ended June 30, 2014 largely attributable to higher severity and frequency of new and existing claims and $7 million of net favorable adjustments in the prior year that did not recur. These increases were mostly offset by $119 million of increased premiums and reduced benefits from in-force rate actions in the current year. Reserves for prior year claims increased $47 million during the six months ended June 30, 2014 mainly from higher severity of existing claims in the current year.

Table of Contents

Fixed annuities

The following table sets forth selected operating performance measures regarding our fixed annuities as of or for the dates indicated:

(Amounts in millions)	As of or for the three months ended June 30, 2014	2013	As of or for the six months ended June 30, 2014	2013
Single Premium Deferred Annuities				
Account value, beginning of period	$12,070	$10,881	$11,807	$11,038
Deposits	404	166	900	234
Surrenders, benefits and product charges	(320)	(281)	(632)	(583)
Net flows	84	(115)	268	(349)
Interest credited	79	76	158	153
Account value, end of period	$12,233	$10,842	$12,233	$10,842
Single Premium Immediate Annuities				
Account value, beginning of period	$ 5,875	$ 6,319	$ 5,837	$ 6,442
Premiums and deposits	59	71	108	136
Surrenders, benefits and product charges	(213)	(228)	(428)	(463)
Net flows	(154)	(157)	(320)	(327)
Interest credited	67	72	135	145
Effect of accumulated net unrealized investment gains (losses)	103	(224)	239	(250)
Account value, end of period	$ 5,891	$ 6,010	$ 5,891	$ 6,010
Structured Settlements				
Account value, net of reinsurance, beginning of period	$ 1,092	$ 1,101	$ 1,093	$ 1,101
Surrenders, benefits and product charges	(21)	(18)	(36)	(33)
Net flows	(21)	(18)	(36)	(33)
Interest credited	14	14	28	29
Account value, net of reinsurance, end of period	$ 1,085	$ 1,097	$ 1,085	$ 1,097
Total premiums from fixed annuities	$ 14	$ 15	$ 25	$ 28
Total deposits from fixed annuities	$ 449	$ 222	$ 983	$ 342

Single Premium Deferred Annuities

Account value of our single premium deferred annuities increased as deposits and interest credited outpaced surrenders. Sales have increased driven by competitive pricing while maintaining targeted returns.

Single Premium Immediate Annuities

Account value of our single premium immediate annuities increased compared to March 31, 2014 and December 31, 2013 as unrealized gains, interest credited and premiums and deposits exceeded benefits. Sales continued to be pressured under current market conditions and from continued low interest rates.

Structured Settlements

We no longer solicit sales of structured settlements; however, we continue to service our existing block of business.

Table of Contents

Valuation systems and processes

Our U.S. Life Insurance segment will continue to migrate to a new valuation and projection platform for certain lines of business, while we upgrade platforms for other lines of business. The migration and upgrades are part of our ongoing efforts to improve the infrastructure and capabilities of our information systems and our routine assessment and refinement of financial, actuarial, investment and risk management capabilities enterprise wide. These efforts will also provide our U.S. Life Insurance segment with improved platforms to support emerging accounting guidance and ongoing changes in capital regulations. Concurrently, valuation processes and methodologies will be reviewed. Any material changes in balances, margins or income trends that may result from these activities will be disclosed accordingly.

Global Mortgage Insurance Division

Division results of operations

The following table sets forth the results of operations relating to our Global Mortgage Insurance Division for the periods indicated. See below for a discussion by segment.

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013		Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net operating income (loss):								
International Mortgage Insurance segment:								
Canada	$ 47	$ 43	$ 4	9%	$ 88	$ 85	$ 3	4%
Australia	57	55	2	4%	119	101	18	18%
Other Countries	(7)	(9)	2	22%	(11)	(16)	5	31%
International Mortgage Insurance segment	97	89	8	9%	196	170	26	15%
U.S. Mortgage Insurance segment	39	13	26	200%	72	34	38	112%
Total net operating income	136	102	34	33%	268	204	64	31%
Adjustments to net operating income:								
Net investment gains (losses), net	4	5	(1)	(20)%	3	6	(3)	(50)%
Gains (losses) on early extinguishment of debt, net	(2)	—	(2)	NM(1)	(2)	—	(2)	NM(1)
Expenses related to restructuring, net	—	(1)	1	100%	—	(1)	1	100%
Net income available to Genworth Financial, Inc.'s common stockholders	$138	$ 106	$32	30%	$269	$ 209	$60	29%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Table of Contents

International Mortgage Insurance segment

Segment results of operations

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The following table sets forth the results of operations relating to our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 237	$ 251	$ (14)	(6)%
Net investment income	75	85	(10)	(12)%
Net investment gains (losses)	12	13	(1)	(8)%
Insurance and investment product fees and other	(4)	—	(4)	NM(1)
Total revenues	320	349	(29)	(8)%
Benefits and expenses:				
Benefits and other changes in policy reserves	45	80	(35)	(44)%
Acquisition and operating expenses, net of deferrals	59	61	(2)	(3)%
Amortization of deferred acquisition costs and intangibles	15	17	(2)	(12)%
Interest expense	8	8	—	— %
Total benefits and expenses	127	166	(39)	(23)%
Income from continuing operation before income taxes	193	183	10	5%
Provision for income taxes	42	51	(9)	(18)%
Income from continuing operations	151	132	19	14%
Less: net income attributable to noncontrolling interests	52	39	13	33%
Income from continuing operations available to Genworth Financial, Inc.'s common stockholders	99	93	6	6%
Adjustments to income from continuing operations available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net	(4)	(5)	1	20%
(Gains) losses on early extinguishment of debt, net	2	—	2	NM(1)
Expenses related to restructuring, net	—	1	(1)	(100)%
Net operating income	$ 97	$ 89	$ 8	9%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Table of Contents

The following table sets forth net operating income (loss) for the businesses included in our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net operating income:				
Canada	$ 47	$ 43	$ 4	9%
Australia	57	55	2	4%
Other Countries	(7)	(9)	2	22%
Total net operating income	$ 97	$ 89	$ 8	9%

Net operating income

- Our Canadian mortgage insurance business increased $4 million, including a decrease of $4 million attributable to changes in foreign exchange rates, primarily attributable to lower losses, partially offset by higher operating expenses and lower premiums in the current year.
- Our Australian mortgage insurance business increased $2 million, including a decrease of $6 million attributable to changes in foreign exchange rates, primarily from higher premiums and lower losses. Additionally, the IPO of our Australian mortgage insurance in May 2014 reduced our ownership percentage to 66.2%, resulting in lower net operating income of $11 million in the current year.
- Other Countries' net operating loss decreased $2 million, including a decrease of $1 million attributable to changes in foreign exchange rates, primarily from lower operating expenses and losses, partially offset by lower premiums in the current year.

Revenues

Premiums

- Our Canadian mortgage insurance business decreased $13 million, including a decrease of $10 million attributable to changes in foreign exchange rates, primarily driven by the seasoning of our larger 2007 and 2008 in-force blocks of business, which are past their peak earnings period.
- Our Australian mortgage insurance business increased $1 million, including a decrease of $11 million attributable to changes in foreign exchange rates, primarily as a result of the seasoning of our in-force block of business as larger, newer books reach their peak earnings period and higher premiums resulting from policy cancellations and new insurance written, partially offset by higher ceded reinsurance premiums in the current year.
- Other Countries decreased $2 million primarily as a result of lower premiums attributable to lender settlements in the prior year and higher ceded reinsurance premiums in the current year.

Net investment income. Net investment income decreased $10 million, including a decrease of $7 million attributable to changes in foreign exchange rates. The decrease was also related to lower reinvestment yields during the current year, mainly in Australia.

Insurance and investment product fees and other. The decrease was primarily due to non-functional currency transactions attributable to changes in foreign exchange rates on partial payments of intercompany loans related to our Australian mortgage insurance business in the current year.

Benefits and expenses

Benefits and other changes in policy reserves

- Our Canadian mortgage insurance business decreased $20 million, including a decrease of $1 million attributable to changes in foreign exchange rates, primarily driven by lower losses incurred as a result of improved performance of our newer in-force blocks of business in the current year and lower severity of claims due to a higher proportion of delinquencies in provinces where severity has been lower and home price appreciation has been higher.
- Our Australian mortgage insurance business decreased $12 million, including a decrease of $2 million attributable to changes in foreign exchange rates, primarily driven by improved aging on our existing delinquencies from higher home price appreciation and a lower volume of existing delinquencies converting to mortgages in possession in the current year. Paid claims also decreased in the current year as a result of a decrease in both the number of claims and the average claim payment. These decreases were partially offset by a lower cure rate in the current year.
- Other Countries decreased $3 million primarily from lower new delinquencies, net of cures, and improved aging on our existing delinquencies in the current year. The decrease was also attributable to lender settlements in the prior year.

Acquisition and operating expenses, net of deferrals

- Our Canadian mortgage insurance business increased $6 million, including a decrease of $2 million attributable to changes in foreign exchange rates, primarily from an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada’s senior notes that were scheduled to mature in 2015 and higher expenses related to stock options from an increase in the share price in the current year.
- Our Australian mortgage insurance business decreased $4 million, including a decrease of $2 million attributable to changes in foreign exchange rates, primarily associated with lower operating expenses related to contract fees, partially offset by higher employee compensation and benefit expenses in the current year.
- Other Countries decreased $4 million, including an increase of $1 million attributable to changes in foreign exchange rates, primarily from lower operating expenses in the current year. The prior year also included a $1 million restructuring charge that did not recur.

Provision for income taxes. The effective tax rate decreased to 21.8% for the three months ended June 30, 2014 from 27.9% for the three months ended June 30, 2013. The decrease in the effective tax rate was primarily attributable to increased tax benefits from lower taxed foreign income. The three months ended June 30, 2014 included a decrease of $5 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, resulting in lower net income of $11 million in the current year.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The following table sets forth the results of operations relating to our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 472	$ 505	$ (33)	(7)%
Net investment income	149	173	(24)	(14)%
Net investment gains (losses)	9	16	(7)	(44)%
Insurance and investment product fees and other	(2)	—	(2)	NM(1)
Total revenues	628	694	(66)	(10)%
Benefits and expenses:				
Benefits and other changes in policy reserves	92	180	(88)	(49)%
Acquisition and operating expenses, net of deferrals	108	113	(5)	(4)%
Amortization of deferred acquisition costs and intangibles	30	33	(3)	(9)%
Interest expense	16	17	(1)	(6)%
Total benefits and expenses	246	343	(97)	(28)%
Income from continuing operations before income taxes	382	351	31	9%
Provision for income taxes	98	99	(1)	(1)%
Income from continuing operations	284	252	32	13%
Less: net income attributable to noncontrolling interests	87	77	10	13%
Income from continuing operations available to Genworth Financial, Inc.'s common stockholders	197	175	22	13%
Adjustments to income from continuing operations available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net	(3)	(6)	3	50%
(Gains) losses on early extinguishment of debt, net	2	—	2	NM(1)
Expenses related to restructuring, net	—	1	(1)	(100)%
Net operating income	$ 196	$ 170	$ 26	15%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

The following table sets forth net operating income for the businesses included in our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net operating income:				
Canada	$ 88	$ 85	$ 3	4%
Australia	119	101	18	18%
Other Countries	(11)	(16)	5	31%
Total net operating income	$ 196	$ 170	$ 26	15%

Net operating income

- Our Canadian mortgage insurance business increased $3 million, including decrease of $8 million attributable to changes in foreign exchange rates, primarily from lower losses in the current year. This increase was partially offset by higher operating expenses and lower premiums in the current year.
- Our Australian mortgage insurance business increased $18 million, including a decrease of $18 million attributable to changes in foreign exchange rates, primarily from lower losses and higher premiums. Additionally, the IPO of our Australian mortgage insurance in May 2014 reduced our ownership percentage to 66.2%, resulting in lower net operating income of $11 million in the current year.
- Other Countries' net operating loss decreased $5 million, including a decrease of $1 million attributable to changes in foreign exchange rates, primarily from lower losses and operating expenses, partially offset by lower premiums in the current year.

Revenues

Premiums

- Our Canadian mortgage insurance business decreased $27 million, including a decrease of $21 million attributable to changes in foreign exchange rates, primarily driven by the seasoning of our larger 2007 and 2008 in-force blocks of business, which are past their peak earnings period.
- Our Australian mortgage insurance business decreased $3 million, including a decrease of $27 million attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, premiums increased primarily as a result of the seasoning of our in-force block of business as larger, newer books reach their peak earnings period and higher premiums resulting from policy cancellations and new insurance written, partially offset by higher ceded reinsurance premiums in the current year.
- Other Countries decreased $3 million primarily as a result of lower premiums attributable to lender settlements in the prior year and higher ceded reinsurance premiums in the current year.

Net investment income. Net investment income decreased $24 million, including a decrease of $17 million attributable to changes in foreign exchange rates. The decrease was also primarily due to lower reinvestment yields during the current year, mainly in Australia.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under "—Investments and Derivative Instruments." The decrease was primarily from lower net investment gains related to sales of securities in Canada in the current year.

Insurance and investment product fees and other. The decrease was primarily due to non-functional currency transactions attributable to changes in foreign exchange rates on partial payments of intercompany loans related to our Australian mortgage insurance business in the current year.

Benefits and expenses

Benefits and other changes in policy reserves

- Our Canadian mortgage insurance business decreased $38 million, including a decrease of $3 million attributable to changes in foreign exchange rates, primarily driven by lower severity of claims due to a higher proportion of delinquencies in provinces where severity has been lower and home price appreciation has been higher and lower losses incurred as a result of improved performance of our newer in-force blocks of business in the current year.

- Our Australian mortgage insurance business decreased $43 million, including a decrease of $5 million attributable to changes in foreign exchange rates, primarily driven by improved aging on our existing delinquencies from higher home price appreciation and a lower volume of existing delinquencies converting to mortgages in possession in the current year. Paid claims also decreased in the current year as a result of a decrease in both the number of claims and the average claim payment.
- Other Countries decreased $7 million primarily from lower new delinquencies, net of cures, and improved aging on our existing delinquencies in the current year. The decrease was also attributable to lender settlements in the prior year.

Acquisition and operating expenses, net of deferrals

- Our Canadian mortgage insurance business increased $8 million, including a decrease of $3 million attributable to changes in foreign exchange rates, primarily from an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada's senior notes that were scheduled to mature in 2015 and higher expenses related to stock options from an increase in the share price in the current year.
- Our Australian mortgage insurance business decreased $9 million, including a decrease of $5 million attributable to changes in foreign exchange rates, primarily from lower operating expenses related to contract fees.
- Other Countries decreased $4 million, including an increase of $1 million attributable to changes in foreign exchange rates, primarily from lower operating expenses in the current year. The prior year also included a $1 million restructuring charge that did not recur.

Amortization of deferred acquisition costs and intangibles. The decrease was largely driven by changes in foreign exchange rates.

Provision for income taxes. The effective tax rate decreased to 25.7% for the six months ended June 30, 2014 from 28.2% for the six months ended June 30, 2013. The decrease in the effective tax rate was primarily attributable to increased tax benefits from lower taxed foreign income. The six months ended June 30, 2014 included a decrease of $11 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, resulting in lower net income of $11 million in the current year.

International Mortgage Insurance selected operating performance measures

The following tables set forth selected operating performance measures regarding our International Mortgage Insurance segment as of or for the dates indicated:

(Amounts in millions)	As of June 30, 2014	As of June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Primary insurance in-force:				
Canada	$314,500	$285,200	$29,300	10%
Australia	288,500	266,500	22,000	8%
Other Countries	26,000	31,300	(5,300)	(17)%
Total	$629,000	$583,000	$46,000	8%
Risk in-force:				
Canada	$110,100	$ 99,800	$10,300	10%
Australia	101,000	93,300	7,700	8%
Other Countries (1)	3,600	4,200	(600)	(14)%
Total	$214,700	$197,300	$17,400	9%

(1) Risk in-force as of June 30, 2014 and 2013 excluded $298 million and $250 million, respectively, of risk in-force in Europe ceded under quota share reinsurance agreements.

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013		Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
New insurance written:								
Canada	$12,500	$11,100	$ 1,400	13%	$18,300	$16,800	$ 1,500	9%
Australia	7,900	9,600	(1,700)	(18)%	15,700	17,500	(1,800)	(10)%
Other Countries	500	400	100	25%	900	800	100	13%
Total	$20,900	$21,100	$ (200)	(1)%	$34,900	$35,100	$ (200)	(1)%
Net premiums written:								
Canada	$ 146	$ 134	$ 12	9%	$ 223	$ 218	$ 5	2%
Australia	125	132	(7)	(5)%	251	249	2	1%
Other Countries	1	7	(6)	(86)%	7	12	(5)	(42)%
Total	$ 272	$ 273	$ (1)	— %	$ 481	$ 479	$ 2	— %

Primary insurance in-force and risk in-force

Our businesses in Canada and Australia currently provide 100% coverage on the majority of the loans we insure in those markets. For the purpose of representing our risk in-force, we have computed an "effective" risk in-force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor that represents our highest expected average per-claim payment for any one underwriting year over the life of our businesses in Canada and Australia. For the three and six months ended June 30, 2014 and 2013, this factor was 35%.

In Canada, primary insurance in-force and risk in-force increased primarily as a result of flow new insurance written and bulk transactions, partially offset by decreases of $4.5 billion and $1.6 billion, respectively, attributable to changes in foreign exchange rates in the current year.

In Australia, primary insurance in-force and risk in-force increased mainly attributable to flow new insurance written and included increases of $9.2 billion and $3.2 billion, respectively, attributable to changes in foreign exchange rates in the current year.

In Other Countries, primary insurance in-force and risk in-force decreased mainly attributable to lender settlements, primarily in Ireland, in the fourth quarter of 2013, partially offset by increases of $1.3 billion and $0.2 billion, respectively, attributable to changes in foreign exchange rates in the current year.

New insurance written

For the three months and six months ended June 30, 2014, new insurance written in Canada increased primarily as a result of higher bulk transactions and an increase in flow new insurance written attributable to increased market penetration. The three and six months ended June 30, 2014 included decreases of $800 million and $1,400 million, respectively, attributable to changes in foreign exchange rates in Canada.

For the three months ended June 30, 2014, new insurance written in Australia decreased mainly attributable to bulk transactions in the prior year that did not recur and a decrease in flow new insurance written driven by a decrease of $800 million attributable to changes in foreign exchange rates in the current year. For the six months ended June 30, 2014, new insurance written in Australia decreased $2,100 million driven by changes in foreign exchange rates. Excluding the effects of foreign exchange, new insurance written in Australia increased mainly attributable to higher flow average price and improved housing market activity as interest rates remained low in the current year, partially offset by bulk transactions in the prior year that did not recur.

For the three and six months ended June 30, 2014, new insurance written in Other Countries increased slightly from flow new insurance written but remained at low levels as the mortgage originations market in Europe continued to be pressured by a weak economic environment.

Net premiums written

Most of our international mortgage insurance policies provide for single premiums at the time that loan proceeds are advanced. We initially record the single premiums to unearned premium reserves and recognize the premiums earned over time in accordance with the expected pattern of risk emergence. As of June 30, 2014, our unearned premium reserves were $2,887 million, including an increase of $100 million attributable to changes in foreign exchange rates, compared to $2,780 million as of June 30, 2013.

In Canada, net premiums written increased during the three and six months ended June 30, 2014 primarily from higher flow volume attributable to increased market penetration and higher bulk transactions in the current year. In addition, the price increase on high loan-to-value premiums effective May 1, 2014 resulted in higher net premiums written. The three and six months ended June 30, 2014 included decreases of $11 million and $18 million, respectively, attributable to changes in foreign exchange rates in Canada.

For the three months ended June 30, 2014, net premiums written in Australia decreased driven by changes in foreign exchange rates. Excluding the effects of foreign exchange for the three months ended June 30, 2014, net premiums written increased in Australia during the three and six months ended June 30, 2014 primarily from higher flow average price and volume, partially offset by lower loan-to-value mortgage originations and higher ceded reinsurance premiums in the current year. The three and six months ended June 30, 2014 included decreases of $13 million and $34 million, respectively, attributable to changes in foreign exchange rates in Australia.

In Other Countries, net premiums written decreased during the three and six months ended June 30, 2014 primarily from higher ceded reinsurance premiums in the current year.

Loss and expense ratios

The following table sets forth the loss and expense ratios for our International Mortgage Insurance segment for the dates indicated:

	Three months ended June 30,		Increase (decrease)	Six months ended June 30,		Increase (decrease)
	2014	2013	2014 vs. 2013	2014	2013	2014 vs. 2013
Loss ratio:						
Canada	12%	25%	(13)%	16%	28%	(12)%
Australia	23%	35%	(12)%	20%	41%	(21)%
Other Countries	90%	110%	(20)%	71%	100%	(29)%
Total	19%	32%	(13)%	20%	36%	(16)%
Expense ratio:						
Canada	26%	23%	3%	30%	28%	2%
Australia	23%	25%	(2)%	21%	26%	(5)%
Other Countries	NM(1)	177%	NM(2)	277%	176%	101%
Total	28%	28%	— %	29%	30%	(1)%

(1) We define "NM" as not meaningful for percentages greater than 500%.
(2) We define "NM" as not meaningful for changes greater than 500%.

The loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. The expense ratio is the ratio of general expenses to net premiums written. In our business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of deferred acquisition costs and intangibles.

Loss ratio

The loss ratio in Canada for the three months ended June 30, 2014 decreased primarily driven by lower losses incurred as a result of improved performance of our newer in-force blocks of business in the current year and lower severity of claims due to a higher proportion of delinquencies in provinces where severity has been lower and home price appreciation has been higher. The loss ratio in Canada for the six months ended June 30, 2014 decreased primarily driven by lower severity of claims due to a higher proportion of delinquencies in provinces where severity has been lower and home price appreciation has been higher and lower losses incurred as a result of improved performance of our newer in-force blocks of business in the current year. Partially offsetting these decreases were lower premiums during the three and six months ended June 30, 2014 from the seasoning of our larger 2007 and 2008 in-force blocks of business, which are past their peak earnings period.

For the three and six months ended June 30, 2014, the loss ratio in Australia decreased primarily driven by improved aging on our existing delinquencies from higher home price appreciation and a lower volume of existing delinquencies converting to mortgages in possession in the current year. Paid claims also decreased in the current year as a result of a decrease in both the number of claims and the average claim payment. These decreases were partially offset by a lower cure rate during the three months ended June 30, 2014.

In Other Countries, the loss ratio decreased for the three and six months ended June 30, 2014 primarily from lower new delinquencies, net of cures, and improved aging on our existing delinquencies in the current year. The decrease was also attributable to lender settlements in the prior year.

Expense ratio

In Canada, the expense ratio increased during the three and six months ended June 30, 2014 as higher operating expenses from the early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada's senior notes that were scheduled to mature in 2015 and higher expenses related to stock options from an increase in the share price in the current year were not fully offset by the impact of higher net premiums written. Excluding the early redemption payment of $6 million, the expense ratio for the three and six months ended June 30, 2014 would have been 21% and 27%, respectively.

The expense ratio in Australia decreased for the three months ended June 30, 2014 from lower operating expenses related to contract fees, partially offset by higher employee compensation and benefit expenses in the current year. This was partially offset by lower net premiums written from changes in foreign exchange rates in the current year. The expense ratio in Australia decreased for the six months ended June 30, 2014 from lower operating expenses related to contract fees in the current year.

In Other Countries, the expense ratio increased for the three and six months ended June 30, 2014 primarily from higher ceded net premiums written in the current year, partially offset by lower operating expenses in the current year and a $1 million restructuring charge in the prior year that did not recur.

Delinquent loans

The following table sets forth the number of loans insured, the number of delinquent loans and the delinquency rate for our international mortgage insurance portfolio as of the dates indicated:

	June 30, 2014	December 31, 2013	June 30, 2013
Canada:			
Primary insured loans in-force	1,602,928	1,527,554	1,464,060
Delinquent loans	1,703	1,830	1,778
Percentage of delinquent loans (delinquency rate)	0.11%	0.12%	0.12%
Flow loan in-force	1,213,846	1,187,753	1,151,957
Flow delinquent loans	1,493	1,591	1,562
Percentage of flow delinquent loans (delinquency rate)	0.12%	0.13%	0.14%
Bulk loans in-force	389,082	339,801	312,103
Bulk delinquent loans	210	239	216
Percentage of bulk delinquent loans (delinquency rate)	0.05%	0.07%	0.07%
Australia:			
Primary insured loans in-force	1,481,201	1,474,181	1,459,376
Delinquent loans	5,405	4,980	5,820
Percentage of delinquent loans (delinquency rate)	0.36%	0.34%	0.40%
Flow loan in-force	1,362,236	1,350,571	1,330,157
Flow delinquent loans	5,125	4,760	5,513
Percentage of flow delinquent loans (delinquency rate)	0.38%	0.35%	0.41%
Bulk loans in-force	118,965	123,610	129,219
Bulk delinquent loans	280	220	307
Percentage of bulk delinquent loans (delinquency rate)	0.24%	0.18%	0.24%
Other Countries:			
Primary insured loans in-force	188,034	193,647	194,634
Delinquent loans	10,065	10,049	12,091
Percentage of delinquent loans (delinquency rate)	5.35%	5.19%	6.21%
Flow loan in-force	112,715	113,616	139,928
Flow delinquent loans	6,750	6,442	8,087
Percentage of flow delinquent loans (delinquency rate)	5.99%	5.67%	5.78%
Bulk loans in-force	75,319	80,031	54,706
Bulk delinquent loans	3,315	3,607	4,004
Percentage of bulk delinquent loans (delinquency rate)	4.40%	4.51%	7.32%
Total:			
Primary insured loans in-force	3,272,163	3,195,382	3,118,070
Delinquent loans	17,173	16,859	19,689
Percentage of delinquent loans (delinquency rate)	0.52%	0.53%	0.63%
Flow loan in-force	2,688,797	2,651,940	2,622,042
Flow delinquent loans	13,368	12,793	15,162
Percentage of flow delinquent loans (delinquency rate)	0.50%	0.48%	0.58%
Bulk loans in-force	583,366	543,442	496,028
Bulk delinquent loans (1)	3,805	4,066	4,527
Percentage of bulk delinquent loans (delinquency rate)	0.65%	0.75%	0.91%

(1) Included loans where we were in a secondary loss position for which no reserve was established due to an existing deductible. Excluding these loans, bulk delinquent loans were 3,778 as of June 30, 2014, 4,030 as of December 31, 2013 and 4,496 as of June 30, 2013.

In Canada, flow loans in-force increased from new policies written and flow delinquent loans decreased compared to December 31, 2013 as paid claims and cures more than offset new delinquencies in the current year. Bulk loans in-force increased from higher bulk transactions in the current year.

In Australia, flow loans in-force increased as a result of new policies written, partially offset by policy cancellations in the current year. Flow delinquent loans increased compared to December 31, 2013 as new delinquencies more than offset paid claims and cures.

In Other Countries, flow delinquent loans decreased compared to June 30, 2013 mainly attributable to lender settlements, primarily in Ireland, in the fourth quarter of 2013.

U.S. Mortgage Insurance segment

Segment results of operations

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The following table sets forth the results of operations relating to our U.S. Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 144	$ 141	$ 3	2%
Net investment income	11	10	1	10%
Net investment gains (losses)	—	—	—	— %
Insurance and investment product fees and other	1	—	1	NM(1)
Total revenues	156	151	5	3%
Benefits and expenses:				
Benefits and other changes in policy reserves	62	97	(35)	(36)%
Acquisition and operating expenses, net of deferrals	34	35	(1)	(3)%
Amortization of deferred acquisition costs and intangibles	2	2	—	— %
Total benefits and expenses	98	134	(36)	(27)%
Income from continuing operations before income taxes	58	17	41	NM(1)
Provision for income taxes	19	4	15	NM(1)
Income from continuing operations	39	13	26	200%
Adjustment to income from continuing operations:				
Net investment (gains) losses, net	—	—	—	— %
Net operating income	$ 39	$ 13	$ 26	200%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Net operating income

The increase in net operating income was mainly attributable to fewer new delinquencies, as well as lower reserves on new delinquencies, and improvements in net cures and aging on existing delinquencies in the current year.

Revenues

Premiums increased mainly attributable to higher average flow insurance in-force and lower ceded reinsurance premiums in the current year.

Benefits and expenses

Benefits and other changes in policy reserves decreased primarily driven by fewer new delinquencies, as well as lower reserves on new delinquencies, and improvements in net cures and aging on existing delinquencies in the current year. Reserves for prior year delinquencies benefitted $15 million during the current year from improvements in net cures and aging.

Provision for income taxes. The effective tax rate increased to 32.8% for the three months ended June 30, 2014 from 23.5% for the three months ended June 30, 2013. The increase in the effective tax rate was primarily attributable to changes in tax favored investment benefits in relation to pre-tax income, partially offset by the loss of foreign credits and the non-deductibility of the CFPB settlement in the prior year.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The following table sets forth the results of operations relating to our U.S. Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Six month ended June 30, 2014	Six month ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 281	$ 275	$ 6	2%
Net investment income	29	29	—	— %
Net investment gains (losses)	—	—	—	— %
Insurance and investment product fees and other	1	1	—	— %
Total revenues	311	305	6	2%
Benefits and expenses:				
Benefits and other changes in policy reserves	125	181	(56)	(31)%
Acquisition and operating expenses, net of deferrals	67	74	(7)	(9)%
Amortization of deferred acquisition costs and intangibles	4	3	1	33%
Total benefits and expenses	196	258	(62)	(24)%
Income from continuing operations before income taxes	115	47	68	145%
Provision for income taxes	43	13	30	NM(1)
Income from continuing operations	72	34	38	112%
Adjustment to income from continuing operations:				
Net investment (gains) losses, net	—	—	—	— %
Net operating income	$ 72	$ 34	$ 38	112%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Net operating income

Net operating income increased in the current year mainly attributable to the decline in new delinquencies, as well as lower reserves on new delinquencies, and improvements in net cures and aging on existing delinquencies, partially offset by a net reserve strengthening of $11 million and unfavorable tax adjustments of $6 million recorded in the current year.

Revenues

Premiums increased driven by higher average flow insurance in-force and lower ceded reinsurance premiums in the current year.

Benefits and expenses

Benefits and other changes in policy reserves decreased driven by a decline in new delinquencies, as well as lower reserves on new delinquencies, and improvements in net cures and aging on existing delinquencies in the current year, partially offset by a net reserve strengthening of $17 million in the current year. In the first quarter of 2014, we strengthened reserves to reflect the expectation in future periods of increased claim severity primarily for late-stage delinquencies, partially offset by lower claim rates for early-stage delinquencies. Overall delinquencies continued to decline from factors such as increased cure rates resulting from improvements in the

Table of Contents

overall housing market, fewer new delinquencies and ongoing loss mitigation efforts. Reserves for prior year delinquencies benefitted $26 million during the current year from improvements in net cures and aging.

Acquisition and operating expenses, net of deferrals, decreased primarily from a settlement of approximately $4 million with the CFPB to end its review of industry captive reinsurance arrangements in the prior year that did not recur and lower operating expenses in the current year.

Provision for income taxes. The effective tax rate increased to 37.4% for the six months ended June 30, 2014 from 27.7% for the six months ended June 30, 2013. The increase in the effective tax rate was primarily attributable to changes in tax favored investment benefits in relation to pre-tax income and changes in the state tax valuation allowance, partially offset by the loss of foreign credits and the non-deductibility of the CFPB settlement in the prior year.

U.S. Mortgage Insurance selected operating performance measures

The following tables set forth selected operating performance measures regarding our U.S. Mortgage Insurance segment as of or for the dates indicated:

(Amounts in millions)	As of June 30, 2014	As of June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Primary insurance in-force	$110,500	$108,800	$ 1,700	2%
Risk in-force	27,500	26,600	900	3%

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013		Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
New insurance written	$ 6,100	$ 6,300	$ (200)	(3)%	$10,000	$11,000	$ (1,000)	(9)%
Net premiums written	151	144	7	5%	295	279	16	6%

Primary insurance in-force and risk in-force

Primary insurance in-force increased as the result of an increase of $3.0 billion in flow insurance in-force, which increased from $103.5 billion as of June 30, 2013 to $106.5 billion as of June 30, 2014, as a result of new insurance written during 2013. This increase was partially offset by a decline of $1.3 billion in bulk insurance in-force, which decreased from $5.3 billion as of June 30, 2013 to $4.0 billion as of June 30, 2014, from cancellations and lapses. In addition, risk in-force increased primarily as a result of higher flow new insurance written, partially offset by the decline in bulk risk in-force. Flow persistency was 84% and 81% for the six months ended June 30, 2014 and 2013, respectively.

New insurance written

New insurance written decreased for the three and six months ended June 30, 2014 primarily driven by a decline in the mortgage insurance origination market. Mortgage refinance originations also remained low as a result of higher interest rates during the current year.

Net premiums written

Net premiums written for the three and six months ended June 30, 2014 increased due to higher average flow insurance in-force and lower ceded reinsurance premiums in the current year.

Loss and expense ratios

The following table sets forth the loss and expense ratios for our U.S. Mortgage Insurance segment for the dates indicated:

	Three months ended June 30,		Increase (decrease)	Six months ended June 30,		Increase (decrease)
	2014	2013	2014 vs. 2013	2014	2013	2014 vs. 2013
Loss ratio	43%	70%	(27)%	45%	66%	(21)%
Expense ratio	23%	25%	(2)%	24%	28%	(4)%

The loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. The expense ratio is the ratio of general expenses to net premiums written. In our business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of deferred acquisition costs and intangibles.

The loss ratio for the three months ended June 30, 2014 decreased primarily driven by a decline in new delinquencies, as well as lower reserves on new delinquencies, and improvements in net cures and aging on existing delinquencies in the current year. Reserves for prior year delinquencies benefitted $15 million for the three months ended June 30, 2014 from improvements in net cures and aging.

The decrease in the loss ratio for the six months ended June 30, 2014 was primarily attributable to fewer new delinquencies, as well as lower reserves on new delinquencies, and improved net cures and aging on existing delinquencies in the current year, partially offset by a net reserve strengthening of $17 million in the current year. In the first quarter of 2014, we strengthened reserves to reflect the expectation in future periods of increased claim severity primarily for late-stage delinquencies, partially offset by lower claim rates for early-stage delinquencies. Reserves for prior year delinquencies benefitted $26 million during the six months ended June 30, 2014 from improvements in net cures and aging.

The expense ratio decreased for the three months ended June 30, 2014 from higher net premiums written in the current year. The expense ratio decreased for the six months ended June 30, 2014 as a result of the settlement of approximately $4 million with the CFPB to end its review of industry captive reinsurance arrangements in the prior year did not recur, lower operating expenses and higher net premiums written.

Table of Contents

Delinquent loans

The following table sets forth the number of loans insured, the number of delinquent loans and the delinquency rate for our U.S. mortgage insurance portfolio as of the dates indicated:

	June 30, 2014	December 31, 2013	June 30, 2013
Primary insurance:			
Insured loans in-force	620,415	624,236	633,685
Delinquent loans	42,605	51,459	58,199
Percentage of delinquent loans (delinquency rate)	6.87%	8.24%	9.18%
Flow loan in-force	585,719	586,546	590,949
Flow delinquent loans	40,897	49,255	55,413
Percentage of flow delinquent loans (delinquency rate)	6.98%	8.40%	9.38%
Bulk loans in-force	34,696	37,690	42,736
Bulk delinquent loans (1)	1,708	2,204	2,786
Percentage of bulk delinquent loans (delinquency rate)	4.92%	5.85%	6.52%
A minus and sub-prime loans in-force	36,219	39,307	42,993
A minus and sub-prime loans delinquent loans	8,238	10,023	10,803
Percentage of A minus and sub-prime delinquent loans (delinquency rate)	22.74%	25.50%	25.13%
Pool insurance:			
Insured loans in-force	10,336	11,354	12,063
Delinquent loans	546	628	634
Percentage of delinquent loans (delinquency rate)	5.28%	5.53%	5.26%

(1) Included loans where we were in a secondary loss position for which no reserve was established due to an existing deductible. Excluding these loans, bulk delinquent loans were 1,147 as of June 30, 2014, 1,491 as of December 31, 2013 and 1,526 as of June 30, 2013.

Delinquency and foreclosure levels that developed principally in our 2005 through 2008 book years have declined as the United States has continued to experience improvement in its residential real estate market. We also have seen a decline in new delinquencies and lower foreclosure starts in the current year.

The following tables set forth flow delinquencies, direct case reserves and risk in-force by aged missed payment status in our U.S. mortgage insurance portfolio as of the dates indicated:

	June 30, 2014			
(Dollar amounts in millions)	Delinquencies	Direct case reserves (1)	Risk in-force	Reserves as % of risk in-force
Payments in default:				
3 payments or less	10,780	$ 76	$ 427	18%
4-11 payments	9,601	242	398	61%
12 payments or more	20,516	765	1,016	75%
Total	40,897	$ 1,083	$ 1,841	59%

(1) Direct flow case reserves exclude loss adjustment expenses, incurred but not reported and reinsurance reserves.

(Dollar amounts in millions)	December 31, 2013 Delinquencies	Direct case reserves [(1)]	Risk in-force	Reserves as % of risk in-force
Payments in default:				
3 payments or less	13,436	$ 121	$ 523	23%
4-11 payments	11,854	305	486	63%
12 payments or more	23,965	851	1,178	72%
Total	49,255	$ 1,277	$2,187	58%

(1) Direct flow case reserves exclude loss adjustment expenses, incurred but not reported and reinsurance reserves.

Primary insurance delinquency rates differ from region to region in the United States at any one time depending upon economic conditions and cyclical growth patterns. The tables below set forth our primary delinquency rates for the various regions of the United States and the 10 largest states by our risk in-force as of the dates indicated. Delinquency rates are shown by region based upon the location of the underlying property, rather than the location of the lender.

	Percent of primary risk in-force as of June 30, 2014	Percent of total reserves as of June 30, 2014 [(1)]	Delinquency rate June 30, 2014	Delinquency rate December 31, 2013	Delinquency rate June 30, 2013
By Region:					
Southeast (2)	20%	30%	9.01%	11.02%	12.69%
South Central (3)	16	7	4.73%	5.85%	6.29%
Northeast (4)	15	25	11.17%	12.30%	12.50%
Pacific (5)	12	10	5.28%	6.47%	7.96%
North Central (6)	11	10	5.89%	7.39%	8.62%
Great Lakes (7)	10	6	4.90%	6.03%	6.78%
New England (8)	6	5	6.69%	7.74%	8.57%
Mid-Atlantic (9)	5	5	6.79%	8.18%	8.85%
Plains (10)	5	2	4.50%	5.46%	5.93%
Total	100%	100%	6.87%	8.24%	9.18%

(1) Total reserves were $1,256 million as of June 30, 2014.
(2) Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee.
(3) Arizona, Colorado, Louisiana, New Mexico, Oklahoma, Texas and Utah.
(4) New Jersey, New York and Pennsylvania.
(5) Alaska, California, Hawaii, Nevada, Oregon and Washington.
(6) Illinois, Minnesota, Missouri and Wisconsin.
(7) Indiana, Kentucky, Michigan and Ohio.
(8) Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
(9) Delaware, Maryland, Virginia, Washington D.C. and West Virginia.
(10) Idaho, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

Table of Contents

	Percent of primary risk in-force as of June 30, 2014	Percent of total reserves as of June 30, 2014 (1)	Delinquency rate June 30, 2014	Delinquency rate December 31, 2013	Delinquency rate June 30, 2013
By State:					
California	7%	4%	3.42%	4.27%	5.39%
Texas	7%	3%	4.66%	5.68%	5.74%
New York	6%	11%	11.11%	11.90%	11.58%
Florida	6%	21%	15.71%	19.50%	23.12%
Illinois	5%	6%	7.82%	9.67%	11.95%
New Jersey	4%	10%	15.45%	16.76%	18.05%
Pennsylvania	4%	4%	8.25%	9.73%	9.94%
Georgia	4%	3%	6.76%	8.48%	9.73%
Ohio	4%	2%	5.44%	6.69%	7.29%
North Carolina	4%	2%	6.04%	7.43%	8.47%

(1) Total reserves were $1,256 million as of June 30, 2014.

The following table sets forth the dispersion of our total reserves and primary insurance in-force and risk in-force by year of policy origination and average annual mortgage interest rate as of June 30, 2014:

(Amounts in millions)	Average rate	Percent of total reserves (1)	Primary insurance in-force	Percent of total	Primary risk in-force	Percent of total
Policy Year						
2003 and prior	6.41%	7.4%	$ 3,962	3.6%	$ 903	3.3%
2004	5.74%	5.2	2,631	2.4	628	2.3
2005	5.71%	12.4	5,154	4.6	1,372	5.0
2006	5.96%	17.8	7,857	7.1	1,992	7.3
2007	5.89%	37.4	18,641	16.9	4,670	17.1
2008	5.42%	17.7	16,547	15.0	4,175	15.3
2009	4.98%	0.6	2,996	2.7	672	2.5
2010	4.69%	0.6	3,950	3.6	924	3.4
2011	4.49%	0.4	5,305	4.8	1,310	4.8
2012	3.78%	0.3	12,812	11.6	3,157	11.5
2013	3.95%	0.2	20,775	18.8	5,048	18.5
2014	4.48%	—	9,881	8.9	2,463	9.0
Total portfolio	5.08%	100.0%	$110,511	100.0%	$27,314	100.0%

(1) Total reserves were $1,256 million as of June 30, 2014.

Corporate and Other Division

Division results of operations

The following table sets forth the results of operations relating to our Corporate and Other Division for the periods indicated. See below for a discussion by segment.

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013		Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net operating income (loss):								
International Protection segment	$ 2	$ 1	$ 1	100%	$ 9	$ 7	$ 2	29%
Runoff segment	15	6	9	150%	27	22	5	23%
Corporate and Other activities	(64)	(55)	(9)	(16)%	(115)	(113)	(2)	(2)%
Total net operating loss	(47)	(48)	1	2%	(79)	(84)	5	6%
Adjustments to net operating loss:								
Net investment gains (losses), net	(1)	—	(1)	NM[1]	(11)	(21)	10	NM[1]
Expenses from restructuring, net	—	(3)	3	100%	—	(3)	3	100%
Income (loss) from discontinued operations, net of taxes	—	6	(6)	(100)%	—	(14)	14	100%
Net loss available to Genworth Financial, Inc.'s common stockholders	$ (48)	$ (45)	$(3)	(7)%	$ (90)	$(122)	$32	26%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Table of Contents

International Protection segment

Segment results of operations

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The following table sets forth the results of operations relating to our International Protection segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 199	$ 154	$ 45	29%
Net investment income	22	31	(9)	(29)%
Net investment gains (losses)	—	16	(16)	(100)%
Insurance and investment product fees and other	2	1	1	100%
Total revenues	223	202	21	10%
Benefits and expenses:				
Benefits and other changes in policy reserves	56	41	15	37%
Acquisition and operating expenses, net of deferrals	126	110	16	15%
Amortization of deferred acquisition costs and intangibles	30	26	4	15%
Interest expense	9	11	(2)	(18)%
Total benefits and expenses	221	188	33	18%
Income from continuing operations before income taxes	2	14	(12)	(86)%
Provision for income taxes	—	5	(5)	(100)%
Income from continuing operations	2	9	(7)	(78)%
Adjustments to income from continuing operations:				
Net investment (gains) losses, net	—	(11)	11	100%
Expenses related to restructuring, net	—	3	(3)	(100)%
Net operating income	$ 2	$ 1	$ 1	100%

Net operating income

Net operating income increased marginally as higher premiums and tax benefits were mostly offset by higher claim reserves and lower net investment income in the current year.

Revenues

Premiums increased $27 million primarily driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting and higher volume driven by growth in France from a new client in the current year. These increases were partially offset by lower premiums from our runoff clients. The three months ended June 30, 2014 included an increase of $10 million attributable to changes in foreign exchange rates.

Net investment income decreased mainly due to lower reinvestment yields and an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. These decreases were partially offset by reinsurance agreements accounted for under the deposit method of accounting as certain of these arrangements were in a higher gain position in the current year. The three months ended June 30, 2014 included an increase of $2 million attributable to changes in foreign exchange rates.

Net investment gains decreased primarily attributable to higher gains from the sale of investments in the prior year.

Benefits and expenses

Benefits and other changes in policy reserves increased $8 million related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The increase was also driven by higher reserves in France from a new client and higher claims of $3 million related to the ferry disaster in Korea, partially offset by a decline in new claim registrations in the current year. The three months ended June 30, 2014 included an increase of $3 million attributable to changes in foreign exchange rates.

Acquisition and operating expenses, net of deferrals, increased mainly due to higher commissions of $17 million related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. This increase was partially offset by lower operating and profit sharing expenses in the current year and a restructuring charge of $4 million in the prior year that did not recur. The three months ended June 30, 2014 included an increase of $7 million attributable to changes in foreign exchange rates.

Amortization of deferred acquisition costs and intangibles increased primarily as a result of higher premium volume in the current year. The three months ended June 30, 2014 included an increase of $2 million attributable to changes in foreign exchange rates.

Interest expense decreased primarily driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting, which was mostly offset by reinsurance agreements accounted for under the deposit method of accounting as certain of these arrangements were in a higher loss position.

Provision for income taxes. The effective tax rate decreased to zero for the three months ended June 30, 2014 from 35.7% for the three months ended June 30, 2013. The decrease in the effective tax rate was primarily attributable to changes in foreign income.

Table of Contents

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The following table sets forth the results of operations relating to our International Protection segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 374	$ 319	$ 55	17%
Net investment income	52	64	(12)	(19)%
Net investment gains (losses)	1	22	(21)	(95)%
Insurance and investment product fees and other	3	2	1	50%
Total revenues	430	407	23	6%
Benefits and expenses:				
Benefits and other changes in policy reserves	102	80	22	28%
Acquisition and operating expenses, net of deferrals	235	220	15	7%
Amortization of deferred acquisition costs and intangibles	60	54	6	11%
Interest expense	24	25	(1)	(4)%
Total benefits and expenses	421	379	42	11%
Income from continuing operations before income taxes	9	28	(19)	(68)%
Provision (benefit) for income taxes	(1)	9	(10)	(111)%
Income from continuing operations	10	19	(9)	(47)%
Adjustments to income from continuing operations:				
Net investment (gains) losses, net	(1)	(15)	14	93%
Expenses related to restructuring, net	—	3	(3)	(100)%
Net operating income	$ 9	$ 7	$ 2	29%

Net operating income

Net operating income increased marginally as higher premiums and tax benefits were mostly offset by higher claim reserves and lower net investment income in the current year.

Revenues

Premiums increased $27 million primarily driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The increase in the current year was also attributable to higher volume driven by a new client in France and a favorable adjustment of $4 million related to German premium taxes, partially offset by lower premiums from our runoff clients. The six months ended June 30, 2014 included an increase of $13 million attributable to changes in foreign exchange rates.

Net investment income decreased principally attributable to lower reinvestment yields and reinsurance agreements accounted for under the deposit method of accounting as certain of these arrangements were in a lower gain position in the current year in the current year. These decreases were mostly offset by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The six months ended June 30, 2014 included an increase of $2 million attributable to changes in foreign exchange rates.

Net investment gains decreased mainly due to higher gains from the sale of investments in the prior year.

Benefits and expenses

Benefits and other changes in policy reserves increased driven by $8 million related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The increase was also driven by higher reserves in France from a new client and higher claims of $3 million related to the ferry disaster in Korea, partially offset by a decline in new claim registrations in the current year. The six months ended June 30, 2014 included an increase of $4 million attributable to changes in foreign exchange rates.

Acquisition and operating expenses, net of deferrals, increased largely from higher commissions of $17 million related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. This increase was partially offset by lower operating and profit sharing expenses in the current year and a restructuring charge of $4 million in the prior year that did not recur. The six months ended June 30, 2014 included an increase of $9 million attributable to changes in foreign exchange rates.

Amortization of deferred acquisition costs and intangibles increased primarily as a result of higher premium volume in the current year. The six months ended June 30, 2014 included an increase of $2 million attributable to changes in foreign exchange rates.

Interest expense decreased largely related to an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting, mostly offset by reinsurance arrangements accounted for under the deposit method of accounting as certain of these arrangements were in a higher loss position in the current year.

Provision (benefit) for income taxes. The effective tax rate decreased to (11.1)% for the six months ended June 30, 2014 from 32.1% for the six months ended June 30, 2013. This decrease in the effective tax rate was primarily attributable to a favorable tax correction recorded in the current year, partially offset by changes in foreign income.

International Protection selected operating performance measures

The following table sets forth selected operating performance measures regarding our International Protection segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013		Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Net Premiums Written:								
Northern Europe	$ 104	$ 106	$ (2)	(2)%	$ 219	$ 212	$ 7	3%
Southern Europe	86	74	12	16%	194	152	42	28%
Structured Deals	41	49	(8)	(16)%	71	77	(6)	(8)%
New Markets	15	14	1	7%	26	35	(9)	(26)%
Pre-deposit accounting basis	246	243	3	1%	510	476	34	7%
Deposit accounting adjustments	47	94	(47)	(50)%	115	174	(59)	(34)%
Total	$ 199	$ 149	$ 50	34%	$ 395	$ 302	$ 93	31%
Loss ratio	28%	26%	2%		27%	25%	2%	

Net premiums written

For the three and six months ended June 30, 2014, total net premiums written increased primarily driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting. The increase was also attributable to sales growth in Italy and Germany in the current year. For the six months ended June 30, 2014, the increase was also attributable to growth in France from a new client and a favorable adjustment related to German premium taxes in the current year. The three and six months ended June 30, 2014 included increases of $11 million and $14 million, respectively, attributable to changes in foreign exchange rates.

Loss ratio

The loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums.

For the three months ended June 30, 2014, the loss ratio increased mainly driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting, which impacted both benefits and premiums. The increase was also driven by higher claims related to the ferry disaster in Korea in the current year, partially offset by higher favorable claim reserve adjustments in the prior year. These increases were partially offset by higher premiums attributable to growth in France from a new client in the current year.

For the six months ended June 30, 2014, the loss ratio increased mainly driven by an amendment to a reinsurance agreement in the current year retroactive to January 1, 2014 that was previously accounted for under the deposit method of accounting, which impacted both benefits and premiums. The increase was also driven by higher claims related to the ferry disaster in Korea and higher reserves in France from a new client in the current year, partially offset by higher favorable claim reserve adjustments in the prior year. These increases were partially offset by higher premiums attributable to growth in France from a new client and a favorable adjustment related to German premium taxes in the current year.

Table of Contents

Runoff segment

Segment results of operations

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The following table sets forth the results of operations relating to our Runoff segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 1	$ 2	$ (1)	(50)%
Net investment income	33	34	(1)	(3)%
Net investment gains (losses)	3	(20)	23	115%
Insurance and investment product fees and other	52	53	(1)	(2)%
Total revenues	89	69	20	29%
Benefits and expenses:				
Benefits and other changes in policy reserves	6	10	(4)	(40)%
Interest credited	29	29	—	— %
Acquisition and operating expenses, net of deferrals	20	22	(2)	(9)%
Amortization of deferred acquisition costs and intangibles	10	8	2	25%
Interest expense	1	1	—	— %
Total benefits and expenses	66	70	(4)	(6)%
Income (loss) from continuing operations before income taxes	23	(1)	24	NM(1)
Provision for income taxes	5	—	5	NM(1)
Income (loss) from continuing operations	18	(1)	19	NM(1)
Adjustment to income (loss) from continuing operations:				
Net investment (gains) losses, net	(3)	7	(10)	(143)%
Net operating income	$ 15	$ 6	$ 9	150%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Net operating income

Net operating income increased primarily related to our variable annuity products largely driven by favorable equity market performance in the current year.

Revenues

Net investment gains in the current year were principally from derivative gains and gains on embedded derivatives associated with our variable annuity products with GMWBs, partially offset by net investment losses from the sale of investment securities. Net investment losses in the prior year were largely related to derivative losses and net investment losses from the sale of investment securities, partially offset by gains on embedded derivatives associated with our variable annuity products with GMWBs.

Benefits and expenses

Benefits and other changes in policy reserves decreased primarily attributable to a decrease in our GMDB reserves in our variable annuity products due to favorable equity market performance in the current year.

Provision for income taxes. The effective tax rate increased to 21.7% for the three months ended June 30, 2014. For the three months ended June 30, 2013 the effective tax rate was zero. The increase in the effective tax rate was primarily related to tax favored investments in relation to pre-tax income in the current year compared to the prior year.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The following table sets forth the results of operations relating to our Runoff segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Premiums	$ 2	$ 3	$ (1)	(33)%
Net investment income	65	68	(3)	(4)%
Net investment gains (losses)	(10)	(68)	58	85%
Insurance and investment product fees and other	105	109	(4)	(4)%
Total revenues	162	112	50	45%
Benefits and expenses:				
Benefits and other changes in policy reserves	14	14	—	— %
Interest credited	58	61	(3)	(5)%
Acquisition and operating expenses, net of deferrals	40	42	(2)	(5)%
Amortization of deferred acquisition costs and intangibles	21	(5)	26	NM(1)
Interest expense	1	1	—	— %
Total benefits and expenses	134	113	21	19%
Income (loss) from continuing operations before income taxes	28	(1)	29	NM(1)
Provision for income taxes	5	3	2	67%
Income (loss) from continuing operations	23	(4)	27	NM(1)
Adjustment to income (loss) from continuing operations:				
Net investment (gains) losses, net	4	26	(22)	(85)%
Net operating income	$ 27	$ 22	$ 5	23%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Net operating income

Net operating income increased primarily related to our variable annuity products largely driven by favorable equity market performance in the current year.

Revenues

The decrease in net investment losses was primarily related to derivative gains in the current year compared to derivative losses in the prior year. The decrease was also attributable to lower net investment losses from the sale of investment securities in the current year, partially offset by losses on embedded derivatives associated with our variable annuity products with GMWBs in the current year compared to gains in the prior year.

Insurance and investment product fees and other decreased mainly attributable to a final settlement related to the sale of our Medicare supplement insurance business in the prior year that did not recur.

Benefits and expenses

Interest credited decreased largely related to our institutional products as a result of lower interest paid on our floating rate policyholder liabilities in the current year due to a decrease in outstanding liabilities.

Amortization of deferred acquisition costs and intangibles increased related to our variable annuity products primarily from lower net investment losses and a change in lapse assumptions in the current year.

Provision for income taxes. The effective tax rate increased to 17.9% for the six months ended June 30, 2014 from (300.0)% for the six months ended June 30, 2013. The increase in the effective tax rate was primarily related to tax favored investments in relation to pre-tax income in the current year compared to the prior year.

Runoff selected operating performance measures

Variable annuity and variable life insurance products

The following table sets forth selected operating performance measures regarding our variable annuity and variable life insurance products as of or for the dates indicated:

(Amounts in millions)	As of or for the three months ended June 30, 2014	As of or for the three months ended June 30, 2013	As of or for the six months ended June 30, 2014	As of or for the six months ended June 30, 2013
Variable Annuities—Income Distribution Series[(1)]				
Account value, beginning of period	$ 5,990	$ 6,202	$ 6,061	$ 6,141
Deposits	13	18	29	38
Surrenders, benefits and product charges	(210)	(183)	(408)	(356)
Net flows	(197)	(165)	(379)	(318)
Interest credited and investment performance	191	(54)	302	160
Account value, end of period	$ 5,984	$ 5,983	$ 5,984	$ 5,983
Traditional Variable Annuities				
Account value, net of reinsurance, beginning of period	$ 1,598	$ 1,674	$ 1,643	$ 1,662
Deposits	4	2	7	5
Surrenders, benefits and product charges	(80)	(80)	(158)	(161)
Net flows	(76)	(78)	(151)	(156)
Interest credited and investment performance	61	5	91	95
Account value, net of reinsurance, end of period	$ 1,583	$ 1,601	$ 1,583	$ 1,601
Variable Life Insurance				
Account value, beginning of period	$ 313	$ 301	$ 316	$ 292
Deposits	2	2	4	4
Surrenders, benefits and product charges	(8)	(11)	(19)	(20)
Net flows	(6)	(9)	(15)	(16)
Interest credited and investment performance	10	1	16	17
Account value, end of period	$ 317	$ 293	$ 317	$ 293

(1) The Income Distribution Series products are comprised of our deferred and immediate variable annuity products, including those variable annuity products with rider options that provide guaranteed income benefits, including GMWBs and certain types of guaranteed annuitization benefits. These products do not include fixed single premium immediate annuities or deferred annuities, which may also serve income distribution needs.

Table of Contents

Variable Annuities—Income Distribution Series

Account value related to our income distribution series products decreased compared to March 31, 2014 and December 31, 2013 mainly attributable to surrenders outpacing favorable equity market performance and interest credited in the current year. We no longer solicit sales of our variable annuities; however, we continue to service our existing block of business and accept additional deposits on existing contracts.

Traditional Variable Annuities

In our traditional variable annuities, the decrease in account value was primarily the result of surrenders outpacing favorable equity market performance in the current year. We no longer solicit sales of our variable annuities; however, we continue to service our existing block of business and accept additional deposits on existing contracts.

Variable Life Insurance

We no longer solicit sales of variable life insurance; however, we continue to service our existing block of business.

Institutional products

The following table sets forth selected operating performance measures regarding our institutional products as of or for the dates indicated:

	As of or for the three months ended June 30,		As of or for the six months ended June 30,	
(Amounts in millions)	**2014**	**2013**	**2014**	**2013**
GICs, FABNs and Funding Agreements				
Account value, beginning of period	$ 891	$ 1,970	$ 896	$ 2,153
Surrenders and benefits	(225)	(900)	(232)	(1,067)
Net flows	(225)	(900)	(232)	(1,067)
Interest credited	1	7	3	22
Foreign currency translation	—	—	—	(31)
Account value, end of period	$ 667	$ 1,077	$ 667	$ 1,077

Account value related to our institutional products decreased mainly attributable to scheduled maturities of these products. Interest credited declined due to a decrease in average outstanding liabilities. We consider the issuance of our institutional contracts on an opportunistic basis.

Table of Contents

Corporate and Other Activities

Results of operations

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

The following table sets forth the results of operations relating to Corporate and Other activities for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Net investment income	$ 1	$ 3	$ (2)	(67)%
Net investment gains (losses)	(6)	(5)	(1)	(20)%
Insurance and investment product fees and other	(1)	(1)	—	— %
Total revenues	(6)	(3)	(3)	(100)%
Benefits and expenses:				
Acquisition and operating expenses, net of deferrals	9	8	1	13%
Amortization of deferred acquisition costs and intangibles	—	4	(4)	(100)%
Interest expense	81	77	4	5%
Total benefits and expenses	90	89	1	1%
Loss from continuing operations before income taxes	(96)	(92)	(4)	(4)%
Benefit for income taxes	(28)	(33)	5	15%
Loss from continuing operations	(68)	(59)	(9)	(15)%
Adjustment to loss from continuing operations:				
Net investment (gains) losses, net	4	4	—	— %
Net operating loss	$ (64)	$ (55)	$ (9)	(16)%

Net operating loss

We reported a higher net operating loss in the current year primarily attributable to lower tax benefits in the current year.

Revenues

Net investment income decreased primarily from lower average invested assets in the current year.

Benefits and expenses

Amortization of deferred acquisition costs and intangibles decreased mainly related to higher software allocations to our operating segments in the current year.

Interest expense increased largely driven by debt issuances in August and December of 2013, partially offset by the repurchase of $350 million of senior notes in August 2013.

The decrease in the income tax benefit was primarily related to the tax effects of stock-based compensation expense in the current year.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

The following table sets forth the results of operations relating to Corporate and Other activities for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2014	Six months ended June 30, 2013	Increase (decrease) and percentage change 2014 vs. 2013	
Revenues:				
Net investment income	$ (8)	$ 5	$ (13)	NM[1]
Net investment gains (losses)	(11)	(15)	4	27%
Insurance and investment product fees and other	(1)	42	(43)	(102)%
Total revenues	(20)	32	(52)	(163)%
Benefits and expenses:				
Acquisition and operating expenses, net of deferrals	15	57	(42)	(74)%
Amortization of deferred acquisition costs and intangibles	1	7	(6)	(86)%
Interest expense	164	157	7	4%
Total benefits and expenses	180	221	(41)	(19)%
Loss from continuing operations before income taxes	(200)	(189)	(11)	(6)%
Benefit for income taxes	(77)	(66)	(11)	(17)%
Loss from continuing operations	(123)	(123)	—	— %
Adjustment to loss from continuing operations:				
Net investment (gains) losses, net	8	10	(2)	(20)%
Net operating loss	$(115)	$(113)	$ (2)	(2)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Net operating loss

We reported a higher net operating loss in the current year primarily attributable to lower net investment income, partially offset by higher tax benefits mainly from favorable tax adjustments of $17 million recorded in the current year.

Revenues

Net investment income decreased primarily from the sale of our reverse mortgage business on April 1, 2013 and lower average invested assets in the current year.

We had lower net investment losses in the current year primarily attributable to gains from the sale of investment securities in the current year compared to losses in the prior year, partially offset by derivative losses in the current year compared to derivative gains in the prior year.

Insurance and investment product fees and other decreased as a result of the sale of our reverse mortgage business on April 1, 2013.

Benefits and expenses

Acquisition and operating expenses, net of deferrals, decreased $46 million as a result of the sale of our reverse mortgage business on April 1, 2013, partially offset by higher net expenses after allocations to our operating segments in the current year.

Table of Contents

Amortization of deferred acquisition costs and intangibles decreased mainly related to higher software allocations to our operating segments in the current year.

Interest expense increased largely driven by debt issuances in August and December of 2013, partially offset by the repurchase of $350 million of senior notes in August 2013.

The increase in the income tax benefit was primarily related to favorable adjustments of $17 million recorded in the current year primarily from the release of a valuation allowance and state and federal true ups related to the prior year tax return. The increase was partially offset by the tax effects of stock-based compensation expense in the current year.

Investments and Derivative Instruments

Investment results

The following tables set forth information about our investment income, excluding net investment gains (losses), for each component of our investment portfolio for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014		Three months ended June 30, 2013		Increase (decrease) 2014 vs. 2013	
	Yield	Amount	Yield	Amount	Yield	Amount
Fixed maturity securities—taxable	4.7%	$ 666	4.9%	$ 672	(0.2)%	$ (6)
Fixed maturity securities—non-taxable	3.5%	3	2.9%	2	0.6%	1
Commercial mortgage loans	5.5%	81	5.5%	81	— %	—
Restricted commercial mortgage loans related to securitization entities	6.7%	4	8.6%	7	(1.9)%	(3)
Equity securities	5.3%	4	5.7%	6	(0.4)%	(2)
Other invested assets (1)	29.9%	39	20.2%	39	9.7%	—
Restricted other invested assets related to securitization entities	1.0%	1	— %	—	1.0%	1
Policy loans	8.7%	32	7.8%	32	0.9%	—
Cash, cash equivalents and short-term investments	0.6%	7	0.5%	5	0.1%	2
Gross investment income before expenses and fees	4.7%	837	4.9%	844	(0.2)%	(7)
Expenses and fees	(0.1)%	(24)	(0.1)%	(23)	— %	(1)
Net investment income	4.6%	$ 813	4.8%	$ 821	(0.2)%	$ (8)
Average invested assets and cash		$70,223		$68,503		$ 1,720

(1) Included in other invested assets was $14 million and $21 million of net investment income related to reinsurance arrangements accounted for under the deposit method during the three months ended June 30, 2014 and 2013, respectively.

(Amounts in millions)	Six months ended June 30, 2014 Yield	2014 Amount	2013 Yield	2013 Amount	Increase (decrease) 2014 vs. 2013 Yield	2014 vs. 2013 Amount
Fixed maturity securities—taxable	4.7%	$ 1,314	4.8%	$ 1,328	(0.1)%	$ (14)
Fixed maturity securities—non-taxable	3.6%	6	2.8%	4	0.8%	2
Commercial mortgage loans	5.5%	164	5.6%	163	(0.1)%	1
Restricted commercial mortgage loans related to securitization entities	7.1%	8	8.6%	14	(1.5)%	(6)
Equity securities	5.2%	8	4.5%	10	0.7%	(2)
Other invested assets (1)	33.3%	89	20.0%	87	13.3%	2
Restricted other invested assets related to securitization entities	1.0%	2	— %	—	1.0%	2
Policy loans	8.6%	63	7.9%	64	0.7%	(1)
Cash, cash equivalents and short-term investments	0.5%	12	0.6%	12	(0.1)%	—
Gross investment income before expenses and fees	4.7%	1,666	4.8%	1,682	(0.1)%	(16)
Expenses and fees	(0.1)%	(48)	(0.1)%	(47)	— %	(1)
Net investment income	4.6%	$ 1,618	4.7%	$ 1,635	(0.1)%	$ (17)
Average invested assets and cash		$70,027		$68,924		$ 1,103

(1) Included in other invested assets was $35 million and $43 million of net investment income related to reinsurance arrangements accounted for under the deposit method during the six months ended June 30, 2014 and 2013, respectively.

Yields are based on net investment income as reported under U.S. GAAP and are consistent with how the company measures its investment performance for management purposes. Yields are annualized, for interim periods, and are calculated as net investment income as a percentage of average quarterly asset carrying values except for fixed maturity and equity securities, derivatives and derivative counterparty collateral, which exclude unrealized fair value adjustments and securities lending activity, which is included in other invested assets and is calculated net of the corresponding securities lending liability.

For the three months ended June 30, 2014, annualized weighted-average investment yields decreased primarily attributable to lower reinvestment yields on higher average invested assets in the current year. The three months ended June 30, 2014 included a decrease of $5 million attributable to changes in foreign exchange rates.

For the six months ended June 30, 2014, annualized weighted-average investment yields decreased primarily attributable to lower reinvestment yields on higher average invested assets and $7 million of lower gains related to bond calls and mortgage loan prepayments, partially offset by $16 million of higher gains related to limited partnerships in the current year. The six months ended June 30, 2014 included a decrease of $15 million attributable to changes in foreign exchange rates.

Table of Contents

The following table sets forth net investment gains (losses) for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Available-for-sale securities:				
Realized gains	$ 38	$ 78	$ 45	$ 118
Realized losses	(14)	(47)	(37)	(113)
Net realized gains (losses) on available-for-sale securities	24	31	8	5
Impairments:				
Total other-than-temporary impairments	(2)	(2)	(3)	(14)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	(3)	—	(3)
Net other-than-temporary impairments	(2)	(5)	(3)	(17)
Trading securities	8	(19)	20	(9)
Commercial mortgage loans	3	2	6	4
Net gains (losses) related to securitization entities	9	15	15	22
Derivative instruments	(7)	(2)	(28)	(44)
Contingent consideration adjustment	—	(1)	—	—
Other	(1)	—	(1)	(1)
Net investment gains (losses)	$ 34	$ 21	$ 17	$ (40)

Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

- We recorded $2 million of net other-than-temporary impairments during the three months ended June 30, 2014 compared to $5 million during the three months ended June 30, 2013. Of total impairments during the three months ended June 30, 2014 and 2013, $1 million and $3 million, respectively, related to structured securities, including $1 million related to sub-prime and Alt-A residential mortgage-backed and asset-backed securities for both periods. During the three months ended June 30, 2014 and 2013, we also recorded $1 million and $2 million, respectively, of impairments related to commercial mortgage loans.

- Net investment losses related to derivatives of $7 million during the three months ended June 30, 2014 were primarily associated with GMWB losses, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries, as well as losses related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions. These losses were partially offset by gains related to derivatives used to hedge foreign currency risk of assets held and proceeds from the IPO of our Australian mortgage insurance business. In addition, there were gains related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to a decrease in long-term interest rates. Net investment losses related to derivatives of $2 million during the three months ended June 30, 2013 were primarily associated with GMWB losses due to decreases in the values of instruments used to protect statutory surplus from declines in the S&P index and policyholder funds underperforming as compared to market indices. In addition, there were losses related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to an increase in long-term interest rates. These losses were partially offset by gains related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions and gains related to derivatives used to hedge foreign currency risk associated with near-term expected dividend payments from certain subsidiaries.

- We recorded lower net gains related to the sale of available-for-sale securities during the three months ended June 30, 2014 compared to the three months ended June 30, 2013. Net gains during the three months ended June 30, 2014 included a gain on a previously impaired financial hybrid security that was called by the issuer. We recorded $8 million of gains related to trading securities during the three months ended June 30, 2014 compared to $19 million of losses during the three months ended June 30, 2013 due to higher unrealized gains resulting from changes in the long-term interest rate environment. We also recorded $6 million of lower net gains related to securitization entities during the three months ended June 30, 2014 compared to the three months ended June 30, 2013 primarily associated with derivatives.
- The aggregate fair value of securities sold at a loss during the three months ended June 30, 2014 and 2013 was $243 million from the sale of 61 securities and $308 million from the sale of 95 securities, respectively, which was approximately 95% and 87%, respectively, of book value. The loss on sales of securities during the three months ended June 30, 2014 was primarily driven by widening credit spreads. Generally, securities that are sold at a loss represent either small dollar amounts or percentage losses upon disposition. The securities sold at a loss in the second quarter of 2014 included three U.S. corporate securities that were sold for a total loss of $10 million related to portfolio repositioning activities. The securities sold at a loss in the second quarter of 2013 included three asset-backed securities that were sold for a total loss of $10 million and one mortgage-backed security that was sold for a total loss of $4 million related to portfolio repositioning activities.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

- We recorded $3 million of net other-than-temporary impairments during the six months ended June 30, 2014 compared to $17 million during the six months ended June 30, 2013. Of total impairments during the six months ended June 30, 2014 and 2013, $1 million and $9 million, respectively, related to structured securities, including $1 million and $4 million, respectively, related to sub-prime and Alt-A residential mortgage-backed and asset-backed securities. Impairments related to corporate securities as a result of bankruptcies, receivership or concerns about the issuer’s ability to continue to make contractual payments or where we have intent to sell were $6 million during the six months ended June 30, 2013.
- Net investment losses related to derivatives of $28 million during the six months ended June 30, 2014 were primarily associated with GMWB losses, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions, in addition to losses related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries, proceeds from the IPO of our Australian mortgage insurance business and assets held. These losses were partially offset by gains related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to a decrease in long-term interest rates. Net investment losses related to derivatives of $44 million during the six months ended June 30, 2013 were primarily associated with GMWB losses due to decreases in the values of instruments used to protect statutory surplus from declines in the S&P index and policyholder funds underperforming as compared to market indices. In addition, there were losses related to our hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to an increase in long-term interest rates. These losses were partially offset by gains related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions. Additionally, there were gains on credit default swaps where we sold protection to improve diversification and portfolio yield from narrowing credit spreads.

- We recorded higher net gains related to the sale of available-for-sale securities during the six months ended June 30, 2014 compared to the six months ended June 30, 2013, including a gain on a previously impaired financial hybrid security that was called by the issuer in the current year. We recorded $20 million of gains related to trading securities during the six months ended June 30, 2014 compared to $9 million of losses during the six months ended June 30, 2013 due to higher unrealized gains resulting from changes in the long-term interest rate environment. We recorded $7 million of lower net gains related to securitization entities during the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily related to lower gains on derivatives, partially offset by gains on trading securities in the current year compared to losses in the prior year.
- The aggregate fair value of securities sold at a loss during the six months ended June 30, 2014 and 2013 was $507 million from the sale of 105 securities and $885 million from the sale of 202 securities, respectively, which was approximately 93% and 89%, respectively, of book value. The loss on sales of securities during the six months ended June 30, 2014 was primarily driven by widening credit spreads. Generally, securities that are sold at a loss represent either small dollar amounts or percentage losses upon disposition. The securities sold at a loss during the six months ended June 30, 2014 included three U.S. corporate securities sold for a total loss of $8 million and one foreign corporate security sold for a total loss of $3 million in the first quarter of 2014 and three U.S. corporate securities that were sold for a total loss of $10 million in the second quarter of 2014 related to portfolio repositioning activities. The securities sold at a loss during the six months ended June 30, 2013 included three mortgage-backed securities sold for a total loss of $19 million, one asset-backed security sold for a total loss of $3 million and one corporate security sold for a total loss of $3 million in the first quarter of 2013 and three asset-backed securities that were sold for a total loss of $10 million and one mortgage-backed security that was sold for a total loss of $4 million in the second quarter of 2013 related to portfolio repositioning activities.

Investment portfolio

The following table sets forth our cash, cash equivalents and invested assets as of the dates indicated:

	June 30, 2014		December 31, 2013	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Fixed maturity securities, available-for-sale:				
Public	$ 46,667	61%	$ 44,375	61%
Private	15,693	20	14,254	20
Commercial mortgage loans	5,986	8	5,899	8
Other invested assets	1,963	3	1,686	2
Policy loans	1,514	2	1,434	2
Restricted other invested assets related to securitization entities	404	1	391	1
Equity securities, available-for-sale	320	—	341	—
Restricted commercial mortgage loans related to securitization entities	217	—	233	—
Cash and cash equivalents	4,138	5	4,214	6
Total cash, cash equivalents and invested assets	$ 76,902	100%	$ 72,827	100%

For a discussion of the change in cash, cash equivalents and invested assets, see the comparison for this line item under "—Consolidated Balance Sheets." See note 4 in our "—Notes to Condensed Consolidated Financial Statements" for additional information related to our investment portfolio.

We hold fixed maturity, equity and trading securities, derivatives, embedded derivatives, securities held as collateral and certain other financial instruments, which are carried at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As of June 30, 2014, approximately 9% of our investment holdings recorded at fair value was based on significant inputs that were not market observable and were classified as Level 3 measurements. See note 6 in our "—Notes to Condensed Consolidated Financial Statements" for additional information related to fair value.

Fixed maturity and equity securities

As of June 30, 2014, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	**Amortized cost or cost**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Fair value**
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,894	$ 677	$ —	$ (88)	$ —	$ 5,483
Tax-exempt (1)	353	21	—	(21)	—	353
Government—non-U.S. (2)	1,989	146	—	(3)	—	2,132
U.S. corporate (2), (3)	24,113	2,809	19	(94)	—	26,847
Corporate—non-U.S. (2)	14,695	1,087	—	(33)	—	15,749
Residential mortgage-backed (4)	4,923	309	14	(33)	(1)	5,212
Commercial mortgage-backed	2,721	138	4	(17)	(1)	2,845
Other asset-backed (4)	3,744	39	—	(44)	—	3,739
Total fixed maturity securities	57,432	5,226	37	(333)	(2)	62,360
Equity securities	284	40	—	(4)	—	320
Total available-for-sale securities	$ 57,716	$ 5,266	$ 37	$ (337)	$ (2)	$62,680

(1) Fair value included municipal bonds of $271 million related to special revenue bonds, $77 million related to general obligation bonds and $5 million related to other municipal bonds.
(2) Fair value included European periphery exposure of $242 million in Ireland, $225 million in Spain, $152 million in Italy and $16 million in Portugal.
(3) Fair value included municipal bonds of $1,270 million related to special revenue bonds and $524 million related to general obligation bonds.
(4) Fair value included $65 million collateralized by sub-prime residential mortgage loans and $93 million collateralized by Alt-A residential mortgage loans.

Table of Contents

As of December 31, 2013, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	Amortized cost or cost	Not other-than-temporarily impaired	Other-than-temporarily impaired	Not other-than-temporarily impaired	Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,710	$ 331	$ —	$ (231)	$ —	$ 4,810
Tax-exempt (1)	324	7	—	(36)	—	295
Government—non-U.S. (2)	2,057	104	—	(15)	—	2,146
U.S. corporate (2), (3)	23,614	1,761	19	(359)	—	25,035
Corporate—non-U.S. (2)	14,489	738	—	(156)	—	15,071
Residential mortgage-backed (4)	5,058	232	9	(70)	(4)	5,225
Commercial mortgage-backed	2,886	75	2	(62)	(3)	2,898
Other asset-backed (4)	3,171	35	—	(57)	—	3,149
Total fixed maturity securities	56,309	3,283	30	(986)	(7)	58,629
Equity securities	318	36	—	(13)	—	341
Total available-for-sale securities	$ 56,627	$ 3,319	$ 30	$ (999)	$ (7)	$58,970

(1) Fair value included municipal bonds of $218 million related to special revenue bonds, $72 million related to general obligation bonds and $5 million related to other municipal bonds.

(2) Fair value included European periphery exposure of $211 million in Spain, $210 million in Ireland, $155 million in Italy and $15 million in Portugal.

(3) Fair value included municipal bonds of $1,089 million related to special revenue bonds and $476 million related to general obligation bonds.

(4) Fair value included $69 million collateralized by sub-prime residential mortgage loans and $98 million collateralized by Alt-A residential mortgage loans.

Fixed maturity securities increased $3.7 billion principally from higher net unrealized gains attributable to changes in interest rates in the current year and as purchases exceeded sales and maturities.

The majority of our unrealized losses were related to securities held in our U.S. Life Insurance segment. Our U.S. Mortgage Insurance segment had gross unrealized losses of $24 million and $44 million as of June 30, 2014 and December 31, 2013, respectively.

Our exposure in peripheral European countries consists of fixed maturity securities and trading bonds in Portugal, Ireland, Italy and Spain. Investments in these countries are primarily made to support our international businesses and to diversify our U.S. corporate fixed maturity securities with European bonds denominated in U.S. dollars. During the six months ended June 30, 2014, our exposure to the peripheral European countries increased by $44 million to $635 million with unrealized gains of $52 million. Our exposure as of June 30, 2014 was diversified with direct exposure to local economies of $246 million, indirect exposure through debt issued by subsidiaries outside of the European periphery of $110 million and exposure to multinational companies where the majority of revenues come from outside of the country of domicile of $279 million.

Table of Contents

Commercial mortgage loans

The following tables set forth additional information regarding our commercial mortgage loans as of the dates indicated:

	June 30, 2014				
(Dollar amounts in millions)	Total recorded investment	Number of loans	Loan-to-value (1)	Delinquent principal balance	Number of delinquent loans
Loan Year					
2004 and prior	$ 835	437	40%	$ —	—
2005	980	244	55%	—	—
2006	918	235	62%	33	6
2007	788	153	68%	—	—
2008	234	51	67%	6	1
2009	—	—	— %	—	—
2010	132	60	44%	—	—
2011	268	53	57%	—	—
2012	657	96	63%	—	—
2013	855	138	66%	—	—
2014	346	61	68%	—	—
Total	$ 6,013	1,528	59%	$ 39	7

(1) Represents weighted-average loan-to-value as of June 30, 2014.

	December 31, 2013				
(Dollar amounts in millions)	Total recorded investment	Number of loans	Loan-to-value (1)	Delinquent principal balance	Number of delinquent loans
Loan Year					
2004 and prior	$ 941	486	41%	$ —	—
2005	1,025	253	55%	—	—
2006	964	242	62%	32	6
2007	812	157	70%	1	1
2008	237	51	68%	6	1
2009	—	—	— %	—	—
2010	142	63	44%	—	—
2011	273	54	58%	—	—
2012	673	97	63%	—	—
2013	865	138	67%	—	—
Total	$ 5,932	1,541	59%	$ 39	8

(1) Represents weighted-average loan-to-value as of December 31, 2013.

Table of Contents

The following table sets forth the allowance for credit losses and recorded investment in commercial mortgage loans as of or for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Allowance for credit losses:				
Beginning balance	$ 30	$ 40	$ 33	$ 42
Charge-offs	—	(2)	(1)	(2)
Recoveries	—	—	—	—
Provision	(3)	—	(5)	(2)
Ending balance	$ 27	$ 38	$ 27	$ 38
Ending allowance for individually impaired loans	$ —	$ —	$ —	$ —
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	$ 27	$ 38	$ 27	$ 38
Recorded investment:				
Ending balance	$ 6,013	$ 5,868	$6,013	$5,868
Ending balance of individually impaired loans	$ 17	$ 1	$ 17	$ 1
Ending balance of loans not individually impaired that were evaluated collectively for impairment	$ 5,996	$ 5,867	$5,996	$5,867

Other invested assets

The following table sets forth the carrying values of our other invested assets as of the dates indicated:

(Amounts in millions)	June 30, 2014 Carrying value	June 30, 2014 % of total	December 31, 2013 Carrying value	December 31, 2013 % of total
Derivatives	$ 616	32%	$ 471	28%
Derivatives counterparty collateral	417	21	199	12
Securities lending collateral	277	14	187	11
Limited partnerships	263	13	282	17
Trading securities	226	12	239	14
Short-term investments	82	4	220	13
Other investments	82	4	88	5
Total other invested assets	$ 1,963	100%	$ 1,686	100%

Our investments in derivatives and derivatives counterparty collateral increased primarily attributable to changes in the long-term interest rate environment in the current year. Securities lending collateral also increased primarily driven by market demand. Short-term investments decreased from net maturities and sales in the current year.

Derivatives

The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB and fixed index annuity embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2013	Additions	Maturities/ terminations	June 30, 2014
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 13,926	$ —	$ (400)	$13,526
Inflation indexed swaps	Notional	561	10	(2)	569
Foreign currency swaps	Notional	35	—	—	35
Forward bond purchase commitments	Notional	237	—	(113)	124
Total cash flow hedges		14,759	10	(515)	14,254
Fair value hedges:					
Interest rate swaps	Notional	6	—	(1)	5
Total fair value hedges		6	—	(1)	5
Total derivatives designated as hedges		14,765	10	(516)	14,259
Derivatives not designated as hedges					
Interest rate swaps	Notional	4,822	2	(3)	4,821
Interest rate swaps related to securitization entities	Notional	91	—	(6)	85
Credit default swaps	Notional	639	—	—	639
Credit default swaps related to securitization entities	Notional	312	—	—	312
Equity index options	Notional	777	237	(254)	760
Financial futures	Notional	1,260	2,680	(2,620)	1,320
Equity return swaps	Notional	110	113	(110)	113
Foreign currency swaps	Notional	—	84	—	84
Other foreign currency contracts	Notional	487	670	(783)	374
Total derivatives not designated as hedges		8,498	3,786	(3,776)	8,508
Total derivatives		$ 23,263	$ 3,796	$ (4,292)	$22,767

(Number of policies)	Measurement	December 31, 2013	Additions	Maturities/ terminations	June 30, 2014
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	42,045	—	(1,541)	40,504
Fixed index annuity embedded derivatives	Policies	7,705	3,767	(110)	11,362
Indexed universal life embedded derivatives	Policies	29	110	—	139

The decrease in the notional value of derivatives was primarily attributable to a $0.5 billion notional decrease in qualified interest rate swaps and forward bond purchase commitments related to our interest rate hedging strategy associated with our long-term care insurance products.

The number of policies related to our GMWB embedded derivatives decreased as variable annuity products are no longer being offered. The number of policies related to our fixed index annuity and indexed universal life embedded derivatives increased as a result of product sales.

Consolidated Balance Sheets

Total assets. Total assets increased $3,599 million from $108,045 million as of December 31, 2013 to $111,644 million as of June 30, 2014.

- Cash, cash equivalents and invested assets increased $4,075 million primarily from an increase of $4,151 million in invested assets. Our fixed maturity securities portfolio increased $3,731 million principally attributable to higher unrealized gains attributable to changes in interest rates in the current year and as purchases exceeded sales and maturities. Other invested assets increased $277 million primarily driven by an increase in derivatives and derivatives counterparty collateral largely attributable to changes in the long-term interest rate environment in the current year. Securities lending collateral also increased primarily driven by market demand. These increases in other invested assets were partially offset by a decrease in short-term investments from net maturities and sales in the current year.
- Separate account assets decreased $227 million as death and surrender benefits exceeded favorable market performance in the current year.

Total liabilities. Total liabilities increased $955 million from $92,425 million as of December 31, 2013 to $93,380 million as of June 30, 2014.

- Our policyholder-related liabilities increased $1,201 million primarily as a result of an increase in our long-term care insurance business from growth of our in-force block and higher claims in the current year. Our fixed annuities and life insurance businesses also increased related to growth of our in-force blocks. Our international mortgage insurance business increased mainly related to higher unearned premiums from changes in foreign exchange rates in the current year. These increases were partially offset by a decrease in our U.S. mortgage insurance business due to lower delinquencies in the current year and the continued runoff of our variable annuity and institutional products.
- Other liabilities decreased $394 million mainly related to a decrease in derivatives and derivative counterparty collateral largely attributable to changes in the long-term interest rate environment in the current year.
- Long-term borrowings decreased $470 million largely related to the repayment of $485 million on our senior notes that matured in June 2014. In addition, Genworth Canada issued CAD$160 million of senior notes due in 2024 and used the proceeds to repay CAD$150 million of senior notes that were scheduled to mature in 2015. The remaining change related to changes in foreign exchange rates on our Canadian and Australian debt.
- Deferred tax liability increased $868 million primarily from an increase in unrealized net investment gains in the current year.
- Separate account liabilities decreased $227 million as death and surrender benefits exceeded favorable market performance in the current year.

Total stockholders' equity. Total stockholders' equity increased $2,644 million from $15,620 million as of December 31, 2013 to $18,264 million as of June 30, 2014.

- Additional paid-in capital decreased $141 million largely attributable to the IPO of 33.8% of our Australian mortgage insurance business in May 2014.
- We reported net income available to Genworth Financial, Inc.'s common stockholders of $360 million in the current year.
- Accumulated other comprehensive income (loss) increased $1,619 million predominately attributable to higher net unrealized investment gains and derivatives qualifying as hedges mainly related to changes in the long-term interest rate environment in the current year.
- Noncontrolling interests increased $806 million predominately attributable to the IPO of 33.8% of our Australian mortgage insurance business in May 2014.

Table of Contents

Liquidity and Capital Resources

Liquidity and capital resources represent our overall financial strength and our ability to generate cash flows from our businesses, borrow funds at competitive rates and raise new capital to meet our operating and growth needs.

Genworth and subsidiaries

The following table sets forth our unaudited condensed consolidated cash flows for the six months ended June 30:

(Amounts in millions)	2014	2013
Net cash from operating activities	$ 578	$ 646
Net cash from investing activities	(938)	718
Net cash from financing activities	230	(1,262)
Net increase (decrease) in cash before foreign exchange effect	$(130)	$ 102

Our principal sources of cash include sales of our products and services, income from our investment portfolio and proceeds from sales of investments. As an insurance business, we typically generate positive cash flows from operating activities, as premiums collected from our insurance products and income received from our investments exceed policy acquisition costs, benefits paid, redemptions and operating expenses. These positive cash flows are then invested to support the obligations of our insurance and investment products and required capital supporting these products. Our cash flows from operating activities are affected by the timing of premiums, fees and investment income received and benefits and expenses paid. Cash inflows from operating activities during the current year decreased compared to the prior year primarily as higher tax payments were partially offset by lower claim payments in the current year.

In analyzing our cash flow, we focus on the change in the amount of cash available and used in investing activities. We had cash outflows from investing activities during the current year as purchases of fixed maturity securities exceeded maturities and sales. We had cash inflows from investing activities during the prior year as maturities and sales of fixed maturity securities exceeded purchases.

Changes in cash from financing activities primarily relate to the issuance of, and redemptions and benefit payments on, universal life insurance and investment contracts; the issuance and acquisition of debt and equity securities; the issuance and repayment or repurchase of borrowings and non-recourse funding obligations; and dividends to our stockholders and other capital transactions. We had cash inflows from financing activities during the current year as deposits exceeded withdrawals of our investment contracts in the current year. In addition, the proceeds from the IPO of 33.8% of our Australian mortgage insurance business and issuance of senior notes by Genworth Canada were mostly offset by the repayment of senior notes in the current year. We had cash outflows from financing activities during the prior year as withdrawals exceeded deposits on our investment contracts from scheduled maturities of our institutional products in the prior year.

In the United States and Canada, we engage in certain securities lending transactions for the purpose of enhancing the yield on our investment securities portfolio. We maintain effective control over all loaned securities and, therefore, continue to report such securities as fixed maturity securities on our consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary.

Under the securities lending program in the United States, the borrower is required to provide collateral, which can consist of cash or government securities, on a daily basis in amounts equal to or exceeding 102% of the applicable securities loaned. Currently, we only accept cash collateral from borrowers under the program.

Cash collateral received by us on securities lending transactions is reflected in other invested assets with an offsetting liability recognized in other liabilities for the obligation to return the collateral. Any cash collateral received is reinvested by our custodian based upon the investment guidelines provided within our agreement. In the United States, the reinvested cash collateral is primarily invested in a money market fund approved by the NAIC, U.S. and foreign government securities, U.S. government agency securities, asset-backed securities and corporate debt securities. As of June 30, 2014 and December 31, 2013, the fair value of securities loaned under our securities lending program in the United States was $279 million and $191 million, respectively. As of June 30, 2014 and December 31, 2013, the fair value of collateral held under our securities lending program in the United States was $277 million and $187 million, respectively, and the offsetting obligation to return collateral of $288 million and $199 million, respectively, was included in other liabilities in our consolidated balance sheets. We did not have any non-cash collateral provided by the borrower in our securities lending program in the United States as of June 30, 2014 and December 31, 2013.

Under our securities lending program in Canada, the borrower is required to provide collateral consisting of government securities on a daily basis in amounts equal to or exceeding 105% of the fair value of the applicable securities loaned. Securities received from counterparties as collateral are not recorded on our consolidated balance sheet given that the risk and rewards of ownership is not transferred from the counterparties to us in the course of such transactions. Additionally, there was no cash collateral as cash collateral is not permitted as an acceptable form of collateral under the program. In Canada, the lending institution must be included on the approved Securities Lending Borrowers List with the Canadian regulator and the intermediary must be rated at least “AA-” by S&P. As of June 30, 2014 and December 31, 2013, the fair value of securities loaned under our securities lending program in Canada was $137 million and $229 million, respectively.

We also have a repurchase program in which we sell an investment security at a specified price and agree to repurchase that security at another specified price at a later date. Repurchase agreements are treated as collateralized financing transactions and are carried at the amounts at which the securities will be subsequently reacquired, including accrued interest, as specified in the respective agreements. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty and us against credit exposure. Cash received is invested in fixed maturity securities. As of June 30, 2014 and December 31, 2013, the fair value of securities pledged under the repurchase program was $700 million and $890 million, respectively, and the repurchase obligation of $630 million and $919 million, respectively, was included in other liabilities in our consolidated balance sheets.

Genworth—holding company

Genworth Financial and Genworth Holdings each acts as a holding company for their respective subsidiaries and do not have any significant operations of their own. Dividends from their respective subsidiaries, payments to them under tax sharing and expense reimbursement arrangements with their subsidiaries and proceeds from borrowings or securities issuances are their principal sources of cash to meet their obligations. Insurance laws and regulations regulate the payment of dividends and other distributions to Genworth Financial and Genworth Holdings by their insurance subsidiaries. We expect dividends paid by the insurance subsidiaries will vary depending on strategic objectives, regulatory requirements and business performance.

The primary uses of funds at Genworth Financial and Genworth Holdings include payment of holding company general operating expenses (including taxes), payment of principal, interest and other expenses on current and any future borrowings, payments under current and any future guarantees (including guarantees of certain subsidiary obligations), payment of amounts owed to GE under the Tax Matters Agreement, payments to subsidiaries (and, in the case of Genworth Holdings, to Genworth Financial) under tax sharing agreements, contributions to subsidiaries, repurchases of debt and equity securities, potentially payments for acquisitions, payment of dividends on Genworth Financial common stock (to the extent declared by Genworth Financial’s Board of Directors) and, in the case of Genworth Holdings, loans, dividends or other distributions to Genworth

Financial. In deploying future capital, such as proceeds from the recent IPO of our Australian mortgage insurance business, important current priorities include focusing on our operating businesses so they remain appropriately capitalized, and accelerating progress on reducing overall indebtedness. We may from time to time seek to repurchase or redeem outstanding notes for cash (with cash on hand or proceeds from the issuance of new debt) in open market purchases, tender offers, privately negotiated transactions or otherwise.

Our Board of Directors has suspended the payment of dividends on our common stock indefinitely. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will be dependent on many factors including the receipt of dividends from our operating subsidiaries, our financial condition and operating results, the capital requirements of our subsidiaries, legal requirements, regulatory constraints, our credit and financial strength ratings and such other factors as the Board of Directors deems relevant. In addition, our Board of Directors has suspended repurchases of our common stock under our stock repurchase program indefinitely. The resumption of our stock repurchase program will be at the discretion of our Board of Directors.

Genworth Holdings had $1,073 million and $1,219 million of cash and cash equivalents as of June 30, 2014 and December 31, 2013, respectively. Genworth Holdings also held $150 million in U.S. government securities as of June 30, 2014 and December 31, 2013.

During the six months ended June 30, 2014, we received dividends from our international subsidiaries of $563 million, including approximately $500 million from the net proceeds of the IPO of our Australian mortgage insurance business. During the six months ended June 30, 2014, Genworth Financial contributed $12 million to Genworth Holdings for expenses related to the IPO which subsequently contributed it to its subsidiaries. The net proceeds of $500 million received by Genworth Holdings were net of capital contributions for these expenses which will be paid to Genworth Holdings in the third quarter of 2014.

Regulated insurance subsidiaries

The liquidity requirements of our regulated insurance subsidiaries principally relate to the liabilities associated with their various insurance and investment products, operating costs and expenses, the payment of dividends to us, contributions to their subsidiaries, payment of principal and interest on their outstanding debt obligations and income taxes. Liabilities arising from insurance and investment products include the payment of benefits, as well as cash payments in connection with policy surrenders and withdrawals, policy loans and obligations to redeem funding agreements.

Our insurance subsidiaries have used cash flows from operations and investment activities to fund their liquidity requirements. Our insurance subsidiaries' principal cash inflows from operating activities are derived from premiums, annuity deposits and insurance and investment product fees and other income, including commissions, cost of insurance, mortality, expense and surrender charges, contract underwriting fees, investment management fees and dividends and distributions from their subsidiaries. The principal cash inflows from investment activities result from repayments of principal, investment income and, as necessary, sales of invested assets.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Products having liabilities with longer durations, such as certain life insurance and long-term care insurance policies, are matched with investments having similar duration such as long-term fixed maturity securities and commercial mortgage loans. Shorter-term liabilities are matched with fixed maturity securities that have short- and medium-term fixed maturities. In addition, our insurance subsidiaries hold highly liquid, high quality short-term investment securities and other liquid investment grade fixed maturity securities to fund anticipated operating expenses, surrenders and withdrawals. In June 2014, one of our U.S. life insurance subsidiaries completed a life reinsurance transaction that generated approximately $90 million in additional unassigned surplus on a U.S. statutory basis. As of June 30, 2014, our total cash, cash equivalents and invested assets were $76.9 billion. Our investments in privately placed fixed maturity securities, commercial mortgage loans, policy loans, limited partnership interests and select mortgage-backed and asset-backed securities are relatively illiquid. These asset classes represented approximately 31% of the carrying value of our total cash, cash equivalents and invested assets as of June 30, 2014.

On April 29, 2014, Genworth Canada announced acceptance by the Toronto Stock Exchange of Genworth Canada's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, Genworth Canada may, if considered advisable, purchase from time to time over the next 12 months, up to an aggregate of 4.7 million of its issued and outstanding common shares. If Genworth Canada decides to repurchase shares through the NCIB, we may participate in the NCIB in order to maintain our overall ownership at its current level.

In May 2014, our U.S. mortgage holding company contributed $300 million to GEMICO, our primary U.S. mortgage insurance subsidiary.

In June 2013, the FHFA announced strategic priorities for the GSEs and indicated that there could be changes to the guidelines contained within the PMIERs. On July 10, 2014, at the direction of the FHFA, each GSE released publicly a draft of its revised PMIERs. These guidelines, as drafted, contemplate an effective date for compliance 180 days after the final publication date, which is anticipated to be on or about year-end 2014. In addition, the guidelines permit a transition period, subject to GSE approval, of two years from the publication date to meet the required capital levels.

Based on our current views of the U.S. housing market, expected earnings and capital generation from our U.S. mortgage insurance business, anticipated prepayment of our in-force portfolio in the ordinary course, the amount and loan characteristics of new U.S. mortgage insurance business anticipated to be written and the $300 million contributed in the second quarter of 2014, which had been previously set aside, our preliminary estimate of the additional capital required to be fully compliant, assuming an effective date of June 30, 2015, will be between $450 million to $550 million and will decrease to less than $175 million by December 31, 2016. We have a variety of capital resources that could be utilized to satisfy capital requirements, and initially intend to utilize reinsurance transactions, and if needed, cash available at the holding company, which includes the proceeds of the completed Australian IPO, to fund them. Other potential sources include, but are not limited to, continued earnings from the business, available deferred tax assets, and proceeds from the issuance of securities at Genworth Financial or Genworth Holdings.

It is our intent that our U.S. mortgage insurance business will meet the additional capital requirements contained within the guidelines of the revised PMIERs by the anticipated effective date of June 30, 2015, depending upon the availability of the capital and reinsurance markets, the performance of our businesses and absent any unforeseen developments. We will seek to utilize the transition period as approved by the FHFA and GSEs if we do not comply by the anticipated effective date. We believe that our U.S. mortgage insurance business is well positioned to meet the draft version of the operational and financial requirements contained within the revised guidelines within the prescribed transition period and expect the business to maintain its strong presence in the private mortgage insurance market.

Capital resources and financing activities

We repaid $485 million of our 5.75% senior notes that matured in June 2014.

On April 1, 2014, Genworth Canada, our majority-owned subsidiary, issued CAD$160 million of 4.242% senior notes due 2024. The senior notes are redeemable at the option of Genworth Canada, in whole or in part, at any time. The net proceeds of the offering were used to redeem, in full, its existing senior notes due December 2015 with a principal amount of CAD$150 million and bearing a fixed annual interest rate of 4.59%. In conjunction with the redemption, Genworth Canada made an early redemption payment to existing noteholders of approximately CAD$7 million in the second quarter of 2014.

We believe existing cash held at Genworth Holdings combined with dividends from subsidiaries, payments under tax sharing and expense reimbursement arrangements with subsidiaries and proceeds from borrowings or securities issuances will provide us with sufficient capital flexibility and liquidity to meet our future operating requirements. We actively monitor our liquidity position, liquidity generation options and the credit markets given changing market conditions. We manage liquidity at Genworth Holdings to maintain a minimum balance of one and half times expected annual debt interest payments plus an additional excess of $350 million, although the excess amount may be lower during the quarter due to the timing of cash inflows and outflows. We will evaluate the target level of the excess amount as circumstances warrant. We cannot predict with any certainty the impact to us from any future disruptions in the credit markets or further downgrades by one or more of the rating agencies of the financial strength ratings of our insurance company subsidiaries and/or the credit ratings of our holding companies. The availability of additional funding will depend on a variety of factors such as market conditions, regulatory considerations, the general availability of credit, the overall availability of credit to the financial services industry, the level of activity and availability of reinsurance, our credit ratings and credit capacity and the performance of and outlook for our business.

Contractual obligations and commercial commitments

We enter into obligations with third parties in the ordinary course of our operations. However, we do not believe that our cash flow requirements can be assessed based upon analysis of these obligations as the funding of these future cash obligations will be from future cash flows from premiums, deposits, fees and investment income that are not reflected herein. Future cash outflows, whether they are contractual obligations or not, also will vary based upon our future needs. Although some outflows are fixed, others depend on future events. Examples of fixed obligations include our obligations to pay principal and interest on fixed rate borrowings. Examples of obligations that will vary include obligations to pay interest on variable rate borrowings and insurance liabilities that depend on future interest rates and market performance. Many of our obligations are linked to cash-generating contracts. These obligations include payments to contractholders that assume those contractholders will continue to make deposits in accordance with the terms of their contracts. In addition, our operations involve significant expenditures that are not based upon “commitments.”

Except as described above, there have been no material additions or changes to our contractual obligations and commercial commitments as set forth in our 2013 Annual Report on Form 10-K filed on March 3, 2014.

Securitization Entities

There were no off-balance sheet securitization transactions during the six months ended June 30, 2014 or 2013.

New Accounting Standards

For a discussion of recently adopted accounting standards, see note 2 in our “—Notes to Condensed Consolidated Financial Statements.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and equity prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded. The following is a discussion of our market risk exposures and our risk management practices.

While equity and credit markets generally improved during 2013, credit market volatility continued into the first half of 2014 and credit spreads continued to further compress further during the first half of 2014.

Additionally, U.S. Treasury yields remained at historically low levels during the first half of 2014. See "—Business trends and conditions" and "—Investments and Derivative Instruments" in "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of recent market conditions.

In the second quarter of 2014, the U.S. dollar weakened against currencies in Australia and the United Kingdom as well as the Euro as compared to the second quarter of 2013. However, the U.S. dollar strengthened against the currency in Canada in the second quarter of 2014 compared to the second quarter of 2013. This has generally resulted in higher levels of reported revenues and net income, assets, liabilities and accumulated other comprehensive income (loss) in our U.S. dollar consolidated financial statements. See "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion on the impact of changes in foreign currency exchange rates.

There were no other material changes in our market risks since December 31, 2013.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2014, an evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2014.

Changes in Internal Control Over Financial Reporting During the Quarter Ended June 30, 2014

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We face the risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In our insurance operations, we are, have been, or may become subject to class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, increases to in-force long-term care insurance premiums, payment of contingent or other sales commissions, claims payments and procedures, product design, product disclosure, administration, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits, charging excessive or impermissible fees on products, recommending unsuitable products to customers, our pricing structures and business practices in our mortgage insurance businesses, such as captive reinsurance arrangements with lenders and contract underwriting services, violations of the Real Estate Settlement Procedures Act ("RESPA") or related state anti-inducement laws, and mortgage insurance policy rescissions and curtailments, and breaching fiduciary or other duties to customers, including but not limited to breach of customer information. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts which may remain unknown for substantial periods of time. In our investment-related operations, we are subject to litigation involving commercial disputes with counterparties. We are also subject to litigation arising out of our general business activities such as our contractual and employment relationships. In addition, we are also subject to various regulatory inquiries, such as information requests, subpoenas, books and record examinations and market conduct and financial examinations from state, federal and international regulators and other authorities. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have an adverse effect on our business, financial condition or results of operations.

Except as disclosed below, there were no material developments during the three months ended June 30, 2014 in any of the legal proceedings identified in Part I, Item 3 of our 2013 Annual Report on Form 10-K, as updated in Part II, Item 1 of our Quarterly Reports on Form 10-Q for the quarterly period ended March 31, 2014. In addition, except as disclosed below, there were no new material legal proceedings initiated during the three months ended June 30, 2014.

In April 2014, Genworth Financial, Inc., and a former and current officer were named in a putative class action lawsuit captioned*City of Hialeah Employees' Retirement System v. Genworth Financial, Inc.*, *et al*, in the United States District Court for the Southern District of New York. Plaintiff alleges securities law violations involving certain disclosures in 2012 concerning Genworth's Australian mortgage insurance business, including our plans for an initial public offering of the business. The lawsuit seeks unspecified damages, costs and attorneys' fees and such equitable/injunctive relief as the court may deem proper. We intend to vigorously defend this action.

As previously disclosed, in December 2009, one of our former non-insurance subsidiaries, one of the former subsidiary's officers and Genworth Financial, Inc. (now known as Genworth Holdings, Inc.) were named in a putative class action lawsuit captioned *Michael J. Goodman and Linda Brown v. Genworth Financial Wealth Management, Inc. et al*., in the United States District Court for the Eastern District of New York. Plaintiffs allege securities law and other violations involving the selection of mutual funds by our former subsidiary on behalf of certain of its Private Client Group clients. The lawsuit seeks unspecified monetary and other relief. Oral argument on plaintiffs' motion to certify a class action was conducted on January 30, 2013. On April 15, 2014, the court issued its decision denying the plaintiffs' motion to certify a class. On April 29, 2014 plaintiffs filed a motion with the Second Circuit Court of Appeals for leave to appeal the District Court's denial of their motion to certify a class, which we opposed. On July 9, 2014, the Second Circuit Court of Appeals denied plaintiffs' motion.

As previously disclosed, in April 2012, two of our U.S. mortgage insurance subsidiaries were named as respondents in two arbitrations, one brought by Bank of America, N.A. and one brought by Countrywide Home Loans, Inc. and Bank of America, N.A. as claimants. Claimants alleged breach of contract and breach of the covenant of good faith and fair dealing and seek a declaratory judgment relating to our denial, curtailment and rescission of mortgage insurance coverage. In June 2012, our U.S. mortgage insurance subsidiaries responded to the arbitration demands and asserted numerous counterclaims against the claimants. On December 31, 2013, the parties reached an agreement to resolve that portion of both arbitrations involving rescission practices. The effectiveness of the agreement was conditioned upon consent by the GSEs to and the parties' execution of a definitive agreement requiring submission of curtailment and denial disputes to a binding alternative dispute proceeding ("Curtailment ADR Agreement"). In March 2014, the parties executed the Curtailment ADR Agreement. In the second quarter of 2014, the GSEs consented to the December 31, 2013 agreement, the final condition precedent to the effectiveness of the rescission settlement. The GSEs also consented to the Curtailment ADR Agreement during the second quarter of 2014. With the effectiveness of the rescission settlement, the parties have commenced the process necessary for a final dismissal of the arbitration demands and counterclaims related to that portion of both arbitrations involving rescission practices. That dismissal is expected to occur in the third quarter of 2014. Claims curtailments and denials are the only remaining areas of dispute under the arbitrations. The parties have selected an arbitration panel. The first phase of the arbitration hearing is scheduled to begin in March 2015. Claimants and our U.S. mortgage insurance subsidiaries are engaged in settlement negotiations regarding a potential resolution of the pending disputes related to claims curtailments or denials. In the event settlement is not reached, we intend to vigorously defend our practices in these arbitrations.

As previously disclosed, beginning in December 2011 and continuing through January 2013, one of our U.S. mortgage insurance subsidiaries was named along with several other mortgage insurers and mortgage lenders as a defendant in twelve putative class action lawsuits alleging that certain "captive reinsurance arrangements" were in violation of RESPA. On June 26, 2014, the court in the *Hill* action granted our motion for summary judgment. We intend to vigorously defend the remaining actions.

At this time, we cannot determine or predict the ultimate outcome of any of the pending legal and regulatory matters specifically identified above or the likelihood of potential future legal and regulatory matters against us. We also are not able to provide an estimate or range of possible losses related to these matters. Therefore, we cannot ensure that the current investigations and proceedings will not have a material adverse effect on our business, financial condition or results of operations. In addition, it is possible that related investigations and proceedings may be commenced in the future, and we could become subject to additional unrelated investigations and lawsuits. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal precedents and industry-wide regulations or practices that could adversely affect our business, financial condition and results of operations.

Item 1A. Risk Factors

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our 2013 Annual Report on Form 10-K which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. Except as disclosed below, there have been no material changes to the risk factors set forth in the above-referenced filing as of June 30, 2014.

The GSEs are conducting a review of their eligibility standards for private mortgage insurers (which have also become known as the PMIERs) and have released draft versions of new PMIERs. If we are unable to meet the revised PMIERs upon their implementation, we may not be eligible to write new insurance on loans sold to or guaranteed by the GSEs, or the capital required to meet the new PMIERs may be higher than we anticipate, either of which would have a material adverse effect on our business, results of operations and financial condition.

Private mortgage insurers must satisfy PMIERs. Each GSE's Congressional charter generally prohibits it from purchasing or guaranteeing a mortgage where the loan-to-value ratio exceeds 80% of home value unless the portion of the unpaid principal balance of the mortgage, which is in excess of 80% of the value of the property securing the mortgage, is protected against default by lender recourse, participation or by a qualified insurer. In furtherance of their respective charter requirements, each GSE has adopted PMIERs to establish when a mortgage insurer is qualified to issue coverage that will be acceptable to the respective GSE for purchase or guarantee of high loan-to-value mortgages.

The GSEs have the authority to implement new requirements at any time. In June 2013, the FHFA announced strategic priorities for the GSEs and indicated that there could be changes to the guidelines contained within the PMIERs. On July 10, 2014, at the direction of the FHFA, each GSE released publicly a draft of its revised PMIERs. A 60-day public comment period commenced after publication of the draft revised PMIERs, after which the FHFA and the GSEs will review and consider any commentary received before the draft revised PMIERs are finalized. The revised guidelines contained within the PMIERs, as drafted, contemplate an effective date for compliance 180 days after the final publication date, which is anticipated to be on or about year-end 2014. In addition, the guidelines permit a transition period, subject to GSE approval, of two years from the publication date to meet the revised capital levels.

Based on our current views of the U.S. housing market, expected earnings and capital generation from our U.S. mortgage insurance business, anticipated prepayment of our in-force portfolio in the ordinary course, and the amount and loan characteristics of new U.S. mortgage insurance business anticipated to be written, our preliminary estimate of the additional capital required to be fully compliant with the financial capital requirements contained in the draft revised PMIERs, assuming an effective date of June 30, 2015, will be between $450 million to $550 million and will decrease to less than $175 million by December 31, 2016. The amount of additional capital that will be required is dependent on, among other things: (i) the extent the final PMIERs as ultimately adopted differ materially from the draft PMIERs released on July 10, 2014, including with respect to the amount and timing of additional capital requirements and the amount of capital credit provided to various types of assets, and (ii) the application and interpretation of the guidelines by the GSEs and FHFA as they are implemented. Our ability to meet the final guidelines contained within the PMIERs is subject to the foregoing factors, as well as, among other things: (i) the housing market developing consistent with our current expectations, (ii) our generating expected U.S. mortgage insurance business earnings and capital levels, reducing risk in-force and reducing delinquencies as anticipated, and writing anticipated amounts and types of new U.S. mortgage insurance business, (iii) other sources of funding currently considered being available on the terms currently contemplated or at all, (iv) meeting our projected overall financial performance, capital and liquidity levels being as anticipated and (v) the approval by the GSEs of a transition period for us to meet financial requirements, if needed.

Although we believe we could utilize one or more of these additional sources of capital so that we would continue to be an eligible mortgage insurer after the revised PMIERs are fully effective, there can be no assurance this will be the case. As of the year ended December 31, 2013, Fannie Mae and Freddie Mac purchased the majority of the flow mortgage loans that we insure. If we are unable to meet existing or revised PMIERs or determine not to or are unable to utilize additional sources of capital, we may not be eligible to write new insurance on loans sold to or guaranteed by the GSEs, which would have a material adverse effect on our business, results of operations and financial condition.

If our reserves for future policy claims are inadequate, we may be required to increase our reserve liabilities, which could adversely affect our results of operations and financial condition.

We calculate and maintain reserves for estimated future payments of claims to our policyholders and contractholders in accordance with U.S. GAAP and industry accounting practices. We release these reserves as those future obligations are extinguished. The reserves we establish reflect estimates and actuarial assumptions with regard to our future experience. These estimates and actuarial assumptions involve the exercise of significant judgment. Our future financial results depend significantly upon the extent to which our actual future experience is consistent with the assumptions we have used in pricing our products and determining our reserves. Many factors, and changes in these factors, can affect future experience, including, but not limited to: interest rates; market returns and volatility; economic and social conditions, such as inflation, unemployment, home price appreciation or depreciation, and health care experience; policyholder persistency; insured life expectancy or longevity; insured morbidity; and doctrines of legal liability and damage awards in litigation. Therefore, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. Moreover, we may not be able to mitigate the impact of unexpected adverse experience by increasing premiums add/or other charges to policyholders.

We regularly review our reserves and associated assumptions as part of our ongoing assessment of our business performance and risks. If we conclude that our reserves are insufficient to cover actual or expected policy and contract benefits and claim payments (as we have on various occasions in the past) as a result of changes in experience, assumptions or otherwise, we would be required to increase our reserves and incur charges for the period in which we make the determination. The amounts of such increases may be significant (as they have been on occasions in the past) and this would adversely affect our results of operations and financial condition and may put additional strain on our available liquidity.

During the second quarter of 2014, we experienced meaningful increases in adverse claims experience for our long-term care insurance products, resulting in significant deterioration in operating income. The adverse claims experience in the second quarter of 2014 was due primarily to higher severity on both new and existing claims compared to the first quarter of 2014 and the second quarter of 2013, as well as an increase in new claims compared to the second quarter of 2013. As a result of recent experience, and in connection with our regular review of claims reserve assumptions for our long-term care insurance products, we are conducting a comprehensive review of our long-term care insurance claim reserves. The primary areas of focus in this review are: (i) an analysis of potential causes of the meaningful increases in adverse claims experience and (ii) an assessment of the assumptions and methodology underlying the associated reserves, including morbidity, mortality, interest rates and claim terminations. We intend to complete this review before the release of financial results for the third quarter of 2014. Given the review currently underway that will consider both long-term and recent experience, we will likely change some of our assumptions, which could increase our long-term care insurance claim reserves, and any increase may be material. Any such change in assumptions or increase in reserves could have a material adverse effect on our financial condition, statutory reserve and capital levels and/or results of operations.

Table of Contents

Item 6. Exhibits

Number	Description
2.1	Offer Management Agreement among Genworth Mortgage Insurance Australia Limited, Genworth Financial, Inc., Genworth Financial Mortgage Insurance Pty Limited, Genworth Financial Mortgage Indemnity Limited and the joint lead managers named therein (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on May 21, 2014).
10.1	Master Agreement, dated April 23, 2014, between Genworth Financial, Inc. and Genworth Mortgage Insurance Australia Limited
10.2	Shareholder Agreement, dated May 21, 2014, among Genworth Mortgage Insurance Australia Limited, Brookfield Life Assurance Company Limited, Genworth Financial International Holdings, Inc. and Genworth Financial, Inc.
10.3	Assignment and Assumption Agreement for Shareholder Agreement, dated July 11, 2014, among Genworth MI Canada Inc., Genworth Mortgage Insurance Corporation and Genworth Residential Mortgage Assurance Corporation
12	Statement of Ratio of Income to Fixed Charges
31.1	Certification of Thomas J. McInerney
31.2	Certification of Martin P. Klein
32.1	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code— Thomas J. McInerney
32.2	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code— Martin P. Klein
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENWORTH FINANCIAL, INC.
(Registrant)

Date: July 30, 2014

By: /s/ Kelly L. Groh

Kelly L. Groh
Vice President and Controller
(Duly Authorized Officer and
Principal Accounting Officer)

Exhibit 10.1

HERBERT
SMITH
FREEHILLS

Agreement

Project Rome

Master Agreement

Genworth Financial, Inc.

Genworth Mortgage Insurance Australia Limited

Contents

Table of contents

Contents

HERBERT SMITH FREEHILLS

Master Agreement

Date u 23 April 2014

Between the parties

	Genworth Financial, Inc. a corporation existing under the laws of the State of Delaware (**Genworth Financial**)
	Genworth Mortgage Insurance Australia Limited ACN 154 890 730 (**Genworth Australia**)
Recitals	1 Genworth Australia is undertaking an initial public offering (the **Initial Public Offering**) of its ordinary shares pursuant to a prospectus filed with the Australian Securities and Investments Commission (**ASIC**). 2 Genworth Financial and Genworth Australia (and, where relevant, their respective Affiliates) have entered into this Agreement and will on or around the Closing Date enter into the other IPO Agreements (as defined below) to set out certain key provisions relating to the separation of the Genworth Financial Group and the Genworth Australia Group and their continuing arrangements following the completion of the Initial Public Offering (the **Closing**).

in consideration of the foregoing and the mutual agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

Operative part

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this Agreement are set out below.

Term	Meaning
Action	any demand, action, claim, dispute, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.
Affiliate	(and, with a correlative meaning, 'affiliated'), with respect to any Person, any direct or indirect subsidiary of such Person, and any other Person that directly, or through one or more intermediaries, controls or is controlled by or is under common control with such first Person; provided, however, that, for the sole purpose of defining the benefits and obligations of the parties pursuant to this Agreement and the other IPO Agreements, and without affecting or intending to affect in any way the definition or characterisation, for any purpose, of the parties' relationship at law or with respect to any third party (including, without limitation, pursuant to any Vendor Agreement), from and after the Closing Date, each of Genworth Australia and its direct and indirect Subsidiaries shall be deemed not to be an Affiliate of Genworth Financial or any of its direct and indirect Subsidiaries (other than Genworth Australia and its direct and indirect Subsidiaries), and vice versa. As used in this definition, 'control' (including with correlative meanings, 'controlled by' and 'under common control with') means possession, directly or indirectly, of power to direct or cause the direction of management or policies or the power to appoint and remove a majority of directors (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).
After-Tax Basis	has the meaning given to it in clause 5.5(c).

Term	Meaning
Applicable Law	with respect to any Person, property, transaction, event or other matter, (i) any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, rule, municipal by-law, Order or other requirement having the force of law, (ii) any policy, practice, protocol, standard or guideline of any Governmental Authority which, although not necessarily having the force of law, is regarded by such Governmental Authority as requiring compliance as if it had the force of law (collectively, the **Law**) relating or applicable to such Person, property, transaction, event or other matter and also includes, where appropriate, any interpretation of the Law (or any part thereof) by any Person having jurisdiction over it, or charged with its administration or interpretation.
ASIC	has the meaning given to it in Recital 1.
Brookfield	Brookfield Life Assurance Company Limited.
Business Day	a day on which banks are open for business in Sydney, New South Wales or New York, NY, other than a Saturday, Sunday or public holiday in those cities. Any event the scheduled occurrence of which would fall on a day that is not a Business Day shall be deferred until the next succeeding Business Day.
Closing	has the meaning given to it in Recital 2.
Closing Date	the date on which the Closing takes place.
Corporations Act	the Australian *Corporations Act 2001* (Cth), as amended from time to time
Cross License	the Intellectual Property Cross License in the form agreed between the parties, to be entered into on or around the Closing Date by and between Genworth Financial and Genworth Australia.
Dispute	has the meaning given to it in clause 6.1.
Excluded Claim	has the meaning given to it in clause 5.1(h)
First Tribunal	has the meaning given to it in clause 6.3(e)

Term	Meaning
Force Majeure	with respect to a party, an impediment beyond the control of such party (or any Person acting on its behalf), which could not reasonably be expected to have been taken into account by such party (or such Person) at the time of conclusion of the contract.
Genworth Australia Group	Genworth Australia and each of its Affiliates.
Genworth Australia Confidential Information	has the meaning given to it in clause 4.1(a).
Genworth Australia Indemnified Parties	has the meaning given to it in clause 5.3.
Genworth Financial Confidential Information	has the meaning given to it in clause 4.1(b).
Genworth Financial Disclosure Portions	has the meaning given to it in clause 5.2(d).
Genworth Financial Group	Genworth Financial and each of its Affiliates.
Genworth Financial Indemnified Parties	has the meaning given to it in clause 5.2.
GF Mortgage Insurance	Genworth Financial Mortgage Insurance Pty Limited (ACN 106 974 305).
GF New Holdings	Genworth Financial New Holdings Pty Limited (ACN 140 219 101).
GF Services	Genworth Financial Services Pty Limited (ACN 116 067 424).
GFAH	Genworth Financial Australia Holdings, LLC.
GFIH	Genworth Financial International Holdings, Inc.

Term	Meaning
GFMI Holdings	Genworth Financial Mortgage Insurance Holdings Pty Limited (ACN 106 972 874).
Governmental Approvals	any notice, report or other filing to be made with, or any consent, registration, approval, permit or authorization to be obtained from, any Governmental Authority.
Governmental Authority	1 any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise); 2 any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government; 3 any court, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and 4 any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association.
ICC	has the meaning given to it in clause 6.3(a).
ICC Rules	has the meaning given to it in clause 6.3(a).
IT Services Agreement	the IT Services Agreement dated 1 January 2013, by and among GFIH, GF Mortgage Insurance, Genworth Financial Mortgage Indemnity Pty Limited, GF Services, GFMI Holdings, Genworth Financial Mortgage Insurance Finance Pty Limited and GF New Holdings, as varied in accordance with the IT Services Agreement from time to time.
Indemnified Party	has the meaning given to it in clause 5.5(a).
Indemnifying Party	has the meaning given to it in clause 5.5(a).
Indemnity Payment	has the meaning given to it in clause 5.5(a).

Term	Meaning
Insurance Proceeds	those monies: (a) received by an insured from an insurance carrier; (b) paid by an insurance carrier on behalf of the insured; or (c) received (including by way of set-off) from any third party in the nature of insurance, contribution or indemnification in respect of any Liability; in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof.
Intellectual Property	all of the following, whether protected, created or arising under the laws of the United States, Australia or any other foreign jurisdiction: (i) patents, patent applications (along with all patents issuing thereon), statutory invention registrations, divisions, continuations, continuations-in-part, substitute application of the foregoing and any extensions, reissues, restorations and re-examinations thereof, and all rights therein provided by international treaties or conventions, (ii) copyrights, mask work rights, database rights and design rights, whether or not registered, published or unpublished, and registrations and applications for registration thereof, and all rights therein whether provided by international treaties or conventions or otherwise, (iii) trademarks, service marks, trade dress, logos and other identifiers of source, including all goodwill associated therewith and all common law rights, registrations and applications for registration thereof, and all rights therein provided by international treaties or conventions, and all reissues, extensions and renewals of any of the foregoing, (iv) intellectual property rights arising from or in respect of domain names, domain name registrations and reservations, (v) trade secrets, (vi) intellectual property rights arising from or in respect of Technology, and (vii) all other applications and registrations related to any of the intellectual property rights set forth in the foregoing clauses (i) – (vi) above.
Initial Public Offering	has the meaning given to it in Recital 1.
IPO Agreements	this Agreement, the Shared Services Agreement, the IT Services Agreement, the Cross License, the Shareholder Agreement, and the Trade-Mark License.
Liabilities	any debt, loss, damage, adverse claim, liability or obligation of any Person (whether direct or indirect, known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due, and whether in contract, tort, strict liability or otherwise), and including all costs and expenses relating thereto, but not including any Excluded Claim.

Term	Meaning
Offer Management Agreement	the agreement of that name entered into on or about the date of this document between, amongst others, Genworth Australia, Genworth Financial and the joint lead managers to the Initial Public Offering.
Order	any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.
Person	any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.
Personal Information	any information about an identifiable individual that is provided to or obtained by either party.
Relevant Interest	has the meaning given to it in the Corporations Act.
Representatives	with respect to a party, an Affiliate of that party and its and its Affiliates' officers, directors, employees, agents and representatives (including any legal and financial advisors, agents, customers, suppliers, contractors, consultants and other representatives of any Person providing finance).
Restructure Steps	the restructure steps set out in Schedule 2.
Sales Taxes	has the meaning given to it in clause 7.7.
Services	means the "Services" as defined under the Shared Services Agreement and "Services" as defined under the IT Services Agreement.
Shared Services Agreement	the Shared Services Agreement in the form agreed between the parties, to be entered into on or around the Closing Date among Genworth Financial, Genworth Australia, GF Mortgage Insurance and Genworth Financial Mortgage Indemnity Limited.
Shareholder Agreement	the Shareholder Agreement in the form agreed between the parties, to be entered into on or around the Closing Date by and among Genworth Financial, Shareholderco and Genworth Australia.

Term	Meaning
Shareholderco or AGP	Genworth Australian General Partnership, to be established under a partnership deed in accordance with Step 4 of the Restructure Steps, between Brookfield and GFIH, as amended from time to time.
Subsidiary or subsidiary	with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (a) beneficially owns, either directly or indirectly, more than 50% of (i) the total combined voting power of all classes of voting securities of such entity, (ii) the total combined equity interests, or (iii) the capital or profit interests, in the case of a partnership; or (b) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.
Taxes	has the meaning given to it in clause 7.7.
Technology	has the meaning given to it in the Shared Services Agreement.
Third Party Claim	has the meaning given to it in clause 5.6(a).
Trade-Mark License	the Trade-Mark License Agreement in the form agreed between the parties, to be entered into on or around the Closing Date by and among Genworth Holdings, Inc. and Genworth Australia.
Trigger Date	the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 50% or more of the outstanding ordinary shares of Genworth Australia.
Vendor Agreement	has the meaning given to it in the Shared Services Agreement.

1.2 Interpretation

In this Agreement:

(a) Headings and bold type are for convenience only and do not affect the interpretation of this Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) Words of any gender include all genders.

(d) The word ‘including’ and words of similar import shall mean ‘including, without limitation,’.

(e) Other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning.

(f) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Authority as well as an individual.

(g) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Agreement.

(h) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(i) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.

(j) A reference to a party to a document includes that party's successors and permitted assignees.

(k) No provision of this Agreement will be construed adversely to a party because that party was responsible for the preparation of this Agreement or that provision.

(l) A reference to a body, other than a party to this Agreement (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

(m) Where, in this Agreement, the rights of Genworth Financial are dependent upon the members of the Genworth Financial Group holding an aggregate Relevant Interest in a particular percentage of Ordinary Shares (**Applicable Threshold**):

(1) the aggregate Relevant Interest in the outstanding Ordinary Shares held by the members of the Genworth Financial Group shall only be taken to be less than or not less than (as the case may be) the Applicable Threshold if that aggregate Relevant Interest is less than or not less than (as the case may be) the Applicable Threshold for a period of at least 90 consecutive days; and

(2) if that aggregate Relevant Interest falls below and remains below the Applicable Threshold for a period of at least 90 consecutive days, then the "first date" on which members of the Genworth Financial Group are taken to hold an aggregate Relevant Interest that is less than or not less than (as the case may be) the Applicable Threshold shall be the first day after the expiry of that 90 consecutive days period.

2 Expenses

2.1 Expenses of the Initial Public Offering

Genworth Financial shall pay all reasonable third party costs and expenses associated with the transactions contemplated by this Agreement and the other IPO Agreements and the Restructure Steps, and must reimburse Genworth Australia for the amount of:

(a) third party costs and expenses incurred by Genworth Australia or its Affiliates which are of the kind set out in Schedule 1; and

(b) other third party costs and expenses incurred by Genworth Australia or its Affiliates as may be mutually agreed in writing between Genworth Financial and Genworth Australia,

and Genworth Financial and Genworth Australia will use all commercially reasonable efforts to ensure that any third party vendors invoice Genworth Australia for any such costs and expenses on or before the Closing Date so that such invoices are settled by Genworth Financial by payment to Genworth Australia or the relevant vendor (as applicable) on, or as soon as reasonably practicable after, the Closing Date.

3 Closing

3.1 Pre-Closing transactions

Genworth Financial and Genworth Australia shall procure that all necessary steps are taken to ensure that Steps 1 to 9 of the Restructure Steps are completed on or prior to Closing.

3.2 Time and place of closing

Subject to the terms and conditions of this Agreement, all transactions contemplated by this Agreement shall be consummated at the Closing to be held at the Sydney offices of Ashurst Australia, on the Closing Date.

3.3 Closing transactions

(a) At the Closing, Genworth Financial and Genworth Australia shall enter into, and, as necessary, shall cause their respective Affiliates to enter into, the IPO Agreements.

(b) At or immediately following the Closing, Genworth Australia must:

(1) use the proceeds of the Initial Public Offering (after paying the Joint Lead Managers fees payable to them in accordance with the Offer Management Agreement) to make an additional capital contribution to GFAH and, if applicable to repay its inter-company note obligations under Note 6 to Shareholderco in each case in accordance with Step 11 of the Restructure Steps; and

(2) procure that GFAH makes the appropriate entries in its registers and records to reflect the increased capital contribution by Genworth Australia under clause 3.3(b)(1) and uses the capital contribution to repay its inter-company note obligations under Note 5 to Shareholderco, in accordance with Step 11 of the Restructure Steps.

4 Confidentiality

4.1 Confidential information

(a) From and after the Closing, subject to clause 4.1(c) and except as contemplated by this Agreement or any other IPO Agreement, Genworth Financial shall not, and shall cause its Representatives not to:

(1) directly or indirectly disclose, reveal, divulge or communicate any Genworth Australia Confidential Information to any Person other than Representatives who reasonably need to know such information for the purpose (in this clause 4.1(a) only, the **Purpose**) of providing services to the Genworth Australia Group or otherwise discharging Genworth Financial's obligations or exercising its rights under the IPO Agreements; or

(2) use or otherwise exploit for its own benefit or for the benefit of any third party or for any purpose other than the Purpose, any Genworth Australia Confidential Information. Genworth Financial shall use the same degree of care to prevent and restrain the unauthorized use or disclosure of the Genworth Australia Confidential Information by any of its Representatives as it currently uses for its own confidential information of a like nature, but in no event less than a reasonable standard of care.

For purposes of this clause 4.1, any information, material or documents relating to Genworth Australia's business as it is currently or formerly conducted, or proposed to be conducted, by the Genworth Australia Group furnished to or in possession of the Genworth Financial Group, irrespective of the form of communication, and all notes, analyses, compilations, forecasts, data, translations, studies, memoranda or other documents prepared by Genworth Financial or its Representatives, that contain or otherwise reflect such information, material or documents, including without limitation Personal Information, is hereinafter referred to as "**Genworth Australia Confidential Information**". Genworth Australia Confidential Information does not include, and there shall be no obligation hereunder with respect to, information that:

(3) is or becomes generally available to the public, other than as a result of a disclosure by Genworth Financial or a Representative not otherwise permissible hereunder;

(4) Genworth Financial can demonstrate was or became available to the Genworth Financial Group from a source other than the Genworth Australia Group, provided that the source of such information was not known by Genworth Financial to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the Genworth Australia Group with respect to such information; or

(5) is developed independently by the Genworth Financial Group without reference to the Genworth Australia Confidential Information.

(b) From and after the Closing, subject to clause 4.1(c) and except as contemplated by this Agreement or any other IPO Agreement, Genworth Australia shall not, and shall cause its Representatives, not to:

(1) directly or indirectly disclose, reveal, divulge or communicate Genworth Financial Confidential Information to any Person other than Representatives who reasonably need to know such information for the purpose (in this clause 4.1(b) only, the **Purpose**) of providing services to the Genworth Financial Group or otherwise discharging Genworth Australia's obligations or exercising its rights under the IPO Agreements; or

(2) use or otherwise exploit for its own benefit or for the benefit of any third party or for any purpose other than the Purpose, any Genworth Financial Confidential Information. Genworth Australia shall use the same degree of care to prevent and restrain the unauthorized use or

disclosure of the Genworth Financial Confidential Information by any of its Representatives as it currently uses for its own confidential information of a like nature, but in no event less than a reasonable standard of care.

For purposes of this clause 4.1, any information, material or documents relating to the businesses currently or formerly conducted, or proposed to be conducted, by the Genworth Financial Group (for greater certainty, not including Genworth Australia and its Affiliates) furnished to or in possession of Genworth Australia, irrespective of the form of communication, and all notes, analyses, compilations, forecasts, data, translations, studies, memoranda or other documents prepared by Genworth Australia or its Representatives, that contain or otherwise reflect such information, material or documents, including without limitation Personal Information, is hereinafter referred to as "**Genworth Financial Confidential Information**". Genworth Financial Confidential Information does not include, and there shall be no obligation hereunder with respect to, information that:

(3) is or becomes generally available to the public, other than as a result of a disclosure by Genworth Australia or a Representative not otherwise permissible hereunder;

(4) Genworth Australia can demonstrate was or became available to the Genworth Australia Group from a source other than the Genworth Financial Group, provided that the source of such information was not known by Genworth Australia to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, Genworth Financial with respect to such information; or

(5) is developed independently by the Genworth Australia Group without reference to the Genworth Financial Confidential Information.

(c) If either Genworth Financial or Genworth Australia (or their respective Affiliates) is requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) by any Governmental Authority or pursuant to Applicable Law to disclose or provide any Genworth Australia Confidential Information or Genworth Financial Confidential Information (other than with respect to any such information furnished pursuant to the financial reporting provisions of the Shareholder Agreement, which each party shall be permitted to disclose in its public filings as required by any Governmental Authority or pursuant to Applicable Law and in accordance with past practice), as applicable, the Person receiving such request or demand shall use all reasonable efforts to provide the other party with written notice of such request or demand as promptly as practicable under the circumstances so that such other party shall have an opportunity to seek an appropriate protective order. The party receiving such request or demand agrees to take, and cause its Representatives to take, at the requesting party's expense, all other reasonable steps necessary to obtain confidential treatment by the recipient. Subject to the foregoing, the party that received such request or demand may thereafter disclose or provide any Genworth Australia Confidential Information or Genworth Financial Confidential Information, as the case may be, to the extent required by such Law (as so advised by counsel) or by lawful process or such Governmental Authority.

(d) In the event that any disclosure of information is made in contravention of this clause 4, the party that has made or permitted to be made such contravening disclosure shall immediately notify the other party thereof.

5 Release; indemnification

5.1 Release of pre-closing claims

(a) Except as provided in clause 5.1(d), below, effective as of the time of Closing, Genworth Australia does hereby, for itself and as agent for each of its Affiliates, remise, release and forever discharge Genworth Financial, its Affiliates and each of their respective directors, officers and employees, and their heirs, executors, successors and assigns, directly or indirectly from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the time of Closing, including in respect of the transactions and all other activities to implement any of the Initial Public Offering or the transactions contemplated by this Agreement or any of the IPO Agreements.

(b) Except as provided in clause 5.1(d), below, effective as of the time of Closing, Genworth Financial does hereby, for itself and as agent for each of its Affiliates, remise, release and forever discharge Genworth Australia, its Affiliates and each of their respective directors, officers and employees, and their heirs, executors, successors and assigns, directly or indirectly from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed before the time of Closing, including in respect of the transactions and all other activities to implement any of the Initial Public Offering or the transactions contemplated in this Agreement or any of the IPO Agreements.

(c) Genworth Australia, for itself and as agent for each of its Affiliates, and Genworth Financial, for itself and as agent for each of its Affiliates, do hereby agree, represent, and warrant that the matters released herein are not limited to matters which are known or disclosed. Genworth Australia and Genworth Financial may hereafter discover facts in addition to or different from those which it now knows or believes to be true with respect to the subject matter of this release, but each shall be deemed to have, finally and forever settled and released any and all claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts.

(d) Nothing contained in any of clauses 5.1(a), 5.1(b) or 5.1(c) shall impair any right of any Person to enforce this Agreement (including the provisions of clauses 5.1(a), 5.1(b), 5.1(c), 5.2 and 5.3 hereof), any other IPO Agreement, any other agreement in force and effect between any member of the Genworth Australia Group and any member of the Genworth Financial Group, or any debt or liability owing by any member of the Genworth Financial Group to any member of the Genworth Australia Group (or vice versa), which arises from and after the Closing, in each case in accordance with its terms.

(e) Genworth Australia agrees, for itself and as agent for each of its Affiliates, not to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against

Genworth Financial, or any other Person released pursuant to clause 5.1(a), with respect to any Liabilities released pursuant to clause 5.1(a).

(f) Genworth Financial agrees, for itself and as agent for each of its Affiliates, not to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Genworth Australia or any other Person released pursuant to clause 5.1(b), with respect to any Liabilities released pursuant to clause 5.1(b).

(g) At any time, at the request of the other party, each party shall cause each of its respective Affiliates and other released Persons to execute and deliver releases reflecting the provisions hereof and such other documents as are necessary to effect the purposes hereof.

(h) Nothing in clauses 5.1(a), 5.1(b) or 5.1(c) shall impair any right of any Person to enforce any right, liability or claim arising under or pursuant to any of the following documents (as they may be amended from time to time):

(1) Amended and Restated Annual First Tier Excess of Loss Reinsurance Contract between GF Mortgage Insurance and Genworth Mortgage Insurance Corporation dated 11 May 2011, as amended by Amendment to Amended and Restated Annual First Tier Excess of Loss Reinsurance Contract dated 23 February 2012;

(2) Amended and Restated Annual Second Tier Excess of Loss Reinsurance Contract between GF Mortgage Insurance and Brookfield dated 23 February 2012;

(3) Amended and Restated Annual Excess of Loss Reinsurance Contract between GF Mortgage Insurance and Brookfield dated 11 May 2011, as amended by Amendment to Amended and Restated Annual Excess of Loss Reinsurance Contract dated 23 February 2012;

(4) Cost Agreement between Genworth Financial and GE Mortgage Insurance Company Pty Ltd dated 15 July 2005, as amended by Amendment No.1 to Cost Agreement (Australia) dated 4 April 2012 and Amendment No.2 to Cost Agreement (Australia) dated 11 March 2014;

(5) Master Services Agreement between GFIH and GF Mortgage Insurance dated 20 December 2006;

(6) IT Services Agreement;

(7) an Investment Management Agreement for Australian private placements between GF Mortgage Insurance and GFIH to be entered into on or around the date of this agreement (to the extent that this agreement is entered into prior to Closing);

(8) this Agreement;

(9) Shareholder Agreement;

(10) Shared Services Agreement;

(11) Cross License; and

(12) Trade-mark License.

(each an **Excluded Claim**).

(i) Genworth Financial represents and warrants to Genworth Australia that it does not have knowledge of any matters that are reasonably likely to give rise to a material liability to Genworth Australia that have not been brought to the attention of, or are not otherwise known by, Genworth Australia.

5.2 General indemnification by Genworth Australia

Except as provided in clause 5.4 and to the extent permitted by Applicable Law, Genworth Australia shall indemnify, defend and hold harmless on an After-Tax Basis Genworth Financial and its Affiliates and their respective directors, officers and employees, and their heirs, executors, successors and assigns (collectively, the **Genworth Financial Indemnified Parties**) from and against any and all Liabilities arising out of, resulting from or otherwise related to any of the following items (without duplication):

(a) any failure by any member of the Genworth Australia Group or any other Person to pay, perform or otherwise properly discharge any Liability (other than a Liability released under clause 5.1(b)) of any member of the Genworth Australia Group, whether prior to or after the Closing Date;

(b) any Third Party Claims related to the operation by any member of the Genworth Australia Group of any current or future businesses, irrespective of when the facts giving rise to the claim arose (other than a Liability arising solely as a result of the Restructure Steps being undertaken in the manner contemplated in Schedule 2);

(c) any breach by Genworth Australia of this Agreement or any other IPO Agreement; and

(d) all information contained in the prospectus and any other materials distributed in connection with the Initial Public Offering, and any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case other than:

    (1) with respect to statements or omissions relating exclusively to (i) Genworth Financial, and (ii) Genworth Financial's businesses, (the **Genworth Financial Disclosure Portions**); or

    (2) to the extent that any such Liability is finally judicially determined by a court of competent jurisdiction to have been primarily caused by the fraud or wilful misconduct of Genworth Financial.

Without limiting the foregoing, the parties acknowledge that Genworth Australia has, and Genworth Financial does not have, direct knowledge of the matters disclosed in the prospectus (other than the Genworth Financial Disclosure Portions), and Genworth Financial has reasonably relied on Genworth Australia in respect of those matters. It is further acknowledged that Genworth Financial has given no warranty or assurance in relation to Genworth Australia or any matter disclosed in the prospectus (other than the Genworth Financial Disclosure Portions) (other than the warranties expressly set out in this Agreement).

5.3 General indemnification by Genworth Financial

Except as provided in clause 5.4 and to the extent permitted by Applicable Law, Genworth Financial shall indemnify, defend and hold harmless on an After-Tax Basis Genworth Australia and its Affiliates and each of their respective directors, officers and employees, and their heirs, executors, successors and assigns (collectively, the **Genworth Australia Indemnified Parties**) from and against any and all Liabilities arising out of, resulting from or otherwise related to any of the following items (without duplication):

(a) any failure by Genworth Financial or any other Person to pay, perform or otherwise properly discharge any of Liability (other than a Liability released under clause 5.1(a)) of any member of the Genworth Financial Group, whether prior to or after the Closing Date;

(b) any Third Party Claims related to the operation by the Genworth Financial Group of any current or future Genworth Financial businesses, irrespective of when the facts giving rise to the claim arose (other than a Liability arising solely as a result of the Restructure Steps being undertaken in the manner contemplated in Schedule 2);

(c) any breach by Genworth Financial of this Agreement or any other IPO Agreement;

(d) all information contained in the Genworth Financial Disclosure Portions, and any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except to the extent that any such Liability is finally judicially determined by a court of competent jurisdiction to have been primarily caused by the fraud or wilful misconduct of Genworth Australia;

(e) any adjustment by a Government Authority to the Tax Cost (as that term is defined in section 995-1 of the Income Tax Assessment Act 1997 (Cth)) of assets held by Genworth Australia on the date of the initial public offering of Genworth Financial on 25 May 2004, that have been disposed of as at the Closing Date but only for so much of the amount of the adjustment that was not otherwise provided for in the monthly Australian accounts (prepared in accordance with Australian generally accepted accounting principles (**AGAAP**)) of the Genworth Australia Group as at the Closing Date; and

(f) one or more of the Genworth Australia Indemnified Parties being joined or otherwise included as a party to any Action involving allegations of violations of securities laws against Genworth Financial pending on the Closing Date (or any related Action or other Action based on substantially the same facts as any such pending Action).

5.4 Contribution

(a) If the indemnification provided for in this clause 5 is unavailable to, or insufficient to hold harmless on an After-Tax Basis, an indemnified party under clause 5.2(d) or clause 5.3(d) hereof in respect of any Liabilities referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such Liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the actions which resulted in Liabilities as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(b) The parties hereto agree that it would not be just and equitable if contribution pursuant to this clause 5.4 were determined by a pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in clause 5.4(a) above. The amount paid or payable by an indemnified party as a result of the Liabilities referred to in clause 5.4(a), above, shall be deemed to include, subject to the limitations set forth above, any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating any claim or defending any Action. No person guilty of fraudulent misrepresentation shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

5.5 Indemnification obligations net of insurance proceeds and other amounts, on an After-Tax Basis

(a) Any Liability subject to indemnification or contribution pursuant to this clause 5 will be net of Insurance Proceeds that actually reduce the amount of the Liability and will be determined on an After-Tax Basis. Accordingly, the amount which any party (an **Indemnifying Party**) is required to pay to any Person entitled to indemnification hereunder (an **Indemnified Party**) will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnified Party in respect of the related Liability. If an Indemnified Party receives a payment (an **Indemnity Payment**) required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds, then the Indemnified Party will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds had been received, realized or recovered before the Indemnity Payment was made.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto. The Indemnified Party shall use its commercially reasonable efforts to seek to collect or recover any third-party Insurance Proceeds (other than Insurance Proceeds under an arrangement where future premiums are adjusted to reflect prior claims in excess of prior premiums) to which the Indemnified Party is entitled in connection with any Liability for which the Indemnified Party seeks indemnification pursuant to this clause 5; provided that the Indemnified Party’s inability to collect or recover any such Insurance Proceeds shall not limit the Indemnifying Party’s obligations hereunder.

(c) The term “**After-Tax Basis**” as used in this clause 5 means that, in determining the amount of the payment necessary to indemnify any party against, or reimburse any party for, Liabilities, the amount of such Liabilities will be determined net of any reduction in Tax derived by the indemnified party as the result of sustaining or paying such Liabilities, and the amount of such indemnification payment will be increased (i.e., ‘grossed up’) by the amount necessary to satisfy any income or other Tax liabilities incurred by the indemnified party as a result of its receipt of, or right to receive, such indemnification payment (as so increased), so that the indemnified party is put in the same net after-Tax economic position as if it had not incurred such Liabilities, in each case without taking into account any impact on the tax basis that an indemnified party has in its assets.

5.6 Procedures for indemnification of Third Party Claims

(a) If an Indemnified Party shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a party or one of its Affiliates of any claim or of the commencement by any such Person of any Action (collectively, a **Third Party Claim**) with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnified Party pursuant to clause 5.2 or 5.3, or any other clause of this Agreement or any other IPO Agreement, such Indemnified Party shall give such Indemnifying

Party written notice thereof within 10 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnified Party or other Person to give notice as provided in this clause 5.6(a) shall not relieve the Indemnifying Party of its obligations under this clause 5 or under the indemnification provisions of any other IPO Agreement, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) An Indemnifying Party may elect to defend (and to seek to settle or compromise), at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, any Third Party Claim. Within 60 days after the receipt of notice from an Indemnified Party in accordance with clause 5.6(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnified Party of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim, which election shall specify any reservations or exceptions. During such time, the Indemnified Party shall not take any action that could prejudice the Indemnifying Party's ability to defend the Third Party Claim. After notice from an Indemnifying Party to an Indemnified Party of its election to assume the defence of a Third Party Claim, such Indemnified Party shall have the right to employ separate counsel and to participate in (but not control) the defence, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnified Party except as set forth in the next sentence. If the Indemnifying Party has elected to assume the defence of the Third Party Claim but has specified, and continues to assert, any reservations or exceptions in such notice, then, in any such case, the reasonable fees and expenses of one separate counsel for all Indemnified Parties shall be borne by the Indemnifying Party, but the Indemnifying Party shall be entitled to reimbursement by the Indemnified Party for payment of any such fees and expenses to the extent that it establishes that such reservations and exceptions were proper.

(c) If an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnified Party of its election as provided in clause 5.6(b), such Indemnified Party may defend such Third Party Claim at the cost and expense of the Indemnifying Party.

(d) Unless the Indemnifying Party has failed to assume the defence of the Third Party Claim in accordance with the terms of this Agreement, no Indemnified Party may settle or compromise any Third Party Claim without the consent of the Indemnifying Party. No Indemnifying Party shall consent to entry of any judgment or enter into any settlement of any pending or threatened Third Party Claim in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party without the consent of the Indemnified Party if (i) the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly against such Indemnified Party and (ii) such settlement does not include an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Third Party Claim.

5.7 Additional matters

(a) Indemnification or contribution payments in respect of any Liabilities for which an Indemnified Party is entitled to indemnification or contribution under this clause 5 or under any other IPO Agreement shall be paid by the Indemnifying Party to the Indemnified Party as such Liabilities are incurred upon demand by the Indemnified Party, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification or contribution payment, including documentation with respect to calculations made on an After-Tax Basis and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. The indemnity and contribution agreements contained in this clause 5 or under any other IPO Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnified Party; (ii) the knowledge by the Indemnified Party of Liabilities for which it might be entitled to indemnification or contribution hereunder; and (iii) any termination of this Agreement or any other IPO Agreement.

(b) Any claim on account of a Liability which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnified Party to the applicable Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnified Party shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the other IPO Agreements without prejudice to its continuing rights to pursue indemnification or contribution hereunder or thereunder.

(c) If payment is made by or on behalf of any Indemnifying Party to any Indemnified Party in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnified Party as to any events or circumstances in respect of which such Indemnified Party may have any right, defence or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. Such Indemnified Party shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defence or claim.

(d) In an Action in which the Indemnifying Party is not a named defendant, if either the Indemnified Party or Indemnifying Party shall so request, the parties shall endeavour to substitute the Indemnifying Party for the named defendant if they conclude that substitution is desirable and practical. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this clause 5.7(d), and the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts fees and all other external expenses), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

5.8 Remedies cumulative; limitations of liability

The rights provided in this clause 5 shall be cumulative and, subject to the provisions of clause 6, shall not preclude assertion by any Indemnified Party of any other rights or the seeking of any and all other remedies against any Indemnifying Party. Notwithstanding the foregoing, no member of the Genworth Financial Group (on the one hand) nor any member of the Genworth Australia Group (on the other hand) shall be liable to the other for any special, indirect, incidental, punitive, consequential, exemplary, statutorily-enhanced or similar damages in excess of compensatory damages (provided that any such liability with respect to a Third Party Claim shall be considered direct damages) of the other in connection with this Agreement or the other IPO Agreements.

5.9 Litigation and settlement cooperation

Prior to the Trigger Date, Genworth Financial will use its commercially reasonable efforts to include Genworth Australia (or, if applicable, an Affiliate) in the settlement of any Third Party Claim which jointly involves Genworth Financial and Genworth Australia (or, if applicable, an Affiliate); provided, however, that:

(a) Genworth Australia (or, if applicable, the Affiliate) shall be responsible for its share of any such settlement obligation and any incremental cost (as reasonably determined by Genworth Financial) to Genworth Financial of including Genworth Australia (or, if applicable, the Affiliate) in such settlement; and

(b) Genworth Australia (or, if applicable, the Affiliate) shall be permitted in good faith to opt out of any settlement if Genworth Australia (or the relevant Affiliate) agrees to be responsible for defending its share of such Third Party Claim.

The parties agree to cooperate in the defence and settlement of any such Third Party Claim which primarily relates to matters, actions, events or occurrences taking place prior to the Trigger Date. In addition, both Genworth Australia and Genworth Financial will use their commercially reasonable efforts to make the necessary filings to permit each party to defend its own interests in any such Third Party Claim as of the Trigger Date, or as soon as practicable thereafter.

6 Dispute resolution

6.1 Dispute resolution

Unless the parties otherwise agree in writing and except as otherwise set forth in this Agreement or in any other IPO Agreement, any dispute, controversy or claim arising out of, or relating to this Agreement or the other IPO Agreements, including the validity, interpretation, performance, breach or termination thereof (a **Dispute**), shall be resolved in accordance with the provisions of this clause 6, which shall be the sole and exclusive procedures for the resolution of any such Dispute unless otherwise specified below or in any other IPO Agreement.

6.2 General provisions

(a) All communications (including and subsequent to the Request for Arbitration) between the parties or their Representatives in connection with the attempted resolution or determination of any Dispute shall be deemed to have been delivered in furtherance of a Dispute settlement and shall be exempt from production, and shall not be admissible in evidence for any reason (whether as an admission or otherwise), in any proceeding for the resolution of the Dispute.

(b) Notwithstanding anything to the contrary contained in this clause 6, any Dispute relating to Genworth Financial’s rights as a shareholder of Genworth Australia pursuant to Applicable Law, Genworth Australia’s constituent documents or the Shareholder Agreement, will not be governed by or subject to the procedures set forth in clause 6.3, below.

6.3 Arbitration

(a) Any Dispute shall be finally determined by arbitration, administered by the International Chamber of Commerce (**ICC**) and conducted under the Rules of Arbitration of the International Chamber of Commerce (the **ICC Rules**).

(b) The arbitral tribunal shall be composed of three arbitrators, appointed in accordance with the ICC Rules.

(c) The seat of the arbitration shall be New York, New York, United States of America.

(d) The language of the arbitration shall be English.

(e) If more than one arbitration is commenced in relation to this Agreement or the other IPO Agreements and any party contends that two or more such arbitrations raise similar issues of law or fact and that the issues should be resolved in one set of proceedings, the arbitral tribunal appointed in the first filed proceedings (the **First Tribunal**) shall have the power to determine prior to the exchange of pleadings in the first filed proceedings whether in the interests of justice and efficiency the proceedings shall be consolidated. The tribunal in such consolidated proceedings shall be selected as follows: (i) the parties to the consolidated proceedings shall agree on the composition of the tribunal; and (ii) failing such agreement within 30 days of consolidation being ordered by the First Tribunal the ICC Court shall appoint all members of the tribunal within 30 days of a written request by any of the parties to the consolidated proceedings.

(f) Each party shall be permitted to present its case, witnesses and evidence, if any, in the presence of the other party. A written transcript of the proceedings shall be made and furnished to the parties.

(g) The arbitrators shall determine the Dispute in accordance with the laws of New South Wales, Australia, without giving effect to any conflict of law rules or other rules that might render such law inapplicable or unavailable, and shall apply this Agreement and the other IPO Agreements according to their respective terms.

(h) The parties agree to be bound by any award or order resulting from any arbitration conducted in accordance with this clause 6.3. The parties undertake to carry out any award without delay and shall be deemed to have waived their right to appeal such award insofar as such waiver can validly be made. The parties further agree that judgment on any award or order resulting from an arbitration conducted under this clause 6.3 may be entered and enforced in any court having jurisdiction thereof.

(i) Except as expressly permitted by this Agreement, no party will commence or voluntarily participate in any court action or proceeding concerning a Dispute, except (i) for enforcement as contemplated by clause 6.3(h) above, (ii) to restrict or vacate an arbitral decision based on the grounds specified under Applicable Law, or (iii) for interim relief as provided in clause 6.3(j) below. For purposes of this clause 6.3(i), the parties hereto submit to the non-exclusive jurisdiction of the courts of the State of New York.

(j) In addition to the authority otherwise conferred on the arbitral tribunal, the tribunal shall have the authority to make such orders for interim relief, including injunctive relief, as it may deem just and equitable. Notwithstanding clause 6.3(i) above, each party acknowledges that in the event of any actual or threatened breach of the provisions of (i) clause 4.1, (ii) the Cross License, and (iii) the Transitional Trade-Mark License, the remedy at law would not be adequate, and therefore injunctive or other interim relief may be sought immediately to restrain such breach. The parties may apply to any competent judicial authority for interim or conservatory measures. The application of a party to a judicial authority for such measures or for the implementation of any such measures ordered by an arbitral tribunal shall not be deemed to be an infringement or a waiver of the arbitration agreement and shall not affect the relevant powers reserved to the arbitral tribunal.

(k) The arbitral tribunal shall have the authority and discretion to award costs in connection with the resolution of any Dispute in accordance with this clause 6 and the ICC Rules.

7 General provisions

7.1 Representations and warranties; fiduciary duties

(a) Each of Genworth Financial and Genworth Australia represents as follows:

(1) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform each of this Agreement and each other IPO Agreement to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(2) this Agreement and each other IPO Agreement to which it is a party has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

(b) Notwithstanding any provision of this Agreement or any other IPO Agreement, none of Genworth Financial nor Genworth Australia (nor any of their respective Affiliates) shall be required to take or omit to take any action, whether with respect to any matter covered by this Agreement, any other IPO Agreement or otherwise, that would violate its fiduciary duties to any minority shareholders or non-wholly owned Subsidiaries (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned).

7.2 Further assurances

(a) In addition to the actions specifically provided for elsewhere in this Agreement and the other IPO Agreements, each of the parties hereto will cooperate with each other and use commercially reasonable efforts, prior to, on and after the Closing Date, to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary on its part under Applicable Law or contractual obligations to consummate and make effective the transactions contemplated by this Agreement and the other IPO Agreements.

(b) Without limiting the foregoing, prior to, on and after the Closing Date, each party hereto shall cooperate with the other parties, and without any further consideration, but at the expense of the requesting party from and after the Closing Date, to execute and deliver, or use its commercially reasonable efforts to cause to be executed and delivered, all instruments and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement and the other IPO Agreements, in order to effectuate the provisions and purposes of this Agreement and the other IPO Agreements.

(c) On or prior to the Closing Date, Genworth Financial and Genworth Australia in their respective capacities as direct and indirect shareholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by Genworth Financial, Genworth Australia or any other Subsidiary of Genworth Financial or Genworth Australia, as the case may be, to effectuate the transactions contemplated by this Agreement and the other IPO Agreements.

(d) Notwithstanding any other provision of this Agreement and the other IPO Agreements, each party agrees to cooperate with the other party, and provide all assistance reasonably requested by the other party, to enable the other party to respond to any actual or threatened litigation or other legal proceedings or regulatory enquiries which relate in any way (in whole or in part) to matters, actions, events or occurrences taking place prior to the Trigger Date, including, but not limited to, by:

(1) allowing the other party and its directors, officers and advisers full and free access to its premises, books and records;

(2) allowing the other party and its directors, officers and advisers full and free access to (and taking reasonable steps to facilitate such access to) its current and former directors, officers and employees;

(3) providing copies of, or preparing, any relevant analysis, documents or other information to the other party; and

(4) otherwise assisting as reasonably requested by the other party in any such legal proceedings or regulatory enquiries.

7.3 Survival of covenants

Except as expressly set forth in any IPO Agreement, the covenants and other agreements contained in this Agreement and each IPO Agreement, and liability for the breach of any obligations contained herein or therein, shall survive the Closing and shall remain in full force and effect.

7.4 Governing law

This Agreement and, unless expressly provided therein, each other IPO Agreement, shall be governed by and construed and interpreted in accordance with the laws of New South Wales excluding its conflict of laws rules.

7.5 Force majeure

No party hereto (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfil any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfilment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure; provided that such party shall have exhausted the procedures described in its disaster recovery, crisis management, and business continuity plan if applicable. A party claiming the benefit of this provision shall, as soon as reasonably practicable after the party knew or ought to have known of the impediment:

(a) notify the other party of the nature and extent of any such Force Majeure condition and

(b) use commercially reasonable efforts to remove any such causes and resume performance under this Agreement as soon as feasible.

If the party claiming the benefit of this provision fails to do the things set out in clauses 7.5(a) or 7.5(b) above, it is liable for damages resulting from such failure.

7.6 Notices

All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this clause 7.6):

	Genworth Financial
Address	Genworth Financial, Inc.
	6620 West Broad Street
	Richmond, VA 23230
Attention	General Counsel
Phone	804.662.2574
Fax	804.662.2414

	Genworth Australia
Address	Level 26
	101 Miller Street
	North Sydney NSW 2060
Attention	General Counsel
Phone	+61 2 8248 2284
Fax	+61 2 8916 7242

7.7 Taxes

(a) Except as provided in clause 5.5(c), each party shall be responsible for any personal property taxes on property it owns or leases, for any and all taxes on its business, and for taxes based on its net income or gross receipts and any other similar taxes imposed by any Governmental Authority, together with any and all interest, fines and penalties (collectively, **Taxes**).

(b) Each amount paid or credited under this Agreement shall be net of any amount with respect to Taxes required to be withheld or remitted under Applicable Laws.

(c) All the amounts that either party shall charge the other under the IPO Agreements shall be exclusive of GST or any other sales, use, excise, value-added, goods and services, consumption and any other similar taxes and duties imposed or deemed imposed by the laws of any Governmental Authority, together with any and all interest, fines and penalties (collectively, **Sales Taxes**) owed, which shall be borne by the payor.

(d) A payee shall promptly notify the applicable payor of, and coordinate with the payor the response to and settlement of, any claim for Sales Taxes asserted by applicable taxing authorities against the payee for which the payor is alleged to be financially responsible hereunder. Notwithstanding the above, the payor's liability for such Sales Taxes is conditioned upon the payee providing the payor notification within 10 business days of receiving any proposed assessment of any additional Sales Taxes, interest or penalty due by the payee; provided that the payor shall be solely responsible for paying any Sales Taxes, interest and penalties assessed directly against the payor. Notwithstanding the foregoing, the failure of the payee to give notice as provided in this clause 7.7(d) shall not relieve the payor of its obligations under this clause 7.7(d), except to the extent that the payor is actually prejudiced by such failure to give notice.

(e) A payor shall promptly notify the applicable payee of, and coordinate with the payee the response to and settlement of, any claim for Taxes asserted by applicable taxing authorities against the payor for which the payee is alleged to be financially responsible hereunder. Notwithstanding the above, the payee's liability for such Taxes is conditioned upon the payor providing the payee notification within 10 business days of receiving any proposed assessment of any additional Taxes, interest or penalty due by the payor; provided that the payee shall be solely responsible for paying any Taxes, interest and penalties assessed directly against the payee. Notwithstanding the foregoing, the failure of the payor to give notice as provided in this clause 7.7(e) shall not relieve the payee of its obligations under this clause 7.7(e), except to the extent that the payee is actually prejudiced by such failure to give notice.

(f) Each payor shall be entitled to receive and to retain any refund of Sales Taxes paid to a payee pursuant to any IPO Agreement. In the event a payee shall be entitled to receive a refund of any Sales Taxes paid by a payor to the payee, the payee shall promptly pay, or cause the payment of, such refund to the payor.

(g) Each of the parties agrees that if reasonably requested by the other party, it will cooperate with such other party to enable the accurate determination of such other party's tax liability and assist such other party in minimizing its tax liability to the extent legally permissible. Any invoices issued by a party shall separately state the amounts of any Taxes or Sales Taxes that such party is proposing to collect from the relevant payor, and shall separately allocate and identify fees and charges in respect of Services provided in Australia, if any.

(h) From the date of this Agreement until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 33 $^{1}/_{3}$% or more of the outstanding ordinary shares of Genworth Australia, Genworth Australia shall continue to file all tax returns on a basis consistent with past practice unless (i) otherwise agreed to in writing by Genworth Financial, or (ii) otherwise required by Applicable Law.

(i) Notwithstanding clauses 5.2 and 5.3 or any other provision of this Agreement, the parties agree that, except as provided for in clause 5.3(e) and 5.5(c), the parties' Liability for Taxes and Sales Taxes is to be dealt with solely under this clause 7.7.

7.8 Regulatory approval and compliance

Each of Genworth Financial and Genworth Australia shall be responsible for its own compliance with any and all Laws applicable to its performance under this Agreement; provided, however, that each of Genworth Financial and Genworth Australia shall, subject to reimbursement of out-of-pocket expenses by the requesting party, cooperate and provide one another with all reasonably requested assistance (including, without limitation, the execution of documents and the provision of relevant information) required by the requesting party to ensure compliance with all Applicable Laws in connection with any regulatory action, requirement, inquiry or examination related to this Agreement or the other IPO Agreements.

7.9 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Applicable Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

7.10 Entire agreement

Except as otherwise expressly provided in this Agreement, this Agreement (including the Exhibits hereto) constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between or on behalf of the parties hereto with respect to the subject matter of this Agreement.

7.11 Assignment; no third-party beneficiaries

(a) Except as expressly set forth below or in any other IPO Agreement, neither this Agreement nor any other IPO Agreement may be assigned by any party hereto or thereto without the prior written consent of the other party, such consent not to be unreasonably withheld. Notwithstanding the foregoing, this Agreement and (subject to the express terms of the other IPO Agreements) the other IPO Agreements (other than the Shareholder Agreement or the Transitional Trade-Mark License) may be assigned:

(1) by Genworth Australia to a third party to the extent that Genworth Australia transfers substantially all of its business to such third party; and

(2) by Genworth Financial to a third party to the extent that Genworth Financial transfers substantially all of any one or more of its businesses or Affiliates that are engaged in providing Services to or receiving Services from Genworth Australia to such third party;

(3) by either party to the surviving entity in any merger, consolidation, equity exchange or reorganization involving such party;

provided that, in any such event, the assignee executes an agreement to be bound by all of the obligations of such transferor under this Agreement and the relevant IPO Agreement(s) (copies of which agreements shall be provided to the other party).

(b) Notwithstanding clause 7.11(a) or any other provision of this Agreement, in the event that Genworth Financial transfers one or more of its Affiliates to a third party, such Affiliate shall cease to be (and such third party transferee shall not be) bound by the restrictions set forth in clause 4.1(a) hereof from and after the time of completion of the transfer; provided however, that Genworth Financial shall use all commercially reasonable efforts to ensure that: (i) such Affiliate returns or destroys any Genworth Australia Confidential Information in its possession prior to such transfer, and (ii) no Genworth Australia Confidential Information is disclosed to or used by such Affiliate or such third party transferee (following completion of the transfer) without the prior written consent of Genworth Australia.

(c) Except as provided in clause 5 with respect to Indemnified Parties, this Agreement is for the sole benefit of the parties to this Agreement and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. In respect of clause 5, Genworth Financial and Genworth Australia enter into this Agreement for their own benefit and for the benefit of Genworth Financial Indemnified Parties and the Genworth Australia Indemnified Parties respectively.

7.12 Amendment; waiver

No provision of this Agreement, or of any other agreement dated as of the date hereof, between Genworth Financial and Shareholderco, related solely to this Agreement, may be amended or modified except by a written instrument signed by all the parties hereto. No waiver by any party of any provision hereof shall be effective unless explicitly set forth in writing and executed by the party so waiving. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach.

7.13 Counterparts

This Agreement may be executed in one or more counterparts, and by the different parties to each such agreement in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or electronic transmission shall be as effective as delivery of a manually executed counterpart of any such Agreement.

Schedule 1

Expenses of the Initial Public Offering (clause 2.1(a))

Actuarial

Audit & Accounting

Equity Plan/Compensation & Benefits Administration

Executive Remuneration Advice

Investment Banking Fees

IR/roadshows

Legal

PR/Media Advisory

Program Management

Prospectus Printing/Mailing

Regulatory Fees

Share Registry

Tax Advisory

Schedule 2

Restructure Steps (Clause 1.1)

The restructure involves the following 12 **Restructure Steps**. Note the steps commence from Step 4, with Steps 1 and 2 having been completed in 2011, and Step 3 was completed on 20 March 2014.

Step	Parties	Action(s)
4	Brookfield GFIH	Brookfield and GFIH form an Australian general partnership to be known as Genworth Australian General Partnership with the following respective interests: Brookfield - 99.9%; and GFIH - 0.01%.
5	Brookfield AGP GFAH	Brookfield transfers to AGP its interest in GFAH and the loan receivable owing from GFAH (**Note 1**). As consideration, Brookfield increases its interest in AGP.
6	AGP Brookfield GF New Holdings	AGP purchases from Brookfield its holding of ordinary and redeemable preference shares in GF New Holdings. As consideration, AGP provides consideration in the form of a note/loan (**Note 4**).
7	GFAH AGP GF New Holdings	GFAH purchases from AGP its holdings of ordinary and redeemable preference shares in GF New Holdings (acquired under Restructure Step 6). As consideration, GFAH provides consideration in the form of a note/loan (**Note 5**) and AGP may make an additional capital contribution to GFAH.
8	AGP Brookfield Genworth Australia	AGP purchases from Brookfield its holding of shares in Genworth Australia.
9	Genworth Australia GFAH	AGP transfers its interest in GFAH and Note 1 to Genworth Australia. As consideration, Genworth Australia will issue shares to AGP and may provide consideration in the form of a note/loan (**Note 6**).
10	Genworth Australia	Initial Public Offering
11	Genworth Australia	Genworth Australia applies the proceeds raised under the Initial Public Offering (net fees payable to the Joint Lead Managers in accordance with the Offer Management

	GFAH AGP	Agreement) to make an additional capital contribution to GFAH and repay Note 6 (if any) held by AGP. GFAH uses the additional capital to repay Note 5 owing to AGP.
12	AGP Brookfield	AGP uses the proceeds of the repayment in Restructure Step 11, as well as any cash returned for repurchase of shares in Genworth Australia for the “greenshoe”, to repay Note 4 owing to Brookfield and makes partnership distributions of any excess proceeds to Brookfield.

HERBERT SMITH FREEHILLS

Signing page

Executed as an agreement

SIGNED for **Genworth Financial, Inc.**
by its duly authorised officer, in the presence of:

	/s/ Kevin D. Schneider
	Signature of officer
/s/ Richard J. Oelhafen, Jr.	KEVIN D. SCHNEIDER
Signature of witness	Name
RICHARD J. OELHAFEN, JR.	
Name	

EXECUTED by **Genworth Mortgage Insurance Australia Limited** ACN 154 890 730:

/s/ Ellen Comerford	/s/ Richard Grellman
Signature of director	Signature of director/secretary
ELLEN COMERFORD	RICHARD GRELLMAN
Name	Name

HERBERT
SMITH
FREEHILLS

Agreement

Project Rome

Shareholder Agreement

Genworth Mortgage Insurance Australia Limited

Brookfield Life Assurance Company Limited

Genworth Financial International Holdings, Inc.

Genworth Financial, Inc.

Contents

Table of contents

Contents

HERBERT SMITH FREEHILLS

Shareholder Agreement

Date u 21 May 2014

Between the parties

	Genworth Mortgage Insurance Australia Limited ACN 154 890 730 **(Genworth Australia)**
	Brookfield Life Assurance Company Limited a corporation existing under the laws of Bermuda **(Brookfield)**
	Genworth Financial International Holdings, Inc. a corporation existing under the laws of Delaware **(GFIH)**
	Genworth Financial, Inc. a corporation existing under the laws of the State of Delaware **(Genworth Financial)**
Recitals	1 Genworth Australia has undertaken an initial public offering (the **Initial Public Offering**) of its ordinary shares pursuant to a prospectus filed with the Australian Securities and Investments Commission (**ASIC**). 2 In connection with the Initial Public Offering, Genworth Financial and Genworth Australia have entered into a Master Agreement, dated 23 April 2014 (the **Master Agreement**). 3 Genworth Australia, Genworth Financial, Brookfield and GFIH have entered into this Agreement to set out certain key provisions relating to the provision of information and certain of their respective rights, duties and obligations following completion of the Initial Public Offering (the **Closing**).

in consideration of the foregoing and the mutual agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

Operative part

1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this Agreement are set out below.

Term	Meaning
Acquiring Party	has the meaning given to it in clause 4.1(d).
Affiliate	(and, with a correlative meaning, ‘affiliated’), with respect to any Person, any direct or indirect subsidiary of such Person, and any other Person that directly, or through one or more intermediaries, controls or is controlled by or is under common control with such first Person; provided, however, that, for the sole purpose of defining the benefits and obligations of the parties pursuant to this Agreement and the other IPO Agreements, and without affecting or intending to affect in any way the definition or characterisation, for any purpose, of the parties’ relationship at law or with respect to any third party (including, without limitation, pursuant to any Vendor Agreement), from and after the Closing Date, each of Genworth Australia and its direct and indirect Subsidiaries shall be deemed not to be an Affiliate of Genworth Financial or any of its direct and indirect Subsidiaries (other than Genworth Australia and its direct and indirect Subsidiaries), and *vice versa*. As used in this definition, ‘control’ (including with correlative meanings, ‘controlled by’ and ‘under common control with’) means possession, directly or indirectly, of power to direct or cause the direction of management or policies or the power to appoint and remove a majority of directors (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).
Applicable Law	with respect to any Person, property, transaction, event or other matter: 1 any foreign or domestic constitution, treaty, law, statute, regulation, code, ordinance, principle of common law or equity, rule, municipal by-law, Order or other requirement having the force of law; 2 any policy, practice, protocol, standard or guideline of any Governmental Authority which, although not necessarily having the force of law, is regarded by such Governmental Authority as requiring compliance as if it had the force of law (collectively, the **Law**) relating or applicable to such Person, property, transaction, event or other matter and also includes, where appropriate, any interpretation of the Law (or any part thereof) by any Person having jurisdiction over it, or charged with its administration or interpretation.

Term	Meaning
Applicable GNW Shareholder	at any time with respect to any Ordinary Shares, a member of the Genworth Financial Group that is the holder of such share or shares, which shall initially be Shareholderco in the case of the Ordinary Shares deemed to be beneficially owned by Genworth Financial pursuant to this Agreement.
APRA	Australian Prudential Regulation Authority
ASIC	has the meaning given to it in Recital 1.
ASX	Australian Securities Exchange Limited.
Australian GAAP	generally accepted accounting principles in Australia, as in effect from time to time, including, for greater certainty, International Financial Reporting Standards from and after such time as, and to the extent that, they are applicable in Australia.
Board	the board of directors of Genworth Australia from time to time.
Business Day	a day on which banks are open for business in Sydney, New South Wales or New York, NY, other than a Saturday, Sunday or public holiday in those cities. Any event the scheduled occurrence of which would fall on a day that is not a Business Day shall be deferred until the next succeeding Business Day.
Business Lines	the Genworth Financial Business Lines and the Genworth Australia Business Lines.
Business Plan	has the meaning given to it in clause 2.1(a).
Closing	has the meaning given to it in Recital 3.
Closing Date	the date on which the Closing takes place.
Competitive Business	has the meaning given to it in clause 4.1(d).
Corporations Act	the Australian *Corporations Act 2001 (*Cth), as amended from time to time

Term	Meaning
Genworth Australia Auditors	has the meaning given to it in clause 3.5(b).
Genworth Australia Business Line	has the meaning given to it in clause 4.1(a).
Genworth Australia Information	has the meaning given to it in clause 3.5(d).
Genworth Financial Auditors	has the meaning given to it in clause 3.5(a).
Genworth Financial Business Line	has the meaning given to it in clause 4.1(b).
Genworth Financial Designee	a director of Genworth Australia designated by the member of the Genworth Financial Group for the purposes of clause 2.2.
Genworth Financial Group	collectively, Genworth Financial and all of its direct and indirect Subsidiaries now or hereafter existing, other than Genworth Australia and its direct and indirect Subsidiaries.
Governmental Authority	1 any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise); 2 any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government (including the Australian Prudential Regulation Authority); 3 any court, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and 4 any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association.
Holding Restructuring	has the meaning given to it in clause 3.6(a)

Term	Meaning
IT Services Agreement	has the meaning given to it in the Master Agreement.
Initial Public Offering	has the meaning given to it in Recital 1.
Master Agreement	has the meaning given to it in Recital 2.
MD&A	has the meaning given to it in clause 3.1(b).
Non-Acquiring Party	has the meaning given to it in clause 4.1(d).
Official List	has the meaning given to the term “official list” in the listing rules of the Australian Securities Exchange or such other body corporate that is declared by the directors to be Genworth Australia’s primary stock exchange for the purposes of this definition.
Order	any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.
Ordinary Shares	the ordinary shares in the capital of Genworth Australia or such other shares or other securities into which such ordinary shares are converted, exchanged, reclassified or otherwise changed from time to time.
Outstanding Ordinary Shares	at any time, the number of Ordinary Shares issued and outstanding at the relevant time as reflected on the share register of Genworth Australia.
Person	any individual, corporation, company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.
Privilege	has the meaning given to it in clause 3.12.
Potential Transaction	has the meaning given to it in clause 3.6(e).
Relevant Interest	has the meaning given to it in the Corporations Act.

Term	Meaning
Restricted Period	has the meaning given to it in clause 4.1(a).
ROFR	has the meaning given to it in clause 4.1(d)(2).
SEC	the United States Securities and Exchange Commission.
Sell-Down	has the meaning given to it in clause 3.6(a)
Share Incentive Plan	any plan of Genworth Australia in effect from time to time pursuant to which Ordinary Shares may be issued, or options or other securities convertible or exercisable into or exchangeable for Ordinary Shares may be granted, to directors, officers and/or employees of, and/or consultants to, Genworth Australia and/or its subsidiaries.
Shared Services Agreement	has the meaning given to it in the Master Agreement.
Shareholderco	Genworth Australian General Partnership, to be established under a partnership deed in accordance with Step 4 of the Restructure Steps (as defined in the Master Agreement) between Brookfield and GFIH, as amended from time to time.
Subsidiary or subsidiary	with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person 1 beneficially owns, either directly or indirectly, more than 50% of: • the total combined voting power of all classes of voting securities of such entity; • the total combined equity interests; or • the capital or profit interests, in the case of a partnership; or 2 otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.
Transaction	has the meaning given to it in clause 4.1(d).
Trigger Date	the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 50% or more of the outstanding Ordinary Shares.

Term	Meaning
US GAAP	generally accepted accounting principles in the United States, including specific requests or requirements of the SEC, as in effect from time to time, including, for greater certainty, International Financial Reporting Standards from and after such time as, and to the extent that, they become applicable in the United States.
Vendor Agreement	has the meaning given to it in the Shared Services Agreement.

1.2 Interpretation

In this Agreement:

(a) Headings and bold type are for convenience only and do not affect the interpretation of this Agreement.

(b) The singular includes the plural and the plural includes the singular.

(c) Words of any gender include all genders.

(d) The word 'including' and words of similar import shall mean 'including, without limitation,'.

(e) Other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning.

(f) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Authority as well as an individual.

(g) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Agreement.

(h) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(i) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.

(j) A reference to a party to a document includes that party's successors and permitted assignees.

(k) No provision of this Agreement will be construed adversely to a party because that party was responsible for the preparation of this Agreement or that provision.

(l) A reference to a body, other than a party to this Agreement (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

HERBERT SMITH FREEHILLS

(m) Unless specifically stated in the Master Agreement that a particular provision of the Master Agreement should be given effect in lieu of a conflicting provision in this Agreement, to the extent that any provision contained in this Agreement conflicts with, or cannot logically be read in accordance with, any provision of the Master Agreement, the provision contained in this Agreement shall prevail.

(n) Where, in this Agreement, the rights of Genworth Financial are dependent upon the members of the Genworth Financial Group holding an aggregate Relevant Interest in a particular percentage of Ordinary Shares (**Applicable Threshold**):

(1) the aggregate Relevant Interest in the Outstanding Ordinary Shares held by the members of the Genworth Financial Group shall only be taken to be less than or not less than (as the case may be) the Applicable Threshold if that aggregate Relevant Interest is less than or not less than (as the case may be) the Applicable Threshold for a period of at least 90 consecutive days; and

(2) if that aggregate Relevant Interest falls below and remains below the Applicable Threshold for a period of at least 90 consecutive days, then the "first date" on which members of the Genworth Financial Group are taken to hold an aggregate Relevant Interest that is less than or not less than (as the case may be) the Applicable Threshold shall be the first day after the expiry of that 90 consecutive days period.

2 Corporate Governance

2.1 Genworth Financial approval rights

(a) From the date of this Agreement until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 50% or more of the outstanding Ordinary Shares, Genworth Australia shall not (either directly or indirectly through a Subsidiary) take any of the following actions without the prior written consent of Genworth Financial, except if and to the extent that such action is required by Applicable Law:

(1) adopt any plan or proposal for a complete or partial liquidation, dissolution or winding up of Genworth Australia or any of its Subsidiaries or commence any case, proceeding or action seeking relief under any existing or future laws relating to bankruptcy, insolvency or relief of debtors;

(2) buyback any of its Ordinary Shares, reduce or re-organise its capital or the capital of any of its Subsidiaries;

(3) make any reductions in Genworth Australia's policy with respect to the declaration and payment of any dividends on any Ordinary Shares;

(4) approve the annual business plan of Genworth Australia and its Subsidiaries on a consolidated basis (**Business Plan**) and any material amendments to, or any material departure from, such Business Plan, which Business Plan shall be provided to Genworth Financial for approval reasonably in advance of adoption consistent with the annual operating cycle for Genworth Financial and its Subsidiaries and shall include any proposed geographical or product expansion plans;

(5) enter into any agreement to:

(A) complete an asset acquisition or business combination; or

(B) sell or dispose of assets,

involving the payment or receipt of consideration equal to or greater than $25 million, other than any agreement relating to acquisition or disposal of investment assets made in the ordinary course of business by Genworth Australia (or any Subsidiary) which is consistent with the investment policy approved by the board of directors of the relevant company;

(6) appoint or remove any Chief Executive Officer; or

(7) issue Ordinary Shares or other equity securities or securities convertible into or exercisable or exchangeable for Ordinary Shares or other equity securities of Genworth Australia, other than pursuant to:

(A) a rights issue or other equity raising where Genworth Financial is otherwise entitled to subscribe for its pro rata portion of the offer; or

(B) a Share Incentive Plan that has been unanimously approved by the Board; or

(8) issue new debt or incur or enter into new borrowings or indebtedness or guarantees in respect of any borrowings or indebtedness.

(b) For the avoidance of doubt, nothing in this clause affects Genworth Financial's right to vote or direct the voting of its Ordinary Shares in the way in which it sees fit.

2.2 Director nomination rights

(a) From the date of this Agreement until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 50% or more of the outstanding Ordinary Shares, the Applicable GNW Shareholder(s) holding Ordinary Shares shall be entitled to designate a number of persons as directors equal to 5/9 of the total number of directors (rounded to the nearest whole number) comprising the Board.

(b) From the first date on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 50% but not less than 40% of the Outstanding Ordinary Shares until the first date thereafter on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 40% of the outstanding Ordinary Shares, the Applicable GNW Shareholder(s) holding Ordinary Shares shall be entitled to designate a number of persons as directors equal to 4/9 of the total number of directors (rounded to the nearest whole number) comprising the Board.

(c) From the first date on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 40% but not less than 30% of the Outstanding Ordinary Shares until the first date thereafter on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 30% of the outstanding Ordinary Shares, the Applicable GNW Shareholder(s) holding Ordinary Shares shall be entitled to designate a number of persons as directors equal to 3/9 of the total number of directors (rounded to the nearest whole number) comprising the Board.

(d) From the first date on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 30% but not less than 20% of the Outstanding Ordinary Shares until the first date thereafter on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 20% of the outstanding Ordinary Shares, the Applicable GNW Shareholder(s) holding Ordinary Shares shall be entitled to designate a number of persons as directors equal to 2/9 of the total number of directors (rounded to the nearest whole number) comprising the Board.

(e) From the first date on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 20% but not less than 10% of the Outstanding Ordinary Shares until the first date thereafter on which members of the Genworth Financial Group have a Relevant Interest in aggregate in less than 10% of the outstanding Ordinary Shares, the Applicable GNW Shareholder(s) holding Ordinary Shares shall be entitled to designate a number of persons as directors equal to 1/9 of the total number of directors (rounded to the nearest whole number) comprising the Board.

(f) The Applicable GNW Shareholder(s) may remove any person which it has designated under this clause 2.2 (**Genworth Financial Designee**) at any time and in circumstances where a Genworth Financial Designee is due to retire by rotation, propose a new designee under this clause 2.2 (provided the requirements of this clause 2.2 continue to apply at the time of the proposed new designation).

(g) The designation of a Genworth Financial Designee or the removal of a Genworth Financial Designee shall be effected by written notice to Genworth Australia signed by, where there is one Applicable GNW Shareholder, an authorised officer of the Applicable GNW Shareholder, or where there is more than one Applicable GNW Shareholder, an authorised officer of each Applicable GNW Shareholder.

(h) The Applicable GNW Shareholder(s) may not designate a person as a Genworth Financial Designee if that person has been removed or, being a director retiring by rotation, is not re-elected, by shareholder resolution.

(i) Where Genworth Australia receives a notice of designation under clause 2.2(g) (other than in circumstances where the notice specifies that the person designated will replace a Genworth Financial Designee who is due to retire by rotation but is not standing for re-election at the next annual general meeting), subject to the approval of the designee by the relevant committee of the board or the directors (as applicable) of Genworth Australia, acting reasonably, the directors shall appoint the Genworth Financial Designee as a director to fill a casual vacancy (unless the directors reasonably believe that they would be in a breach of Applicable Law or their fiduciary or statutory duties as directors if they made such an appointment). Where Genworth Australia receives a notice of removal under clause 2.2(g) (other than in circumstances where the notice specifies that a Genworth Financial Designee is due to retire by rotation but is not standing for re-election at the next annual general meeting), the Genworth Financial Designee named in the notice must resign his or her position as a director forthwith and Genworth Australia must ensure this occurs.

(j) Where Genworth Australia receives a notice under clause 2.2(g) and such notice specifies that the named Genworth Financial Designee will retire by rotation at the next annual general meeting and will not stand for re-election but will be replaced by another person designated in the notice:

(1) subject to the approval of the designee by the relevant committee of the board or the directors (as applicable) of Genworth Australia, acting reasonably, Genworth Australia shall procure that a resolution is included in the notice of meeting for the next annual general meeting to elect the person specified in the notice to the board of Genworth Australia; and

(2) the Genworth Financial Designee named in the notice must retire as a director effective as at the date of the next annual general meeting and not stand for re-election and Genworth Australia must ensure this occurs.

(k) Any director appointed to fill a casual vacancy under this clause 2.2 after Genworth Australia is admitted to the Official List must retire from office at, and will be eligible for re-election at, the next annual general meeting following his or her appointment.

(l) If a Genworth Financial Designee is removed, retires and fails to be re-elected by resolution of shareholders or ceases to hold office as a director for any reason (other than where the director retires and is re-elected at the same meeting), the Applicable GNW Shareholder(s) may designate another Genworth Financial Designee in that person's place to fill a casual vacancy.

(m) Any Genworth Financial Designee who is either appointed by the board of directors or elected by shareholders will be taken to have been appointed or elected to represent the interests of the Genworth Financial Group.

(n) The Applicable GNW Shareholder(s) may only designate a person as a director under clause 2.2, if that such person is not disqualified to act as a director of Genworth Australia under, any Applicable Law.

(o) If the aggregate Relevant Interest of the members of the Genworth Financial Group falls below an Applicable Threshold set out in this clause 2.2, on the first date that the members of the Genworth Financial Group hold an aggregate Relevant Interest of less than the Applicable Threshold, the Applicable GNW Shareholders(s) shall procure that the number of Genworth Financial Designees is reduced to the number of persons that they are entitled to designate as directors as corresponds with the relevant Applicable Threshold. The Applicable GNW Shareholder(s) may, at their election, effect such a reduction in the number of Genworth Financial Designees by either:

(1) removing a Genworth Financial Designee in accordance with clause 2.2(f); or

(2) providing written notice to Genworth Australia, signed by, where there is one Applicable GNW Shareholder, an authorised officer of the Applicable GNW Shareholder, or where there is more than one Applicable GNW Shareholder, an authorised officer of each Applicable GNW Shareholder, stating that one of the persons designated by it or them as a director (who is either an independent director or a member of Genworth Australia's senior management team) has ceased to be a Genworth Financial Designee.

2.3 Board committees

From the date of this Agreement until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 33 $^{1}/_{3}$% or more of the outstanding Ordinary Shares, Genworth Financial shall have the right to designate one member of each committee established by the Board.

2.4 Genworth Financial Designee rights to communicate information to Genworth Financial

A Genworth Financial Designee may communicate or otherwise disclose to a member of the Genworth Financial Group information received by them in their capacity as a director of Genworth Australia provided that they do so only to the extent permitted by Applicable

Laws and in accordance with the rules and regulations of the relevant stock exchange(s). Where any Genworth Financial Designee is permitted to do so and does communicate or disclose such information to a member of the Genworth Financial Group, that information shall be subject to:

(a) the confidentiality undertakings on the part of Genworth Financial under clause 4 of the Master Agreement; and

(b) any other confidentiality obligation applicable to directors of Genworth Australia under relevant board policies.

3 Financial and other information

3.1 Annual and quarterly financial information

(a) Genworth Australia agrees that, with respect to any fiscal quarter or fiscal year (or, where relevant, such other fiscal period as identified in Schedule 1 in relation to particular financial data or other information) during which members of the Genworth Financial Group have a Relevant Interest in aggregate in 20% or more of the outstanding Ordinary Shares, Genworth Australia shall deliver to Genworth Financial the financial data and other information set out in Schedule 1 for such fiscal period. Genworth Australia shall deliver such financial data and other information within such reasonable time periods as are specified by Genworth Financial, together with a certificate of the Chief Executive Officer and Chief Financial Officer of Genworth Australia certifying the completeness and accuracy of such information.

(b) All financial data delivered to Genworth Financial hereunder shall be prepared in accordance with US GAAP and applicable SEC financial reporting requirements and shall be consistent with the level of detail provided in comparable financial data furnished by Genworth Australia or its Subsidiaries prior to the Closing Date. All annual and quarterly consolidated financial statements of Genworth Australia and its Subsidiaries shall set out in each case in comparative form the consolidated figures for the previous fiscal year or the equivalent quarter and year-to-date period in the previous fiscal year, as applicable, shall be prepared in accordance with US GAAP and applicable SEC financial reporting requirements and shall be consistent with the level of detail provided in comparable financial statements furnished by Genworth Australia or its Subsidiaries prior to the Closing Date. The financial data and other information provided hereunder shall include management’s discussion and analysis and all statistical information necessary for inclusion in any Genworth Financial earnings press release or any financial statements, management’s discussion and analysis of financial condition and results of operations (**MD&A**) or other public filing required to be made by Genworth Financial, along with appropriate supporting documentation.

(c) Genworth Australia agrees that, from the date of this Agreement until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in 20% or more of the outstanding Ordinary Shares, Genworth Australia shall deliver to Genworth Financial, on or before the third day, to the extent reasonably practicable, but in no event later than the day prior to the day Genworth Australia publicly files its Annual Report and annual and half-yearly financial statements with ASX, the final form of its Annual Report and annual, and half-yearly financial statements, as applicable, together with all certifications required by Applicable Law and, in the case of audited annual financial statements, an opinion on the audited annual financial statements by Genworth Australia's independent certified public accountants.

(d) Genworth Financial acknowledges that information provided to it by Genworth Australia under the requirements of this Agreement may (depending on the circumstances) need to be released to ASX by Genworth Australia in accordance with its continuous disclosure obligations.

3.2 Tax information

(a) Genworth Australia agrees that, with respect to any taxation period during which members of the Genworth Financial Group have a Relevant Interest in not less than 10% of the outstanding Ordinary Shares, Genworth Australia shall deliver to Genworth Financial the tax data and other information reasonably required by Genworth Financial to prepare and file its tax returns, as referenced on Schedule 1 for such period. Genworth Australia shall deliver such tax data and other information within such reasonable time periods as are specified by Genworth Financial, and will promptly notify Genworth Financial of any changes in the information previously provided, particularly changes resulting from filing amended tax returns or examinations by any Governmental Authority. In addition, Genworth Australia will retain documentation necessary to support the information furnished under Schedule 1 for at least 5 years following the calendar year to which the information requested relates, or such longer time as Genworth Financial reasonably requests.

3.3 Operating reviews

(a) Genworth Australia agrees that, from the date of this Agreement until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 20% or more of the outstanding Ordinary Shares, Genworth Australia shall deliver to Genworth Financial the financial, risk and other information, reports and plans set forth on Schedule 1 in respect of each fiscal quarter or fiscal year, as applicable, within such reasonable time periods as are specified by Genworth Financial. Genworth Australia shall provide Genworth Financial with an opportunity to meet with management of Genworth Australia to discuss such information, reports and plans upon reasonable notice.

3.4 General requirements

(a) The parties acknowledge and agree that financial reporting requirements and prudent risk management practices and procedures will change over time. Accordingly, the parties agree that all information provided by Genworth Australia or any of its Subsidiaries to Genworth Financial pursuant to this clause 3 shall be consistent in terms of format and detail and otherwise with the procedures and practices in effect prior to the Closing Date with respect to the provision of such financial and other information by Genworth Australia or its Subsidiaries to Genworth Financial (and where appropriate, as presently presented in financial and other reports delivered to the board of directors of Genworth Financial), with such changes therein as may be reasonably requested by Genworth Financial from time to time, including any changes resulting from changes in accounting procedures, processes, methodologies or practices that are required in order to comply with Applicable Law, including the rules, regulations and requirements of the SEC, as applicable.

3.5 Additional requirements

Genworth Australia agrees that, with respect to any financial year during which, members of the Genworth Financial Group have a Relevant Interest in aggregate in 20% or more of the outstanding Ordinary Shares:

(a) **Cooperation**. Genworth Australia will provide to Genworth Financial on a timely basis all information of Genworth Australia that Genworth Financial or any of its Subsidiaries reasonably requires for the preparation, printing, filing, and public dissemination of any required public filing by Genworth Financial. Without limiting the generality of the foregoing, Genworth Australia will provide all required financial information of Genworth Australia with respect to it and its consolidated Subsidiaries to Genworth Financial's independent certified public accountants (**Genworth Financial Auditors**) and management in a sufficient and reasonable time and in sufficient detail to permit such auditors to take all steps and perform all review necessary with respect to information to be included or contained in financial statements, MD&A and other public filings by Genworth Financial.

(b) **Coordination of auditors' opinions**. Genworth Australia will use its commercially reasonable efforts to enable its independent certified public accountants (**Genworth Australia Auditors**) to complete their audit such that they will date their opinion on Genworth Australia's audited annual financial statements on the same date that the Genworth Financial Auditors date their opinion on the audited annual financial statements of Genworth Financial, and to enable Genworth Financial to meet its timetable for the printing, filing and public dissemination of the audited annual financial statements of Genworth Financial.

(c) **Coordination of auditors' comfort letters and legal opinions** . Genworth Australia will use its commercially reasonable efforts to co-ordinate the provision of any comfort letters, review letters and opinion letters (or equivalent letters) from the Genworth Australia Auditors and any opinion letters from Australian legal counsel which are reasonably required by Genworth Financial, and will provide such other assistance as may be reasonably required by Genworth Financial, in connection with any public or private offering of securities by Genworth Financial, provided that Genworth Financial must reimburse Genworth Australia for the amount of any third party costs and expenses incurred by Genworth Australia or any of its Subsidiaries in connection thereto.

(d) **Earnings releases**. Genworth Financial agrees that, unless required by Applicable Law or unless Genworth Australia shall have consented thereto, no member of the Genworth Financial Group will publicly release any quarterly, annual or other financial information of Genworth Australia or any of its Subsidiaries (**Genworth Australia Information**) delivered to Genworth Financial pursuant to this clause 3 prior to the time that Genworth Financial publicly releases financial information of Genworth Financial for the relevant period. Genworth Financial will consult with Genworth Australia on the timing of their annual and quarterly earnings releases and Genworth Financial and Genworth Australia will give each other an opportunity to review the information therein relating to Genworth Australia and its Subsidiaries and to comment thereon; provided that Genworth Financial shall, subject to compliance by Genworth Australia with Applicable Law, have the sole right to determine the timing of all such releases if Genworth Financial and Genworth Australia disagree. Genworth Australia shall publicly release its financial results for each annual, half yearly and, if Genworth Australia decides to release quarterly financial results, quarterly period concurrently with or immediately (and in any event shall be provided to ASX no later than four hours) following Genworth Financial's release of its financial results for the corresponding period. If any member of the Genworth Financial Group is required by Applicable Law to publicly release such Genworth Australia Information prior to the public release of Genworth Financial's financial information, Genworth Financial will give Genworth Australia notice of such release of Genworth Australia Information as soon as practicable but no later than two days prior to such release of Genworth Australia Information.

(e) **Meetings with financial analysts, investors or shareholders** . Genworth Australia will consult with Genworth Financial in relation to, and will use all commercially reasonable efforts to coordinate, appropriate timing of meetings to be held with any financial analyst or investor or shareholder in relation to Genworth Australia's business.

(f) **Risk, capital and investment and compliance information**

(1) **Risk, capital and investment reporting**. Genworth Australia shall deliver to Genworth Financial the risk, risk management, capital and investment information set forth on Schedule 1 as directed by Genworth Financial from time to time, with such information to be in accordance with the administrative and risk management practices, policies and processes (including with respect to content of information and timing) of Genworth Financial in effect from time to time and communicated to Genworth Australia.

(2) **Compliance**. Genworth Australia shall undertake the activities and deliver to Genworth Financial the compliance information set forth on Schedule 1 as directed by Genworth Financial from time to time, with such activities and information to be in accordance with the administrative and compliance practices, policies and processes (including with respect to content of information and timing) of Genworth Financial in effect from time to time and communicated to Genworth Australia.

However, Genworth Australia is not required to provide the information set out in sub-clauses (1) and (2) above to the extent that it, or any Genworth Australia director, is prohibited from doing so by Applicable Law (including any conditions imposed by an officer of APRA on information or documents disclosed by APRA to Genworth Australia under section 56(9) of the *Australian Prudential Regulation Authority Act 1998* (Cth)), provided that Genworth Australia must promptly notify Genworth Financial if it, or any Genworth Australia director, is prohibited from disclosing such information to Genworth Financial and use its reasonable endeavours to seek consent from the Governmental Authority or other relevant party to disclose such information to Genworth Financial.

(g) **Access to personnel and working papers**. Genworth Australia will request the Genworth Australia Auditors to make available to the Genworth Financial Auditors both the personnel who performed or are performing the annual audit of Genworth Australia and, consistent with customary professional practice and courtesy of such auditors with respect to the furnishing of work papers, work papers related to the annual audit of Genworth Australia, in all cases within a reasonable time, so that the Genworth Financial Auditors are able to perform the procedures they consider necessary to take responsibility for the work of the Genworth Australia Auditors as it relates to the Genworth Financial Auditors' report on the audited annual financial statements of Genworth Financial, all within sufficient time to enable Genworth Financial to meet its timetable for the printing, filing and public dissemination of the annual financial results of Genworth Financial.

3.6 Support and assistance for further Sell-Down or Holding Restructuring

(a) Genworth Financial may, at any time, in its absolute discretion, decide to:

(1) sell some or all of its shareholding in Genworth Australia (**Sell-Down**); or

(2) restructure the manner in which it holds its interest in Genworth Australia (**Holding Restructuring**).

(b) If Genworth Financial decides to conduct a Sell-Down or a Holding Restructuring, Genworth Financial may in its absolute discretion request the reasonable co-operation and assistance of Genworth Australia in facilitating a Sell-Down or a Holding Restructuring.

(c) Subject to sub-clauses (d) and (e), if requested to do so by Genworth Financial, Genworth Australia must provide all co-operation and assistance reasonably required by Genworth Financial to facilitate a Sell-Down or a Holding Restructuring. Without limiting the foregoing, if requested by Genworth Financial, Genworth Australia must:

(1) promptly provide all information as Genworth Financial, any member of the Genworth Financial Group or their respective advisers reasonably require in connection with a Sell-Down or a Holding Restructuring;

(2) allow Genworth Financial, any member of the Genworth Financial Group or their respective advisers full and free access at all reasonable times to the premises, books and records of Genworth Australia and its Subsidiaries to enable Genworth Financial to obtain any information about Genworth Australia and its Subsidiaries and any matters which Genworth Financial reasonably requires in connection with a Sell-Down or a Holding Restructuring; and

(3) use its reasonable endeavours to provide the full support of, and access to, Genworth Australia's senior executives in marketing and promoting any Sell-Down.

(d) Genworth Financial will consult with Genworth Australia about the preferences of Genworth Australia for the manner in which any Sell-Down is to be effected and investors under that Sell-Down.

(e) If Genworth Australia is requested to provide co-operation and assistance to facilitate a Sell-Down or Holding Restructure and the Board, acting in good faith, determines that the provision of such co-operation and assistance requested by Genworth Financial should be deferred because it would materially adversely affect a pending or proposed material acquisition or merger or capital markets transaction, or negotiations or discussions with respect thereto (**Potential Transaction**), then:

(1) Genworth Australia will have the right to defer the provision of such co-operation and assistance requested by Genworth Financial until such Potential Transaction is announced or is no longer being pursued by Genworth Australia, provided that:

(A) such deferral shall not extend for a period of more than 30 days after the date on which the Board has determined to defer the provision of co-operation and assistance; and

(B) such deferral right may not be exercised by Genworth Australia more than once in any 12 month period; and

(2) Genworth Australia will promptly give written notice to Genworth Financial of:

(A) the Board's determination to defer the provision of co-operation and assistance; and

(B) the fact that a Potential Transaction is no longer being pursued by Genworth Australia.

3.7 Assistance in connection with enquiry or proceedings about Initial Public Offering, Sell-Down or Holding Restructuring

(a) Subject to Applicable Law, Genworth Australia agrees to allow Genworth Financial, any member of the Genworth Financial Group and their respective directors, officers and advisers, full and free access to the premises, books and records of Genworth Australia and its Subsidiaries at all reasonable times during any regulatory enquiry or litigation proceedings (threatened or actual) in relation to the Initial Public Offering, any Sell-Down or any Holding Restructuring to enable Genworth Financial to obtain any information about Genworth Australia and its Subsidiaries and any matters which Genworth Financial reasonably requires in relation to the Initial Public Offering, any Sell-Down or any Holding Restructuring. Genworth Australia and its Subsidiaries must provide any information, assistance and facilities which Genworth Financial reasonably requires for those purposes.

(b) Without limiting the above, if reasonably requested, Genworth Australia must, subject to Applicable Law, provide Genworth Financial, any member of the Genworth Financial Group and their respective directors, officers and advisers with full and free access to, and copies of all materials and documents used or created in connection with the due diligence investigations conducted in connection with the Initial Public Offering or any Sell-Down including supporting documents and work papers, on receipt of reasonable notice, and must maintain those materials and documents for a least 6 years after closing of the Initial Public Offer or any Sell-Down, respectively, for that purpose.

3.8 Fifty percent threshold

Genworth Australia agrees that, with respect to any financial year during which, members of the Genworth Financial Group have a Relevant Interest in aggregate in 50% or more of the outstanding Ordinary Shares:

(a) **Monthly and other financial information**. Genworth Australia shall deliver to Genworth Financial the monthly financial, risk and other information, reports and plans set forth on Schedule 1 in respect of each month, within the reasonable time periods specified by Genworth Financial. Genworth Australia shall provide Genworth Financial with an opportunity to meet with management of Genworth Australia to discuss such information, reports and plans upon reasonable notice.

(b) **Internal auditors**. Genworth Australia shall provide Genworth Financial, the Genworth Financial Auditors or other representatives of Genworth Financial reasonable access upon reasonable notice during normal business hours to Genworth Australia's and its Subsidiaries' books and records and personnel so that Genworth Financial may conduct reasonable audits relating to the financial statements and data provided by Genworth Australia pursuant to this clause 3, as well as to the internal accounting controls and operations of Genworth Australia and its Subsidiaries.

(c) **Management certification**. Genworth Australia's chief executive officer and chief financial or accounting officer shall submit quarterly management representation letters, substantially in the form furnished to Genworth Financial by Genworth Australia or its Subsidiaries prior to the Closing Date (with such changes thereto prescribed by Genworth Financial consistent with management representation letters furnished to Genworth Financial by other Subsidiaries of Genworth Financial or as otherwise required by changes to Applicable Law or stock exchange requirements) attesting to the accuracy and completeness of the financial statements or financial and accounting records referred to therein in all material respects.

(d) **Maintenance of internal controls**. Genworth Australia shall, and shall cause each of its consolidated Subsidiaries to:

(1) make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Genworth Australia and such Subsidiaries; and

(2) devise and maintain a system of internal controls over financial reporting sufficient to provide reasonable assurances that:

(A) transactions are executed in accordance with management's general or specific authorisation;

(B) transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with US GAAP and Australian GAAP or any other criteria applicable to such statements and (ii) to maintain accountability for assets; and

(C) access to assets is permitted only in accordance with management's general or specific authorisation.

(e) **Accountants' reports**. Promptly, but in no event later than five Business Days following the receipt thereof, Genworth Australia shall deliver to Genworth Financial copies of all reports submitted to Genworth Australia or any of its Subsidiaries by their independent certified public accountants, including, without limitation, each report submitted to Genworth Australia or any of its subsidiaries concerning its accounting practices and systems and any comment letter submitted to management or the board of directors (or any committee thereof) in connection with their annual audit and all responses to such reports and letters.

(f) **Accounting policies and principles – US GAAP**. Genworth Financial will notify Genworth Australia from time to time of changes to US GAAP or SEC financial reporting requirements. In connection with any such changes or any proposed material change in US GAAP accounting policies, principles, processes or methodologies from those in effect immediately prior to the Closing Date, Genworth Financial will consult with Genworth Australia and, if requested by Genworth Financial, Genworth Australia will consult with the Genworth Financial Auditors with respect to such changes and their implementation by Genworth Australia; provided, however that Genworth Australia shall not make or implement any such changes without Genworth Financial's prior written consent. Genworth Australia will use its reasonable best efforts to promptly respond to any request by Genworth Financial to make a change in accounting policies, principles, processes or methodologies and, in any event, in sufficient time to enable Genworth Australia to comply with its obligations under clause 3.1.

(g) **Accounting policies and principles – Australian GAAP**. Genworth Australia will give Genworth Financial reasonable prior notice of any proposed material change in Australian GAAP accounting policies, principles, processes or methodologies from those in effect immediately prior to the Closing Date, and will give Genworth Financial notice immediately following adoption of any such changes that are mandated or required under Australian GAAP or requirements of ASIC. In connection therewith, Genworth Australia will consult with Genworth Financial and, if requested by Genworth Financial, Genworth Australia will consult with the Genworth Financial Auditors with respect thereto. As to material changes in accounting principles that could affect Genworth Financial, Genworth Australia will not make any such changes without Genworth Financial's prior written consent, excluding changes that are mandated or required under Applicable Law, Australian GAAP or requirements of ASIC. If Genworth Financial so requests, Genworth Australia will be required to obtain the concurrence of the Genworth Australia Auditors as to such material change, excluding changes that are mandated or required under Applicable Law, prior to its implementation.

(h) **Meetings with financial analysts, investors or shareholders** . Genworth Australia shall notify Genworth Financial of, and provide Genworth Financial with any presentations or discussion materials to be used in, any meetings in relation to Genworth Australia's business to be held between Genworth Australia and any financial analyst or investor or shareholder reasonably in advance of the date of all such meetings, and shall consult with Genworth Financial as to the appropriate timing for all such presentations and meetings. Notwithstanding the foregoing, Genworth Australia may participate in discussions with financial analysts and investors and shareholders without prior notification and consultation with Genworth Financial, provided that such discussions are not solicited or initiated by Genworth Australia and Genworth Australia discusses only publicly available information and Genworth Australia notifies Genworth Financial of the content of such discussions and attendees as soon as reasonably practical after the completion of such discussions.

(i) **Genworth Australia external reinsurance programs** . Genworth Australia shall offer to Brookfield the opportunity to participate in Genworth Australia's external reinsurance program, including the renewal thereof, on the same terms and conditions (including as to pricing) as other external reinsurers, for an amount of not less than $10 million.

(j) **Genworth Financial policies and practices**. Notwithstanding anything else in this agreement, except as required by Applicable Law (including, but not limited to, the requirements of APRA, which as at the date of this agreement require the Board to approve the use of policies and functions and ensure that those give appropriate regard to Genworth Australia's business and its specific requirements, and the ASX listing rules), Genworth Australia will comply with all:

(1) written Genworth Financial policies and practices of Genworth Financial (as amended, replaced or supplemented from time to time), including, but not limited to, all information, financial, operating, actuarial, human resources, risk and compliance policies and practices, that apply to Genworth Australia; and

(2) otherwise established Genworth Financial practices and core systems of Genworth Financial as at the date of this Agreement and communicated to Genworth Australia on or before the date of this Agreement, including, but not limited to, all information, financial, operating, actuarial, human resources, risk and compliance practices and core systems, that apply to Genworth Australia,

provided that if the Genworth Australia board, acting in good faith, considers that any variations to the application of such policies, practices and core systems to Genworth Australia, are necessary having regard to Genworth Australia's business and specific requirements, Genworth Financial and Genworth Australia will each designate a senior manager to serve as their respective representative to consider any amendments that may be required (if any) to the application of such policies, practices and core systems to Genworth Australia.

3.9 Auditor consultation

(a) Genworth Australia agrees that, from the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 50% or more of the Outstanding Ordinary shares until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in 20% or more of the outstanding Ordinary Shares, Genworth Australia shall consult with Genworth Financial in advance regarding the selection of the audit firm to be proposed by management to be appointed as auditor of Genworth Australia by its shareholders.

(b) Paragraph (a) does not apply to the extent that such consultation would be reasonably likely to preclude an audit firm being appointed as auditor of Genworth Australia.

3.10 Disclosure of information

Information provided pursuant to this clause 3 may be disclosed by Genworth Financial in its public filings (including any related earnings calls or materials) as required by any Governmental Authority or pursuant to Applicable Law and is deemed permitted under and as contemplated in clause 4 of the Master Agreement.

3.11 Costs

If Genworth Australia or any of its Subsidiaries is requested by Genworth Financial to co-operate with or assist Genworth Financial in connection with any Sell-Down or Holding Restructuring (being a Holding Restructure conducted directly and solely for the benefit of Genworth Financial), then Genworth Financial is responsible for and must pay all reasonable third party costs and expenses associated with such Sell-Down or Holding Restructure and must reimburse Genworth Australia for the amount of such third party costs and expenses incurred by Genworth Australia or any of its Subsidiaries in connection thereto.

3.12 Privilege

The provision of any information pursuant to this clause 3 shall not be deemed a waiver of any privilege, including privileges arising under or related to the attorney-client privilege or any other applicable privileges (**Privilege**). Following the Closing Date, neither Genworth Australia nor its Subsidiaries nor Genworth Financial nor its Subsidiaries will be required to provide any information pursuant to this clause 3 if the provision of such information would serve as a waiver of any Privilege afforded such information.

4 Restrictive covenants and employee matters

4.1 Non-competition

(a) Genworth Financial shall not, from the date of this Agreement until the first date on which members of the Genworth Financial Group do not have a Relevant Interest in aggregate in 50% or more of the outstanding Ordinary Shares in Genworth Australia (the **Restricted Period**), directly or indirectly, engage or invest in, own, manage, operate, finance, use or license any other Person to use any Restricted Genworth Australia Intellectual Property (as defined in the Cross License) in connection with, or control or participate in the ownership, management, operation or control of any mortgage insurance business in Australia and New Zealand carried on by Genworth Australia or its Affiliates at the date of this Agreement (**Genworth Australia Business Line**), other than as a result of its holding in Genworth Australia.

(b) Genworth Australia shall not, at any time during the Restricted Period, directly or indirectly, engage or invest in, own, manage, operate, finance, use or license any other Person to use any Restricted Genworth Financial Intellectual Property (as defined in the Cross License) in connection with, or control or participate in the ownership, management, operation or control of any line of business (other than the mortgage insurance business in Australia and New Zealand) in a jurisdiction where Genworth Financial or its Affiliates (i) are licensed to conduct, or has a local employee or local employees dedicated to, or (ii) hold an interest of greater than 20% in a joint venture that is licenced to conduct, or has a local employee or local employees dedicated to, such line of business at the date of this Agreement, being those jurisdictions and lines of business listed in Schedule 4 and marked with a "✓" (each such line of business, a **Genworth Financial Business Line**).

(c) Nothing contained in this clause 4 shall prevent either party or its Affiliates from directly or indirectly owning up to an aggregate of 5% of any class of securities of any Person whose securities are listed or posted for trading on any stock exchange or market, provided that neither such party nor any of its Affiliates has any direct involvement in the management of such Person and/or such Person's business.

(d) Notwithstanding any other provision of this Agreement, during the Restricted Period, either Genworth Financial or Genworth Australia (the **Acquiring Party**) shall be permitted to enter into a transaction or a business combination with any Person or Persons, including a transaction by way of a purchase or sale of shares, an acquisition or disposition of assets, the formation or dissolution of a partnership or joint venture, a merger, amalgamation or any other form of transaction (collectively, a **Transaction)** as a result of which such Acquiring Party or any successor thereof would, directly or indirectly, acquire a business which directly or indirectly competes with a Business Line of the other party (a **Competitive Business**), provided that:

(1) the assets and revenues of the Competitive Business comprise less than 15% of the assets and less than 15% of the revenues, respectively, of the aggregate assets and revenues of the business being acquired, based upon the financial statements for such business's most recently completed fiscal year for which financial statements were prepared; and

(2) the other party hereto (the **Non-Acquiring Party**) is first given the right (the **ROFR**) to acquire the Competitive Business on the terms set forth in Schedule 3 hereto.

(e) If the Non-Acquiring Party fails to exercise its ROFR or to complete its Transaction within the time periods specified in Schedule 3 hereto, the Acquiring Party shall be permitted to complete its Transaction and thereby to acquire and conduct the Competitive Business; provided that the Acquiring Party holds the Competitive Business separate, including by:

(1) divesting or causing the Competitive Business to be divested as soon as is practicable and in any event within 2 years following the closing of the Transaction;

(2) not using, directly or indirectly, the brand(s) of the Non-Acquiring Party in connection with the Competitive Business (other than through the use of a corporate name as expressly contemplated by the Transitional Trade-Mark License);

(3) if applicable, taking all appropriate steps to ensure that none of the directors of the Non-Acquiring Party who are nominated by the Acquiring Party serve on the board of the Competitive Business and to ensure that such directors are not in any way involved in the management or operation of the Competitive Business; and

(4) not using, directly or indirectly, any information relating to the Non-Acquiring Party, other than information that is publicly available, for the benefit, or in connection with the operation or management of, the Competitive Business.

(f) If any party hereto is acquired during the Restricted Period, it will continue to be subject to the non-competition restrictions described above. However, the purchaser of such party will not be prohibited from carrying on a Competitive Business, provided that during the Restricted Period it does not do so through such party and that such party's brand, personnel, confidential information and Restricted Intellectual Property (as defined in the Cross License) are not utilized by such purchaser in the conduct of the Competitive Business during the Restricted Period.

4.2 Non-solicitation

(a) Without the prior written consent of Genworth Financial, Genworth Australia or its Affiliates shall not, at any time during the Restricted Period, directly or indirectly, either for itself or another Person, solicit to employ, or employ as a director, officer, employee, or otherwise, any individual who to its knowledge is then employed (or formerly employed) by Genworth Financial at the level of salary band 1 or 2 or equivalent, including any such individual seconded by Genworth Financial to Genworth Australia, except if Genworth Financial designates that person as a director of Genworth Australia in accordance with clause 2.2 or when that person has responded to an advertisement in a publication of a general nature and not specifically directed at any employee or employees of Genworth Financial, unless (A) Genworth Financial has terminated the employment of such individual or (B) at least 6 months have elapsed since such individual has voluntarily terminated his or her employment with Genworth Financial.

(b) Without the prior written consent of Genworth Australia, Genworth Financial or its Affiliates shall not, at any time during the Restricted Period, directly or indirectly, either for itself or another Person, solicit to employ, or employ as a director, officer, employee, or otherwise, any individual who to its knowledge is then employed (or formerly employed) by Genworth Australia at the level of salary band 1 or 2 or equivalent, including any such individual seconded by Genworth Australia to Genworth Financial, except when that person has responded to an advertisement in a publication of a general nature and not specifically directed at any employee or employees of Genworth Australia, unless (A) Genworth Australia has terminated the employment of such individual or (B) at least 6 months have elapsed since such individual has voluntarily terminated his or her employment with Genworth Australia.

4.3 Employee matters

The parties hereby agree to the terms set forth in Schedule 2 hereto in respect of employee matters. For greater certainty, each party will bear its own costs in connection with such obligations (except as set out in Schedule 2) and will, at all times, comply with Applicable Law in the discharge thereof.

4.4 Reasonableness of covenants

Each party acknowledges and agrees that:

(a) the covenants set forth in this clause 4 are reasonable in the circumstances and are necessary to protect the other party and its respective Affiliates and the value to them of their respective businesses; and

(b) the breach by it of any of the provisions of this clause 4 would cause serious and irreparable harm to the other party which could not be adequately compensated for in damages.

Each party therefore consents to an order specifically enforcing the provisions of this clause 4, or an injunction being issued against it restraining it from any further breach of such provisions.

5 Indemnification, dispute resolution and expenses

5.1 Indemnification

The parties shall indemnify each other in connection with this Agreement in accordance with clause 5 of the Master Agreement, which shall be the sole and exclusive procedures for indemnification relating to this Agreement.

5.2 Dispute resolution

Each party submits to the jurisdiction of the courts of the State of New South Wales and of any court that may hear appeals therefrom for any proceedings in connection with this Agreement.

5.3 Expenses

Except as otherwise specifically provided in this Agreement, each party hereto shall bear any costs and expenses incurred in connection with exercising its rights and performing its obligations under this Agreement.

6 Termination

6.1 Termination

The term of this Agreement shall commence on the date hereof and expire on the first date on which members of the Genworth Financial Group do not have a Relevant Interest in 10% or more of the outstanding Ordinary Shares.

6.2 Survival

Clause 5 (Indemnification, dispute resolution and expenses), clause 6.2 (Survival) and clause 7 (General provisions) shall survive the expiration or other termination of this Agreement and remain in full force and effect. Clause 3.1 (Annual and quarterly financial information) and clause 3.5 (Additional requirements) shall survive the expiration or other termination of this Agreement and remain in full force and effect until Genworth Australia has provided the required information and Genworth Financial has prepared and publicly filed its financial statements for the applicable period. Clause 3.2 (Tax information) shall survive the expiration or other termination of this Agreement and remain in full force and effect until 15 September following the taxable year in which expiration or termination occurs.

7 General provisions

7.1 Governing law

This Agreement shall be governed by and construed and interpreted in accordance with the Laws of the State of New South Wales excluding its conflict of laws rules.

7.2 Co-operation

The requirements of clause 7.2 of the Master Agreement are and shall be deemed to be incorporated and made an integral part of this Agreement.

7.3 Notices

All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this clause 7.3):

	Genworth Australia
Address	Level 26, 101 Miller St, North Sydney, NSW 2060, Australia
Attention	General Counsel
Phone	+61 2 8248 2284
Fax	+61 2 8916 7242

	Brookfield
Address	6620 West Broad Street
	Richmond, VA 23230
Attention	President
Phone	804.662.2560
Fax	804.662.2414

	GFIH
Address	c/- Genworth Financial, Inc.
	6620 West Broad Street
	Richmond, VA 23230
Attention	General Counsel
Phone	804.662.2574
Fax	804.662.2414

	Genworth Financial
Address	Genworth Financial, Inc.
	6620 West Broad Street
	Richmond, VA 23230
Attention	General Counsel
Phone	804.662.2574
Fax	804.662.2414

7.4 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Applicable Law or as a matter of public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

7.5 Entire agreement

Except as otherwise expressly provided in this Agreement, this Agreement (including the Schedules hereto and the herein referenced provisions of the Master Agreement) constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between or on behalf of the parties hereto with respect to the subject matter of this Agreement.

7.6 Assignment; no third-party beneficiaries

(a) A member of the Genworth Financial Group (including, for greater certainty, Shareholderco) may assign this Agreement to any member of the Genworth Financial Group to whom Ordinary Shares are transferred and who agrees to become party hereto and to be bound by this Agreement (whereupon such transferee shall become an Applicable GNW Shareholder in respect of such Ordinary Shares, provided, however that such transferor must remain party hereto in respect of any Ordinary Shares, as applicable, remaining held by it, and Genworth Australia hereby consents and agrees to any such assignment. Except as aforesaid, this Agreement shall not be assigned by any party hereto without the prior written consent of the other party.

(b) Except as provided in clause 5 with respect to indemnification, this Agreement is for the sole benefit of the parties to this Agreement and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

7.7 Amendment; waiver

No provision of this Agreement may be amended or modified except by a written instrument signed by all the parties hereto. No waiver by any party of any provision hereof shall be effective unless explicitly set forth in writing and executed by the party so waiving. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach.

7.8 Currency

All references in this Agreement to “dollars” or “$” are expressed in Australian currency, unless otherwise specifically indicated.

7.9 Counterparts

This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

HERBERT SMITH FREEHILLS

Schedules

Table of contents

Schedule 1

Financial data and other information

Clause 3.1(a) - Annual and Quarterly Financial Data and Other Information

Schedule Name(s)	**Description (Contents)**	**Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares**
Production Metrics		
Insurance and risk in force	Segregated by (i) product, (ii) loan size, (iii) age, (iv) state, (v) policy year and (vi) LVR ratio with supporting documentation	✓
New insurance written	Segregated by product with supporting documentation	✓
Policies in force	Segregated by product with supporting documentation	✓
Delinquent loans	Segregated by (i) product, (ii) loan size, (iii) age, (iv) state, (v) policy year and (vi) LVR ratio with supporting documentation	✓
Average primary loan size	Segregated by product with supporting documentation	✓
LVR ratio	Segregated by product and ranges with supporting documentation	✓
Financial Statements		
Trended SEC US GAAP Balance Sheet	Trended for last 8 quarters	✓
Trended SEC US GAAP Income Statement	Trended for last 8 quarters	✓
SEC US GAAP Balance Sheet	Versus (i) prior quarter, (ii) same quarter of prior year, (iii) prior year and (iv) prior year end, with fx adjusted variance explanations	✓
SEC US GAAP Income Statement	Versus prior quarter and same quarter of prior year, with fx adjusted variance explanations. In addition, year-to-date versus year-to-date of prior year, with fx adjusted variance explanations	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Supporting Documentation		
4 Blocker/Significant and Unusual Items	Document received prior to quarter close that describes changes to business relationships, processes and internal controls, systems, asset/liability valuation methodologies and other items that impact financial statement results including quantification of any items as appropriate	✓
Accounting memoranda	Support for conclusions reached on accounting matters as well as internal control assessments or deficiencies during the quarter	✓
Actuarial review report	Support for conclusions reached on actuarial matters	✓
Deferred Acquisition Cost study		✓
US GAAP trial balance ledger feed	Prepared for all SEC required reported accounts, including clearing of all validation checks and ensuring any required new account usage is cleared with the GFI Controller's Office	✓
Balance Sheet account roll forwards	Roll forward (i) Deferred Acquisition Cost, (ii) Intangibles (PVFP, software and licenses), (iii) Loss Reserve, (iv) Goodwill and (v) Unearned Premiums for last 8 quarters and Equity year-to-date	✓
Written and Earned Premium roll forward	For last 8 quarters	✓
Other Assets and Other Liabilities	Detailed by subcategories with variance explanations versus same quarter of prior year and prior year end	✓
Schedule of Commitment and Contingencies		✓
FX Report (P&L)		✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Account reconciliations (in Genworth reconciliation system if Ownership 50% or greater or per internal control policy requirements if less than 50%)	For all required accounts	✓
Statement of Unadjusted Differences	Listing of “Passed on differences” or unadjusted differences included in US GAAP financial statements	✓
Auditor Questionnaire		✓
Financial Statement Representation Letter	Management representation letter signed by CEO, CFO, Controller and Actuary plus all related attachments	✓
Support / Review for relevant business sections of SEC filings and Quarterly Financial Supplement	Timely review and commentary of Genworth footnotes and disclosures related to the Australian business unit for the 10-Q and 10-K (mainly the business section, risk factors, trends, MD&A, and all relevant footnotes), as well as all relevant metrics within the quarterly financial supplement	✓

Clause 3.2(a) - Tax Data and Other Information

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 10% or more of Outstanding Ordinary Shares
Annual US Tax Reporting Package for Form 5471	Including information for any branch operations (i.e. New Zealand)	✓
Australian and New Zealand Tax Returns and Tax Returns for any jurisdiction where Genworth Australia conducts business	Including receipts or proof of payment for any withholding tax imposed on payments to other Genworth affiliates	✓
Australian and New Zealand Tax Liability Estimates or any other jurisdiction where Genworth Australia conducts business	Projections of taxable income and current tax expense	✓

HERBERT SMITH FREEHILLS

Clause 3.3 - Financial, Risk and Other Information

Schedule Name(s)	**Description (Contents)**	**Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares**
Quarterly Reports		
Short Range Forecast Submission to TM1 or its equivalent	Forecast of current quarter US GAAP earnings by SEC line item and key metrics with variance explanations versus Operating Plan	✓
Finance Reviews	Review of US GAAP income statement, including source of earnings analysis (loss drivers, expense drivers, etc.) for the quarter with variance explanations versus (i) prior quarter, (ii) same quarter of prior year, (iii) Operating Plan and (iv) year-to-date versus prior year-to-date	✓
Operating Reviews	Review of economic environment and trends, portfolio metrics, production metrics, US GAAP income statement, including source of earnings analysis (loss drivers, expense drivers, etc.) and strategy for the quarter with variance explanations versus (i) prior quarter, (ii) same quarter of prior year and (iii) Operating Plan	✓
New Business Reviews	Review of VNB, RAROC, IRR and ROE performance and first year capital strain for new business for the quarter and year-to-date with variance explanations versus (i) prior quarter and (ii) Operating Plan	✓
Quality Control/Audit Reviews	Review of: (A) Audit results and action plans for (i) lender compliance including bulk deals, (ii) internal underwriting and internal loss mitigation, (iii) internal process and (iv) new product audits. Includes discussions on plans for sampling and audit frequency. (B) Investigations findings and action plans for non-compliance to guidelines, processes or fraud detection. (C) Valuation review findings and action plans for issues detected with Valuations, Valuers or Valuation companies.	✓
Annual Planning		
Multi-Year Plan submission to TM1 or its equivalent	5 Year forecast of Company performance, capital needs and dividend plans	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Operating Plan Expense Budgeting Submission to TM1 or its equivalent	1 Year forecast of Company's expenses for subsequent year	✓
Operating Plan Submission to TM1 or its equivalent	1 Year forecast of Company performance, capital needs and dividend plan used to set targets for subsequent year	✓

Clause 3.5(f)(1) - Risk, Capital and Investment Information

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Risk Management		
Economic / Housing Market Indicators	Home Price Appreciation, GDP and Unemployment Rate at national and regional level	✓
Central Bank / Mortgage Interest Rates	Historical Trends and forecasts of Central Bank rates and standard mortgage rates	✓
Original and Effective LVR	Original and Effective LVR and Cumulative Home Price Appreciation by book year	✓
Ever-To-Date Loss Ratios	Loss Ratios by (i) book year, (ii) product, (iii) region and (iv) lender	✓
Delinquency Development	Delinquency Count and Rate by (i) portfolio (ii) book year, (iii) region and (iv) product	✓
Delinquency By Arrears Bucket (ageing)	Trends of delinquency counts and rates by arrears bucket (ageing)	✓
Loss Performance Analysis	Representing (i) Reserve Balance, (ii) Paid Claims, (iii) Losses, (iv) Loss Ratio and (v) Other Loss Metrics	✓
Loss / Delinquency Trends	Trends and comparisons to plan for (i) premiums, (ii) losses, (iii) other loss metrics, (iv) delinquency rolls and (v) loss mitigation metrics	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Ever-To-Date Loss Ratios	Loss Ratios by (i) book year, (ii) product, (iii) region and (iv) lender	✓
Delinquency Rate / Loss Ratio by Segment	Delinquency rates and loss ratios by lender and region; variance to prior month and prior year	✓
Portfolio Trends	In Force and New Insurance Written by (i) geographic region, (ii) LVR, (iii) product, (iv) loan type and (v) loan purpose	✓
Delinquency Trends	Delinquency rate trends by book year and region (graphs)	✓
New Delinquency and Cure Rates	Trends of new delinquency rates and cure rates at (i) national, (ii) regional and (iii) book year levels (graphs)	✓
RADAR Report	Portfolio composition and performance versus targets; key early warning indicators	✓
Housing Bubble Monitoring	National and regional summary tables and trend graphs of housing bubble metrics	✓
Delinquency and Claim Performance by Development Year	Delinquency and Claim triangles by book year	✓
Loss Forecasts	Base Case and Stress Scenario loss forecasts with key assumptions	✓
Loss Tracking	Actual loss development versus Operating Plan	✓
Economic Capital Update	Economic capital with granularity at book year, region, LVR, and other key risk segments	✓
ERM Report	ERM dashboard including earnings and earnings at risk, ROE, MCR, liquidity ratio, capital at risk, VaR, BE VNB, and MC VNB; ERM overview; emerging risk scorecard and key risk indicators; reputation risk scorecard and distributor concentration	✓
Reinsurance reporting	Reports to reinsurers with portfolio metrics, performance update, PML, and other details as per the reinsurance contracts	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Notification of material litigation matters	Provide reports of significant or material litigation actions (whether from an employee, customer, supplier, regulatory body or any other party) within 5 Business Days of becoming aware of the matter. Provide copies of correspondence and other relevant materials as reasonably requested by Genworth Financial	✓
Capital Management		
Capital Management Report	Summary of and description of changes in capital available versus APRA minimum required capital for current quarter (PCA ratio) and forecast for the subsequent eight quarters, including impacts of dividend plans, stress scenarios, and unrealized gain/loss positions. Summary of all applicable rating agency capital positions for current quarter and forecast for the subsequent eight quarters, including impact of dividend plans, stress scenarios, and unrealized gain/loss positions.	✓
Dividend Plans	Details of dividend plan for current period and forecast for subsequent eight quarters	✓
Investment Management		
Monthly Investment Portfolio Holdings Report		✓
Monthly Investment Snapshot Report		✓

Clause 3.5(f)(2) - Compliance Activities and Reporting

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Annual Compliance Review	Annual compliance review of Genworth Australia utilizing the Genworth One Compliance self-assessment process	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Code of Ethics	Adopt the Genworth Financial Integrity First Code of Ethics (it being noted that Genworth Australia may also have its own separate code of ethics provided that such code does not conflict with the Genworth Financial Integrity First Code of Ethics), as it may be amended or modified from time to time. Require, as a condition of employment, that (i) employees of Genworth Australia provide a written acknowledgement of the Code of Ethics at least once each year (or such other frequency as Genworth Financial requires of its employees generally from time to time) and (ii) employees of Genworth Australia undertake training in the Code of Ethics, in such manner as Genworth Financial requires of its employees generally from time to time, at least once every two years (or such other frequency as Genworth Financial requires of its employees generally from time to time). Provide confirmation to Genworth Financial of the foregoing as reasonably requested by Genworth Financial from time to time.	✓
Conflict of Interest Questionnaires	Annually, circulate and obtain completed conflict of interest questionnaires from directors and officers, such questionnaires to be in the form provided by Genworth Financial from time to time. Provide information about or copies of such completed questionnaires to Genworth Financial upon request	✓
Customer Complaints	Quarterly, provide a report of customer complaints received	✓
Regulatory Updates	Quarterly or as otherwise reasonably requested by Genworth Financial, provide briefings or updates to Genworth Financial on legal and regulatory affairs reflecting changes and developments applicable to or affecting Genworth Australia and/or the Australian mortgage insurance business	✓
Ombudsperson Program	Adopt and maintain a Genworth Australia Ombudsperson/Whistleblower Program as part of, and in conformity with, the Genworth Financial Ombudsperson Network Program. The Genworth Australia Ombudsperson(s) shall be selected and trained by the Genworth Corporate Ombudsperson.	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Ombudsperson Reports	Maintain an ombudsperson and, quarterly or as otherwise reasonably requested by Genworth Financial, provide reports of complaints, concerns or issues raised with the Genworth Australia ombudsperson	✓
Notification of Material Ombudsperson Contacts	Provide reports of significant or material complaints, concerns or issues raised with the Genworth Australia ombudsperson within 5 Business Days of the complaint, concern or issue being raised	✓
Notification of Material Concerns Raised with Directors	Provide reports of significant or material complaints, concerns or issues raised directly with the Genworth Australia board of directors or audit committee of the board of directors, within 5 Business Days of the complaint, concern or issue being raised	✓
Notification of Material Regulatory Matters	Provide reports of significant or material regulatory inquiries, examinations, audits or requests for information (whether from APRA, security regulatory authorities, other applicable regulatory bodies) within 5 Business Days of becoming aware of the matter. Provide prompt reports of other significant or material regulatory matters. Provide copies of correspondence and other relevant materials as reasonably requested by Genworth Financial	✓
Compliance Dashboard/Metric Reporting	Quarterly, provide compliance dashboard/metric reporting to Genworth Financial in the format provided prior to the date of this Agreement, as reasonably modified from time to time by Genworth Financial	✓
Risk, Capital and Investment Committee	Provide copies of all documents and materials provided to or reviewed by the Risk, Capital and Investment Committee of Genworth Australia (or any successor committee or committee with equivalent function) promptly after delivery of such materials to committee members	✓
Compliance Training	Employees of Genworth Australia must complete company-wide compliance training requirements (i.e. Privacy, AML/CTF, Records Management) as Genworth Financial requires or otherwise obtain written exception from Chief Compliance Officer to opt-out of such compliance training programs	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 20% or more of Outstanding Ordinary Shares
Other	Copies of regulatory compliance policies, procedures and processes and other materials and information related to regulatory matters and compliance by Genworth Australia, as reasonably requested by Genworth Financial from time to time	✓
The foregoing information and materials shall be provided to the Chief Compliance Officer and such other persons at Genworth Financial as Genworth Financial may designate from time to time.		
For purposes of this Schedule 1 Clause 3.5(e)(2), references to Genworth Australia include Genworth MI Australia Inc. and its subsidiaries from time to time, including Genworth Financial Mortgage Insurance Company Australia.		

Clause 3.8(a) Monthly Financial, Risk and Other Information

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 50% or more of Outstanding Ordinary Shares
Monthly Financial Data		
US GAAP trial balance ledger feed	Prepared for all SEC required reported accounts, including clearing of all validation checks and ensuring any required new account usage is cleared with the GFI Controller's Office	✓
Account reconciliations in Genworth reconciliation system	For high risk accounts	✓
Other Monthly Reports		
Headcount	Name and function of Company employees, contractors and open positions	✓
Production	Actual monthly results and total quarter forecast with variance explanations to Operating Plan	✓
Loss Mitigation	Details on loss mitigation strategy/efforts and results during the period along with quarterly forecast for remainder of year and performance to operating plan, including (i) volumes and penetration rates for hardships, (ii) workouts, (iii) borrower sales, (iv) asset management, (v) claims, (vi) rescissions and	✓

Schedule Name(s)	Description (Contents)	Genworth Financial Relevant Interest in 50% or more of Outstanding Ordinary Shares
	settlements and (vii) recoveries. If requested, respond with information related to any changes to lender's collections practices	
Underwriting	Details on underwriting volumes, SLAs, capacity/productivity metrics and projects to improve underwriting performance if issues detected	✓
Master Policy Changes	Details on material changes planned or implemented to any master policy	✓
Driver Based Forecast	Business leading indicator trends and quarterly forecast of net operating income for the current year and subsequent year	✓
Short Range Forecast Submission to TM1 or its equivalent	Forecast of current quarter US GAAP earnings by SEC line item and key metrics with variance explanations versus Operating Plan	✓
Monthly Metric Submission to TM1 or its equivalent	Key metrics for the current month and forecast of key metrics and US GAAP SEC income statement and balance sheet for current year and subsequent year	✓
Operating Reviews	Review of economic environment and trends, portfolio metrics, production metrics, US GAAP income statement, including source of earnings analysis (loss drivers, expense drivers, etc.) for the current quarter forecast with variance explanations versus (i) prior quarter, (ii) same quarter of prior year and (iii) Operating Plan	✓

HERBERT SMITH FREEHILLS

Schedule 2

Employee matters

(a) No employees are being transferred from Genworth Financial to Genworth Australia in connection with the Initial Public Offering or the IPO Agreements. Each party will continue to bear all of its respective responsibilities and liabilities in respect of its own employees (including, for greater certainty, any such employees who are on a leave of absence at the time of Closing).

(b) Each party will continue to own and operate its respective employee compensation and benefit plans from and after Closing, subject to the provision of any ‘Services’ as set forth in the Shared Services Agreement, and in the case of Genworth Australia plans, subject to input from Genworth Financial as the majority shareholder. Subject to paragraph (f) below, each party will continue to bear all of its respective responsibilities and liabilities in respect of its own employee compensation and benefit plans.

(c) Genworth Australia’s employees will cease to be eligible to participate in all Genworth Financial employee compensation and benefit programs from and after Closing, and Genworth Australia will establish plans for its employees providing benefits to such employees that are, in the aggregate, no less favourable to such employees as those to which they were entitled under Genworth Financial’s plans as of the Closing Date. Notwithstanding the foregoing:

(1) Genworth Australia will be included in the Genworth Financial 2014 Reach for Success (“RFS”) and Variable Incentive Compensation (“VIC”) program. Genworth Australia will allocate and pay any RFS or VIC bonuses to such employees at their discretion and based on the achievement of 2014 VIC plan funding goals and related metrics and individual performance goals.

(2) Any stock options or stock appreciation rights (collectively, “Australian Options and SARS”) held by Genworth Australia employees under the 2004 Genworth Financial, Inc. Omnibus Incentive Plan and the 2012 Genworth Financial, Inc. Omnibus Incentive Plan (“the Plans”), which are vested or unvested as of the Closing Date, will be administered in accordance with the Plans and any applicable Award Agreements. Expenses associated with the granting and exercising of any Australian Options and SARS by Genworth Australia employees will continue to be the responsibility of Genworth Australia as described in the Cost Agreement dated 15 July 2005 (as amended). On the first date on which members of the Genworth Financial Group do not have a Relevant Interest in 10% or more of the outstanding Ordinary Shares, Genworth Australia employees will be considered to have terminated service from Genworth Financial due to a transfer of business to a successor employer for the purposes of interpreting the Plans and any Award Agreements applicable to any outstanding Australian Options and SARS held by Genworth Australia employees at that time.

(3) Subject to approval by Genworth Financial board of directors, on the first date on which members of the Genworth Financial Group do not have a Relevant Interest in 10% or more of the outstanding Ordinary Shares, Genworth Financial will accelerate the vesting, lapse of

restrictions and conversion to shares of all Genworth Financial Restricted Stock Units that have been held by Genworth Australia employees ("Australia RSUs") for at least one year prior to that date.

(d) Genworth Australia will continue to recognize all service credit and unused accrued leave entitlements of its employees.

(e) Genworth Australia will continue to provide benefits to its employees which are substantially similar in the aggregate to those in place as at the Closing Date, for one year following the Closing Date and will consult with Genworth Financial in relation to any material changes to those benefits during that period.

(f) Expatriate assignments between Genworth Financial and Genworth Australia in effect at the time of the Closing may be continued by mutual agreement of the parties up to and beyond the Trigger Date. All expatriate expenses including compensation will be the responsibility of the hosting company.

(g) Genworth Financial will continue to provide administrative support for any expatriate assignments between Genworth Financial and Genworth Australia in effect at the time of the Closing or initiated by mutual agreement following the Closing up to and beyond the Trigger Date. Any administrative costs incurred beyond the Trigger Date will be the responsibility of the hosting company.

(h) To the extent permitted by Applicable Law (including any privacy laws), Genworth Australia will provide Genworth Financial with up to date employee information for those employees who at the relevant date remain participants in the Plans, RFS Program, VIC Program or other outstanding awards under the Plans as and when Genworth Financial may reasonably require for its administration and management of those plans.

Schedule 3

ROFR Terms

(a) The Acquiring Party shall deliver written notice (a **Transaction Notice**) to the Non-Acquiring Party forthwith if the Acquiring Party or any of its Affiliates (or any combination thereof) proposes to enter into a Transaction. The Transaction Notice shall set out the material terms of the Transaction, including the date on which the Transaction is expected to close, the party from whom the Competitive Business is to be acquired (the **Vending Party**), the conditions precedent to completion of such Transaction and the price to be paid, directly or indirectly, by the Acquiring Party for, or the value ascribed by the Acquiring Party to, the Competitive Business, in each case determined by the Acquiring Party acting in good faith (the **Transaction Price**) and shall be accompanied by such legal, financial and all other information concerning the Competitive Business as is necessary for the Non-Acquiring Party to fully assess the Competitive Business and to make a fully informed decision concerning whether or not to acquire the Competitive Business (the **Business Information**); provided that the Non-Acquiring Party shall have executed and delivered to the Vending Party and the Acquiring Party a non-disclosure agreement in form and substance acceptable to the parties, acting reasonably, if required.

(b) Upon receipt by the Non-Acquiring Party of the Transaction Notice, the accompanying Business Information and any other information reasonably requested by the Non-Acquiring Party concerning the Competitive Business, the Non-Acquiring Party shall have 60 days to determine whether to acquire the Competitive Business.

(c) In the event that the Non-Acquiring Party wishes to exercise its right to acquire, directly or indirectly, the Competitive Business, it shall deliver written notice (an **Exercise Notice**) to the Acquiring Party on or before such 60th day, which notice shall state (i) the Non-Acquiring Party's intention to acquire the Competitive Business, (ii) the party from whom the Non-Acquiring Party proposes to acquire the Competitive Business, (iii) the price at which the Non-Acquiring Party proposes to acquire the Competitive Business, and (iv) the other terms and conditions of such acquisition, which terms and conditions shall include the conditions precedent to the completion of the Transaction, including receipt of applicable regulatory approvals and other reasonable closing conditions in favour of the Non-Acquiring Party. If the Non-Acquiring Party fails to deliver an Exercise Notice to the Acquiring Party on or before such 60th day, the Non-Acquiring Party shall be deemed to have waived its right to acquire the Competitive Business and shall be deemed to have consented to the completion of Transaction on the terms and conditions specified in the Transaction Notice.

(d) In the event that the Non-Acquiring Party elects to acquire the Competitive Business directly from the Vending Party, the Non-Acquiring Party shall have 90 days to negotiate in good faith the terms of a definitive agreement in respect of such acquisition with the Vending Party. In the event the Non-Acquiring Party elects to acquire the Competitive Business from the Acquiring Party, the Acquiring Party shall thereafter have 10 Business Days to determine whether or not to accept the offer of the Non-Acquiring Party contained in the Exercise Notice. If the Acquiring Party does not accept such offer on the terms proposed by the Non-Acquiring Party or fails to accept the offer within such 10 Business Day period, the Parties shall negotiate in good faith to settle the terms of a definitive agreement in respect of the acquisition by the Non-Acquiring Party, directly or indirectly, of the Competitive Business, provided that the Acquiring Party shall only be required to give such representations, warranties and indemnities in favour of the Non-Acquiring Party that the Vending Party gives in favour of the Acquiring Party in addition to those that a reasonable Person acquiring the Competitive Business, after undertaking a comprehensive due diligence investigation of the Competitive Business, would request from the Vending Party.

(e) If the Non-Acquiring Party reaches a definitive agreement with respect to the acquisition of the Competitive Business, the closing of such acquisition shall occur concurrently with or immediately following the closing of the Transaction or at such later time as agreed to between the Non-Acquiring Party and the party or parties from whom it is making the acquisition.

(f) If the Non-Acquiring Party is unable to reach a definitive agreement with respect to the acquisition of the Competitive Business with either the Vending Party or the Acquiring Party, as applicable, within the applicable period specified in clause (d) above, and

(1) the price that the Non-Acquiring Party proposed to pay is equal to or greater than the Transaction Price, then the Transaction may only proceed if the Competitive Business is excluded from the Transaction or, solely at the option of the Non-Acquiring Party, is sold to the Non-Acquiring Party at a price not greater than the price that the Non-Acquiring Party proposed to pay for the Competitive Business; or

(2) the price that the Non-Acquiring Party proposed to pay is less than the Transaction Price in relation to the Competitive Business and an independent valuator has determined that the price proposed to be paid by the Non-Acquiring Party for the Competitive Business is less than the fair market value of the Competitive Business as determined on the date of the Transaction Notice, then the Acquiring Party may proceed to complete the Transaction on the terms and conditions specified in the Transaction Notice.

(g) For the purposes of subclause (f)(2), if the price that the Non-Acquiring Party proposed to pay is less than the Transaction Price, the Parties shall jointly select a qualified valuator who is independent of each of the Acquiring Party, the Non-Acquiring Party and the Vending Party as soon as practicable following the earlier of (i) the date that the Non-Acquiring Party notifies the Acquiring Party in writing that it is unable to reach a definitive agreement with either the Vending Party or the Acquiring Party, as applicable, and (ii) the expiry of the applicable period specified in clause (d) above. The Acquiring Party shall provide or cause to be provided to the valuator as expeditiously as possible, all information reasonably required by the valuator to determine the fair market value of the Competitive Business as determined on the date of the Transaction Notice within 20 days of its appointment. The costs and expenses of the valuator in preparing the valuation shall be borne 50% by the Non-Acquiring Party and 50% by the Acquiring Party, provided that if the valuator concludes that the price proposed to be paid by the Non-Acquiring Party is equal to or greater than the fair market value of the Competitive Business as determined on the date of the Transaction Notice, then all such costs and expenses shall be borne by the Acquiring Party.

(h) Should any Transaction not be completed within 120 days of the Transaction Notice for any reason or should the terms of the Transaction change from those specified in the Transaction Notice, the Acquiring Party shall be required to again comply with the provisions of this Schedule 3 should the Acquiring Party wish to proceed with the Transaction or an amended Transaction.

Schedule 4

Genworth Financial Jurisdictions and Lines of Business

Country	Life Insurance	LPI	MI/MG	Reinsurance
Austria		✓	✓	
Belgium		✓	✓	
Bermuda				✓
Brazil		✓		
Canada		✓	✓	
China		✓	✓	
Colombia		✓		
Czech Republic		✓		
Denmark		✓	✓	
Estonia		✓		
Finland		✓	✓	
France		✓	✓	
Germany		✓	✓	
Greece		✓		
Guernsey				✓
Hungary		✓	✓	
Ireland		✓	✓	
India			✓	
Italy		✓	✓	
Latvia		✓		
Lithuania		✓		
Luxembourg		✓		
Mexico		✓	✓	
Netherlands		✓	✓	
Norway		✓		
Peru		✓		
Poland		✓	✓	
Portugal		✓	✓	

Country	Life Insurance	LPI	MI/MG	Reinsurance
Slovakia		✓		
South Korea		✓	✓	
Spain		✓	✓	
Sweden		✓	✓	
Switzerland		✓		
Turkey		✓		
United Kingdom		✓	✓	✓
United States	✓		✓	✓

Signing page

Executed as an agreement

EXECUTED by **Genworth Mortgage Insurance Australia Limited** ACN 154 890 730:

/s/ Richard Grellman	/s/ Jonathan Downes
Signature of director	Signature of director/secretary
RICHARD GRELLMAN	JONATHAN DOWNES
Name	Name

SIGNED for **Brookfield Life Assurance Company Limited** by its duly authorised officer, in the presence of:

	/s/ Ward Bobitz
	Signature of officer
/s/ Theresa A. Myers	WARD BOBITZ
Signature of witness	Name
THERESA A. MYERS	
Name	

SIGNED for **Genworth Financial International Holdings, Inc.** by its duly authorised officer, in the presence of:

	/s/ Richard J. Oelhafen, Jr.
	Signature of officer
/s/ Jonathan Gordon	RICHARD J. OELHAFEN, JR.
Signature of witness	Name
JONATHAN GORDON	
Name	

SIGNED for **Genworth Financial, Inc.** by its duly authorised officer, in the presence of:

/s/ Kevin D. Schneider
Signature of officer

/s/ Richard J. Oelhafen, Jr.
Signature of witness

KEVIN D. SCHNEIDER
Name

RICHARD J. OELHAFEN, JR.
Name

Exhibit 10.3

ASSIGNMENT AND ASSUMPTION AGREEMENT
FOR SHAREHOLDER AGREEMENT

This Assignment and Assumption Agreement dated July 11, 2014 (this "**Agreement**") is made by and among Genworth MI Canada Inc., a corporation existing under the laws of Canada ("**Genworth Canada**"), Genworth Mortgage Insurance Corporation, a corporation existing under the laws of the State of North Carolina ('**GMICO**"), and Genworth Residential Mortgage Assurance Corporation, a corporation existing under the laws of the State of North Carolina ("**GRMAC**").

RECITALS

A. Genworth Canada, Genworth Financial, Inc., Brookfield Life Assurance Company Limited and others are parties to a Shareholder Agreement dated July 7, 2009, as amended (the **"Shareholder Agreement"**).

B. Pursuant to an assignment and assumption agreement dated August 9, 2011, GMICO became a party to the Shareholder Agreement and pursuant to an assignment and assumption agreement dated August 10, 2011, GRMAC became a party to the Shareholder Agreement.

C. Pursuant to Section 7.06 of the Shareholder Agreement, any member of the Genworth Financial Group may assign the Shareholder Agreement to any other member of the Genworth Financial Group to whom Common Shares of Genworth Canada are transferred and who agrees to become party to and bound by the Shareholder Agreement.

D. Pursuant to a resolution of the board of directors of GRMAC dated May 27, 2014, GRMAC declared an extraordinary distribution payable to GMICO in the form of 1,784,158 Common Shares of Genworth Canada (the "**Transferred Shares**).

E. The Transferred Shares were transferred by GRMAC to GMICO on July 11, 2014.

F. GRMAC wishes to assign its rights and obligations under the Shareholder Agreement back to GMICO in respect of the Transferred Shares pursuant to Section 7.06 of the Shareholder Agreement.

G. GMICO is already a party to the Shareholder Agreement but wishes to obtain the rights and to become bound by the terms and conditions of the Shareholder Agreement with respect to the Transferred Shares.

H. Capitalized terms not defined herein (including the Recitals hereto) have the meaning assigned thereto in the Shareholder Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Assignment of Shareholder Agreement. Pursuant to Section 7.06 of the Shareholder Agreement, and solely in respect of the Transferred Shares transferred by it, GRMAC hereby assigns back to GMICO its rights and obligations under the Shareholder

Agreement (whereupon GMICO becomes an Applicable GNW Shareholder in respect of the Transferred Shares).

2. Assumption of Shareholder Agreement. GMICO covenants and agrees to be bound by all of the terms and conditions of the Shareholder Agreement with respect to the Transferred Shares as if it was an original signatory thereto as an Applicable GNW Shareholder.

3. Acknowledgement of Genworth Canada. Genworth Canada acknowledges the assignment by GRMAC and the assumption to GMICO of the Shareholder Agreement with respect to the Transferred Shares as set forth in this Agreement.

4. Notices. GMICO acknowledges that for the purposes of Section 7.03 of the Shareholder Agreement, all notices, requests, claims, demands and other communications shall be given or made to:

Genworth Mortgage Insurance Company
8325 Six Forks Road
Raleigh, NC 27615

Attention: Stephen Cooke, SVP & General Counsel
Phone: 800-444-5664
Fax: 800-592-4434

5. Authority. Each of the parties hereto represents to the other that: (i) it has the corporate power and authority to execute, deliver and perform this Agreement, (ii) the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate action and no such further action is required, (iii) it has duly and validly executed and delivered this Agreement, and (iv) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with the terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

6. Part of Shareholder Agreement. This Agreement shall be deemed to form part of the Shareholder Agreement.

7. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario irrespective of the choice of laws principles.

8. Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

GENWORTH MI CANADA INC.

By: /s/ Winsor Macdonell
Name: Winsor Macdonell
Title: SVP & Secretary

By: /s/ Stuart Levings
Name: Stuart Levings
Title: SVP & COO

GENWORTH MORTGAGE INSURANCE CORPORATION

By: /s/ H. Dean Mitchell
Name: H. Dean Mitchell
Title: Chief Financial Officer

GENWORTH RESIDENTIAL MORTGAGE ASSURANCE CORPORATION

By: /s/ H. Dean Mitchell
Name: H. Dean Mitchell
Title: Chief Financial Officer

Exhibit 12

Genworth Financial, Inc.

Statement of Ratio of Income to Fixed Charges
(Dollar amounts in millions)

	Six months ended June 30, 2014	Years ended December 31, 2013	2012	2011	2010	2009
Income (loss) from continuing operations before income taxes and accounting changes	$ 619	$1,050	$ 606	$ 130	$ (143)	$ (925)
Less: income attributable to noncontrolling interests before income taxes	118	210	270	190	199	87
Income (loss) from continuing operations before income taxes and accounting changes and excluding income attributable to noncontrolling interests	$ 501	$ 840	$ 336	$ (60)	$ (342)	$(1,012)
Fixed charges included in income (loss) from continuing operations:						
Interest expense	$ 242	$ 482	$ 467	$ 496	$ 454	$ 393
Interest portion of rental expense	6	13	14	15	14	13
Subtotal	248	495	481	511	468	406
Interest credited to investment contractholders	367	738	775	794	841	984
Total fixed charges from continuing operations	$ 615	$1,233	$1,256	$1,305	$1,309	$ 1,390
Income from continuing operations available for fixed charges (including interest credited to investment contractholders)	$ 1,116	$2,073	$1,592	$1,245	$ 967	$ 378
Ratio of income from continuing operations available for fixed charges to fixed charges from continuing operations (including interest credited to investment contractholders)	1.81	1.68	1.27	0.95	0.74	0.27
Income from continuing operations available for fixed charges (excluding interest credited to investment contractholders)	$ 749	$1,335	$ 817	$ 451	$ 126	$ (606)
Ratio of income from continuing operations available for fixed charges to fixed charges from continuing operations (including interest credited to investment contractholders)	3.02	2.70	1.70	0.88	0.27	(1.49)

For the years ended December 31, 2011, 2010, and 2009, our deficiency in income from continuing operations necessary to cover fixed charges was $60 million, $342 million and $1,012 million, respectively.

Exhibit 31.1

CERTIFICATIONS

I, Thomas J. McInerney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genworth Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 30, 2014

/s/ Thomas J. McInerney

Thomas J. McInerney
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Martin P. Klein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genworth Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 30, 2014

/s/ Martin P. Klein

Martin P. Klein
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Thomas J. McInerney, as President and Chief Executive Officer of Genworth Financial, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Quarterly Report on Form 10-Q of the Company for the six months ended June 30, 2014 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 30, 2014

/s/ Thomas J. McInerney

Thomas J. McInerney
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Martin P. Klein, as Executive Vice President and Chief Financial Officer of Genworth Financial, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Quarterly Report on Form 10-Q of the Company for the six months ended June 30, 2014 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 30, 2014

/s/ Martin P. Klein

Martin P. Klein
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)