# 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, 2020**

**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

# GENWORTH FINANCIAL, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **80-0873306**<br>**(I.R.S. Employer Identification Number)** |
| **6620 West Broad Street**<br>**Richmond, Virginia**<br>**(Address of principal executive offices)** | **23230**<br>**(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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Class A Common Stock, par value $.001 per share | GNW | New York Stock Exchange |

As of July 27, 2020, 594,010,907 shares of Class A Common Stock, par value $0.001 per share, were outstanding.

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## PART I—FINANCIAL INFORMATION
### Item 1. Financial Statements

## GENWORTH FINANCIAL, INC.

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

| | June 30, 2020 (Unaudited) | December 31, 2019 |
|---|---|---|
| Assets | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at fair value (amortized cost of $ 54,834 and allowance for credit losses of $ 7 as of June 30, 2020) | $ 63,544 | $ 60,339 |
| Equity securities, at fair value | 206 | 239 |
| Commercial mortgage loans (net of unamortized balance of loan origination fees and costs of $ 4 as of June 30, 2020 and December 31, 2019) | 6,945 | 6,976 |
| Less: Allowance for credit losses | (28) | (13) |
| Commercial mortgage loans, net | 6,917 | 6,963 |
| Policy loans | 2,182 | 2,058 |
| Other invested assets | 2,473 | 1,632 |
| Total investments | 75,322 | 71,231 |
| Cash, cash equivalents and restricted cash | 2,597 | 3,341 |
| Accrued investment income | 601 | 654 |
| Deferred acquisition costs | 1,718 | 1,836 |
| Intangible assets and goodwill | 223 | 201 |
| Reinsurance recoverable | 16,944 | 17,103 |
| Less: Allowance for credit losses | (44) | — |
| Reinsurance recoverable, net | 16,900 | 17,103 |
| Other assets | 454 | 443 |
| Deferred tax asset | 286 | 425 |
| Separate account assets | 5,536 | 6,108 |
| Total assets | $ 103,637 | $ 101,342 |
| Liabilities and equity | | |
| Liabilities: | | |
| Future policy benefits | $ 41,463 | $ 40,384 |
| Policyholder account balances | 22,921 | 22,217 |
| Liability for policy and contract claims | 11,280 | 10,958 |
| Unearned premiums | 1,804 | 1,893 |
| Other liabilities | 2,075 | 1,428 |
| Non-recourse funding obligations | — | 311 |
| Long-term borrowings | 2,817 | 3,277 |
| Separate account liabilities | 5,536 | 6,108 |
| Liabilities related to discontinued operations | 653 | 134 |
| Total liabilities | 88,549 | 86,710 |
| Commitments and contingencies | | |
| Equity: | | |
| Class A common stock, $0.001 par value; 1.5 billion shares authorized; 594 million and 592 million shares issued as of June 30, 2020 and December 31, 2019, respectively; 506 million and 504 million shares outstanding as of June 30, 2020 and December 31, 2019, respectively | 1 | 1 |
| Additional paid-in capital | 11,996 | 11,990 |
| Accumulated other comprehensive income (loss) | 4,447 | 3,433 |
| Retained earnings | 899 | 1,461 |
| Treasury stock, at cost ( 88 million shares as of June 30, 2020 and December 31, 2019) | (2,700) | (2,700) |
| Total Genworth Financial, Inc.'s stockholders' equity | 14,643 | 14,185 |
| Noncontrolling interests | 445 | 447 |
| Total equity | 15,088 | 14,632 |
| Total liabilities and equity | $ 103,637 | $ 101,342 |

See Notes to Condensed Consolidated Financial Statements

**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, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | |
| Premiums | $ 1,019 | $ 1,001 | $ 2,034 | $ 1,989 |
| Net investment income | 786 | 816 | 1,579 | 1,610 |
| Net investment gains (losses) | 159 | (46) | 7 | 29 |
| Policy fees and other income | 174 | 223 | 355 | 410 |
| Total revenues | 2,138 | 1,994 | 3,975 | 4,038 |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 1,486 | 1,251 | 2,847 | 2,533 |
| Interest credited | 139 | 146 | 280 | 293 |
| Acquisition and operating expenses, net of deferrals | 223 | 229 | 472 | 466 |
| Amortization of deferred acquisition costs and intangibles | 93 | 84 | 209 | 165 |
| Goodwill impairment | 5 | — | 5 | — |
| Interest expense | 44 | 60 | 96 | 120 |
| Total benefits and expenses | 1,990 | 1,770 | 3,909 | 3,577 |
| Income from continuing operations before income taxes | 148 | 224 | 66 | 461 |
| Provision for income taxes | 46 | 66 | 36 | 135 |
| Income from continuing operations | 102 | 158 | 30 | 326 |
| Income (loss) from discontinued operations, net of taxes | (520) | 60 | (520) | 122 |
| Net income (loss) | (418) | 218 | (490) | 448 |
| Less: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 17 | 35 |
| Less: net income from discontinued operations attributable to noncontrolling interests | — | 35 | — | 71 |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (441) | $ 168 | $ (507) | $ 342 |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders | $ 79 | $ 143 | $ 13 | $ 291 |
| Income (loss) from discontinued operations available to Genworth Financial, Inc.'s common stockholders | (520) | 25 | (520) | 51 |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (441) | $ 168 | $ (507) | $ 342 |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders per share: | | | | |
| Basic | $ 0.16 | $ 0.29 | $ 0.03 | $ 0.58 |
| Diluted | $ 0.15 | $ 0.28 | $ 0.03 | $ 0.57 |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders per share: | | | | |
| Basic | $ (0.87) | $ 0.33 | $ (1.00) | $ 0.68 |
| Diluted | $ (0.86) | $ 0.33 | $ (0.99) | $ 0.67 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 505.4 | 503.4 | 504.8 | 502.3 |
| Diluted | 512.5 | 508.7 | 511.1 | 508.7 |

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, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net income (loss) | $ (418) | $ 218 | $ (490) | $ 448 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Net unrealized gains (losses) on securities without an allowance for credit losses | 682 | — | 362 | — |
| Net unrealized gains (losses) on securities with an allowance for credit losses | (8) | — | (8) | — |
| Net unrealized gains (losses) on securities not other-than-temporarily impaired | — | 376 | — | 755 |
| Net unrealized gains (losses) on other-than-temporarily impaired securities | — | — | — | 1 |
| Derivatives qualifying as hedges | (78) | 133 | 675 | 202 |
| Foreign currency translation and other adjustments | 73 | 43 | (25) | 97 |
| Total other comprehensive income (loss) | 669 | 552 | 1,004 | 1,055 |
| Total comprehensive income | 251 | 770 | 514 | 1,503 |
| Less: comprehensive income attributable to noncontrolling interests | 60 | 81 | 7 | 192 |
| Total comprehensive income available to Genworth Financial, Inc.'s common stockholders | $ 191 | $ 689 | $ 507 | $1,311 |

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.

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

| | Three months ended June 30, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 equity |
| Balances as of March 31, 2020 | $ 1 | $ 11,993 | $ 3,815 | $ 1,340 | $ (2,700) | $ 14,449 | $ 385 | $14,834 |
| Comprehensive income (loss): | | | | | | | | |
| Net loss | — | — | — | (441) | — | (441) | 23 | (418) |
| Other comprehensive income, net of taxes | — | — | 632 | — | — | 632 | 37 | 669 |
| Total comprehensive income | | | | | | 191 | 60 | 251 |
| Stock-based compensation expense and exercises and other | — | 3 | — | — | — | 3 | — | 3 |
| Balances as of June 30, 2020 | $ 1 | $ 11,996 | $ 4,447 | $ 899 | $ (2,700) | $ 14,643 | $ 445 | $15,088 |

| | Three months ended June 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 equity |
| Balances as of March 31, 2019 | $ 1 | $ 11,989 | $ 2,492 | $ 1,292 | $ (2,700) | $ 13,074 | $ 1,808 | $14,882 |
| Repurchase of subsidiary shares | — | — | — | — | — | — | (32) | (32) |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | 168 | — | 168 | 50 | 218 |
| Other comprehensive income, net of taxes | — | — | 521 | — | — | 521 | 31 | 552 |
| Total comprehensive income | | | | | | 689 | 81 | 770 |
| Dividends to noncontrolling interests | — | — | — | — | — | — | (25) | (25) |
| Stock-based compensation expense and exercises and other | — | (6) | — | — | — | (6) | 3 | (3) |
| Balances as of June 30, 2019 | $ 1 | $ 11,983 | $ 3,013 | $ 1,460 | $ (2,700) | $ 13,757 | $ 1,835 | $15,592 |

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## GENWORTH FINANCIAL, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY, CONTINUED
**(Amounts in millions)**
**(Unaudited)**

| | Six months ended June 30, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 equity |
| Balances as of December 31, 2019 | $ 1 | $ 11,990 | $ 3,433 | $ 1,461 | $ (2,700) | $ 14,185 | $ 447 | $14,632 |
| Cumulative effect of change in accounting, net of taxes | — | — | — | (55) | — | (55) | — | (55) |
| Comprehensive income (loss): | | | | | | | | |
| Net loss | — | — | — | (507) | — | (507) | 17 | (490) |
| Other comprehensive income (loss), net of taxes | — | — | 1,014 | — | — | 1,014 | (10) | 1,004 |
| Total comprehensive income | | | | | | 507 | 7 | 514 |
| Dividends to noncontrolling interests | — | — | — | — | — | — | (9) | (9) |
| Stock-based compensation expense and exercises and other | — | 6 | — | — | — | 6 | — | 6 |
| Balances as of June 30, 2020 | $ 1 | $ 11,996 | $ 4,447 | $ 899 | $ (2,700) | $ 14,643 | $ 445 | $15,088 |

| | Six months ended June 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 equity |
| Balances as of December 31, 2018 | $ 1 | $ 11,987 | $ 2,044 | $ 1,118 | $ (2,700) | $ 12,450 | $ 1,739 | $14,189 |
| Repurchase of subsidiary shares | — | — | — | — | — | — | (44) | (44) |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | 342 | — | 342 | 106 | 448 |
| Other comprehensive income, net of taxes | — | — | 969 | — | — | 969 | 86 | 1,055 |
| Total comprehensive income | | | | | | 1,311 | 192 | 1,503 |
| Dividends to noncontrolling interests | — | — | — | — | — | — | (53) | (53) |
| Stock-based compensation expense and exercises and other | — | (4) | — | — | — | (4) | 1 | (3) |
| Balances as of June 30, 2019 | $ 1 | $ 11,983 | $ 3,013 | $ 1,460 | $ (2,700) | $ 13,757 | $ 1,835 | $15,592 |

See Notes to Condensed Consolidated Financial Statements

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**GENWORTH FINANCIAL, INC.**

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

| | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $ (490) | $ 448 |
| Less (income) loss from discontinued operations, net of taxes | 520 | (122) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: | | |
| Amortization of fixed maturity securities discounts and premiums | (50) | (57) |
| Net investment (gains) losses | (7) | (29) |
| Charges assessed to policyholders | (314) | (364) |
| Acquisition costs deferred | (9) | (16) |
| Amortization of deferred acquisition costs and intangibles | 209 | 165 |
| Goodwill impairment | 5 | — |
| Deferred income taxes | 28 | 98 |
| Derivative instruments, limited partnerships and other | 191 | 18 |
| Stock-based compensation expense | 19 | 10 |
| Change in certain assets and liabilities: | | |
| Accrued investment income and other assets | (131) | (284) |
| Insurance reserves | 674 | 609 |
| Current tax liabilities | (1) | 13 |
| Other liabilities, policy and contract claims and other policy-related balances | 655 | 134 |
| Cash from operating activities—discontinued operations | — | 172 |
| Net cash from operating activities | 1,299 | 795 |
| Cash flows used by investing activities: | | |
| Proceeds from maturities and repayments of investments: | | |
| Fixed maturity securities | 1,687 | 1,774 |
| Commercial mortgage loans | 302 | 291 |
| Other invested assets | 71 | 51 |
| Proceeds from sales of investments: | | |
| Fixed maturity and equity securities | 1,657 | 2,362 |
| Purchases and originations of investments: | | |
| Fixed maturity and equity securities | (4,166) | (4,054) |
| Commercial mortgage loans | (271) | (561) |
| Other invested assets | (236) | (235) |
| Short-term investments, net | 59 | 3 |
| Policy loans, net | 10 | 39 |
| Cash used by investing activities—discontinued operations | — | (21) |
| Net cash used by investing activities | (887) | (351) |
| Cash flows used by financing activities: | | |
| Deposits to universal life and investment contracts | 516 | 444 |
| Withdrawals from universal life and investment contracts | (914) | (1,096) |
| Redemption of non-recourse funding obligations | (315) | — |
| Repayment and repurchase of long-term debt | (471) | (1) |
| Repurchase of subsidiary shares | — | (22) |
| Dividends paid to noncontrolling interests | (9) | (14) |
| Other, net | 49 | 55 |
| Cash used by financing activities—discontinued operations | — | (61) |
| Net cash used by financing activities | (1,144) | (695) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash (includes $ —and $12 related to discontinued operations) | (12) | 12 |
| Net change in cash, cash equivalents and restricted cash | (744) | (239) |
| Cash, cash equivalents and restricted cash at beginning of period | 3,341 | 2,177 |
| Cash, cash equivalents and restricted cash at end of period | 2,597 | 1,938 |
| Less cash, cash equivalents and restricted cash of discontinued operations at end of period | — | 223 |
| Cash, cash equivalents and restricted cash of continuing operations at end of period | $ 2,597 | $ 1,715 |

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 (“IPO”) of Genworth’s 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, and was renamed Genworth Financial, Inc. (“Genworth Financial”) upon the completion of the reorganization.

On October 21, 2016, Genworth Financial entered into an agreement and plan of merger (the “Merger Agreement”) with Asia Pacific Global Capital Co., Ltd. (“Parent”), a limited liability company incorporated in the People’s Republic of China and a subsidiary of China Oceanwide Holdings Group Co., Ltd., a limited liability company incorporated in the People’s Republic of China (together with its affiliates, “China Oceanwide”), and Asia Pacific Global Capital USA Corporation (“Merger Sub”), a Delaware corporation and a direct, wholly-owned subsidiary of Asia Pacific Insurance USA Holdings LLC (“Asia Pacific Insurance”), which is a Delaware limited liability company and owned by China Oceanwide, pursuant to which, subject to the terms and conditions set forth therein, Merger Sub would merge with and into Genworth Financial with Genworth Financial surviving the merger as a direct, wholly-owned subsidiary of Asia Pacific Insurance. China Oceanwide has agreed to acquire all of our outstanding common stock for a total transaction value of approximately $2.7 billion, or $5.43 per share in cash. At a special meeting held on March 7, 2017, Genworth Financial’s stockholders voted on and approved a proposal to adopt the Merger Agreement. The closing of the transaction remains subject to other closing conditions.

The accompanying unaudited condensed financial statements include on a consolidated basis the accounts of Genworth Financial and the affiliate companies in which it holds a majority voting interest or where it is the primary beneficiary of a variable interest entity (“VIE”). All intercompany accounts and transactions have been eliminated in consolidation.

References to “Genworth Financial,” “Genworth,” the “Company,” “we” or “our” in the accompanying unaudited condensed consolidated financial statements and the notes thereto are, unless the context otherwise requires, to Genworth Financial, Inc. on a consolidated basis.

We operate our business through the following four operating segments:

- ***U.S. Mortgage Insurance.*** In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans (“flow mortgage insurance”). We selectively provide mortgage insurance on a bulk basis (“bulk mortgage insurance”) with essentially all of our bulk writings being prime-based.
- ***Australia Mortgage Insurance.*** In Australia, we offer flow mortgage insurance and selectively provide bulk mortgage insurance that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk.
- ***U.S. Life Insurance.*** We offer long-term care insurance products as well as service traditional life insurance and fixed annuity products in the United States.
- ***Runoff.*** The Runoff segment includes the results of products which have not been actively sold since 2011, but we continue to service our existing blocks of business. These products primarily include variable annuity, variable life insurance and corporate-owned life insurance, as well as funding agreements.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In addition to our four operating business segments, 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 certain smaller international mortgage insurance businesses and discontinued operations.

On December 12, 2019, we completed the sale of Genworth MI Canada Inc. ("Genworth Canada"), our former Canada mortgage insurance business, to an affiliate of Brookfield Business Partners L.P. ("Brookfield") and received approximately $1.7 billion in net cash proceeds. Prior to the sale, in the third quarter of 2019, Genworth Canada was reported as discontinued operations and its financial position, results of operations and cash flows were separately reported for all periods presented. All prior periods reflected herein have been re-presented on this basis. See note 14 for additional information related to discontinued operations.

Unless otherwise indicated, references to the condensed consolidated balance sheets, the condensed consolidated statements of income, the condensed consolidated statements of cash flows and the notes to the condensed consolidated financial statements, exclude amounts related to 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. Potential impacts, risks and uncertainties of the coronavirus pandemic ("COVID-19") may include investment valuations and impairments, commercial mortgage loan restructurings, deferred acquisition cost or intangible assets impairments or the acceleration of amortization, deferred tax asset recoverability and increases to insurance reserves, including higher claims reserves in our mortgage insurance businesses, among other matters. 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 2019 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

Each reporting period, we assess our ability to continue as a going concern for one yearfrom the date the financial statements are issued. As of June 30, 2020, Genworth Holdings has $494 million of unrestricted cash and cash equivalents. For the quarterly period ended June 30, 2020, our evaluation of our ability to meet our obligations included the following contractual obligations due within one year from the issue date of our unaudited condensed consolidated financial statements included herein:

- A partial settlement payment in the amount of £100 million ($125 million) paid to AXA S.A. ("AXA") on July 21, 2020 in connection with a settlement reached regarding the case titled *AXA S.A. v. Genworth Financial International Holdings, LLC et al.* As part of the settlement agreement, we issued a secured promissory note agreeing to pay AXA two installments in 2022. Under the settlement, certain cash flows to Genworth Holdings, including dividends and capital raises, above defined thresholds must be paid to AXA until the promissory note is fully repaid. In addition, over the next year, we expect to pay AXA approximately $25 million in interest on the promissory note, assuming we do not make any pre-payments, and we may make an additional one-time payment of approximately $40 million for an unrelated liability and other expenses. See note 12 for additional details on the case. See note 14 for additional details related to the sale of our former lifestyle protection insurance business and amounts recorded related to loss from discontinued operations.

- Genworth Holdings has $356 million of its 7.20% senior notes maturing in February 2021. We are currently in compliance with the terms of our debt agreements and interest payments on our senior notes are forecasted to be $158 million for the next twelve months. See note 9 for additional details on our long-term borrowings.

We also evaluate other conditions and events and their relative significance in relation to our ability to meet our obligations. As an example, we are exposed to risks associated with COVID-19, which has disrupted the global economy and financial markets, business operations, and consumer behavior and confidence.

- Due to higher delinquencies and the impact to capital levels resulting from COVID-19, we do not expect to receive further dividends in 2020 from our mortgage insurance subsidiaries.
- Due to the uncertain macroeconomic conditions surrounding COVID-19, on June 30, 2020, Genworth and China Oceanwide agreed to a fifteenth waiver and agreement extending the merger deadline to no later than September 30, 2020. The consummation of this transaction is dependent on steps outside of our control; accordingly, the associated post-closing capital contributions from China Oceanwide have not been included in this evaluation.

While conditions and events occurring and expected to occur raise doubt about our ability to meet our financial obligations for the next year, management's plans alleviate this doubt.

We are actively taking steps to raise capital to address our obligations, including a debt financing as well as, should our pending transaction with China Oceanwide not close, preparing for a 19.9% public offering of our U.S. mortgage insurance business subject to market conditions. We expect to engage in a debt financing through our U.S. mortgage insurance business later in 2020 which, along with existing cash and cash equivalents, would provide Genworth Holdings sufficient liquidity to meet its obligations and maintain business operations for one year from the issue date of the unaudited condensed consolidated financial statements. We believe this debt financing is probable to be effectively implemented given the value of the U.S. mortgage insurance business, the healthy conditions of the relevant credit markets, recent similar peer transactions and our history of similar refinancing transactions, among other factors.

The impact of the developing coronavirus pandemic is very difficult to predict Its related outcomes and impact on our business and the capital markets, and our ability to raise capital will depend on the length of the pandemic, economic impacts of social, global and political influences, and the shape of the economic recovery, among other factors and uncertainties. While these risks exist, we believe the execution of our plan will provide sufficient funds to meet our obligations for one year following the issuance of our unaudited condensed consolidated financial statements.

**(2) Accounting Changes**

*Accounting Pronouncements Recently Adopted*

On January 1, 2020, we adopted new accounting guidance related to disclosure requirements for defined benefit plans as part of the Financial Accounting Standards Board's (the "FASB") disclosure framework project. The guidance adds, eliminates and modifies certain disclosure requirements for defined benefit pension and other postretirement benefit plans. We adopted this new accounting guidance using the retrospective method, which did not have a significant impact on our condensed consolidated financial statements and disclosures.

On January 1, 2020, we adopted new accounting guidance related to fair value disclosure requirements as part of the FASB's disclosure framework project. The guidance adds, eliminates and modifies certain disclosure requirements for fair value measurements. The guidance includes new disclosure requirements related to changes in unrealized gains and losses included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements. We adopted this new accounting guidance using the prospective method for disclosures related to changes in unrealized gains and losses included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period, the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty and the retrospective method for all other disclosures. This accounting guidance did not impact our condensed consolidated financial statements but impacted our fair value disclosures.

In March 2020, the FASB issued new accounting guidance related to reference rate reform, which was effective for us on January 1, 2020. The guidance provides temporary guidance to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform, which includes the transition away from the London Interbank Offered Rate ("LIBOR"). This new guidance provides optional practical expedients and exceptions for applying generally accepted accounting principles to investments, derivatives or other transactions affected by reference rate reform such as those that impact the assessment of derivative hedge effectiveness and contract modifications, to include continuing hedge accounting when certain critical terms of a hedging relationship change and modifying certain effectiveness assessments to exclude certain potential sources of ineffectiveness. In addition to the optional practical expedients, the guidance includes a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. We adopted this guidance prospectively and it did not have a significant impact on our condensed consolidated financial statements or disclosures. However, the amendments in this guidance may be elected over time through December 31, 2022 as reference rate reform activities occur and therefore, this guidance may impact our procedures, including our process for assessing the effectiveness of our cash flow hedging relationships, determined on an individual hedge basis, as we implement measures to transition away from LIBOR.

On January 1, 2020, we adopted new accounting guidance related to accounting for credit losses on financial instruments.The guidance requires entities to recognize an allowance equal to its estimate of lifetime expected credit losses and applies to most financial instruments not measured at fair value, which primarily includes our commercial mortgage loans, bank loan investments and reinsurance recoverables. The new guidance also requires the recognition of an allowance for expected credit losses as a liability in our consolidated balance sheet for off-balance sheet credit exposures, including commitments to fund bank loan investments, private placement investments and commercial mortgage loans. The new guidance did not have a significant impact on other assets not measured at fair value. The FASB also issued an amendment to the guidance allowing entities to irrevocably elect the fair value option on an instrument-by-instrument basis for eligible instruments, which we did not elect.

For our commercial mortgage loans, we determine the adequacy of the allowance for credit losses utilizing an analytical model that provides various loss scenarios based on historical experience adjusted for current events, trends, economic conditions and reasonable and supportable forecasts that result in a loss in the loan portfolio over the estimated life of the loans. We revert to historical credit loss experience for periods beyond forecasts that are reasonable and supportable. The allowance for credit losses is measured on a collective basis with consideration for debt service coverage ratio, debt-to-value, property-type and geographic location. Key

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inputs into the analytical model include exposure, weighted-average life, return, historical loss rates and forecastscenarios. Actual amounts realized over time could differ from the amounts estimated for the allowance for credit losses reported in the condensed consolidated financial statements. Commercial mortgage loans are written off against the allowance to the extent principal or interest is deemed uncollectible. Accrued interest related to commercial mortgage loans is included in accrued investment income in our condensed consolidated balance sheet and had a carrying value of $25 million as of June 30, 2020. We do not measure an allowance for credit losses related to accrued interest as uncollectible accrued interest related to our commercial mortgage loans are written off after 90 days and once collectability is determined to be uncertain and not probable. Amounts written off related to accrued interest are recorded as a credit loss expense included in net investment gains (losses).

We adopted the guidance related to our investments carried at amortized cost using the modified retrospective method and recorded an allowance related to lifetime expected credit losses of $23 million, net of deferred taxes of $6 million, for commercial mortgage loans and bank loan investments, with an offset to cumulative effect of change in accounting within retained earnings. See note 4 for additional disclosures related to commercial mortgage loans. We adopted the guidance related to our off-balance sheet credit exposures using the modified retrospective method and recorded an allowance related to lifetime expected credit losses of $1 million, included in other liabilities in our condensed consolidated balance sheet, with an offset to cumulative effect of change in accounting within retained earnings.

The allowance for credit losses for reinsurance recoverables is evaluated based on historical loss experience adjusted for current events and reasonable and supportable forecasts from both internal and external sources. The allowance is measured by reinsurer, taking into consideration the reinsured product type and collateral type, and is calculated based on an externally reported probability of default corresponding to the reinsurer's credit rating and the expected duration of the reinsurer's contractual obligation to reimburse us for ceded claims on the underlying policies. Our estimate of the allowance reflects consideration for collateral securing the reinsurance agreements and expected recoveries of amounts previously charged off and expected to be charged off. We also consider other credit risk factors, including, among other factors, the historical frequency and severity of the associated insurance claims, aging of recoverables and regulatory, legal and economic factors, to determine if an additional incremental allowance for credit losses is required. No reversion adjustments are necessary as the starting point for our allowance for credit losses reflects historical loss experience covering the expected duration of the reinsurer's contractual obligation to reimburse us. If available facts and circumstances indicate the reinsurance recoverable does not reflect expectations consistent with the collective analysis, the reinsurance recoverable is assessed on a separate basis. Write-offs of reinsurance recoverables are deducted from the allowance in the period the reinsurance recoverable is determined to be uncollectible. We adopted the guidance related to our reinsurance recoverables using the modified retrospective method and recorded an allowance related to lifetime expected credit losses of $31 million, net of deferred taxes of $9 million, with an offset to cumulative effect of change in accounting within retained earnings. See note 8 for additional disclosures related to reinsurance recoverables.

The new guidance retains most of the existing impairment guidance foravailable-for-sale fixed maturity securities but amends the presentation of credit losses to reflect an allowance for credit losses as opposed to a write-down of the amortized cost of the investment and permits the reversal of credit losses through net income (loss) when reassessing changes in credit losses each reporting period. Available-for-sale fixed maturity securities in an unrealized loss position are evaluated to determine whether the decline in fair value is related to credit losses or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency/agencies and adverse conditions specifically related to the security, among other factors. If a credit loss exists, the present value of cash flows

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expected to be collected from the security are compared to the amortized cost basis of the security. If the presentvalue of cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses is recorded, limited by the amount that the fair value is less than the amortized cost basis. Estimating the cash flows expected to be collected is a quantitative and qualitative process that incorporates information received from third-party sources along with internal assumptions and judgments. When developing the estimate of cash flows expected to be collected, we utilize an analytical model that provides for various loss scenarios and consider the industry sector, current levels of subordination, geographic location and other relevant characteristics of the security or underlying assets, as well as reasonable and supportable forecasts. Losses are written off against the allowance when deemed uncollectible or when we intend to sell or expect we will be required to sell a security prior to recovering our amortized cost. We exclude accrued interest related to available-for-sale fixed maturity securities from the estimate of allowance for credit losses. Accrued interest is included in accrued investment income in our condensed consolidated balance sheet and had a carrying value of $544 million as of June 30, 2020. We do not measure an allowance for credit losses related to accrued interest as uncollectible accrued interest related to our available-for-sale fixed maturity securities are written off after 90 days and once collectability is determined to be uncertain and not probable. Amounts written off related to accrued interest are recorded as a credit loss expense included in net investment gains (losses). We adopted the guidance related to our available-for-sale fixed maturity securities for which a previous other-than-temporary impairment was recognized prior to the date of adoption using the prospective method and the modified retrospective method for all other available-for-sale fixed maturity securities, which did not have any impact upon adoption.

*Accounting Pronouncements Not Yet Adopted*

In December 2019, the FASB issued new accounting guidance related to simplifying the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance is currently effective for us on January 1, 2021 using the retrospective method or modified retrospective method for certain changes and prospective method for all other changes, with early adoption permitted. We are in process of evaluating the impact the guidance may have on our consolidated financial statements and disclosures.

In August 2018, the FASB issued new accounting guidance that significantly changes the recognition and measurement of long-duration insurance contracts and expands disclosure requirements, which impacts our life insurance deferred acquisition costs (“DAC”) and liabilities. In accordance with the guidance, the more significant changes include:

- assumptions will no longer belocked-in at contract inception and all cash flow assumptions used to estimate the liability for future policy benefits (except the discount rate) will be reviewed at least annually in the same period each year or more frequently if actual experience indicates a change is required. Changes will be recorded in net income (loss) using a retrospective approach with a cumulative catch-up adjustment by recalculating the net premium ratio (which will be capped at 100%) using actual historical and updated future cash flow assumptions;
- the discount rate used to determine the liability for future policy benefits will be a current upper-medium grade (low credit risk) fixed-income instrument yield, which is generally interpreted to mean a single-A rated bond rate for the same duration, and is required to be reviewed quarterly, with changes in the discount rate recorded in other comprehensive income (loss);
- the provision for adverse deviation and the premium deficiency test will be eliminated;

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- market risk benefits associated with deposit-type contracts will be measured at fair value with changes related to instrument-specific credit risk recorded in other comprehensive income (loss) and remaining changes recorded in net income (loss);
- the amortization method for DAC will generally be on a straight-line basis over the expected contract term; and
- disclosures will be greatly expanded to include significant assumptions and product liability rollforwards.

We expect this guidance to be effective for us on January 1, 2023, subject to the FASB finalizing an additionalone-year delay, using the modified retrospective method, with early adoption permitted. Given the nature and extent of the changes to our operations, this guidance is expected to have a significant impact on our condensed consolidated financial statements.

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**(3) Earnings (Loss) Per Share**

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(Amounts in millions, except per share amounts)** | **2020** | **2019** | **2020** | **2019** |
| Weighted-average shares used in basic earnings per share calculations | 505.4 | 503.4 | 504.8 | 502.3 |
| Potentially dilutive securities: | | | | |
| Stock options, restricted stock units and stock appreciation rights | 7.1 | 5.3 | 6.3 | 6.4 |
| Weighted-average shares used in diluted earnings per share calculations | 512.5 | 508.7 | 511.1 | 508.7 |
| Income from continuing operations: | | | | |
| Income from continuing operations | $ 102 | $ 158 | $ 30 | $ 326 |
| Less: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 17 | 35 |
| Income from continuing operations available to Genworth Financial, Inc.’s common stockholders | $ 79 | $ 143 | $ 13 | $ 291 |
| Basic per share | $ 0.16 | $ 0.29 | $ 0.03 | $ 0.58 |
| Diluted per share | $ 0.15 | $ 0.28 | $ 0.03 | $ 0.57 |
| Income (loss) from discontinued operations: | | | | |
| Income (loss) from discontinued operations, net of taxes | $ (520) | $ 60 | $ (520) | $ 122 |
| Less: net income from discontinued operations attributable to noncontrolling interests | — | 35 | — | 71 |
| Income (loss) from discontinued operations available to Genworth Financial, Inc.’s common stockholders | $ (520) | $ 25 | $ (520) | $ 51 |
| Basic per share | $ (1.03) | $ 0.05 | $ (1.03) | $ 0.10 |
| Diluted per share | $ (1.01) | $ 0.05 | $ (1.02) | $ 0.10 |
| Net income (loss): | | | | |
| Income from continuing operations | $ 102 | $ 158 | $ 30 | $ 326 |
| Income (loss) from discontinued operations, net of taxes | (520) | 60 | (520) | 122 |
| Net income (loss) | (418) | 218 | (490) | 448 |
| Less: net income attributable to noncontrolling interests | 23 | 50 | 17 | 106 |
| Net income (loss) available to Genworth Financial, Inc.’s common stockholders | $ (441) | $ 168 | $ (507) | $ 342 |
| Basic per share [1] | $ (0.87) | $ 0.33 | $ (1.00) | $ 0.68 |
| Diluted per share | $ (0.86) | $ 0.33 | $ (0.99) | $ 0.67 |

(1) May not total due to whole number calculation.

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**(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, 2020 | Three months ended June 30, 2019 | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|---|---|---|---|---|
| Fixed maturity securities—taxable | $ 601 | $ 634 | $1,223 | $1,247 |
| Fixed maturity securities—non-taxable | 1 | 2 | 3 | 4 |
| Equity securities | 2 | 5 | 4 | 9 |
| Commercial mortgage loans | 84 | 85 | 169 | 167 |
| Policy loans | 49 | 45 | 98 | 91 |
| Other invested assets | 66 | 59 | 113 | 118 |
| Cash, cash equivalents, restricted cash and short-term investments | 4 | 11 | 15 | 22 |
| Gross investment income before expenses and fees | 807 | 841 | 1,625 | 1,658 |
| Expenses and fees | (21) | (25) | (46) | (48) |
| Net investment income | $ 786 | $ 816 | $1,579 | $1,610 |

*(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, 2020 | Three months ended June 30, 2019 | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|---|---|---|---|---|
| Available-for-sale fixed maturity securities: | | | | |
| Realized gains | $ 119 | $ 10 | $ 133 | $ 74 |
| Realized losses | (5) | (21) | (6) | (27) |
| Net realized gains (losses) on available-for-sale fixed maturity securities | 114 | (11) | 127 | 47 |
| Impairments: | | | | |
| Total other-than-temporary impairments | — | — | — | — |
| Portion of other-than-temporary impairments included in other comprehensive income (loss) | — | — | — | — |
| Net other-than-temporary impairments | — | — | — | — |
| Net change in allowance for credit losses on available-for-sale fixed maturity securities | (7) | — | (7) | — |
| Net realized gains (losses) on equity securities sold | — | — | — | 3 |
| Net unrealized gains (losses) on equity securities still held | 9 | 5 | (10) | 17 |
| Limited partnerships | 37 | (11) | (3) | 4 |
| Commercial mortgage loans | 1 | 1 | 1 | — |
| Derivative instruments [1] | 10 | (30) | (95) | (42) |
| Other | (5) | — | (6) | — |
| Net investment gains (losses) | $ 159 | $ (46) | $ 7 | $ 29 |

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

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See note 2 for a discussion of our policy for evaluating and measuring the allowance for credit losses related to our available-for-sale fixed maturity securities. The following table represents the allowance for credit losses aggregated by security type for available-for-sale fixed maturity investments as of and for the three and six months ended June 30, 2020:

| (Amounts in millions) | Beginning balance | Increase from securities without allowance in previous periods | Increase (decrease) from securities with allowance in previous periods | Securities sold | Decrease due to change in intent or requirement to sell | Write-offs | Recoveries | Ending balance |
|---|---|---|---|---|---|---|---|---|
| Fixed maturity securities: | | | | | | | | |
| Non-U.S. corporate | $ — | $ 4 | $ — | $ — | $ — | $ — | $ — | $ 4 |
| Commercial mortgage-backed | — | 3 | — | — | — | — | — | 3 |
| Total available-for-sale fixed maturity securities | $ — | $ 7 | $ — | $ — | $ — | $ — | $ — | $ 7 |

The following represents the activity for credit losses recognized in net income (loss) 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 ("OCI") as of and for the periods indicated:

| (Amounts in millions) | Three months ended June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| Beginning balance | $ 23 | $ 24 |
| Reductions: | | |
| Securities sold, paid down or disposed | — | (1) |
| Ending balance | $ 23 | $ 23 |

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*(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, 2020 | December 31, 2019 |
|---|---|---|
| Net unrealized gains (losses) on fixed maturity securities without an allowance for credit losses[1] | $ 8,766 | $ 6,676 |
| Net unrealized gains (losses) on fixed maturity securities with an allowance for credit losses[1] | (10) | — |
| Adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves | (6,420) | (4,789) |
| Income taxes, net | (501) | (406) |
| Net unrealized investment gains (losses) | 1,835 | 1,481 |
| Less: net unrealized investment gains (losses) attributable to noncontrolling interests | 24 | 25 |
| Net unrealized investment gains (losses) attributable to Genworth Financial, Inc. | $ 1,811 | $ 1,456 |

(1) Excludes foreign exchange.

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) | 2020 | 2019 |
| Beginning balance | $ 1,140 | $ 943 |
| Unrealized gains (losses) arising during the period: | | |
| Unrealized gains (losses) on fixed maturity securities | 3,911 | 1,957 |
| Adjustment to deferred acquisition costs | (111) | (52) |
| Adjustment to present value of future profits | 5 | (2) |
| Adjustment to sales inducements | (34) | (12) |
| Adjustment to benefit reserves | (2,802) | (1,412) |
| Provision for income taxes | (207) | (104) |
| Change in unrealized gains (losses) on investment securities | 762 | 375 |
| Reclassification adjustments to net investment (gains) losses, net of taxes of $24 and $(1) | (88) | 1 |
| Change in net unrealized investment gains (losses) | 674 | 376 |
| Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests | 3 | 14 |
| Ending balance | $ 1,811 | $ 1,305 |

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| (Amounts in millions) | As of or for the six months ended June 30, 2020 | 2019 |
|---|---|---|
| Beginning balance | $ 1,456 | $ 595 |
| Unrealized gains (losses) arising during the period: | | |
| Unrealized gains (losses) on fixed maturity securities | 2,199 | 3,956 |
| Adjustment to deferred acquisition costs | 57 | (1,041) |
| Adjustment to present value of future profits | 4 | (55) |
| Adjustment to sales inducements | 2 | (31) |
| Adjustment to benefit reserves | (1,694) | (1,800) |
| Provision for income taxes | (120) | (227) |
| Change in unrealized gains (losses) on investment securities | 448 | 802 |
| Reclassification adjustments to net investment (gains) losses, net of taxes of $25 and $12 | (94) | (46) |
| Change in net unrealized investment gains (losses) | 354 | 756 |
| Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests | (1) | 46 |
| Ending balance | $ 1,811 | $ 1,305 |

Amounts reclassified out of accumulated other comprehensive income (loss) to net investment gains (losses) include realized gains (losses) on sales of securities, which are determined on a specific identification basis.

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*(d) Fixed Maturity Securities*

As of June 30, 2020, the amortized cost or cost, gross unrealized gains (losses), allowance for credit losses and fair value of our fixed maturity securities classified as available-for-sale were as follows:

| (Amounts in millions) | Amortized cost or cost | Gross unrealized gains | Gross unrealized losses | Allowance for credit losses | Fair value |
|---|---|---|---|---|---|
| Fixed maturity securities: | | | | | |
| U.S. government, agencies and government-sponsored enterprises | $ 3,877 | $ 1,725 | $ — | $ — | $ 5,602 |
| State and political subdivisions | 2,503 | 496 | (1) | — | 2,998 |
| Non-U.S. government | 1,424 | 125 | (7) | — | 1,542 |
| U.S. corporate: | | | | | |
| Utilities | 4,392 | 879 | (1) | — | 5,270 |
| Energy | 2,454 | 203 | (63) | — | 2,594 |
| Finance and insurance | 7,400 | 1,017 | (14) | — | 8,403 |
| Consumer—non-cyclical | 5,132 | 1,147 | (2) | — | 6,277 |
| Technology and communications | 2,912 | 503 | (4) | — | 3,411 |
| Industrial | 1,350 | 157 | (4) | — | 1,503 |
| Capital goods | 2,580 | 454 | (6) | — | 3,028 |
| Consumer—cyclical | 1,748 | 224 | (6) | — | 1,966 |
| Transportation | 1,335 | 254 | (24) | — | 1,565 |
| Other | 340 | 38 | — | — | 378 |
| Total U.S. corporate | 29,643 | 4,876 | (124) | — | 34,395 |
| Non-U.S. corporate: | | | | | |
| Utilities | 811 | 68 | — | — | 879 |
| Energy | 1,141 | 148 | (14) | — | 1,275 |
| Finance and insurance | 2,199 | 284 | (16) | (1) | 2,466 |
| Consumer—non-cyclical | 692 | 86 | (1) | — | 777 |
| Technology and communications | 1,066 | 182 | (1) | — | 1,247 |
| Industrial | 883 | 116 | (4) | — | 995 |
| Capital goods | 565 | 50 | (2) | — | 613 |
| Consumer—cyclical | 380 | 27 | — | — | 407 |
| Transportation | 560 | 84 | (6) | (3) | 635 |
| Other | 1,376 | 218 | (3) | — | 1,591 |
| Total non-U.S. corporate | 9,673 | 1,263 | (47) | (4) | 10,885 |
| Residential mortgage-backed | 1,927 | 259 | (2) | — | 2,184 |
| Commercial mortgage-backed | 2,800 | 225 | (52) | (3) | 2,970 |
| Other asset-backed | 2,987 | 30 | (49) | — | 2,968 |
| Total available-for-sale fixed maturity securities | $ 54,834 | $ 8,999 | $ (282) | $ (7) | $63,544 |

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As of December 31, 2019, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity 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 | $ 4,073 | $ 952 | $ — | $ — | $ — | $ 5,025 |
| State and political subdivisions | 2,394 | 355 | — | (2) | — | 2,747 |
| Non-U.S. government | 1,235 | 117 | — | (2) | — | 1,350 |
| U.S. corporate: | | | | | | |
| Utilities | 4,322 | 675 | — | — | — | 4,997 |
| Energy | 2,404 | 303 | — | (8) | — | 2,699 |
| Finance and insurance | 6,977 | 798 | — | (1) | — | 7,774 |
| Consumer—non-cyclical | 4,909 | 796 | — | (4) | — | 5,701 |
| Technology and communications | 2,883 | 363 | — | (1) | — | 3,245 |
| Industrial | 1,271 | 125 | — | — | — | 1,396 |
| Capital goods | 2,345 | 367 | — | (1) | — | 2,711 |
| Consumer—cyclical | 1,590 | 172 | — | (2) | — | 1,760 |
| Transportation | 1,320 | 187 | — | (1) | — | 1,506 |
| Other | 292 | 30 | — | — | — | 322 |
| Total U.S. corporate | 28,313 | 3,816 | — | (18) | — | 32,111 |
| Non-U.S. corporate: | | | | | | |
| Utilities | 779 | 50 | — | — | — | 829 |
| Energy | 1,140 | 179 | — | — | — | 1,319 |
| Finance and insurance | 2,087 | 232 | — | — | — | 2,319 |
| Consumer—non-cyclical | 631 | 55 | — | (2) | — | 684 |
| Technology and communications | 1,010 | 128 | — | — | — | 1,138 |
| Industrial | 896 | 92 | — | — | — | 988 |
| Capital goods | 565 | 40 | — | — | — | 605 |
| Consumer—cyclical | 373 | 24 | — | — | — | 397 |
| Transportation | 557 | 73 | — | (1) | — | 629 |
| Other | 1,431 | 188 | — | (2) | — | 1,617 |
| Total non-U.S. corporate | 9,469 | 1,061 | — | (5) | — | 10,525 |
| Residential mortgage-backed | 2,057 | 199 | 15 | (1) | — | 2,270 |
| Commercial mortgage-backed | 2,897 | 137 | — | (8) | — | 3,026 |
| Other asset-backed | 3,262 | 30 | — | (7) | — | 3,285 |
| Total available-for-sale fixed maturity securities | $ 53,700 | $ 6,667 | $ 15 | $ (43) | $ — | $60,339 |

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The following table presents the gross unrealized losses and fair values of our fixed maturity securities for which an allowance for credit losses has not been recorded, aggregated by investment type and length of time that individual fixed maturity securities have been in a continuous unrealized loss position, as of June 30, 2020:

| | 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 | Number of securities | Fair value | Gross unrealized losses | Number of securities |
| **Description of Securities** | | | | | | | | | |
| Fixed maturity securities: | | | | | | | | | |
| State and political subdivisions | $ 23 | $ (1) | 6 | $— | $ — | — | $ 23 | $ (1) | 6 |
| Non-U.S. government | 207 | (7) | 18 | — | — | — | 207 | (7) | 18 |
| U.S. corporate | 1,785 | (107) | 291 | 182 | (17) | 18 | 1,967 | (124) | 309 |
| Non-U.S. corporate | 613 | (37) | 125 | 12 | (2) | 2 | 625 | (39) | 127 |
| Residential mortgage-backed | 36 | (1) | 11 | 8 | (1) | 4 | 44 | (2) | 15 |
| Commercial mortgage-backed | 625 | (50) | 105 | — | — | — | 625 | (50) | 105 |
| Other asset-backed | 1,329 | (38) | 291 | 263 | (11) | 62 | 1,592 | (49) | 353 |
| Total for fixed maturity securities in an unrealized loss position | $4,618 | $ (241) | 847 | $465 | $ (31) | 86 | $5,083 | $ (272) | 933 |
| % Below cost: | | | | | | | | | |
| <20% Below cost | $4,538 | $ (211) | 825 | $442 | $ (24) | 83 | $4,980 | $ (235) | 908 |
| 20%-50% Below cost | 80 | (30) | 22 | 22 | (6) | 2 | 102 | (36) | 24 |
| >50% Below cost | — | — | — | 1 | (1) | 1 | 1 | (1) | 1 |
| Total for fixed maturity securities in an unrealized loss position | $4,618 | $ (241) | 847 | $465 | $ (31) | 86 | $5,083 | $ (272) | 933 |
| Investment grade | $3,731 | $ (163) | 701 | $330 | $ (18) | 71 | $4,061 | $ (181) | 772 |
| Below investment grade | 887 | (78) | 146 | 135 | (13) | 15 | 1,022 | (91) | 161 |
| Total for fixed maturity securities in an unrealized loss position | $4,618 | $ (241) | 847 | $465 | $ (31) | 86 | $5,083 | $ (272) | 933 |

GENWORTH FINANCIAL, INC.

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The following table presents the gross unrealized losses and fair values of our corporate securities, for which an allowance for credit loss has not been recorded, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of June 30, 2020:

| | 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 | Number of securities | Fair value | Gross unrealized losses | Number of securities |
| **Description of Securities** | | | | | | | | | |
| U.S. corporate: | | | | | | | | | |
| Utilities | $ 35 | $ (1) | 6 | $— | $ — | — | $ 35 | $ (1) | 6 |
| Energy | 594 | (50) | 93 | 88 | (13) | 11 | 682 | (63) | 104 |
| Finance and insurance | 429 | (14) | 56 | — | — | — | 429 | (14) | 56 |
| Consumer—non-cyclical | 80 | (1) | 17 | 43 | (1) | 2 | 123 | (2) | 19 |
| Technology and communications | 89 | (4) | 20 | — | — | — | 89 | (4) | 20 |
| Industrial | 98 | (4) | 9 | — | — | — | 98 | (4) | 9 |
| Capital goods | 90 | (5) | 14 | 14 | (1) | 1 | 104 | (6) | 15 |
| Consumer—cyclical | 181 | (4) | 32 | 37 | (2) | 4 | 218 | (6) | 36 |
| Transportation | 189 | (24) | 44 | — | — | — | 189 | (24) | 44 |
| Subtotal, U.S. corporate securities | 1,785 | (107) | 291 | 182 | (17) | 18 | 1,967 | (124) | 309 |
| Non-U.S. corporate: | | | | | | | | | |
| Energy | 150 | (14) | 23 | — | — | — | 150 | (14) | 23 |
| Finance and insurance | 215 | (10) | 43 | — | — | — | 215 | (10) | 43 |
| Consumer—non-cyclical | — | — | — | 6 | (1) | 1 | 6 | (1) | 1 |
| Technology and communications | 34 | (1) | 16 | — | — | — | 34 | (1) | 16 |
| Industrial | 80 | (4) | 11 | — | — | — | 80 | (4) | 11 |
| Capital goods | 62 | (2) | 8 | — | — | — | 62 | (2) | 8 |
| Transportation | 42 | (4) | 15 | — | — | — | 42 | (4) | 15 |
| Other | 30 | (2) | 9 | 6 | (1) | 1 | 36 | (3) | 10 |
| Subtotal, non-U.S. corporate securities | 613 | (37) | 125 | 12 | (2) | 2 | 625 | (39) | 127 |
| Total for corporate securities in an unrealized loss position | $2,398 | $ (144) | 416 | $194 | $ (19) | 20 | $2,592 | $ (163) | 436 |

We did not recognize an allowance for credit losses on securities in an unrealized loss position included in the tables above. Based on a qualitative and quantitative review of the issuers of the securities, we believe the decline in fair value is largely due to recent market volatility and is not indicative of credit losses. The issuers continue to make timely principal and interest payments. For all securities in an unrealized loss position without an allowance for credit losses, we expect to recover the amortized cost based on our estimate of the amount and timing 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.

GENWORTH FINANCIAL, INC.

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The following table presents the gross unrealized losses and fair values of our fixed maturity securities, aggregated by investment type and length of time that individual fixed maturity securities have been in a continuous unrealized loss position, as of December 31, 2019:

| | 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 | Number of securities | Fair value | Gross unrealized losses | Number of securities |
| **Description of Securities** | | | | | | | | | |
| Fixed maturity securities: | | | | | | | | | |
| State and political subdivisions | $ 91 | $ (2) | 14 | $— | $ — | — | $ 91 | $ (2) | 14 |
| Non-U.S. government | 224 | (2) | 20 | — | — | — | 224 | (2) | 20 |
| U.S. corporate | 123 | (5) | 27 | 302 | (13) | 33 | 425 | (18) | 60 |
| Non-U.S. corporate | 79 | (1) | 12 | 62 | (4) | 7 | 141 | (5) | 19 |
| Residential mortgage-backed | 22 | (1) | 10 | — | — | — | 22 | (1) | 10 |
| Commercial mortgage-backed | 381 | (5) | 51 | 14 | (3) | 3 | 395 | (8) | 54 |
| Other asset-backed | 532 | (2) | 97 | 439 | (5) | 115 | 971 | (7) | 212 |
| Total for fixed maturity securities in an unrealized loss position | $1,452 | $ (18) | 231 | $817 | $ (25) | 158 | $2,269 | $ (43) | 389 |
| % Below cost: | | | | | | | | | |
| <20% Below cost | $1,452 | $ (18) | 231 | $807 | $ (20) | 155 | $2,259 | $ (38) | 386 |
| 20%-50% Below cost | — | — | — | 10 | (5) | 3 | 10 | (5) | 3 |
| Total for fixed maturity securities in an unrealized loss position | $1,452 | $ (18) | 231 | $817 | $ (25) | 158 | $2,269 | $ (43) | 389 |
| Investment grade | $1,408 | $ (14) | 223 | $702 | $ (15) | 145 | $2,110 | $ (29) | 368 |
| Below investment grade | 44 | (4) | 8 | 115 | (10) | 13 | 159 | (14) | 21 |
| Total for fixed maturity securities in an unrealized loss position | $1,452 | $ (18) | 231 | $817 | $ (25) | 158 | $2,269 | $ (43) | 389 |

GENWORTH FINANCIAL, INC.

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The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of December 31, 2019:

| | 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 | Number of securities | Fair value | Gross unrealized losses | Number of securities |
| **Description of Securities** | | | | | | | | | |
| U.S. corporate: | | | | | | | | | |
| Energy | $ 54 | $ (3) | 10 | $ 80 | $ (5) | 10 | $134 | $ (8) | 20 |
| Finance and insurance | — | — | — | 34 | (1) | 4 | 34 | (1) | 4 |
| Consumer—non-cyclical | 34 | (1) | 9 | 93 | (3) | 9 | 127 | (4) | 18 |
| Technology and communications | — | — | — | 18 | (1) | 2 | 18 | (1) | 2 |
| Capital goods | 35 | (1) | 8 | — | — | — | 35 | (1) | 8 |
| Consumer—cyclical | — | — | — | 54 | (2) | 6 | 54 | (2) | 6 |
| Transportation | — | — | — | 23 | (1) | 2 | 23 | (1) | 2 |
| Subtotal, U.S. corporate securities | 123 | (5) | 27 | 302 | (13) | 33 | 425 | (18) | 60 |
| Non-U.S. corporate: | | | | | | | | | |
| Consumer—non-cyclical | — | — | — | 31 | (2) | 3 | 31 | (2) | 3 |
| Transportation | — | — | — | 25 | (1) | 3 | 25 | (1) | 3 |
| Other | 79 | (1) | 12 | 6 | (1) | 1 | 85 | (2) | 13 |
| Subtotal, non-U.S. corporate securities | 79 | (1) | 12 | 62 | (4) | 7 | 141 | (5) | 19 |
| Total for corporate securities in an unrealized loss position | $202 | $ (6) | 39 | $364 | $ (17) | 40 | $566 | $ (23) | 79 |

The scheduled maturity distribution of fixed maturity securities as of June 30, 2020 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 | $ 1,494 | $ 1,517 |
| Due after one year through five years | 9,518 | 10,054 |
| Due after five years through ten years | 12,978 | 14,478 |
| Due after ten years | 23,130 | 29,373 |
| Subtotal | 47,120 | 55,422 |
| Residential mortgage-backed | 1,927 | 2,184 |
| Commercial mortgage-backed | 2,800 | 2,970 |
| Other asset-backed | 2,987 | 2,968 |
| Total | $ 54,834 | $63,544 |

As of June 30, 2020, securities issued by finance and insurance,consumer—non-cyclical, utilities and technology and communications industry groups represented approximately 24%, 16%, 14% and 10%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio.

As of June 30, 2020, 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 principal payments, amortization and allowance for credit losses.

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, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| **(Amounts in millions)** | **Carrying value** | **% of total** | **Carrying value** | **% of total** |
| Property type: | | | | |
| Retail | $ 2,531 | 36% | $ 2,590 | 37% |
| Industrial | 1,655 | 24 | 1,670 | 24 |
| Office | 1,636 | 24 | 1,632 | 23 |
| Apartments | 583 | 8 | 541 | 8 |
| Mixed use | 279 | 4 | 281 | 4 |
| Other | 261 | 4 | 266 | 4 |
| Subtotal | 6,945 | 100% | 6,980 | 100% |
| Unamortized balance of loan origination fees | — | | (4) | |
| Allowance for credit losses | (28) | | (13) | |
| Total | $ 6,917 | | $ 6,963 | |

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| | June 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| (Amounts in millions) | Carrying value | % of total | Carrying value | % of total |
| Geographic region: | | | | |
| South Atlantic | $ 1,751 | 25% | $ 1,715 | 25% |
| Pacific | 1,623 | 23 | 1,673 | 24 |
| Middle Atlantic | 989 | 14 | 992 | 14 |
| Mountain | 765 | 11 | 753 | 11 |
| West North Central | 476 | 7 | 488 | 7 |
| East North Central | 457 | 7 | 455 | 6 |
| West South Central | 436 | 6 | 433 | 6 |
| New England | 254 | 4 | 257 | 4 |
| East South Central | 194 | 3 | 214 | 3 |
| Subtotal | 6,945 | 100% | 6,980 | 100% |
| Unamortized balance of loan origination fees | — | | (4) | |
| Allowance for credit losses | (28) | | (13) | |
| Total | $ 6,917 | | $ 6,963 | |

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

| | June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| (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 | $ 2,521 | $2,531 |
| Industrial | — | — | — | — | 1,655 | 1,655 |
| Office | — | — | — | — | 1,636 | 1,636 |
| Apartments | — | — | — | — | 583 | 583 |
| Mixed use | — | — | — | — | 279 | 279 |
| Other | — | — | — | — | 261 | 261 |
| Total amortized cost | $ 10 | $ — | $ — | $ 10 | $ 6,935 | $6,945 |
| % of total commercial mortgage loans | — % | — % | — % | — % | 100% | 100% |

GENWORTH FINANCIAL, INC.

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| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| (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 | $ — | $ — | $ — | $ — | $ 2,590 | $2,590 |
| Industrial | — | — | — | — | 1,670 | 1,670 |
| Office | — | — | — | — | 1,632 | 1,632 |
| Apartments | — | — | — | — | 541 | 541 |
| Mixed use | — | — | — | — | 281 | 281 |
| Other | — | — | — | — | 266 | 266 |
| Total recorded investment | $ — | $ — | $ — | $ — | $ 6,980 | $6,980 |
| % of total commercial mortgage loans | — % | — % | — % | — % | 100% | 100% |

For a discussion of our policy related to placing commercial mortgage loans on non-accrual status, see Note 2—Summary of Significant Accounting Policies included in the Notes to Consolidated Financial Statements in our 2019 Annual Report on Form 10-K. As of June 30, 2020 and December 31, 2019, we had no commercial mortgage loans on non-accrual status.

During the six months ended June 30, 2020 and the year ended December 31, 2019, we did not have any modifications or extensions that were considered troubled debt restructurings.

The following table sets forth the allowance for credit losses related to commercial mortgage loans as of or for the periods indicated:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2020 | 2019 | 2020 | 2019 |
| Allowance for credit losses: | | | | |
| Beginning balance | $ 29 | $ 10 | $ 13 | $ 9 |
| Cumulative effect of change in accounting | — | — | 16 | — |
| Provision | (1) | 1 | (1) | 2 |
| Write-offs | — | — | — | — |
| Recoveries | — | — | — | — |
| Ending balance | $ 28 | $ 11 | $ 28 | $ 11 |

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 debt-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 debt-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 debt-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 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 is not 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.

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

| | June 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| (Amounts in millions) | 0% - 50% | 51% - 60% | 61% - 75% | 76% - 100% | Greater than 100% | Total |
| Property type: | | | | | | |
| Retail | $ 963 | $ 572 | $ 996 | $ — | $ — | $2,531 |
| Industrial | 758 | 344 | 553 | — | — | 1,655 |
| Office | 530 | 359 | 739 | 8 | — | 1,636 |
| Apartments | 218 | 98 | 267 | — | — | 583 |
| Mixed use | 104 | 67 | 108 | — | — | 279 |
| Other | 57 | 65 | 139 | — | — | 261 |
| Total amortized cost | $ 2,630 | $ 1,505 | $ 2,802 | $ 8 | $ — | $6,945 |
| % of total | 38% | 22% | 40% | — % | — % | 100% |
| Weighted-average debt service coverage ratio | 2.31 | 1.80 | 1.56 | 1.42 | — | 1.90 |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| (Amounts in millions) | 0% - 50% | 51% - 60% | 61% - 75% | 76% - 100% | Greater than 100% | Total |
| Property type: | | | | | | |
| Retail | $ 986 | $ 579 | $ 1,025 | $ — | $ — | $2,590 |
| Industrial | 808 | 337 | 525 | — | — | 1,670 |
| Office | 529 | 380 | 723 | — | — | 1,632 |
| Apartments | 211 | 110 | 220 | — | — | 541 |
| Mixed use | 104 | 70 | 107 | — | — | 281 |
| Other | 56 | 69 | 141 | — | — | 266 |
| Total recorded investment | $ 2,694 | $ 1,545 | $ 2,741 | $ — | $ — | $6,980 |
| % of total | 39% | 22% | 39% | — % | — % | 100% |
| Weighted-average debt service coverage ratio | 2.32 | 1.81 | 1.55 | — | — | 1.90 |

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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, 2020 | | | | | |
|---|---|---|---|---|---|---|
| (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 | $ 63 | $ 136 | $ 599 | $ 1,118 | $ 615 | $2,531 |
| Industrial | 24 | 64 | 215 | 670 | 682 | 1,655 |
| Office | 28 | 112 | 269 | 751 | 476 | 1,636 |
| Apartments | 11 | 25 | 178 | 184 | 185 | 583 |
| Mixed use | 3 | 18 | 37 | 106 | 115 | 279 |
| Other | 33 | 145 | 19 | 31 | 33 | 261 |
| Total amortized cost | $ 162 | $ 500 | $ 1,317 | $ 2,860 | $ 2,106 | $6,945 |
| % of total | 3% | 7% | 19% | 41% | 30% | 100% |
| Weighted-average debt-to-value | 57% | 61% | 63% | 58% | 41% | 54% |

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| (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 | $ 68 | $ 141 | $ 596 | $ 1,148 | $ 637 | $2,590 |
| Industrial | 24 | 51 | 221 | 658 | 716 | 1,670 |
| Office | 44 | 89 | 277 | 751 | 471 | 1,632 |
| Apartments | 16 | 32 | 129 | 175 | 189 | 541 |
| Mixed use | 4 | 16 | 37 | 107 | 117 | 281 |
| Other | 34 | 147 | 20 | 31 | 34 | 266 |
| Total recorded investment | $ 190 | $ 476 | $ 1,280 | $ 2,870 | $ 2,164 | $6,980 |
| % of total | 3% | 7% | 18% | 41% | 31% | 100% |
| Weighted-average debt-to-value | 59% | 61% | 63% | 58% | 41% | 54% |

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The following tables set forth commercial mortgage loans by year of origination and credit quality indicator as of June 30, 2020:

| (Amounts in millions) | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 and prior | Total |
|---|---|---|---|---|---|---|---|
| Debt-to-value: | | | | | | | |
| 0% - 50% | $ 4 | $ 15 | $ 36 | $105 | $118 | $ 2,352 | $2,630 |
| 51% - 60% | 29 | 33 | 190 | 289 | 155 | 809 | 1,505 |
| 61% - 75% | 236 | 748 | 766 | 337 | 226 | 489 | 2,802 |
| 76% - 100% | — | — | 8 | — | — | — | 8 |
| Greater than 100% | — | — | — | — | — | — | — |
| Total amortized cost | $269 | $796 | $1,000 | $731 | $499 | $ 3,650 | $6,945 |
| Debt service coverage ratio: | | | | | | | |
| Less than 1.00 | $— | $— | $ 33 | $ 3 | $— | $ 126 | $ 162 |
| 1.00 - 1.25 | 39 | 12 | 107 | 73 | 13 | 256 | 500 |
| 1.26 - 1.50 | 62 | 359 | 261 | 97 | 88 | 450 | 1,317 |
| 1.51 - 2.00 | 130 | 357 | 505 | 322 | 268 | 1,278 | 2,860 |
| Greater than 2.00 | 38 | 68 | 94 | 236 | 130 | 1,540 | 2,106 |
| Total amortized cost | $269 | $796 | $1,000 | $731 | $499 | $ 3,650 | $6,945 |
| Write-offs, gross | $— | $— | $ — | $— | $— | $ — | $ — |
| Recoveries | — | — | — | — | — | — | — |
| Write-offs, net | $— | $— | $ — | $— | $— | $ — | $ — |

*(f) Limited Partnerships or Similar Entities*

Limited partnerships are accounted for at fair value when our partnership interest is considered minor (generally less than 3% ownership in the limited partnerships) and we exercise no influence over operating and financial policies. If our ownership percentage exceeds that threshold, limited partnerships are accounted for using the equity method of accounting. In applying either method, we use financial information provided by the investee generally on a one-to-three month lag. However, for limited partnerships measured at fair value, we consider whether an adjustment to the estimated fair value is necessary when the measurement date is not aligned with our reporting date.

Investments in limited partnerships or similar entities are generally considered VIEs when the equity group lacks sufficient financial control. Generally, these investments are limited partner or non-managing member equity investments in a widely held fund that is sponsored and managed by a reputable asset manager. We are not the primary beneficiary of any VIE investment in a limited partnership or similar entity. As of June 30, 2020 and December 31, 2019, the total carrying value of these investments was $743 million and $616 million, respectively. Our maximum exposure to loss is equal to the outstanding carrying value and future funding commitments. We have not contributed, and do not plan to contribute, any additional financial or other support outside of what is contractually obligated.

**(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 some of these risks.

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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 cash flow 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, 2020 | December 31, 2019 | Balance sheet classification | June 30, 2020 | December 31, 2019 |
| **Derivatives designated as hedges** | | | | | | |
| Cash flow hedges: | | | | | | |
| Interest rate swaps | Other invested assets | $ 939 | $ 197 | Other liabilities | $ — | $ 10 |
| Foreign currency swaps | Other invested assets | 17 | 4 | Other liabilities | — | — |
| Total cash flow hedges | | 956 | 201 | | — | 10 |
| Total derivatives designated as hedges | | 956 | 201 | | — | 10 |
| **Derivatives not designated as hedges** | | | | | | |
| Equity index options | Other invested assets | 66 | 81 | Other liabilities | — | — |
| Financial futures | Other invested assets | — | — | Other liabilities | — | — |
| Other foreign currency contracts | Other invested assets | 2 | 8 | Other liabilities | 1 | 1 |
| GMWB embedded derivatives | Reinsurance recoverable [(1)] | 38 | 20 | Policyholder account balances [(2)] | 559 | 323 |
| Fixed index annuity embedded derivatives | Other assets | — | — | Policyholder account balances [(3)] | 447 | 452 |
| Indexed universal life embedded derivatives | Reinsurance recoverable | — | — | Policyholder account balances [(4)] | 23 | 19 |
| Total derivatives not designated as hedges | | 106 | 109 | | 1,030 | 795 |
| Total derivatives | | $ 1,062 | $ 310 | | $ 1,030 | $ 805 |

(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.

The fair value of derivative positions presented above was not offset by the respective collateral amounts received or provided under these agreements.

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The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB embedded derivatives, 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, 2019 | Additions | Maturities/ terminations | June 30, 2020 |
|---|---|---|---|---|---|
| **Derivatives designated as hedges** | | | | | |
| Cash flow hedges: | | | | | |
| Interest rate swaps | Notional | $ 8,968 | $ 1,158 | $ (1,880) | $ 8,246 |
| Foreign currency swaps | Notional | 110 | — | — | 110 |
| Total cash flow hedges | | 9,078 | 1,158 | (1,880) | 8,356 |
| Total derivatives designated as hedges | | 9,078 | 1,158 | (1,880) | 8,356 |
| **Derivatives not designated as hedges** | | | | | |
| Interest rate swaps | Notional | 4,674 | — | — | 4,674 |
| Equity index options | Notional | 2,451 | 883 | (1,126) | 2,208 |
| Financial futures | Notional | 1,182 | 3,082 | (2,914) | 1,350 |
| Other foreign currency contracts | Notional | 628 | 3,009 | (2,618) | 1,019 |
| Total derivatives not designated as hedges | | 8,935 | 6,974 | (6,658) | 9,251 |
| Total derivatives | | $ 18,013 | $ 8,132 | $ (8,538) | $17,607 |

| (Number of policies) | Measurement | December 31, 2019 | Additions | Maturities/ terminations | June 30, 2020 |
|---|---|---|---|---|---|
| **Derivatives not designated as hedges** | | | | | |
| GMWB embedded derivatives | Policies | 25,623 | — | (992) | 24,631 |
| Fixed index annuity embedded derivatives | Policies | 15,441 | — | (668) | 14,773 |
| Indexed universal life embedded derivatives | Policies | 884 | — | (28) | 856 |

*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; and (v) other instruments to hedge the cash flows of various forecasted transactions.

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The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended June 30, 2020:

| (Amounts in millions) | Gain (loss) recognized in OCI | Gain (loss) reclassified into net income (loss) from OCI | Classification of gain (loss) reclassified into net income (loss) | Gain (loss) recognized in net income (loss) | Classification of gain (loss) recognized in net income (loss) |
|---|---|---|---|---|---|
| Interest rate swaps hedging assets | $ (57) | $ 46 | Net investment income | $ — | Net investment gains (losses) |
| Interest rate swaps hedging liabilities | 1 | — | Interest expense | — | Net investment gains (losses) |
| Foreign currency swaps | (4) | — | Net investment income | — | Net investment gains (losses) |
| Total | $ (60) | $ 46 | | $ — | |

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended June 30, 2019:

| (Amounts in millions) | Gain (loss) recognized in OCI | Gain (loss) reclassified into net income (loss) from OCI | Classification of gain (loss) reclassified into net income (loss) | Gain (loss) recognized in net income (loss) | Classification of gain (loss) recognized in net income (loss) |
|---|---|---|---|---|---|
| Interest rate swaps hedging assets | $ 216 | $ 42 | Net investment income | $ — | Net investment gains (losses) |
| Interest rate swaps hedging assets | — | (4) | Net investment gains (losses) | — | Net investment gains (losses) |
| Interest rate swaps hedging liabilities | (20) | — | Interest expense | — | Net investment gains (losses) |
| Foreign currency swaps | 2 | (1) | Net investment income | — | Net investment gains (losses) |
| Total | $ 198 | $ 37 | | $ — | |

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the six months ended June 30, 2020:

| (Amounts in millions) | Gain (loss) recognized in OCI | Gain (loss) reclassified into net income (loss) from OCI | Classification of gain (loss) reclassified into net income (loss) | Gain (loss) recognized in net income (loss) | Classification of gain (loss) recognized in net income (loss) |
|---|---|---|---|---|---|
| Interest rate swaps hedging assets | $ 984 | $ 89 | Net investment income | $ — | Net investment gains (losses) |
| Interest rate swaps hedging assets | — | 4 | Net investment gains (losses) | — | Net investment gains (losses) |
| Interest rate swaps hedging liabilities | (62) | — | Interest expense | — | Net investment gains (losses) |
| Foreign currency swaps | 13 | — | Net investment income | — | Net investment gains (losses) |
| Total | $ 935 | $ 93 | | $ — | |

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The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the six months ended June 30, 2019:

| (Amounts in millions) | Gain (loss) recognized in OCI | Gain (loss) reclassified into net income (loss) from OCI | Classification of gain (loss) reclassified into net income (loss) | Gain (loss) recognized in net income (loss) | Classification of gain (loss) recognized in net income (loss) |
|---|---|---|---|---|---|
| Interest rate swaps hedging assets | $ 353 | $ 80 | Net investment income | $ — | Net investment gains (losses) |
| Interest rate swaps hedging assets | — | 2 | Net investment gains (losses) | — | Net investment gains (losses) |
| Interest rate swaps hedging liabilities | (32) | — | Interest expense | — | Net investment gains (losses) |
| Foreign currency swaps | (1) | (1) | Net investment income | — | Net investment gains (losses) |
| Foreign currency swaps | — | — | Net investment gains (losses) | 2 | Net investment gains (losses) |
| Total | $ 320 | $ 81 | | $ 2 | |

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, 2020 | 2019 |
|---|---|---|
| Derivatives qualifying as effective accounting hedges as of April 1 | $ 2,755 | $ 1,850 |
| Current period increases (decreases) in fair value, net of deferred taxes of $12 and $(41) | (48) | 157 |
| Reclassification to net (income), net of deferred taxes of $16 and $13 | (30) | (24) |
| Derivatives qualifying as effective accounting hedges as of June 30 | $ 2,677 | $ 1,983 |

| (Amounts in millions) | Six months ended June 30, 2020 | 2019 |
|---|---|---|
| Derivatives qualifying as effective accounting hedges as of January 1 | $ 2,002 | $ 1,781 |
| Current period increases (decreases) in fair value, net of deferred taxes of $(200) and $(66) | 735 | 254 |
| Reclassification to net (income), net of deferred taxes of $33 and $29 | (60) | (52) |
| Derivatives qualifying as effective accounting hedges as of June 30 | $ 2,677 | $ 1,983 |

The total of derivatives designated as cash flow hedges of $2,677 million, net of taxes, recorded in stockholders' equity as of June 30, 2020 is expected to be reclassified to net income (loss) 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, $123 million, net of taxes, is expected to be reclassified to net income (loss) 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 2057. During the six months ended June 30, 2020 and 2019, we reclassified $1 million and $2 million, respectively, to net income (loss) in connection with forecasted transactions that were no longer considered probable of occurring.

*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) 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; (iii) interest rate caps where the hedging relationship does not qualify for hedge accounting; (iv) foreign currency forward contracts to mitigate currency risk associated with non-functional currency investments held by certain foreign subsidiaries; and (v) foreign currency options and forward contracts to mitigate currency risk associated with future dividends or other cash flows from certain foreign subsidiaries to our holding company. 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 insurance products and have reinsurance agreements with certain features that are required to be bifurcated as embedded derivatives.

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

| | Three months ended June 30, | | Classification of gain (loss) recognized |
|---|---|---|---|
| **(Amounts in millions)** | **2020** | **2019** | **in net income (loss)** |
| Interest rate swaps | $ (2) | $ (3) | Net investment gains (losses) |
| Equity index options | 4 | 10 | Net investment gains (losses) |
| Financial futures | (123) | 17 | Net investment gains (losses) |
| Other foreign currency contracts | 44 | (7) | Net investment gains (losses) |
| GMWB embedded derivatives | 129 | (22) | Net investment gains (losses) |
| Fixed index annuity embedded derivatives | (45) | (20) | Net investment gains (losses) |
| Indexed universal life embedded derivatives | 3 | (1) | Net investment gains (losses) |
| Total derivatives not designated as hedges | $ 10 | $ (26) | |

| | Six months ended June 30, | | Classification of gain (loss) recognized |
|---|---|---|---|
| **(Amounts in millions)** | **2020** | **2019** | **in net income (loss)** |
| Interest rate swaps | $ (12) | $ (4) | Net investment gains (losses) |
| Equity index options | (9) | 27 | Net investment gains (losses) |
| Financial futures | 138 | (27) | Net investment gains (losses) |
| Other foreign currency contracts | (3) | (7) | Net investment gains (losses) |
| GMWB embedded derivatives | (207) | 23 | Net investment gains (losses) |
| Fixed index annuity embedded derivatives | (13) | (58) | Net investment gains (losses) |
| Indexed universal life embedded derivatives | 7 | — | Net investment gains (losses) |
| Total derivatives not designated as hedges | $ (99) | $ (46) | |

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*Derivative Counterparty Credit Risk*

Most of our derivative arrangements with counterparties require the posting of collateral upon meeting certain net exposure thresholds.The following table presents additional information about derivative assets and liabilities subject to an enforceable master netting arrangement as of the dates indicated:

| (Amounts in millions) | June 30, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Derivative assets (1) | Derivative liabilities (2) | Net derivatives | Derivative assets (1) | Derivative liabilities (2) | Net derivatives |
| Amounts presented in the balance sheet: | | | | | | |
| Gross amounts recognized | $ 1,024 | $ 1 | $ 1,023 | $ 291 | $ 11 | $ 280 |
| Gross amounts offset in the balance sheet | — | — | — | — | — | — |
| Net amounts presented in the balance sheet | 1,024 | 1 | 1,023 | 291 | 11 | 280 |
| Gross amounts not offset in the balance sheet: | | | | | | |
| Financial instruments (3) | (1) | (1) | — | (7) | (7) | — |
| Collateral received | (864) | — | (864) | (179) | — | (179) |
| Collateral pledged | — | (434) | 434 | — | (405) | 405 |
| Over collateralization | 19 | 433 | (414) | 18 | 401 | (383) |
| Net amount | $ 178 | $ (1) | $ 179 | $ 123 | $ — | $ 123 |

(1) Included $1 million of accruals on derivatives classified as other assets as of December 31, 2019 and does not include amounts related to embedded derivatives as of June 30, 2020 and December 31, 2019.

(2) Does not include amounts related to embedded derivatives as of June 30, 2020 and December 31, 2019.

(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.

**(6) Fair Value of Financial Instruments**

*Recurring Fair Value Measurements*

We have fixed maturity securities, short-term investments, equity securities, limited partnerships, 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, short-term investments and equity securities*

The fair value of fixed maturity securities, short-term investments and equity securities are estimated primarily based on information derived from third-party pricing services ("pricing services"), internal models and/or broker quotes, which use a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. In general, a market approach is utilized if there is readily available and relevant market activity for an individual security. In certain cases where market information is not available for a specific security but is available for similar securities, that security is valued using market information for similar securities, which is also a market approach. When market information is not available for a specific security (or similar securities) or is available but such information is less relevant or reliable, an income approach or a combination of a market and income approach is utilized. For securities with optionality, such as call or prepayment features (including mortgage-backed or asset-backed securities), an income approach may be used. In addition, a combination of the results from market and income approaches may be used to estimate fair value. These valuation techniques may change from period to period, based on the relevance and availability of market data.

Further, 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.

In general, we first obtain valuations from pricing services. If prices are unavailable for public securities, we obtain broker quotes. 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 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 similar securities are not readily observable and these securities are not typically valued by pricing services.

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.

Broker quotes are typically based on an income approach given the lack of available market data. As the valuation typically includes significant unobservable inputs, we classify the securities where fair value is based on our consideration of broker quotes as Level 3 measurements.

For private fixed maturity securities, we utilize an income approach where we obtain public bond spreads and utilize those in an internal model to determine fair value. Other inputs to the model include rating and weighted-average life, as well as sector which is used to assign the spread. 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. 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 or public bond spread as Level 3. In general, a significant increase (decrease) in credit spreads would have resulted in a significant decrease (increase) in the fair value for our fixed maturity securities as of June 30, 2020.

For remaining securities priced using internal models, we determine fair value using an income approach. 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.

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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 pricing services to determine whether our estimated values incorporate significant unobservable inputs that would result in the valuation being classified as Level 3.

A summary of the inputs used for our fixed maturity securities, short-term investments and equity securities based on the level in which instruments are classified is included below. We have combined certain classes of instruments together as the nature of the inputs is similar.

**Level 1 measurements**

*Equity securities.* The primary inputs to the valuation of exchange-traded equity securities include quoted prices for the identical instrument.

*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.

**Level 2 measurements**

*Fixed maturity securities*

- *Third-party pricing services:* In estimating the fair value of fixed maturity securities, approximately 90% of our portfolio was priced using third-party pricing services as of June 30, 2020. These pricing services utilize industry-standard valuation techniques that include market-based approaches, income-based approaches, a combination of market-based and income-based approaches or other proprietary, internally generated models as part of the valuation processes. These third-party pricing vendors maximize the use of publicly available data inputs to generate valuations for each asset class. Priority and type of inputs used may change frequently as certain inputs may be more direct drivers of valuation at the time of pricing. Examples of significant inputs incorporated by third-party pricing services may include sector and issuer spreads, seasoning, capital structure, security optionality, collateral data, prepayment assumptions, default assumptions, delinquencies, debt covenants, benchmark yields, trade data, dealer quotes, credit ratings, maturity and weighted-average life. We conduct regular meetings with our third-party pricing services for the purpose of understanding the methodologies, techniques and inputs used by the third-party pricing providers.

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The following table presents a summary of the significant inputs used by our third-party pricing services for certain fair value measurements of fixed maturity securities that are classified as Level 2 as of June 30, 2020:

| (Amounts in millions) | Fair value | Primary methodologies | Significant inputs |
|---|---|---|---|
| U.S. government, agencies and government-sponsored enterprises | $ 5,602 | Price quotes from trading desk, broker feeds | Bid side prices, trade prices, Option Adjusted Spread ("OAS") to swap curve, Bond Market Association OAS, Treasury Curve, Agency Bullet Curve, maturity to issuer spread |
| State and political subdivisions | $ 2,935 | Multi-dimensional attribute-based modeling systems, third-party pricing vendors | Trade prices, material event notices, Municipal Market Data benchmark yields, broker quotes |
| Non-U.S. government | $ 1,527 | Matrix pricing, spread priced to benchmark curves, price quotes from market makers | Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources |
| U.S. corporate | $ 30,874 | Multi-dimensional attribute-based modeling systems, broker quotes, price quotes from market makers, OAS-based models | Bid side prices to Treasury Curve, Issuer Curve, which includes sector, quality, duration, OAS percentage and change for spread matrix, trade prices, comparative transactions, Trade Reporting and Compliance Engine ("TRACE") reports |
| Non-U.S. corporate | $ 8,589 | Multi-dimensional attribute-based modeling systems, OAS-based models, price quotes from market makers | Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources |
| Residential mortgage-backed | $ 2,160 | OAS-based models, single factor binomial models, internally priced | Prepayment and default assumptions, aggregation of bonds with similar characteristics, including collateral type, vintage, tranche type, weighted-average life, weighted-average loan age, issuer program and delinquency ratio, pay up and pay down factors, TRACE reports |
| Commercial mortgage-backed | $ 2,949 | Multi-dimensional attribute-based modeling systems, pricing matrix, spread matrix priced to swap curves, Trepp commercial mortgage-backed securities analytics model | Credit risk, interest rate risk, prepayment speeds, new issue data, collateral performance, origination year, tranche type, original credit ratings, weighted-average life, cash flows, spreads derived from broker quotes, bid side prices, spreads to daily updated swaps curves, TRACE reports |
| Other asset-backed | $ 2,847 | Multi-dimensional attribute-based modeling systems, spread matrix priced to swap curves, price quotes from market makers | Spreads to daily updated swaps curves, spreads derived from trade prices and broker quotes, bid side prices, new issue data, collateral performance, analysis of prepayment speeds, cash flows, collateral loss analytics, historical issue analysis, trade data from market makers, TRACE reports |

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- *Internal models:* A portion of our non-U.S. government, U.S. corporate and non-U.S. corporate securities are valued using internal models. The fair value of these fixed maturity securities was $15 million, $1,189 million and $602 million, respectively, as of June 30, 2020. Internally modeled securities are primarily private fixed maturity securities where we use market observable inputs such as an interest rate yield curve, published credit spreads for similar securities based on the external ratings of the instrument and related industry sector of the issuer. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps and liquidity premiums are established using inputs from market participants.

*Equity securities.* The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active.

*Securities lending 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.

*Short-term investments*

The fair value of short-term investments classified as Level 2 is determined after considering prices obtained by third-party pricing services.

**Level 3 measurements**

*Fixed maturity securities*

- *Broker quotes:* A portion of our state and political subdivisions, U.S. corporate, non-U.S. corporate, residential mortgage-backed, commercial mortgage-backed and other asset-backed securities are valued using broker quotes. Broker quotes are obtained from third-party providers that have current market knowledge to provide a reasonable price for securities not routinely priced by third-party pricing services. Brokers utilized for valuation of assets are reviewed annually. The fair value of our Level 3 fixed maturity securities priced by broker quotes was $863 million as of June 30, 2020.

- *Internal models:* A portion of our state and political subdivisions, U.S. corporate, non-U.S. corporate, residential mortgage-backed and other asset-backed securities are valued using internal models. The primary inputs to the valuation of the bond population include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, duration, call provisions, issuer rating, benchmark yields and credit spreads. Certain private fixed maturity securities are valued using an internal model using market observable inputs such as the interest rate yield curve, as well as published credit spreads for similar securities, which includes significant unobservable inputs. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps are established using inputs from market participants. For structured securities, the primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon, weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads. The fair value of our Level 3 fixed maturity securities priced using internal models was $3,392 million as of June 30, 2020.

*Equity securities.* The primary inputs to the valuation include broker quotes where the underlying inputs are unobservable and for internal models, structure of the security and issuer rating.

**Net asset value**

*Limited partnerships*

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. We utilize the net asset value ("NAV") from the underlying fund statements as a practical expedient for fair value.

**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 have not recorded any incremental adjustment for our non-performance risk or the non-performance risk of the derivative counterparty for our derivative assets or liabilities.

*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.

*Interest rate caps.* The valuation of interest rate caps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, forward interest rate volatility and time value component associated with the optionality in the derivative which are generally considered observable inputs and results in the derivatives 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 observable inputs, and results in the derivative being classified as Level 2.

*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 rates, equity index volatility, equity index and time value component associated with the optionality in the derivative. 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 of June 30, 2020, a significant increase (decrease) in the equity index volatility discussed above would have resulted in a significantly higher (lower) fair value measurement.

*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.

*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 and time value component associated with the optionality in the derivative, which are generally considered observable inputs and results in the derivative being classified as Level 2. 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. We determine fair value using an internal model based on the various inputs noted above.

Non-performance risk is integrated into the discount rate used to value GMWB liabilities. 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, 2020 and December 31, 2019, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of $91 million and $62 million, respectively.

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. As of June 30, 2020, a significant change in the unobservable inputs discussed above would have resulted in a significantly lower or higher fair value measurement.

*Fixed index annuity embedded derivatives*

We have 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. As of June 30, 2020, a significant change in the unobservable inputs discussed above would have resulted in a significantly lower or higher fair value measurement.

*Indexed universal life embedded derivatives*

We have indexed universal life insurance 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. As of June 30, 2020, a significant change in the unobservable inputs discussed above would have resulted in a significantly lower or higher fair value measurement.

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

| | June 30, 2020 | | | | |
|---|---|---|---|---|---|
| (Amounts in millions) | Total | Level 1 | Level 2 | Level 3 | NAV [1] |
| Assets | | | | | |
| Investments: | | | | | |
| Fixed maturity securities: | | | | | |
| U.S. government, agencies and government-sponsored enterprises | $ 5,602 | $ — | $ 5,602 | $ — | $ — |
| State and political subdivisions | 2,998 | — | 2,935 | 63 | — |
| Non-U.S. government | 1,542 | — | 1,542 | — | — |
| U.S. corporate: | | | | | |
| Utilities | 5,270 | — | 4,334 | 936 | — |
| Energy | 2,594 | — | 2,471 | 123 | — |
| Finance and insurance | 8,403 | — | 7,852 | 551 | — |
| Consumer—non-cyclical | 6,277 | — | 6,174 | 103 | — |
| Technology and communications | 3,411 | — | 3,345 | 66 | — |
| Industrial | 1,503 | — | 1,464 | 39 | — |
| Capital goods | 3,028 | — | 2,931 | 97 | — |
| Consumer—cyclical | 1,966 | — | 1,768 | 198 | — |
| Transportation | 1,565 | — | 1,511 | 54 | — |
| Other | 378 | — | 213 | 165 | — |
| Total U.S. corporate | 34,395 | — | 32,063 | 2,332 | — |
| Non-U.S. corporate: | | | | | |
| Utilities | 879 | — | 522 | 357 | — |
| Energy | 1,275 | — | 1,038 | 237 | — |
| Finance and insurance | 2,466 | — | 2,155 | 311 | — |
| Consumer—non-cyclical | 777 | — | 723 | 54 | — |
| Technology and communications | 1,247 | — | 1,219 | 28 | — |
| Industrial | 995 | — | 903 | 92 | — |
| Capital goods | 613 | — | 440 | 173 | — |
| Consumer—cyclical | 407 | — | 251 | 156 | — |
| Transportation | 635 | — | 494 | 141 | — |
| Other | 1,591 | — | 1,446 | 145 | — |
| Total non-U.S. corporate | 10,885 | — | 9,191 | 1,694 | — |
| Residential mortgage-backed | 2,184 | — | 2,160 | 24 | — |
| Commercial mortgage-backed | 2,970 | — | 2,949 | 21 | — |
| Other asset-backed | 2,968 | — | 2,847 | 121 | — |
| Total fixed maturity securities | 63,544 | — | 59,289 | 4,255 | — |
| Equity securities | 206 | 45 | 108 | 53 | — |
| Other invested assets: | | | | | |
| Derivative assets: | | | | | |
| Interest rate swaps | 939 | — | 939 | — | — |
| Foreign currency swaps | 17 | — | 17 | — | — |
| Equity index options | 66 | — | — | 66 | — |
| Other foreign currency contracts | 2 | — | 2 | — | — |
| Total derivative assets | 1,024 | — | 958 | 66 | — |
| Securities lending collateral | 59 | — | 59 | — | — |
| Short-term investments | 190 | — | 190 | — | — |
| Limited partnerships | 598 | — | — | — | 598 |
| Total other invested assets | 1,871 | — | 1,207 | 66 | 598 |
| Reinsurance recoverable [2] | 38 | — | — | 38 | — |
| Separate account assets | 5,536 | 5,536 | — | — | — |
| Total assets | $71,195 | $ 5,581 | $60,604 | $ 4,412 | $ 598 |

(1) Limited partnerships that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.
(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

**GENWORTH FINANCIAL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| **(Amounts in millions)** | **Total** | **Level 1** | **Level 2** | **Level 3** | **NAV (1)** |
| Assets | | | | | |
| Investments: | | | | | |
| Fixed maturity securities: | | | | | |
| U.S. government, agencies and government-sponsored enterprises | $ 5,025 | $ — | $ 5,025 | $ — | $ — |
| State and political subdivisions | 2,747 | — | 2,645 | 102 | — |
| Non-U.S. government | 1,350 | — | 1,350 | — | — |
| U.S. corporate: | | | | | |
| Utilities | 4,997 | — | 4,132 | 865 | — |
| Energy | 2,699 | — | 2,570 | 129 | — |
| Finance and insurance | 7,774 | — | 7,202 | 572 | — |
| Consumer—non-cyclical | 5,701 | — | 5,607 | 94 | — |
| Technology and communications | 3,245 | — | 3,195 | 50 | — |
| Industrial | 1,396 | — | 1,356 | 40 | — |
| Capital goods | 2,711 | — | 2,609 | 102 | — |
| Consumer—cyclical | 1,760 | — | 1,587 | 173 | — |
| Transportation | 1,506 | — | 1,428 | 78 | — |
| Other | 322 | — | 186 | 136 | — |
| Total U.S. corporate | 32,111 | — | 29,872 | 2,239 | — |
| Non-U.S. corporate: | | | | | |
| Utilities | 829 | — | 455 | 374 | — |
| Energy | 1,319 | — | 1,072 | 247 | — |
| Finance and insurance | 2,319 | — | 2,085 | 234 | — |
| Consumer—non-cyclical | 684 | — | 625 | 59 | — |
| Technology and communications | 1,138 | — | 1,110 | 28 | — |
| Industrial | 988 | — | 884 | 104 | — |
| Capital goods | 605 | — | 444 | 161 | — |
| Consumer—cyclical | 397 | — | 250 | 147 | — |
| Transportation | 629 | — | 438 | 191 | — |
| Other | 1,617 | — | 1,477 | 140 | — |
| Total non-U.S. corporate | 10,525 | — | 8,840 | 1,685 | — |
| Residential mortgage-backed | 2,270 | — | 2,243 | 27 | — |
| Commercial mortgage-backed | 3,026 | — | 3,020 | 6 | — |
| Other asset-backed | 3,285 | — | 3,153 | 132 | — |
| Total fixed maturity securities | 60,339 | — | 56,148 | 4,191 | — |
| Equity securities | 239 | 62 | 126 | 51 | — |
| Other invested assets: | | | | | |
| Derivative assets: | | | | | |
| Interest rate swaps | 197 | — | 197 | — | — |
| Foreign currency swaps | 4 | — | 4 | — | — |
| Equity index options | 81 | — | — | 81 | — |
| Other foreign currency contracts | 8 | — | 8 | — | — |
| Total derivative assets | 290 | — | 209 | 81 | — |
| Securities lending collateral | 51 | — | 51 | — | — |
| Short-term investments | 211 | — | 211 | — | — |
| Limited partnerships | 503 | — | — | — | 503 |
| Total other invested assets | 1,055 | — | 471 | 81 | 503 |
| Reinsurance recoverable (2) | 20 | — | — | 20 | — |
| Separate account assets | 6,108 | 6,108 | — | — | — |
| Total assets | $67,761 | $ 6,170 | $56,745 | $ 4,343 | $ 503 |

(1) Limited partnerships that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.
(2) 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 April 1, 2020 | Total realized and unrealized gains (losses) | | Purchases | Sales | Issuances | Settlements | Transfer into Level 3 [1] | Transfer out of Level 3 [1] | Ending balance as of June 30, 2020 | Total gains (losses) attributable to assets still held | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Included in net income (loss) | Included in OCI | | | | | | | | Included in net income (loss) | Included in OCI |
| Fixed maturity securities: | | | | | | | | | | | | |
| State and political subdivisions | $ 83 | $ — | $ 7 | $ — | $— | $ — | $ — | $ — | $ (27) | $ 63 | $ 1 | $ 6 |
| Non-U.S. government | 1 | — | — | — | — | — | (1) | — | — | — | — | — |
| U.S. corporate: | | | | | | | | | | | | |
| Utilities | 843 | — | 37 | 32 | — | — | (2) | 26 | — | 936 | — | 37 |
| Energy | 124 | 1 | 13 | — | — | — | (2) | — | (13) | 123 | — | 9 |
| Finance and insurance | 510 | — | 33 | 21 | — | — | (12) | — | (1) | 551 | — | 33 |
| Consumer—non-cyclical | 88 | — | 8 | 8 | — | — | (1) | — | — | 103 | — | 8 |
| Technology and communications | 61 | — | 5 | — | — | — | — | — | — | 66 | — | 5 |
| Industrial | 37 | — | 2 | — | — | — | — | — | — | 39 | — | 2 |
| Capital goods | 90 | — | 7 | — | — | — | — | — | — | 97 | — | 7 |
| Consumer—cyclical | 179 | — | 11 | — | — | — | (1) | 9 | — | 198 | — | 11 |
| Transportation | 43 | — | 2 | — | — | — | (1) | 10 | — | 54 | — | 2 |
| Other | 138 | — | 2 | — | — | — | (2) | 27 | — | 165 | — | 2 |
| Total U.S. corporate | 2,113 | 1 | 120 | 61 | — | — | (21) | 72 | (14) | 2,332 | — | 116 |
| Non-U.S. corporate: | | | | | | | | | | | | |
| Utilities | 355 | — | 23 | 1 | — | — | — | — | (22) | 357 | — | 23 |
| Energy | 236 | — | 22 | — | — | — | (26) | 5 | — | 237 | — | 22 |
| Finance and insurance | 223 | 1 | 50 | — | — | — | — | 37 | — | 311 | 1 | 49 |
| Consumer—non-cyclical | 58 | — | 5 | — | — | — | — | — | (9) | 54 | — | 4 |
| Technology and communications | 27 | — | 1 | — | — | — | — | — | — | 28 | — | 1 |
| Industrial | 92 | — | 8 | — | — | — | — | — | (8) | 92 | — | 7 |
| Capital goods | 135 | — | 9 | — | — | — | — | 29 | — | 173 | — | 9 |
| Consumer—cyclical | 164 | — | 12 | — | — | — | (3) | — | (17) | 156 | — | 11 |
| Transportation | 108 | — | 11 | — | — | — | — | 22 | — | 141 | — | 11 |
| Other | 131 | — | 9 | 5 | — | — | — | — | — | 145 | — | 9 |
| Total non-U.S. corporate | 1,529 | 1 | 150 | 6 | — | — | (29) | 93 | (56) | 1,694 | 1 | 146 |
| Residential mortgage-backed | 24 | — | 1 | — | — | — | (1) | 3 | (3) | 24 | — | — |
| Commercial mortgage-backed | — | — | 1 | — | — | — | — | 20 | — | 21 | — | 1 |
| Other asset-backed | 118 | — | 2 | 6 | — | — | (5) | — | — | 121 | — | 3 |
| Total fixed maturity securities | 3,868 | 2 | 281 | 73 | — | — | (57) | 188 | (100) | 4,255 | 2 | 272 |
| Equity securities | 50 | — | — | 6 | (3) | — | — | — | — | 53 | — | — |
| Other invested assets: | | | | | | | | | | | | |
| Derivative assets: | | | | | | | | | | | | |
| Equity index options | 62 | 4 | — | 7 | — | — | (7) | — | — | 66 | 8 | — |
| Total derivative assets | 62 | 4 | — | 7 | — | — | (7) | — | — | 66 | 8 | — |
| Total other invested assets | 62 | 4 | — | 7 | — | — | (7) | — | — | 66 | 8 | — |
| Reinsurance recoverable [2] | 47 | (9) | — | — | — | — | — | — | — | 38 | (9) | — |
| Total Level 3 assets | $ 4,027 | $ (3) | $ 281 | $ 86 | $ (3) | $ — | $ (64) | $ 188 | $ (100) | $ 4,412 | $ 1 | $ 272 |

(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, as well as changes in the industry sectors assigned to specific securities.

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

**GENWORTH FINANCIAL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

| | | Total realized and unrealized gains (losses) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (Amounts in millions) | Beginning balance as of April 1, 2019 | Included in net income (loss) | Included in OCI | Purchases | Sales | Issuances | Settlements | Transfer into Level 3 [(1)] | Transfer out of Level 3 [(1)] | Ending balance as of June 30, 2019 | Total gains (losses) included in net income (loss) attributable to assets still held |
| Fixed maturity securities: | | | | | | | | | | | |
| State and political subdivisions | $ 52 | $ 1 | $ 8 | $ — | $— | $ — | $ — | $ — | $ — | $ 61 | $ — |
| U.S. corporate: | | | | | | | | | | | |
| Utilities | 748 | — | 20 | 82 | (13) | — | (38) | — | (10) | 789 | — |
| Energy | 115 | — | 3 | 5 | — | — | (1) | — | — | 122 | — |
| Finance and insurance | 590 | — | 15 | 10 | — | — | (8) | — | — | 607 | — |
| Consumer—non-cyclical | 74 | — | 1 | 14 | — | — | — | — | — | 89 | — |
| Technology and communications | 52 | — | 3 | — | — | — | — | — | (11) | 44 | — |
| Industrial | 40 | — | — | — | — | — | — | — | — | 40 | — |
| Capital goods | 95 | — | 3 | — | — | — | — | — | — | 98 | — |
| Consumer—cyclical | 195 | — | 3 | — | — | — | (13) | — | — | 185 | — |
| Transportation | 54 | — | — | — | — | — | — | — | — | 54 | — |
| Other | 199 | — | 3 | — | — | — | (3) | — | — | 199 | — |
| Total U.S. corporate | 2,162 | — | 51 | 111 | (13) | — | (63) | — | (21) | 2,227 | — |
| Non-U.S. corporate: | | | | | | | | | | | |
| Utilities | 435 | — | 7 | — | (7) | — | (17) | — | (1) | 417 | — |
| Energy | 221 | — | 5 | 15 | — | — | — | — | — | 241 | — |
| Finance and insurance | 182 | 1 | 7 | 2 | — | — | (13) | — | — | 179 | 1 |
| Consumer—non-cyclical | 67 | — | 1 | — | — | — | — | — | — | 68 | — |
| Technology and communications | 27 | — | — | — | — | — | — | — | — | 27 | — |
| Industrial | 63 | — | 1 | — | — | — | — | — | — | 64 | — |
| Capital goods | 173 | — | 3 | 5 | — | — | — | — | — | 181 | — |
| Consumer—cyclical | 125 | — | 2 | — | — | — | (1) | — | — | 126 | — |
| Transportation | 192 | — | 3 | 4 | — | — | — | — | — | 199 | — |
| Other | 90 | — | 4 | 35 | — | — | — | — | — | 129 | — |
| Total non-U.S. corporate | 1,575 | 1 | 33 | 61 | (7) | — | (31) | — | (1) | 1,631 | 1 |
| Residential mortgage-backed | 35 | — | 1 | — | — | — | — | — | — | 36 | — |
| Commercial mortgage-backed | 98 | — | 7 | 1 | — | — | — | — | (14) | 92 | — |
| Other asset-backed | 197 | — | 1 | 42 | — | — | (29) | 27 | (4) | 234 | — |
| Total fixed maturity securities | 4,119 | 2 | 101 | 215 | (20) | — | (123) | 27 | (40) | 4,281 | 1 |
| Equity securities | 55 | — | — | 2 | (1) | — | — | — | — | 56 | — |
| Other invested assets: | | | | | | | | | | | |
| Derivative assets: | | | | | | | | | | | |
| Equity index options | 60 | 10 | — | 9 | — | — | (14) | — | — | 65 | 7 |
| Total derivative assets | 60 | 10 | — | 9 | — | — | (14) | — | — | 65 | 7 |
| Total other invested assets | 60 | 10 | — | 9 | — | — | (14) | — | — | 65 | 7 |
| Reinsurance recoverable [(2)] | 18 | 2 | — | — | — | — | — | — | — | 20 | 2 |
| Total Level 3 assets | $ 4,252 | $ 14 | $ 101 | $ 226 | $ (21) | $ — | $ (137) | $ 27 | $ (40) | $4,422 | $ 10 |

(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, as well as changes in the industry sectors assigned to specific securities.

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

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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, 2020 | Total realized and unrealized gains (losses) Included in net income (loss) | Total realized and unrealized gains (losses) Included in OCI | Purchases | Sales | Issuances | Settlements | Transfer into Level 3 [(1)] | Transfer out of Level 3 [(1)] | Ending balance as of June 30, 2020 | Total gains (losses) attributable to assets still held Included in net income (loss) | Total gains (losses) attributable to assets still held Included in OCI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fixed maturity securities: | | | | | | | | | | | | |
| State and political subdivisions | $ 102 | $ 1 | $ (12) | $ — | $— | $ — | $ (1) | $ — | $ (27) | $ 63 | $ 2 | $ (13) |
| Non-U.S. government | — | — | — | — | — | — | (1) | 1 | — | — | — | — |
| U.S. corporate: | | | | | | | | | | | | |
| Utilities | 865 | — | 12 | 32 | — | — | (2) | 42 | (13) | 936 | — | 14 |
| Energy | 129 | 1 | (2) | 10 | (21) | — | (3) | 22 | (13) | 123 | — | (5) |
| Finance and insurance | 572 | 2 | 2 | 21 | — | — | (24) | — | (22) | 551 | — | 5 |
| Consumer—non-cyclical | 94 | — | 2 | 8 | — | — | (1) | — | — | 103 | — | 2 |
| Technology and communications | 50 | — | 1 | 20 | — | — | — | — | (5) | 66 | — | 2 |
| Industrial | 40 | — | (1) | — | — | — | — | — | — | 39 | — | (1) |
| Capital goods | 102 | — | (1) | — | — | — | (4) | — | — | 97 | — | (1) |
| Consumer—cyclical | 173 | — | 4 | — | — | — | (3) | 24 | — | 198 | — | 4 |
| Transportation | 78 | — | (2) | — | — | — | (2) | 10 | (30) | 54 | — | 1 |
| Other | 136 | — | 1 | 5 | — | — | (4) | 27 | — | 165 | — | 1 |
| Total U.S. corporate | 2,239 | 3 | 16 | 96 | (21) | — | (43) | 125 | (83) | 2,332 | — | 22 |
| Non-U.S. corporate: | | | | | | | | | | | | |
| Utilities | 374 | — | 3 | 12 | — | — | — | 21 | (53) | 357 | — | 3 |
| Energy | 247 | — | (8) | — | — | — | (26) | 24 | — | 237 | — | (8) |
| Finance and insurance | 234 | 2 | 9 | 15 | — | — | — | 58 | (7) | 311 | 2 | 10 |
| Consumer—non-cyclical | 59 | — | 2 | 8 | — | — | — | 1 | (16) | 54 | — | 1 |
| Technology and communications | 28 | — | — | — | — | — | — | — | — | 28 | — | — |
| Industrial | 104 | — | 1 | — | — | — | (5) | — | (8) | 92 | — | — |
| Capital goods | 161 | 1 | (2) | — | — | — | (16) | 29 | — | 173 | — | (1) |
| Consumer—cyclical | 147 | — | (3) | 4 | — | — | (7) | 32 | (17) | 156 | — | (5) |
| Transportation | 191 | — | 2 | — | — | — | — | 22 | (74) | 141 | — | 6 |
| Other | 140 | — | — | 5 | — | — | (1) | 1 | — | 145 | — | — |
| Total non-U.S. corporate | 1,685 | 3 | 4 | 44 | — | — | (55) | 188 | (175) | 1,694 | 2 | 6 |
| Residential mortgage-backed | 27 | — | — | — | — | — | (1) | 4 | (6) | 24 | — | — |
| Commercial mortgage-backed | 6 | — | 2 | — | — | — | — | 20 | (7) | 21 | — | 1 |
| Other asset-backed | 132 | — | (2) | 15 | — | — | (22) | — | (2) | 121 | — | (2) |
| Total fixed maturity securities | 4,191 | 7 | 8 | 155 | (21) | — | (123) | 338 | (300) | 4,255 | 4 | 14 |
| Equity securities | 51 | — | — | 6 | (4) | — | — | — | — | 53 | — | — |
| Other invested assets: | | | | | | | | | | | | |
| Derivative assets: | | | | | | | | | | | | |
| Equity index options | 81 | (9) | — | 18 | — | — | (24) | — | — | 66 | 5 | — |
| Total derivative assets | 81 | (9) | — | 18 | — | — | (24) | — | — | 66 | 5 | — |
| Total other invested assets | 81 | (9) | — | 18 | — | — | (24) | — | — | 66 | 5 | — |
| Reinsurance recoverable [(2)] | 20 | 17 | — | — | — | 1 | — | — | — | 38 | 17 | — |
| Total Level 3 assets | $ 4,343 | $ 15 | $ 8 | $ 179 | $ (25) | $ 1 | $ (147) | $ 338 | $ (300) | $ 4,412 | $ 26 | $ 14 |

(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, as well as changes in the industry sectors assigned to specific securities.

(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, 2019 | Total realized and unrealized gains (losses) Included in net income (loss) | Total realized and unrealized gains (losses) Included in OCI | Purchases | Sales | Issuances | Settlements | Transfer into Level 3 [(1)] | Transfer out of Level 3 [(1)] | Ending balance as of June 30, 2019 | Total gains (losses) included in net income (loss) attributable to assets still held |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Fixed maturity securities: | | | | | | | | | | | |
| State and political subdivisions | $ 51 | $ 2 | $ 8 | $ — | $— | $ — | $ — | $ — | $ — | $ 61 | $ 1 |
| U.S. corporate: | | | | | | | | | | | |
| Utilities | 643 | — | 42 | 96 | (14) | — | (40) | 72 | (10) | 789 | — |
| Energy | 121 | — | 7 | 5 | — | — | (11) | — | — | 122 | — |
| Finance and insurance | 534 | — | 38 | 40 | — | — | (12) | 7 | — | 607 | — |
| Consumer—non-cyclical | 73 | — | 3 | 14 | — | — | (10) | 9 | — | 89 | — |
| Technology and communications | 50 | — | 5 | — | — | — | — | — | (11) | 44 | — |
| Industrial | 39 | — | 1 | — | — | — | — | — | — | 40 | — |
| Capital goods | 92 | — | 6 | — | — | — | — | — | — | 98 | — |
| Consumer—cyclical | 211 | — | 10 | — | (13) | — | (14) | — | (9) | 185 | — |
| Transportation | 57 | — | 1 | 4 | — | — | (8) | — | — | 54 | — |
| Other | 178 | — | 6 | 22 | — | — | (15) | 8 | — | 199 | — |
| Total U.S. corporate | 1,998 | — | 119 | 181 | (27) | — | (110) | 96 | (30) | 2,227 | — |
| Non-U.S. corporate: | | | | | | | | | | | |
| Utilities | 404 | — | 23 | 30 | (7) | — | (17) | — | (16) | 417 | — |
| Energy | 217 | — | 12 | 16 | — | — | (4) | — | — | 241 | — |
| Finance and insurance | 171 | 2 | 18 | 7 | — | — | (13) | — | (6) | 179 | 2 |
| Consumer—non-cyclical | 106 | 2 | 4 | — | — | — | (44) | — | — | 68 | — |
| Technology and communications | 26 | — | 1 | — | — | — | — | — | — | 27 | — |
| Industrial | 61 | — | 3 | — | — | — | — | — | — | 64 | — |
| Capital goods | 173 | — | 9 | 10 | — | — | (11) | — | — | 181 | — |
| Consumer—cyclical | 122 | — | 8 | — | — | — | (4) | — | — | 126 | — |
| Transportation | 171 | — | 9 | 19 | — | — | — | — | — | 199 | — |
| Other | 81 | — | 8 | 35 | — | — | (1) | 6 | — | 129 | — |
| Total n**on-U.S.** corporate | 1,532 | 4 | 95 | 117 | (7) | — | (94) | 6 | (22) | 1,631 | 2 |
| Residential mortgage-backed | 35 | — | 1 | — | — | — | — | — | — | 36 | — |
| Commercial mortgage-backed | 95 | — | 9 | 2 | — | — | — | — | (14) | 92 | — |
| Other asset-backed | 154 | — | 2 | 96 | — | — | (42) | 28 | (4) | 234 | — |
| Total fixed maturity securities | 3,865 | 6 | 234 | 396 | (34) | — | (246) | 130 | (70) | 4,281 | 3 |
| Equity securities | 58 | — | — | 2 | (4) | — | — | — | — | 56 | — |
| Other invested assets: | | | | | | | | | | | |
| Derivative assets: | | | | | | | | | | | |
| Equity index options | 39 | 27 | — | 21 | — | — | (22) | — | — | 65 | 11 |
| Total derivative assets | 39 | 27 | — | 21 | — | — | (22) | — | — | 65 | 11 |
| Total other invested assets | 39 | 27 | — | 21 | — | — | (22) | — | — | 65 | 11 |
| Reinsurance recoverable [(2)] | 20 | (1) | — | — | — | 1 | — | — | — | 20 | (1) |
| Total Level 3 assets | $ 3,982 | $ 32 | $ 234 | $ 419 | $ (38) | $ 1 | $ (268) | $ 130 | $ (70) | $ 4,422 | $ 13 |

(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, as well as changes in the industry sectors assigned to specific securities.

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

**GENWORTH FINANCIAL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

The following table presents the gains and losses included in net income (loss) 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:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2020 | 2019 | 2020 | 2019 |
| Total realized and unrealized gains (losses) included in net income (loss): | | | | |
| Net investment income | $ 2 | $ 2 | $ 6 | $ 6 |
| Net investment gains (losses) | (5) | 12 | 9 | 26 |
| Total | $ (3) | $ 14 | $ 15 | $ 32 |
| Total gains (losses) included in net income (loss) attributable to assets still held: | | | | |
| Net investment income | $ 2 | $ 1 | $ 4 | $ 3 |
| Net investment gains (losses) | (1) | 9 | 22 | 10 |
| Total | $ 1 | $ 10 | $ 26 | $ 13 |

The amount presented for realized and unrealized gains (losses) included in net income (loss) for fixed maturity securities primarily represents amortization and accretion of premiums and discounts on certain fixed maturity securities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents a summary of the significant unobservable inputs used for certain asset fair value measurements that are based on internal models and classified as Level 3 as of June 30, 2020:

| (Amounts in millions) | Valuation technique | Fair value | Unobservable input | Range | Weighted-average [(1)] |
|---|---|---|---|---|---|
| Fixed maturity securities: | | | | | |
| U.S. corporate: | | | | | |
| Utilities | Internal models | $ 826 | Credit spreads | 71bps - 427bps | 194bps |
| Energy | Internal models | 8 | Credit spreads | 108bps | N/A |
| Finance and insurance | Internal models | 497 | Credit spreads | 73bps - 380bps | 206bps |
| Consumer—non-cyclical | Internal models | 102 | Credit spreads | 83bps - 395bps | 202bps |
| Technology and communications | Internal models | 66 | Credit spreads | 212bps - 395bps | 271bps |
| Industrial | Internal models | 39 | Credit spreads | 199bps - 483bps | 293bps |
| Capital goods | Internal models | 97 | Credit spreads | 120bps - 294bps | 214bps |
| Consumer—cyclical | Internal models | 161 | Credit spreads | 131bps - 307bps | 208bps |
| Transportation | Internal models | 44 | Credit spreads | 76bps - 199bps | 144bps |
| Other | Internal models | 165 | Credit spreads | 99bps - 213bps | 122bps |
| Total U.S. corporate | Internal models | $ 2,005 | Credit spreads | 71bps - 483bps | 197bps |
| Non-U.S. corporate: | | | | | |
| Utilities | Internal models | $ 357 | Credit spreads | 97bps - 286bps | 176bps |
| Energy | Internal models | 82 | Credit spreads | 120bps - 272bps | 175bps |
| Finance and insurance | Internal models | 209 | Credit spreads | 136bps - 188bps | 133bps |
| Consumer—non-cyclical | Internal models | 53 | Credit spreads | 107bps - 182bps | 160bps |
| Technology and communications | Internal models | 28 | Credit spreads | 153bps - 260bps | 221bps |
| Industrial | Internal models | 92 | Credit spreads | 108bps - 272bps | 193bps |
| Capital goods | Internal models | 144 | Credit spreads | 107bps - 294bps | 215bps |
| Consumer—cyclical | Internal models | 45 | Credit spreads | 97bps - 272bps | 194bps |
| Transportation | Internal models | 114 | Credit spreads | 83bps - 294bps | 175bps |
| Other | Internal models | 144 | Credit spreads | 121bps - 507bps | 300bps |
| Total non-U.S. corporate | Internal models | $ 1,268 | Credit spreads | 83bps - 507bps | 196bps |
| Derivative assets: | | | | | |
| Equity index options | Discounted cash flows | $ 66 | Equity index volatility | 6% - 38% | 28% |

(1) Unobservable inputs weighted by the relative fair value of the associated instrument for fixed maturity securities and by notional for derivative assets.

Certain classes of instruments classified as Level 3 are excluded above 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.

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

| | June 30, 2020 | | | |
|---|---|---|---|---|
| (Amounts in millions) | Total | Level 1 | Level 2 | Level 3 |
| Liabilities | | | | |
| Policyholder account balances: | | | | |
| GMWB embedded derivatives [1] | $ 559 | $ — | $ — | $ 559 |
| Fixed index annuity embedded derivatives | 447 | — | — | 447 |
| Indexed universal life embedded derivatives | 23 | — | — | 23 |
| Total policyholder account balances | 1,029 | — | — | 1,029 |
| Derivative liabilities: | | | | |
| Other foreign currency contracts | 1 | — | 1 | — |
| Total derivative liabilities | 1 | — | 1 | — |
| Total liabilities | $1,030 | $ — | $ 1 | $1,029 |

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

| | December 31, 2019 | | | |
|---|---|---|---|---|
| (Amounts in millions) | Total | Level 1 | Level 2 | Level 3 |
| Liabilities | | | | |
| Policyholder account balances: | | | | |
| GMWB embedded derivatives [1] | $ 323 | $ — | $ — | $ 323 |
| Fixed index annuity embedded derivatives | 452 | — | — | 452 |
| Indexed universal life embedded derivatives | 19 | — | — | 19 |
| Total policyholder account balances | 794 | — | — | 794 |
| Derivative liabilities: | | | | |
| Interest rate swaps | 10 | — | 10 | — |
| Other foreign currency contracts | 1 | — | 1 | — |
| Total derivative liabilities | 11 | — | 11 | — |
| Total liabilities | $ 805 | $ — | $ 11 | $ 794 |

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

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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, 2020 | Total realized and unrealized (gains) losses: Included in net (income) loss | 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, 2020 | Total (gains) losses attributable to liabilities still held: Included in net (income) loss | Total (gains) losses attributable to liabilities still held: Included in OCI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Policyholder account balances: | | | | | | | | | | | | |
| GMWB embedded derivatives [1] | $ 691 | $ (138) | $ — | $ — | $ — | $ 6 | $ — | $ — | $ — | $ 559 | $ (137) | $ — |
| Fixed index annuity embedded derivatives | 413 | 45 | — | — | — | — | (11) | — | — | 447 | 45 | — |
| Indexed universal life embedded derivatives | 21 | (3) | — | — | — | 5 | — | — | — | 23 | (3) | — |
| Total policyholder account balances | 1,125 | (96) | — | — | — | 11 | (11) | — | — | 1,029 | (95) | — |
| Total Level 3 liabilities | $ 1,125 | $ (96) | $ — | $ — | $ — | $ 11 | $ (11) | $ — | $ — | $ 1,029 | $ (95) | $ — |

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

| (Amounts in millions) | Beginning balance as of April 1, 2019 | Total realized and unrealized (gains) losses: Included in net (income) loss | 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, 2019 | Total (gains) losses included in net (income) loss attributable to liabilities still held |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Policyholder account balances: | | | | | | | | | | | |
| GMWB embedded derivatives [1] | $ 295 | $ 24 | $ — | $ — | $— | $ 6 | $ — | $ — | $ — | $ 325 | $ 24 |
| Fixed index annuity embedded derivatives | 423 | 20 | — | — | — | — | (5) | — | — | 438 | 20 |
| Indexed universal life embedded derivatives | 13 | 1 | — | — | — | 1 | — | — | — | 15 | 1 |
| Total policyholder account balances | 731 | 45 | — | — | — | 7 | (5) | — | — | 778 | 45 |
| Total Level 3 liabilities | $ 731 | $ 45 | $ — | $ — | $— | $ 7 | $ (5) | $ — | $ — | $ 778 | $ 45 |

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

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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, 2020 | Total realized and unrealized (gains) losses: Included in net (income) loss | 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, 2020 | Total (gains) losses attributable to liabilities still held: Included in net (income) loss | Total (gains) losses attributable to liabilities still held: Included in OCI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Policyholder account balances: | | | | | | | | | | | | |
| GMWB embedded derivatives [1] | $ 323 | $ 224 | $ — | $ — | $— | $ 12 | $ — | $ — | $ — | $ 559 | $ 231 | $ — |
| Fixed index annuity embedded derivatives | 452 | 13 | — | — | — | — | (18) | — | — | 447 | 13 | — |
| Indexed universal life embedded derivatives | 19 | (7) | — | — | — | 11 | — | — | — | 23 | (7) | — |
| Total policyholder account balances | 794 | 230 | — | — | — | 23 | (18) | — | — | 1,029 | 237 | — |
| Total Level 3 liabilities | $ 794 | $ 230 | $ — | $ — | $— | $ 23 | $ (18) | $ — | $ — | $ 1,029 | $ 237 | $ — |

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

| (Amounts in millions) | Beginning balance as of January 1, 2019 | Total realized and unrealized (gains) losses: Included in net (income) loss | 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, 2019 | Total (gains) losses included in net (income) loss attributable to liabilities still held |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Policyholder account balances: | | | | | | | | | | | |
| GMWB embedded derivatives [1] | $ 337 | $ (24) | $ — | $ — | $— | $ 12 | $ — | $ — | $ — | $ 325 | $ (20) |
| Fixed index annuity embedded derivatives | 389 | 58 | — | — | — | — | (9) | — | — | 438 | 58 |
| Indexed universal life embedded derivatives | 12 | — | — | — | — | 3 | — | — | — | 15 | — |
| Total policyholder account balances | 738 | 34 | — | — | — | 15 | (9) | — | — | 778 | 38 |
| Total Level 3 liabilities | $ 738 | $ 34 | $ — | $ — | $— | $ 15 | $ (9) | $ — | $ — | $ 778 | $ 38 |

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

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the gains and losses included in net (income) loss 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:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2020 | 2019 | 2020 | 2019 |
| Total realized and unrealized (gains) losses included in net (income) loss: | | | | |
| Net investment income | $ — | $ — | $ — | $ — |
| Net investment (gains) losses | (96) | 45 | 230 | 34 |
| Total | $ (96) | $ 45 | $ 230 | $ 34 |
| Total (gains) losses included in net (income) loss attributable to liabilities still held: | | | | |
| Net investment income | $ — | $ — | $ — | $ — |
| Net investment (gains) losses | (95) | 45 | 237 | 38 |
| Total | $ (95) | $ 45 | $ 237 | $ 38 |

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 and equity securities and purchases, issuances and settlements of derivative instruments.

Issuances presented for GMWB embedded derivative liabilities 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. Issuances for fixed index annuity and indexed universal life embedded derivative liabilities represent the amount of the premium received that is attributed to the value of the embedded derivative. Settlements of embedded derivatives 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) loss" in the tables presented above.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents a summary of the significant unobservable inputs used for certain liability fair value measurements that are based on internal models and classified as Level 3 as of June 30, 2020:

| (Amounts in millions) | Valuation technique | Fair value | Unobservable input | Range | Weighted-average [1] |
|---|---|---|---|---|---|
| Policyholder account balances: | | | | | |
| | | | Withdrawal utilization rate | 56% - 88% | 73% |
| | | | Lapse rate | 2% - 9% | 3% |
| | | | Non-performance risk (credit spreads) | 9bps - 83bps | 67bps |
| GMWB embedded derivatives [2] | Stochastic cash flow model | $ 559 | Equity index volatility | 21% - 30% | 24% |
| Fixed index annuity embedded derivatives | Option budget method | $ 447 | Expected future interest credited | — % - 3% | 1% |
| Indexed universal life embedded derivatives | Option budget method | $ 23 | Expected future interest credited | 3% - 11% | 6% |

(1) Unobservable inputs weighted by the policyholder account balances associated with the instrument.
(2) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance. The unobservable inputs associated with GMWB embedded derivatives are not interrelated and therefore, a directional change in one input will not affect the other inputs.

*Assets and Liabilities Not Required to Be Carried at Fair Value*

Assets and liabilities that are reflected in the accompanying unaudited condensed consolidated financial statements at fair value are not included in the following disclosure of fair value. Such items include cash, cash equivalents and restricted cash, short-term investments, investment securities, separate accounts, securities held as collateral and derivative instruments. Apart from certain of our borrowings and certain marketable securities, few of the instruments 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 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.

**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, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | Fair value | | | |
| (Amounts in millions) | Notional amount | Carrying amount | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | | | |
| Commercial mortgage loans | (1) | $ 6,917 | $ 7,225 | $ — | $ — | $ 7,225 |
| Other invested assets | (1) | 418 | 421 | — | 22 | 399 |
| Liabilities: | | | | | | |
| Long-term borrowings | (1) | 2,817 | 2,153 | — | 2,016 | 137 |
| Investment contracts | (1) | 11,258 | 12,227 | — | — | 12,227 |
| Other firm commitments: | | | | | | |
| Commitments to fund limited partnerships | 1,135 | — | — | — | — | — |
| Commitments to fund bank loan investments | 35 | — | — | — | — | — |
| Ordinary course of business lending commitments | 116 | — | — | — | — | — |

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

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | | Fair value | | | |
| (Amounts in millions) | Notional amount | Carrying amount | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | | | |
| Commercial mortgage loans | (1) | $ 6,963 | $ 7,239 | $ — | $ — | $ 7,239 |
| Other invested assets | (1) | 432 | 432 | — | 49 | 383 |
| Liabilities: | | | | | | |
| Long-term borrowings | (1) | 3,277 | 3,093 | — | 2,951 | 142 |
| Non-recourse funding obligations | (1) | 311 | 207 | — | — | 207 |
| Investment contracts | (1) | 11,466 | 12,086 | — | — | 12,086 |
| Other firm commitments: | | | | | | |
| Commitments to fund limited partnerships | 976 | — | — | — | — | — |
| Commitments to fund bank loan investments | 52 | — | — | — | — | — |
| Ordinary course of business lending commitments | 69 | — | — | — | — | — |

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

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

**(7) Liability for Policy and Contract Claims**

The following table sets forth changes in our liability for policy and contract claims as of the dates indicated:

| (Amounts in millions) | As of or for the six months ended June 30, 2020 | 2019 |
|---|---|---|
| Beginning balance | $10,958 | $10,295 |
| Less reinsurance recoverables | (2,406) | (2,379) |
| Net beginning balance | 8,552 | 7,916 |
| Incurred related to insured events of: | | |
| Current year | 2,238 | 1,961 |
| Prior years | (255) | (206) |
| Total incurred | 1,983 | 1,755 |
| Paid related to insured events of: | | |
| Current year | (436) | (407) |
| Prior years | (1,339) | (1,253) |
| Total paid | (1,775) | (1,660) |
| Interest on liability for policy and contract claims | 205 | 188 |
| Foreign currency translation | (4) | (1) |
| Net ending balance | 8,961 | 8,198 |
| Add reinsurance recoverables | 2,319 | 2,388 |
| Ending balance | $11,280 | $10,586 |

The liability for policy and contract claims represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant, and result in increases in reserves by an amount that could be material to our results of operations and financial condition and liquidity. In addition, loss reserves recorded on new delinquencies in our U.S. mortgage insurance business have a high degree of estimation, particularly due to the level of uncertainty regarding whether borrowers in forbearance will ultimately cure or result in a new delinquency.

For the six months ended June 30, 2020, the favorable development of $255 million related to insured events of prior years was primarily attributable to our long-term care insurance business largely from favorable claim terminations mostly attributable to higher mortality, favorable development on prior year incurred but not reported claims and favorable experience on pending claims that terminated before becoming an active claim. These decreases were partially offset by a strengthening of incurred but not reported reserves in the current year.

For the six months ended June 30, 2020, the liability for policy and contract claims increased $322 million largely related to our U.S. mortgage insurance business, principally attributable to a significant increase in the number of new delinquencies driven largely by borrower forbearance resulting from COVID-19. In addition, existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. The current year also reflected lower net benefits from cures and aging of existing delinquencies compared to the prior year. The increase was also attributable to our long-term care insurance business primarily attributable to new claims, which includes higher new claims frequency as a result of the aging of the in-force block, as well as higher severity, partially offset by an increase in claim terminations driven mostly by higher mortality and favorable development on prior year incurred but not reported claims in the current year. Given the lower new claim counts submitted during COVID-19, incurred but not reported reserves were strengthened by $37 million reflecting our assumption that new claim incidence during this period will ultimately return to normal levels, partially offsetting the favorable development on incurred but not reported claims.

**(8) Reinsurance**

The following table sets forth the changes in the allowance for credit losses related to reinsurance recoverables as of or for the periods indicated:

| (Amounts in millions) | Three months ended June 30, 2020 | Six months ended June 30, 2020 |
|---|---|---|
| Allowance for credit losses: | | |
| Beginning balance | $ 42 | $ — |
| Cumulative effect of change in accounting | — | 40 |
| Provision | 2 | 4 |
| Write-offs | — | — |
| Recoveries | — | — |
| Ending balance | $ 44 | $ 44 |

As discussed in note 2, our policy for evaluating and measuring the allowance for credit losses related to reinsurance recoverables utilizes the reinsurer's credit rating, updated quarterly, to assess the credit quality of reinsurance recoverables. The following table sets forth A.M. Best Company, Inc.'s ("A.M. Best") credit ratings related to our reinsurance recoverables, gross of the allowance for credit losses, as of June 30, 2020:

| (Amounts in millions) | Collateralized | Non-collateralized | Total |
|---|---|---|---|
| Credit rating: | | | |
| A++ | $ — | $ 508 | $ 508 |
| A+ | 1,267 | 1,467 | 2,734 |
| A | 20 | 58 | 78 |
| B+ | — | 2 | 2 |
| Not rated | 13,542 | 80 | 13,622 |
| Total reinsurance recoverable | $ 14,829 | $ 2,115 | $16,944 |

We have several significant reinsurance transactions ("Reinsurance Transactions") with Union Fidelity Life Insurance Company ("UFLIC"), an affiliate of our former parent, General Electric Company ("GE"). In the Reinsurance Transactions, we ceded to UFLIC in-force blocks of structured settlements issued prior to 2004, substantially all of our in-force blocks of variable annuities issued prior to 2004 and a block of long-term care insurance policies that we reinsured in 2000 from legal entities now a part of Brighthouse Life Insurance Company. Although we remain directly liable under these contracts and policies as the ceding insurer, the Reinsurance Transactions have the effect of transferring the financial results of the reinsured blocks to UFLIC. To secure the payment of its obligations to us under the reinsurance agreements governing the Reinsurance Transactions, UFLIC has established trust accounts to maintain an aggregate amount of assets with a statutory book value at least equal to the statutory general account reserves attributable to the reinsured business less an amount required to be held in certain claims-paying accounts. A trustee administers the trust accounts and we are permitted to withdraw from the trust accounts amounts due to us pursuant to the terms of the reinsurance agreements that are not otherwise paid by UFLIC. In addition, pursuant to a Capital Maintenance Agreement, GE is obligated to maintain sufficient capital in UFLIC to maintain UFLIC's risk-based capital ("RBC") at not less than 150% of its company action level, as defined by the National Association of Insurance Commissioners ("NAIC").

As of June 30, 2020 and December 31, 2019, we had a reinsurance recoverable of $13,539 million and $13,752 million, respectively, with UFLIC. In March 2019, upon UFLIC's request, A.M. Best withdrew UFLIC's credit rating. There was no impact to us from this action as UFLIC has trust accounts and a guarantee from its parent, as discussed above, and is sufficiently collateralized. Accordingly, the reinsurance recoverable with UFLIC is fully collectible and no allowance for credit losses was recorded as of June 30, 2020.

Reinsurance recoverables are considered past due when contractual payments have not been received from the reinsurer by the required payment date. Claims submitted for payment are generally due in less than one year. As of June 30, 2020, we did not have any reinsurance recoverables past due, except for Scottish Re US Inc. ("Scottish Re"), a reinsurance company domiciled in Delaware. On March 6, 2019, Scottish Re was ordered into receivership for the purposes of rehabilitation by the Court of Chancery of the State of Delaware. The proposed Plan of Rehabilitation of Scottish Re was filed on June 30, 2020. The filing did not include a schedule for affected cedents to object to the proposed rehabilitation plan. We do not know what deadlines will be imposed related to the Court of Chancery's consideration of the proposed plan, but we expect a final hearing to be scheduled in November or December of this year. As of June 30, 2020, amounts past due related to Scottish Re were $13 million, all of which was included in the allowance for credit losses. We will continue to monitor the plan of rehabilitation and expected recovery of the claims balance.

**(9) Borrowings and Liquidity**

*(a) Long-Term Borrowings*

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

| (Amounts in millions) | June 30, 2020 | December 31, 2019 |
|---|---|---|
| **Genworth Holdings** [1] | | |
| 7.70% Senior Notes, due 2020 | $ — | $ 397 |
| 7.20% Senior Notes, due 2021 | 356 | 382 |
| 7.625% Senior Notes, due 2021 | 661 | 701 |
| 4.90% Senior Notes, due 2023 | 399 | 399 |
| 4.80% Senior Notes, due 2024 | 400 | 400 |
| 6.50% Senior Notes, due 2034 | 297 | 297 |
| Floating Rate Junior Subordinated Notes, due 2066 | 598 | 598 |
| Subtotal | 2,711 | 3,174 |
| Bond consent fees | (22) | (25) |
| Deferred borrowing charges | (10) | (12) |
| Total Genworth Holdings | 2,679 | 3,137 |
| **Australia** [2] | | |
| Floating Rate Junior Subordinated Notes, due 2025 | 138 | 140 |
| Total Australia | 138 | 140 |
| Total | $ 2,817 | $ 3,277 |

(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) Subordinated floating rate notes issued by Genworth Financial Mortgage Insurance Pty Limited ("GFMIPL"), our indirect majority-owned subsidiary, who has the option to redeem the notes at face value beginning on July 3, 2020, subject to the Australian Prudential Regulation Authority's ("APRA") prior written approval.

On January 21, 2020, Genworth Holdings early redeemed $397 million of its 7.70% senior notes originally scheduled to mature in June 2020 for a pre-tax loss of $9 million. The senior notes were fully redeemed with a cash payment of $409 million, comprised of the outstanding principal balance of $397 million, accrued interest of $3 million and a make-whole premium of $9 million.

During the second quarter of 2020, Genworth Holdings repurchased $52 million principal amount of its senior notes with 2021 maturity dates for a pre-tax gain of $3 million and paid accrued interest thereon. In March 2020, Genworth Holdings also repurchased $14 million principal amount of its senior notes with 2021 maturity dates for a pre-tax gain of $1 million and paid accrued interest thereon.

On July 3, 2020, GFMIPL issued AUD$147 million floating rate subordinated notes due in July 2030 in exchange for AUD$147 million of its floating rate subordinated notes due in July 2025. In addition, on July 3, 2020, GFMIPL issued AUD$43 million floating rate subordinated notes due in July 2030. These notes will pay interest quarterly at a floating rate equal to the three-month bank bill swap reference rate plus a margin of a minimum of 5.0% per annum. GFMIPL has an option to redeem the notes at face value on July 3, 2025 and every interest payment date thereafter up to and excluding the maturity date, and for certain tax and regulatory events (in each case subject to APRA's prior written approval). Following the settlement of these transactions, GFMIPL has outstanding floating rate subordinated notes of AUD$53 million due in July 2025 and AUD$190 million due in July 2030.

*(b) Non-Recourse Funding Obligations*

In January 2020, upon receipt of approval from the Director of Insurance of the State of South Carolina, Rivermont Life Insurance Company I ("Rivermont I") redeemed all of its $315 million of outstanding non-recourse funding obligations due in 2050. The early redemption resulted in a pre-tax loss of $4 million from the write-off of deferred borrowing costs.

**(10) Income Taxes**

The reconciliation of the federal statutory tax rate to the effective income tax rate was as follows for the periods indicated:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Statutory U.S. federal income tax rate | 21.0% | 21.0% | 21.0% | 21.0% |
| Increase (reduction) in rate resulting from: | | | | |
| Swaps terminated prior to the TCJA | 4.8 | 3.2 | 19.1 | 3.9 |
| Effect of foreign operations | 3.7 | 2.3 | 7.3 | 2.7 |
| Non-deductible goodwill | 1.2 | — | 2.7 | — |
| Non-deductible expense | 0.7 | 0.6 | 2.8 | 0.7 |
| Tax favored investments | (0.8) | (0.5) | (3.2) | (0.5) |
| Stock-based compensation | 0.1 | 0.1 | 2.9 | — |
| Other, net | 0.4 | 2.8 | 1.9 | 1.5 |
| Effective rate | 31.1% | 29.5% | 54.5% | 29.3% |

The increase in the effective tax rate for the three and six months ended June 30, 2020 was primarily attributable to tax expense on forward starting swaps settled prior to the enactment of the Tax Cuts and Jobs Act ("TCJA"), which are tax effected at 35% as they are amortized into net investment income, in relation to lower pre-tax income in the current year. The increase was also attributable to a higher tax expense related to foreign operations, non-deductible goodwill recorded in the current year and higher stock-based compensation for the six months ended June 30, 2020.

U.S. GAAP generally requires an annualized effective tax rate to be used for interim reporting periods, utilizing projections of full year results. However, in certain circumstances it is appropriate to record the actual effective tax rate for the period if a reliable full year estimate cannot be made. For the three and six months ended June 30, 2020, we have elected to record the actual effective tax rate for the period, primarily due to the sensitivity of the full year annualized effective rate in relation to small changes in projected pre-tax income.

**(11) Segment Information**

We have the following four operating business segments: U.S. Mortgage Insurance; Australia Mortgage Insurance; U.S. Life Insurance (which includes our long-term care insurance, life insurance and fixed annuities

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businesses); and Runoff (which includes the results of non-strategic products which have not been actively sold since 2011). In addition to our four operating business segments, 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 certain smaller international mortgage insurance businesses and discontinued operations.

We tax our international businesses at their local jurisdictional tax rates and our domestic businesses at the U.S. corporate federal income tax rate of 21%. Our segment tax methodology applies the respective jurisdictional or domestic tax rate to the pre-tax income (loss) of each segment, which is then adjusted in each segment to reflect the tax attributes of items unique to that segment such as foreign withholding taxes and permanent differences between U.S. GAAP and local tax law. The difference between the consolidated provision for income taxes and the sum of the provision for income taxes in each segment is reflected in Corporate and Other activities.

The annually-determined tax rates and adjustments to each segment's provision for income taxes are estimates which are subject to review and could change from year to year.

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 "adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders." We define adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders as income (loss) from continuing operations excluding the after-tax effects of income (loss) from continuing operations 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, restructuring costs 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 estimated future credit losses, 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, gains (losses) on insurance block transactions and restructuring costs are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders if, in our opinion, they are not indicative of overall operating trends.

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 adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, and measures that are derived from or incorporate adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, 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 adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders as a basis for determining awards and compensation for senior

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management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders have occurred in the past and could, and in some cases will, recur in the future. Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders 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 adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders may differ from the definitions used by other companies.

Adjustments to reconcile net income (loss) available to Genworth Financial, Inc.'s common stockholders to adjusted operating income (loss) assume a 21% tax rate for our domestic segments and a 30% tax rate for our Australia Mortgage Insurance segment and are net of the portion attributable to noncontrolling interests. Net investment gains (losses) are also adjusted for DAC and other intangible amortization and certain benefit reserves.

In the second quarter of 2020, we recorded a goodwill impairment of $3 million, net of the portion attributable to noncontrolling interests, in our Australia mortgage insurance business.

During the second and first quarters of 2020, we repurchased $52 million and $14 million, respectively, principal amount of Genworth Holdings' senior notes with 2021 maturity dates for a pre-tax gain of $3 million and $1 million, respectively. In January 2020, we paid a pre-tax make-whole expense of $9 million related to the early redemption of Genworth Holdings, Inc.'s senior notes originally scheduled to mature in June 2020 and Rivermont I, our indirect wholly-owned special purpose consolidated captive insurance subsidiary, early redeemed all of its $315 million outstanding non-recourse funding obligations originally due in 2050 resulting in a pre-tax loss of $4 million from the write-off of deferred borrowing costs. These transactions were excluded from adjusted operating income (loss) for the periods presented as they relate to gains (losses) on the early extinguishment of debt.

We recorded a pre-tax expense of $1 million and $2 million for the three and six months ended June 30, 2020, respectively, and $4 million for the six months ended June 30, 2019 related to restructuring costs as we continue to evaluate and appropriately size our organizational needs and expenses. There were no infrequent or unusual items excluded from adjusted operating income (loss) during the periods presented.

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)** | **2020** | **2019** | **2020** | **2019** |
| Revenues: | | | | |
| U.S. Mortgage Insurance segment | $ 274 | $ 235 | $ 535 | $ 458 |
| Australia Mortgage Insurance segment | 136 | 96 | 163 | 206 |
| U.S. Life Insurance segment: | | | | |
| Long-term care insurance | 1,200 | 1,055 | 2,206 | 2,169 |
| Life insurance | 335 | 382 | 683 | 754 |
| Fixed annuities | 129 | 151 | 262 | 310 |
| U.S. Life Insurance segment | 1,664 | 1,588 | 3,151 | 3,233 |
| Runoff segment | 90 | 78 | 97 | 160 |
| Corporate and Other activities | (26) | (3) | 29 | (19) |
| Total revenues | $ 2,138 | $ 1,994 | $ 3,975 | $ 4,038 |

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The following tables present the reconciliation of net income (loss) available to Genworth Financial, Inc.’s common stockholders to adjusted operating income (loss) available to Genworth Financial, Inc.’s common stockholders and a summary of adjusted operating income (loss) available to Genworth Financial, Inc.’s common stockholders 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)** | **2020** | **2019** | **2020** | **2019** |
| Net income (loss) available to Genworth Financial, Inc.’s common stockholders | $ (441) | $ 168 | $ (507) | $ 342 |
| Add: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 17 | 35 |
| Add: net income from discontinued operations attributable to noncontrolling interests | — | 35 | — | 71 |
| Net income (loss) | (418) | 218 | (490) | 448 |
| Less: income (loss) from discontinued operations, net of taxes | (520) | 60 | (520) | 122 |
| Income from continuing operations | 102 | 158 | 30 | 326 |
| Less: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 17 | 35 |
| Income from continuing operations available to Genworth Financial, Inc.’s common stockholders | 79 | 143 | 13 | 291 |
| Adjustments to income from continuing operations available to Genworth Financial, Inc.’s common stockholders: | | | | |
| Net investment (gains) losses, net(1) | (131) | 43 | (16) | (28) |
| Goodwill impairment, net(2) | 3 | — | 3 | — |
| (Gains) losses on early extinguishment of debt | (3) | — | 9 | — |
| Expenses related to restructuring | 1 | — | 2 | 4 |
| Taxes on adjustments | 30 | (8) | 1 | 6 |
| Adjusted operating income (loss) available to Genworth Financial, Inc.’s common stockholders | $ (21) | $ 178 | $ 12 | $ 273 |

(1) For the three months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(4) and $(3) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $32 million and $—, respectively. For the six months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(15) million and $(5) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $6 million in both periods.

(2) For the three and six months ended June 30, 2020, goodwill impairment was adjusted for the portion attributable to noncontrolling interests of $2 million.

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| (Amounts in millions) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Six months ended June 30, 2020 | Six months ended June 30, 2019 |
|---|---|---|---|---|
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders: | | | | |
| U.S. Mortgage Insurance segment | $ (3) | $ 147 | $ 145 | $ 271 |
| Australia Mortgage Insurance segment | 1 | 13 | 10 | 27 |
| U.S. Life Insurance segment: | | | | |
| Long-term care insurance | 48 | 37 | 49 | 17 |
| Life insurance | (81) | 10 | (158) | 8 |
| Fixed annuities | 28 | 19 | 34 | 36 |
| U.S. Life Insurance segment | (5) | 66 | (75) | 61 |
| Runoff segment | 24 | 9 | 11 | 29 |
| Corporate and Other activities | (38) | (57) | (79) | (115) |
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (21) | $ 178 | $ 12 | $ 273 |

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, 2020 | December 31, 2019 |
|---|---|---|
| Assets: | | |
| U.S. Mortgage Insurance segment | $ 4,944 | $ 4,504 |
| Australia Mortgage Insurance segment | 2,439 | 2,406 |
| U.S. Life Insurance segment | 83,829 | 81,640 |
| Runoff segment | 9,783 | 9,953 |
| Corporate and Other activities | 2,642 | 2,839 |
| Total assets | $103,637 | $ 101,342 |

## (12) 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, product 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 or related state anti-inducement laws, and mortgage insurance policy rescissions and curtailments, and breaching fiduciary or other duties to

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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, post-closing obligations associated with previous dispositions and securities lawsuits. 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 January 2016, Genworth Financial, its current chief executive officer, its former chief executive officer, its former chief financial officer and current and former members of its board of directors were named in a shareholder derivative suit filed by International Union of Operating Engineers Local No. 478 Pension Fund, Richard L. Salberg and David Pinkoski in the Court of Chancery of the State of Delaware. The case was captioned *Int'l Union of Operating Engineers Local No. 478 Pension Fund, et al v. McInerney, et al.* In February 2016, Genworth Financial, its current chief executive officer, its former chief executive officer, its former chief financial officer and current and former members of its board of directors were named in a second shareholder derivative suit filed by Martin Cohen in the Court of Chancery of the State of Delaware. The case was captioned *Cohen v. McInerney, et al*. On February 23, 2016, the Court of Chancery of the State of Delaware consolidated these derivative suits under the caption *Genworth Financial, Inc. Consolidated Derivative Litigation*. On March 28, 2016, plaintiffs in the consolidated action filed an amended complaint. The amended complaint alleges breaches of fiduciary duties concerning Genworth's long-term care insurance reserves and concerning Genworth's Australian mortgage insurance business, including our plans for an IPO of the business and seeks unspecified damages, costs, attorneys' fees and such equitable relief as the Court may deem proper. The amended consolidated complaint also adds Genworth's current chief financial officer as a defendant, based on the current chief financial officer's alleged conduct in her former capacity as Genworth's controller and principal accounting officer. We moved to dismiss the consolidated action on May 27, 2016. Thereafter, plaintiffs filed a substantially similar second amended complaint which we moved to dismiss on September 16, 2016. The motion is fully briefed and awaiting disposition by the Court. The action is stayed pending the completion of the proposed China Oceanwide transaction.

In October 2016, Genworth Financial, its current chief executive officer, its former chief executive officer, its current chief financial officer, its former chief financial officer and current and former members of its board of directors were named in a shareholder derivative suit filed by Esther Chopp in the Court of Chancery of the State of Delaware. The case is captioned *Chopp v. McInerney, et al.* The complaint alleges that Genworth's board of directors wrongfully refused plaintiff's demand to commence litigation on behalf of Genworth and asserts claims for breaches of fiduciary duties, waste, contribution and indemnification, and unjust enrichment concerning Genworth's long-term care insurance reserves and concerning Genworth's Australian mortgage insurance business, including our plans for an IPO of the business, and seeks unspecified damages, costs, attorneys' fees and such equitable relief as the Court may deem proper. We filed a motion to dismiss on November 14, 2016. The action is stayed pending the completion of the proposed China Oceanwide transaction.

In December 2017, Genworth Financial International Holdings, LLC ("GFIH") and Genworth Financial were named as defendants in an action captioned *AXA S.A. v. Genworth Financial International Holdings, LLC et al.,* in the High Court of Justice, Business and Property Courts of England and Wales. In the action, AXA initially sought in excess of £28 million on an indemnity provided for in the 2015 agreement pursuant to which Genworth sold to AXA two insurance companies, Financial Insurance Company Limited (“FICL”) and Financial Assurance Company Limited (“FACL”), relating to alleged remediation it has paid to customers who purchased payment protection insurance (“PPI”). In February 2018, we served a Particulars of Defence and counterclaim against AXA, and also served other counterclaims against various parties, including Santander Cards UK Limited (“Santander”), alleging that Santander is responsible for any remediation paid to PPI customers. AXA and Santander applied to the Court for orders dismissing or staying the counterclaims. A hearing on those applications was held in October 2018, and the Court dismissed our counterclaims. On November 15, 2018, AXA amended its claim and updated its demand to £237 million. We filed our amended Particulars of Defence and amended counterclaim on December 13, 2018, seeking, among other forms of relief, a declaration that in the event we make any payment to AXA pursuant to the indemnity, we are subrogated to FICL’s and FACL’s rights against Santander with respect to those amounts. On February 25, 2019, AXA amended its claim and updated its demand to £265 million. The Court held a case management conference and hearing on February 26, 2019. Santander, FICL and FACL consented to be joined as parties to the proceedings and consented to allow Genworth to amend its pleadings to include the subrogation declarations to reflect the additional parties. On March 29, 2019, AXA, FICL, FACL and Santander filed their respective responses to our amended counterclaim. On June 21, 2019, we filed an application to address certain deficiencies in AXA’s discovery production. On July 18, 2019, we reached an agreement with AXA and Santander regarding our discovery application. The hearing on liability and subrogation matters concluded on November 12, 2019. On December 6, 2019, the Court issued its judgment, ruling in AXA’s favor with respect to its claim against Genworth for 90% of AXA’s payment of PPI mis-selling losses. The Court further ruled, among other matters, that Genworth is not entitled to be subrogated to the rights of FICL/FACL against Santander or require AXA to assert reasonable defenses with respect to PPI mis-selling claims. In January 2020, we made an interim payment to AXA for approximately $134 million, which was previously accrued in December 2019 in connection with the aforementioned Court ruling. On January 10, 2020, Genworth applied to the English Court of Appeal (Civil Division) for permission to appeal certain aspects of the December 6, 2019 judgment including, among other matters, the Court’s determination that Genworth is not entitled to be subrogated to the rights of FICL/FACL against Santander or require AXA to assert reasonable defenses with respect to PPI mis-selling claims. On March 16, 2020, the English Court of Appeal (Civil Division) denied permission for Genworth to appeal the December 6, 2019 judgment. On June 8, 2020, AXA amended its claim and updated its demand to £499 million, excluding an alleged claim for a tax gross up for a possible additional amount of £117 million or more. The damages hearing took place from June 15, 2020 through June 23, 2020. On July 20, 2020, Genworth and GFIH entered into a settlement agreement with AXA pursuant to which the parties have agreed, pending satisfaction of certain conditions, not to enforce, appeal or set aside the liability judgment of December 6, 2019 and the subsequently issued damages judgment of July 27, 2020. See note 14 for additional details on the terms of the settlement with AXA, the sale of our former lifestyle protection insurance business and amounts recorded related to loss from discontinued operations.

In September 2018, Genworth Life and Annuity Insurance Company (“GLAIC”), our indirect wholly-owned subsidiary, was named as a defendant in a putative class action lawsuit pending in the United States District Court for the Eastern District of Virginia captioned *TVPX ARX INC., as Securities Intermediary for Consolidated Wealth Management, LTD. on behalf of itself and all others similarly situated v. Genworth Life and Annuity Insurance Company*. Plaintiff alleges unlawful and excessive cost of insurance charges were imposed on policyholders. The complaint asserts claims for breach of contract, alleging that Genworth improperly considered non-mortality factors when calculating cost of insurance rates and failed to decrease cost of insurance charges in light of improved expectations of future mortality, and seeks unspecified compensatory damages, costs, and equitable relief. On October 29, 2018, we filed a motion to enjoin the case in the Middle District of Georgia, and a motion to dismiss and motion to stay in the Eastern District of Virginia. We moved to enjoin the prosecution of the Eastern District of Virginia action on the basis that it involves claims released in a prior nationwide class action settlement (the "McBride settlement") that was approved by the Middle District of Georgia. Plaintiff filed an amended complaint on November 13, 2018. On December 6, 2018, we moved the Middle District of Georgia for leave to file our counterclaim, which alleges that plaintiff breached the covenant not to sue contained in the prior settlement agreement by filing its current action. On March 15, 2019, the Middle District of Georgia granted our motion to enjoin and denied our motion for leave to file our counterclaim. As such, plaintiff is enjoined from pursuing its class action in the Eastern District of Virginia. On March 29, 2019, plaintiff filed a notice of appeal in the Middle District of Georgia, notifying the Court of its appeal to the United States Court of Appeals for the Eleventh Circuit from the order granting our motion to enjoin. On March 29, 2019, we filed our notice of cross-appeal in the Middle District of Georgia, notifying the Court of our cross-appeal to the Eleventh Circuit from the portion of the order denying our motion for leave to file our counterclaim. On April 8, 2019, the Eastern District of Virginia dismissed the case without prejudice, with leave for plaintiff to refile an amended complaint only if a final appellate Court decision vacates the injunction and reverses the Middle District of Georgia's opinion. On May 21, 2019, plaintiff filed its appeal and memorandum in support in the Eleventh Circuit. We filed our response to plaintiff's appeal memorandum on July 3, 2019. The Eleventh Circuit Court of Appeals heard oral argument on plaintiff's appeal and our cross-appeal on April 21, 2020. On May 26, 2020, the Eleventh Circuit Court of Appeals vacated the Middle District of Georgia's order enjoining Plaintiff's class action and remanded the case back to the Middle District of Georgia for further factual development as to whether Genworth has altered how it calculates or charges cost of insurance since the McBride settlement. The Eleventh Circuit Court of Appeals did not reach a decision on Genworth's counterclaim. We intend to continue to vigorously defend the dismissal of this action.

In September 2018, Genworth Financial, Genworth Holdings, Genworth North America Corporation, GFIH and Genworth Life Insurance Company ("GLIC") were named as defendants in a putative class action lawsuit pending in the Court of Chancery of the State of Delaware captioned *Richard F. Burkhart, William E. Kelly, Richard S. Lavery, Thomas R. Pratt, Gerald Green, individually and on behalf of all other persons similarly situated v. Genworth et al*. Plaintiffs allege that GLIC paid dividends to its parent and engaged in certain reinsurance transactions causing it to maintain inadequate capital capable of meeting its obligations to GLIC policyholders and agents. The complaint alleges causes of action for intentional fraudulent transfer and constructive fraudulent transfer, and seeks injunctive relief. We moved to dismiss this action in December 2018. On January 29, 2019, plaintiffs exercised their right to amend their complaint. On March 12, 2019, we moved to dismiss plaintiffs' amended complaint. On April 26, 2019, plaintiffs filed a memorandum in opposition to our motion to dismiss, which we replied to on June 14, 2019. On August 7, 2019, plaintiffs filed a motion seeking to prevent proceeds that GFIH expected to receive from the then planned sale of its shares in Genworth Canada from being transferred out of GFIH. On September 11, 2019, plaintiffs filed a renewed motion seeking the same relief from their August 7, 2019 motion with an exception that allowed GFIH to transfer $450 million of expected proceeds from the sale of Genworth Canada through a dividend to Genworth Holdings to allow the pay off of a senior secured term loan facility dated March 7, 2018 among Genworth Holdings as the borrower, GFIH as the limited guarantor and the lending parties thereto. Oral arguments on our motion to dismiss and plaintiffs' motion occurred on October 21, 2019, and plaintiffs' motion was denied. On January 31, 2020, the Court granted in part our motion to dismiss, dismissing claims relating to $395 million in dividends GLIC paid to its parent from 2012 to 2014 (out of the $410 million in total dividends subject to plaintiffs' claims). The Court denied the balance of the motion to dismiss leaving a claim relating to $15 million in dividends and unquantified claims relating to the 2016 termination of a reinsurance transaction. On March 27, 2020, we filed our answer to plaintiffs' amended complaint. We intend to continue to vigorously defend this action.

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In January 2019, Genworth Financial and GLIC were named asdefendants in a putative class action lawsuit pending in the United States District Court for the Eastern District of Virginia captioned *Jerome Skochin, Susan Skochin, and Larry Huber, individually and on behalf of all other persons similarly situated v. Genworth Financial, Inc. and Genworth Life Insurance Company*. Plaintiffs seek to represent long-term care insurance policyholders, alleging that Genworth made misleading and inadequate disclosures regarding premium increases for long-term care insurance policies. The complaint asserts claims for breach of contract, fraud, fraudulent inducement and violation of Pennsylvania's Unfair Trade Practices and Consumer Protection Law (on behalf of the two named plaintiffs who are Pennsylvania residents), and seeks damages (including statutory treble damages under Pennsylvania law) in excess of $5 million. On March 12, 2019, we moved to dismiss plaintiffs' complaint. On March 26, 2019, plaintiffs filed a memorandum in opposition to our motion to dismiss, which we replied to on April 1, 2019. In July 2019, the Court heard oral arguments on our motion to dismiss. On August 29, 2019, the Court issued an order granting our motion to dismiss the claim with regard to breach of contract, but denied our motion with regard to fraudulent omission, fraudulent inducement and violation of the Pennsylvania Unfair Trade Practices and Consumer Protection law. On September 20, 2019, plaintiffs filed an amended complaint, dropping Genworth Financial as a defendant and reducing their causes of action from four counts to two: fraudulent inducement by omission and violation of Pennsylvania's Unfair Trade Practices and Consumer Protection Law (on behalf of the two named plaintiffs who are Pennsylvania residents). The parties engaged in a mediation process and, on October 22, 2019, reached an agreement in principle to settle this matter on a nationwide basis. On November 22, 2019, plaintiffs filed an amended complaint, adding Genworth Life Insurance Company of New York as a defendant and expanding the class to all fifty states and the District of Columbia. On January 15, 2020, the Court preliminarily approved the settlement and set the final approval hearing for July 10, 2020. On March 26, 2020, the parties filed a Joint Motion for Leave to Amend certain aspects of the settlement, which was approved by the Court on March 31, 2020. On April 10, 2020, the Indiana Department of Insurance filed a Motion to Intervene and Motion to Stay, seeking to stay the current schedule for class settlement and delay the date of the final approval hearing in light of disruptions caused by COVID-19. On April 14, 2020, the class administrator sent out class notices to potential settlement class members. On April 17, 2020, plaintiffs filed their opposition to the Indiana Department of Insurance's motion to stay. The Court conducted final approval hearings on July 10, 2020 and July 14, 2020 and has continued the final approval hearing to September 11, 2020. Based on the Court's preliminary approval of the settlement, we do not anticipate the outcome of this matter to have a material adverse impact on our results of operations or financial position. If the court does not approve the final settlement, we intend to continue to vigorously defend this action.

On April 6, 2020, GLAIC, our indirect wholly-owned subsidiary, was named as a defendant in a putative class action lawsuit filed in the United States District Court for the Eastern District of Virginia, *captioned Brighton Trustees, LLC, on behalf of and as trustee for Diamond LS Trust; and Bank of Utah, solely as securities intermediary for Diamond LS Trust; on behalf of themselves and all others similarly situated v. Genworth Life and Annuity Insurance Company.* On May 13, 2020, GLAIC was also named as a defendant in a putative class action lawsuit filed in the United States District Court for the Eastern District of Virginia, captioned *Ronald L. Daubenmier, individually and on behalf of himself and all others similarly situated v. Genworth Life and Annuity Insurance Company*. On June 26, 2020, Plaintiffs filed a consent motion to consolidate the two cases. On June 30, 2020, the United States District Court for the Eastern District of Virginia issued an order consolidating the Brighton Trustees and Daubenmier cases. On July 17, 2020, the Brighton Trustees and Daubenmier Plaintiffs filed a consolidated complaint, alleging that GLAIC subjected policyholders to an unlawful and excessive cost of insurance increase. The consolidated complaint asserts claims for breach of contract and injunctive relief, and seeks damages in excess of $5 million. Our responsive pleading deadline is August 31, 2020. We intend to vigorously defend this action.

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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. Except as disclosed above, we are not able to provide an estimate or range of reasonably 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.

*(b) Commitments*

As of June 30, 2020, we were committed to fund $1,135 million in limited partnership investments, $84 million in U.S. commercial mortgage loan investments and $32 million in private placement investments. As of June 30, 2020, we were also committed to fund $5 million of bank loan investments which had not yet been drawn.

**(13) Changes in Accumulated Other Comprehensive Income (Loss)**

The following tables show the changes in accumulated other comprehensive income (loss), 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, 2020 | $ 1,140 | $ 2,755 | $ (80) | $3,815 |
| OCI before reclassifications | 762 | (48) | 73 | 787 |
| Amounts reclassified from (to) OCI | (88) | (30) | — | (118) |
| Current period OCI | 674 | (78) | 73 | 669 |
| Balances as of June 30, 2020 before noncontrolling interests | 1,814 | 2,677 | (7) | 4,484 |
| Less: change in OCI attributable to noncontrolling interests | 3 | — | 34 | 37 |
| Balances as of June 30, 2020 | $ 1,811 | $ 2,677 | $ (41) | $4,447 |

(1) Net of adjustments to DAC, 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, 2019 | $ 943 | $ 1,850 | $ (301) | $2,492 |
| OCI before reclassifications | 375 | 157 | 43 | 575 |
| Amounts reclassified from (to) OCI | 1 | (24) | — | (23) |
| Current period OCI | 376 | 133 | 43 | 552 |
| Balances as of June 30, 2019 before noncontrolling interests | 1,319 | 1,983 | (258) | 3,044 |
| Less: change in OCI attributable to noncontrolling interests | 14 | — | 17 | 31 |
| Balances as of June 30, 2019 | $ 1,305 | $ 1,983 | $ (275) | $3,013 |

(1) Net of adjustments to DAC, 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, 2020 | $ 1,456 | $ 2,002 | $ (25) | $3,433 |
| OCI before reclassifications | 448 | 735 | (25) | 1,158 |
| Amounts reclassified from (to) OCI | (94) | (60) | — | (154) |
| Current period OCI | 354 | 675 | (25) | 1,004 |
| Balances as of June 30, 2020 before noncontrolling interests | 1,810 | 2,677 | (50) | 4,437 |
| Less: change in OCI attributable to noncontrolling interests | (1) | — | (9) | (10) |
| Balances as of June 30, 2020 | $ 1,811 | $ 2,677 | $ (41) | $4,447 |

(1) Net of adjustments to DAC, 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.

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| (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, 2019 | $ 595 | $ 1,781 | $ (332) | $2,044 |
| OCI before reclassifications | 802 | 254 | 97 | 1,153 |
| Amounts reclassified from (to) OCI | (46) | (52) | — | (98) |
| Current period OCI | 756 | 202 | 97 | 1,055 |
| Balances as of June 30, 2019 before noncontrolling interests | 1,351 | 1,983 | (235) | 3,099 |
| Less: change in OCI attributable to noncontrolling interests | 46 | — | 40 | 86 |
| Balances as of June 30, 2019 | $ 1,305 | $ 1,983 | $ (275) | $3,013 |

(1) Net of adjustments to DAC, 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 in the charts above included $(2) million, net of taxes of $1 million, related to a net unrecognized postretirement benefit obligation as of June 30, 2019. The balance also included taxes of $22 million and $(45) million, respectively, related to foreign currency translation adjustments as of June 30, 2020 and 2019.

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 (loss) | | | | Affected line item in the consolidated statements of income |
|---|---|---|---|---|---|
| | Three months ended June 30, | | Six months ended June 30, | | |
| (Amounts in millions) | 2020 | 2019 | 2020 | 2019 | |
| Net unrealized investment (gains) losses: | | | | | |
| Unrealized (gains) losses on investments [1] | $ (112) | $ 2 | $ (119) | $ (58) | Net investment (gains) losses |
| Income taxes | 24 | (1) | 25 | 12 | Provision for income taxes |
| Total | $ (88) | $ 1 | $ (94) | $ (46) | |
| Derivatives qualifying as hedges: | | | | | |
| Interest rate swaps hedging assets | $ (46) | $ (42) | $ (89) | $ (80) | Net investment income |
| Interest rate swaps hedging assets | — | 4 | (4) | (2) | Net investment (gains) losses |
| Foreign currency swaps | — | 1 | — | 1 | Net investment income |
| Income taxes | 16 | 13 | 33 | 29 | Provision for income taxes |
| Total | $ (30) | $ (24) | $ (60) | $ (52) | |

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

**GENWORTH FINANCIAL, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
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**(14) Discontinued Operations**

*Canada mortgage insurance business*

On December 12, 2019, we completed the sale of Genworth Canada, our former Canada mortgage insurance business and received approximately $1.7 billion in net cash proceeds. Prior to its sale, in the third quarter of 2019, Genworth Canada was reported as discontinued operations; accordingly, its results of operations were separately reported for the three and six months ended June 30, 2019.

A summary of operating results related to Genworth Canada reported as discontinued operations were as follows for the three and six months ended June 30, 2019:

| (Amounts in millions) | Three months ended June 30, 2019 | Six months ended June 30, 2019 |
|---|---|---|
| Revenues: | | |
| Premiums | $ 125 | $ 251 |
| Net investment income | 36 | 71 |
| Net investment gains (losses) | 1 | — |
| Total revenues | 162 | 322 |
| Benefits and expenses: | | |
| Benefits and other changes in policy reserves | 19 | 38 |
| Acquisition and operating expenses, net of deferrals | 18 | 32 |
| Amortization of deferred acquisition costs and intangibles | 11 | 21 |
| Interest expense (1) | 13 | 25 |
| Total benefits and expenses | 61 | 116 |
| Income before income taxes (2) | 101 | 206 |
| Provision for income taxes | 41 | 84 |
| Income from discontinued operations, net of taxes | 60 | 122 |
| Less: net income from discontinued operations attributable to noncontrolling interests | 35 | 71 |
| Income from discontinued operations available to Genworth Financial, Inc.'s common stockholders | $ 25 | $ 51 |

(1) Interest on debt assumed by Brookfield and interest on debt that was repaid as a result of the sale of Genworth Canada was allocated and reported in discontinued operations. A senior secured term loan facility ("Term Loan"), owed by Genworth Holdings and secured by GFIH's ownership interest in Genworth Canada's outstanding common shares, was repaid in connection with the close of the Genworth Canada sale. Accordingly, interest expense related to the Term Loan of $8 million and $16 million for the three and six months ended June 30, 2019, respectively, was allocated and reported in discontinued operations.

(2) The three and six months ended June 30, 2019 includespre-tax income from discontinued operations available to Genworth Financial, Inc.'s common stockholders of $55 million and $111 million, respectively.

*Lifestyle protection insurance*

On December 1, 2015, we completed the sale of our lifestyle protection insurance business to AXA. In June 2020, we accrued a contingent liability of $653 million that was reflected as liabilities related to discontinued operations in our unaudited condensed consolidated balance sheet as of June 30, 2020. The contingent liability was recorded in connection with a settlement agreement reached with AXA on July 20, 2020 for losses incurred from mis-selling complaints on policies sold from 1970 through 2004. An after-tax loss of $516 million related to the settlement was also included in loss from discontinued operations for the three and six months ended June 30, 2020, along with other after-tax legal fees and expenses of $4 million. See note 12 for additional details related to the case regarding the sale of our lifestyle protection insurance business.

As part of the settlement agreement, we agreed tomake payments for certain payment protection insurance mis-selling claims, along with a significant portion of future claims that are still being processed. On July 21, 2020, under the settlement agreement, we paid an initial amount of £100 million ($125 million) to AXA. In addition, we issued a secured promissory note to AXA, under which we agreed to make deferred cash payments totaling approximately £317 million in two installment payments on June 2022 and September 2022. Future claims that are still being processed will be added to the promissory note as part of the September 2022 payment. The promissory note will accrue interest at a fixed rate of 5.25% due quarterly, with a potential for an interest rate decrease to 2.75% following certain prepayment trigger events. To secure our obligation under the promissory note, we granted a 19.9% security interest, held by us through our subsidiaries, in both our outstanding common stock of Genworth Mortgage Holdings, Inc. ("GMHI") and Genworth Mortgage Insurance Australia Limited to AXA. AXA does not have the right to sell or repledge the collateral and is not entitled to any voting rights. The collateral will be released back to us upon full repayment of the promissory note. Accordingly, the collateral arrangement has no impact on our unaudited condensed consolidated financial statements. In the event AXA recovers amounts from third parties related to the mis-selling losses, including from the distributor responsible for the sale of the policies, we have certain rights to share in those recoveries to recoup payments for the underlying mis-selling losses. As of June 30, 2020, we have not recorded any amounts associated with recoveries from third parties.

The promissory note is also subject to certain mandatory prepayments upon the occurrence of:

- the consummation of certain qualifying debt transactions in which total gross proceeds of at least $750 million are raised;
- the consummation of certain qualifying equity issuances or dispositions with respect to GMHI, or any of our subsidiaries, in which total net cash proceeds of at least $475 million are raised;
- certain dispositions of our U.S. mortgage insurance business;
- the consummation of the China Oceanwide merger and the funding of the contemplated capital investment plan;
- transactions involving a change of control of Genworth, other than the China Oceanwide transaction; and
- receipt of dividends and sale proceeds from certain Genworth subsidiaries above certain threshold amounts.

The promissory note also contains certain negative and affirmative covenants, representations and warranties and customary events of default.

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In January 2020, we made an interim payment to AXA for £100 million ($134 million), which was accrued as a contingent liability and reflected as liabilities related to discontinued operations as of December 31, 2019. This amount was included in income (loss) from discontinued operations for the year ended December 31, 2019.

We have established our current best estimates for future claims that are still being processed under the settlement agreement, as well as for an unrelated liability related to certain claims and other expenses; however, there may be future adjustments to these estimates. If amounts are different from our estimates, it could result in an adjustment to our liabilities and an additional amount reflected in income (loss) from discontinued operations.

**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 2019 Annual Report on Form 10-K. References to "Genworth Financial," "Genworth," the "Company," "we" or "our" herein are, unless the context otherwise requires, to Genworth Financial, Inc. on a consolidated basis.*

**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. Examples of forward-looking statements include statements we make relating to the closing of the transaction with China Oceanwide Holdings Group Co., Ltd. (together with its affiliates, "China Oceanwide"), China Oceanwide's funding plans and transactions we are pursuing to address our near-term liabilities and financial obligations, which may include raising debt through our mortgage insurance subsidiaries and/or transactions to sell a percentage of our ownership interests in our mortgage insurance businesses, as well as statements we make regarding the potential impacts of the coronavirus pandemic ("COVID-19"). 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 from those in the forward-looking statements due to global political, economic, business, competitive, market, regulatory and other factors and risks, including, but not limited to, the following:

- *risks related to the proposed transaction with China Oceanwide* including: the risk that China Oceanwide will be unable to raise funding and our inability to complete the China Oceanwide transaction on the agreed terms, in a timely manner or at all, which may adversely affect our business and the price of our common stock; the risk that we will be unable to address our near-term liabilities and financial obligations, including the risks that we will be unable to raise new debt financing and/or sell a percentage of our ownership interest in our U.S. mortgage insurance business to repay the promissory note to AXA or refinance our debt maturing in 2021 or beyond; the parties' inability to obtain regulatory approvals, clearances or extensions, or the possibility that such regulatory approvals or clearances may further delay the China Oceanwide transaction or may not be received prior to September 30, 2020 (and either or both of the parties may not be willing to further waive their end date termination rights beyond September 30, 2020) or that materially burdensome or adverse regulatory conditions may be imposed or undesirable measures may be required in connection with any such regulatory approvals, clearances or extensions (including those conditions or measures that either or both of the parties may be unwilling to accept or undertake, as applicable) or that with continuing delays, circumstances may arise that make one or more previously obtained regulatory approvals or clearances no longer valid, one or both parties unwilling to proceed with the China Oceanwide transaction or unable to comply with the conditions to existing regulatory approvals, or one or both of the parties may be unwilling to accept any new condition under a regulatory approval; the risk that the parties will not be able to obtain other regulatory approvals, clearances or extensions, including in connection with a potential alternative funding structure or the current geo-political environment, or that one or more regulators may rescind or fail to extend existing approvals, or that the revocation by one regulator of approvals will lead to the revocation of approvals by other regulators; the parties' inability to obtain any necessary regulatory approvals, clearances or extensions for the post-closing capital plan; the risk that a condition to the closing of the China Oceanwide transaction may not be satisfied or that a condition to closing that is currently satisfied may not remain satisfied due to the delay in closing the China Oceanwide transaction or that the parties will be unable to agree upon a closing date following receipt of all regulatory approvals and clearances; the risk regarding the ongoing availability of any required financing; the risk that existing and potential legal proceedings may be instituted against us in connection with the China Oceanwide transaction that may delay the transaction, make it more costly or ultimately preclude it; the risk that the proposed China Oceanwide transaction disrupts our current plans and operations as a result of the announcement and consummation of the transaction; potential adverse reactions or changes to our business relationships with clients, employees, suppliers or other parties or other business uncertainties resulting from the announcement of the China Oceanwide transaction or during the pendency of the transaction, including but not limited to such changes that could affect our financial performance; certain restrictions during the pendency of the China Oceanwide transaction that may impact our ability to pursue certain business opportunities or strategic transactions; continued availability of capital and financing to us before, or in the absence of, the consummation of the China Oceanwide transaction; further rating agency actions and downgrades in our credit or financial strength ratings; changes in applicable laws or regulations; our ability to recognize the anticipated benefits of the China Oceanwide transaction; the amount of the costs, fees, expenses and other charges related to the China Oceanwide transaction; the risks related to diverting management's attention from our ongoing business operations; and our ability to attract, recruit, retain and motivate current and prospective employees may be adversely affected;

- *strategic risks in the event the proposed transaction with China Oceanwide is not consummated* including: our inability to successfully execute alternative strategic plans to effectively address our current business challenges (including with respect to stabilizing our U.S. life insurance businesses, debt and other obligations, cost savings, ratings and capital); the risk that the impacts of or uncertainty created by COVID-19 delay or hinder alternative transactions or otherwise make alternative plans less attractive; our inability to attract buyers for any businesses or other assets we may seek to sell, or securities we may seek to issue, in each case, in a timely manner and on anticipated terms; failure to obtain any required regulatory, stockholder and/or noteholder approvals or consents for such alternative strategic plans, or our challenges changing or being more costly or difficult to successfully address than currently anticipated or the benefits achieved being less than anticipated; inability to achieve anticipated cost-savings in a timely manner; adverse tax or accounting charges; and our ability to raise the capital needed in our mortgage insurance businesses in a timely manner and on anticipated terms, including through business performance, reinsurance or similar transactions, asset sales, securities offerings or otherwise, in each case as and when required;

- *risks relating to estimates, assumptions and valuations* including: inadequate reserves and the need to increase reserves (including as a result of any changes we may make to our assumptions, methodologies or otherwise in connection with periodic or other reviews, including reviews we expect to complete and carry out in the fourth quarter of 2020); risks related to the impact of our annual review of assumptions and methodologies related to our long-term care insurance claim reserves and margin reviews in the fourth quarter of 2020, including risks that additional information obtained in finalizing our claim reserves and margin reviews in the fourth quarter of 2020 or other changes to assumptions or methodologies materially affect margins; the inability to accurately estimate the impacts of COVID-19; inaccurate models; deviations from our estimates and actuarial assumptions or other reasons in our long-term care insurance, life insurance and/or annuity businesses; accelerated amortization of deferred acquisition costs ("DAC") and present value of future profits ("PVFP") (including as a result of any changes we may make to our assumptions, methodologies or otherwise in connection with periodic or other reviews, including reviews we expect to complete and carry out in the fourth quarter of 2020); adverse impact on our financial results as a result of projected profits followed by projected losses (as is currently the case with our long-term care insurance business); adverse impact on our results of operations, including the outcome of our reviews of the premium earnings pattern for our mortgage insurance businesses; and changes in valuation of fixed maturity and equity securities;

- *risks relating to economic, market and political conditions* including: downturns and volatility in global economies and equity and credit markets, including as a result of prolonged unemployment, a sustained low interest rate environment and other displacements caused by COVID-19; interest rates and changes in rates have adversely impacted, and may continue to materially adversely impact, our business and profitability; deterioration in economic conditions or a decline in home prices that adversely affect our loss experience in mortgage insurance; political and economic instability or changes in government policies; and fluctuations in foreign currency exchange rates and international securities markets;

- *regulatory and legal risks* including: extensive regulation of our businesses and changes in applicable laws and regulations (including changes to tax laws and regulations); litigation and regulatory investigations or other actions; dependence on dividends and other distributions from our subsidiaries (particularly our mortgage insurance subsidiaries) and the inability of any subsidiaries to pay dividends or make other distributions to us, including as a result of the performance of our subsidiaries, heightened regulatory restrictions resulting from COVID-19, and other insurance, regulatory or corporate law restrictions; the inability to successfully seekin-force rate action increases (including increased premiums and associated benefit reductions) in our long-term care insurance business, including as a result of COVID-19; adverse change in regulatory requirements, including risk-based capital; changes in regulations adversely affecting our Australian mortgage insurance business; inability to continue to maintain the private mortgage insurer eligibility requirements ("PMIERs"); the impact on capital levels of increased delinquencies caused by COVID-19; inability of our U.S. mortgage insurance subsidiaries to meet minimum statutory capital requirements; the influence of Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and a small number of large mortgage lenders on the U.S. mortgage insurance market and adverse changes to the role or structure of Fannie Mae and Freddie Mac; adverse changes in regulations affecting our mortgage insurance businesses; additional restrictions placed on our U.S. mortgage insurance business by government and government-owned and government-sponsored enterprises ("GSEs") in connection with a new debt financing and/or sale of a percentage of our ownership interests therein; inability to continue to implement actions to mitigate the impact of statutory reserve requirements; changes in tax laws; and changes in accounting and reporting standards;
- *liquidity, financial strength ratings, credit and counterparty risks* including: insufficient internal sources to meet liquidity needs and limited or no access to capital (including the ability to obtain further financing, either through raising new debt financing and/or selling a percentage of our ownership interests in our mortgage insurance businesses, or under a secured term loan or credit facility); the impact on holding company liquidity caused by the inability to receive dividends or other returns of capital from our mortgage insurance businesses as a result of COVID-19; the impact of increased leverage as a result of the AXA settlement and related restrictions; continued availability of capital and financing; future adverse rating agency actions, including with respect to rating downgrades or potential downgrades or being put on review for potential downgrade, all of which could have adverse implications for us, including with respect to key business relationships, product offerings, business results of operations, financial condition and capital needs, strategic plans, collateral obligations and availability and terms of hedging, reinsurance and borrowings; defaults by counterparties to reinsurance arrangements or derivative instruments; defaults or other events impacting the value of our fixed maturity securities portfolio; and defaults on our commercial mortgage loans or the mortgage loans underlying our investments in commercial mortgage-backed securities and volatility in performance;
- *operational risks* including: inability to retain, attract and motivate qualified employees or senior management; ineffective or inadequate risk management in identifying, controlling or mitigating risks; the impact on processes caused by shelter-in-place or other governmental restrictions imposed as a result of COVID-19; reliance on, and loss of, key customer or distribution relationships; competition, including in our mortgage insurance businesses from GSEs offering mortgage insurance; the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations; and failure or any compromise of the security of our computer systems, disaster recovery systems and business continuity plans and failures to safeguard, or breaches of, its confidential information;

- *insurance and product-related risks* including: our inability to increase premiums and reduce benefits sufficiently, and in a timely manner, on our in-force long-term care insurance policies, in each case, as currently anticipated and as may be required from time to time in the future (including as a result of a delay or failure to obtain any necessary regulatory approvals, including as a result of COVID-19, or unwillingness or inability of policyholders to pay increased premiums and/or accept reduced benefits), including to offset any negative impact on our long-term care insurance margins; availability, affordability and adequacy of reinsurance to protect us against losses; decreases in the volume of high loan-to-value mortgage originations or increases in mortgage insurance cancellations; increases in the use of alternatives to private mortgage insurance and reductions in the level of coverage selected; potential liabilities in connection with our U.S. contract underwriting services; and medical advances, such as genetic research and diagnostic imaging, and related legislation that impact policyholder behavior in ways adverse to us;
- *other risks* including: impairments of or valuation allowances against our deferred tax assets and the occurrence of natural orman-made disasters or a pandemic, such as COVID-19, could materially adversely affect our financial condition and results of operations.

We provide additional information regarding these risks and uncertainties in the Definitive Proxy Statement, filed with the U.S. Securities and Exchange Commission ("SEC") on January 25, 2017, and our Annual Report on Form 10-K, filed with the SEC on February 27, 2020. See also "Part II—Item 1A—Risk Factors." Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Accordingly, for the foregoing reasons, we caution you against relying on any forward-looking statements. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required under applicable securities laws.

**Strategic Update**

We continue to focus on improving business performance, addressing financial leverage and increasing financial and strategic flexibility across the organization. Our strategy includes maximizing our opportunities in our mortgage insurance businesses and stabilizing our U.S. life insurance businesses.

***China Oceanwide Transaction***

On October 21, 2016, Genworth Financial, Inc. ("Genworth Financial") entered into an agreement and plan of merger (the "Merger Agreement") with Asia Pacific Global Capital Co., Ltd. ("Parent"), a limited liability company incorporated in the People's Republic of China and a subsidiary of China Oceanwide Holdings Group Co., Ltd., a limited liability company incorporated in the People's Republic of China (together with its affiliates, "China Oceanwide"), and Asia Pacific Global Capital USA Corporation ("Merger Sub"), a Delaware corporation and a direct, wholly-owned subsidiary of Asia Pacific Insurance USA Holdings LLC ("Asia Pacific Insurance"), which is a Delaware limited liability company and owned by China Oceanwide, pursuant to which, subject to the terms and conditions set forth therein, Merger Sub would merge with and into Genworth Financial with Genworth Financial surviving the merger as a direct, wholly-owned subsidiary of Asia Pacific Insurance (the "Merger"). China Oceanwide has agreed to acquire all of our outstanding common stock for a total transaction value of approximately $2.7 billion, or $5.43 per share in cash. At a special meeting held on March 7, 2017, Genworth Financial's stockholders voted on and approved a proposal to adopt the Merger Agreement.

On June 30, 2020, Genworth, Parent and Merger Sub entered into a fifteenth waiver and agreement ("Fifteenth Waiver and Agreement") pursuant to which Genworth and Parent each agreed to waive its right to terminate the Merger Agreement and abandon the Merger to the earliest date of:
(i) September 30, 2020, (ii) failure by the Parent to approve final documents provided by Genworth for the sale of Genworth, its subsidiaries or a portion of its assets or (iii) in the event that after June 30, 2020 any governmental entity imposes or requires, any term, condition, obligation, restriction, requirement, limitation, qualification, remedy or other

action that applies to the Merger Agreement, that is materially and adversely different, individually or in the aggregate, from the conditions set forth by the governmental entities with respect to the Merger that were in effect on the date of the Fifteenth Waiver and Agreement.

In addition, as part of the conditions set forth in the Fifteenth Waiver and Agreement, China Oceanwide has agreed to submit to Genworth satisfactory evidence by August 31, 2020 confirming that approximately $1.0 billion is available to China Oceanwide from sources in mainland China to fund the acquisition of Genworth, along with an additional $1.0 billion or more of executed binding commitment letters from Hony Capital and/or other acceptable third parties providing China Oceanwide funding sources outside of China to fund the acquisition. If these conditions are met, the Merger Agreement will remain in place until September 30, 2020. If the conditions are not met, Genworth has the right, in its sole discretion, to terminate the Merger Agreement as of August 31, 2020. Genworth also has the right to resolve the AXA litigation, issue debt or other financing instruments, and pursue other strategic transactions, such as transactions to sell some or all of its interests in its mortgage insurance businesses, as needed to meet its short-term financial obligations, including but not limited to, the AXA promissory note and debt of approximately $1.0 billion maturing in 2021. For additional details on the AXA litigation, the associated settlement agreement and issuance of the secured promissory note to AXA, see notes 12 and 14 to our unaudited condensed consolidated financial statements under “Item 1—Financial Statements.” If China Oceanwide disagrees with any steps that Genworth takes to meet its financial obligations, it has the right to terminate the transaction in its sole discretion.

Under the Fifteenth Waiver and Agreement, if the parties are unable to agree on a closing date following the satisfaction or waiver of the conditions to closing, each party has the right to terminate the Merger Agreement. If the parties are unable to satisfy the closing conditions by September 30, 2020, and are unable to reach an agreement as to a further extension of the deadline, then either party may terminate the Merger Agreement pursuant to its terms.

The China Oceanwide transaction had previously received all U.S. regulatory approvals needed to close the transaction. Genworth has withdrawn and will refile its U.S. Financial Industry Regulatory Authority (“FINRA”) continuing membership application due to the passage of time. The FINRA membership is necessary for Genworth because it indirectly wholly-owns a subsidiary that is a broker-dealer with a runoff variable annuity block. China Oceanwide is working to secure the necessary funding to complete the transaction. After this funding plan is finalized, China Oceanwide will discuss the currency conversion and transfer of funds with China’s State Administration of Foreign Exchange in order to complete the transaction. China Oceanwide will also seek confirmation from the Delaware Department of Insurance that the acquisition of Genworth Life Insurance Company (“GLIC”), Genworth’s indirect wholly-owned Delaware domiciled insurer, may proceed under the existing approval.

Genworth and China Oceanwide remain committed to satisfying the closing conditions under the Merger Agreement as soon as possible and extended the Merger Agreement deadline through the Fifteenth Waiver and Agreement to provide the parties with additional time to close the transaction. Notwithstanding the extension of the Merger Agreement deadline, the unprecedented market disruption due to COVID-19, including its impact on the high yield financing markets and on the performance and outlook of Genworth’ mortgage insurance businesses, as well as other factors such as the recent AXA judgment and related settlement, have resulted in increased uncertainty as whether the China Oceanwide transaction will be able to be consummated at the agreed transaction value of approximately $2.7 billion.

In connection with the Merger, China Oceanwide and Genworth have agreed on a capital investment plan under which China Oceanwide and/or its affiliates will contribute an aggregate of $1.5 billion to Genworth over time following consummation of the Merger. This contribution is subject to the closing of the Merger and the receipt of required regulatory approvals and clearances. The $1.5 billion contribution would be used to further improve our financial stability, which could include retiring future debt obligations or enabling future growth opportunities. China Oceanwide has no future obligation and has informed us that it has no current intention, to contribute additional capital to support our legacy long-term care insurance business other than agreed in connection with the regulatory approvals for the China Oceanwide transaction.

If the China Oceanwide transaction is completed, we will be a standalone subsidiary and our senior management team will continue to lead the business from our current headquarters in Richmond, Virginia. We intend to maintain our existing portfolio of businesses. Except for the specific monitoring and reporting required under the Committee on Foreign Investment in the United States data security risk mitigation plan, our day-to-day operations are not expected to change as a result of this transaction.

***Strategic Alternatives***

If the China Oceanwide transaction is not completed, we will continue to explore strategic alternatives and financing options to address our ongoing challenges. Given the delay in closing the China Oceanwide transaction, we are taking steps to address our near-term liabilities, which include a secured promissory note issued to AXA under the settlement agreement reached on July 20, 2020 and approximately $1.0 billion in debt maturing in 2021. We expect these steps to include a debt financing through our U.S. mortgage insurance business later in 2020 and, should our pending transaction with China Oceanwide not close, preparing for a 19.9% public offering of our U.S. mortgage insurance business, subject to market conditions. Changes to our financial projections, including changes that anticipate planned strategic transactions, may negatively impact our ability to realize certain foreign tax credits or other deferred tax assets and have a resulting material adverse effect on our results of operations.

As a result of the performance of our long-term care and life insurance businesses, as well as the resulting lack of potential dividend capacity from our U.S. life insurance subsidiaries, our financial strength ratings have been downgraded. Absent any alternative commitment of external capital, or other proactive actions to meet our closest debt maturities and other obligations, we believe there would be: increased pressure on and potential further downgrades of our financial strength ratings, particularly for our mortgage insurance businesses, which could affect our ability to maintain our market share in the U.S. mortgage insurance industry, and other limitations on our holding company liquidity and ability to service and/or refinance our holding company debt. These challenges may be exacerbated by COVID-19.

**Ongoing Priorities**

Stabilizing our U.S. life insurance businesses continues to be one of our long-term goals. We will continue to execute this objective primarily through our multi-year long-term care insurance in-force rate action plan. Premium rate increases and associated benefit reductions on our legacy long-term care insurance policies are critical to the business. In addition, reducing debt will remain a high priority. We believe that increased financial support and our strengthened financial foundation resulting from the China Oceanwide transaction would provide us with more options to manage our debt maturities and reduce overall indebtedness, which in turn would likely improve our credit and ratings profile over time. Finally, we also believe that the completion of the China Oceanwide transaction would allow us to place greater focus on the future of our long-term care and mortgage insurance businesses while continuing to service our existing policyholders.

**COVID-19 Summary**

COVID-19 has brought unprecedented changes to the global economy. Although we are unsure of the ultimate impactCOVID-19 will have on our businesses, we are actively responding to and planning for further disruption. Below is a summary of certain of the trends, impacts and uncertainties relating to COVID-19, which have impacted our quarterly results under review in this report and are expected to continue to impact our results of operations and financial condition. Our discussion and analysis of our quarterly results should be read in conjunction with the following disclosures regarding COVID-19 and the more detailed disclosures contained elsewhere herein.

***Economic Backdrop***

- COVID-19 has disrupted the global economy and financial markets, business operations, and consumer behavior and confidence. While all states have been impacted, certain geographies have been disproportionately impacted by COVID-19 either through the spread of the virus or the severity of the mitigation steps taken to control its spread. Unemployment claims have increased to historic levels with approximately 50 million Americans filing for unemployment claims since the start of the pandemic. However, during the second quarter of 2020, the U.S. economy has added a significant number of jobs reversing some of the initial jobless claims. Consumer confidence continues to be suppressed but has rebounded from where it was since the start of the pandemic.
- The U.S. economy contracted in both the first and second quarters of 2020 as a result ofCOVID-19. During the second quarter of 2020, the global economy experienced high unemployment, historically low retail sales and a dramatic decrease in industrial production, all signs of a deep global recession and prolonged recovery.
- Stay at home orders and partial economic shutdowns depressed earnings and corporate balance sheets during the second quarter of 2020 and could potentially strain business operations for the remainder of 2020.
- During the second quarter of 2020, credit spreads tightened, reversing most of the widening experienced in the first quarter of 2020. This favorably impacted our corporate bond portfolio and resulted in higher unrealized gains recognized in other comprehensive income. Although we experienced a significant reversal in the second quarter of 2020 of the credit spread widening experienced in the first quarter of 2020, the volatility of corporate earnings and the impact on balance sheets due to COVID-19 could result in future losses, some of which could result in investment credit losses that would be reflected in earnings.
- The U.S. Federal Reserve plans to continue to support credit markets through its quantitative easing programs, including a corporate credit facility to purchase investment grade and certain high yield corporate securities beginning in May 2020 and secondary market purchases of corporate bonds starting in June 2020.

***U.S. Mortgage Insurance***

- As a result of COVID-19, the second quarter of 2020 financial results of our U.S. mortgage insurance business was negatively impacted primarily through increased borrower uptake of forbearance options, many of which resulted in a new delinquency, increased overall new delinquencies, emerging performance deterioration of existing delinquencies, higher losses and loss reserves and incremental PMIERs capital requirements as compared to the first quarter of 2020. Servicer reported forbearance ended the second quarter of 2020 with approximately 7.7% or 68,800 of our active policies reported in a forbearance plan, of which approximately 62% were reported as delinquent. Forbearance to date has been a leading indicator of future new delinquencies; however, it is difficult to predict the future level of reported forbearance and how many of the policies in a forbearance plan that remain current on their monthly mortgage payment will go delinquent.
- Servicers continued the practice of remitting premiums during the early stages of delinquency. As a result, we did not experience an impact to earned premiums during the second quarter of 2020.
- Prior localized natural disasters, such as hurricanes, have helped inform our view of the severity and potential duration of the economic shock caused by the efforts to contain the spread of COVID-19. Similar to our hurricane experience, borrowers who have experienced a financial hardship have taken advantage of available forbearance programs and payment deferral options. As a result, we have seen elevated new delinquencies, but as in past natural disasters, those delinquencies may cure at a higher rate than traditional delinquencies should economic activity quickly return to pre-COVID-19 levels. Severity of loss on loans that do go to claim, however, may be negatively impacted by the extended forbearance timeline, the associated elevated expenses such as accumulated interest, the higher loan amount of the recent new delinquencies and home price depreciation, if any.

- New flow delinquencies increased materially in the second quarter of 2020 to 48,249 driven primarily by a significant increase in borrower forbearance as a result of COVID-19. Approximately 87% of our flow new delinquencies in the second quarter of 2020 were subject to a forbearance plan.
- Our U.S. mortgage insurance business second quarter of 2020 PMIERs required assets benefited from the application of a 0.30 multiplier applied to the risk-based required asset amount factor for certain non-performing loans. The application of the 0.30 multiplier to all eligible delinquencies provided an estimated $1,057 million of benefit to our second quarter of 2020 PMIERs required assets. As a result of the uncertainty regarding the impact of COVID-19 on our U.S. mortgage insurance business, we intend to preserve PMIERs available assets and do not expect to receive dividends from our U.S. mortgage insurance business for the remainder of 2020. The amount and timing of future dividends will depend on the economic recovery from COVID-19, among other factors.

***Australia Mortgage Insurance***

- Many of our lender customers created programs that allow affected homeowners the option to defer their mortgage repayments, without penalty, for a period of up to six months. Under regulatory guidance, homeowners participating in these programs, unless previously delinquent, are reported as current during the deferral period. As of June 30, 2020, our Australia mortgage insurance business had been notified that over 48,000 policies were participating in the deferral programs, which represents approximately 4% of our insured loans in-force as of June 30, 2020.
- The six-month deferral period will expire in September 2020; therefore, the Australian government and lender customers extended the deferment programs to affected borrowers for up to an additional four months (January 2021). Homeowners that participate in such lender hardship programs, unless previously delinquent, will be reported as current during this time.
- The Australian government continues to support its local economy through various programs focused on supporting employment, liquidity and homebuying, among other initiatives. The Australian government recently announced a new homebuilder program that provides eligible homeowners with grants to build a new home or renovate an existing home. The long-term outlook for the Australian housing market is largely dependent on the length of COVID-19 and the speed of the economic recovery, along with how effective the various economic stimulus packages implemented by the Australian Government are in response to the pandemic.
- Our Australia mortgage insurance business strengthened its loss reserves by $18 million in the second quarter of 2020 reflecting the economic impacts caused by COVID-19, including a provision for incurred but not reported losses on loans in payment deferral programs. As the majority of loans enrolled in payment deferral programs are not reported as delinquent, this estimate is largely based on the assumption that some of these loans will become delinquent regardless of being placed in the deferral program. Due to COVID-19, our mortgage insurance business in Australia anticipates claims and reported delinquencies to increase toward the end of 2020 and possibly into 2021, which could further impact losses.
- As a result of potential impacts on capital levels, we do not expect to receive further dividends or other returns of capital from our mortgage insurance business in Australia for the remainder of 2020. The amount and timing of future dividends will depend on the economic recovery from COVID-19, among other factors.

***U.S. Life Insurance***

- We have experienced some degree of higher mortality across all of our U.S. life insurance products as a result ofCOVID-19. For our long-term care insurance products, higher mortality has resulted in a favorable impact on claim and active policy reserves. Although it is not our practice to track cause of death for policyholders and claimants, we believe the results of our long-term care insurance business were likely impacted by COVID-19 in the second quarter of 2020. In our life insurance products, overall mortality experience was also higher for the three months ended June 30, 2020 compared to three months ended June 30, 2019, attributable in part to COVID-19.

- We have experienced lower new claims incidence in our long-term care insurance business; however, we do not expect this to be permanent but rather a temporary reduction while shelter-in-place and social distancing protocols are in effect. We have temporarily discontinued in-person assessments to assess eligibility for benefits and are utilizing virtual assessments in the interim, with anin-person assessment to follow once social distancing protocols are relaxed. Our long-term care insurance benefit utilization will be monitored for impact; although it is too early to tell the magnitude and/or direction of that impact.
- Our U.S. life insurance companies are dependent on the approval of actuarially justifiedin-force rate actions in our long-term care insurance business, including those rate actions which were previously filed and are currently pending review and approval. We have experienced some delays and could experience additional delays in receiving approvals of these in-force rate actions during COVID-19, although we do not expect a significant impact on our financial results during 2020 as a result of these delays.
- Our U.S life insurance companies have complied with guidance issued by certain insurance regulators, such as mandates that policies cannot be lapsed or cancelled if premiums are not paid or requirements to provide extensions of grace periods during COVID-19. We have not experienced a significant impact on our premiums in our U.S. life insurance businesses while there have been premium deferrals/grace period mandates in place in certain states. Although most of these mandates have been lifted, we continue to monitor developments related to COVID-19 such as state directives that are issued during this time and we will comply with any new guidance issued by our state insurance regulators.

***Runoff***

- The low interest rate environment and volatile equity markets have adversely impacted earnings in our variable annuity products. Adjusted operating income for the six months ended June 30, 2020 is down 62% in the current year compared to the prior year almost entirely due to the decline in equity markets and the low interest rate environment. However, in the second quarter of 2020, a partial equity market recovery favorably impacted our variable annuity products.
- While certain states currently have mandates in place that policies cannot be lapsed, we have not experienced a significant impact on our Runoff segment. There is no requirement to pay premiums in the majority of our variable annuity contracts and benefits would adjust contractually based on actual premiums paid in these products.

***Investment Portfolio***

- We are actively monitoring our investment portfolio, including asset valuations impacted by the spread ofCOVID-19 and the resulting economic disruption. Our investment portfolio is primarily comprised of investment grade fixed maturity securities, with approximately 56% rated "A" and above. The carrying value of our investment portfolio as of June 30, 2020 and December 31, 2019 was $75.3 billion and $71.2 billion, respectively, of which 84% and 85%, respectively, was invested in fixed maturity securities.
- During the second quarter of 2020, credit migration was more favorable than we had anticipated driven in part by government stimulus. Credit spread widening experienced in the first quarter of 2020 reversed in the second quarter of 2020 and we recognized approximately $3.9 billion of unrealized investment gains. The net unrealized investment gains related to our fixed maturity securities are recorded as a part of accumulated other comprehensive income (loss) and have no impact on earnings.
- We routinely monitor our investment portfolio for possible ratings downgrades and other signs of distress that could be indicators of impairment. Our monitoring includes identifying assets susceptible

to the efforts to contain the spread of COVID-19, including close inspection of investments in industries directly impacted, such as travel, energy, leisure, lodging and auto. Our monitoring also includes inspection of other credit risk attributes, such as high leverage, supply chain interruptions and service disruptions/stoppages. We recognized a $7 million credit loss on our available-for-sale investment securities during the second quarter of 2020 due in part to the adverse effects of COVID-19.

- Our investment portfolio is less exposed to equity market volatility; however, we have seen a decline in the fair value of our equity securities and limited partnership investments which was recognized as a loss of $13 million for the six months ended June 30, 2020. The majority of the losses recorded in the first quarter of 2020 were recovered during the second quarter of 2020 as equity markets rebounded.

***Operational Readiness and Business Continuity***

- We continue to take preventive measures to mitigate the risk of operational disruption, which includes identifying potential impacts on our consumers, employees and vendors. Our business continuity plans allow us to continue operation of critical functions, such as entering client orders, completing customer transactions, paying claims and providing clients access to their accounts and policy values. Our business continuity plans also consider workforce continuity and we recently extended our work from home requirement for all employees through January 2021. We will continue to monitor workforce continuity and the safety of our employees as we start the process of returning to an office environment in early 2021.

- Remote access capabilities have existed at Genworth for many years and are well developed. We have implemented an extensive suite of information technology security controls that are in place when personnel work from within Genworth facilities, and these controls are fully replicated and enforced when personnel work from alternate locations, including their homes. No new security controls had to be implemented as a result of COVID-19 precautions.

- We continue to monitor and perform analysis of our internal control environment and believe the remote work environment as a result of COVID-19 has not materially affected our ability to maintain effective controls and procedures.

***Liquidity***

- Genworth Holdings maintains a continuous process for evaluating group-level liquidity, under normal and stressed environments. In light of COVID-19 emergence, we are currently developing additional stress scenarios to evaluate potential impacts to our businesses and Genworth Holdings. We are modeling various stress scenarios given the potential lack of near-term dividends from our subsidiaries.

- The AXA settlement agreement, which included issuing a secured promissory note to AXA, and Genworth Holdings' debt maturing in 2021, exceed our current holding company liquidity. Furthermore, absent our plans, we would not expect to have a projected ability to meet our financial obligations with existing cash on hand and through normal course expected cash inflows for one year following the issuance of our unaudited condensed consolidated financial statements. Accordingly, we are taking steps to raise capital through a debt financing, and should our pending transaction with China Oceanwide not close, preparing for a 19.9% public offering of our U.S. mortgage insurance business. We expect to engage in a debt financing through our U.S. mortgage insurance business later in 2020 which, along with existing cash and cash equivalents, would provide Genworth Holdings sufficient liquidity to meet its obligations and maintain business operations for one year from the issue date of the unaudited condensed consolidated financial statements. See note 1 to our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for additional details.

- We also monitor the cash and highly liquid investment positions in each of our operating subsidiaries to ensure they will have the cash necessary to meet their obligations as they come due. Our businesses have liquidity options available to them, including Federal Home Loan Bank funding agreements and repurchase facilities, selling highly liquid securities and entering into new reinsurance arrangements.

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Given the options available, we believe our operating subsidiaries will be able to meet the near-term liquidity demands given the current market impacts from COVID-19. For additional details on our overall liquidity and future dividend sources, see "—Liquidity and Capital Resources."

- Genworth Financial Mortgage Insurance Pty Limited ("GFMIPL"), our indirect majority-owned subsidiary and issuer of subordinated floating rate notes in our Australian mortgage insurance business, successfully completed an exchange offer on July 3, 2020. The exchange offer resulted in an extension of the maturity date of the majority of the subordinated notes thereby reducing near-term contractual obligations.

We employ a process to both monitor and assess the impacts of unexpected events on our businesses. While the impact of COVID-19 is very difficult to predict, the ultimate impact on our business will depend on the length of the pandemic and speed of the economic recovery. We will continue to monitor developments and the potential financial impacts on our business. For additional details on the impact COVID-19 is having on our current results of operations and potential future impacts see "—Business Trends and Conditions" by segment. See also "Item 1A. Risk Factors—COVID-19 could materially adversely affect our financial condition and results of operations."

**Executive Summary of Financial Results**

Below is an executive summary of our consolidated financial results for the periods indicated. Amounts below are net of taxes, unless otherwise indicated. After-tax amounts assume a tax rate of 21%.

***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

- We had a net loss available to Genworth Financial, Inc.'s common stockholders of $441 million for the three months ended June 30, 2020 compared to net income available to Genworth Financial, Inc.'s common stockholders of $168 million for the three months ended June 30, 2019. We had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $21 million for the three months ended June 30, 2020 compared to adjusted operating income of $178 million for the three months ended June 30, 2019.
- Our U.S. Mortgage Insurance segment had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $3 million for the three months ended June 30, 2020 compared to adjusted operating income of $147 million for the three months ended June 30, 2019. The decrease to an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders in the current year from adjusted operating income in the prior year was primarily attributable to higher losses largely from new delinquencies driven in large part by a significant increase in borrower forbearance and unfavorable reserve adjustments as a result of COVID-19. These decreases were partially offset by higher premiums in the current year.
- Our Australia Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $1 million and $13 million for the three months ended June 30, 2020 and 2019, respectively. The decrease was primarily driven by lower earned premiums largely from portfolio seasoning and lower policy cancellations and from higher losses mostly associated with the economic impacts caused by COVID-19, partially offset by favorable aging of existing delinquencies in the current year.
- Our U.S. Life Insurance segment had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $5 million for the three months ended June 30, 2020 compared to adjusting operating income of $66 million for the three months ended June 30, 2019.
  - Our long-term care insurance business had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $48 million and $37 million for the three months ended

June 30, 2020 and 2019, respectively. The increase was primarily due to an increase in claim and policy terminations driven mostly by higher mortality in the current year and from favorable development on prior year incurred but not reported claims. The increase was also attributable to higher premiums in the current year from in-force rate actions approved and implemented. These increases were partially offset by higher frequency and severity of new claims in the current year.

- Our life insurance business had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $81 million in the current year compared to adjusting operating income of $10 million in the prior year. The decrease from income in the prior year to a loss in the current year was mainly attributable to higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period, higher reserves in our 10-year term universal life insurance block entering its post-level premium period during the premium grace period and higher mortality in our universal life insurance products in the current year. The prior year also included a reinsurance correction and refinement resulting in a net favorable impact of $17 million.
- Adjusted operating income available to Genworth Financial, Inc.'s common stockholders in our fixed annuities business increased $9 million predominantly from favorable reserve changes and DAC amortization in fixed annuities products driven by favorable equity market changes in the current year and higher mortality in our single premium immediate annuity products. These increases were partially offset by lower net spreads and higher lapses in the current year. The prior year also included $4 million of unfavorable charges in connection with loss recognition testing in our single premium immediate annuity products that did not recur.

- Our Runoff segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $24 million and $9 million for the three months ended June 30, 2020 and 2019, respectively. The increase was predominantly from favorable equity market performance in the current year.
- Corporate and Other Activities had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $38 million and $57 million for the three months ended June 30, 2020 and 2019, respectively. The decrease in the loss was primarily related to lower operating expenses and lower interest expense in the current year.

***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

- We had a net loss available to Genworth Financial, Inc.'s common stockholders of $507 million for the six months ended June 30, 2020 compared to net income available to Genworth Financial, Inc.'s common stockholders of $342 million for the six months ended June 30, 2019. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders were $12 million and $273 million for the six months ended June 30, 2020 and 2019, respectively.
- Our U.S. Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $145 million and $271 million for the six months ended June 30, 2020 and 2019, respectively. The decrease was primarily attributable to higher losses largely from new delinquencies driven in large part by a significant increase in borrower forbearance and unfavorable reserve adjustments as a result of COVID-19. These decreases were partially offset by higher premiums in the current year.
- Our Australia Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $10 million and $27 million for the six months ended June 30, 2020 and 2019, respectively. The decrease was primarily driven by lower earned premiums largely from portfolio seasoning and lower policy cancellations, higher losses mostly associated with the economic impacts caused by COVID-19 and lower net investment income in the current year.

- Our U.S. Life Insurance segment had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $75 million for the six months ended June 30, 2020 compared to adjusting operating income of $61 million for the six months ended June 30, 2019.
  - Adjusted operating income available to Genworth Financial, Inc.'s common stockholders in our long-term care insurance business increased $32 million primarily from an increase in claim and policy terminations driven mostly by higher mortality in the current year, $63 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented and from continued favorable development on prior year incurred but not reported claims. These increases were partially offset by higher frequency and severity of new claims in the current year.
  - Our life insurance business had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $158 million in the current year compared to adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $8 million in the prior year. The decrease to a loss in the current year from income in the prior year was predominantly attributable to higher reserves in our 10-year term universal life insurance block entering its post-level premium period during the premium grace period, higher mortality in our universal and term life insurance products in the current year compared to the prior year and higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period. The prior year also included a reinsurance correction and refinement resulting in a net favorable impact of $17 million.
  - Adjusted operating income available to Genworth Financial, Inc.'s common stockholders in our fixed annuities business decreased $2 million predominantly from a decrease in net spreads due to the runoff of the block, partially offset by $17 million of unfavorable charges in connection with loss recognition testing in our single premium immediate annuity products in the prior year that did not recur.
- Our Runoff segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $11 million and $29 million for the six months ended June 30, 2020 and 2019, respectively. The decrease was predominantly from the decline in equity markets and interest rates in the current year.
- Corporate and Other Activities had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $79 million and $115 million for the six months ended June 30, 2020 and 2019, respectively. The decrease in the loss was primarily related to lower interest expense and lower operating expenses in the current year.

**Other Significant Developments**

The periods under review include, among others, the following significant developments.

***U.S. Mortgage Insurance***

- *Incurred losses.* Incurred losses was $228 million in the second quarter of 2020, of which $170 million was attributable to higher new delinquencies driven mostly by borrower forbearance as a result of COVID-19. The increase was also attributable to $28 million for incurred but not reported delinquencies that are expected to be reported in the future and existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity.
- *PMIERs compliance.* On June 29, 2020, the GSEs issued both temporary and permanent amendments to PMIERs, which became effective on June 30, 2020. With respect to loans that became non-performing due to a COVID-19 hardship, PMIERs was temporarily amended with respect to each non-performing loan. As of June 30, 2020, our U.S. mortgage insurance business had estimated available

assets of 143% of the required assets under PMIERs compared to 142% as of March 31, 2020. The estimated sufficiency as of June 30, 2020 was $1,275 million of available assets above the PMIERs requirements compared to $1,171 million as of March 31, 2020. The improvement in PMIERs sufficiency as compared to March 31, 2020 was driven in part by business cash flows increasing PMIERs available assets, elevated lapse of existing business driven by low prevailing interest rates and an increase in reinsurance credit. In addition, our second quarter of 2020 PMIERs required assets benefited from the application of a 0.30 multiplier applied to the risk-based required asset amount factor for certain non-performing loans. These factors were partially offset by incremental new delinquencies driving higher PMIERs required assets and capital consumed by new insurance written in the second quarter of 2020. See "Item 2—U.S. Mortgage Insurance segment—trends and conditions" for additional details.

- *New insurance written.* Our U.S. mortgage insurance business continued to grow its insurancein-force through higher new insurance written, which increased 80% in the second quarter of 2020 compared to the second quarter of 2019. The increase was primarily due to higher mortgage refinancing originations, a larger private mortgage insurance market as overall housing fundamentals remain strong and our higher estimated market share.

***Australia Mortgage Insurance***

- *Regulatory capital.* As of June 30, 2020, our Australia mortgage insurance business estimated its Prescribed Capital Amount ("PCA") ratio was approximately 177%, representing a slight decrease from 178% as of March 31, 2020.
- *Key Customers.* In May 2020, following a request-for-proposal process, our second largest customer in our Australia mortgage insurance business advised us they will not renew their contract with us. The current contract with this customer will expire in November 2020. As of June 30, 2020, this customer represented 10% of our gross written premiums in the first half of 2020. The termination of the contract with this customer is expected to modestly impact the financial results of our Australia mortgage insurance business following the expiration of the existing contract.

***U.S. Life Insurance***

- *In-force rate actions in our long-term care insurance business.* As part of our strategy for ourlong-term care insurance business, we have been implementing, and expect to continue to pursue, significant premium rate increases and associated benefit reductions on older generation blocks of business in order to bring those blocks closer to a break-even point over time and reduce the strain on earnings and capital. We are also requesting premium rate increases and associated benefit reductions on newer blocks of business, as needed, some of which may be significant, to help bring their loss ratios back towards their original pricing. For all of these in-force rate action filings, we received 46 filing approvals from 19 states during the six months ended June 30, 2020, representing a weighted-average increase of 30% on approximately $257 million in annualized in-force premiums, or approximately $77 million of incremental annual premiums. We also submitted 37 new filings in 10 states during the six months ended June 30, 2020 on approximately $191 million in annualized in-force premiums.

***Liquidity, Capital Resources and Intercompany Obligations***

- *Redemption of Genworth Holdings' June 2020 senior notes.* On January 21, 2020, Genworth Holdings early redeemed $397 million of its 7.70% senior notes originally scheduled to mature in June 2020 for a pre-tax loss of $9 million. The senior notes were fully redeemed with a cash payment of $409 million, comprised of the outstanding principal balance of $397 million, accrued interest of $3 million and a make-whole premium of $9 million.
- *Repurchase of Genworth Holdings' 2021 senior notes.* During the second quarter of 2020, Genworth Holdings repurchased $52 million principal amount of its senior notes with 2021 maturity dates for a

pre-tax gain of $3 million. In March 2020, Genworth Holdings also repurchased $14 million principal amount of its senior notes with 2021 maturity dates for a pre-tax gain of $1 million.

- *Redemption of non-recourse funding obligations.* In January 2020, upon receipt of approval from the Director of Insurance of the State of South Carolina, Rivermont Life Insurance Company I ("Rivermont I"), our indirect wholly-owned special purpose consolidated captive insurance subsidiary, redeemed all of its $315 million of outstanding non-recourse funding obligations due in 2050. The early redemption resulted in a pre-tax loss of $4 million from the write-off of deferred borrowing costs.
- *Intercompany note maturity.* In March 2020, Genworth Holdings repaid a $200 million intercompany note due to GLIC with a maturity date of March 31, 2020.
- *Liquidity and contractual obligations.* For additional details related to Genworth Holdings' liquidity in relation to its contractual obligations, see note 1 to our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" and "Item 2—Liquidity and Capital Resources."

**Financial Strength Ratings**

On May 15, 2020, Moody's Investors Service, Inc. ("Moody's") affirmed the "Baa3" (Adequate) financial strength rating of Genworth Mortgage Insurance Corporation ("GMICO"), our principal U.S. mortgage insurance subsidiary, but changed their outlook from positive to stable. On May 15, 2020, Standard & Poor's Financial Services, LLC ("S&P") affirmed the "BB+" (Marginal) financial strength rating of GMICO but modified its outlook from Creditwatch developing to Creditwatch negative.

On May 12, 2020, Fitch Ratings, Inc. ("Fitch") downgraded the financial strength rating of Genworth Financial Mortgage Insurance Pty Limited ("Genworth Australia"), our principal Australian mortgage insurance subsidiary, to "A" (Strong) from "A+" (Strong) and maintained a negative outlook. The downgrade reflects the pandemic-driven economic impact on Genworth Australia's financial performance and earnings, which Fitch expects to fall outside its "A" financial strength rating guidelines. In addition, S&P affirmed its "A" (Strong) rating of Genworth Australia but revised their outlook to negative from stable on May 15, 2020.

On April 18, 2020, we notified S&P and Moody's of our decision to discontinue the solicitation of their financial strength ratings of our principal life insurance subsidiaries. On April 24, 2020, Moody's downgraded all of our principal life insurance subsidiaries, which reflected Moody's view that our life insurance subsidiaries are likely to suffer near term declines in profitability and capital generation due to COVID-19 and the related economic shock. While we do not provide non-public information to rating agencies issuing unsolicited ratings, we cannot ensure that rating agencies will discontinue their ratings of our company or our insurance subsidiaries on an unsolicited basis going forward.

For a further discussion of the financial strength ratings of our insurance subsidiaries, see "Item 1—Financial Strength Ratings" in our 2019 Annual Report on Form 10-K.

**Consolidated**

***General Trends and Conditions***

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 as well as the value of assets and liabilities. The U.S. and international financial markets in which we operate have been significantly impacted by COVID-19, see "—COVID-19 Summary" for additional details.

Varied levels of economic performance, coupled with uncertain economic outlooks, changes in government policy, global trade, regulatory and tax reforms, and other changes in market conditions, 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, including as a result of COVID-19. 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 as well as the value of assets and liabilities could be impacted going forward. In particular, factors such as the length of COVID-19 and the speed of the economic recovery, government responses to COVID-19 (such as government stimulus), government spending, monetary policies (such as further quantitative easing), the volatility and strength of the capital markets, changes in tax policy and/or in U.S. tax legislation, international trade and the impact of global financial regulation reform will continue to affect economic and business outlooks, level of interest rates, consumer confidence and consumer behavior moving forward.

The U.S. and international governments, the U.S. Federal Reserve, other central banks and other legislative and regulatory bodies have taken certain actions in response to COVID-19 to support the global economy and capital markets. These policies and actions have been supportive to the worldwide economy, however, in spite of these supportive policies the U.S. economy contracted in both the first and second quarters of 2020 and the world economy is in a current state of recession. We have experienced the effects of the global recession, which has adversely impacted our businesses, particularly our mortgage insurance businesses during the second quarter of 2020. We could be further adversely affected if the U.S. or global recession is prolonged or the economic recovery is slow or delayed.

***Consolidated Results of Operations***

The following is a discussion of our consolidated results of operations. For a discussion of our segment results, see "—Results of Operations and Selected Financial and Operating Performance Measures by Segment."

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***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

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

| (Amounts in millions) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $ 1,019 | $ 1,001 | $ 18 | 2% |
| Net investment income | 786 | 816 | (30) | (4)% |
| Net investment gains (losses) | 159 | (46) | 205 | NM[(1)] |
| Policy fees and other income | 174 | 223 | (49) | (22)% |
| Total revenues | 2,138 | 1,994 | 144 | 7% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 1,486 | 1,251 | 235 | 19% |
| Interest credited | 139 | 146 | (7) | (5)% |
| Acquisition and operating expenses, net of deferrals | 223 | 229 | (6) | (3)% |
| Amortization of deferred acquisition costs and intangibles | 93 | 84 | 9 | 11% |
| Goodwill impairment | 5 | — | 5 | NM[(1)] |
| Interest expense | 44 | 60 | (16) | (27)% |
| Total benefits and expenses | 1,990 | 1,770 | 220 | 12% |
| Income from continuing operations before income taxes | 148 | 224 | (76) | (34)% |
| Provision for income taxes | 46 | 66 | (20) | (30)% |
| Income from continuing operations | 102 | 158 | (56) | (35)% |
| Income (loss) from discontinued operations, net of taxes | (520) | 60 | (580) | NM[(1)] |
| Net income (loss) | (418) | 218 | (636) | NM[(1)] |
| Less: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 8 | 53% |
| Less: net income from discontinued operations attributable to noncontrolling interests | — | 35 | (35) | (100)% |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (441) | $ 168 | $(609) | NM[(1)] |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders | $ 79 | $ 143 | $ (64) | (45)% |
| Income (loss) from discontinued operations available to Genworth Financial, Inc.'s common stockholders | (520) | 25 | (545) | NM[(1)] |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (441) | $ 168 | $(609) | NM[(1)] |

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

*Premiums.* Premiums are primarily earned on insurance products for mortgage, long-term care, life insurance, single premium immediate annuities and structured settlements with life contingencies.

- Our U.S. Mortgage Insurance segment increased $37 million mainly attributable to higher insurancein-force and an increase in policy cancellations in our single premium mortgage insurance product driven largely by higher mortgage refinancing, partially offset by lower average premium rates and higher ceded premiums from reinsurance transactions executed in the current year.

- Our U.S. Life Insurance segment decreased $1 million. Our long-term care insurance business increased $9 million largely from $31 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year. Our life insurance business decreased $10 million mainly attributable to the continued runoff of our term life insurance products in the current year.
- Our Australia Mortgage Insurance segment decreased $18 million predominantly from portfolio seasoning and lower policy cancellations in the current year. The three months ended June 30, 2020 included a decrease of $7 million attributable to changes in foreign exchange rates.

*Net investment income.* Net investment income represents the income earned on our investments. For discussion of the change in net investment income, see the comparison for this line item under "—Investments and Derivative Instruments."

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

*Policy fees and other income.* Policy fees and other income consists 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. The decrease was principally related to our U.S. Life Insurance segment primarily driven by our life insurance business from a $21 million favorable correction related to ceded premiums on universal life insurance policies in the prior year that did not recur. The decrease was also attributable to a decline in our universal and term universal life insurance in-force and higher ceded reinsurance costs in the current year.

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

- Our U.S. Mortgage Insurance segment increased $228 million largely from $170 million of losses from new delinquencies driven primarily by a significant increase in borrower forbearance as a result of COVID-19. The current year also included additional reserves of $28 million for incurred but not reported delinquencies that are expected to be reported in the future. In addition, existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. The current year also reflected lower net benefits from cures and aging of existing delinquencies. The prior year included a $10 million favorable reserve adjustment mostly associated with lower expected claim rates.
- Our Australia Mortgage Insurance segment increased $13 million primarily from loss reserve strengthening of $18 million reflecting the economic impacts caused by COVID-19, including a provision for incurred but not reported losses on loans in payment deferral programs, partially offset by favorable aging of existing delinquencies in the current year. The three months ended June 30, 2020 included a decrease of $4 million attributable to changes in foreign exchange rates.
- Our U.S. Life Insurance segment increased $2 million. Our long-term care insurance business decreased $20 million primarily due to an increase in claim and policy terminations driven mostly by higher mortality in the current year and from favorable development on prior year incurred but not reported claims. Given the lower new claim counts submitted during COVID-19, incurred but not reported reserves were strengthened by $37 million reflecting our assumption that new claim incidence

during this period will ultimately return to normal levels, partially offsetting the favorable development on incurred but not reported claims. These decreases were partially offset by aging of the in-force block (including higher frequency of new claims), higher incremental reserves of $43 million recorded in connection with an accrual for profits followed by losses and higher severity of new claims in the current year. The decrease was also partially offset by $15 million of a less favorable impact from reduced benefits in the current year related to in-force rate actions approved and implemented. Our life insurance business increased $45 million primarily attributable to higher reserves in our 10-year term universal life insurance block entering its post-level premium period during the premium grace period and from higher mortality in our universal life insurance products in the current year compared to the prior year attributable in part to COVID-19. Our fixed annuities business decreased $23 million principally from favorable reserve changes in fixed indexed annuities driven by favorable equity market changes in the current year and higher mortality in our single premium immediate annuity products. The prior year also included $5 million of higher reserves associated with loss recognition testing in our single premium immediate annuity products that did not recur.

- Our Runoff segment decreased $9 million primarily attributable to lower guaranteed minimum death benefit ("GMDB") reserves in our variable annuity products due to favorable equity market performance in the current year.

*Interest credited.* Interest credited represents interest credited on behalf of policyholder and contractholder general account balances. The decrease was principally related to our U.S. Life Insurance segment driven by our fixed annuities business largely due to a decline in average account values in the current year.

*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.

- Corporate and Other activities decreased $13 million mainly driven by lower employee-related and operating expenses, as well as a $3 million gain related to a repurchase of Genworth Holdings' senior notes originally scheduled to mature in 2021.
- Our U.S. Mortgage Insurance segment increased $3 million primarily attributable to higher operating costs driven mostly by increased sales in the current year.

*Amortization of deferred acquisition costs and intangibles.* Amortization of DAC and intangibles consists primarily of the amortization of acquisition costs that are capitalized, PVFP and capitalized software.

- Our U.S. Life Insurance segment increased $16 million. Our long-term care insurance business decreased $5 million primarily related to higher persistency on policies that are not on active claim. Our life insurance business increased $25 million principally from higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period, higher amortization primarily reflecting our updated assumptions from our annual review completed in the fourth quarter of 2019 and higher reinsurance rates. Our fixed annuities business decreased $4 million largely related to favorable equity market changes, partially offset by higher lapses in the current year.
- Our Runoff segment decreased $5 million mainly related to lower DAC amortization in our variable annuity products principally due to favorable equity market performance in the current year.

*Goodwill impairment.* Charges for impairment of goodwill are the result of declines in the fair value of the reporting units. Our Australia Mortgage Insurance segment recorded a goodwill impairment charge of $5 million in the current year, which represented the remaining amount of goodwill related to our mortgage insurance business in Australia.

*Interest expense.* Interest expense represents interest related to our borrowings that are incurred at Genworth Holdings or subsidiaries and interest expense related to the Tax Matters Agreement and certain reinsurance arrangements being accounted for as deposits. Corporate and Other activities decreased $12 million largely driven by the early redemption of Genworth Holdings' senior notes originally scheduled to mature in June 2020.

*Provision for income taxes.* The effective tax rate increased to 31.1% for the three months ended June 30, 2020 from 29.5% for the three months ended June 30, 2019. The increase in the effective tax rate was primarily attributable to tax expense on forward starting swaps settled prior to the enactment of the Tax Cuts and Jobs Act ("TCJA"), which are tax effected at 35% as they are amortized into net investment income, in relation to lower pre-tax income in the current year. The increase was also attributable to a higher tax expense related to foreign operations and non-deductible goodwill recorded in the current year.

*Net income attributable to noncontrolling interests*. Net income attributable to noncontrolling interests represents the portion of equity in a subsidiary attributable to third parties. The increase was predominantly related to higher net investment gains in the current year.

***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

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

| (Amounts in millions) | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $2,034 | $1,989 | $ 45 | 2% |
| Net investment income | 1,579 | 1,610 | (31) | (2)% |
| Net investment gains (losses) | 7 | 29 | (22) | (76)% |
| Policy fees and other income | 355 | 410 | (55) | (13)% |
| Total revenues | 3,975 | 4,038 | (63) | (2)% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 2,847 | 2,533 | 314 | 12% |
| Interest credited | 280 | 293 | (13) | (4)% |
| Acquisition and operating expenses, net of deferrals | 472 | 466 | 6 | 1% |
| Amortization of deferred acquisition costs and intangibles | 209 | 165 | 44 | 27% |
| Goodwill impairment | 5 | — | 5 | NM[1] |
| Interest expense | 96 | 120 | (24) | (20)% |
| Total benefits and expenses | 3,909 | 3,577 | 332 | 9% |
| Income from continuing operations before income taxes | 66 | 461 | (395) | (86)% |
| Provision for income taxes | 36 | 135 | (99) | (73)% |
| Income from continuing operations | 30 | 326 | (296) | (91)% |
| Income (loss) from discontinued operations, net of taxes | (520) | 122 | (642) | NM[1] |
| Net income (loss) | (490) | 448 | (938) | NM[1] |
| Less: net income from continuing operations attributable to noncontrolling interests | 17 | 35 | (18) | (51)% |
| Less: net income from discontinued operations attributable to noncontrolling interests | — | 71 | (71) | (100)% |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (507) | $ 342 | $(849) | NM[1] |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders | $ 13 | $ 291 | $(278) | (96)% |
| Income (loss) from discontinued operations available to Genworth Financial, Inc.'s common stockholders | (520) | 51 | (571) | NM[1] |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (507) | $ 342 | $(849) | NM[1] |

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

*Premiums*

- Our U.S. Mortgage Insurance segment increased $69 million mainly attributable to higher insurancein-force and an increase in policy cancellations in our single premium mortgage insurance product driven largely by higher mortgage refinancing, partially offset by lower average premium rates in the current year.

- Our U.S. Life Insurance segment increased $8 million. Our long-term care insurance business increased $23 million largely from $65 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year. Our life insurance business decreased $15 million mainly attributable to the continued runoff of our term life insurance products in the current year.
- Our Australia Mortgage Insurance segment decreased $32 million predominantly from portfolio seasoning and lower policy cancellations in the current year. The six months ended June 30, 2020 included a decrease of $11 million attributable to changes in foreign exchange rates.

*Net investment income.* For discussion of the change in net investment income, see the comparison for this line item under "—Investments and Derivative Instruments."

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

*Policy fees and other income.* The decrease was principally related to our U.S. Life Insurance segment primarily driven by our life insurance business from a $21 million favorable correction related to ceded premiums on universal life insurance policies in the prior year that did not recur. The decrease was also attributable to a decline in our universal and term universal life insurance in-force and higher ceded reinsurance costs in the current year.

*Benefits and other changes in policy reserves*

- Our U.S. Mortgage Insurance segment increased $231 million largely from $170 million of losses from new delinquencies driven primarily by a significant increase in borrower forbearance as a result of COVID-19. The current year also included additional reserves of $28 million for incurred but not reported delinquencies that are expected to be reported in the future. In addition, existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. The current year also reflected lower net benefits from cures and aging of existing delinquencies. The prior year included a $10 million favorable reserve adjustment mostly associated with lower expected claim rates.
- Our U.S. Life Insurance segment increased $63 million. Our long-term care insurance business decreased $19 million primarily due to an increase in claim and policy terminations driven mostly by higher mortality, a higher favorable impact of $19 million from reduced benefits in the current year related to in-force rate actions approved and implemented, a favorable impact from benefit utilization rate updates in the current year compared to an unfavorable impact in the prior year and favorable development on prior year incurred but not reported claims. Given the lower new claim counts submitted during COVID-19, incurred but not reported reserves were strengthened by $37 million reflecting our assumption that new claim incidence during this period will ultimately return to normal levels, partially offsetting the favorable development on incurred but not reported claims. These decreases were partially offset by aging of the in-force block (including higher frequency of new claims), higher incremental reserves of $82 million recorded in connection with an accrual for profits followed by losses and higher severity of new claims in the current year. Our life insurance business increased $105 million primarily attributable to higher reserves in our 10-year term universal life insurance block entering its post-level premium period during the premium grace period and from higher mortality in our universal and term life insurance products in the current year compared to the prior year attributable in part to COVID-19. Our fixed annuities business decreased $23 million principally from $22 million of unfavorable charges in connection with loss recognition testing in our single premium immediate annuity products in the prior year that did not recur.

- Our Runoff segment increased $10 million primarily attributable to higher GMDB reserves in our variable annuity products due to unfavorable equity market performance in the current year.
- Our Australia Mortgage Insurance segment increased $9 million primarily from loss reserve strengthening of $18 million in the second quarter of 2020 reflecting the economic impacts caused by COVID-19, including a provision for incurred but not reported losses on loans in payment deferral programs, partially offset by favorable aging of existing delinquencies in the current year. The six months ended June 30, 2020 included a decrease of $5 million attributable to changes in foreign exchange rates.

*Interest credited.* The decrease was principally related to our U.S. Life Insurance segment driven by our fixed annuities business largely due to a decline in average account values in the current year.

*Acquisition and operating expenses, net of deferrals*

- Our U.S. Mortgage Insurance segment increased $7 million primarily attributable to higher operating costs driven mostly by increased sales in the current year.
- Corporate and Other activities decreased $8 million mainly driven by lower operating expenses and a $3 million gain related to a repurchase of Genworth Holdings' senior notes originally scheduled to mature in 2021, partially offset by a make-whole premium of $9 million related to the early redemption of Genworth Holdings' senior notes originally scheduled to mature in June 2020 and higher employee-related expenses in the current year.

*Amortization of deferred acquisition costs and intangibles*

- Our U.S. Life Insurance segment increased $37 million. Our long-term care insurance business decreased $6 million primarily related to higher persistency on policies that are not on active claim. Our life insurance business increased $42 million principally from higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period in the current year and higher reinsurance rates.
- Our Runoff segment increased $10 million mainly related to higher DAC amortization in our variable annuity products principally from unfavorable equity market performance in the current year.

*Goodwill impairment.* Our Australia Mortgage Insurance segment recorded a goodwill impairment charge of $5 million in the current year, which represented the remaining amount of goodwill related to our mortgage insurance business in Australia.

*Interest expense.* Corporate and Other activities decreased $19 million largely driven by the early redemption of Genworth Holdings' senior notes originally scheduled to mature in June 2020.

*Provision for income taxes.* The effective tax rate increased to 54.5% for the six months ended June 30, 2020 from 29.3% for the six months ended June 30, 2019. The increase in the effective tax rate was primarily attributable to tax expense on forward starting swaps settled prior to the enactment of the TCJA, which are tax effected at 35% as they are amortized into net investment income, in relation to lower pre-tax income in the current year. The increase was also attributable to a higher tax expense related to foreign operations, non-deductible goodwill and higher stock-based compensation in the current year.

*Net income attributable to noncontrolling interests*. The decrease was predominantly related to lower premiums, higher losses and lower net investment income in the current year.

***Use of non-Generally Accepted Accounting Principles ("GAAP") measures***

***Reconciliation of net income (loss) to adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders***

We use non-GAAP financial measures entitled "adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders" and "adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share." Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share is derived from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. Our chief operating decision maker evaluates segment performance and allocates resources on the basis of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. We define adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders as income (loss) from continuing operations excluding the after-tax effects of income (loss) from continuing operations 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, restructuring costs 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 estimated future credit losses, 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, gains (losses) on insurance block transactions and restructuring costs are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders if, in our opinion, they are not indicative of overall operating trends.

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 adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, and measures that are derived from or incorporate adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, including adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share on a basic and diluted basis, 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 adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders 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 adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders have occurred in the past and could, and in some cases will, recur in the future. Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders and adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share on a basic and diluted basis are not substitutes for net income (loss) available to Genworth Financial, Inc.'s common stockholders or net income (loss) available to Genworth Financial, Inc.'s common stockholders per share on a basic and diluted basis determined in accordance with U.S. GAAP. In addition, our definition of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders may differ from the definitions used by other companies.

Adjustments to reconcile net income (loss) available to Genworth Financial, Inc.'s common stockholders to adjusted operating income (loss) assume a 21% tax rate for our domestic segments and a 30% tax rate for our Australia Mortgage Insurance segment and are net of the portion attributable to noncontrolling interests. Net investment gains (losses) are also adjusted for DAC and other intangible amortization and certain benefit reserves.

The following table includes a reconciliation of net income (loss) available to Genworth Financial, Inc.'s common stockholders to adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders for the periods indicated:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(Amounts in millions)** | **2020** | **2019** | **2020** | **2019** |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (441) | $ 168 | $ (507) | $ 342 |
| Add: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 17 | 35 |
| Add: net income from discontinued operations attributable to noncontrolling interests | — | 35 | — | 71 |
| Net income (loss) | (418) | 218 | (490) | 448 |
| Less: income (loss) from discontinued operations, net of taxes | (520) | 60 | (520) | 122 |
| Income from continuing operations | 102 | 158 | 30 | 326 |
| Less: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 17 | 35 |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders | 79 | 143 | 13 | 291 |
| Adjustments to income from continuing operations available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Net investment (gains) losses, net (1) | (131) | 43 | (16) | (28) |
| Goodwill impairment, net (2) | 3 | — | 3 | — |
| (Gains) losses on early extinguishment of debt, net | (3) | — | 9 | — |
| Expenses related to restructuring | 1 | — | 2 | 4 |
| Taxes on adjustments | 30 | (8) | 1 | 6 |
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (21) | $ 178 | $ 12 | $ 273 |

(1) For the three months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(4) million and $(3) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $32 million and $—, respectively. For the six months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(15) million and $(5) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $6 million in both periods.

(2) For the three and six months ended June 30, 2020, goodwill impairment was adjusted for the portion attributable to noncontrolling interests of $2 million.

In the second quarter of 2020, we recorded a goodwill impairment of $3 million, net of the portion attributable to noncontrolling interests, in our Australia mortgage insurance business.

During the second and first quarters of 2020, we repurchased $52 million and $14 million, respectively, principal amount of Genworth Holdings' senior notes with 2021 maturity dates for a pre-tax gain of $3 million and $1 million, respectively. In January 2020, we paid apre-tax make-whole expense of $9 million related to the early redemption of Genworth Holdings, Inc.'s senior notes originally scheduled to mature in June 2020 and Rivermont I, our indirect wholly-owned special purpose consolidated captive insurance subsidiary, early redeemed all of its $315 million outstanding non-recourse funding obligations originally due in 2050 resulting in

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a pre-tax loss of $4 million from the write-off of deferred borrowing costs. These transactions were excluded from adjusted operating income (loss) for the periods presented as they relate to gains (losses) on the early extinguishment of debt.

We recorded a pre-tax expense of $1 million and $2 million for the three and six months ended June 30, 2020, respectively, and $4 million for the six months ended June 30, 2019 related to restructuring costs as we continue to evaluate and appropriately size our organizational needs and expenses. There were no infrequent or unusual items excluded from adjusted operating income during the periods presented.

***Earnings (loss) per share***

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(Amounts in millions, except per share amounts)** | **2020** | **2019** | **2020** | **2019** |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders per share: | | | | |
| Basic | $ 0.16 | $ 0.29 | $ 0.03 | $ 0.58 |
| Diluted | $ 0.15 | $ 0.28 | $ 0.03 | $ 0.57 |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders per share: | | | | |
| Basic | $ (0.87) | $ 0.33 | $ (1.00) | $ 0.68 |
| Diluted | $ (0.86) | $ 0.33 | $ (0.99) | $ 0.67 |
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share: | | | | |
| Basic | $ (0.04) | $ 0.35 | $ 0.02 | $ 0.54 |
| Diluted | $ (0.04) | $ 0.35 | $ 0.02 | $ 0.54 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 505.4 | 503.4 | 504.8 | 502.3 |
| Diluted | 512.5 | 508.7 | 511.1 | 508.7 |

Diluted weighted-average common 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 adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. See note 11 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for a summary of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders for our segments and Corporate and Other activities.

We tax our international businesses at their local jurisdictional tax rates and our domestic businesses at the U.S. corporate federal income tax rate of 21%. Our segment tax methodology applies the respective jurisdictional or domestic tax rate to the pre-tax income (loss) of each segment, which is then adjusted in each segment to reflect the tax attributes of items unique to that segment such as foreign withholding taxes and permanent differences between U.S. GAAP and local tax law. The difference between the consolidated provision for income taxes and the sum of the provision for income taxes in each segment is reflected in Corporate and Other activities.

The annually-determined tax rates and adjustments to each segment's provision for income taxes are estimates which are subject to review and could change from year to year.

Management's discussion and analysis by segment contains selected operating performance measures including "sales" and "insurancein-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 business generated in a period. Sales refer to new insurance written for mortgage insurance products. We consider new insurance written to be a measure of our operating performance because it represents 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 mortgage insurance businesses is a measure of the aggregate original loan balance for outstanding insurance policies as of the respective reporting date. Risk in-force for our U.S. mortgage insurance business is based on the coverage percentage applied to the estimated current outstanding loan balance. Risk in-force in our Australia mortgage insurance business is computed using 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 the highest expected average per-claim payment for any one underwriting year over the life of our mortgage insurance business in Australia. We also have certain risk share arrangements in Australia where we provide pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage amount provided is used when applying the factor. We consider insurancein-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.

Management also regularly monitors and reports a loss ratio for our businesses. For our mortgage insurance businesses, the loss ratio is the ratio of benefits and other changes in policy reserves to net earned premiums. For our long-term care insurance business, 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. 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.

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.

**U.S. Mortgage Insurance segment**

***Trends and conditions***

Results of our U.S. mortgage insurance business are affected primarily by the following factors: competitor actions; unemployment or underemployment levels; other economic and housing market trends, including interest rates, home prices, the number of first-time homebuyers, and mortgage origination volume mix and practices; the levels and aging of mortgage delinquencies; the effect of seasonal variations; the inventory of unsold homes; loan modification and other servicing efforts; and litigation, among other items.

COVID-19 has continued to disrupt the global economy, financial markets, business operations and consumer behavior and confidence across the globe. In the U.S., while all states have been impacted by COVID-19, certain geographies have been disproportionately impacted either through the spread of the virus or the severity of the mitigation steps taken to control its spread. Economic activity in the U.S. slowed further in the second quarter of 2020 and unemployment remains elevated. Gross domestic product reflected a material decrease in the second quarter of 2020 as over 17 million American workers were unemployed through July 2020. Specific to housing, mortgage origination activity remained resilient in the second quarter of 2020 fueled by refinance activity given prevailing low interest rates. After experiencing a slowdown in sales from the onset of the crisis through May 2020, the purchase market improved in June 2020 with sales of previously owned homes increasing 21% month-over-month and inventories declining from 4.8 months to 4 months. The pandemic has affected our second quarter of 2020 financial results primarily through increased borrower uptake of forbearance options, as discussed below, many of which resulted in a new delinquency, increased overall new delinquencies, emerging performance deterioration of existing delinquencies, higher losses and loss reserves and incremental PMIERs capital requirements as compared to the first quarter of 2020. In addition, we experienced a material decline in persistency in the second quarter of 2020 from low interest rates.

The impact of the developing COVID-19 pandemic on our future business results is difficult to predict. We have performed extensive scenario planning to help us better understand and tailor our actions to mitigate the potential adverse effects of the pandemic on our financial results. While our current financial results to date fall within the range of our current scenarios, the ultimate outcomes and impact on our U.S. mortgage insurance business will depend on the spread and length of the pandemic. Equally important will be the amount, type and duration of government stimulus and its impact on borrowers, regulatory and government actions to support housing and the economy, spread mitigating actions to curb the current increase in cases, the possible resurgence of the virus in the future and the shape of economic recovery, all of which are unknown at present. It is difficult to predict how long borrowers will need to use forbearance to assist them during the pandemic. Given the potential for current forbearance plans to extend up to a year, the ultimate resolution as a cure or claim for a delinquency in a forbearance plan may not be known for several quarters, if not longer, and is difficult to estimate. We are continuing to monitor COVID-19 developments, regulatory and government actions, and the potential financial impacts on our business. However, given the specific risks to our U.S. mortgage insurance business, it is possible the pandemic could have a significant adverse impact on our business, including our results of operations and financial condition.

Specific to housing finance, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act requires mortgage servicers to provide up to 180 days of deferred or reduced payments (forbearance) for borrowers with a federally backed mortgage loan who assert they have experienced a financial hardship related to COVID-19. Forbearance may be extended for an additional 180 days up to a year in total or shortened at the request of the borrower. Federally backed mortgages include Federal Housing Administration ("FHA") and U.S. Department of Veterans Affairs ("VA") backed loans and those purchased by Fannie Mae and Freddie Mac. The CARES Act also prohibits foreclosures on all federally backed mortgage loans, except for vacant and abandoned properties, for a 60-day period that began on March 18, 2020. Since the introduction of the CARES Act, the GSEs as well as most servicers of non-federally backed mortgage loans have extended similar relief to their respective portfolios of loans. The Federal Housing Finance Agency ("FHFA") extended the foreclosure moratorium until August 31, 2020 for mortgages that are purchased by Fannie Mae and Freddie Mac. At the conclusion of the forbearance term, a borrower may either bring their loan current, defer any missed payments until the end of their loan, or the loan can be modified through a repayment plan or extension of the mortgage term. Many servicers have updated and improved their reporting to private mortgage insurers for when a loan is covered by forbearance. Servicer reported forbearance slowed meaningfully during the current quarter and ended the second quarter of 2020 with approximately 7.7% or 68,800 of our active policies on mortgage insurance written on prime-based, individually underwritten residential mortgage loans ("flow insurance") reported in a forbearance plan, of which approximately 62% were reported as delinquent. Forbearance to date has been a leading indicator of future new delinquencies; however, it is difficult to predict the future level of reported forbearance and how many of the policies in a forbearance plan that remain current on their monthly mortgage payment will go delinquent.

The level of mortgage originations requiring private mortgage insurance ("market penetration") and eventual market size are affected in part by actions that impact housing or housing finance policy taken by the GSEs and the U.S. government, including but not limited to, the FHA and the FHFA. In the past, these actions have included announced changes, or potential changes, to underwriting standards, including changes to the GSEs' automated underwriting systems, FHA pricing, GSE guaranty fees, loan limits and alternative products, such as those offered through Freddie Mac's Integrated Mortgage Insurance ("IMAGIN") and Fannie Mae's Enterprise Paid Mortgage Insurance ("EPMI") pilot programs, as well as low down payment programs available through the FHA or GSEs. On May 20, 2020, FHFA re-proposed the Enterprise Regulatory Capital Framework ("Enterprise Framework") for Fannie Mae and Freddie Mac. The comment period expires on August 31, 2020. As proposed, the Enterprise Framework would significantly increase regulatory capital requirements for the GSEs over current requirements. If the Enterprise Framework is finalized in its current form, higher capital requirements could ultimately lead to increased costs to borrowers for GSE loans, which in turn could shift market away from the GSEs to FHA or lender portfolios. Such a shift could result in a smaller market for private mortgage insurance. For more information about the potential future impact, see "Item 1A—Risk Factors—Changes to the role of the GSEs or to the charters or business practices of the GSEs, including actions or decisions to decrease or discontinue the use of mortgage insurance, could adversely affect our financial condition and results of operations or significantly impact our business," and "—Risk Factors—The amount of mortgage insurance we write could decline significantly if alternatives to private mortgage insurance are used or lower coverage levels of mortgage insurance are selected" in our 2019 Annual Report on Form 10-K.

Estimated mortgage origination volume increased during the second quarter of 2020 compared to the second quarter of 2019 primarily as lower interest rates resulted in higher refinance origination volumes. The estimated private mortgage insurance available market increased driven by higher refinance originations and higher purchase market penetration. Our flow persistency declined to 60% during the second quarter of 2020 compared to 82% during the second quarter of 2019. Given the volume to date, we now expect mortgage originations to remain strong for the second half of 2020 fueled by sustained low interest rates driving refinances and by continued strength in the purchase originations market.

The U.S. private mortgage insurance industry is highly competitive. There are currently six active mortgage insurers, including us. The majority of the new insurance written in our U.S. mortgage insurance business is priced using our proprietary risk-based pricing engine, GenRATE, which provides lenders with a granular approach to pricing for borrowers. All active U.S. mortgage insurers utilize proprietary risk-based pricing engines. Given evolving market dynamics, we expect price competition to remain highly competitive. For more information on the potential impacts due to competition, see "Item 1A—Risk Factors—Competitors could negatively affect our ability to maintain or increase our market share and profitability" in our 2019 Annual Report on Form 10-K. At the same time, we believe mortgage insurers, including us, consider many variables when pricing their new insurance written including the prevailing and future macroeconomic conditions. As a result, we raised prices during the second quarter of 2020 to align with our updated view of risk in the prevailing market conditions. We believe our pricing remains competitive.

New insurance written of $28.4 billion increased 80% in the second quarter of 2020 compared to the second quarter of 2019 primarily due to higher mortgage refinancing originations, a larger private mortgage insurance market as overall housing fundamentals remain strong and our higher estimated market share. Our U.S. mortgage insurance estimated market share for the second quarter of 2020 was modestly lower compared to the first quarter of 2020. Our market share is influenced by the execution of our go to market strategy, including but not limited to, the market adoption of GenRATE and our selective participation in forward commitment transactions. Our market share remains impacted by the negative ratings differential relative to our competitors, concerns expressed about Genworth's financial condition, the proposed transaction with China Oceanwide and pricing competition. We continue to manage the quality of new business through pricing and our underwriting guidelines, which we modify from time to time when circumstances warrant.

Net earned premiums increased in the second quarter of 2020 compared to the second quarter of 2019 primarily from growth in our insurance in-force and from an increase in single premium policy cancellations driven largely by higher mortgage refinancing, partially offset by lower average premium rates and higher ceded premiums from reinsurance transactions executed in the current year. As a result of COVID-19, we experienced a significant increase in the number of reported delinquent loans during the second quarter of 2020. During this time and consistent with prior years, servicers continued the practice of remitting premium during the early stages of default. As a result, we did not experience an impact to earned premiums during the second quarter of 2020. Additionally, we have a business practice of refunding the post-delinquent premiums to the insured party if the delinquent loan goes to claim. We record a liability and a reduction to net earned premiums for the post-delinquent premiums we expect to refund. The post-delinquent premium liability recorded in the second quarter of 2020 for the increased number of delinquent loans was not significant to the change in earned premiums during the quarter. As a result of COVID-19, certain state insurance regulators have issued orders or provided guidance to insurers requiring or requesting, as the case may be, the provision of grace periods of varying lengths to insureds in the event of non-payment of premium. Regulators differ greatly in their approaches but generally focus on the avoidance of cancellation of coverage for non-payment. We currently comply with all state regulatory requirements and requests. If timely payment is not made, future premiums could decrease and the certificate of insurance could be subject to cancellation after 60 days, or such longer time as required under applicable law. During the second quarter of 2020, servicers continued to remit premium on non-delinquent loans and therefore we did not experience a significant change to earned premiums.

While COVID-19 is unique in that it is a sudden, global economic disruption stemming from a health crisis, we have experience with the financial impacts of sudden, unexpected economic events on our U.S. mortgage insurance business. Prior localized natural disasters, such as hurricanes, have helped inform our view of the severity and potential duration of the economic shock caused by the efforts to contain the spread of COVID-19. Similar to our hurricane experience, borrowers who have experienced a financial hardship including, but not limited to, the loss of income due to the closing of a business or the loss of a job have taken advantage of available forbearance programs and payment deferral options. As a result, we have seen elevated new delinquencies, but as in past natural disasters, those delinquencies may cure at a higher rate than traditional delinquencies should economic activity quickly return to pre-COVID-19 levels. Severity of loss on loans that do go to claim, however, may be negatively impacted by the extended forbearance timeline, the associated elevated expenses such as accumulated interest, the higher loan amount of the recent new delinquencies and home price depreciation, if any. Unlike a hurricane where the natural disaster occurs at a point in time and the rebuild starts soon after, COVID-19 is an ongoing health crisis and we do not know when it will end, making it more difficult to determine the effectiveness of forbearance and the resulting rate at which delinquencies go to claim (“roll rate”) for new delinquencies in forbearance plans. Given this difference, our prior hurricane experience was relied upon as one consideration, of many, in the establishment of an appropriate roll rate estimate for new delinquencies in forbearance plans that have emerged as a result of COVID-19.

Our losses for the three months ended June 30, 2020 were $228 million with an associated loss ratio of 94% as compared to zero losses and a loss ratio of zero for the three months ended June 30, 2019. The increase in losses was driven by several factors. New flow delinquencies increased materially in the second quarter of 2020 to 48,249 driven primarily by a significant increase in borrower forbearance as a result of COVID-19. Approximately 87% of our flow new delinquencies in the second quarter of 2020 were subject to a forbearance plan. New delinquencies contributed $170 million of loss expense for the three months ended June 30, 2020 calculated by applying a blended estimated roll rate between the estimate for existing pre-COVID-19 early stage delinquencies and our past hurricane related roll rates, which were materially lower given the prior effectiveness of forbearance and government assistance programs. This compares to $28 million of loss expense from 7,539 new flow delinquencies for the three months ended June 30, 2019. Prior to COVID-19, traditional measures of credit quality, such as FICO score and whether a loan had a prior delinquency were most predictive of new delinquencies. Because the pandemic has affected a broad portion of the population, attribution analysis of second quarter of 2020 new delinquencies revealed that additional factors such as higher debt to income, geographies more affected by the virus or with a higher concentration of affected industries, loan size, and servicer process differences rose in significance.

In addition to new delinquencies, losses in the second quarter of 2020 included a $28 million loss expense associated with incurred but not reported delinquencies, which are expected to be reported at a future date. We also strengthened reserves on existing delinquencies by an additional $28 million during the second quarter of 2020 driven primarily by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. This reserve strengthening compares to a favorable reserve adjustment of $10 million in the second quarter of 2019 mostly associated with lower expected claim rates. Lastly, the second quarter of 2020 loss expense reflects lower net benefits from cures and aging of existing delinquencies compared to the prior year.

As of June 30, 2020, GMICO'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"), GMICO's domestic insurance regulator, was approximately 12.2:1, compared with a risk-to-capital ratio of approximately 12.4:1 as of March 31, 2020 and 12.5:1 as of December 31, 2019. This risk-to-capital ratio remains below the NCDOI's maximum risk-to-capital ratio of 25:1. North Carolina's calculation of risk-to-capital excludes the risk-in-force for delinquent loans given the established loss reserves against all delinquencies. As a result, we do not expect any immediate, material pressure to GMICO's risk-to-capital ratio in the short term as a result of COVID-19. GMICO's ongoing risk-to-capital ratio will depend principally on the magnitude of future losses incurred by GMICO, the effectiveness of ongoing loss mitigation activities, new business volume and profitability, the amount of policy lapses and the amount of additional capital that is generated or distributed by the business or capital support (if any) that we provide.

Under PMIERs, we are subject to operational and financial requirements that private mortgage insurers must meet in order to remain eligible to insure loans that are purchased by the GSEs. Each approved mortgage insurer is required to provide the GSEs with an annual certification and a quarterly report as to its compliance with PMIERs. On June 29, 2020, the GSEs issued both temporary and permanent amendments to PMIERs, which became effective on June 30, 2020. With respect to loans that became non-performing due to a COVID-19 hardship, PMIERs was temporarily amended with respect to each non-performing loan that (i) has an initial missed payment occurring on or after March 1, 2020 and prior to January 1, 2021, or (ii) is subject to a forbearance plan granted in response to a COVID-19 hardship, the terms of which are materially consistent with terms of forbearance plans offered by the GSEs. The risk-based required asset amount factor for the non-performing loan will be the greater of (a) the applicable risk-based required asset amount factor for a performing loan were it not delinquent, and (b) the product of a 0.30 multiplier and the applicable risk-based required asset amount factor for a non-performing loan. In the case of (i), the 0.30 multiplier will be applicable for up to four calendar months from the date of the initial missed payment absent a forbearance plan described in (ii) above. The PMIERs amendments also impose temporary capital preservation provisions through March 31, 2021, that require an approved insurer to obtain prior written GSE approval before paying any dividends, pledging or transferring assets to an affiliate or entering into any new, or altering any existing, arrangements under tax sharing and intercompany expense-sharing agreements, even if such insurer has a surplus of available assets. Lastly, the amendments impose permanent revisions to the risk-based required asset amount factor for non-performing loans for properties located in future Federal Emergency Management Agency ("FEMA") Declared Major Disaster Areas eligible for Individual Assistance.

As of June 30, 2020, our U.S. mortgage insurance business had estimated available assets of 143% of the required assets under PMIERs compared to 142% as of March 31, 2020 and 138% as of December 31, 2019. The estimated sufficiency as of June 30, 2020 was $1,275 million of available assets above the PMIERs requirements, compared to $1,171 million as of March 31, 2020 and $1,057 million as of December 31, 2019. The improvement in PMIERs sufficiency as compared to March 31, 2020 was driven in part by business cash flows increasing PMIERs available assets, elevated lapse of existing business driven by low prevailing interest rates and an increase in reinsurance credit. These factors were partially offset by incremental new delinquencies driving higher PMIERs required assets and capital consumed by new insurance written in the second quarter of 2020. In addition, our second quarter of 2020 PMIERs required assets benefited from the application of a 0.30 multiplier applied to the risk-based required asset amount factor for certain non-performing loans. The application of the 0.30 multiplier to all eligible delinquencies provided an estimated $1,057 million of benefit to our second quarter of 2020 PMIERs required assets. As a result of the uncertainty regarding the impact of COVID-19 on our U.S. mortgage insurance business, we intend to preserve PMIERs available assets and defer the payment of dividends in 2020. The amount and timing of future dividends will depend on the economic recovery from COVID-19, among other factors.

Our credit risk transfer program provided an estimated aggregate of $1,043 million of PMIERs capital credit as of June 30, 2020. In the second quarter of 2020, we completed an aggregate excess of loss reinsurance transaction providing up to $300 million of reinsurance coverage on our 2009 to 2019 book years that is intended to provide PMIERs capital credit for elevated delinquencies as result of COVID-19. Our second quarter of 2020 PMIERs sufficiency includes an estimated $180 million of capital credit from this transaction. Our U.S. mortgage insurance business may execute future risk transfer transactions to maintain a prudent level of financial flexibility in excess of the PMIERs capital requirements in response to potential changes in performance and PMIERs requirements over time. We believe that future credit risk transfer transactions may be more difficult to execute, if possible at all, and may have a higher cost during and following the pandemic.

As discussed under "Item 1—Business—Regulation" in our 2019 Annual Report on Form10-K, pursuant to its authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Consumer Financial Protection Bureau ("CFPB") issued regulations that became effective on January 10, 2014, establishing underwriting and product feature requirements for mortgages to be deemed Qualified Mortgages ("QM"). The regulations provide that mortgages that comply with certain prohibitions and limitations and meet the GSE underwriting and product guidelines are deemed to be QMs (the "GSE Patch") until the earlier of when the GSEs exit FHFA conservatorship or January 10, 2021. The GSE Patch permits loans that exceed a debt to income ratio of 43% to be eligible for QM status. Many of the loans that qualify under the GSE Patch require credit enhancement, of which private mortgage insurance is the predominate form of coverage. On June 22, 2020, the CFPB issued two Notices of Proposed Rulemaking seeking comments on proposed amendments to its QM regulations, and they extended the GSE Patch until the earlier of the effective date of the revised QM Rule (which is not expected to occur prior to April 1, 2021) or when the GSEs exit conservatorship. It is too early to determine what the proposed amendments will include when/if they become effective or the impact it will have on our U.S. mortgage insurance business.

***Segment results of operations***

***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

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, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $ 243 | $ 206 | $ 37 | 18% |
| Net investment income | 31 | 28 | 3 | 11% |
| Net investment gains (losses) | (1) | — | (1) | NM[(1)] |
| Policy fees and other income | 1 | 1 | — | — % |
| Total revenues | 274 | 235 | 39 | 17% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 228 | — | 228 | NM[(1)] |
| Acquisition and operating expenses, net of deferrals | 47 | 44 | 3 | 7% |
| Amortization of deferred acquisition costs and intangibles | 4 | 4 | — | — % |
| Total benefits and expenses | 279 | 48 | 231 | NM[(1)] |
| Income (loss) from continuing operations before income taxes | (5) | 187 | (192) | (103)% |
| Provision (benefit) for income taxes | (1) | 40 | (41) | (103)% |
| Income (loss) from continuing operations | (4) | 147 | (151) | (103)% |
| Adjustments to income (loss) from continuing operations: | | | | |
| Net investment (gains) losses | 1 | — | 1 | NM[(1)] |
| Taxes on adjustments | — | — | — | — % |
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (3) | $ 147 | $(150) | (102)% |

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

***Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders***

The decrease to an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders in the current year from adjusted operating income in the prior year was primarily attributable to higher losses largely from new delinquencies driven in large part by a significant increase in borrower forbearance and unfavorable reserve adjustments as a result of COVID-19. These decreases were partially offset by higher premiums in the current year.

***Revenues***

Premiums increased mainly attributable to higher insurance in-force and an increase in policy cancellations in our single premium mortgage insurance product driven largely by higher mortgage refinancing, partially offset by lower average premium rates and higher ceded premiums from reinsurance transactions executed in the current year.

Net investment income increased primarily from higher average invested assets in the current year.

***Benefits and expenses***

Benefits and other changes in policy reserves increased largely from $170 million of losses from new delinquencies driven primarily by a significant increase in borrower forbearance as a result of COVID-19. The current year also included additional reserves of $28 million for incurred but not reported delinquencies that are expected to be reported in the future. In addition, existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. The current year also reflected lower net benefits from cures and aging of existing delinquencies. The prior year included a $10 million favorable reserve adjustment mostly associated with lower expected claim rates.

Acquisition and operating expenses, net of deferrals, increased primarily attributable to higher operating costs driven mostly by increased sales in the current year.

*Provision (benefit) for income taxes.* The effective tax rate was 26.6% and 21.3% for the three months ended June 30, 2020 and 2019, respectively. The increase was driven by a pre-tax loss in the current year compared topre-tax income in the prior year.

***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

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

| | Six months ended June 30, | | Increase (decrease) and percentage change | |
|---|---|---|---|---|
| **(Amounts in millions)** | **2020** | **2019** | **2020 vs. 2019** | |
| Revenues: | | | | |
| Premiums | $ 469 | $ 400 | $ 69 | 17% |
| Net investment income | 64 | 56 | 8 | 14% |
| Net investment gains (losses) | (1) | — | (1) | NM[(1)] |
| Policy fees and other income | 3 | 2 | 1 | 50% |
| Total revenues | 535 | 458 | 77 | 17% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 247 | 16 | 231 | NM[(1)] |
| Acquisition and operating expenses, net of deferrals | 97 | 90 | 7 | 8% |
| Amortization of deferred acquisition costs and intangibles | 8 | 8 | — | — % |
| Total benefits and expenses | 352 | 114 | 238 | NM[(1)] |
| Income from continuing operations before income taxes | 183 | 344 | (161) | (47)% |
| Provision for income taxes | 39 | 73 | (34) | (47)% |
| Income from continuing operations | 144 | 271 | (127) | (47)% |
| Adjustments to income from continuing operations: | | | | |
| Net investment (gains) losses | 1 | — | 1 | NM[(1)] |
| Taxes on adjustments | — | — | — | — % |
| Adjusted operating income available to Genworth Financial, Inc.'s common stockholders | $ 145 | $ 271 | $(126) | (46)% |

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

***Adjusted operating income available to Genworth Financial, Inc.'s common stockholders***

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased primarily attributable to higher losses largely from new delinquencies driven in large part by a significant increase in borrower forbearance and unfavorable reserve adjustments as a result of COVID-19. These decreases were partially offset by higher premiums in the current year.

***Revenues***

Premiums increased mainly attributable to higher insurance in-force and an increase in policy cancellations in our single premium mortgage insurance product driven largely by higher mortgage refinancing, partially offset by lower average premium rates in the current year.

Net investment income increased primarily from higher average invested assets in the current year.

***Benefits and expenses***

Benefits and other changes in policy reserves increased largely from $170 million of losses from new delinquencies driven primarily by a significant increase in borrower forbearance as a result of COVID-19. The current year also included additional reserves of $28 million for incurred but not reported delinquencies that are expected to be reported in the future. In addition, existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. The current year also reflected lower net benefits from cures and aging of existing delinquencies. The prior year included a $10 million favorable reserve adjustment mostly associated with lower expected claim rates.

Acquisition and operating expenses, net of deferrals, increased primarily attributable to higher operating costs driven mostly by increased sales in the current year.

*Provision for income taxes.* The effective tax rate was 21.1% and 21.3% for the six months ended June 30, 2020 and 2019, respectively, consistent with the U.S. corporate federal income tax rate.

***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, 2020 | As of June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Primary insurance in-force [1] | $207,400 | $178,500 | $ 28,900 | 16% |
| Risk in-force | $ 50,000 | $ 43,100 | $ 6,900 | 16% |

[1] Primary insurance in-force represents the aggregate original loan balance for outstanding insurance policies and is used to determine premiums. Original loan balances are presented for policies with level renewal premiums. Amortized loan balances are presented for policies with annual, amortizing renewal premiums.

| (Amounts in millions) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|---|---|---|---|
| New insurance written | $28,400 | $15,800 | $12,600 | 80% | $46,300 | $25,400 | $20,900 | 82% |
| Net premiums written | $ 217 | $ 204 | $ 13 | 6% | $ 425 | $ 397 | $ 28 | 7% |

*Primary insurance in-force and risk in-force*

Primary insurance in-force increased largely from $29.1 billion in higher flow insurancein-force, which increased from $177.4 billion as of June 30, 2019 to $206.5 billion as of June 30, 2020 as a result of new insurance written, partially offset by lapses and cancellations during the current year. The increase in flow insurance in-force was partially offset by a decline of $0.2 billion in mortgage insurance on a bulk basis ("bulk insurance")in-force, which decreased from $1.1 billion as of June 30, 2019 to $0.9 billion as of June 30, 2020 from cancellations and lapses. In addition, risk in-force increased primarily as a result of higher flow insurance in-force. Flow persistency was 67% and 84% for the six months ended June 30, 2020 and 2019, respectively.

*New insurance written*

For the three and six months ended June 30, 2020, new insurance written increased primarily due to higher mortgage refinancing originations, a larger private mortgage insurance market as overall housing fundamentals remain strong and our higher estimated market share.

*Net premiums written*

Net premiums written for the three and six months ended June 30, 2020 increased primarily from higher average flow insurancein-force, partially offset by higher ceded premiums from reinsurance transactions executed 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) |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 vs. 2019 | 2020 | 2019 | 2020 vs. 2019 |
| Loss ratio | 94% | — % | 94% | 53% | 4% | 49% |
| Expense ratio (net earned premiums) | 21% | 24% | (3)% | 22% | 25% | (3)% |
| Expense ratio (net premiums written) | 23% | 24% | (1)% | 25% | 25% | — % |

The loss ratio is the ratio of benefits and other changes in policy reserves to net earned premiums. The expense ratio (net earned premiums) is the ratio of general expenses to net earned premiums. The expense ratio (net premiums written) 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 DAC and intangibles.

The loss ratio increased for the three and six months ended June 30, 2020 largely from $170 million of losses from new delinquencies driven primarily by a significant increase in borrower forbearance as a result of COVID-19. The current year also included additional reserves of $28 million for incurred but not reported delinquencies that are expected to be reported in the future. In addition, existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. The current year also reflected lower net benefits from cures and aging of existing delinquencies compared to the prior year. The prior year included a $10 million favorable reserve adjustment mostly associated with lower expected claim rates, which reduced the loss ratio by five percentage points for the three months ended June 30, 2019.

The expense ratio (net earned premiums) for the three and six months ended June 30, 2020 decreased mainly driven by higher net earned premiums, partially offset by higher operating costs in the current year.

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The expense ratio (net premiums written) decreased for the three months ended June 30, 2020 largely due to higher net premiums written, partially offset by higher operating costs in the current year.

*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, 2020 | December 31, 2019 | June 30, 2019 |
|---|---|---|---|
| Primary insurance: | | | |
| Insured loans in-force | 904,753 | 860,214 | 818,358 |
| Delinquent loans | 53,894 | 16,607 | 15,482 |
| Percentage of delinquent loans (delinquency rate) | 5.96% | 1.93% | 1.89% |
| Flow loans in-force | 894,715 | 846,472 | 806,739 |
| Flow delinquent loans | 53,372 | 16,209 | 15,070 |
| Percentage of flow delinquent loans (delinquency rate) | 5.97% | 1.91% | 1.87% |
| Bulk loans in-force | 10,038 | 10,742 | 11,619 |
| Bulk delinquent loans (1) | 522 | 398 | 412 |
| Percentage of bulk delinquent loans (delinquency rate) | 5.20% | 3.71% | 3.55% |
| A minus and sub-prime loans in-force | 11,712 | 12,792 | 14,180 |
| A minus and sub-prime delinquent loans | 2,470 | 2,283 | 2,367 |
| Percentage of A minus and sub-prime delinquent loans (delinquency rate) | 21.09% | 17.85% | 16.69% |
| Pool insurance: | | | |
| Insured loans in-force | 3,818 | 4,122 | 4,331 |
| Delinquent loans | 151 | 167 | 177 |
| Percentage of delinquent loans (delinquency rate) | 3.95% | 4.05% | 4.09% |

(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 422 as of June 30, 2020, 348 as of December 31, 2019 and 347 as of June 30, 2019.

Delinquency rates have increased primarily as a result of the rise in unemployment and the significant increase in borrower forbearance driven by COVID-19.

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

| | June 30, 2020 | | | |
|---|---|---|---|---|
| (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 | 43,044 | $ 162 | $2,687 | 6% |
| 4 - 11 payments | 7,404 | 111 | 388 | 29% |
| 12 payments or more | 2,924 | 105 | 147 | 71% |
| Total | 53,372 | $ 378 | $3,222 | 12% |

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

| (Dollar amounts in millions) | December 31, 2019 Delinquencies | Direct case reserves (1) | Risk in-force | Reserves as % of risk in-force |
|---|---|---|---|---|
| Payments in default: | | | | |
| 3 payments or less | 8,524 | $ 27 | $ 386 | 7% |
| 4 - 11 payments | 4,836 | 78 | 224 | 35% |
| 12 payments or more | 2,849 | 99 | 145 | 68% |
| Total | 16,209 | $ 204 | $ 755 | 27% |

(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, 2020 | Percent of total reserves as of June 30, 2020 (1) | Delinquency rate June 30, 2020 | Delinquency rate December 31, 2019 | Delinquency rate June 30, 2019 |
|---|---|---|---|---|---|
| By Region: | | | | | |
| Southeast (2) | 19% | 21% | 6.68% | 2.15% | 2.18% |
| Pacific (3) | 18 | 17 | 7.24% | 1.36% | 1.22% |
| South Central (4) | 17 | 14 | 6.02% | 1.84% | 1.79% |
| Northeast (5) | 12 | 21 | 8.01% | 2.72% | 2.87% |
| Great Lakes (6) | 10 | 6 | 3.81% | 1.69% | 1.56% |
| North Central (7) | 10 | 9 | 4.97% | 1.91% | 1.79% |
| Mid-Atlantic (8) | 6 | 5 | 6.31% | 1.90% | 1.81% |
| New England (9) | 5 | 5 | 5.22% | 1.92% | 1.95% |
| Plains (10) | 3 | 2 | 3.31% | 1.69% | 1.67% |
| Total | 100% | 100% | 5.96% | 1.93% | 1.89% |

(1) Total reserves were $439 million as of June 30, 2020.
(2) Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee.
(3) Alaska, California, Hawaii, Nevada, Oregon and Washington.
(4) Arizona, Colorado, Louisiana, New Mexico, Oklahoma, Texas and Utah.
(5) New Jersey, New York and Pennsylvania.
(6) Indiana, Kentucky, Michigan and Ohio.
(7) Illinois, Minnesota, Missouri and Wisconsin.
(8) Delaware, Maryland, Virginia, Washington D.C. and West Virginia.
(9) Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
(10) Idaho, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

| | Percent of primary risk in-force as of June 30, 2020 | Percent of total reserves as of June 30, 2020 (1) | Delinquency rate June 30, 2020 | Delinquency rate December 31, 2019 | Delinquency rate June 30, 2019 |
|---|---|---|---|---|---|
| By State: | | | | | |
| California | 11% | 10% | 7.63% | 1.42% | 1.26% |
| Texas | 7% | 7% | 7.30% | 2.02% | 1.86% |
| Florida | 7% | 11% | 9.04% | 2.13% | 2.26% |
| New York | 5% | 12% | 8.90% | 3.00% | 3.12% |
| Illinois | 5% | 6% | 6.12% | 2.27% | 2.10% |
| Washington | 4% | 3% | 5.59% | 1.10% | 0.90% |
| Michigan | 4% | 2% | 4.08% | 1.44% | 1.28% |
| Pennsylvania | 4% | 3% | 5.46% | 2.15% | 2.24% |
| North Carolina | 4% | 3% | 4.99% | 1.79% | 1.82% |
| Ohio | 3% | 2% | 4.01% | 1.84% | 1.69% |

(1) Total reserves were $439 million as of June 30, 2020.

The following table sets forth the dispersion of our total reserves and primary insurancein-force and risk in-force by year of policy origination and average annual mortgage interest rate as of June 30, 2020:

| (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** | | | | | | |
| 2004 and prior | 6.15% | 4.2% | $ 1,241 | 0.6% | $ 231 | 0.5% |
| 2005 to 2008 | 5.47% | 30.2 | 14,017 | 6.8 | 3,193 | 6.4 |
| 2009 to 2013 | 4.23% | 2.7 | 5,461 | 2.6 | 1,267 | 2.5 |
| 2014 | 4.46% | 3.1 | 5,719 | 2.8 | 1,367 | 2.7 |
| 2015 | 4.16% | 5.1 | 11,858 | 5.7 | 2,843 | 5.7 |
| 2016 | 3.89% | 9.2 | 22,566 | 10.9 | 5,415 | 10.8 |
| 2017 | 4.25% | 11.5 | 23,845 | 11.5 | 5,752 | 11.5 |
| 2018 | 4.77% | 12.9 | 24,767 | 11.9 | 5,975 | 12.0 |
| 2019 | 4.25% | 18.4 | 52,068 | 25.1 | 12,690 | 25.4 |
| 2020 | 3.58% | 2.7 | 45,816 | 22.1 | 11,253 | 22.5 |
| Total portfolio | 4.29% | 100.0% | $207,358 | 100.0% | $49,986 | 100.0% |

(1) Total reserves were $439 million as of June 30, 2020.

**Australia Mortgage Insurance segment**

***Trends and conditions***

Results of our mortgage insurance business in Australia are affected primarily 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. During the second quarter of 2020, the Australian dollar weakened against the U.S. dollar compared to the second quarter of 2019, which negatively impacted the results of our mortgage insurance business in Australia as reported in U.S. dollars. Any future movement in foreign exchange rates could impact future results.

Australia continued to face the challenges of containing the spread of COVID-19 and the resulting reduction of economic activity in the second quarter of 2020. Early in the pandemic, many of our lender customers created programs that allow affected homeowners the option to defer their mortgage repayments, without penalty, for a period of up to six months. Under regulatory guidance, homeowners participating in these programs, unless previously delinquent, are reported as current during the deferral period. As of June 30, 2020, the business had been notified that over 48,000 policies were participating in the deferral programs, which represents approximately 4% of our total policies in-force as of June 30, 2020. For many borrowers, the initial six-month deferral period expires in September 2020; therefore, lender customers announced on July 8, 2020 a new phase of support, allowing homeowners who are still impacted by COVID-19 to extend their repayment deferrals for up to an additional four months. In response, our mortgage insurance business in Australia expanded its COVID-19 hardship policy to enable lenders to further support borrowers impacted by the pandemic. The Australian government has continued to expand its income support programs, broadening eligibility and allowing for continued support for those impacted by COVID-19. Additionally, the government announced a new homebuilder program to provide eligible homeowners with grants for home builds and renovations to help drive economic activity. While the government programs and lender initiatives may lessen the effect of COVID-19 related losses to the business, uncertainties remain, as concerns around a resurgence of new COVID-19 cases and recently reinstated business and social restrictions take effect. We continue to actively consider the potential economic impacts and work closely with our lender customers to support borrowers who have been impacted by COVID-19.

As of the May 2020 release of its Statement on Monetary Policy, the Reserve Bank of Australia ("RBA") expected the Australian gross domestic product to have contracted considerably in the second quarter of 2020 as a result of significantly reduced domestic activity since mid-March 2020 due to COVID-19. The speed of recovery remains uncertain, and as a result, the pandemic could have long-lasting effects. Acknowledging in its June 2020 monetary policy release that its fiscal and monetary support will be required to help the economy for some time, the RBA maintained its official cash rate at 0.25%. RBA's governor noted that its accommodative approach will be maintained as long as required and that RBA's Board will not increase the cash rate target until progress is made toward full employment and it is confident that inflation will remain within a target range of two to three percent. The June 2020 unemployment rate increased to 7.4% from 5.2% at the end of the first quarter of 2020 as individuals were affected by job loss or reduction in hours due to the impact of COVID-19. This has been partially mitigated by government support programs, which have reduced the participation rate. We expect the unemployment rate to remain high for the remainder of 2020 as a result of COVID-19.

In the second quarter of 2020, home prices in the combined capital cities of Australia were approximately 9% higher compared to June 2019. The Sydney and Melbourne housing markets were the main drivers of growth, with annual home price increases of 13% and 10%, respectively. Although home values climbed as compared to the prior year, the combined capital cities recorded a decline in the month of June 2020 and July 2020 of approximately 1%. The long-term outlook for the Australian housing market is largely dependent on the length of COVID-19 and the speed of the economic recovery, along with how effective the various economic stimulus packages implemented by the Australian Government are in response to the pandemic.

Our mortgage insurance business in Australia completed a review of its premium earnings pattern in the fourth quarter of 2019, which resulted in no changes to the earnings pattern adopted in the fourth quarter of 2017. The adjustment to our premium earnings pattern in the fourth quarter of 2017 was applied on a retrospective basis under U.S. GAAP, however, under local Australian Accounting Standards ("AAS") this adjustment was applied on a prospective basis. Due to this divergence in accounting application, the financial results and certain metrics, such as the loss ratio and expense ratios, for our mortgage insurance business in Australia were different between the two accounting standards through the second quarter of 2020. These differences will continue in future periods but will become less significant as time passes.

Given the range of possible future adverse economic scenarios resulting from COVID-19, our mortgage insurance business in Australia assessed the adequacy of its unearned premium liability under local AAS as part of its first quarter of 2020 results. The liability adequacy test under AAS resulted in a deficiency, mostly driven by higher expected future claims. Accordingly, our Australia mortgage insurance business wrote-off AUD$182 million of its DAC balance as part of its first quarter of 2020 results. There was no deficiency adjustment under U.S. GAAP primarily due to a higher unearned premium reserve and a lower DAC balance. This further contributed to differences in results for our Australia mortgage insurance business under the two accounting standards in the first half of 2020. The business conducted both its liability adequacy and premium deficiency tests for AAS and U.S. GAAP, respectively, again in the second quarter of 2020, with both resulting in no deficiency and therefore, no further impact to its results.

Our mortgage insurance business in Australia had higher losses in the second quarter of 2020 compared to the second quarter of 2019 primarily related to the economic impacts caused by COVID-19, including a provision for incurred but not reported losses on loans in payment deferral programs. This estimate is largely based on the assumption that some of these loans will become delinquent regardless of being placed in the deferral program. The increase in losses was partially offset by favorable aging of existing delinquencies in the current year. The loss ratio for our Australia mortgage insurance business for the three months ended June 30, 2020 was 63%. Due to COVID-19, our mortgage insurance business in Australia anticipates claims and reported delinquencies to increase toward the end of 2020 and possibly into 2021, which could further impact losses.

Despite the pandemic, our mortgage insurance business in Australia continued to see higher mortgage origination volume from continued low interest rates and improving consumer confidence in the second quarter of 2020, resulting in higher new insurance written compared to the second quarter of 2019. Gross written premiums were also higher in the second quarter of 2020 compared to the second quarter of 2019, largely as a result of higher flow new insurance written. Conversely, net earned premiums were lower in the second quarter of 2020 compared to the second quarter of 2019 primarily from portfolio seasoning and lower policy cancellations.

Our mortgage insurance business in Australia is concentrated in a small number of key customers. In October 2019, we renewed our supply and service contract with our largest customer, effective January 1, 2020, for a term of three years. In November 2018, we entered a new contract with our second largest customer, effective November 21, 2018, with a term of two years and the option to extend for an additional year at the customer's discretion. In May 2020, following a request-for-proposal process, this customer advised our mortgage insurance business in Australia that the contract will not be renewed and will expire in November 2020. These two customers represented 56% and 10%, respectively, of our gross written premiums in the first half of 2020. Any termination, reduction or material change in relationship with one of them could have a material adverse effect on our future results because of our reliance on these key customers for the majority of our business. As such, the termination of the contract with our second largest customer is expected to modestly impact our financial results following the expiration of the existing contract. One additional consideration related to our customer contracts is that some contain provisions that allow the customer the option to terminate their contract, on a prospective basis for new business, within a specified period following a ratings downgrade. Given the potential economic impacts of COVID-19, our mortgage insurance business in Australia could be subject to additional ratings downgrades in the future. If that occurs, the business will work with its customers to demonstrate its credit strength and endeavor to avoid termination of any existing contracts.

Our mortgage insurance business in Australia evaluates its capital position in relation to the PCA as determined by Australian Prudential Regulation Authority ("APRA") and utilizes its Internal Capital Adequacy Assessment Process as the framework to ensure that our Australia group of companies as a whole, and each regulated entity, are independently capitalized to meet regulatory requirements. As of June 30, 2020, our estimated PCA ratio was approximately 177%, representing a slight decrease from 178% as of March 31, 2020. Given the economic uncertainty surrounding COVID-19, APRA has provided guidance to insurers asking them to maintain caution in planning capital distributions, including dividends. Given this guidance and the uncertain economic outlook, our mortgage insurance business in Australia believes it is prudent to preserve capital to sustain its capital position. As a result, we do not expect to receive further dividends or other returns of capital from our mortgage insurance business in Australia for the remainder of 2020. Future dividends will be subject to economic conditions and retaining a strong capital buffer, among other factors, and may require APRA approval.

In September 2019, the Australian Government released details of the First Home Loan Deposit Scheme ("FHLDS"), which is designed to assist eligible first-time home buyers by providing a government guarantee to participating lenders on eligible loans equal to the difference between the deposit (of at least 5%) and 20% of the purchase price. Borrower income and regional property value caps apply, and the program is intended to support up to 10,000 eligible first-time home buyers each Australian Government fiscal year, which is July 1 through June 30. If the loan comes to an end or the loan principal balance reduces to below 80% of the value of the property at purchase, the government guarantee will terminate. The FHLDS became effective on January 1, 2020 with the annual limit of 10,000 loan guarantees reached for the first year of the program that ended June 30, 2020.

***Segment results of operations***

***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

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

| (Amounts in millions) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $ 62 | $ 80 | $ (18) | (23)% |
| Net investment income | 8 | 15 | (7) | (47)% |
| Net investment gains (losses) | 66 | 1 | 65 | NM[1] |
| Total revenues | 136 | 96 | 40 | 42% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 39 | 26 | 13 | 50% |
| Acquisition and operating expenses, net of deferrals | 18 | 17 | 1 | 6% |
| Amortization of deferred acquisition costs and intangibles | 6 | 9 | (3) | (33)% |
| Goodwill impairment | 5 | — | 5 | NM[1] |
| Interest expense | 2 | 2 | — | — % |
| Total benefits and expenses | 70 | 54 | 16 | 30% |
| Income from continuing operations before income taxes | 66 | 42 | 24 | 57% |
| Provision for income taxes | 20 | 13 | 7 | 54% |
| Income from continuing operations | 46 | 29 | 17 | 59% |
| Less: net income from continuing operations attributable to noncontrolling interests | 23 | 15 | 8 | 53% |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders | 23 | 14 | 9 | 64% |
| Adjustments to income from continuing operations available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Net investment (gains) losses, net[2] | (34) | (1) | (33) | NM[1] |
| Goodwill impairment[3] | 3 | — | 3 | NM[1] |
| Taxes on adjustments | 9 | — | 9 | NM[1] |
| Adjusted operating income available to Genworth Financial, Inc.'s common stockholders | $ 1 | $ 13 | $ (12) | (92)% |

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

(2) For the three months ended June 30, 2020, net investment (gains) losses were adjusted for the portion of net investment gains (losses) attributable to noncontrolling interests of $32 million.

(3) For the three months ended June 30, 2020, goodwill impairment was adjusted for the portion attributable to noncontrolling interests of $2 million.

***Adjusted operating income available to Genworth Financial, Inc.'s common stockholders***

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased primarily driven by lower earned premiums largely from portfolio seasoning and lower policy cancellations and from higher losses mostly associated with the economic impacts caused by COVID-19, partially offset by favorable aging of existing delinquencies in the current year.

***Revenues***

Premiums decreased predominantly from portfolio seasoning and lower policy cancellations in the current year. The three months ended June 30, 2020 included a decrease of $7 million attributable to changes in foreign exchange rates.

Net investment income decreased largely from lower yields in the current year.

Net investment gains increased primarily from derivative gains in the current year compared to derivative losses in the prior year, as well as higher net realized gains from the sale of investment securities in the current year. The three months ended June 30, 2020 included a decrease of $7 million attributable to changes in foreign exchange rates.

***Benefits and expenses***

Benefits and other changes in policy reserves increased primarily from loss reserve strengthening of $18 million reflecting the economic impacts caused by COVID-19, including a provision for incurred but not reported losses on loans in payment deferral programs, partially offset by favorable aging of existing delinquencies in the current year. The three months ended June 30, 2020 included a decrease of $4 million attributable to changes in foreign exchange rates.

We recorded a goodwill impairment charge of $5 million in the current year, which represented the remaining amount of goodwill related to our mortgage insurance business in Australia.

*Provision for income taxes.* The effective tax rate was 30.0% for the three months ended June 30, 2020 and 2019, consistent with our jurisdictional rate.

*Net income from continuing operations attributable to noncontrolling interests.* The increase was predominantly related to higher net investment gains in the current year.

***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

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

| (Amounts in millions) | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $ 131 | $ 163 | $ (32) | (20)% |
| Net investment income | 18 | 31 | (13) | (42)% |
| Net investment gains (losses) | 13 | 13 | — | — % |
| Policy fees and other income | 1 | (1) | 2 | 200% |
| Total revenues | 163 | 206 | (43) | (21)% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 63 | 54 | 9 | 17% |
| Acquisition and operating expenses, net of deferrals | 35 | 34 | 1 | 3% |
| Amortization of deferred acquisition costs and intangibles | 14 | 18 | (4) | (22)% |
| Goodwill impairment | 5 | — | 5 | NM[(1)] |
| Interest expense | 3 | 4 | (1) | (25)% |
| Total benefits and expenses | 120 | 110 | 10 | 9% |
| Income from continuing operations before income taxes | 43 | 96 | (53) | (55)% |
| Provision for income taxes | 13 | 29 | (16) | (55)% |
| Income from continuing operations | 30 | 67 | (37) | (55)% |
| Less: net income from continuing operations attributable to noncontrolling interests | 17 | 35 | (18) | (51)% |
| Income from continuing operations available to Genworth Financial, Inc.'s common stockholders | 13 | 32 | (19) | (59)% |
| Adjustments to income from continuing operations available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Net investment (gains) losses, net [(2)] | (7) | (7) | — | — % |
| Goodwill impairment [(3)] | 3 | — | 3 | NM[(1)] |
| Taxes on adjustments | 1 | 2 | (1) | (50)% |
| Adjusted operating income available to Genworth Financial, Inc.'s common stockholders | $ 10 | $ 27 | $ (17) | (63)% |

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

(2) For the six months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for the portion of net investment gains (losses) attributable to noncontrolling interests of $6 million in both periods.

(3) For the six months ended June 30, 2020, goodwill impairment was adjusted for the portion attributable to noncontrolling interests of $2 million.

***Adjusted operating income available to Genworth Financial, Inc.'s common stockholders***

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased primarily driven by lower earned premiums largely from portfolio seasoning and lower policy cancellations, higher losses mostly associated with the economic impacts caused by COVID-19 and lower net investment income in the current year.

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***Revenues***

Premiums decreased predominantly from portfolio seasoning and lower policy cancellations in the current year. The six months ended June 30, 2020 included a decrease of $11 million attributable to changes in foreign exchange rates.

Net investment income decreased largely from lower yields in the current year.

***Benefits and expenses***

Benefits and other changes in policy reserves increased primarily from loss reserve strengthening of $18 million in the second quarter of 2020 reflecting the economic impacts caused by COVID-19, including a provision for incurred but not reported losses on loans in payment deferral programs, partially offset by favorable aging of existing delinquencies in the current year. The six months ended June 30, 2020 included a decrease of $5 million attributable to changes in foreign exchange rates.

We recorded a goodwill impairment charge of $5 million in the current year, which represented the remaining amount of goodwill related to our mortgage insurance business in Australia.

*Provision for income taxes.* The effective tax rate was 30.0% for the six months ended June 30, 2020 and 2019, consistent with our jurisdictional rate.

*Net income attributable to noncontrolling interests.* The decrease was predominantly related to lower premiums, higher losses and lower net investment income in the current year.

***Australia Mortgage Insurance selected operating performance measures***

As of June 30, 2020, our mortgage insurance business in Australia had structured insurance transactions with three lenders where it was in a secondary loss position. The insurance portfolio metrics associated with these transactions, which include insurance in-force, risk in-force, new insurance written, loans in-force and delinquent loans, are excluded from the following tables. These arrangements represented approximately $162 million and $157 million of risk in-force as of June 30, 2020 and 2019, respectively.

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

| (Amounts in millions) | As of June 30, 2020 | As of June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Primary insurance in-force | $210,200 | $215,600 | $ (5,400) | (3)% |
| Risk in-force | $ 73,200 | $ 75,100 | $ (1,900) | (3)% |

| (Amounts in millions) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|---|---|---|---|
| New insurance written | $ 4,500 | $ 4,900 | $ (400) | (8)% | $ 8,800 | $ 8,800 | $ — | — % |
| Net premiums written | $ 70 | $ 58 | $ 12 | 21% | $ 132 | $ 110 | $ 22 | 20% |

Our mortgage insurance business in Australia currently provides 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 of 35% that represents our highest expected average per-claim payment for any one underwriting year over the life of our business in Australia. We also have certain risk share arrangements where we provide pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage amount provided is used when applying the factor.

*Primary insurance in-force and risk in-force*

Primary insurance in-force and risk in-force decreased primarily due to changes in foreign exchange rates and policy cancellations in the current year. Primary insurance in-force and risk in-force included decreases of $3.7 billion and $1.3 billion, respectively, from changes in foreign exchange rates.

*New insurance written*

Excluding the effects of changes in foreign exchange rates, new insurance written increased for the three and six months ended June 30, 2020 primarily from higher mortgage origination volume from continued low interest rates and improving consumer confidence, partially offset by lower bulk insurance written in the current year. The three and six months ended June 30, 2020 included decreases of $500 million and $700 million, respectively, attributable to changes in foreign exchange rates.

*Net premiums written*

Most of our Australian 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, 2020 and December 31, 2019, our unearned premium reserves were $1.0 billion.

Net premiums written increased for the three and six months ended June 30, 2020 primarily due to higher flow new insurance written from an increase in mortgage origination volume in the current year. The three and six months ended June 30, 2020 included decreases of $8 million and $11 million, respectively, attributable to changes in foreign exchange rates.

*Loss and expense ratios*

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

| | Three months ended June 30, | | Increase (decrease) | Six months ended June 30, | | Increase (decrease) |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 vs. 2019 | 2020 | 2019 | 2020 vs. 2019 |
| Loss ratio | 63% | 34% | 29% | 48% | 34% | 14% |
| Expense ratio (net earned premiums) | 47% | 33% | 14% | 41% | 32% | 9% |
| Expense ratio (net premiums written) | 41% | 44% | (3)% | 41% | 47% | (6)% |

The loss ratio is the ratio of benefits and other changes in policy reserves to net earned premiums. The expense ratio (net earned premiums) is the ratio of general expenses to net earned premiums. The expense ratio (net premiums written) is the ratio of general expenses to net premiums written. In our mortgage insurance business in Australia, general expenses consist of acquisition and operating expenses, net of deferrals, amortization of DAC and intangibles and goodwill impairment charges.

The loss ratio increased for the three and six months ended June 30, 2020 primarily from loss reserve strengthening of $18 million in the second quarter of 2020 reflecting the economic impacts caused by COVID-19, including a provision for incurred but not reported losses on loans in payment deferral programs, partially offset by favorable aging of existing delinquencies in the current year. The increase was also attributable to lower premiums from portfolio seasoning and lower policy cancellations in the current year.

The expense ratio (net earned premiums) increased for the three and six months ended June 30, 2020 primarily from a goodwill impairment charge of $5 million in the current year and lower net earned premiums as discussed above.

The expense ratio (net premiums written) decreased for the three and six months ended June 30, 2020 primarily from higher net premiums written primarily due to an increase in mortgage origination volume, partially offset by a goodwill impairment charge of $5 million in the current year.

*Delinquent loans*

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

| | June 30, 2020 | December 31, 2019 | June 30, 2019 |
|---|---|---|---|
| Primary insured loans in-force | 1,236,657 | 1,290,216 | 1,308,811 |
| Delinquent loans | 7,614 | 7,221 | 7,891 |
| Percentage of delinquent loans (delinquency rate) | 0.62% | 0.56% | 0.60% |
| Flow loans in-force | 1,137,784 | 1,189,019 | 1,200,603 |
| Flow delinquent loans | 7,380 | 7,003 | 7,642 |
| Percentage of flow delinquent loans (delinquency rate) | 0.65% | 0.59% | 0.64% |
| Bulk loans in-force | 98,873 | 101,197 | 108,208 |
| Bulk delinquent loans | 234 | 218 | 249 |
| Percentage of bulk delinquent loans (delinquency rate) | 0.24% | 0.22% | 0.23% |

Flow loans in-force decreased primarily from policy cancellations in the current year. Flow delinquent loans increased compared to December 31, 2019 from new delinquencies exceeding cures in the current year. Flow delinquent loans decreased compared to June 30, 2019 driven by claims paid, partially offset by new delinquencies exceeding cures.

Primary insurance delinquency rates differ by the various states and territories of Australia at any one time depending upon economic conditions and cyclical growth patterns. The table below sets forth our primary delinquency rates for the states and territories of Australia 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, 2020 | Delinquency rate | | |
|---|---|---|---|---|
| | | June 30, 2020 | December 31, 2019 | June 30, 2019 |
| By state and territory: | | | | |
| New South Wales | 27% | 0.51% | 0.42% | 0.45% |
| Queensland | 23 | 0.78% | 0.75% | 0.81% |
| Victoria | 23 | 0.46% | 0.41% | 0.45% |
| Western Australia | 13 | 1.06% | 1.00% | 1.10% |
| South Australia | 6 | 0.70% | 0.65% | 0.68% |
| Australian Capital Territory | 3 | 0.27% | 0.24% | 0.25% |
| Tasmania | 2 | 0.27% | 0.29% | 0.31% |
| New Zealand | 2 | 0.03% | 0.02% | 0.02% |
| Northern Territory | 1 | 0.87% | 0.71% | 0.83% |
| Total | 100% | 0.62% | 0.56% | 0.60% |

Delinquency rates increased mainly from lower flow loans in-force as a result of policy cancellations and new delinquencies exceeding cures in the current year.

**U.S. Life Insurance segment**

***COVID-19***

The most significant impacts in our U.S. life insurance businesses from COVID-19 are related to the current low interest rate environment and equity market volatility. Our U.S. life insurance businesses may also be impacted by continued elevated mortality or future changes in morbidity experience. Our long-term care insurance products could be negatively impacted by the current low interest rate environment, particularly as it relates to loss recognition testing and asset adequacy analysis, as well as experiencing further delays in approvals for in-force rate actions. These impacts would be partially offset by higher mortality which is favorable to our long-term care insurance products. The low interest rate environment and volatility in equity markets have adversely impacted earnings in our fixed annuity products with limited offsetting benefit from higher mortality. Conversely, higher mortality rates could lower profitability in our life insurance products.

In our long-term care insurance products, we have experienced some degree of higher mortality during COVID-19 which has had a favorable impact on claim and active policy reserves. Although it is not our practice to track cause of death for policyholders and claimants, we believe the results of our long-term care insurance business were likely impacted by COVID-19 in the second quarter of 2020. We have experienced lower new claims incidence; however, we do not expect this to be permanent but rather a temporary reduction while shelter-in-place and social distancing protocols are in effect. We have temporarily discontinued in-person assessments to assess eligibility for benefits, and are utilizing virtual assessments in the interim, with an in-person assessment to follow once social distancing protocols are relaxed. For claimants without the technology to perform virtual assessments, we have alternate options for gathering information. Our long-term care insurance benefit utilization will be monitored for impact; although it is too early to tell the magnitude and/or direction of that impact.

Additionally, our U.S. life insurance companies are dependent on the approval of actuarially justified in-force rate actions in our long-term care insurance business, including those rate actions which were previously filed and are currently pending review and approval. We have experienced some delays and could experience additional delays in receiving approvals of these rate actions during COVID-19 although we do not expect a significant impact on our financial results during 2020 as a result of these delays.

We continue to provide customer service to our policyholders during this uncertain time and are available to address questions or concerns regarding their policies. We are continually assessing our operational processes and monitoring potential impacts to morbidity due to COVID-19.

In our U.S life insurance companies, we have complied with guidance issued by certain insurance regulators, such as mandates that policies cannot be lapsed or cancelled if premiums are not paid or requirements to provide extensions of grace periods during the COVID-19 pandemic. Although most of these mandates have been lifted, we continue to monitor developments related to COVID-19 such as state directives that are issued during this time and we will comply with any new guidance issued by our state insurance regulators. For statutory reporting, we are currently not required to non-admit premium receivables over 90 days if we are in a no lapse mandate through September 29, 2020. We may also seek permitted practices during this time to help our capital position and our ongoing risk-based capital ("RBC") requirements if COVID-19 continues for an extended period of time. We have also contacted our reinsurance counterparties to inform them of the actions we have taken in response to state bulletins on extension of grace periods and prohibition of lapsation as well as offering flexibility to our policyholders who are on claim.

We have not experienced a significant impact on our premiums in our U.S. life insurance businesses while there have been premium deferrals/grace period mandates in place in certain states. Given our current ratings, our sales volume is low in our long-term care insurance products. In 2016, we suspended sales of our traditional life insurance and fixed annuity products. For traditional life insurance policies, where regular premiums are typically required, and universal life insurance contracts, where premiums are typically flexible but frequently require minimum premiums to be paid, subject to state mandates for additional grace periods during COVID-19, policies follow normal lapse or nonforfeiture options, if the policyholders decided not to pay their premiums. There is no requirement to pay premiums in our fixed annuity contracts and benefits would adjust contractually based on actual premiums paid in these products.

We actively monitor cash and highly liquid investment positions in each of our U.S. life insurance companies against operating targets that are designed to ensure that we will have the cash necessary to meet our obligations as they come due. The targets are set based on stress scenarios that have the effect of increasing our expected cash outflows and decreasing our expected cash inflows. Liquidity risk is assessed by comparing subsidiary cash to potential cash needs under a stressed liquidity scenario. The stressed scenario reflects potential policyholder surrenders, variability of normal operating cash flow and potential increase in collateral requirements under our cleared derivative program.

While the ongoing impact of COVID-19 is very difficult to predict, the related outcomes and impact on the U.S. life insurance business will depend on the length and severity of the pandemic and shape of the economic recovery. Further declines in interest rates and equity markets as a result of COVID-19 would increase reserves and capital requirements in our U.S. life insurance business. For sensitivities related to interest rates, lapses and mortality on our U.S. life insurance products, see "Item 7—Management's Discussion and Analysis—Critical Accounting Estimates" in our 2019 Annual Report on Form 10-K. We will continue to monitor COVID-19 impacts and evaluate all of our assumptions that may need updating as a result of longer-term trends related to the pandemic.

***Trends and conditions***

Results of our U.S. life insurance businesses depend significantly upon the extent to which our actual future experience is consistent with assumptions and methodologies we have used in calculating our reserves. Many factors can affect the results of our U.S. life insurance businesses. Because these factors are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. We will continue to monitor our experience and assumptions closely and make changes to our assumptions and methodologies, as appropriate, for our U.S. life insurance products. Even small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our DAC amortization, reserve levels, results of operations and financial condition.

Our liability for policy and contract claims is reviewed quarterly and we conduct a detailed review of our claim reserve assumptions for our long-term care insurance business annually typically during the third or fourth quarter of each year. Our liability for future policy benefits is reviewed at least annually as a part of our loss recognition testing typically performed in the third or fourth quarter of each year. As part of loss recognition testing, we also review the recoverability of DAC and PVFP at least annually. In addition, we perform cash flow testing separately for each of our U.S. life insurance companies on a statutory accounting basis annually. We expect to complete our annual review of long-term care insurance claim reserve assumptions and complete our loss recognition and cash flow testing as well as assumption reviews in the fourth quarter of 2020. Our review of assumptions, as part of our testing in the fourth quarter of 2020, could include expected claim incidence and terminations, benefit utilization, mortality, persistency, interest rates and in-force rate actions, among other assumptions. We will be specifically reviewing the basic long-term care insurance incurred but not reported reserve calculation, including the assumptions for new claim counts, against which we have consistently experienced favorable development over the last two years.

Results of our U.S. life insurance businesses are also impacted by interest rates. Low interest rates put pressure on the profitability and returns of these businesses as higher yielding investments mature and are replaced with lower-yielding investments. We seek to manage the impact of low interest rates through asset-liability management as well as interest rate hedging strategies for a portion of our long-term care insurance product cash flows. Additionally, certain products have implicit and explicit rate guarantees or optionality that are significantly impacted by changes in interest rates. For a further discussion of the impact of interest rates on our U.S. life insurance businesses, see “Item 7A—Quantitative and Qualitative Disclosures About Market Risk” in our 2019 Annual Report on Form 10-K.

The RBC of each of our U.S. life insurance subsidiaries exceeded the level of RBC that would require any of them to take or become subject to any corrective action in their respective domiciliary state as of December 31, 2019. However, the RBC ratio of our U.S. life insurance subsidiaries has been negatively impacted over the past few years as a result of statutory losses driven by the declining performance of the business and increases in our statutory reserves, including results of Actuarial Guideline 38, cash flow testing and assumption reviews particularly in our long-term care insurance business. In the first quarter of 2020, low interest rates and equity market volatility negatively impacted our variable annuity products resulting in material statutory reserve increases. However, in the second quarter of 2020, elevated mortality in our long-term care insurance business and partial equity market recovery impacts on our variable annuity products favorably impacted our statutory capital and surplus. Any future statutory losses would decrease the RBC ratio of our U.S. life insurance subsidiaries. We continue to face challenges in our principal life insurance subsidiaries, particularly those subsidiaries that rely heavily on in-force rate actions as a source of earnings and capital. We may see variability in statutory results and a further decline in the RBC ratios of these subsidiaries given the time lag between the approval of in-force rate actions versus when the benefits from the in-force rate actions (including increased premiums and associated benefit reductions) are fully realized in our financial results. Further declines in the RBC ratio of our life insurance subsidiaries could result in heightened supervision and regulatory action.

*Long-term care insurance*

The long-term profitability of our long-term care insurance business depends upon how our actual experience compares with our valuation assumptions, including but not limited to morbidity, mortality and persistency. If any of our assumptions prove to be inaccurate, our reserves may be inadequate, which in the past has had, and may in the future have, a material adverse effect on our results of operations, financial condition and business. Results of our long-term care insurance business are also influenced by our ability to achieve in-force rate actions, improve investment yields and manage expenses and reinsurance, among other factors. Changes in regulations or government programs, including long-term care insurance rate action legislation, regulation and/or practices, could also impact our long-term care insurance business either positively or negatively.

Our assumptions are sensitive to slight variability in actual experience and small changes in assumptions could result in decreases in the margin of our long-term care insurance blocks to at/or below zero in future years. To the extent, based on reviews, the margin of our long-term care insurance block, excluding the acquired block, is negative, we would be required to recognize a loss, by amortizing more DAC and/or establishing additional benefit reserves. For our acquired block of long-term care insurance, the impacts of adverse changes in assumptions would also be reflected as a loss if our margin for this block is reduced below zero by establishing additional benefit reserves. A significant decrease in our loss recognition testing margin of our long-term care insurance blocks could have a material adverse effect on our business, results of operations and financial condition.

As a result of the review of our claim reserves completed in prior years, we have been establishing higher claim reserves on new claims, which has negatively impacted earnings and we expect this to continue going forward. Also, average claim reserves for new claims are trending higher over time as the mix of claims continues to evolve, with an increasing number of policies with higher daily benefit amounts and higher inflation factors going on claim. In addition, although new claim counts on our older long-term care insurance blocks of business will continue to decrease as the blocks run off, we are gaining more experience on our larger new blocks of business and expect continued growth in new claims on these blocks as policyholders reach older attained ages with higher likelihood of going on claim.

Given the ongoing challenges in our long-term care insurance business, we continue pursuing initiatives to improve the risk and profitability profile of our business including: premium rate increases and associated benefit reductions on our in-force policies; managing expense levels; executing investment strategies targeting higher returns; and enhancing our financial and actuarial analytical capabilities. Executing on our multi-year long-term care insurance in-force rate action plan with premium rate increases and associated benefit reductions on our legacy long-term care insurance policies is critical to the business. For an update on in-force rate actions, refer to "Significant Developments—U.S. Life Insurance." As of June 30, 2020, we have suspended sales in Hawaii, Massachusetts, New Hampshire, Vermont and Montana, and will consider taking similar actions in the future in other states where we are unable to obtain satisfactory rate increases on in-force policies. We will also consider litigation against states that decline actuarially justified rate increases. As of June 30, 2020, we were in litigation with one state that has refused to approve actuarially justified rate increases.

The approval process for in-force rate actions and the amount and timing of the premium rate increases and associated benefit reductions approved vary by state. In certain states, the decision to approve or disapprove a rate increase can take a significant amount of time, and the approved amount may be phased in over time. After approval, insureds are provided with written notice of the increase and increases are generally applied on the insured's next policy anniversary date. As a result, the benefits of any rate increase are not fully realized until the implementation cycle is complete and are, therefore, expected to be realized over time.

We also manage risk and capital allocated to our long-term care insurance business through utilization of external reinsurance in the form of coinsurance. We executed external reinsurance agreements to reinsure 20% of all sales of our individual long-term care insurance products that have been introduced since early 2013. External new business reinsurance is dependent on a number of factors, including price, availability, risk tolerance and capital levels. Over time, there can be no assurance that affordable, or any, reinsurance will continue to be available. We also have external reinsurance on some older blocks of business which includes a treaty on a yearly renewable term basis on business that was written between 1998 and 2003. This yearly renewable term reinsurance provides coverage for claims on those policies for 15 years after the policy was written. After

15 years, reinsurance coverage ends for policies not on claim, while reinsurance coverage continues for policies on claim until the claim ends. The 15-year coverage on the policies written in 2003 expired in 2018; therefore, any new claims will not have reinsurance coverage under this treaty. Since 2013, we have seen, and may continue to see, an increase in our benefit costs as policies with reinsurance coverage exhaust their benefits or terminate and policies which are not covered by reinsurance go on claim.

*Life insurance*

Results of our life insurance business are impacted primarily by mortality, persistency, investment yields, expenses, reinsurance and statutory reserve requirements, among other factors. We no longer solicit sales of traditional life insurance products; however, we continue to service our existing retained and reinsured blocks of business.

Mortality levels may deviate each period from historical trends. Overall mortality experience was higher for the three months ended June 30, 2020 compared to three months ended June 30, 2019, attributable in part to COVID-19. We have experienced higher mortality than our then-current and priced-for assumptions in recent years for our universal life insurance blocks. We have also been experiencing higher mortality related charges resulting from an increase in rates charged by our reinsurance partners reflecting natural block aging and higher mortality compared to expectations.

In the fourth quarter of 2019, we performed our annual review of life insurance assumptions and completed our loss recognition testing. Our review focused on assumptions for mortality, particularly for our conversion products, persistency and interest rates, among other assumptions. As part of our review in the fourth quarter of 2019, we recorded $107 million of after-tax charges in our universal and term universal life insurance products primarily from assumption changes related to the lower interest rate environment.

We also updated mortality assumptions for certain universal and term universal life insurance products as well as our term life insurance products in the fourth quarter of 2019. Our mortality experience for older ages and late-duration premium periods and conversion products is emerging. Assumption changes in our term life insurance products focused on mortality improvements during the post-level premium period based on observed trends in emerging experience. This change to the mortality assumption increased the loss recognition testing margin in our term life insurance products. We will continue to regularly review our mortality assumptions as well as all of our other assumptions in light of emerging experience. We may be required to make further adjustments in the future to our assumptions which could impact our universal and term universal life insurance reserves or our loss recognition testing results of our term life insurance products. Any further materially adverse changes to our assumptions, including mortality or interest rates, could have a materially negative impact on our results of operations, financial condition and business.

Compared to 1998 and prior years, we had a significant increase in term life insurance sales, between 1999 and 2009, particularly in 1999 and 2000. The blocks of business issued since 2000 vary in size as compared to the large 1999 and 2000 blocks of business. As our large 10- and 15-year level premium period term life insurance policies written in 1999 and 2000 transitioned to their post-level guaranteed premium rate period, we experienced lower persistency compared to our pricing and valuation assumptions which accelerated DAC amortization in previous years. As our large 20-year level premium period business written in 1999 entered its post-level period, we experienced higher lapses resulting in accelerated DAC amortization in 2019. This trend continued in the first quarter of 2020 for the 1999 block, as it reached the end of its level premium period. Additionally, we expect similar experience with the 20-year level premium period business written in 2000 as it enters its post-level period during 2020 and into 2021. In the future, as additional 10-, 15- and 20-year level premium period blocks enter their post-level guaranteed premium rate period, we expect to experience volatility in DAC amortization, premiums and mortality experience, which we expect to reduce profitability in our term life insurance products, in amounts that could be material, if persistency is lower than our original assumptions as experience has emerged on earlier blocks. Additionally, the extension of grace periods or no lapsation mandated by state regulators during COVID-19 has impacted the timing and level of lapses for these blocks of business. We have taken actions to mitigate potentially unfavorable impacts through the use of reinsurance, particularly for certain term life insurance policies issued between 2001 and 2004.

We began selling term universal life insurance in late 2009, with sales peaking in 2011 prior to discontinuing sales of the product in 2012. We priced these products assuming high lapses upon expiration of the level premium period and we continue to expect those higher lapses. As our 10-year level premium period term universal life insurance policies written in 2009 and 2010 enter their post-level premium period, we will record higher reserves during the premium grace period and will release the reserves when the policies lapse. We expect further reserve increases in these blocks through 2020 and into 2021 until the number of policies exiting the grace period exceeds the number of policies entering the post-level guaranteed premium rate period. The extension of grace periods and reinstatements mandated by state regulators during COVID-19 have temporarily increased the level of reserves held for these blocks of business.

*Fixed annuities*

Results of our fixed annuities business are affected primarily by investment performance, interest rate levels, the slope of the interest rate yield curve, net interest spreads, equity market conditions, mortality, persistency and expense and commission levels. We no longer solicit sales of traditional fixed annuity products; however, we continue to service our existing retained and reinsured blocks of business.

We monitor and change crediting rates on fixed annuities on a regular basis to maintain spreads and targeted returns, if applicable. However, if interest rates remain at current levels or decrease, we could see declines in spreads which impact the margins on our products, particularly our fixed immediate annuity products. Due to the premium deficiency that existed in 2016, we continue to monitor our fixed immediate annuity products more frequently than annually and recorded additional charges to net income during 2019. If investment performance deteriorates or interest rates decrease or remain at the current levels for an extended period of time, we could incur additional charges in the future. The impacts of future adverse changes in our assumptions could result in the establishment of additional future policy benefit reserves and would be immediately reflected as a loss if our margin for this block is again reduced below zero. Any favorable variation would result in additional margin but no immediate benefit to income and would result in higher income recognition over the remaining duration of the in-force block.

For fixed indexed annuities, equity market performance and volatility could also result in additional gains or losses, although associated hedging activities are expected to partially mitigate these impacts.

***Segment results of operations***

***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

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, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $ 712 | $ 713 | $ (1) | — % |
| Net investment income | 692 | 724 | (32) | (4)% |
| Net investment gains (losses) | 118 | (36) | 154 | NM[1] |
| Policy fees and other income | 142 | 187 | (45) | (24)% |
| Total revenues | 1,664 | 1,588 | 76 | 5% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 1,213 | 1,211 | 2 | — % |
| Interest credited | 97 | 106 | (9) | (8)% |
| Acquisition and operating expenses, net of deferrals | 147 | 142 | 5 | 4% |
| Amortization of deferred acquisition costs and intangibles | 83 | 67 | 16 | 24% |
| Interest expense | — | 4 | (4) | (100)% |
| Total benefits and expenses | 1,540 | 1,530 | 10 | 1% |
| Income from continuing operations before income taxes | 124 | 58 | 66 | 114% |
| Provision for income taxes | 33 | 19 | 14 | 74% |
| Income from continuing operations | 91 | 39 | 52 | 133% |
| Adjustments to income from continuing operations: | | | | |
| Net investment (gains) losses, net[2] | (121) | 35 | (156) | NM[1] |
| Expenses related to restructuring | — | (1) | 1 | 100% |
| Taxes on adjustments | 25 | (7) | 32 | NM[1] |
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (5) | $ 66 | $ (71) | (108)% |

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

(2) For the three months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(3) million and $(1) million, respectively.

The following table sets forth adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders for the businesses included in our U.S. Life Insurance segment for the periods indicated:

| (Amounts in millions) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Long-term care insurance | $ 48 | $ 37 | $ 11 | 30% |
| Life insurance | (81) | 10 | (91) | NM[(1)] |
| Fixed annuities | 28 | 19 | 9 | 47% |
| Total adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (5) | $ 66 | $(71) | (108)% |

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

***Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders***

- Adjusted operating income available to Genworth Financial, Inc.'s common stockholders in our long-term care insurance business increased $11 million primarily due to an increase in claim and policy terminations driven mostly by higher mortality in the current year and from favorable development on prior year incurred but not reported claims. The increase was also attributable to higher premiums in the current year from in-force rate actions approved and implemented. These increases were partially offset by higher frequency and severity of new claims in the current year.
- Our life insurance business had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $81 million in the current year compared to adjusting operating income of $10 million in the prior year. The decrease from income in the prior year to a loss in the current year was mainly attributable to higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period, higher reserves in our 10-year term universal life insurance block entering its post-level premium period during the premium grace period and higher mortality in our universal life insurance products in the current year. The prior year also included a reinsurance correction and refinement resulting in a net favorable impact of $17 million.
- Adjusted operating income available to Genworth Financial, Inc.'s common stockholders in our fixed annuities business increased $9 million predominantly from favorable reserve changes and DAC amortization in fixed annuities products driven by favorable equity market changes in the current year and higher mortality in our single premium immediate annuity products. These increases were partially offset by lower net spreads and higher lapses in the current year. The prior year also included $4 million of unfavorable charges in connection with loss recognition testing in our single premium immediate annuity products that did not recur.

***Revenues***

*Premiums*

- Our long-term care insurance business increased $9 million largely from $31 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year.
- Our life insurance business decreased $10 million mainly attributable to the continued runoff of our term life insurance products in the current year.

*Net investment income*

- Our long-term care insurance business decreased $6 million largely from a loss on U.S. Government Treasury Inflation Protected securities in the current year compared to income in the prior year, partially offset by an increase in average invested assets and higher limited partnership income in the current year.
- Our fixed annuities business decreased $23 million largely attributable to lower average invested assets due to block runoff and lower limited partnership income in the current year.

*Net investment gains (losses)*

- The change to net investment gains in the current year in our long-term care insurance business from net investment losses in the prior year was primarily related to net gains from the sale of investment securities in the current year compared to net losses in the prior year. The change was also attributable to unrealized gains from changes in the fair value of equity securities in the current year compared to unrealized losses in the prior year.
- Our life insurance business had net investment gains of $5 million in the current year compared to net investment losses of $3 million in the prior year. The change to net investment gains in the current year from net investment losses in the prior year was largely the result of net gains from sale of investment securities in the current year compared to net losses in the prior year.

*Policy fees and other income.* The decrease was attributable to our life insurance business primarily driven by a $21 million favorable correction related to ceded premiums on universal life insurance policies in the prior year that did not recur. The decrease was also attributable to a decline in our universal and term universal life insurance in-force and higher ceded reinsurance costs in the current year.

***Benefits and expenses***

*Benefits and other changes in policy reserves*

- Our long-term care insurance business decreased $20 million primarily due to an increase in claim and policy terminations driven mostly by higher mortality in the current year and from favorable development on prior year incurred but not reported claims. Given the lower new claim counts submitted during COVID-19, incurred but not reported reserves were strengthened by $37 million reflecting our assumption that new claim incidence during this period will ultimately return to normal levels, partially offsetting the favorable development on incurred but not reported claims. These decreases were partially offset by aging of the in-force block (including higher frequency of new claims), higher incremental reserves of $43 million recorded in connection with an accrual for profits followed by losses and higher severity of new claims in the current year. The decrease was also partially offset by $15 million of a less favorable impact from reduced benefits in the current year related to in-force rate actions approved and implemented.
- Our life insurance business increased $45 million primarily attributable to higher reserves in our10-year term universal life insurance block entering its post-level premium period during the premium grace period and from higher mortality in our universal life insurance products in the current year compared to the prior year attributable in part to COVID-19.
- Our fixed annuities business decreased $23 million principally from favorable reserve changes in fixed indexed annuities driven by favorable equity market changes in the current year and higher mortality in our single premium immediate annuity products. The prior year also included $5 million of higher reserves associated with loss recognition testing in our single premium immediate annuity products that did not recur.

*Interest credited.* The decrease in interest credited was related to our fixed annuities business largely driven by a decline in the average account value in the current year.

*Amortization of deferred acquisition costs and intangibles*

- Our long-term care insurance business decreased $5 million primarily related to higher persistency on policies that are not on active claim.
- Our life insurance business increased $25 million principally from higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period, higher amortization primarily reflecting our updated assumptions from our annual review completed in the fourth quarter of 2019 and higher reinsurance rates.
- Our fixed annuities business decreased $4 million largely related to favorable equity market changes, partially offset by higher lapses in the current year.

*Interest expense.* The decrease in interest expense was due to our life insurance business principally related to the early redemption of non-recourse funding obligations in the current year.

*Provision for income taxes.* The effective tax rate was 26.7% and 31.9% for the three months ended June 30, 2020 and 2019, respectively. The decrease in the effective tax rate is primarily attributable to higher expense in our long-term care insurance business related to gains on forward starting swaps settled prior to the enactment of the TCJA in relation to higher pre-tax income in the current year.

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***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

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, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $1,430 | $1,422 | $ 8 | 1% |
| Net investment income | 1,387 | 1,425 | (38) | (3)% |
| Net investment gains (losses) | 48 | 48 | — | — % |
| Policy fees and other income | 286 | 338 | (52) | (15)% |
| Total revenues | 3,151 | 3,233 | (82) | (3)% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 2,510 | 2,447 | 63 | 3% |
| Interest credited | 197 | 212 | (15) | (7)% |
| Acquisition and operating expenses, net of deferrals | 298 | 290 | 8 | 3% |
| Amortization of deferred acquisition costs and intangibles | 170 | 133 | 37 | 28% |
| Interest expense | 5 | 9 | (4) | (44)% |
| Total benefits and expenses | 3,180 | 3,091 | 89 | 3% |
| Income (loss) from continuing operations before income taxes | (29) | 142 | (171) | (120)% |
| Provision for income taxes | 6 | 43 | (37) | (86)% |
| Income (loss) from continuing operations | (35) | 99 | (134) | (135)% |
| Adjustments to income (loss) from continuing operations: | | | | |
| Net investment (gains) losses, net [2] | (54) | (51) | (3) | (6)% |
| (Gains) losses on early extinguishment of debt | 4 | — | 4 | NM[1] |
| Expenses related to restructuring | — | 3 | (3) | (100)% |
| Taxes on adjustments | 10 | 10 | — | — % |
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (75) | $ 61 | $(136) | NM[1] |

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

(2) For the six months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(6) million and $(3) million, respectively.

The following table sets forth adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders for the businesses included in our U.S. Life Insurance segment for the periods indicated:

| (Amounts in millions) | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders: | | | | |
| Long-term care insurance | $ 49 | $ 17 | $ 32 | 188% |
| Life insurance | (158) | 8 | (166) | NM[(1)] |
| Fixed annuities | 34 | 36 | (2) | (6)% |
| Total adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (75) | $ 61 | $(136) | NM[(1)] |

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

***Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders***

- Adjusted operating income available to Genworth Financial, Inc.'s common stockholders in our long-term care insurance business increased $32 million primarily from an increase in claim and policy terminations driven mostly by higher mortality in the current year, $63 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented and from continued favorable development on prior year incurred but not reported claims. These increases were partially offset by higher frequency and severity of new claims in the current year.
- Our life insurance business had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $158 million in the current year compared to adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $8 million in the prior year. The decrease to a loss in the current year from income in the prior year was predominantly attributable to higher reserves in our 10-year term universal life insurance block entering its post-level premium period during the premium grace period, higher mortality in our universal and term life insurance products in the current year compared to the prior year and higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period. The prior year also included a reinsurance correction and refinement resulting in a net favorable impact of $17 million.
- Adjusted operating income available to Genworth Financial, Inc.'s common stockholders in our fixed annuities business decreased $2 million predominantly from a decrease in net spreads due to the runoff of the block, partially offset by $17 million of unfavorable charges in connection with loss recognition testing in our single premium immediate annuity products in the prior year that did not recur.

***Revenues***

*Premiums*

- Our long-term care insurance business increased $23 million largely from $65 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies enteringpaid-up status in the current year.
- Our life insurance business decreased $15 million mainly attributable to the continued runoff of our term life insurance products in the current year.

*Net investment income*

- Our long-term care insurance business increased $7 million largely from higher average invested assets, partially offset by lower income on U.S. Government Treasury Inflation Protected securities and limited partnerships in the current year.
- Our life insurance business decreased $6 million principally related to lower average invested assets in the current year.
- Our fixed annuities business decreased $39 million largely attributable to lower average invested assets due to block runoff and lower limited partnership income in the current year.

*Net investment gains (losses)*

- Net investment gains in our long-term care insurance business increased $9 million predominantly from higher net gains from the sale of investment securities, partially offset by unrealized losses from changes in the fair value of equity securities in the current year compared to unrealized gains in the prior year.
- Net investment losses in our fixed annuities business increased $8 million primarily related derivative losses in the current year compared to derivative gains in the prior year. The increase was partially offset by lower losses on embedded derivatives related to our fixed indexed annuity products in the current year.

*Policy fees and other income.* The decrease was attributable to our life insurance business primarily driven by a $21 million favorable correction related to ceded premiums on universal life insurance policies in the prior year that did not recur. The decrease was also attributable to a decline in our universal and term universal life insurance in-force and higher ceded reinsurance costs in the current year.

***Benefits and expenses***

*Benefits and other changes in policy reserves*

- Our long-term care insurance business decreased $19 million primarily due to an increase in claim and policy terminations driven mostly by higher mortality, a higher favorable impact of $19 million from reduced benefits in the current year related to in-force rate actions approved and implemented, a favorable impact from benefit utilization rate updates in the current year compared to an unfavorable impact in the prior year and favorable development on prior year incurred but not reported claims. Given the lower new claim counts submitted during COVID-19, incurred but not reported reserves were strengthened by $37 million reflecting our assumption that new claim incidence during this period will ultimately return to normal levels, partially offsetting the favorable development on incurred but not reported claims. These decreases were partially offset by aging of the in-force block (including higher frequency of new claims), higher incremental reserves of $82 million recorded in connection with an accrual for profits followed by losses and higher severity of new claims in the current year.
- Our life insurance business increased $105 million primarily attributable to higher reserves in our10-year term universal life insurance block entering its post-level premium period during the premium grace period and from higher mortality in our universal and term life insurance products in the current year compared to the prior year attributable in part to COVID-19.
- Our fixed annuities business decreased $23 million principally from $22 million of unfavorable charges in connection with loss recognition testing in our single premium immediate annuity products in the prior year that did not recur.

*Interest credited*. The decrease in interest credited was related to our fixed annuities business largely driven by a decline in the average account value in the current year.

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*Amortization of deferred acquisition costs and intangibles*

- Our long-term care insurance business decreased $6 million primarily related to higher persistency on policies that are not on active claim.
- Our life insurance business increased $42 million principally from higher lapses primarily associated with our large 20-year term life insurance block entering its post-level premium period in the current year and higher reinsurance rates.

*Interest expense.* The decrease in interest expense was due to our life insurance business principally related to the early redemption of non-recourse funding obligations, partially offset by the write-off of $4 million in deferred borrowing costs in the current year.

*Provision for income taxes.* The effective tax rate was (20.4)% and 29.9% for the six months ended June 30, 2020 and 2019, respectively. The decrease in the effective tax rate is primarily attributable to higher expense in our long-term care insurance business related to gains on forward starting swaps settled prior to the enactment of the TCJA in relation to a pre-tax loss in the current year.

***U.S. Life Insurance selected operating performance measures***

***Long-term care insurance***

The following table sets forth selected operating performance measures regarding our long-term care insurance business for the dates indicated:

| (Amounts in millions) | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|---|---|---|---|
| Net earned premiums: | | | | | | | | |
| Individual long-term care insurance | $ 618 | $ 610 | $ 8 | 1% | $1,229 | $1,209 | $ 20 | 2% |
| Group long-term care insurance | 31 | 30 | 1 | 3% | 62 | 59 | 3 | 5% |
| Total | $ 649 | $ 640 | $ 9 | 1% | $1,291 | $1,268 | $ 23 | 2% |
| Loss ratio | 69% | 74% | (5)% | | 74% | 78% | (4)% | |

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, 2020 largely from $31 million and $65 million, respectively, of increased premiums from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year.

The loss ratio decreased for the three and six months ended June 30, 2020 due to the increase in premiums and lower benefits and other changes in reserves as discussed above.

*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, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|---|---|---|---|
| **Term and whole life insurance** | | | | | | | | |
| Net earned premiums | $ 63 | $ 73 | $ (10) | (14)% | $ 139 | $ 154 | $ (15) | (10)% |
| **Term universal life insurance** | | | | | | | | |
| Net deposits | $ 57 | $ 59 | $ (2) | (3)% | $ 113 | $ 117 | $ (4) | (3)% |
| **Universal life insurance** | | | | | | | | |
| Net deposits | $ 65 | $ 141 | $ (76) | (54)% | $ 136 | $ 217 | $ (81) | (37)% |
| **Total life insurance** | | | | | | | | |
| Net earned premiums and deposits | $ 185 | $ 273 | $ (88) | (32)% | $ 388 | $ 488 | $ (100) | (20)% |

| (Amounts in millions) | As of June 30, 2020 | As of June 30, 2019 | Percentage change 2020 vs. 2019 |
|---|---|---|---|
| **Term and whole life insurance** | | | |
| Life insurance in-force, net of reinsurance | $ 69,969 | $ 91,386 | (23)% |
| Life insurance in-force before reinsurance | $379,972 | $419,246 | (9)% |
| **Term universal life insurance** | | | |
| Life insurance in-force, net of reinsurance | $110,705 | $114,214 | (3)% |
| Life insurance in-force before reinsurance | $111,465 | $114,999 | (3)% |
| **Universal life insurance** | | | |
| Life insurance in-force, net of reinsurance | $ 33,212 | $ 34,581 | (4)% |
| Life insurance in-force before reinsurance | $ 37,753 | $ 39,357 | (4)% |
| **Total life insurance** | | | |
| Life insurance in-force, net of reinsurance | $213,886 | $240,181 | (11)% |
| Life insurance in-force before reinsurance | $529,190 | $573,602 | (8)% |

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

*Term and whole life insurance*

Net earned premiums decreased mainly attributable to the continued runoff of our term life insurance products in the current year. Life insurance in-force also decreased as a result of the continued runoff of our term life insurance products in the current year, including higher lapses primarily associated with a large 20-year term life insurance block entering its post-level premium period.

*Universal life insurance*

Net deposits decreased for the three and six months ended June 30, 2020 principally from $50 million of funding agreements issued with the Federal Home Loan Bank ("FHLB") of Atlanta in the prior year that did not recur, lower renewals in the current year and from the continued runoff of our in-force block.

***Fixed annuities***

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

| (Amounts in millions) | As of or for the three months ended June 30, 2020 | 2019 | As of or for the six months ended June 30, 2020 | 2019 |
|---|---|---|---|---|
| Account value, beginning of period | $ 12,487 | $ 14,109 | $ 13,023 | $ 14,348 |
| Premiums and deposits | 17 | 16 | 39 | 45 |
| Surrenders, benefits and product charges | (375) | (486) | (842) | (1,002) |
| Net flows | (358) | (470) | (803) | (957) |
| Interest credited and investment performance | 134 | 119 | 195 | 261 |
| Effect of accumulated net unrealized investment gains (losses) | (7) | 117 | (159) | 223 |
| Account value, end of period | $ 12,256 | $ 13,875 | $ 12,256 | $ 13,875 |

We no longer solicit sales of our traditional fixed annuity products; however, we continue to service our existing block of business.

Account value decreased compared to March 31, 2020 and December 31, 2019 as surrenders, benefits and net unrealized investment losses exceeded interest credited.

**Runoff segment**

**COVID-19**

Similar to our U.S. life insurance businesses, the most significant impacts fromCOVID-19 in our Runoff segment are related to the current low interest rate environment and volatile equity markets. The low interest rate environment and volatile equity markets have adversely impacted earnings in our variable annuity products.

While certain states currently have mandates in place that policies cannot be lapsed, we have not experienced a significant impact on our Runoff segment. Our variable annuity, variable life insurance and corporate-owned life insurance products have not been actively sold since 2011. There is no requirement to pay premiums in the majority of our variable annuity contracts and benefits would adjust contractually based on actual premiums paid in these products.

While the ongoing impact of COVID-19 is very difficult to predict, the related outcomes and impact on our Runoff segment will depend on the length and severity of the pandemic and shape of the economic recovery. We could see additional losses and declines in statutory risk-based capital driven by increases to the required capital supporting our variable annuity products, as a result of the decline in equity markets and low interest rates. For a further discussion of the impact of interest rates, see "Item 7A—Quantitative and Qualitative Disclosures About Market Risk" in our 2019 Annual Report on Form 10-K.

***Trends and conditions***

Results of our Runoff segment are affected primarily by investment performance, interest rate levels, net interest spreads, equity market conditions, mortality, surrenders and scheduled maturities. In addition, the results of our Runoff segment can significantly impact our regulatory capital requirements, distributable earnings and liquidity. We use hedging strategies as well as liquidity planning and asset-liability management to help mitigate the impacts. In addition, we may consider reinsurance opportunities to further mitigate volatility in results and manage capital in the future.

Equity market volatility and interest rate movements have 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 these products although associated hedging activities are expected to partially mitigate these impacts.

***Segment results of operations***

***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

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, 2020 | Three months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Net investment income | $ 54 | $ 47 | $ 7 | 15% |
| Net investment gains (losses) | 4 | (4) | 8 | 200% |
| Policy fees and other income | 32 | 35 | (3) | (9)% |
| Total revenues | 90 | 78 | 12 | 15% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 4 | 13 | (9) | (69)% |
| Interest credited | 42 | 40 | 2 | 5% |
| Acquisition and operating expenses, net of deferrals | 11 | 13 | (2) | (15)% |
| Amortization of deferred acquisition costs and intangibles | (1) | 4 | (5) | (125)% |
| Total benefits and expenses | 56 | 70 | (14) | (20)% |
| Income from continuing operations before income taxes | 34 | 8 | 26 | NM(1) |
| Provision for income taxes | 6 | 1 | 5 | NM(1) |
| Income from continuing operations | 28 | 7 | 21 | NM(1) |
| Adjustments to income from continuing operations: | | | | |
| Net investment (gains) losses, net(2) | (5) | 2 | (7) | NM(1) |
| Taxes on adjustments | 1 | — | 1 | NM(1) |
| Adjusted operating income available to Genworth Financial, Inc.'s common stockholders | $ 24 | $ 9 | $ 15 | 167% |

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

(2) For the three months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(1) million and $(2) million, respectively.

***Adjusted operating income available to Genworth Financial, Inc.'s common stockholders***

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders increased predominantly from favorable equity market performance in the current year.

***Revenues***

Net investment income increased mainly driven by higher policy loan income in our corporate-owned life insurance products and higher average invested assets in the variable annuity products in the current year.

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The change to net investment gains in the current year from net investment losses in the prior year was mainly driven by gains on embedded derivatives associated with our variable annuity products with guaranteed minimum withdrawal benefits ("GMWBs") 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.

***Benefits and expenses***

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

Amortization of deferred acquisition costs and intangibles decreased mainly related to lower DAC amortization in our variable annuity products principally due to favorable equity market performance in the current year.

*Provision for income taxes*. The effective tax rate was 19.9% and 15.8% for the three months ended June 30, 2020 and 2019, respectively. The increase was primarily due to benefits on tax favored items in relation to higher pre-tax income in the current year.

***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

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, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Net investment income | $ 103 | $ 94 | $ 9 | 10% |
| Net investment gains (losses) | (71) | (4) | (67) | NM[1] |
| Policy fees and other income | 65 | 70 | (5) | (7)% |
| Total revenues | 97 | 160 | (63) | (39)% |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 24 | 14 | 10 | 71% |
| Interest credited | 83 | 81 | 2 | 2% |
| Acquisition and operating expenses, net of deferrals | 24 | 26 | (2) | (8)% |
| Amortization of deferred acquisition costs and intangibles | 16 | 6 | 10 | 167% |
| Total benefits and expenses | 147 | 127 | 20 | 16% |
| Income (loss) from continuing operations before income taxes | (50) | 33 | (83) | NM[1] |
| Provision (benefit) for income taxes | (12) | 6 | (18) | NM[1] |
| Income (loss) from continuing operations | (38) | 27 | (65) | NM[1] |
| Adjustments to income (loss) from continuing operations: | | | | |
| Net investment (gains) losses, net[2] | 62 | 2 | 60 | NM[1] |
| Taxes on adjustments | (13) | — | (13) | NM[1] |
| Adjusted operating income available to Genworth Financial, Inc.'s common stockholders | $ 11 | $ 29 | $ (18) | (62)% |

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.
(2) For the six months ended June 30, 2020 and 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(9) million and $(2) million, respectively.

***Adjusted operating income available to Genworth Financial, Inc.'s common stockholders***

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased predominantly from the decline in equity markets and interest rates in the current year.

***Revenues***

Net investment income increased primarily driven by higher policy loan income in our corporate-owned life insurance products and higher average invested assets in the variable annuity products in the current year.

Net investment losses increased largely related to losses on embedded derivatives associated with our variable annuity products with GMWBs in the current year compared to gains in the prior year, partially offset by derivative gains in the current year compared to derivative losses in the prior year.

***Benefits and expenses***

Benefits and other changes in policy reserves increased primarily attributable to higher GMDB reserves in our variable annuity products due to unfavorable equity market performance in the current year.

Amortization of deferred acquisition costs and intangibles increased mainly related to higher DAC amortization in our variable annuity products principally from unfavorable equity market performance in the current year.

*Provision (benefit) for income taxes*. The effective tax rate was 23.4% and 18.4% for the six months ended June 30, 2020 and 2019, respectively. The increase is primarily attributable to benefits on tax favored items in relation to a pre-tax loss in the current 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:

| | As of or for the three months ended June 30, | | As of or for the six months ended June 30, | |
|---|---|---|---|---|
| **(Amounts in millions)** | **2020** | **2019** | **2020** | **2019** |
| Account value, beginning of period | $ 4,521 | $ 5,113 | $ 5,042 | $ 4,918 |
| Deposits | 6 | 6 | 10 | 13 |
| Surrenders, benefits and product charges | (122) | (158) | (288) | (319) |
| Net flows | (116) | (152) | (278) | (306) |
| Interest credited and investment performance | 377 | 160 | 18 | 509 |
| Account value, end of period | $ 4,782 | $ 5,121 | $ 4,782 | $ 5,121 |

We no longer solicit sales of our variable annuity or variable life insurance products, however, we continue to service our existing blocks of business and accept additional deposits on existing contracts and policies.

Account value increased compared to March 31, 2020 primarily related to favorable equity market performance and decreased compared to December 31, 2019 primarily related to unfavorable equity market performance and surrenders in the current year.

***Institutional products***

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

| (Amounts in millions) | As of or for the three months ended June 30, 2020 | 2019 | As of or for the six months ended June 30, 2020 | 2019 |
|---|---|---|---|---|
| **Funding Agreements** | | | | |
| Account value, beginning of period | $ 253 | $ 305 | $ 253 | $ 381 |
| Deposits | 150 | — | 150 | — |
| Surrenders and benefits | (51) | (2) | (52) | (80) |
| Net flows | 99 | (2) | 98 | (80) |
| Interest credited | 1 | 2 | 2 | 4 |
| Account value, end of period | $ 353 | $ 305 | $ 353 | $ 305 |

Account value related to our institutional products increased compared to March 31, 2020 and December 31, 2019 mainly attributable to higher deposits from issuing funding agreements for asset-liability management and yield enhancement, partially offset by surrenders and benefit payments in the current year.

**Corporate and Other Activities**

***Results of operations***

***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

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, 2020 | 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $ 2 | $ 2 | $ — | — % |
| Net investment income | 1 | 2 | (1) | (50)% |
| Net investment gains (losses) | (28) | (7) | (21) | NM(1) |
| Policy fees and other income | (1) | — | (1) | NM(1) |
| Total revenues | (26) | (3) | (23) | NM(1) |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 2 | 1 | 1 | 100% |
| Acquisition and operating expenses, net of deferrals | — | 13 | (13) | (100)% |
| Amortization of deferred acquisition costs and intangibles | 1 | — | 1 | NM(1) |
| Interest expense | 42 | 54 | (12) | (22)% |
| Total benefits and expenses | 45 | 68 | (23) | (34)% |
| Loss from continuing operations before income taxes | (71) | (71) | — | — % |
| Benefit for income taxes | (12) | (7) | (5) | (71)% |
| Loss from continuing operations | (59) | (64) | 5 | 8% |
| Adjustments to loss from continuing operations: | | | | |
| Net investment (gains) losses | 28 | 7 | 21 | NM(1) |
| (Gains) losses on early extinguishment of debt | (3) | — | (3) | NM(1) |
| Expenses related to restructuring | 1 | 1 | — | — % |
| Taxes on adjustments | (5) | (1) | (4) | NM(1) |
| Adjusted operating loss available to Genworth Financial, Inc.’s common stockholders | $ (38) | $ (57) | $ 19 | 33% |

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

***Adjusted operating loss available to Genworth Financial, Inc.'s common stockholders***

The adjusted operating loss available to Genworth Financial, Inc.'s common stockholders decreased primarily related to lower operating expenses and lower interest expense in the current year.

***Revenues***

Net investment losses increased primarily from higher derivative losses in the current year.

***Benefits and expenses***

Acquisition and operating expenses, net of deferrals, decreased mainly driven by lower employee-related and operating expenses, as well as a $3 million gain related to a repurchase of Genworth Holdings' senior notes originally scheduled to mature in 2021.

Interest expense decreased largely driven by the early redemption of Genworth Holdings' senior notes originally scheduled to mature in June 2020.

The benefit for income taxes for the three months ended June 30, 2020 was primarily driven by a tax benefit related to the pre-tax loss, partially offset by tax expenses from the impairment of nondeductible goodwill and other nondeductible expenses. The benefit for income taxes for the three months ended June 30, 2019 was primarily from a tax benefit related to the pre-tax loss, partially offset by tax expenses related to the Global Intangible Low Taxed Income ("GILTI") provision of the TCJA, foreign operations and gains on forward starting swaps settled prior to the enactment of the TCJA.

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***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

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, 2020 | Six months ended June 30, 2019 | Increase (decrease) and percentage change 2020 vs. 2019 | |
|---|---|---|---|---|
| Revenues: | | | | |
| Premiums | $ 4 | $ 4 | $— | — % |
| Net investment income | 7 | 4 | 3 | 75% |
| Net investment gains (losses) | 18 | (28) | 46 | 164% |
| Policy fees and other income | — | 1 | (1) | (100)% |
| Total revenues | 29 | (19) | 48 | NM(1) |
| Benefits and expenses: | | | | |
| Benefits and other changes in policy reserves | 3 | 2 | 1 | 50% |
| Acquisition and operating expenses, net of deferrals | 18 | 26 | (8) | (31)% |
| Amortization of deferred acquisition costs and intangibles | 1 | — | 1 | NM(1) |
| Interest expense | 88 | 107 | (19) | (18)% |
| Total benefits and expenses | 110 | 135 | (25) | (19)% |
| Loss from continuing operations before income taxes | (81) | (154) | 73 | 47% |
| Benefit for income taxes | (10) | (16) | 6 | 38% |
| Loss from continuing operations | (71) | (138) | 67 | 49% |
| Adjustments to loss from continuing operations: | | | | |
| Net investment (gains) losses | (18) | 28 | (46) | (164)% |
| (Gains) losses on early extinguishment of debt | 5 | — | 5 | NM(1) |
| Expenses related to restructuring | 2 | 1 | 1 | 100% |
| Taxes on adjustments | 3 | (6) | 9 | 150% |
| Adjusted operating loss available to Genworth Financial, Inc.’s common stockholders | $ (79) | $ (115) | $ 36 | 31% |

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

***Adjusted operating loss available to Genworth Financial, Inc.’s common stockholders***

The adjusted operating loss available to Genworth Financial, Inc.’s common stockholders decreased primarily related to lower interest expense and lower operating expenses in the current year.

***Revenues***

The change to net investment gains in the current year from net investment losses in the prior year was predominantly related to derivative gains in the current year compared to derivative losses in the prior year.

***Benefits and expenses***

Acquisition and operating expenses, net of deferrals, decreased mainly driven by lower operating expenses and a $3 million gain related to a repurchase of Genworth Holdings’ senior notes originally scheduled to mature in 2021, partially offset by a make-whole premium of $9 million related to the early redemption of Genworth Holdings’ senior notes originally scheduled to mature in June 2020 and higher employee-related expenses in the current year.

Interest expense decreased largely driven by the early redemption of Genworth Holdings' senior notes originally scheduled to mature in June 2020.

The benefit for income taxes for the six months ended June 30, 2020 was primarily driven by a tax benefit related to the pre-tax loss, partially offset by tax expenses from the impairment of nondeductible goodwill, stock-based compensation and other nondeductible expenses. The benefit for income taxes for the six months ended June 30, 2019 was primarily from a tax benefit related to the pre-tax loss, partially offset by tax expenses related to gains on forward starting swaps settled prior to the enactment of the TCJA, the GILTI provision of the TCJA, foreign operations and other nondeductible expenses.

**Investments and Derivative Instruments**

***Trends and conditions***

*Investments—credit and investment markets*

During the second quarter of 2020, the U.S. Federal Reserve maintained interest rates near zero in response to the continued negative economic impact of COVID-19 and forecasts interest rates will remain at current levels through 2022. After 100 to 150 basis point declines in U.S. Treasury yields across the curve in the first quarter of 2020, the accommodative economic policies from the U.S. Federal Reserve and negative growth expectations have held U.S. Treasury yields near those record lows through the second quarter of 2020. The 10-year Treasury yield fell to a low of 54 basis points in first quarter of 2020, over 80 basis points lower than the previously historic low set in July 2016, and finished the second quarter of 2020 at 66 basis points, down four basis points from the end of the first quarter of 2020. The U.S. Treasury yield curve steepened in the second quarter of 2020 as 2-year through 5-year interest rates fell approximately 10 basis points while the 30-year interest rate increased six basis points.

Economic data shows the U.S. economy contracted in both the first and second quarters of 2020 due to COVID-19. Monthly economic indicators, including unemployment rates, retail sales and industrial production, reached post-crisis levels in April 2020 but have shown some signs of partial recovery at the end of the second quarter of 2020. These negative economic indicators and the uncertainty surrounding the pace and extent of the economic recovery contributed to a forecasted contraction in U.S. gross domestic product for the full year 2020. In response to the escalating risks from COVID-19 and in an effort to stimulate the U.S. economy, the CARES Act was signed into law during the first quarter of 2020 and supplementary stimulus packages were provided in the second quarter of 2020, which in total provided approximately $2.8 trillion of relief to individuals, businesses and government agencies, including government assistance and income tax benefits to businesses and enhanced unemployment and health benefits to individuals.

Credit markets responded to COVID-19 and the subsequent economic downturn with widening of credit spreads to recessionary levels in the first quarter of 2020. Stay at home orders and partial economic shutdowns are expected to place a strain on corporate earnings and balance sheets, particularly in the hardest impacted sectors, which include airlines, lodging, gaming and portions of retail. A crude oil price war triggered by supply and demand imbalance drove crude oil price volatility and contributed to additional credit spread widening and pressure to the energy sector. The expanded U.S. Federal Reserve quantitative easing program included a $750 billion corporate credit facility to purchase investment grade and certain high yield corporate securities beginning in May 2020 and secondary market purchases of corporate bonds starting in June 2020. This support from the U.S. Federal Reserve helped reverse credit spread widening resulting from COVID-19, with credit spreads tightening throughout the second quarter of 2020 back to non-recessionary levels.

At the end of the second quarter of 2020, we did not have any modifications or extensions of commercial mortgage loans that were considered troubled debt restructurings. Modified loans represented 20% of our total loan portfolio, as borrowers sought additional relief related to COVID-19. As a result of COVID-19, we expect the number of modifications or extensions related to our commercial mortgage loans to increase during the remainder of 2020. We are working with individual borrowers impacted by COVID-19 to provide alternative forms of relief for a specified period of time. Most of our borrowers are current on payments and we do not anticipate a significant impact from troubled debt restructurings in 2020.

The United Kingdom completed its exit from the European Union ("Brexit") on January 31, 2020. In accordance with the current withdrawal agreement, the legal exit is followed by a transition period that ends on December 31, 2020, during which the United Kingdom continues to remain within the European Union's single market and customs union. During the transition period, the United Kingdom is expected to negotiate and finalize a trade agreement with the European Union which will lay out the terms of the future trading relation between the two parties. The nature, timing and implications of these trade negotiations remain uncertain.

Our investment portfolio maintained approximately $2.8 billion of United Kingdom exposure, or approximately 4% of total fixed maturity securities as of June 30, 2020. These assets were primarily U.S. dollar-denominated fixed-income investments and we held no direct United Kingdom sovereign exposure. While the ultimate range of Brexit outcomes could lead to potential credit devaluation or rating agency downgrades of our United Kingdom related investments, at this time, we do not believe there is a material risk of investment impairments arising from the various Brexit scenarios.

As of June 30, 2020, our fixed maturity securities portfolio, which was 96% investment grade, comprised 82% of our total invested assets and cash.

*Derivatives*

Several of our master swap agreements previously contained credit downgrade provisions that allowed either party to assign or terminate the derivative transaction if the other party's long-term unsecured credit or financial strength rating was below the limit defined in the applicable agreement. We renegotiated with many of our counterparties to remove the credit downgrade provisions from the master swap agreements entirely or replace them with a provision that allows the counterparty to terminate the derivative transaction if the RBC ratio of the applicable insurance company goes below a certain threshold and as of June 30, 2020, none of our insurance company master swap agreements have credit downgrade provisions. As of June 30, 2020, the RBC ratios of the respective insurance companies were above the thresholds negotiated in the applicable master swap agreements and therefore, no counterparty had rights to take action against us under the RBC threshold provisions.

As of June 30, 2020, $7.0 billion notional of our derivatives portfolio was cleared through the Chicago Mercantile Exchange ("CME"). The customer swap agreements that govern our cleared derivatives contain provisions that enable our clearing agents to request initial margin in excess of CME requirements. As of June 30, 2020, we posted initial margin of $228 million to our clearing agents, which represented approximately $68 million more than was otherwise required by the clearinghouse. Because our clearing agents serve as guarantors of our obligations to the CME, the customer agreements contain broad termination provisions that are not specifically dependent on ratings. As of June 30, 2020, $10.6 billion notional of our derivatives portfolio was in bilateral over-the-counter ("OTC") derivative transactions pursuant to which we have posted aggregate independent amounts of $437 million and are holding collateral from counterparties in the amount of $868 million.

In July 2017, the United Kingdom Financial Conduct Authority announced its intention to transition away from the London Interbank Offered Rate ("LIBOR"), with its full elimination to occur after 2021. The announcement indicates that LIBOR may not continue to be available on the current basis (or at all) after 2021. The last committed publication date for LIBOR is December 31, 2021. The Alternate Reference Rate Committee, convened by the Board of Governors of the Federal Reserve System and the New York Federal Reserve Bank, has endorsed the Secured Overnight Financing Rate ("SOFR") as its preferred replacement benchmark for U.S. dollar LIBOR. SOFR is calculated and published by the New York Federal Reserve Bank and reflects the combination of three overnight U.S. Treasury Repo Rates. The rate is different from LIBOR, in that it is a risk-free rate, is backward-looking instead of forward-looking, is a secured rate and currently is available primarily as an overnight rate rather than as1-, 3- and 6-month rates available for LIBOR. Upon the announcement, we formed a working group comprised of finance, investments, derivative, and tax professionals, as well as lawyers (the "Working Group") to evaluate contracts and perform analysis of our LIBOR-based derivative instrument and investment exposure, as well as debt (including subordinated debt and Federal Home Loan Bank loans), reinsurance agreements and institutional products within the Runoff segment, as a result of the elimination of LIBOR. The Working Group took inventory of all investments with LIBOR exposure and identified nearly 400 instruments.

We employ derivatives primarily for the purpose of hedging interest rate risk. The more closely a rate hedging instrument aligns with Treasury rate movements, the more effective it is. As a result, to the extent changes in SOFR in relation to Treasury movements were to differ meaningfully from those of LIBOR, a SOFR-based hedge could be relatively less effective. We currently track both LIBOR and SOFR changes and analyze each in comparison to Treasury rate movements. We have discovered that the difference between the two comparisons is de minimis. Therefore, we do not believe a move to SOFR will have a material impact on our derivatives portfolio. Although we expect a minimal impact from this conversion, we remain actively engaged with the broader financial services community on the topic of SOFR, including conversations with peers, derivatives clearinghouses, bilateral dealers and external legal counsel. With regard to derivatives, we expect the process for implementing SOFR as a replacement rate to be relatively seamless. The International Swap and Derivatives Association ("ISDA") has developed a contractual supplement to derivatives trading documentation that includes triggers and fallbacks for determining the replacement for a benchmark rate. The supplement may be agreed to between counterparties or through an ISDA protocol. In addition, ISDA has drafted an amendment to the 2006 Interbank Offered Rate definitions and a related protocol for legacy transactions.

For our other instruments and contracts, including investments, debt and reinsurance contracts, there is a wide variety in replacement language ranging from a rate freeze to silence on the matter. With respect to instruments that include a rate replacement, we will comply with the process prescribed by each instrument. For investments that do not contain such a replacement, we will generally endeavor to agree upon a replacement rate with our counterparties well in advance of LIBOR's transition. In some cases, such as our long-term junior subordinated notes that mature in 2066 and are linked to three-month LIBOR, we may decide not to replace LIBOR which would lock-in the last published rate. We understand that the investment community is inclined to adopt SOFR as a substitute rate. Therefore, the adoption of SOFR will add certainty to the process of replacing LIBOR as the reference rate for many instruments. We do acknowledge the complications in calculating the credit spread necessary to equate SOFR to LIBOR and will monitor the potential risk.

We are at different stages of assessing operational readiness for LIBOR cessation related to our various instruments. These stages range from derivatives, where we are fully operationally ready, to other products and instruments, as well as tax impacts, where we have just begun our assessment process. Our Working Group will continue to monitor the process of elimination and replacement of LIBOR. Since the initial announcement, we have terminated a portion of our LIBOR-based swaps and entered into alternative rate swaps. In anticipation of the elimination of LIBOR, we plan to continue to convert our remaining LIBOR-based derivatives in a similar manner. In addition, our non-recourse funding obligations with interest rates based on one-month LIBOR were redeemed in January 2020. We expect to implement additional measures that we believe will ease the transition from LIBOR. Even though we have begun to take these actions, as described above, it is too early to determine the ultimate impact the elimination of LIBOR will have on our results of operations or financial condition.

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***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:

| | Three months ended June 30, | | | | Increase (decrease) | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2020 vs. 2019 | |
| (Amounts in millions) | Yield | Amount | Yield | Amount | Yield | Amount |
| Fixed maturity securities—taxable | 4.4% | $ 601 | 4.7% | $ 634 | (0.3)% | $ (33) |
| Fixed maturity securities—non-taxable | 2.6% | 1 | 6.1% | 2 | (3.5)% | (1) |
| Equity securities | 4.1% | 2 | 7.8% | 5 | (3.7)% | (3) |
| Commercial mortgage loans | 4.9% | 84 | 4.9% | 85 | — % | (1) |
| Policy loans | 9.3% | 49 | 8.8% | 45 | 0.5% | 4 |
| Other invested assets [(1)] | 23.3% | 66 | 28.7% | 59 | (5.4)% | 7 |
| Cash, cash equivalents, restricted cash and short-term investments | 0.6% | 4 | 2.2% | 11 | (1.6)% | (7) |
| Gross investment income before expenses and fees | 4.8% | 807 | 5.1% | 841 | (0.3)% | (34) |
| Expenses and fees | (0.1)% | (21) | (0.1)% | (25) | — % | 4 |
| Net investment income | 4.7% | $ 786 | 5.0% | $ 816 | (0.3)% | $ (30) |
| Average invested assets and cash | | $67,598 | | $65,954 | | $ 1,644 |

| | Six months ended June 30, | | | | Increase (decrease) | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2020 vs. 2019 | |
| (Amounts in millions) | Yield | Amount | Yield | Amount | Yield | Amount |
| Fixed maturity securities—taxable | 4.5% | $ 1,223 | 4.6% | $ 1,247 | (0.1)% | $ (24) |
| Fixed maturity securities—non-taxable | 4.1% | 3 | 6.1% | 4 | (2.0)% | (1) |
| Equity securities | 3.8% | 4 | 6.8% | 9 | (3.0)% | (5) |
| Commercial mortgage loans | 4.9% | 169 | 4.8% | 167 | 0.1% | 2 |
| Policy loans | 9.3% | 98 | 9.2% | 91 | 0.1% | 7 |
| Other invested assets [(1)] | 20.5% | 113 | 31.1% | 118 | (10.6)% | (5) |
| Cash, cash equivalents, restricted cash and short-term investments | 1.0% | 15 | 2.1% | 22 | (1.1)% | (7) |
| Gross investment income before expenses and fees | 4.8% | 1,625 | 5.0% | 1,658 | (0.2)% | (33) |
| Expenses and fees | (0.1)% | (46) | (0.1)% | (48) | —% | 2 |
| Net investment income | 4.7% | $ 1,579 | 4.9% | $ 1,610 | (0.2)% | $ (31) |
| Average invested assets and cash | | $67,596 | | $65,840 | | $ 1,756 |

(1) Investment income for other invested assets includes amortization of terminated cash flow hedges, which have no corresponding book value within the yield calculation and includes limited partnership investments, which are primarily equity-based and do not have fixed returns by period.

Yields are based on net investment income as reported under U.S. GAAP and are consistent with how we measure our 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 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, 2020, annualized weighted-average investment yields decreased principally from lower yields on higher average invested assets. Net investment income included $19 million of lower income related to inflation-driven volatility on U.S. Government Treasury Inflation Protected Securities (“TIPS”) in the current year.

For the six months ended June 30, 2020, annualized weighted-average investment yields decreased primarily driven by lower yields on higher average invested assets. Net investment income included $15 million of lower limited partnership income and $12 million of lower income related to inflation-driven volatility on TIPS, partially offset by $11 million of higher prepayment speed adjustments on structured securities in the current year.

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| **(Amounts in millions)** | **2020** | **2019** | **2020** | **2019** |
| Available-for-sale fixed maturity securities: | | | | |
| Realized gains | $ 119 | $ 10 | $ 133 | $ 74 |
| Realized losses | (5) | (21) | (6) | (27) |
| Net realized gains (losses) on available-for-sale fixed maturity securities | 114 | (11) | 127 | 47 |
| Impairments: | | | | |
| Total other-than-temporary impairments | — | — | — | — |
| Portion of other-than-temporary impairments included in other comprehensive income (loss) | — | — | — | — |
| Net other-than-temporary impairments | — | — | — | — |
| Net change in allowance for credit losses on available-for-sale fixed maturity securities | (7) | — | (7) | — |
| Net realized gains (losses) on equity securities sold | — | — | — | 3 |
| Net unrealized gains (losses) on equity securities still held | 9 | 5 | (10) | 17 |
| Limited partnerships | 37 | (11) | (3) | 4 |
| Commercial mortgage loans | 1 | 1 | 1 | — |
| Derivative instruments | 10 | (30) | (95) | (42) |
| Other | (5) | — | (6) | — |
| Net investment gains (losses) | $ 159 | $ (46) | $ 7 | $ 29 |

***Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019***

- We recorded net gains related to the sale of fixed maturity securities of $114 million during the three months ended June 30, 2020 driven primarily from the sale of U.S. government securities due to portfolio rebalancing and asset exposure management compared to net losses of $11 million during the three months ended June 30, 2019.
- We recorded a $7 million credit loss on available-for-sale securities during the three months ended June 30, 2020 under the newly adopted current expected credit loss standard reflecting emerging credit distress due mostly to COVID-19.
- We recorded net gains on limited partnerships of $37 million during the three months ended June 30, 2020 driven largely by the recovery of equity markets in the second quarter of 2020 after the losses suffered in the first quarter of 2020 due to COVID-19. The three months ended June 30, 2019 included net losses of $11 million on limited partnerships mostly associated with mark to market adjustments.
- Net investment gains related to derivatives of $10 million during the three months ended June 30, 2020 were primarily associated with gains from our foreign currency hedging programs that support our Australia Mortgage Insurance segment due to changes in the Australian dollar, partially offset by losses related to derivatives used to protect statutory surplus from equity market fluctuations as well as hedging programs for our fixed indexed annuities products.

  Net investment losses related to derivatives of $30 million during the three months ended June 30, 2019 were primarily associated with hedging programs for our runoff variable annuity products and fixed indexed annuity products, as well as losses from derivatives used to hedge foreign currency risk associated with expected dividend payments from our Australia mortgage insurance business.

***Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019***

- We recorded $80 million of higher net gains related to the sale of fixed maturity securities during the six months ended June 30, 2020 compared to the six months ended June 30, 2019 primarily from higher gains on the sale of U.S. government securities.
- The change to net unrealized losses on equity securities and limited partnership investments during the six months ended June 30, 2020 from net unrealized gains during the six months ended June 30, 2019 was primarily from unfavorable equity market performance in the current year compared to favorable equity market performance in the prior year.
- Net investment losses related to derivatives of $95 million during the six months ended June 30, 2020 were primarily associated with hedging programs that support our runoff variable annuity products and fixed indexed annuity products, as well as losses from our foreign currency hedging programs that support our Australia Mortgage Insurance segment due to changes in the Australian dollar, partially offset by gains from derivatives used to hedge foreign currency risk associated with expected dividend payments from our Australia mortgage insurance business.

  Net investment losses related to derivatives of $42 million during the six months ended June 30, 2019 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuations. We also had losses related to hedging programs for our fixed indexed annuity products.

***Investment portfolio***

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

| | June 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| **(Amounts in millions)** | **Carrying value** | **% of total** | **Carrying value** | **% of total** |
| Fixed maturity securities, available-for-sale: | | | | |
| Public | $ 44,794 | 58% | $ 42,162 | 57% |
| Private | 18,750 | 24 | 18,177 | 24 |
| Equity securities | 206 | — | 239 | — |
| Commercial mortgage loans, net | 6,917 | 9 | 6,963 | 9 |
| Policy loans | 2,182 | 3 | 2,058 | 3 |
| Other invested assets | 2,473 | 3 | 1,632 | 2 |
| Cash, cash equivalents and restricted cash | 2,597 | 3 | 3,341 | 5 |
| Total cash, cash equivalents, restricted cash and invested assets | $ 77,919 | 100% | $ 74,572 | 100% |

For a discussion of the change in cash, cash equivalents, restricted cash and invested assets, see the comparison for this line item under "—Consolidated Balance Sheets." See note 4 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for additional information related to our investment portfolio.

We hold fixed maturity and equity 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, 2020, approximately 7% 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 unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for additional information related to fair value.

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*Fixed maturity securities*

As of June 30, 2020, the amortized cost or cost, gross unrealized gains (losses), allowance for credit losses and fair value of our fixed maturity securities classified as available-for-sale were as follows:

| (Amounts in millions) | Amortized cost or cost | Gross unrealized gains | Gross unrealized losses | Allowance for credit losses | Fair value |
|---|---|---|---|---|---|
| Fixed maturity securities: | | | | | |
| U.S. government, agencies and government-sponsored enterprises | $ 3,877 | $ 1,725 | $ — | $ — | $ 5,602 |
| State and political subdivisions | 2,503 | 496 | (1) | — | 2,998 |
| Non-U.S. government | 1,424 | 125 | (7) | — | 1,542 |
| U.S. corporate: | | | | | |
| Utilities | 4,392 | 879 | (1) | — | 5,270 |
| Energy | 2,454 | 203 | (63) | — | 2,594 |
| Finance and insurance | 7,400 | 1,017 | (14) | — | 8,403 |
| Consumer—non-cyclical | 5,132 | 1,147 | (2) | — | 6,277 |
| Technology and communications | 2,912 | 503 | (4) | — | 3,411 |
| Industrial | 1,350 | 157 | (4) | — | 1,503 |
| Capital goods | 2,580 | 454 | (6) | — | 3,028 |
| Consumer—cyclical | 1,748 | 224 | (6) | — | 1,966 |
| Transportation | 1,335 | 254 | (24) | — | 1,565 |
| Other | 340 | 38 | — | — | 378 |
| Total U.S. corporate | 29,643 | 4,876 | (124) | — | 34,395 |
| Non-U.S. corporate: | | | | | |
| Utilities | 811 | 68 | — | — | 879 |
| Energy | 1,141 | 148 | (14) | — | 1,275 |
| Finance and insurance | 2,199 | 284 | (16) | (1) | 2,466 |
| Consumer—non-cyclical | 692 | 86 | (1) | — | 777 |
| Technology and communications | 1,066 | 182 | (1) | — | 1,247 |
| Industrial | 883 | 116 | (4) | — | 995 |
| Capital goods | 565 | 50 | (2) | — | 613 |
| Consumer—cyclical | 380 | 27 | — | — | 407 |
| Transportation | 560 | 84 | (6) | (3) | 635 |
| Other | 1,376 | 218 | (3) | — | 1,591 |
| Total non-U.S. corporate | 9,673 | 1,263 | (47) | (4) | 10,885 |
| Residential mortgage-backed [(1)] | 1,927 | 259 | (2) | — | 2,184 |
| Commercial mortgage-backed | 2,800 | 225 | (52) | (3) | 2,970 |
| Other asset-backed | 2,987 | 30 | (49) | — | 2,968 |
| Total available-for-sale fixed maturity securities | $ 54,834 | $ 8,999 | $ (282) | $ (7) | $63,544 |

(1) Fair value included $8 million collateralized by Alt-A residential mortgage loans and $21 million collateralized bysub-prime residential mortgage loans.

As of December 31, 2019, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity securities classified as available-for-sale were as follows:

| (Amounts in millions) | Amortized cost or cost | Gross unrealized gains: Not other-than-temporarily impaired | Gross unrealized gains: Other-than-temporarily impaired | Gross unrealized losses: Not other-than-temporarily impaired | Gross unrealized losses: Other-than-temporarily impaired | Fair value |
|---|---|---|---|---|---|---|
| Fixed maturity securities: | | | | | | |
| U.S. government, agencies and government-sponsored enterprises | $ 4,073 | $ 952 | $ — | $ — | $ — | $ 5,025 |
| State and political subdivisions | 2,394 | 355 | — | (2) | — | 2,747 |
| Non-U.S. government | 1,235 | 117 | — | (2) | — | 1,350 |
| U.S. corporate: | | | | | | |
| Utilities | 4,322 | 675 | — | — | — | 4,997 |
| Energy | 2,404 | 303 | — | (8) | — | 2,699 |
| Finance and insurance | 6,977 | 798 | — | (1) | — | 7,774 |
| Consumer—non-cyclical | 4,909 | 796 | — | (4) | — | 5,701 |
| Technology and communications | 2,883 | 363 | — | (1) | — | 3,245 |
| Industrial | 1,271 | 125 | — | — | — | 1,396 |
| Capital goods | 2,345 | 367 | — | (1) | — | 2,711 |
| Consumer—cyclical | 1,590 | 172 | — | (2) | — | 1,760 |
| Transportation | 1,320 | 187 | — | (1) | — | 1,506 |
| Other | 292 | 30 | — | — | — | 322 |
| Total U.S. corporate | 28,313 | 3,816 | — | (18) | — | 32,111 |
| Non-U.S. corporate: | | | | | | |
| Utilities | 779 | 50 | — | — | — | 829 |
| Energy | 1,140 | 179 | — | — | — | 1,319 |
| Finance and insurance | 2,087 | 232 | — | — | — | 2,319 |
| Consumer—non-cyclical | 631 | 55 | — | (2) | — | 684 |
| Technology and communications | 1,010 | 128 | — | — | — | 1,138 |
| Industrial | 896 | 92 | — | — | — | 988 |
| Capital goods | 565 | 40 | — | — | — | 605 |
| Consumer—cyclical | 373 | 24 | — | — | — | 397 |
| Transportation | 557 | 73 | — | (1) | — | 629 |
| Other | 1,431 | 188 | — | (2) | — | 1,617 |
| Total non-U.S. corporate | 9,469 | 1,061 | — | (5) | — | 10,525 |
| Residential mortgage-backed [(1)] | 2,057 | 199 | 15 | (1) | — | 2,270 |
| Commercial mortgage-backed | 2,897 | 137 | — | (8) | — | 3,026 |
| Other asset-backed | 3,262 | 30 | — | (7) | — | 3,285 |
| Total available-for-sale fixed maturity securities | $ 53,700 | $ 6,667 | $ 15 | $ (43) | $ — | $60,339 |

(1) Fair value included $9 million collateralized by Alt-A residential mortgage loans and $24 million collateralized bysub-prime residential mortgage loans.

Fixed maturity securities increased $3.2 billion compared to December 31, 2019 principally from an increase in unrealized gains related to a decrease in interest rates, as well as purchases exceeding sales, maturities and repayments in the current year.

*Commercial mortgage loans*

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

| | June 30, 2020 | | | | |
|---|---|---|---|---|---|
| (Dollar amounts in millions) | Total amortized cost | Number of loans | Debt-to-value [(1)] | Delinquent principal balance | Number of delinquent loans |
| **Loan Year** | | | | | |
| 2010 and prior | $ 1,069 | 381 | 36% | $ — | — |
| 2011 | 161 | 41 | 37% | — | — |
| 2012 | 400 | 74 | 41% | — | — |
| 2013 | 549 | 112 | 46% | — | — |
| 2014 | 685 | 122 | 49% | 10 | 1 |
| 2015 | 786 | 129 | 55% | — | — |
| 2016 | 499 | 91 | 58% | — | — |
| 2017 | 731 | 141 | 60% | — | — |
| 2018 | 1,000 | 164 | 66% | — | — |
| 2019 | 796 | 110 | 70% | — | — |
| 2020 | 269 | 42 | 70% | — | — |
| Total | $ 6,945 | 1,407 | 54% | $ 10 | 1 |

(1) Represents weighted-average debt-to-value as of June 30, 2020.

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| (Dollar amounts in millions) | Total recorded investment | Number of loans | Debt-to-value [(1)] | Delinquent principal balance | Number of delinquent loans |
| **Loan Year** | | | | | |
| 2010 and prior | $ 1,182 | 419 | 37% | $ — | — |
| 2011 | 168 | 42 | 38% | — | — |
| 2012 | 415 | 75 | 42% | — | — |
| 2013 | 579 | 114 | 47% | — | — |
| 2014 | 720 | 129 | 50% | — | — |
| 2015 | 833 | 136 | 56% | — | — |
| 2016 | 517 | 93 | 59% | — | — |
| 2017 | 740 | 141 | 61% | — | — |
| 2018 | 1,019 | 165 | 66% | — | — |
| 2019 | 807 | 111 | 71% | — | — |
| Total | $ 6,980 | 1,425 | 54% | $ — | — |

(1) Represents weighted-average debt-to-value as of December 31, 2019.

*Other invested assets*

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

| | June 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| (Amounts in millions) | Carrying value | % of total | Carrying value | % of total |
| Derivatives | $ 1,024 | 41% | $ 290 | 18% |
| Limited partnerships | 764 | 31 | 634 | 39 |
| Bank loan investments | 396 | 16 | 383 | 23 |
| Short-term investments | 212 | 9 | 260 | 16 |
| Securities lending collateral | 59 | 2 | 51 | 3 |
| Other investments | 18 | 1 | 14 | 1 |
| Total other invested assets | $ 2,473 | 100% | $ 1,632 | 100% |

Derivatives increased largely from a decrease in interest rates in the current year. Limited partnerships increased primarily from additional capital investments, partially offset return of capital 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 embedded derivatives, 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, 2019 | Additions | Maturities/ terminations | June 30, 2020 |
|---|---|---|---|---|---|
| **Derivatives designated as hedges** | | | | | |
| Cash flow hedges: | | | | | |
| Interest rate swaps | Notional | $ 8,968 | $ 1,158 | $ (1,880) | $ 8,246 |
| Foreign currency swaps | Notional | 110 | — | — | 110 |
| Total cash flow hedges | | 9,078 | 1,158 | (1,880) | 8,356 |
| Total derivatives designated as hedges | | 9,078 | 1,158 | (1,880) | 8,356 |
| **Derivatives not designated as hedges** | | | | | |
| Interest rate swaps | Notional | 4,674 | — | — | 4,674 |
| Equity index options | Notional | 2,451 | 883 | (1,126) | 2,208 |
| Financial futures | Notional | 1,182 | 3,082 | (2,914) | 1,350 |
| Other foreign currency contracts | Notional | 628 | 3,009 | (2,618) | 1,019 |
| Total derivatives not designated as hedges | | 8,935 | 6,974 | (6,658) | 9,251 |
| Total derivatives | | $ 18,013 | $ 8,132 | $ (8,538) | $17,607 |

| (Number of policies) | Measurement | December 31, 2019 | Additions | Maturities/ terminations | June 30, 2020 |
|---|---|---|---|---|---|
| **Derivatives not designated as hedges** | | | | | |
| GMWB embedded derivatives | Policies | 25,623 | — | (992) | 24,631 |
| Fixed index annuity embedded derivatives | Policies | 15,441 | — | (668) | 14,773 |
| Indexed universal life embedded derivatives | Policies | 884 | — | (28) | 856 |

The decrease in the notional value of derivatives was primarily attributable to terminations of interest rate swaps that support our long-term care insurance business, partially offset by an increase in foreign currency derivatives entered into to hedge an adverse legal settlement related to disputed claims denominated in a foreign currency.

The number of policies related to our embedded derivatives decreased as these products are no longer being offered and continue to runoff.

**Consolidated Balance Sheets**

*Total assets.* Total assets increased $2,295 million from $101,342 million as of December 31, 2019 to $103,637 million as of June 30, 2020.

- Cash, cash equivalents, restricted cash and invested assets increased $3,347 million primarily from increases of $3,205 million and $841 million in fixed maturity securities and other invested assets, respectively. The increase in fixed maturity securities was predominantly related to higher unrealized gains mostly associated with a decrease in interest rates and from net purchases in the current year. The increase in other invested assets was principally from higher derivative assets driven mostly be lower interest rates in the current year. These increases were partially offset by a decrease in cash, cash equivalents and restricted cash of $744 million, largely related to the early redemption of Genworth Holdings' senior notes originally scheduled to mature in June 2020, the early repayment of Rivermont I's non-recourse funding obligations originally due in 2050, net purchases of fixed maturity securities and a $134 million interim litigation payment to AXA in the current year
- DAC decreased $118 million principally associated with higher amortization largely driven by an increase in lapses mostly attributable to our large 20-year term life insurance block entering its post-level premium, partially offset by shadow accounting adjustments driven by the recognition of higher unrealized gains in the current year. The shadow accounting adjustments increased DAC by approximately $57 million, mostly in our long-term care insurance business, with an offsetting amount recorded in other comprehensive income (loss).
- Reinsurance recoverable decreased $203 million mainly attributable to the runoff of our structured settlement products ceded to UFLIC, an affiliate of our former parent, General Electric Company ("GE").
- Deferred tax asset decreased $139 million primarily due to higher unrealized gains on derivatives and investments in the current year.
- Separate account assets decreased $572 million primarily due to surrenders and unfavorable equity market performance in the current year.

*Total liabilities.* Total liabilities increased $1,839 million from $86,710 million as of December 31, 2019 to $88,549 million as of June 30, 2020.

- Future policy benefits increased $1,079 million primarily driven by shadow accounting adjustments associated with the recognition of higher unrealized gains. The shadow accounting adjustments increased future policy benefits by approximately $913 million, mostly in our long-term care insurance business, with an offsetting amount recorded in other comprehensive income (loss). This decrease was partially offset by aging of our long-term care insurance in-force block and an increase in incremental reserves of $137 million recorded in connection with an accrual for profits followed by losses in the current year.
- Policyholder account balances increased $704 million largely attributable to shadow accounting adjustments in connection with the recognition of higher unrealized gains mostly in our universal life insurance products and from unfavorable equity market performance in our variable annuity products, partially offset by surrenders and benefits in our fixed annuities business in the current year.
- Liability for policy and contract claims increased $322 million mostly related to our U.S. mortgage insurance business primarily attributable to a significant increase in the number of new delinquencies

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driven largely by borrower forbearance resulting fromCOVID-19. In addition, existing reserves were strengthened by $28 million in the current year primarily driven by the deterioration of early cure emergence patterns impacting claim frequency along with a modest increase in claim severity. The increase was also attributable to our long-term care insurance business primarily attributable to new claims, which includes higher new claims frequency as a result of the aging of the in-force block, as well as higher severity, partially offset by an increase in claim terminations driven mostly by higher mortality and favorable development on prior year incurred but not reported claims in the current year. Given the lower new claim counts submitted during COVID-19, incurred but not reported reserves were strengthened by $37 million reflecting our assumption that new claim incidence during this period will ultimately return to normal levels, partially offsetting the favorable development on incurred but not reported claims.

- Other liabilities increased $647 million principally due to higher counterparty collateral driven mostly by lower interest rates increasing derivative valuations in the current year.
- Non-recourse funding obligations decreased $311 million due to the early redemption of Rivermont I's outstandingnon-recourse funding obligations originally due in 2050.
- Long-term borrowings decreased $460 million mainly attributable to the early redemption of Genworth Holdings' 7.70% senior notes originally scheduled to mature in June 2020. In addition, Genworth Holdings repurchased $66 million principal amount of its senior notes with 2021 maturity dates in the current year.
- Liabilities related to discontinued operations increased $519 million predominantly from a higher accrual recorded in the current year associated with a settlement agreement reached with AXA. See note 14 in our unaudited condensed consolidated financial statements under "Item 1 — Financial Statements" for additional details.

*Total equity.* Total equity increased $456 million from $14,632 million as of December 31, 2019 to $15,088 million as of June 30, 2020.

- We reported a net loss available to Genworth Financial, Inc.'s common stockholders of $507 million for the six months ended June 30, 2020. We also adopted new accounting guidance on January 1, 2020 related to estimating expected credit losses that was applied on a modified retrospective basis, resulting in a $55 million decrease to retained earnings in the current year.
- Derivatives qualifying as hedges and unrealized gains on investments increased $675 million and $355 million, respectively, primarily from a decrease in interest rates. The increase in unrealized gains on investments was also attributable to the tightening of credit spreads on our corporate bond investments during the second quarter of 2020, reversing much of the widening experienced in the first quarter of 2020 due to COVID-19.

## 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) | 2020 | 2019 |
|---|---|---|
| Net cash from operating activities | $ 1,299 | $ 795 |
| Net cash used by investing activities | (887) | (351) |
| Net cash used by financing activities | (1,144) | (695) |
| Net decrease in cash before foreign exchange effect | $ (732) | $(251) |

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 typically exceed policy acquisition costs, benefits paid, redemptions and operating expenses. Our cash flows from operating activities are affected by the timing of premiums, fees and investment income received and benefits and expenses paid. Positive cash flows from operating activities are then invested to support the obligations of our insurance and investment products and required capital supporting these products. In analyzing our cash flow, we focus on the change in the amount of cash available and used in investing activities. Changes in cash from financing activities primarily relate to the issuance of, and redemptions and benefit payments on, universal life insurance and investment contracts; deposits from Federal Home Loan Banks; the issuance and acquisition of debt and equity securities; the issuance and repayment or repurchase of borrowings and non-recourse funding obligations; and other capital transactions.

We had higher cash inflows from operating activities in the current year mainly attributable to higher collateral posted by counterparties related to our derivative positions and a lower amount of policy loans issued in our corporate-owned life insurance product, partially offset by a $134 million interim litigation payment to AXA in the current year.

We had higher cash outflows from investing activities primarily driven by net purchases of fixed maturity securities in the current year compared to net sales in the prior year, partially offset by lower commercial mortgage loan originations and higher net sales of short-term investments in the current year.

We had higher cash outflows from financing activities in the current year principally from the early redemption of $397 million of Genworth Holdings' senior notes originally scheduled to mature in June 2020, the early redemption of $315 million of Rivermont I's non-recourse funding obligations originally due in 2050 and the repurchase of $66 million principal amount of Genworth Holdings' senior notes with 2021 maturity dates, partially offset by lower net withdrawals from our investment contracts.

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 the consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary.

*Genworth—holding company*

Genworth Financial and Genworth Holdings each act 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, capital levels, regulatory requirements and business performance, including the expected adverse impacts from COVID-19.

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 or other obligations (including payments to AXA under a secured promissory note related to discontinued operations), 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 securities and, in the case of Genworth Holdings, loans, dividends or other distributions to Genworth Financial. In deploying future capital, important current priorities include focusing on our mortgage insurance businesses so they remain appropriately capitalized and accelerating progress on reducing overall indebtedness of Genworth Holdings. We may from time to time seek to repurchase or redeem outstanding notes for cash (with cash on hand, proceeds from the issuance of new debt and/or the proceeds from asset or stock sales) in open market purchases, tender offers, privately negotiated transactions or otherwise. We currently seek to address our indebtedness over time through repurchases, redemptions and/or repayments at maturity.

Our Board of Directors has suspended the payment of stockholder dividends on our Genworth Financial 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 debt obligations, 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 Genworth Financial 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 $504 million and $1,461 million of cash, cash equivalents and restricted cash as of June 30, 2020 and December 31, 2019, respectively, which included $10 million of restricted cash equivalents as of June 30, 2020. Genworth Holdings also held $50 million and $70 million in U.S. government securities as of June 30, 2020 and December 31, 2019, respectively, which included approximately $49 million and $48 million, respectively, of restricted assets. The decrease in Genworth Holdings cash, cash equivalents and restricted cash was principally driven by the repayment of long-term debt and intercompany notes and a $134 million interim litigation payment to AXA. For additional details on the decrease in cash, cash equivalents and restricted cash, see below under "—Capital resources and financing activities."

On July 20, 2020, we reached a settlement agreement with AXA regarding a dispute over payment protection insurance mis-selling claims sold by our former lifestyle protection insurance business that was acquired by AXA in December 2015. Under the settlement agreement, we paid an initial amount of £100 million ($125 million) to AXA on July 21, 2020. This cash disbursement did not reduce the amount of cash, cash equivalents and restricted cash held by Genworth Holdings as of June 30, 2020 but will be reflected as a reduction in cash in the third quarter of 2020.

During the six months ended June 30, 2020 and 2019, Genworth received cash dividends from its international subsidiaries of $11 million and $105 million, respectively.

Due to the macroeconomic uncertainty resulting fromCOVID-19, we do not expect to receive further dividends from our mortgage insurance businesses in 2020. Future dividends and the timing of their distribution will depend on the economic recovery from COVID-19 and prepayment obligations under the secured promissory note issued in connection with the AXA settlement agreement, among other factors.

*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. As of June 30, 2020, our total cash, cash equivalents, restricted cash and invested assets were $77.9 billion. Our investments in privately placed fixed maturity securities, commercial mortgage loans, policy loans, limited partnership investments and select mortgage-backed and asset-backed securities are relatively illiquid. These asset classes represented approximately 37% of the carrying value of our total cash, cash equivalents, restricted cash and invested assets as of June 30, 2020.

As of June 30, 2020, our U.S. mortgage insurance business was compliant with the PMIERs capital requirements, with a prudent buffer. Credit risk transfer transactions provided an estimated aggregate of $1,043 million of PMIERs capital credit as of June 30, 2020. In the second quarter of 2020, our U.S. mortgage insurance business completed an aggregate excess of loss reinsurance transaction providing up to $300 million of reinsurance coverage on our 2009 to 2019 book years that is intended to provide PMIERs capital credit for elevated delinquencies as result of COVID-19. The second quarter of 2020 PMIERs sufficiency included an estimated $180 million of capital credit from this transaction. Our U.S. mortgage insurance business may execute future risk transfer transactions to maintain a prudent level of financial flexibility in excess of the PMIERs capital requirements in response to potential changes in performance and PMIERs requirements over time. We believe that future credit risk transfer transactions may be more difficult to execute, if possible at all, and may have a higher cost during and following COVID-19.

***Capital resources and financing activities***

*Capital resources*

On July 3, 2020, GFMIPL issued AUD$147 million floating rate subordinated notes due in July 2030 in exchange for AUD$147 million of its floating rate subordinated notes due in July 2025. In addition, on July 3, 2020, GFMIPL issued AUD$43 million floating rate subordinated notes due in July 2030. These notes will pay interest quarterly at a floating rate equal to the three-month bank bill swap reference rate plus a margin of a minimum of 5.0% per annum. GFMIPL has an option to redeem the notes at face value on July 3, 2025 and every interest payment date thereafter up to and excluding the maturity date, and for certain tax and regulatory events (in each case subject to APRA’s prior written approval). Following the settlement of these transactions, GFMIPL has outstanding floating rate subordinated notes of AUD$53 million due in July 2025 and AUD$190 million due in July 2030.

*Financing activities*

During the six months ended June 30, 2020, Genworth Holdings repurchased $66 million principal amount of its senior notes with 2021 maturity dates for a pre-tax gain of $4 million.

In March 2020, Genworth Holdings repaid a $200 million intercompany note due to GLIC with a maturity date of March 31, 2020.

On January 21, 2020, Genworth Holdings early redeemed $397 million of its 7.70% senior notes originally scheduled to mature in June 2020 for a pre-tax loss of $9 million. The senior notes were fully redeemed with a cash payment of $409 million, comprised of the outstanding principal balance of $397 million, accrued interest of $3 million and a make-whole premium of $9 million.

In January 2020, upon receipt of approval from the Director of Insurance of the State of South Carolina, Rivermont I, our indirect wholly-owned special purpose consolidated captive insurance subsidiary, redeemed all of its $315 million of outstanding non-recourse funding obligations due in 2050. The early redemption resulted in a pre-tax loss of $4 million from the write-off of deferred borrowing costs.

In addition to the partial settlement payment of £100 million ($125 million) paid to AXA on July 21, 2020, we also issued a secured promissory note to AXA, under which we agreed to make deferred cash payments totaling approximately £317 million in two installment payments in June 2022 and September 2022, subject to certain prepayment obligations. Future claims that are still being processed, which are currently estimated to be approximately £107 million, will be added to the promissory note as part of the September 2022 payment. The promissory note will accrue interest at a fixed rate of 5.25% due quarterly, with a potential for an interest rate decrease to 2.75% following certain prepayment trigger events.

Certain conditions and events occurring and expected to occur raise doubt about our ability to meet our financial obligations for the next year given Genworth Holdings current unrestricted cash and cash equivalents balance of $494 million. However, we believe management's plans alleviate this doubt. Our evaluation of our ability to meet our obligations included the following contractual obligations due within one year from the issue date of our unaudited condensed consolidated financial statements, along with other certain conditions and events:

- a partial settlement payment in the amount of £100 million ($125 million) paid to AXA on July 21, 2020. In addition, over the next year, we expect to pay AXA approximately $25 million in interest on the secured promissory note, assuming we do not make any pre-payments, and we may make an additional one-time payment of approximately $40 million for an unrelated liability and other expenses;
- Genworth Holdings has $356 million of its 7.20% senior notes maturing in February 2021;
- interest payments on our senior notes are forecasted to be $158 million for the next twelve months;
- we do not expect to receive further dividends in 2020 from our mortgage insurance subsidiaries due to higher delinquencies and the impact to capital levels resulting from COVID-19; and
- due to the uncertain macroeconomic conditions surrounding COVID-19, on June 30, 2020, Genworth and China Oceanwide agreed to a fifteenth waiver and agreement extending the merger deadline to no later than September 30, 2020. However, the consummation of this transaction is dependent on steps outside of our control; accordingly, the associated post-closing capital contributions from China Oceanwide cannot be included as a potential source of liquidity.

We believe management's plans alleviate doubt about our ability to meet our financial obligations for the next year. These plans include actively taking steps to raise capital to address our obligations, including a debt financing as well as, should our pending transaction with China Oceanwide not close, preparing for a 19.9% public offering of our U.S. mortgage insurance business subject to market conditions. We expect to engage in a debt financing through our U.S. mortgage insurance business later in 2020 which, along with existing cash and cash equivalents, would provide Genworth Holdings sufficient liquidity to meet its obligations and maintain business operations for one year from the issue date of the unaudited condensed consolidated financial statements. We believe this debt financing is probable to be effectively implemented given the value of the U.S. mortgage insurance business, the healthy conditions of the relevant credit markets, recent similar peer transactions and our history of similar refinancing transactions, among other factors.

In addition to the contractual obligations due within one year from the issue date of our unaudited condensed consolidated financial statements listed above, we also have, among other obligations, debt maturing in September 2021 of approximately $660 million and installment payments due to AXA under the secured promissory note as described above. Beyond management's plans described above, we believe additional sources of cash coming from payments under tax sharing and expense reimbursement arrangements with subsidiaries, and if necessary, sales of assets, would provide us with sufficient capital flexibility and liquidity to meet our projected future operating and financing requirements. However, until the secured promissory note issued to AXA has been repaid, certain prepayment obligations thereunder place significant constraints on our ability to repay debt (other than the 2021 debt maturities) with the proceeds of new debt financing, equity offerings, asset sales or dividends from subsidiaries. We actively monitor our liquidity position, liquidity generation options and the credit markets given changing market conditions. Our cash management target is to maintain a cash buffer of two times expected annual external debt interest payments. We may move below or above our targeted cash buffer during any given quarter due to the timing of cash outflows and inflows or from future actions. We continue to evaluate our target level of liquidity as circumstances warrant. Additionally, we will continue to evaluate market influences on the valuation of our senior debt and may consider additional opportunities to repurchase our debt over time. We cannot predict with certainty the impact to us from future disruptions in the credit markets or the recent or any further future 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 company debt. In the absence of the transaction with China Oceanwide, we currently expect we would need to pursue a 19.9% public offering of our U.S. mortgage insurance business to address our debt maturities and other obligations. The timing and feasibility of such a potential transaction may adversely be affected by COVID-19. The availability of additional funding, including a debt financing or an equity offering through our U.S. mortgage insurance business, 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, credit ratings and credit capacity and the performance of and outlook for our U.S. mortgage insurance business. For a discussion of certain risks associated with our liquidity, see "Item 1A—Risk Factors—Our internal sources of liquidity may be insufficient to meet our needs and our access to capital may be limited or unavailable. Under such conditions, we may seek additional capital but may be unable to obtain it" and "Litigation and regulatory investigations or other actions are common in the insurance business and may result in financial losses and harm our reputation" in our 2019 Annual Report on Form 10-K. These risks may be exacerbated by the economic impact of COVID-19. No references herein to any potential debt or equity financing constitutes an offering of securities.

*Contractual obligations and commercial commitments*

Except as disclosed above, there have been no material additions or changes to our contractual obligations as compared to the amounts disclosed within our 2019 Annual Report on Form 10-K filed on February 27, 2020. For additional details related to our commitments, see note 12 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements."

**Supplemental Condensed Consolidating Financial Information**

Genworth Financial provides a full and unconditional guarantee to the trustee of Genworth Holdings' outstanding senior and subordinated notes and the holders of the senior and subordinated notes, on an unsecured unsubordinated and subordinated basis, respectively, 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 outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior and subordinated notes indentures in respect of such senior and subordinated notes. Genworth Holdings is a direct, 100% owned subsidiary of Genworth Financial.

The following supplemental condensed consolidating financial information of Genworth Financial and its direct and indirect subsidiaries has been prepared pursuant to rules regarding the preparation of consolidating financial information of Regulation S-X, as amended by the SEC on March 2, 2020. In the first quarter of 2020, we early applied new rules issued by the SEC by removing comparative prior year condensed consolidating financial information herein and presenting the supplemental condensed consolidating financial information outside the footnotes of our interim unaudited condensed consolidated financial statements. We continue to provide prior year annual period condensed consolidating financial information in accordance with the new amended rules.

The supplemental condensed consolidating financial information presents the condensed consolidating balance sheet information as of June 30, 2020 and December 31, 2019, the condensed consolidating income statement information, the condensed consolidating comprehensive income statement information and the condensed consolidating cash flow statement information for the six months ended June 30, 2020 and for the year ended December 31, 2019.

The supplemental 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.

The accompanying supplemental 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.

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The following table presents the condensed consolidating balance sheet information as of June 30, 2020:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Investments: | | | | | |
| Fixed maturity securities available-for-sale, at fair value (amortized cost of $54,834 and allowance for credit losses of $7) | $ — | $ — | $ 63,544 | $ — | $ 63,544 |
| Equity securities, at fair value | — | — | 206 | — | 206 |
| Commercial mortgage loans (net of unamortized balance of loan origination fees and costs of $4) | — | — | 6,945 | — | 6,945 |
| Less: Allowance for credit losses | — | — | (28) | — | (28) |
| Commercial mortgage loans, net | — | — | 6,917 | — | 6,917 |
| Policy loans | — | — | 2,182 | — | 2,182 |
| Other invested assets | — | 50 | 2,423 | — | 2,473 |
| Investments in subsidiaries | 14,548 | 16,174 | — | (30,722) | — |
| Total investments | 14,548 | 16,224 | 75,272 | (30,722) | 75,322 |
| Cash, cash equivalents and restricted cash | — | 504 | 2,093 | — | 2,597 |
| Accrued investment income | — | — | 601 | — | 601 |
| Deferred acquisition costs | — | — | 1,718 | — | 1,718 |
| Intangible assets and goodwill | — | — | 223 | — | 223 |
| Reinsurance recoverable | — | — | 16,944 | — | 16,944 |
| Less: Allowance for credit losses | — | — | (44) | — | (44) |
| Reinsurance recoverable, net | — | — | 16,900 | — | 16,900 |
| Other assets | 5 | 188 | 261 | — | 454 |
| Intercompany notes receivable | 96 | 214 | — | (310) | — |
| Deferred tax assets | 9 | 944 | (667) | — | 286 |
| Separate account assets | — | — | 5,536 | — | 5,536 |
| Total assets | $ 14,658 | $18,074 | $ 101,937 | $ (31,032) | $ 103,637 |
| Liabilities and equity | | | | | |
| Liabilities: | | | | | |
| Future policy benefits | $ — | $ — | $ 41,463 | $ — | $ 41,463 |
| Policyholder account balances | — | — | 22,921 | — | 22,921 |
| Liability for policy and contract claims | — | — | 11,280 | — | 11,280 |
| Unearned premiums | — | — | 1,804 | — | 1,804 |
| Other liabilities | 15 | 109 | 1,951 | — | 2,075 |
| Intercompany notes payable | — | 96 | 214 | (310) | — |
| Long-term borrowings | — | 2,679 | 138 | — | 2,817 |
| Separate account liabilities | — | — | 5,536 | — | 5,536 |
| Liabilities related to discontinued operations | — | 653 | — | — | 653 |
| Total liabilities | 15 | 3,537 | 85,307 | (310) | 88,549 |
| Equity: | | | | | |
| Common stock | 1 | — | 3 | (3) | 1 |
| Additional paid-in capital | 11,996 | 12,761 | 18,432 | (31,193) | 11,996 |
| Accumulated other comprehensive income (loss) | 4,447 | 4,447 | 4,539 | (8,986) | 4,447 |
| Retained earnings | 899 | (2,671) | (7,089) | 9,760 | 899 |
| Treasury stock, at cost | (2,700) | — | — | — | (2,700) |
| Total Genworth Financial, Inc.'s stockholders' equity | 14,643 | 14,537 | 15,885 | (30,422) | 14,643 |
| Noncontrolling interests | — | — | 745 | (300) | 445 |
| Total equity | 14,643 | 14,537 | 16,630 | (30,722) | 15,088 |
| Total liabilities and equity | $ 14,658 | $18,074 | $ 101,937 | $ (31,032) | $ 103,637 |

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The following table presents the condensed consolidating balance sheet information as of December 31, 2019:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Investments: | | | | | |
| Fixed maturity securities available-for-sale, at fair value | $ — | $ — | $ 60,539 | $ (200) | $ 60,339 |
| Equity securities, at fair value | — | — | 239 | — | 239 |
| Commercial mortgage loans ($47 are restricted related to a securitization entity) | — | — | 6,963 | — | 6,963 |
| Policy loans | — | — | 2,058 | — | 2,058 |
| Other invested assets | — | 71 | 1,561 | — | 1,632 |
| Investments in subsidiaries | 14,079 | 15,090 | — | (29,169) | — |
| Total investments | 14,079 | 15,161 | 71,360 | (29,369) | 71,231 |
| Cash, cash equivalents and restricted cash | — | 1,461 | 1,880 | — | 3,341 |
| Accrued investment income | — | — | 657 | (3) | 654 |
| Deferred acquisition costs | — | — | 1,836 | — | 1,836 |
| Intangible assets and goodwill | — | — | 201 | — | 201 |
| Reinsurance recoverable | — | — | 17,103 | — | 17,103 |
| Other assets | 4 | 201 | 239 | (1) | 443 |
| Intercompany notes receivable | 119 | 132 | — | (251) | — |
| Deferred tax assets | 13 | 821 | (409) | — | 425 |
| Separate account assets | — | — | 6,108 | — | 6,108 |
| Total assets | $ 14,215 | $17,776 | $ 98,975 | $ (29,624) | $ 101,342 |
| Liabilities and equity | | | | | |
| Liabilities: | | | | | |
| Future policy benefits | $ — | $ — | $ 40,384 | $ — | $ 40,384 |
| Policyholder account balances | — | — | 22,217 | — | 22,217 |
| Liability for policy and contract claims | — | — | 10,958 | — | 10,958 |
| Unearned premiums | — | — | 1,893 | — | 1,893 |
| Other liabilities | 30 | 118 | 1,285 | (5) | 1,428 |
| Intercompany notes payable | — | 319 | 132 | (451) | — |
| Non-recourse funding obligations | — | — | 311 | — | 311 |
| Long-term borrowings | — | 3,137 | 140 | — | 3,277 |
| Separate account liabilities | — | — | 6,108 | — | 6,108 |
| Liabilities related to discontinued operations | — | 134 | — | — | 134 |
| Total liabilities | 30 | 3,708 | 83,428 | (456) | 86,710 |
| Equity: | | | | | |
| Common stock | 1 | — | 3 | (3) | 1 |
| Additional paid-in capital | 11,990 | 12,761 | 18,431 | (31,192) | 11,990 |
| Accumulated other comprehensive income (loss) | 3,433 | 3,433 | 3,474 | (6,907) | 3,433 |
| Retained earnings | 1,461 | (2,126) | (7,108) | 9,234 | 1,461 |
| Treasury stock, at cost | (2,700) | — | — | — | (2,700) |
| Total Genworth Financial, Inc.'s stockholders' equity | 14,185 | 14,068 | 14,800 | (28,868) | 14,185 |
| Noncontrolling interests | — | — | 747 | (300) | 447 |
| Total equity | 14,185 | 14,068 | 15,547 | (29,168) | 14,632 |
| Total liabilities and equity | $ 14,215 | $17,776 | $ 98,975 | $ (29,624) | $ 101,342 |

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The following table presents the condensed consolidating income statement information for the six months ended June 30, 2020:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Premiums | $ — | $ — | $ 2,034 | $ — | $ 2,034 |
| Net investment income | (2) | 5 | 1,579 | (3) | 1,579 |
| Net investment gains (losses) | — | 8 | (1) | — | 7 |
| Policy fees and other income | — | 2 | 356 | (3) | 355 |
| Total revenues | (2) | 15 | 3,968 | (6) | 3,975 |
| Benefits and expenses: | | | | | |
| Benefits and other changes in policy reserves | — | — | 2,847 | — | 2,847 |
| Interest credited | — | — | 280 | — | 280 |
| Acquisition and operating expenses, net of deferrals | 15 | 5 | 452 | — | 472 |
| Amortization of deferred acquisition costs and intangibles | — | — | 209 | — | 209 |
| Goodwill impairment | — | — | 5 | — | 5 |
| Interest expense | — | 92 | 10 | (6) | 96 |
| Total benefits and expenses | 15 | 97 | 3,803 | (6) | 3,909 |
| Income (loss) from continuing operations before income taxes and equity in income (loss) of subsidiaries | (17) | (82) | 165 | — | 66 |
| Provision (benefit) for income taxes | — | (17) | 53 | — | 36 |
| Equity in income (loss) of subsidiaries | (491) | 96 | — | 395 | — |
| Income (loss) from continuing operations | (508) | 31 | 112 | 395 | 30 |
| Income (loss) from discontinued operations, net of taxes | 1 | (521) | — | — | (520) |
| Net income (loss) | (507) | (490) | 112 | 395 | (490) |
| Less: net income from continuing operations attributable to noncontrolling interests | — | — | 17 | — | 17 |
| Less: net income from discontinued operations attributable to noncontrolling interests | — | — | — | — | — |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ (507) | $(490) | $ 95 | $ 395 | $ (507) |

The following table presents the condensed consolidating income statement information for the year ended December 31, 2019:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Premiums | $ — | $ — | $ 4,037 | $ — | $ 4,037 |
| Net investment income | (3) | 10 | 3,228 | (15) | 3,220 |
| Net investment gains (losses) | — | (5) | 55 | — | 50 |
| Policy fees and other income | — | 2 | 792 | (5) | 789 |
| Total revenues | (3) | 7 | 8,112 | (20) | 8,096 |
| Benefits and expenses: | | | | | |
| Benefits and other changes in policy reserves | — | — | 5,163 | — | 5,163 |
| Interest credited | — | — | 577 | — | 577 |
| Acquisition and operating expenses, net of deferrals | 20 | — | 942 | — | 962 |
| Amortization of deferred acquisition costs and intangibles | — | — | 441 | — | 441 |
| Interest expense | 3 | 231 | 25 | (20) | 239 |
| Total benefits and expenses | 23 | 231 | 7,148 | (20) | 7,382 |
| Income (loss) from continuing operations before income taxes and equity in income of subsidiaries | (26) | (224) | 964 | — | 714 |
| Provision (benefit) for income taxes | (3) | (45) | 243 | — | 195 |
| Equity in income of subsidiaries | 366 | 177 | — | (543) | — |
| Income (loss) from continuing operations | 343 | (2) | 721 | (543) | 519 |
| Income (loss) from discontinued operations, net of taxes | — | (140) | 151 | — | 11 |
| Net income (loss) | 343 | (142) | 872 | (543) | 530 |
| Less: net income from continuing operations attributable to noncontrolling interests | — | — | 64 | — | 64 |
| Less: net income from discontinued operations attributable to noncontrolling interests | — | — | 123 | — | 123 |
| Net income (loss) available to Genworth Financial, Inc.'s common stockholders | $ 343 | $(142) | $ 685 | $ (543) | $ 343 |

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The following table presents the condensed consolidating comprehensive income statement information for the six months ended June 30, 2020:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net income (loss) | $ (507) | $ (490) | $ 112 | $ 395 | $ (490) |
| Other comprehensive income (loss), net of taxes: | | | | | |
| Net unrealized gains (losses) on securities without an allowance for credit losses | 363 | 363 | 363 | (727) | 362 |
| Net unrealized gains (losses) on securities with an allowance for credit losses | (8) | (8) | (8) | 16 | (8) |
| Derivatives qualifying as hedges | 675 | 675 | 725 | (1,400) | 675 |
| Foreign currency translation and other adjustments | (16) | (16) | (25) | 32 | (25) |
| Total other comprehensive income (loss) | 1,014 | 1,014 | 1,055 | (2,079) | 1,004 |
| Total comprehensive income | 507 | 524 | 1,167 | (1,684) | 514 |
| Less: comprehensive income attributable to noncontrolling interests | — | — | 7 | — | 7 |
| Total comprehensive income available to Genworth Financial, Inc.’s common stockholders | $ 507 | $ 524 | $ 1,160 | $ (1,684) | $ 507 |

The following table presents the condensed consolidating comprehensive income statement information for the year ended December 31, 2019:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net income (loss) | $ 343 | $ (142) | $ 872 | $ (543) | $ 530 |
| Other comprehensive income (loss), net of taxes: | | | | | |
| Net unrealized gains (losses) on securities not other-than-temporarily impaired | 859 | 842 | 846 | (1,701) | 846 |
| Net unrealized gains (losses) on other-than-temporarily impaired securities | 2 | 2 | 2 | (4) | 2 |
| Derivatives qualifying as hedges | 221 | 221 | 247 | (468) | 221 |
| Foreign currency translation and other adjustments | 307 | 224 | 486 | (530) | 487 |
| Total other comprehensive income (loss) | 1,389 | 1,289 | 1,581 | (2,703) | 1,556 |
| Total comprehensive income | 1,732 | 1,147 | 2,453 | (3,246) | 2,086 |
| Less: comprehensive income attributable to noncontrolling interests | — | — | 354 | — | 354 |
| Total comprehensive income available to Genworth Financial, Inc.’s common stockholders | $ 1,732 | $1,147 | $ 2,099 | $ (3,246) | $ 1,732 |

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The following table presents the condensed consolidating cash flow statement information for the six months ended June 30, 2020:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Cash flows from (used by) operating activities: | | | | | |
| Net income (loss) | $ (507) | $ (490) | $ 112 | $ 395 | $ (490) |
| Less (income) loss from discontinued operations, net of taxes | (1) | 521 | — | — | 520 |
| Adjustments to reconcile net income (loss) to net cash from (used by) operating activities: | | | | | |
| Equity in income (loss) from subsidiaries | 491 | (96) | — | (395) | — |
| Dividends from subsidiaries | — | 11 | (11) | — | — |
| Amortization of fixed maturity securities discounts and premiums | — | 3 | (53) | — | (50) |
| Net investment (gains) losses | — | (8) | 1 | — | (7) |
| Charges assessed to policyholders | — | — | (314) | — | (314) |
| Acquisition costs deferred | — | — | (9) | — | (9) |
| Amortization of deferred acquisition costs and intangibles | — | — | 209 | — | 209 |
| Goodwill impairment | — | — | 5 | — | 5 |
| Deferred income taxes | 3 | 29 | (4) | — | 28 |
| Derivative instruments, limited partnerships and other | — | (54) | 245 | — | 191 |
| Stock-based compensation expense | 19 | — | — | — | 19 |
| Change in certain assets and liabilities: | | | | | |
| Accrued investment income and other assets | (1) | (3) | (122) | (5) | (131) |
| Insurance reserves | — | — | 674 | — | 674 |
| Current tax liabilities | (6) | 23 | (18) | — | (1) |
| Other liabilities, policy and contract claims and other policy-related balances | (15) | (133) | 798 | 5 | 655 |
| Net cash from (used by) operating activities | (17) | (197) | 1,513 | — | 1,299 |
| Cash flows from (used by) investing activities: | | | | | |
| Proceeds from maturities and repayments of investments: | | | | | |
| Fixed maturity securities | — | — | 1,687 | — | 1,687 |
| Commercial mortgage loans | — | — | 302 | — | 302 |
| Other invested assets | — | — | 71 | — | 71 |
| Proceeds from sales of investments: | | | | | |
| Fixed maturity and equity securities | — | — | 1,657 | — | 1,657 |
| Purchases and originations of investments: | | | | | |
| Fixed maturity and equity securities | — | — | (4,166) | — | (4,166) |
| Commercial mortgage loans | — | — | (271) | — | (271) |
| Other invested assets | — | — | (236) | — | (236) |
| Short-term investments, net | — | 20 | 39 | — | 59 |
| Policy loans, net | — | — | 10 | — | 10 |
| Intercompany notes receivable | 23 | (82) | 200 | (141) | — |
| Capital contributions to subsidiaries | (1) | — | 1 | — | — |
| Net cash from (used by) investing activities | 22 | (62) | (706) | (141) | (887) |
| Cash flows used by financing activities: | | | | | |
| Deposits to universal life and investment contracts | — | — | 516 | — | 516 |
| Withdrawals from universal life and investment contracts | — | — | (914) | — | (914) |
| Redemption of non-recourse funding obligations | — | — | (315) | — | (315) |
| Repayment and repurchase of long-term debt | — | (471) | — | — | (471) |
| Dividends paid to noncontrolling interests | — | — | (9) | — | (9) |
| Intercompany notes payable | — | (223) | 82 | 141 | — |
| Other, net | (5) | (4) | 58 | — | 49 |
| Net cash used by financing activities | (5) | (698) | (582) | 141 | (1,144) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | — | — | (12) | — | (12) |
| Net change in cash, cash equivalents and restricted cash | — | (957) | 213 | — | (744) |
| Cash, cash equivalents and restricted cash at beginning of period | — | 1,461 | 1,880 | — | 3,341 |
| Cash, cash equivalents and restricted cash at end of period | — | 504 | 2,093 | — | 2,597 |
| Less cash, cash equivalents and restricted cash of discontinued operations at end of period | — | — | — | — | — |
| Cash, cash equivalents and restricted cash of continuing operations at end of period | $ — | $ 504 | $ 2,093 | $ — | $ 2,597 |

The following table presents the condensed consolidating cash flow statement information for the year ended December 31, 2019:

| (Amounts in millions) | Parent Guarantor | Issuer | All Other Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Net income (loss) | $ 343 | $ (142) | $ 872 | $ (543) | $ 530 |
| Less (income) loss from discontinued operations, net of taxes | — | 140 | (151) | — | (11) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: | | | | | |
| Equity in income from subsidiaries | (366) | (177) | — | 543 | — |
| Dividends from subsidiaries | 250 | 1,352 | (1,602) | — | — |
| Amortization of fixed maturity securities discounts and premiums | — | 8 | (126) | — | (118) |
| Net investment (gains) losses | — | 5 | (55) | — | (50) |
| Charges assessed to policyholders | — | — | (699) | — | (699) |
| Acquisition costs deferred | — | — | (27) | — | (27) |
| Amortization of deferred acquisition costs and intangibles | — | — | 441 | — | 441 |
| Deferred income taxes | 1 | 132 | 6 | — | 139 |
| Derivative instruments and limited partnerships | — | (35) | (63) | — | (98) |
| Stock-based compensation expense | 26 | — | 1 | — | 27 |
| Change in certain assets and liabilities: | | | | | |
| Accrued investment income and other assets | — | 7 | (365) | — | (358) |
| Insurance reserves | — | — | 1,259 | — | 1,259 |
| Current tax liabilities | 16 | (43) | 53 | — | 26 |
| Other liabilities, policy and contract claims and other policy-related balances | (17) | (44) | 668 | 2 | 609 |
| Cash from operating activities—discontinued operations | — | 134 | 275 | — | 409 |
| Net cash from operating activities | 253 | 1,337 | 487 | 2 | 2,079 |
| Cash flows from (used by) investing activities: | | | | | |
| Proceeds from maturities and repayments of investments: | | | | | |
| Fixed maturity securities | — | — | 3,436 | — | 3,436 |
| Commercial mortgage loans | — | — | 582 | — | 582 |
| Restricted commercial mortgage loans related to a securitization entity | — | — | 15 | — | 15 |
| Proceeds from sales of investments: | | | | | |
| Fixed maturity and equity securities | — | — | 3,883 | — | 3,883 |
| Purchases and originations of investments: | | | | | |
| Fixed maturity and equity securities | — | — | (6,899) | — | (6,899) |
| Commercial mortgage loans | — | — | (813) | — | (813) |
| Other invested assets, net | — | 5 | (392) | (2) | (389) |
| Policy loans, net | — | — | 62 | — | 62 |
| Intercompany notes receivable | (119) | 48 | 6 | 65 | — |
| Capital contributions to subsidiaries | (5) | — | 5 | — | — |
| Proceeds from sale of business, net of cash transferred | — | — | 1,398 | — | 1,398 |
| Cash from investing activities—discontinued operations | — | — | 26 | — | 26 |
| Net cash from (used by) investing activities | (124) | 53 | 1,309 | 63 | 1,301 |
| Cash flows used by financing activities: | | | | | |
| Deposits to universal life and investment contracts | — | — | 824 | — | 824 |
| Withdrawals from universal life and investment contracts | — | — | (2,319) | — | (2,319) |
| Repayment and repurchase of long-term debt | — | (446) | — | — | (446) |
| Intercompany notes payable | (122) | 112 | 75 | (65) | — |
| Repurchase of subsidiary shares | — | — | (22) | — | (22) |
| Dividends paid to noncontrolling interests | — | — | (87) | — | (87) |
| Other, net | (7) | (24) | (4) | — | (35) |
| Cash used by financing activities—discontinued operations | — | — | (132) | — | (132) |
| Net cash used by financing activities | (129) | (358) | (1,665) | (65) | (2,217) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash (includes $6 related to discontinued operations) | — | — | 1 | — | 1 |
| Net change in cash, cash equivalents and restricted cash | — | 1,032 | 132 | — | 1,164 |
| Cash, cash equivalents and restricted cash at beginning of period | — | 429 | 1,748 | — | 2,177 |
| Cash, cash equivalents and restricted cash at end of period | — | 1,461 | 1,880 | — | 3,341 |
| Less cash, cash equivalents and restricted cash of discontinued operations at end of period | — | — | — | — | — |
| Cash, cash equivalents and restricted cash of continuing operations at end of period | $ — | $1,461 | $ 1,880 | $ — | $ 3,341 |

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 statutory results as of December 31, 2019, in accordance with applicable dividend restrictions, our subsidiaries could pay dividends of approximately $300 million to us in 2020, and the remaining net assets are considered restricted. While the $300 million is considered unrestricted, our insurance subsidiaries will not pay dividends to us in 2020 at this level as they need to retain capital to meet regulatory requirements and preserve desired capital thresholds. As of June 30, 2020, Genworth Financial's and Genworth Holdings' subsidiaries had restricted net assets of $14.2 billion and $15.9 billion, respectively.

**Securitization Entities**

There were no off-balance sheet securitization transactions during the six months ended June 30, 2020 or 2019.

**New Accounting Standards**

For a discussion of recently adopted accounting standards, see note 2 in our unaudited condensed consolidated financial statements under "Item 1—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. Except as disclosed below and in our executive summary under "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations—COVID-19 Summary," there were no other material changes in our market risks since December 31, 2019. 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, including changes in interest rates.

We are exposed to foreign currency exchange risks associated with fluctuations in foreign currency exchange rates against the U.S. dollar resulting from our international operations and non-U.S.-denominated securities. Our primary international operations are located in Australia. The assets and liabilities of our international operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date, while revenues and expenses of our international operations are translated into U.S. dollars at the average rates of exchange during the period of the transaction. In general, the weakening of the U.S. dollar results in higher levels of reported assets, liabilities, revenues and net income (loss). As of June 30, 2020, the U.S. dollar strengthened against the Australian dollar compared to the respective balance sheet rate as of December 31, 2019. In the second quarter of 2020, the U.S. dollar strengthened against the Australian dollar compared to the respective average rate in the second quarter of 2019. 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.

## Item 4. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures**

As of June 30, 2020, 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, 2020.

**Changes in Internal Control Over Financial Reporting During the Quarter Ended June 30, 2020**

During the three months ended June 30, 2020, there have been no changes in our internal control over financial reporting 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

See note 12 in our unaudited condensed consolidated financial statements under "Part 1—Item 1—Financial Statements" for a description of material pending litigation and regulatory matters affecting us.

### 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 2019 Annual Report on Form 10-K, which together 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, 2020.

**COVID-19 could materially adversely affect our financial condition and results of operations.**

COVID-19 has brought unprecedented changes to the global economy. Large scale disruption in the U.S. economy is leaving several industries non-operational through state and federal mandated shutdowns in an effort to contain the spread ofCOVID-19. Unemployment claims have increased significantly, reducing consumer confidence to its lowest level since the 2008 financial crisis. The level of uncertainty created by COVID-19 is far-reaching and difficult to estimate. We are unsure of the ultimate impact COVID-19 will have on our business, and conditions, including economic and operational, are evolving rapidly. COVID-19 exposes our business to significant risks, including interest rate declines, significantly higher levels of unemployment, liquidity pressures, credit risk on our investment portfolio, equity market volatility, and operational, information technology and personnel risks. We could experience significant declines in asset valuations and potential material asset impairments, as well as unexpected changes in persistency rates, as policyholders and contractholders who are affected by the pandemic may not be able to meet their contractual obligations, such as premium payments on their insurance policies, deposits to their investment products, or mortgage payments on their loans insured by our mortgage insurance policies. The pandemic has decreased historically low interest rates further and could also significantly increase our mortality and morbidity experience and/or impact our ability to successfully implement in-force rate actions (including increased premiums and associated benefit reductions), all of which could result in higher reserve charges and an adverse impact to our financial results in our U.S. life insurance businesses. Regarding our mortgage insurance businesses, COVID-19 has resulted in significantly higher levels of unemployment, which has and may continue to increase delinquencies, and could reduce mortgage originations, the need for mortgage insurance and have an adverse effect on home prices, all of which would result in a significant adverse impact to our financial condition and results of operations in our mortgage insurance businesses. Losses in our mortgage insurance businesses could lead to lower credit ratings and impaired capital, which could hinder our mortgage insurance businesses from offering their products, preclude them from returning capital to our holding company for prolonged periods of time, and thereby harm our liquidity. COVID-19 could also disrupt medical and financial services and has resulted in us practicing social distancing with our employees through office closures, all of which could disrupt our normal business operations. The level of disruption, the economic downturn, the global recession, and the far-reaching effects of COVID-19 could negatively affect our investment portfolio and cause the harms to our business to persist for long periods of time. As a result of the foregoing, any of the risks identified above or other related COVID-19 risks may have a material adverse impact on us, including a material adverse effect on our financial condition and results of operations.

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**Item 6. Exhibits**

| Number | Description |
|---|---|
| 2.1 | Fifteenth Waiver and Agreement, dated as of June 30, 2020, by and among Genworth Financial, Inc., Asia Pacific Global Capital Co., Ltd., and Asia Pacific Global Capital USA Corporation (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on June 30, 2020) |
| 10.1§ | Form of 2020-2022 Performance Stock Unit Award Agreement under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (filed herewith) |
| 10.2§ | Form of 2020-2022 Restricted Stock Award Agreement under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (filed herewith) |
| 10.3§ | Form of 2020-2022 Cash Based Award Agreement under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (filed herewith) |
| 10.4 | Secured Promissory Note, dated as of July 20, 2020, issued by Genworth Financial, Inc. and Genworth Financial International Holdings, LLC to AXA S.A. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on July 20, 2020) |
| 31.1 | Certification of Thomas J. McInerney (filed herewith) |
| 31.2 | Certification of Kelly L. Groh (filed herewith) |
| 32.1 | Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code—Thomas J. McInerney (filed herewith) |
| 32.2 | Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code—Kelly L. Groh (filed herewith) |
| 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 |
| 104 | The cover page for the Company’s Quarterly Report on Form10-Q for the three months ended June 30, 2020, has been formatted in Inline XBRL |

§ Management contract or compensatory plan or arrangement.

## 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: August 5, 2020

By: /s/ Matthew D. Farney

**Matthew D. Farney**
**Vice President and Controller**
**(Principal Accounting Officer)**

**2018 Genworth Financial, Inc. Omnibus Incentive Plan**
**2020-2022 Performance Stock Unit Award Agreement**

Dear [Participant Name]:

You have been selected to receive a Performance Stock Unit Award ("Award") under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (the "Plan"), on the terms and conditions set forth below. This Award Agreement and the Plan together govern your rights under this Award and set forth all of the conditions and limitations affecting such rights. Unless the context otherwise requires, capitalized terms used in this Award Agreement shall have the meanings ascribed to them in the Plan. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Award Agreement.

1. **Grant of Performance Stock Units.** You are hereby granted performance stock units ('Units"), representing the right to earn, on a one-for-one basis, Shares of Genworth Financial, Inc. (together with its affiliates, the "Company") Class A common stock ('Shares"), all in accordance with the terms of this Award Agreement, the Plan, and any rules and procedures adopted by the Management Development and Compensation Committee of the Genworth Financial, Inc. Board of Directors (the "Committee"). The Units represent the right to earn from 0% to 200% of the Target Award, based on (i) your continued future employment, and (ii) the Company's level of achievement of the Performance Goals during the Performance Period, in accordance with the terms of this Award Agreement.

   a. **Grant Date.** The Grant Date of your Units is [Grant Date].

   b. **Target Award.** The Target Award of Shares subject to this Award is [Number of Shares Granted].

   c. **Performance Goals.** The Performance Goals are described on Exhibit A.

   d. **Performance Period**. The Performance Period is set forth on Exhibit A.

2. **Agreement to Participate.** You have been provided with this Award Agreement, and you have the opportunity to accept this Award Agreement, by accessing and following the procedures set forth on the stock plan administrator's website. The Plan is available for your reference on the stock plan administrator's website. You may also request a copy of the Plan at any time by contacting Human Resources at the address or telephone number set forth in Section 12(a). By agreeing to participate, you acknowledge that you have reviewed the Plan and this Award Agreement, and you fully understand all of your rights under the Plan and this Award Agreement, the Company's remedies if you violate the terms of this Award Agreement, and all of the terms and conditions which may limit your eligibility to retain and receive the Units and/or Shares issued pursuant to the Plan and this Award Agreement.

   If you do not wish to accept the Units and participate in the Plan and be subject to the provisions of the Plan and this Award Agreement, please contact the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or at (804) 281-6000, within thirty (30) days of receipt of this Award Agreement. If you do not respond within thirty (30) days of receipt of this Award Agreement, the Award Agreement is deemed accepted. If you choose to participate in the Plan, you agree to abide by all of the governing terms and provisions of the Plan and this Award Agreement.

3. **Earning and Vesting of Units.** The Units shall not provide you with any rights or interests therein until the Units have been earned and vested. Not later than March 15 following the end of the Performance Period (the "Vesting Date"), the Committee shall determine and certify the level of achievement of the Performance Goals and determine the number of Units earned and vested ("Confirmed Units"). Any Units that fail to vest in accordance with the terms of this Award Agreement will be forfeited and reconveyed to the Company without further consideration or any act or action by you.

4. **Conversion to Shares.** The Confirmed Units shall automatically convert to Shares on the Vesting Date (the "Conversion Date"). These Shares will be registered on the books of the Company in your name as of the Conversion Date.

If for any reason the Committee is unable to certify the level of achievement of the Performance Goals by March 15 following the end of the Performance Period, then the Vesting Date shall be March 15 following the end of the Performance Period, but the determination of the number of Confirmed Units and the Conversion Date shall be delayed, in the discretion of the Committee, for such period as may be required for the Committee to certify the level of achievement of the Performance Goals, but in no event shall the Conversion Date extend beyond December 31, 2022.

5. **Treatment of Units Upon Termination of Employment.** Subject to Section 6 below, the Units shall be immediately and automatically cancelled upon termination of your service with the Company prior to the Vesting Date, for any reason other than (i) a severance-benefit eligible "Layoff" as defined or described in the Genworth Layoff Payment Plan (a "Layoff"), (ii) your death or Total Disability, or (iii) Retirement on or after the first anniversary of the Grant Date. If your service with the Company terminates prior to the Vesting Date as a result of (i) a Layoff, (ii) your death or Total Disability, or (iii) Retirement on or after the first anniversary of the Grant Date, then the Award shall fully vest as of your termination date, and you (or your estate, in the event of your death) shall receive a pro rata payout on the regular Conversion Date, determined by multiplying the Confirmed Units that otherwise would have paid out based on actual performance for the entire Performance Period, multiplied by a fraction, the numerator of which is the number of full months elapsed from January 1, 2020 until the date of your termination, and the denominator of which is 36.

For purposes of this Award Agreement, the following terms shall have the following meanings:

**"Retirement"** shall mean your voluntary resignation on or after you have attained age sixty (60) and accumulated five (5) or more years of combined and continuous service with the Company.

**"Total Disability"** means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

6. **Change of Control.** In the event of a Change of Control of the Company (as defined in the Plan), the Units shall be treated as set forth in this Section 6.

   a. **Qualifying Change of Control and Awards are Not Assumed.** Upon the occurrence of a Qualifying Change of Control (as defined below) on or after the first anniversary of the Grant Date in which the Successor Entity fails to Assume and Maintain this Award of Units, the Units shall immediately vest as of the effective date of such Qualifying Change of Control; shall be deemed earned based on actual pro rata performance as of the date of such Qualifying Change of Control, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on an assumed achievement of all relevant performance goals at "target" levels, if actual pro rata performance cannot be reasonably established in the sole discretion of the Committee; shall be distributed or paid to you within thirty (30) days following the date of the Qualifying Change of Control pro rata based on the portion of the performance period elapsed on the date of the Qualifying Change of Control in cash, Shares (based on the value of the Shares as of the effective date of the Change of Control), other securities, or any combination, as determined by the Committee; and shall thereafter terminate, provided that the circumstances giving rise to such Qualifying Change of Control meet the definition of a "change in control event" under Code Section 409A.

   b. **Employment Termination without Cause or for Good Reason within 12 Months of a Qualifying Change of Control.** If a Qualifying Change of Control occurs and the Successor Entity

Assumes and Maintains this Award of Units, and if your service with the Successor Entity and its Affiliates is terminated on or after the first anniversary of the Grant Date by the Successor Entity or one of its Affiliates without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason (as such terms are defined below) within twelve (12) months following the effective date of such Qualifying Change of Control, then the Units shall immediately vest as of the date of termination of your service with the Successor Entity and its Affiliates; shall be deemed earned based on actual pro rata performance as of the date of termination of your service with the Company, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on an assumed achievement of all relevant performance goals at "target" levels, if actual pro rata performance cannot be reasonably established in the sole discretion of the Committee; shall be distributed or paid to you within thirty (30) days following the date of termination of your service with the Successor Entity and its Affiliates pro rata based on the portion of the performance period elapsed as of the termination of your service with the Successor Entity and its Affiliates; and shall thereafter terminate.

**c.** **Employment Termination without Cause or for Good Reason within 12 Months of aNon-Qualifying Change of Control**. If a Non-Qualifying Change of Control (as defined below) occurs and if your service with the Company is terminated on or after the first anniversary of the Grant Date by the Company without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason within twelve (12) months following the effective date of the Non-Qualifying Change of Control, then the Units shall immediately vest as of the date of termination of your service with the Company; shall be deemed earned based on actual pro rata performance as of the date of termination of your service with the Company, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on an assumed achievement of all relevant performance goals at "target" levels, if actual pro rata performance cannot be reasonably established in the sole discretion of the Committee; shall be distributed or paid to you within thirty (30) days following the date of termination of your service with the Company pro rata based on the portion of the performance period elapsed on the date of the Change of Control; and shall thereafter terminate.

**d.** **Defined Terms**. For purposes of this Award Agreement:

**(i)** **"Business Unit Sale"** shall mean the Company's sale or disposition of all or any portion of a business unit.

**(ii)** **"Cause"** shall mean (i) your willful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from your Total Disability); (ii) your commission, conviction or pleading guilty or nolo contendere (or any similar plea or admission) to any felony or any act of fraud, misappropriation or embezzlement; (iii) your willful engagement in conduct (other than conduct covered under clause (i) above) which, in the good faith judgment of the Committee, is injurious to the Company, monetarily or otherwise; or (iv) your material violation or breach of any Company policy, or any noncompetition, confidentiality, or other restrictive covenant with respect to the Company, that applies to you; *provided*, *however*, that for purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that the act, or failure to act, was in the best interests of the Company.

**(iii)** **"Good Reason"** shall mean any material reduction in the aggregate value of your compensation (including base salary and bonus), or a substantial reduction in the aggregate value of benefits provided to you; provided, however, that Company-initiated across-the-board reductions in compensation or benefits affecting substantially all employees shall alone not be considered Good Reason.

**(iv)** **"Non-Qualifying Change of Control"** shall mean a Change of Control of the Company (as defined in the Plan) that results from a Business Unit Sale, provided that following such Change of Control (i) the Company remains in existence as a publicly-traded company (separate and apart from any Successor Entity resulting from the Change of Control, and regardless of whether the Company continues to use the name "Genworth Financial, Inc." or a different name), (ii) your employment with the Company is not terminated by the Company without Cause in connection with the Change in Control, and (iii) the Units subject to this Award Agreement remain outstanding.

**(v)** **"Qualifying Change of Control"** shall mean a Change of Control of the Company (as defined in the Plan) that is not a Non-Qualifying Change of Control.

**7.** **Restrictive Covenants.** As a condition to receiving payment of the Award, you agree to the following:

**a.** **Non-Disparagement.** Subject to any obligations you may have under applicable law, you will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its agents, officers, directors or employees. Nothing in this section shall limit your ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

**b.** **Non-Solicitation of Customers or Clients.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company for any reason, directly or through another person, solicit or contact any of the customers or clients of the Company with whom you had material contact during your employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

**c.** **Non-Solicitation of Company Employees.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company, directly or through another person, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

**8.** **Payment of Taxes.** The Company has the authority and the right to deduct or withhold, or require you to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including your FICA obligation), domestic or foreign, required by law to be withheld with respect to any taxable event arising as a result of the vesting or payment of this Award. With respect to such withholding, the employer may satisfy the tax withholding requirement by withholding Shares having a Fair Market Value as of the date that the amount of tax to be withheld is to be determined equal to the amount required to be withheld in accordance with applicable tax requirements, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Award Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct in cash or Shares any such taxes from any payment of any kind otherwise due to you.

**9.** **Nontransferability.** This Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated ("Transfer"), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any prohibited Transfer, whether voluntary or involuntary, of the Award is attempted to be made, or if any attachment, execution, garnishment, or lien shall be attempted to be issued against or placed upon this Award, your right to receive any payment pursuant to the terms of this Award shall be immediately and automatically be forfeited, and this Award Agreement shall be null and void.

**10.** **Administration.** This Award Agreement and your rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon you. The Committee's interpretation of the Plan and this Award Agreement, and all decisions and determinations by the Committee with respect to the Plan and this Award Agreement, shall be final, binding, and conclusive on all parties.

**11.** **Limitation of Rights.** The Units do not confer to you or your beneficiary, executors or administrators any rights of a stockholder of the Company unless and until Shares are in fact issued to such person in connection with the Units. This Award Agreement shall not confer upon you any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate your employment at any time.

**12.** **Plan; Prospectus and Related Documents; Electronic Delivery.**

**a.** A copy of the Plan will be furnished upon written or oral request made to the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

**b.** As required by applicable securities laws, the Company is delivering to you a prospectus in connection with this Award, which delivery is being made electronically. A paper copy of the prospectus may also be obtained without charge by contacting the Human Resources Department at the address or telephone number listed above. By accepting this Award Agreement, you shall be deemed to have consented to receive the prospectus electronically.

**c.** The Company will deliver to you electronically a copy of the Company's Annual Report to Stockholders for each fiscal year, as well as copies of all other reports, proxy statements and other communications distributed to the Company's stockholders. You will be provided notice regarding the availability of each of these documents, and such documents may be accessed by going to the Company's website at www.genworth.com and clicking on "Investors" and then "SEC Filings & Financial Reports" (or, if the Company changes its web site, by accessing such other web site address(es) containing investor information to which the Company may direct you in the future) and will be deemed delivered to you upon posting or filing by the Company. Upon written or oral request, paper copies of these documents (other than certain exhibits) may also be obtained by contacting the Company's Human Resources Department at the address or telephone number listed above or by contacting the Investor Relations Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

**d.** By accepting this Award, you agree and consent, to the fullest extent permitted by law, in lieu of receiving documents in paper format to accept electronic delivery of any documents that the Company may be required to deliver in connection with this Award and any other Awards granted to you under the Plan. Electronic delivery of a document may be via a Company e-mail or by reference to a location on a Company intranet or internet site to which you have access.

**13.** **Amendment, Modification, Suspension, and Termination.** Subject to the terms of the Plan, this Award Agreement may be modified or amended by the Committee; provided that no such amendment shall materially and adversely affect your rights hereunder without your consent. Notwithstanding the foregoing, you hereby expressly agree to any amendment to the Plan and this Award Agreement to the extent necessary to comply with applicable law or changes to applicable law (including, but not limited to, Code Section 409A) and related regulations or other guidance and federal securities laws.

**14.** **Entire Agreement; Plan Controls.** This Award Agreement, the Plan, and the rules and procedures adopted by the Committee contain all of the provisions applicable to the Award and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Agreement, the provisions of the Plan shall be controlling and determinative.

**15.** **Compensation Recoupment Policy.** This Award shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to you and to Awards of this type.

**16.** **Successors**. This Award Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Award Agreement and the Plan.

**PLEASE REFER ANY QUESTIONS YOU MAY HAVE REGARDING YOUR PERFORMANCE STOCK UNIT AWARD TO THE EXECUTIVE VICE PRESIDENT OF HUMAN RESOURCES.**

**2018 Genworth Financial, Inc. Omnibus Incentive Plan**
**2020-2022 Restricted Stock Unit Award Agreement**

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Dear [Participant Name]:

This Award Agreement and the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (the "Plan") together govern your rights under this Award Agreement and set forth all of the conditions and limitations affecting such rights. Unless the context otherwise requires, capitalized terms used in this Award Agreement shall have the meanings ascribed to them in the Plan. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Award Agreement.

1. **Grant.** You are hereby granted Restricted Stock Units ("RSUs"), which vest (become non-forfeitable) based on your continued future employment with the Company and/or certain other events, as set forth in Section 3 below. Each vested RSU entitles you to receive from Genworth Financial, Inc. (together with its Affiliates, the "Company") one Share of the Company's Class A common stock ("Share"), as set forth in Section 6 below, all in accordance with the terms and conditions of this Award Agreement, the Plan, and any rules and procedures adopted by the Committee.

   a. **Grant Date: [**Grant Date] (the "Grant Date")

   b. **Number of RSUs: [**Number of Awards Granted]

   c. **Vesting Dates.** The RSUs shall not provide you with any rights or interests therein until the RSUs vest. Unless vesting is accelerated as provided in Section 3 herein or otherwise in the discretion of the Committee as permitted under the Plan, one-third of the RSUs (rounded to a whole Share) shall vest (become non-forfeitable) on each of the first, second and third anniversaries of the Grant Date (each, a "Vesting Date"), provided that you have been continuously in the service of the Company or one through such dates.

2. **Agreement to Participate.** You have been provided with this Award Agreement, and you have the opportunity to accept this Award Agreement, by accessing and following the procedures set forth on the stock plan administrator's website. The Plan is available for your reference on the stock plan administrator's website. You may also request a copy of the Plan at any time by contacting Human Resources at the address or telephone number set forth below in Section 14(a). By agreeing to participate, you acknowledge that you have reviewed the Plan and this Award Agreement, and you fully understand all of your rights under the Plan and this Award Agreement, the Company's remedies if you violate the terms of this Award Agreement, and all of the terms and conditions which may limit your eligibility to retain and receive the RSUs and/or Shares issued pursuant to the Plan and this Award Agreement.

   If you do not wish to accept the RSUs and participate in the Plan and be subject to the provisions of the Plan and this Award Agreement, please contact the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or at (804) 281-6000, within thirty (30) days of receipt of this Award Agreement. If you do not respond within thirty (30) days of receipt of this Award Agreement, the Award Agreement is deemed accepted. If you choose to participate in the Plan, you agree to abide by all of the governing terms and provisions of the Plan and this Award Agreement.

3. **Vesting of RSUs.** The RSUs have been credited to a bookkeeping account on your behalf. The RSUs will vest and become non-forfeitable as follows:

   a. **Designated Vesting Dates.** The RSUs will vest on the designated Vesting Dates provided in Section 1(c), provided that you have been continuously in the service of the Company through such dates. Unvested RSUs shall be immediately cancelled upon termination of your service with the Company, except as provided in Sections 3(b), (c), (d), (e), (f) and (g) below.

b. **Employment Termination Due to Death or Total Disability**. If your service with the Company terminates as a result of your death or Total Disability, then all of your unvested RSUs shall immediately vest. For purposes of this Award Agreement, "Total Disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

c. **Employment Termination for Retirement**. If, on or after the first anniversary of the Grant Date, your service with the Company terminates as a result of your voluntary resignation on or after you have attained age sixty (60) and accumulated five (5) or more years of combined and continuous service with the Company, then all of your unvested RSUs shall automatically vest.

d. **Employment Termination Due to Layoff**. If your service with the Company terminates as a result of a severance-benefit eligible "Layoff" as defined or described in the Genworth Layoff Payment Plan, you shall continue to vest in any RSUs that vest after the Notice Date but before the Layoff Date ("Notice Date" and "Layoff Date" as defined in the Genworth Layoff Payment Plan). Additionally, the RSUs, if any, that are scheduled to vest on the next designated Vesting Date after the Layoff Date shall vest on that Vesting Date as provided in Section 1(c); all remaining and subsequently-vesting RSUs shall be forfeited as provided in Section 4 immediately on the Layoff Date.

e. **Qualifying Change of Control and Awards are Not Assumed**. Upon the occurrence of a Qualifying Change of Control in which the Successor Entity fails to Assume and Maintain this Award of RSUs, all of your unvested RSUs shall immediately vest as of the effective date of the Qualifying Change of Control, provided that the circumstances giving rise to such Qualifying Change of Control meet the definition of a "change in control event" under Code Section 409A.

f. **Employment Termination without Cause or for Good Reason within 12 Months of a Qualifying Change of Control**. If a Qualifying Change of Control occurs and the Successor Entity Assumes and Maintains this Award of RSUs, and if your service with the Successor Entity and its Affiliates is terminated by the Successor Entity or one of its Affiliates without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason within twelve (12) months following the effective date of the Qualifying Change of Control, then all of your unvested RSUs shall immediately vest as of the date of such termination of service.

g. **Employment Termination without Cause or for Good Reason within 12 Months of aNon-Qualifying Change of Control.** If a Non-Qualifying Change of Control occurs and if your service with the Company is terminated by the Company without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason within twelve (12) months following the effective date of the Non-Qualifying Change of Control, then all of your unvested RSUs shall immediately vest as of the date of such termination of service.

4. **Forfeiture of RSUs Upon Termination of Employment**. If your employment terminates prior to the designated Vesting Dates provided in Section 1(c) for any reason other than as described in Section 3 above, you shall forfeit all right, title and interest in and to the RSUs as of the date of such termination and the RSUs will be reconveyed to the Company without further consideration or any act or action by you. Any RSUs that fail to vest in accordance with the terms of this Award Agreement will be forfeited and reconveyed to the Company without further consideration or any act or action by you.

5. **For purposes of this Award Agreement:**

a. **"Business Unit Sale"** shall mean the Company's sale or disposition of all or any portion of a business unit.

b. **"<u>Cause</u>"** shall mean (i) your willful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from your Total Disability); (ii) your commission, conviction or pleading guilty or nolo contendere (or any similar plea or admission) to any felony or any act of fraud, misappropriation or embezzlement; (iii) your willful engagement in conduct (other than conduct covered under clause (i) above) which, in the good faith judgment of the Committee, is injurious to the Company, monetarily or otherwise; or (iv) your material violation or breach of any Company policy, or any noncompetition, confidentiality, or other restrictive covenant with respect to the Company, that applies to you; *provided*, *however*, that for purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that the act, or failure to act, was in the best interests of the Company.

c. **"<u>Good Reason</u>"** shall mean any material reduction in the aggregate value of your compensation (including base salary and bonus), or a substantial reduction in the aggregate value of benefits provided to you; *provided*, *however*, that Company-initiated across-the-board reductions in compensation or benefits affecting substantially all employees shall alone not be considered Good Reason.

d. **"<u>Non-Qualifying Change of Control</u>"** shall mean a Change of Control of the Company (as defined in the Plan) that results from a Business Unit Sale, provided that following such Change of Control (i) the Company remains in existence as a publicly-traded company (separate and apart from any Successor Entity resulting from the Change of Control, and regardless of whether the Company continues to use the name "Genworth Financial, Inc." or a different name), (ii) your employment with the Company is not terminated by the Company without Cause in connection with the Change of Control, and (iii) the RSUs subject to this Award Agreement remain outstanding.

e. **"<u>Qualifying Change of Control</u>"** shall mean a Change of Control of the Company (as defined in the Plan) that is not a Non-Qualifying Change of Control.

6. **<u>Conversion to Stock</u>**. Unless the RSUs are forfeited as provided in Section 4 above, the RSUs will be converted to Shares on the designated Vesting Dates provided in Section 1(c), or earlier upon the occurrence of a Qualifying Change of Control in which the Successor Entity fails to Assume and Maintain this Award of RSUs as provided in Section 3(f) (the "<u>Conversion Date</u>"). Shares will be registered on the books of the Company in your name as of the Conversion Date and delivered to you as soon as practical thereafter, in certificated or uncertificated form, as you shall direct.

For purposes of this Award Agreement, the term "Specified Employee" has the meaning given such term in Internal Revenue Code Section 409A and the final regulations thereunder ("<u>Final 409A Regulations</u>"), provided, however, that, as permitted in the Final 409A Regulations, the Company's Specified Employees and its application of the six-month delay rule of Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Company's Board of Directors or a committee thereof, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Award Agreement.

7. **<u>Dividend Equivalents</u>.** Until such time as the RSUs convert to Shares, or the RSUs are cancelled, whichever occurs first, the Company will establish an amount to be paid to the Participant ("<u>Dividend Equivalent</u>") equal to the number of outstanding RSUs under this Award Agreement times the per share dividend payments made to shareholders of the Company's Class A common stock. The Company shall accumulate Dividend Equivalents and will, on the date that RSUs convert to Shares, pay to the Participant a cash amount equal to the Dividend Equivalents attributable to such RSUs. Notwithstanding the foregoing, any accumulated and unpaid Dividend Equivalents attributable to RSUs that are cancelled will not be paid and are immediately forfeited upon cancellation of the RSUs.

8. **<u>Restrictive Covenants</u>.** As a condition to receiving payment of the Award, you agree to the following:

   a. **<u>Non-Disparagement</u>.** Subject to any obligations you may have under applicable law, you will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its agents, officers, directors or employees. Nothing in this section shall limit your ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

   b. **<u>Non-Solicitation of Customers or Clients</u>.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company for any reason, directly or through another person, solicit or contact any of the customers or clients of the Company with whom you had material contact during your employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

   c. **<u>Non-Solicitation of Company Employees</u>.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company, directly or through another person, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

9. **<u>Tax Withholding</u>.** The Company shall have the power and the right to deduct or withhold, or require you or your beneficiary to remit to the Company, an amount in cash or Shares sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Award Agreement (including "sell to cover" arrangements whereby the company has the right to sell shares on your behalf to cover the taxes). With respect to such withholding, the employer may satisfy the tax withholding requirement by withholding Shares having a Fair Market Value as of the date that the amount of tax to be withheld is to be determined equal to the amount required to be withheld in accordance with applicable tax requirements, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Award Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct in cash or Shares any such taxes from any payment of any kind otherwise due to you.

10. **<u>Nontransferability</u>.** The RSUs awarded pursuant to this Award Agreement may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated ("<u>Transfer</u>"), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any prohibited Transfer, whether voluntary or involuntary, of the RSUs is attempted to be made, or if any attachment, execution, garnishment, or lien shall be attempted to be issued against or placed upon the RSUs, your right to such RSUs shall be immediately forfeited to the Company, and this Award Agreement shall be null and void.

11. **<u>Requirements of Law</u>.** The granting of the RSUs and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The RSUs shall be null and void to the extent the grant, vesting or conversion of RSUs is prohibited under the laws of the country of your residence.

12. **<u>Administration</u>.** This Award Agreement and your rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon you, the Participant. The Committee's interpretation of the Plan and this Award Agreement, and all decisions and determinations by the Committee with respect to the Plan and this Award Agreement, shall be final, binding, and conclusive on all parties.

13. **No Guarantee of Employment.** This Award Agreement shall not confer upon you any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate your employment at any time, for any lawful reason.

14. **Plan; Prospectus and Related Documents; Electronic Delivery.**

    a. A copy of the Plan will be furnished upon written or oral request made to the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

    b. As required by applicable securities laws, the Company is delivering to you a prospectus in connection with this Award, which delivery is being made electronically. A paper copy of the prospectus may also be obtained without charge by contacting the Human Resources Department at the address or telephone number listed above. By accepting this Award Agreement, you shall be deemed to have consented to receive the prospectus electronically.

    c. The Company will deliver to you electronically a copy of the Company's Annual Report to Stockholders for each fiscal year, as well as copies of all other reports, proxy statements and other communications distributed to the Company's stockholders. You will be provided notice regarding the availability of each of these documents, and such documents may be accessed by going to the Company's website at www.genworth.com and clicking on "Investors" and then "SEC Filings & Financial Reports" (or, if the Company changes its web site, by accessing such other web site address(es) containing investor information to which the Company may direct you in the future) and will be deemed delivered to you upon posting or filing by the Company. Upon written or oral request, paper copies of these documents (other than certain exhibits) may also be obtained by contacting the Company's Human Resources Department at the address or telephone number listed above or by contacting the Investor Relations Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

    d. By accepting this Award, you agree and consent, to the fullest extent permitted by law, in lieu of receiving documents in paper format to accept electronic delivery of any documents that the Company may be required to deliver in connection with this Award and any other Awards granted to you under the Plan. Electronic delivery of a document may be via a Company e-mail or by reference to a location on a Company intranet or internet site to which you have access.

15. **Amendment, Modification, Suspension, and Termination.** The Board of Directors shall have the right at any time in its sole discretion, subject to certain restrictions, to alter, amend, modify, suspend, or terminate the Plan in whole or in part, and the Committee shall have the right at any time in its sole discretion to alter, amend, modify, suspend or terminate the terms and conditions of any Award; *provided*, *however*, that no such action shall adversely affect in any material way your Award without your written consent.

16. **Entire Agreement.** Except as set forth in Section 18 below, this Award Agreement, the Plan, and the rules and procedures adopted by the Committee contain all of the provisions applicable to the RSUs and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you.

17. **Compensation Recoupment Policy.** Notwithstanding Section 17 above, this Award shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to you and to Awards of this type.

18. **Severability.** The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

Please refer any questions you may have regarding your Restricted Stock Unit grant to your local Human Resources Manager.

Acceptance Date: Acceptance Date

**2018 Genworth Financial, Inc. Omnibus Incentive Plan**
**2020-2022 Cash-Based Award Agreement**

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Dear [Participant Name]:

This Award Agreement and the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (the "Plan") together govern your rights under this Cash-Based Award (the "Award") and set forth all of the conditions and limitations affecting such rights. Unless the context otherwise requires, capitalized terms used in this Award Agreement shall have the meanings ascribed to them in the Plan. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Award Agreement.

1. **Grant.** You are hereby granted an Award under the Plan, effective as of [Grant Date] (the "Grant Date"). The Award entitles you to receive from Genworth Financial, Inc. (together with its Affiliates, the "Company") an aggregate amount in cash equal to $[Amount of Award], payable in three equal annual installments, all in accordance with the terms and conditions of this Award Agreement, the Plan, and any rules and procedures adopted by the Management Development and Compensation Committee of the Genworth Financial, Inc. Board of Directors (the "Committee").

2. **Vesting and Payment Dates:** The Award shall not provide you with any rights or interests therein until the Award vests. Unless vesting is accelerated as provided in Section 3 herein or otherwise in the discretion of the Committee as permitted under the Plan, one-third of the Award will vest on each of the first, second and third anniversaries of the Grant Date (each, a "Vesting Date"), and the vested portion will be paid within 30 days of the Vesting Date, provided you have continued in the service of the Company through such Vesting Date.

3. **Treatment of Award Upon Termination of Employment and Other Events.** If your service with the Company terminates for any reason other than as set forth below, and you and the Company have not entered into a written agreement explicitly providing otherwise in accordance with rules and procedures adopted by the Committee, then the Award shall immediately expire upon such termination.

   a. **Employment Termination Due to Death or Total Disability.** If your service with the Company terminates as a result of your death or Total Disability, then the Award shall immediately vest and become payable on the regularly scheduled Vesting Dates. For purposes of this Award Agreement, "Total Disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

   b. **Employment Termination for Retirement**. If, on or after the first anniversary of the original grant date, your service with the Company terminates as a result of your voluntary resignation on or after the date on which you have attained age sixty (60) and accumulated five (5) or more years of combined and continuous service with the Company, then the Award shall immediately vest and become payable on the regularly scheduled Vesting Dates.

   c. **Employment Termination Due to Layoff.** If your service with the Company terminates as a result of a severance-benefit eligible "Layoff" as defined or described in the Genworth Layoff Payment Plan, you shall continue to vest in any portion of the Award that vests after the Notice Date but before the Layoff Date ("Notice Date" and "Layoff Date" as defined in the Genworth Layoff Payment Plan). Additionally, the portion of the Award, if any, that is scheduled to vest on the next designated Vesting Date after the Layoff Date shall vest on that Vesting Date as provided in Section 2; any remaining and subsequently-vesting portion of the Award shall be forfeited immediately on the Layoff Date.

4. **Restrictive Covenants.** As a condition to receiving payment of the Award, you agree to the following:

   a. **Non-Disparagement.** Subject to any obligations you may have under applicable law, you will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its agents, officers, directors or employees. Nothing in this section shall limit a Participant's ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

   b. **Non-Solicitation of Customers or Clients.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company for any reason, directly or through another person, solicit or contact any of the customers or clients of the Company with whom you had material contact during your employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

   c. **Non-Solicitation of Company Employees.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company, directly or through another person, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

5. **Tax Withholding.** The Company shall have the power and the right to deduct or withhold, or require you or your beneficiary to remit to the Company, an amount in cash sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Award Agreement.

6. **Nontransferability.** This Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated ("Transfer"), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any prohibited Transfer, whether voluntary or involuntary, of this Award is attempted to be made, or if any attachment, execution, garnishment, or lien shall be attempted to be issued against or placed upon the Award, your right to the Award shall be immediately forfeited to the Company, and this Award Agreement shall be null and void.

7. **Administration.** This Award Agreement and your rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon you, the Participant.

8. **Continuation of Employment.** This Award Agreement shall not confer upon you any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate your employment at any time, for any lawful reason.

9. **Amendment, Modification, Suspension, and Termination**. The Board of Directors shall have the right at any time in its sole discretion, subject to certain restrictions, to alter, amend, modify, suspend, or terminate the Plan in whole or in part, and the Committee shall have the right at any time in its sole discretion to alter, amend, modify, suspend or terminate the terms and conditions of any Award; *provided*, *however*, that no such action shall adversely affect in any material way your Award without your written consent.

10. **Entire Agreement.** This Award Agreement, the Plan, and the rules and procedures adopted by the Committee contain all of the provisions applicable to this Award and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you.

11. **Compensation Recoupment Policy.** Notwithstanding Section 10 above, this Award shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to you and to Awards of this type.

12. **Agreement to Participate.** You have been provided with this Award Agreement, and you have the opportunity to accept this Award Agreement, by accessing and following the procedures set forth on the stock plan administrator's website. The Plan is available for your reference on the stock plan administrator's website. You may also request a copy of the Plan at any time by contacting Human Resources at the address or telephone number set forth below. By agreeing to participate, you acknowledge that you have reviewed the Plan and this Award Agreement, and you fully understand all of your rights under the Plan and this Award Agreement, the Company's remedies if you violate the terms of this Award Agreement, and all of the terms and conditions which may limit your eligibility to retain and receive the Units and/or Shares issued pursuant to the Plan and this Award Agreement.

    If you do not wish to accept the Units and participate in the Plan and be subject to the provisions of the Plan and this Award Agreement, please contact the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or at (804) 281-6000, within thirty (30) days of receipt of this Award Agreement. If you do not respond within thirty (30) days of receipt of this Award Agreement, the Award Agreement is deemed accepted. If you choose to participate in the Plan, you agree to abide by all of the governing terms and provisions of the Plan and this Award Agreement

13. **Assistance in Proceedings, Etc.** You agree that you will, without additional compensation, during and after your employment with the Company, upon reasonable notice, furnish such information and reasonable and proper assistance to the Company as may reasonably be required by the Company in connection with any legal or quasi-legal proceeding, including any external or internal investigation, involving the Company.

14. **Cooperation.** Following termination of your employment with the Company for any reason, you agree that you will reasonably cooperate with the Company, as reasonably requested by the Company, to effect a transition of your responsibilities and to ensure that the Company is aware of all matters being handled by you.

15. **Resolve**. Any disagreement between you and the Company concerning anything covered by this Award Agreement or concerning the Award will be settled by final and binding arbitration pursuant to the Company's Resolve program. The Conditions of Employment document previously executed by you and the Resolve Guidelines are incorporated herein by reference as if set forth in full in this Award Agreement.

Please refer any questions you may have regarding this Award to the Executive Vice President – Human Resources.

ACCEPTANCE DATE: Acceptance Date

**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: August 5, 2020

/S/ Thomas J. McInerney

**Thomas J. McInerney**
**President and Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 31.2**

**CERTIFICATIONS**

I, Kelly L. Groh, 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 Rules13a-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: August 5, 2020

/S/ Kelly L. Groh

**Kelly L. Groh**
**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, 2020 (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: August 5, 2020

/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, Kelly L. Groh, 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, 2020 (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: August 5, 2020

/S/ Kelly L. Groh

**Kelly L. Groh**
**Executive Vice President and Chief Financial Officer**
**(Principal Financial Officer)**