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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

OR

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

For the transition period from to

Commission file number 001-32195

GENWORTH FINANCIAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**80-0873306**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
6620 West Broad Street Richmond, Virginia	**23230**
(Address of Principal Executive Offices)	**(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 x No ¨

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

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

As of October 23, 2013, 494,259,563 shares of Class A Common Stock, par value $0.001 per share, were outstanding.

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NOTE REGARDING THIS QUARTERLY REPORT

As previously announced, on April 1, 2013, we completed a holding company reorganization in connection with a comprehensive capital plan for our U.S. mortgage insurance business, which is discussed in further detail in note 1 of the financial statements in Item 1 Financial Statements of this Quarterly Report on Form 10-Q. Pursuant to the reorganization, the public holding company historically known as Genworth Financial, Inc. (now renamed Genworth Holdings, Inc. (Genworth Holdings)) became a direct, 100% owned subsidiary of a new public holding company that it had formed and that now has been renamed Genworth Financial, Inc. (New Genworth). In connection with the reorganization, all the stockholders of Genworth Holdings immediately prior to the completion of the reorganization automatically became stockholders of New Genworth, owning the same number of shares of stock in New Genworth that they owned in Genworth Holdings immediately prior to the reorganization. New Genworth, as the successor issuer to Genworth Holdings (pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), began making filings under the Securities Act of 1933, as amended, and the Exchange Act, from April 1, 2013.

On April 1, 2013, in connection with the reorganization, Genworth Holdings distributed to New Genworth (as its sole stockholder), through a dividend (the Distribution), the 84.6% membership interest in one of its subsidiaries (Genworth Mortgage Holdings, LLC (GMHL)) that it held directly, and 100% of the shares of another of its subsidiaries (Genworth Mortgage Holdings, Inc. (GMHI)), that held the remaining 15.4% of outstanding membership interests of GMHL. At the time of the Distribution, GMHL and GMHI together owned (directly or indirectly) 100% of the shares or other equity interests of all of the subsidiaries that conducted Genworth Holdings U.S. mortgage insurance business (these subsidiaries also owned the subsidiaries that conducted Genworth Holdings European mortgage insurance business). As part of the comprehensive U.S. mortgage insurance capital plan, on April 1, 2013, immediately prior to the Distribution, Genworth Holdings contributed $100 million to the U.S. mortgage insurance subsidiaries.

On April 1, 2013, in connection with the reorganization (a) New Genworth provided a full and unconditional guarantee to the trustee of Genworth Holdings outstanding senior notes and the holders of the senior notes, on an unsecured unsubordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, each outstanding series of senior notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior notes indenture in respect of such senior notes and (b) New Genworth provided a full and unconditional guarantee to the trustee of Genworth Holdings outstanding subordinated notes and the holders of the subordinated notes, on an unsecured subordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, the outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the subordinated notes indenture in respect of the subordinated notes.

References to Genworth, the Company, we or our in this Quarterly Report on Form 10-Q (including in the condens consolidated financial statements and notes thereto in this report) have the following meanings, unless the context otherwise requires:

For periods prior to April 1, 2013: Genworth Holdings and its subsidiaries

For periods from and after April 1, 2013: New Genworth and its subsidiaries

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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)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	$ 59,086	$ 62,161
Equity securities available-for-sale, at fair value	379	518
Commercial mortgage loans	5,858	5,872
Restricted commercial mortgage loans related to securitization entities	290	341
Policy loans	1,668	1,601
Other invested assets	1,826	3,493
Restricted other invested assets related to securitization entities, at fair value	392	393
Total investments	69,499	74,379
Cash and cash equivalents	3,554	3,632
Accrued investment income	705	715
Deferred acquisition costs	5,256	5,036
Intangible assets	404	366
Goodwill	867	868
Reinsurance recoverable	17,224	17,230
Other assets	668	710
Separate account assets	9,957	9,937
Assets associated with discontinued operations		439
Total assets	$ 108,134	$ 113,312
Liabilities and stockholders equity		
Liabilities:		
Future policy benefits	$ 33,612	$ 33,505
Policyholder account balances	25,266	26,262
Liability for policy and contract claims	7,271	7,509
Unearned premiums	4,160	4,333
Other liabilities ($78 and $133 other liabilities related to securitization entities)	4,607	5,239
Borrowings related to securitization entities ($73 and $62 at fair value)	297	336

Non-recourse funding obligations		2,046		2,066
Long-term borrowings		4,780		4,776
Deferred tax liability		293		1,507
Separate account liabilities		9,957		9,937
Liabilities associated with discontinued operations				61
Total liabilities		92,289		95,531
Commitments and contingencies				
Stockholders equity:				
Class A common stock, $0.001 par value; 1.5 billion shares authorized; 583 million and 580 million shares issued as of September 30, 2013 and December 31, 2012, respectively; 494 million and 492 million shares outstanding as of September 30, 2013 and December 31, 2012, respectively		1		1
Additional paid-in capital		12,149		12,127
Accumulated other comprehensive income (loss):				
Net unrealized investment gains (losses):				
Net unrealized gains (losses) on securities not other-than-temporarily impaired		1,106		2,692
Net unrealized gains (losses) on other-than-temporarily impaired securities		3		(54)
Net unrealized investment gains (losses)		1,109		2,638
Derivatives qualifying as hedges		1,442		1,909
Foreign currency translation and other adjustments		388		655
Total accumulated other comprehensive income (loss)		2,939		5,202
Retained earnings		2,215		1,863
Treasury stock, at cost (88 million shares as of September 30, 2013 and December 31, 2012)		(2,700)		(2,700)
Total Genworth Financial, Inc. s stockholders equity		14,604		16,493
Noncontrolling interests		1,241		1,288
Total stockholders equity		15,845		17,781
Total liabilities and stockholders equity	$	108,134	$	113,312

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in millions, except per share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Revenues:				
Premiums	$ 1,291	$ 1,313	$ 3,838	$ 3,721
Net investment income	801	825	2,436	2,503
Net investment gains (losses)	(23)	9	(63)	13
Insurance and investment product fees and other	248	309	780	936
Total revenues	2,317	2,456	6,991	7,173
Benefits and expenses:				
Benefits and other changes in policy reserves	1,169	1,363	3,639	3,977
Interest credited	184	193	552	582
Acquisition and operating expenses, net of deferrals	407	443	1,253	1,322
Amortization of deferred acquisition costs and intangibles	182	160	441	578
Goodwill impairment		89		89
Interest expense	124	126	371	352
Total benefits and expenses	2,066	2,374	6,256	6,900
Income from continuing operations before income taxes	251	82	735	273
Provision for income taxes	105	23	254	65
Income from continuing operations	146	59	481	208
Income (loss) from discontinued operations, net of taxes	2	12	(12)	51
Net income	148	71	469	259
Less: net income attributable to noncontrolling interests	40	36	117	102
Net income available to Genworth Financial, Inc. s common stockholders	$ 108	$ 35	$ 352	$ 157
Income from continuing operations available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ 0.21	$ 0.05	$ 0.74	$ 0.22

Diluted	$ 0.21	$ 0.05	$ 0.73	$ 0.22
Net income available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ 0.22	$ 0.07	$ 0.71	$ 0.32
Diluted	$ 0.22	$ 0.07	$ 0.71	$ 0.32
Weighted-average common shares outstanding:				
Basic	494.0	491.7	493.3	491.5
Diluted	499.3	493.9	497.9	494.5
Supplemental disclosures:				
Total other-than-temporary impairments	$ (3)	$ (26)	$ (17)	$ (84)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	(2)	(3)	(5)	(1)
Net other-than-temporary impairments	(5)	(29)	(22)	(85)
Other investments gains (losses)	(18)	38	(41)	98
Total net investment gains (losses)	$ (23)	$ 9	$ (63)	$ 13

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in millions)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income	$ 148	$ 71	$ 469	$ 259
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(191)	517	(1,624)	1,029
Net unrealized gains (losses) on other-than-temporarily impaired securities	5	28	57	44
Derivatives qualifying as hedges	(139)	(76)	(467)	2
Foreign currency translation and other adjustments	144	148	(313)	145
Total other comprehensive income (loss)	(181)	617	(2,347)	1,220
Total comprehensive income (loss)	(33)	688	(1,878)	1,479
Less: comprehensive income attributable to noncontrolling interests	62	83	33	146
Total comprehensive income (loss) available to Genworth Financial, Inc. s common stockholders	$ (95)	$ 605	$ (1,911)	$ 1,333

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Amounts in millions)

(Unaudited)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc. s stockholders equity	Noncontrolling interests	Total stockholders equity
Balances as of December 31, 2012	$ 1	$ 12,127	$ 5,202	$ 1,863	$ (2,700)	$ 16,493	$ 1,288	$ 17,781
Repurchase of subsidiary shares							(43)	(43)
Comprehensive income (loss):								
Net income				352		352	117	469
Net unrealized gains (losses) on securities not other-than-temporarily impaired			(1,586)			(1,586)	(38)	(1,624)
Net unrealized gains (losses) on other-than-temporarily impaired securities			57			57		57
Derivatives qualifying as hedges			(467)			(467)		(467)
Foreign currency translation and other adjustments			(267)			(267)	(46)	(313)
Total comprehensive income (loss)						(1,911)	33	(1,878)
Dividends to noncontrolling interests							(39)	(39)
Stock-based compensation expense and exercises and other		22				22	2	24
Balances as of September 30, 2013	$ 1	$ 12,149	$ 2,939	$ 2,215	$ (2,700)	$ 14,604	$ 1,241	$ 15,845

Balances as of December 31, 2011	$ 1	$ 12,136	$ 4,047	$ 1,538	$ (2,700)	$ 15,022	$ 1,110	$ 16,132
Comprehensive income (loss):								
Net income				157		157	102	259
Net unrealized gains (losses) on securities not other-than-temporarily impaired			1,024			1,024	5	1,029
Net unrealized gains (losses) on other-than-temporarily impaired securities			44			44		44
Derivatives qualifying as hedges			2			2		2
Foreign currency translation and other adjustments			106			106	39	145
Total comprehensive income (loss)						1,333	146	1,479
Dividends to noncontrolling interests							(36)	(36)
Stock-based compensation expense and exercises and other		26				26		26
Balances as of September 30, 2012	$ 1	$ 12,162	$ 5,223	$ 1,695	$ (2,700)	$ 16,381	$ 1,220	$ 17,601

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

(Unaudited)

	Nine months ended September 30, 2013	2012
Cash flows from operating activities:		
Net income	$ 469	$ 259
Less (income) loss from discontinued operations, net of taxes	12	(51)
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of fixed maturity discounts and premiums and limited partnerships	(64)	(59)
Net investment losses (gains)	63	(13)
Charges assessed to policyholders	(612)	(590)
Acquisition costs deferred	(332)	(456)
Amortization of deferred acquisition costs and intangibles	441	578
Goodwill impairment		89
Deferred income taxes	(120)	12
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	(15)	66
Stock-based compensation expense	27	20
Change in certain assets and liabilities:		
Accrued investment income and other assets	(66)	(153)
Insurance reserves	1,679	1,672
Current tax liabilities	242	(191)
Other liabilities and other policy-related balances	(699)	(808)
Cash from operating activities discontinued operations	68	52
Net cash from operating activities	1,093	427
Cash flows from investing activities:		
Proceeds from maturities and repayments of investments:		
Fixed maturity securities	4,046	3,619
Commercial mortgage loans	686	559
Restricted commercial mortgage loans related to securitization entities	51	48
Proceeds from sales of investments:		
Fixed maturity and equity securities	3,056	3,956
Purchases and originations of investments:		
Fixed maturity and equity securities	(7,872)	(8,932)
Commercial mortgage loans	(667)	(339)
Other invested assets, net	80	531
Policy loans, net	(7)	(8)

Proceeds from sale of a subsidiary, net of cash transferred	370	77
Cash from investing activities discontinued operations	(30)	(41)
Net cash from investing activities	(287)	(530)
Cash flows from financing activities:		
Deposits to universal life and investment contracts	1,979	2,248
Withdrawals from universal life and investment contracts	(2,613)	(2,057)
Redemption and repurchase of non-recourse funding obligations	(20)	(801)
Proceeds from the issuance of long-term debt	397	361
Repayment and repurchase of long-term debt	(365)	(222)
Repayment of borrowings related to securitization entities	(51)	(53)
Repurchase of subsidiary shares	(43)	
Dividends paid to noncontrolling interests	(39)	(36)
Other, net	(53)	(68)
Cash from financing activities discontinued operations	(3)	(35)
Net cash from financing activities	(811)	(663)
Effect of exchange rate changes on cash and cash equivalents	(94)	19
Net change in cash and cash equivalents	(99)	(747)
Cash and cash equivalents at beginning of period	3,653	4,488
Cash and cash equivalents at end of period	3,554	3,741
Less cash and cash equivalents of discontinued operations at end of period		21
Cash and cash equivalents of continuing operations at end of period	$ 3,554	$ 3,720

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 on October 23, 2003. 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 it had formed. The new public holding company was incorporated in Delaware on December 5, 2012, in connection with the reorganization, under the name Sub XLVI, Inc., and was renamed Genworth Financial, Inc. upon the completion of the reorganization.

To implement the reorganization, Genworth Holdings formed New Genworth and New Genworth, in turn, formed Sub XLII, Inc. (Merger Sub). The holding company structure was implemented pursuant to Section 251(g) of the General Corporation Law of the State of Delaware (DGCL) by the merger of Merger Sub with and into Genworth Holdings (the Merger). Genworth Holdings survived the Merger as a direct, wholly-owned subsidiary of New Genworth and each share of Genworth Holdings Class A Common Stock, par value $0.001 per share (Genworth Holdings Class A Common Stock), issued and outstanding immediately prior to the Merger and each share of Genworth Holdings Class A Common Stock held in the treasury of Genworth Holdings immediately prior to the Merger converted into one issued and outstanding or treasury, as applicable, share of New Genworth Class A Common Stock, par value $0.001 per share, having the same designations, rights, powers and preferences and the qualifications, limitations and restrictions as the Genworth Holdings Class A Common Stock being converted.

Immediately after the consummation of the Merger, New Genworth had the same authorized, outstanding and treasury capital stock as Genworth Holdings immediately prior to the Merger. Each share of New Genworth common stock outstanding immediately prior to the Merger was cancelled.

Pursuant to Section 251(g) of the DGCL, the Merger did not require a vote of the stockholders of Genworth Holdings. Effective upon the consummation of the Merger, New Genworth adopted an amended and restated certificate of incorporation and amended and restated bylaws that were identical to those of Genworth Holdings immediately prior to the consummation of the Merger (other than provisions regarding certain technical matters, as permitted by Section 251(g) of the DGCL). New Genworth s directors and executive officers immediately after the consummation of the Merger were the same as the directors and executive officers of Genworth Holdings immediately prior to the consummation of the Merger. Immediately after the consummation of the Merger, New Genworth had, on a consolidated basis, the same assets, businesses and operations as Genworth Holdings had immediately prior to the consummation of the Merger.

On April 1, 2013, in connection with the reorganization, immediately following the consummation of the Merger, Genworth Holdings distributed to New Genworth (as its sole stockholder), through a dividend (the Distribution), the 84.6% membership interest in one of its subsidiaries (Genworth Mortgage Holdings, LLC (GMHL)) that it held directly, and 100% of the shares of another of its subsidiaries (Genworth Mortgage Holdings, Inc. (GMHI)), that held the remaining 15.4% of outstanding membership interests of GMHL. At the time of the Distribution, GMHL and GMHI together owned (directly or indirectly) 100% of the shares or other equity interests of all of the subsidiaries that conducted Genworth Holdings U.S. mortgage insurance business (these subsidiaries also owned the subsidiaries that conducted Genworth Holdings European mortgage insurance business). As part of the comprehensive U.S. mortgage insurance capital plan, on April 1, 2013, immediately prior to the Distribution, Genworth Holdings contributed $100 million to the U.S. mortgage insurance subsidiaries.

The accompanying condensed financial statements include on a consolidated basis the accounts of: (a) for the periods prior to April 1, 2013, Genworth Holdings and the affiliated companies in which it held a majority

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

equity interest or where it was the primary beneficiary of a variable interest entity and (b) for the periods from and after April 1, 2013, New Genworth and the affiliated companies in which it held a majority voting interest or where it was the primary beneficiary of a variable interest entity. All intercompany accounts and transactions have been eliminated in consolidation.

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

For periods prior to April 1, 2013: Genworth Holdings and its subsidiaries

For periods from and after April 1, 2013: New Genworth and its subsidiaries

We have the following operating segments:

U.S. Life Insurance. We offer and manage a variety of insurance and fixed annuity products. Our primary insurance products include life insurance, long-term care insurance and fixed annuities.

International Mortgage Insurance. We are a leading provider of mortgage insurance products and related services in Canada and Australia and also participate in select European and other countries. Our products predominantly insure prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We also selectively provide mortgage insurance on a structured, or bulk, basis that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.

U.S. Mortgage Insurance. In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We selectively provide mortgage insurance on a bulk basis with essentially all of our bulk writings prime-based. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.

International Protection. We are a leading provider of payment protection coverages (referred to as lifestyle protection) in multiple European countries and have operations in select other countries. Our lifestyle protection insurance products primarily help consumers meet specified payment obligations should they become unable to pay due to accident, illness, involuntary unemployment, disability or death.

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

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings holding company 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.

On March 27, 2013, we announced that we had agreed to sell our wealth management business to AqGen Liberty Acquisition, Inc., a subsidiary of AqGen Liberty Holdings LLC, a partnership of Aquiline Capital

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Partners and Genstar Capital, for approximately $412 million. Historically, this business had been reported as a separate segment. As a result of the sale agreement, the financial statements and other disclosures herein have been revised to reclassify this business as discontinued operations and report its financial position, results of operations and cash flows separately for all periods presented. The sale closed on August 30, 2013 and we received net proceeds of approximately $360 million. Also included in discontinued operations was our tax and advisor unit, Genworth Financial Investment Services, which was part of our wealth management business until the closing of its sale on April 2, 2012. See note 10 for additional information 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 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 condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. The condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and related notes contained in our Current Report on Form 8-K filed on May 30, 2013, which reflected the reclassification of our wealth management business as discontinued operations, adjustments to correct an error related to premium refund accrual in our U.S. mortgage insurance business, the addition of a footnote in the notes to the consolidated financial statements that provides required supplemental guarantor financial information related to certain guarantees we gave in connection with the reorganization in which we became the parent company to Genworth Holdings and the addition of certain disclosures about offsetting assets and liabilities required by newly adopted accounting guidance. Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) Accounting Changes

Accounting Pronouncements Recently Adopted

On July 17, 2013, we adopted new accounting guidance to provide additional flexibility in the benchmark interest rates used when applying hedge accounting. The new guidance permits the use of the Federal Funds Effective Swap Rate as a benchmark interest rate for hedge accounting purposes and removes certain restrictions on being able to apply hedge accounting for similar hedges using different benchmark interest rates. The adoption of this accounting guidance did not have a material impact on our consolidated financial statements.

On January 1, 2013, we adopted new accounting guidance for disclosures about offsetting assets and liabilities. This guidance requires an entity to disclose information about offsetting and related arrangements to enable users to understand the effect of those arrangements on its financial position. The adoption of this accounting guidance impacted our disclosures only and did not impact our consolidated results.

On January 1, 2013, we adopted new accounting guidance related to the presentation of the reclassification of items out of accumulated other comprehensive income into net income. The adoption of this accounting guidance impacted our disclosures only and did not impact our consolidated results.

Accounting Pronouncements Not Yet Adopted

In June 2013, the Financial Accounting Standards Board issued new accounting guidance on the scope, measurement and disclosure requirements for investment companies. The new guidance clarifies the

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

characteristics of an investment company, provides comprehensive guidance for assessing whether an entity is an investment company, requires investment companies to measure noncontrolling ownership interest in other investment companies at fair value rather than using the equity method of accounting and requires additional disclosures. These new requirements will be effective for us on January 1, 2014 and are not expected to have a material impact on our consolidated financial statements.

(3) Earnings Per Share

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

(Amounts in millions, except per share amounts)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Weighted-average shares used in basic earnings per common share calculations	494.0	491.7	493.3	491.5
Potentially dilutive securities:				
Stock options, restricted stock units and stock appreciation rights	5.3	2.2	4.6	3.0
Weighted-average shares used in diluted earnings per common share calculations	499.3	493.9	497.9	494.5
Income from continuing operations:				
Income from continuing operations	$ 146	$ 59	$ 481	$ 208
Less: income from continuing operations attributable to noncontrolling interests	40	36	117	102
Income from continuing operations available to Genworth Financial, Inc. s common stockholders	$ 106	$ 23	$ 364	$ 106
Basic per common share	$ 0.21	$ 0.05	$ 0.74	$ 0.22
Diluted per common share	$ 0.21	$ 0.05	$ 0.73	$ 0.22
Income (loss) from discontinued operations:				
Income (loss) from discontinued operations, net of taxes	$ 2	$ 12	$ (12)	$ 51

Less: income from discontinued operations, net of taxes, attributable to noncontrolling interests				
Income (loss) from discontinued operations, net of taxes, available to Genworth Financial, Inc. s common stockholders	$ 2	$ 12	$ (12)	$ 51
Basic per common share	$	$ 0.02	$ (0.02)	$ 0.10
Diluted per common share	$	$ 0.02	$ (0.02)	$ 0.10
Net income:				
Income from continuing operations	$ 146	$ 59	$ 481	$ 208
Income (loss) from discontinued operations, net of taxes	2	12	(12)	51
Net income	148	71	469	259
Less: net income attributable to noncontrolling interests	40	36	117	102
Net income available to Genworth Financial, Inc. s common stockholders	$ 108	$ 35	$ 352	$ 157
Basic per common share	$ 0.22	$ 0.07	$ 0.71	$ 0.32
Diluted per common share	$ 0.22	$ 0.07	$ 0.71	$ 0.32

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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 September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Fixed maturity securities taxable	$ 651	$ 659	$ 1,979	$ 1,988
Fixed maturity securities non-taxable	3	2	7	9
Commercial mortgage loans	81	87	244	256
Restricted commercial mortgage loans related to securitization entities	8	8	22	24
Equity securities	3	4	13	14
Other invested assets	41	48	128	157
Policy loans	33	31	97	93
Cash, cash equivalents and short-term investments	4	8	16	28
Gross investment income before expenses and fees	824	847	2,506	2,569
Expenses and fees	(23)	(22)	(70)	(66)
Net investment income	$ 801	$ 825	$ 2,436	$ 2,503

(b) Net Investment Gains (Losses)

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

(Amounts in millions)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Available-for-sale securities:				
Realized gains	$ 26	$ 28	$ 144	$ 112
Realized losses	(38)	(14)	(151)	(79)
	(12)	14	(7)	33

Net realized gains (losses) on available-for-sale securities				
Impairments:				
Total other-than-temporary impairments	(3)	(26)	(17)	(84)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	(2)	(3)	(5)	(1)
Net other-than-temporary impairments	(5)	(29)	(22)	(85)
Trading securities	(6)	14	(15)	21
Commercial mortgage loans	1	2	5	7
Net gains (losses) related to securitization entities	21	18	43	48
Derivative instruments [1]	(19)	(2)	(63)	(4)
Contingent consideration adjustment		(8)		(7)
Other	(3)		(4)	
Net investment gains (losses)	$ (23)	$ 9	$ (63)	$ 13

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

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We generally intend to hold securities in unrealized loss positions until they recover. However, from time to time, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, we sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield and liquidity requirements. If a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we determined that we have the intent to sell the securities or it is more likely than not that we will be required to sell the securities prior to recovery. The aggregate fair value of securities sold at a loss during the three months ended September 30, 2013 and 2012 was $407 million and $228 million, respectively, which was approximately 93% and 96%, respectively, of book value. The aggregate fair value of securities sold at a loss during the nine months ended September 30, 2013 and 2012 was $1,293 million and $911 million, respectively, which was approximately 90% and 93%, respectively, of book value.

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

	As of or for the three months ended September 30,		As of or for the nine months ended September 30,	
(Amounts in millions)	**2013**	**2012**	**2013**	**2012**
Beginning balance	$ 179	$ 588	$ 387	$ 646
Additions:				
Other-than-temporary impairments not previously recognized	1	5	3	13
Increases related to other-than-temporary impairments previously recognized	2	10	9	42
Reductions:				
Securities sold, paid down or disposed	(76)	(66)	(293)	(164)
Ending balance	$ 106	$ 537	$ 106	$ 537

GENWORTH FINANCIAL, INC.

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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)	September 30, 2013	December 31, 2012
Net unrealized gains (losses) on investment securities:		
Fixed maturity securities	$ 2,786	$ 6,086
Equity securities	13	34
Other invested assets	(6)	(8)
Subtotal	2,793	6,112
Adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves	(1,008)	(1,925)
Income taxes, net	(622)	(1,457)
Net unrealized investment gains (losses)	1,163	2,730
Less: net unrealized investment gains (losses) attributable to noncontrolling interests	54	92
Net unrealized investment gains (losses) attributable to Genworth Financial, Inc.	$ 1,109	$ 2,638

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 September 30,

(Amounts in millions)	**2013**	**2012**
Beginning balance	$ 1,294	$ 2,016
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	(411)	1,040
Adjustment to deferred acquisition costs	23	(39)
Adjustment to present value of future profits	9	11
Adjustment to sales inducements	3	(17)
Adjustment to benefit reserves	68	(171)
Provision for income taxes	111	(288)
Change in unrealized gains (losses) on investment securities	(197)	536
Reclassification adjustments to net investment (gains) losses, net of taxes of $(6)	11	9
Change in net unrealized investment gains (losses)	(186)	545
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	(1)	8
Ending balance	$ 1,109	$ 2,553

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(Amounts in millions)	**As of or for the nine months ended September 30, 2013**	**2012**
Beginning balance	$ 2,638	$ 1,485
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	(3,348)	2,157
Adjustment to deferred acquisition costs	241	(138)
Adjustment to present value of future profits	80	(11)
Adjustment to sales inducements	41	(31)
Adjustment to benefit reserves	555	(384)
Provision for income taxes	845	(553)
Change in unrealized gains (losses) on investment securities	(1,586)	1,040
Reclassification adjustments to net investment (gains) losses, net of taxes of $(10) and $(19)	19	33
Change in net unrealized investment gains (losses)	(1,567)	1,073
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	(38)	5
Ending balance	$ 1,109	$ 2,553

(d) Fixed Maturity and Equity Securities

As of September 30, 2013, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		**Gross unrealized losses**		
(Amounts in millions)	**Amortized cost or cost**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Fair value**
Fixed maturity securities:						
	$ 5,007	$ 495	$	$ (177)	$	$ 5,325

U.S. government, agencies and government-sponsored enterprises						
Tax-exempt	287	7		(31)		263
Government non-U.S.	2,119	124		(11)		2,232
U.S. corporate	23,249	1,872	18	(357)		24,782
Corporate non-U.S.	14,703	751		(178)		15,276
Residential mortgage-backed	5,145	321	8	(65)	(12)	5,397
Commercial mortgage-backed	2,762	90	1	(60)	(3)	2,790
Other asset-backed	3,047	33		(57)	(2)	3,021
Total fixed maturity securities	56,319	3,693	27	(936)	(17)	59,086
Equity securities	366	29		(16)		379
Total available-for-sale securities	$ 56,685	$ 3,722	$ 27	$ (952)	$ (17)	$ 59,465

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As of December 31, 2012, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	**Amortized cost or cost**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Fair value**
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,484	$ 1,025	$	$ (18)	$	$ 5,491
Tax-exempt	308	16		(30)		294
Government non-U.S.	2,173	250		(1)		2,422
U.S. corporate	22,873	3,317	19	(104)		26,105
Corporate non-U.S.	14,577	1,262		(47)		15,792
Residential mortgage-backed	5,744	549	13	(124)	(101)	6,081
Commercial mortgage-backed	3,253	178	5	(82)	(21)	3,333
Other asset-backed	2,660	50		(65)	(2)	2,643
Total fixed maturity securities	56,072	6,647	37	(471)	(124)	62,161
Equity securities	483	41		(6)		518
Total available-for-sale securities	$ 56,555	$ 6,688	$ 37	$ (477)	$ (124)	$ 62,679

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The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of September 30, 2013:

(Dollar amounts in millions)	Less than 12 months Fair value	Gross unrealized losses	Number of securities	12 months or more Fair value	Gross unrealized losses (1)	Number of securities	Total Fair value	Gross unrealized losses (2)	Number of securities
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 769	$ (134)	43	$ 134	$ (43)	1	$ 903	$ (177)	44
Tax-exempt	36	(2)	19	101	(29)	9	137	(31)	28
Government non-U.S.	461	(11)	53				461	(11)	53
U.S. corporate	4,655	(280)	683	470	(77)	45	5,125	(357)	728
Corporate non-U.S.	3,180	(155)	393	248	(23)	22	3,428	(178)	415
Residential mortgage-backed	808	(36)	128	196	(41)	119	1,004	(77)	247
Commercial mortgage-backed	656	(38)	82	360	(25)	63	1,016	(63)	145
Other asset-backed	896	(16)	126	146	(43)	16	1,042	(59)	142
Subtotal, fixed maturity securities	11,461	(672)	1,527	1,655	(281)	275	13,116	(953)	1,802
Equity securities	133	(16)	72				133	(16)	72
Total for securities in an unrealized loss position	$ 11,594	$ (688)	1,599	$ 1,655	$ (281)	275	$ 13,249	$ (969)	1,874
% Below cost fixed maturity securities:									
<20% Below cost	$ 11,201	$ (595)	1,506	$ 1,294	$ (125)	196	$ 12,495	$ (720)	1,702
20%-50% Below cost	260	(77)	21	344	(127)	49	604	(204)	70
>50% Below cost				17	(29)	30	17	(29)	30
Total fixed maturity securities	11,461	(672)	1,527	1,655	(281)	275	13,116	(953)	1,802
% Below cost equity securities:									

<20% Below cost	132	(15)	69				132	(15)	69
20%-50% Below cost	1	(1)	3				1	(1)	3
Total equity securities	133	(16)	72				133	(16)	72
Total for securities in an unrealized loss position	$ 11,594	$ (688)	1,599	$ 1,655	$ (281)	275	$ 13,249	$ (969)	1,874
Investment grade	$ 10,978	$ (653)	1,435	$ 1,145	$ (203)	149	$ 12,123	$ (856)	1,584
Below investment grade [3]	616	(35)	164	510	(78)	126	1,126	(113)	290
Total for securities in an unrealized loss position	$ 11,594	$ (688)	1,599	$ 1,655	$ (281)	275	$ 13,249	$ (969)	1,874

(1) Amounts included $16 million of unrealized losses on other-than-temporarily impaired securities.
(2) Amounts included $17 million of unrealized losses on other-than-temporarily impaired securities.
(3) Amounts that have been in a continuous loss position for 12 months or more included $16 million of unrealized losses on other-than-temporarily impaired securities.

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As indicated in the table above, the majority of the securities in a continuous unrealized loss position for less than 12 months were investment grade and less than 20% below cost. These unrealized losses were primarily attributable to lower credit ratings since acquisition for corporate securities across various industry sectors. For securities that have been in a continuous unrealized loss for less than 12 months, the average fair value percentage below cost was approximately 6% as of September 30, 2013.

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

Of the $125 million of unrealized losses on fixed maturity securities in a continuous unrealized loss for 12 months or more that were less than 20% below cost, the weighted-average rating was BBB- and approximately 66% of the unrealized losses were related to investment grade securities as of September 30, 2013. These unrealized losses were attributable to the lower credit ratings for these securities since acquisition, primarily associated with corporate and structured securities in the finance and insurance sector. The average fair value percentage below cost for these securities was approximately 9% as of September 30, 2013. See below for additional discussion related to fixed maturity securities that have been in a continuous loss position for 12 months or more with a fair value that was more than 20% below cost.

The following tables present the concentration of gross unrealized losses and fair values of fixed maturity securities that were more than 20% below cost and in a continuous loss position for 12 months or more by asset class as of September 30, 2013:

	Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	**Fair value**	**Gross unrealized losses**	**% of total gross unrealized losses**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**% of total gross unrealized losses**	**Number of securities**
Fixed maturity securities:								
U.S. government, agencies and government-sponsored enterprises	$ 134	$ (43)	4%	1	$	$	%	
Tax-exempt	58	(20)	2	6				
U.S. corporate	23	(7)	1	2				
Corporate non-U.S.	32	(11)	1	7				
Structured securities:								
Residential mortgage-backed	2	(2)		3	5	(6)	1	7
Commercial mortgage-backed	2	(1)		2		(1)		1
Other asset-backed	60	(29)	3	4				

Total structured securities	64	(32)	3	9	5	(7)	1	8
Total	$ 311	$ (113)	11%	25	$ 5	$ (7)	1%	8

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	Below Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Fixed maturity securities:								
U.S. corporate	$ 2	$ (1)	%	1	$	$	%	
Structured securities:								
Residential mortgage-backed	21	(9)	1	19	3	(12)	1	19
Commercial mortgage-backed	10	(4)		4	1	(1)		1
Other asset-backed					8	(9)	1	2
Total structured securities	31	(13)	1	23	12	(22)	2	22
Total	$ 33	$ (14)	1%	24	$ 12	$ (22)	2%	22

For all securities in an unrealized loss position, we expect to recover the amortized cost based on our estimate of cash flows to be collected. We do not intend to sell and it is not more likely than not that we will be required to sell these securities prior to recovering our amortized cost. See the following for further discussion of gross unrealized losses by asset class.

U. S. government, agencies and government-sponsored enterprises

As indicated in the table above, $43 million of gross unrealized losses were related to a U.S. government, agencies and government-sponsored enterprises security that has been in a continuous loss position for more than 12 months and was greater than 20% below cost. The unrealized losses for the U.S. government, agencies and government-sponsored enterprises security represents a long-term, zero coupon Treasury bond. An increase in Treasury yields since the bond was purchased resulted in a decrease in the market value of this security. We expect that this security will accrete up to par value over time.

Corporate Debt Securities

The following tables present the concentration of gross unrealized losses and fair values related to corporate debt fixed maturity securities that were more than 20% below cost and in a continuous loss position for 12 months or more by industry as of September 30, 2013:

	Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Industry:								
Finance and insurance	$ 55	$ (18)	2%	9	$	$	%	
Total	$ 55	$ (18)	2%	9	$	$	%	

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	Below Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Industry:								
Finance and insurance	$ 2	$ (1)	%	1	$	$	%	
Total	$ 2	$ (1)	%	1	$	$	%	

The total unrealized losses of $19 million for corporate fixed maturity securities presented in the tables above related to issuers in the finance and insurance sector that were 20% below cost on average. Given the current market conditions, including current financial industry events and uncertainty around global economic conditions, the fair value of these debt securities has declined due to credit spreads that have widened since acquisition. In our examination of these securities, we considered all available evidence, including the issuers financial condition and current industry events to develop our conclusion on the amount and timing of the cash flows expected to be collected. Based on this evaluation, we determined that the unrealized losses on these debt securities represented temporary impairments as of September 30, 2013. Of the $19 million of unrealized losses related to the finance and insurance industry, $18 million related to financial hybrid securities on which a debt impairment model was employed. Most of our hybrid securities retained a credit rating of investment grade. The fair value of these hybrid securities has been impacted by credit spreads that have widened since acquisition and reflect uncertainty surrounding the extent and duration of government involvement, potential capital restructuring of these institutions, and continued but diminishing risk that income payments may be deferred. We continue to receive our contractual payments and expect to fully recover our amortized cost.

We expect that our investments in corporate securities will continue to perform in accordance with our expectations about the amount and timing of estimated cash flows. Although we do not anticipate such events, it is at least reasonably possible that issuers of our investments in corporate securities will perform worse than current expectations. Such events may lead us to recognize write-downs within our portfolio of corporate securities in the future.

Structured Securities

Of the $74 million of unrealized losses related to structured securities that have been in an unrealized loss position for 12 months or more and were more than 20% below cost, $11 million related to other-than-temporarily impaired securities where the unrealized losses represented the portion of the other-than-temporary impairment recognized in OCI. The extent and duration of the unrealized loss position on our structured securities was primarily due to the ongoing concern and uncertainty about the residential and commercial real estate market and unemployment, resulting in credit spreads that have widened since acquisition. Additionally, the fair value of certain structured securities has been significantly impacted from high risk premiums being incorporated into the valuation as a result of the amount of potential losses that may be absorbed by the security in the event of additional deterioration in the U.S. housing market.

While we considered the length of time each security had been in an unrealized loss position, the extent of the unrealized loss position and any significant declines in fair value subsequent to the balance sheet date in our evaluation of impairment for each of these individual securities, the primary factor in our evaluation of impairment is the expected performance for each of these securities. Our evaluation of expected performance is based on the historical performance of the associated securitization trust as well as the historical performance of

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the underlying collateral. Our examination of the historical performance of the securitization trust included consideration of the following factors for each class of securities issued by the trust: i) the payment history, including failure to make scheduled payments; ii) current payment status; iii) current and historical outstanding balances; iv) current levels of subordination and losses incurred to date; and v) characteristics of the underlying collateral. Our examination of the historical performance of the underlying collateral included: i) historical default rates, delinquency rates, voluntary and involuntary prepayments and severity of losses, including recent trends in this information; ii) current payment status; iii) loan to collateral value ratios, as applicable; iv) vintage; and v) other underlying characteristics such as current financial condition.

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

Based on this evaluation, the present value of expected cash flows was greater than or equal to the amortized cost for each security. Accordingly, we determined that the unrealized losses on each of our structured securities represented temporary impairments as of September 30, 2013.

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

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The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of December 31, 2012:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses (1)	Number of securities	Fair value	Gross unrealized losses (2)	Number of securities
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 655	$ (18)	19	$	$		$ 655	$ (18)	19
Tax-exempt				137	(30)	13	137	(30)	13
Government non-U.S.	103	(1)	21				103	(1)	21
U.S. corporate	859	(19)	154	646	(85)	65	1,505	(104)	219
Corporate non-U.S.	665	(9)	105	436	(38)	41	1,101	(47)	146
Residential mortgage-backed	152	(1)	32	494	(224)	278	646	(225)	310
Commercial mortgage-backed	183	(1)	20	749	(102)	130	932	(103)	150
Other asset-backed	282	(1)	42	185	(66)	18	467	(67)	60
Subtotal, fixed maturity securities	2,899	(50)	393	2,647	(545)	545	5,546	(595)	938
Equity securities	52	(4)	32	14	(2)	13	66	(6)	45
Total for securities in an unrealized loss position	$ 2,951	$ (54)	425	$ 2,661	$ (547)	558	$ 5,612	$ (601)	983
% Below cost fixed maturity securities:									
<20% Below cost	$ 2,899	$ (50)	393	$ 2,151	$ (194)	337	$ 5,050	$ (244)	730
20%-50% Below cost				445	(218)	128	445	(218)	128
>50% Below cost				51	(133)	80	51	(133)	80
Total fixed maturity securities	2,899	(50)	393	2,647	(545)	545	5,546	(595)	938

% Below cost equity securities:									
<20% Below cost	47	(2)	29	12	(1)	11	59	(3)	40
20%-50% Below cost	5	(2)	3	2	(1)	2	7	(3)	5
Total equity securities	52	(4)	32	14	(2)	13	66	(6)	45
Total for securities in an unrealized loss position	$ 2,951	$ (54)	425	$ 2,661	$ (547)	558	$ 5,612	$ (601)	983
Investment grade	$ 2,761	$ (43)	356	$ 1,616	$ (209)	235	$ 4,377	$ (252)	591
Below investment grade (3)	190	(11)	69	1,045	(338)	323	1,235	(349)	392
Total for securities in an unrealized loss position	$ 2,951	$ (54)	425	$ 2,661	$ (547)	558	$ 5,612	$ (601)	983

(1) Amounts included $123 million of unrealized losses on other-than-temporarily impaired securities.

(2) Amounts included $124 million of unrealized losses on other-than-temporarily impaired securities.

(3) Amounts that have been in a continuous loss position for 12 months or more included $119 million of unrealized losses on other-than-temporarily impaired securities.

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The scheduled maturity distribution of fixed maturity securities as of September 30, 2013 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(Amounts in millions)	**Amortized cost or cost**	**Fair value**
Due one year or less	$ 2,744	$ 2,772
Due after one year through five years	10,019	10,563
Due after five years through ten years	12,142	12,570
Due after ten years	20,460	21,973
Subtotal	45,365	47,878
Residential mortgage-backed	5,145	5,397
Commercial mortgage-backed	2,762	2,790
Other asset-backed	3,047	3,021
Total	$ 56,319	$ 59,086

As of September 30, 2013, $5,529 million of our investments (excluding mortgage-backed and asset-backed securities) were subject to certain call provisions.

As of September 30, 2013, securities issued by utilities and energy, finance and insurance, and consumer non-cyclical industry groups represented approximately 24%, 19% and 12%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio. This portfolio is widely diversified among various geographic regions in the United States and internationally, and is not dependent on the economic stability of one particular region.

As of September 30, 2013, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of stockholders equity.

(e) Commercial Mortgage Loans

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

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	September 30, 2013		December 31, 2012	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Property type:				
Retail	$ 2,005	34%	$ 1,895	32%
Office	1,610	27	1,580	27
Industrial	1,571	27	1,603	27
Apartments	473	8	552	9
Mixed use/other	234	4	282	5
Subtotal	5,893	100%	5,912	100%
Unamortized balance of loan origination fees and costs	1		2	
Allowance for losses	(36)		(42)	
Total	$ 5,858		$ 5,872	

	September 30, 2013		December 31, 2012	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Geographic region:				
Pacific	$ 1,624	28%	$ 1,553	26%
South Atlantic	1,558	26	1,587	27
Middle Atlantic	792	13	739	13
Mountain	462	8	463	8
East North Central	384	7	468	8
West North Central	366	6	353	6
New England	327	6	343	6
West South Central	237	4	265	4
East South Central	143	2	141	2
Subtotal	5,893	100%	5,912	100%

Unamortized balance of loan origination fees and costs	1	2
Allowance for losses	(36)	(42)
Total	$ 5,858	$ 5,872

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

(Amounts in millions)	September 30, 2013 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	$ 1,995	$ 2,005
Office			9	9	1,601	1,610
Industrial		16	1	17	1,554	1,571
Apartments					473	473
Mixed use/other					234	234
Total recorded investment	$	$ 16	$ 20	$ 36	$ 5,857	$ 5,893
% of total commercial mortgage loans	%	%	1%	1%	99%	100%

(Amounts in millions)	December 31, 2012 31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	$	$ 3	$	$ 3	$ 1,892	$ 1,895
Office	2			2	1,578	1,580
Industrial					1,603	1,603
Apartments			4	4	548	552
Mixed use/other	66			66	216	282
Total recorded investment	$ 68	$ 3	$ 4	$ 75	$ 5,837	$ 5,912
% of total commercial mortgage loans	1%	%	%	1%	99%	100%

As of September 30, 2013 and December 31, 2012, we had no commercial mortgage loans that were past due for more than 90 days and still accruing interest. We did not have any commercial mortgage loans that were past due for less than 90 days on non-accrual status as of September 30, 2013 and December 31, 2012.

As of and for the nine months ended September 30, 2013 and the year ended December 31, 2012, we modified or extended 26 and 38 commercial mortgage loans, respectively, with a total carrying value of $146 million and $279 million, respectively. All of these modifications or extensions were based on current market interest rates, did not result in any forgiveness in the outstanding principal amount owed by the borrower and were not considered troubled debt restructurings.

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

(Amounts in millions)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Allowance for credit losses:				
Beginning balance	$ 38	$ 46	$ 42	$ 51
Charge-offs	(1)	(3)	(3)	(4)
Recoveries				
Provision	(1)	1	(3)	(3)
Ending balance	$ 36	$ 44	$ 36	$ 44
Ending allowance for individually impaired loans	$	$	$	$
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	$ 36	$ 44	$ 36	$ 44
Recorded investment:				
Ending balance	$ 5,893	$ 5,903	$ 5,893	$ 5,903
Ending balance of individually impaired loans	$ 2	$ 8	$ 2	$ 8
Ending balance of loans not individually impaired that were evaluated collectively for impairment	$ 5,891	$ 5,895	$ 5,891	$ 5,895

As of September 30, 2013, we had individually impaired commercial mortgage loans included within the retail property type with a recorded investment of $1 million, an unpaid principal balance of $3 million, charge-offs of $2 million and an average recorded investment of $1 million. As of September 30, 2013, we also had individually impaired commercial mortgage loans included within the industrial property type with a recorded investment of $1 million, an unpaid principal balance of $2 million, charge-offs of $1 million and an average recorded investment of $1 million. As of December 31, 2012, we had no individually impaired commercial mortgage loans.

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

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

	September 30, 2013					
(Amounts in millions)	**0% - 50%**	**51% - 60%**	**61% - 75%**	**76% - 100%**	**Greater than 100%** [1]	**Total**
Property type:						
Retail	$ 557	$ 360	$ 957	$ 105	$ 26	$ 2,005
Office	385	199	768	190	68	1,610
Industrial	444	215	740	151	21	1,571
Apartments	190	100	146	36	1	473
Mixed use/other	57	56	109	6	6	234
Total recorded investment	$ 1,633	$ 930	$ 2,720	$ 488	$ 122	$ 5,893
% of total	28%	16%	46%	8%	2%	100%
Weighted-average debt service coverage ratio	2.19	1.77	1.72	1.11	0.64	1.78

(1) Included $2 million of impaired loans, $10 million of loans past due and not individually impaired and $110 million of loans in good standing where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 118%.

	December 31, 2012					
(Amounts in millions)	**0% - 50%**	**51% - 60%**	**61% - 75%**	**76% - 100%**	**Greater than 100%** [1]	**Total**
Property type:						
Retail	$ 548	$ 280	$ 874	$ 162	$ 31	$ 1,895
Office	323	237	688	288	44	1,580
Industrial	462	242	671	188	40	1,603
Apartments	167	140	201	29	15	552
Mixed use/other	68	24	103	81	6	282
Total recorded investment	$ 1,568	$ 923	$ 2,537	$ 748	$ 136	$ 5,912

% of total	27%	16%	42%	13%	2%	100%
Weighted-average debt service coverage ratio	2.13	1.73	2.09	1.18	2.48	1.95

(1) Included $136 million of loans in good standing where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 144%.

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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:

	September 30, 2013					
(Amounts in millions)	**Less than 1.00**	**1.00 - 1.25**	**1.26 - 1.50**	**1.51 - 2.00**	**Greater than 2.00**	**Total**
Property type:						
Retail	$ 107	$ 297	$ 371	$ 735	$ 393	$ 1,903
Office	138	183	211	632	370	1,534
Industrial	167	118	267	709	305	1,566
Apartments	12	25	105	168	163	473
Mixed use/other	22	2	38	122	50	234
Total recorded investment	$ 446	$ 625	$ 992	$ 2,366	$ 1,281	$ 5,710
% of total	8%	11%	17%	42%	22%	100%
Weighted-average loan-to-value	80%	68%	64%	60%	43%	59%

	December 31, 2012					
(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	$ 87	$ 295	$ 391	$ 634	$ 384	$ 1,791
Office	148	174	312	559	303	1,496
Industrial	164	148	311	629	345	1,597
Apartments	9	62	90	279	112	552
Mixed use/other	32	21	49	64	50	216
Total recorded investment	$ 440	$ 700	$ 1,153	$ 2,165	$ 1,194	$ 5,652
% of total	8%	12%	20%	39%	21%	100%
Weighted-average loan-to-value	81%	71%	66%	61%	45%	61%

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

	September 30, 2013					
(Amounts in millions)	**Less than 1.00**	**1.00 - 1.25**	**1.26 - 1.50**	**1.51 - 2.00**	**Greater than 2.00**	**Total**
Property type:						
Retail	$	$	$	$	$ 102	$ 102
Office			8		68	76
Industrial					5	5
Apartments						
Mixed use/other						
Total recorded investment	$	$	$ 8	$	$ 175	$ 183
% of total	%	%	4%	%	96%	100%
Weighted-average loan-to-value	%	%	77%	%	62%	63%

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	December 31, 2012					
(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	$	$	$ 1	$	$ 103	$ 104
Office			8		76	84
Industrial					6	6
Apartments						
Mixed use/other					66	66
Total recorded investment	$	$	$ 9	$	$ 251	$ 260
% of total	%	%	3%	%	97%	100%
Weighted-average loan-to-value	%	%	55%	%	79%	78%

(f) Restricted Commercial Mortgage Loans Related To Securitization Entities

The following tables set forth additional information regarding our restricted commercial mortgage loans related to securitization entities as of the dates indicated:

	September 30, 2013		December 31, 2012	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Property type:				
Retail	$ 118	41%	$ 140	42%
Industrial	68	23	81	24
Office	52	18	63	18
Apartments	50	17	53	15
Mixed use/other	3	1	5	1
Subtotal	291	100%	342	100%
Allowance for losses	(1)		(1)	
Total	$ 290		$ 341	

	September 30, 2013		December 31, 2012	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Geographic region:				
South Atlantic	$ 106	36%	$ 126	37%
Pacific	54	19	60	18
Middle Atlantic	49	17	55	16
East North Central	21	7	31	9
Mountain	20	7	21	6
West North Central	18	6	22	6
East South Central	13	5	16	5
West South Central	10	3	11	3
Subtotal	291	100%	342	100%
Allowance for losses	(1)		(1)	
Total	$ 290		$ 341	

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As of September 30, 2013, the total recorded investment of our restricted commercial mortgage loans of $291 million was current. Of our restricted commercial mortgage loans as of December 31, 2012, $337 million were current and $5 million were past due for more than 90 days and still accruing interest.

As of September 30, 2013 and December 31, 2012, the total recorded investment of restricted commercial mortgage loans of $291 million and $342 million, respectively, related to loans not individually impaired that were evaluated collectively for impairment. There was no provision for credit losses recorded during the three or nine months ended September 30, 2013 or 2012 related to restricted commercial mortgage loans.

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

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

	September 30, 2013					
(Amounts in millions)	**0% - 50%**	**51% - 60%**	**61% - 75%**	**76% - 100%**	**Greater than 100%**	**Total**
Property type:						
Retail	$ 116	$	$	$	$ 2	$ 118
Industrial	68					68
Office	50		2			52
Apartments	40		10			50

Mixed use/other	3					3
Total recorded investment	$ 277	$	$ 12	$	$ 2	$ 291
% of total	95%	%	4%	%	1%	100%
Weighted-average debt service coverage ratio	1.75		1.21		0.44	1.71

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	December 31, 2012					
(Amounts in millions)	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100%	Total
Property type:						
Retail	$ 126	$ 4	$ 7	$	$ 3	$ 140
Industrial	77		3	1		81
Office	54	3		6		63
Apartments	28	4	21			53
Mixed use/other	5					5
Total recorded investment	$ 290	$ 11	$ 31	$ 7	$ 3	$ 342
% of total	85%	3%	9%	2%	1%	100%
Weighted-average debt service coverage ratio	1.78	1.38	1.14	0.86	0.54	1.68

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

	September 30, 2013					
(Amounts in millions)	Less than 1.00	1.00 - 1.25	1.26 - 1.50	1.51 - 2.00	Greater than 2.00	Total
Property type:						
Retail	$ 6	$ 6	$ 28	$ 32	$ 46	$ 118
Industrial	2	5	14	29	18	68
Office	9	10	15	13	5	52
Apartments		5	22	13	10	50
Mixed use/other					3	3
Total recorded investment	$ 17	$ 26	$ 79	$ 87	$ 82	$ 291
% of total	6%	9%	27%	30%	28%	100%
Weighted-average loan-to-value	55%	31%	39%	29%	25%	32%

	December 31, 2012					
(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	$ 5	$ 16	$ 34	$ 36	$ 49	$ 140
Industrial	9	4	14	37	17	81
Office	4	22	14	12	11	63
Apartments		20	11	21	1	53
Mixed use/other				2	3	5
Total recorded investment	$ 18	$ 62	$ 73	$ 108	$ 81	$ 342
% of total	5%	18%	21%	32%	24%	100%
Weighted-average loan-to-value	51%	53%	37%	31%	29%	37%

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There were no floating rate restricted commercial mortgage loans as of September 30, 2013 or December 31, 2012.

(g) Restricted Other Invested Assets Related To Securitization Entities

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

(5) Derivative Instruments

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

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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**	**September 30, 2013**	**December 31, 2012**	**Balance sheet classification**	**September 30, 2013**	**December 31, 2012**
Derivatives designated as hedges						
Cash flow hedges:						
Interest rate swaps	Other invested assets	$ 146	$ 414	Other liabilities	$ 410	$ 27
Inflation indexed swaps	Other invested assets			Other liabilities	73	105
Foreign currency swaps	Other invested assets	3	3	Other liabilities	1	1
Forward bond purchase commitments	Other invested assets		53	Other liabilities	5	
Total cash flow hedges		149	470		489	133
Fair value hedges:						
Interest rate swaps	Other invested assets	1	12	Other liabilities		
Foreign currency swaps	Other invested assets		31	Other liabilities		
Total fair value hedges		1	43			
Total derivatives designated as hedges		150	513		489	133
Derivatives not designated as hedges						
Interest rate swaps	Other invested assets	357	603	Other liabilities	43	280
Interest rate swaps related to securitization entities	Restricted other invested assets			Other liabilities	18	27
Credit default swaps	Other invested assets	9	8	Other liabilities		1
Credit default swaps related to securitization entities	Restricted other invested assets			Other liabilities	59	104
Equity index options	Other invested assets	6	25	Other liabilities		
Financial futures	Other invested assets			Other liabilities		
Equity return swaps	Other invested assets			Other liabilities	5	8
	Other invested assets	5		Other liabilities	4	

Other foreign currency contracts						
GMWB embedded derivatives	Reinsurance recoverable [1]	3	10	Policyholder account balances [2]	177	350
Fixed index annuity embedded derivatives	Other assets [3]			Policyholder account balances [3]	83	27
Total derivatives not designated as hedges		380	646		389	797
Total derivatives		$ 530	$ 1,159		$ 878	$ 930

(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.

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

The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB and fixed index annuity embedded derivatives, the

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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, 2012	Additions	Maturities/ terminations	September 30, 2013
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 10,146	$ 9,614	$ (5,646)	$ 14,114
Inflation indexed swaps	Notional	554	9	(2)	561
Foreign currency swaps	Notional	183	102	(250)	35
Forward bond purchase commitments	Notional	456		(135)	321
Total cash flow hedges		11,339	9,725	(6,033)	15,031
Fair value hedges:					
Interest rate swaps	Notional	723		(717)	6
Foreign currency swaps	Notional	85		(85)	
Total fair value hedges		808		(802)	6
Total derivatives designated as hedges		12,147	9,725	(6,835)	15,037
Derivatives not designated as hedges					
Interest rate swaps	Notional	6,331	961	(2,471)	4,821
Interest rate swaps related to securitization entities	Notional	104		(9)	95
Credit default swaps	Notional	932	68	(293)	707
Credit default swaps related to securitization entities	Notional	312			312
Equity index options	Notional	936	912	(1,055)	793
Financial futures	Notional	1,692	3,851	(4,301)	1,242
Equity return swaps	Notional	186	128	(214)	100
Other foreign currency contracts	Notional		628	(177)	451
Total derivatives not designated as hedges		10,493	6,548	(8,520)	8,521

Total derivatives		$ 22,640	$ 16,273	$ (15,355)	$ 23,558

(Number of policies)	Measurement	December 31, 2012	Additions	Maturities/ terminations	September 30, 2013
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	45,027		(2,186)	42,841
Fixed index annuity embedded derivatives	Policies	2,013	3,077	(55)	5,035

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

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swaps to hedge against changes in interest rates associated with future fixed rate bond purchases and/or interest income; (v) forward bond purchase commitments to hedge against the variability in the anticipated cash flows required to purchase future fixed rate bonds; and (vi) other instruments to hedge the cash flows of various forecasted transactions.

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

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income [1]	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ (199)	$ 15	Net investment income	$ (2)	Net investment gains (losses)
Interest rate swaps hedging liabilities	9		Interest expense		Net investment gains (losses)
Inflation indexed swaps	(2)	(3)	Net investment income		Net investment gains (losses)
Foreign currency swaps	(1)		Interest expense		Net investment gains (losses)
Forward bond purchase commitments	(11)		Net investment income		Net investment gains (losses)
Total	$ (204)	$ 12		$ (2)	

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

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended September 30, 2012:

(Amounts in millions)

	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income [(1)]	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ (83)	$ 9	Net investment income	$ (6)	Net investment gains (losses)
Interest rate swaps hedging assets		1	Net investment gains (losses)		Net investment gains (losses)
Inflation indexed swaps	(23)	3	Net investment income		Net investment gains (losses)
Foreign currency swaps	1		Interest expense		Net investment gains (losses)
Forward bond purchase commitments	2		Net investment income		Net investment gains (losses)
Total	$ (103)	$ 13		$ (6)	

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

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

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income [1]	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ (702)	$ 34	Net investment income	$ (12)	Net investment gains (losses)
Interest rate swaps hedging assets		1	Net investment gains (losses)		Net investment gains (losses)
Interest rate swaps hedging liabilities	31	1	Interest expense		Net investment gains (losses)
Inflation indexed swaps	32	(5)	Net investment income		Net investment gains (losses)
Foreign currency swaps	(1)		Interest expense		Net investment gains (losses)
Forward bond purchase commitments	(50)		Net investment income		Net investment gains (losses)
Total	$ (690)	$ 31		$ (12)	

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

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the nine months ended September 30, 2012:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net	Classification of gain (loss) recognized in net income

		income from OCI		income [1]	
Interest rate swaps hedging assets	$ 60	$ 28	Net investment income	$ (6)	Net investment gains (losses)
Interest rate swaps hedging assets		2	Net investment gains (losses)		Net investment gains (losses)
Interest rate swaps hedging liabilities		1	Interest expense		Net investment gains (losses)
Inflation indexed swaps	(54)	(6)	Net investment income		Net investment gains (losses)
Foreign currency swaps	2		Interest expense		Net investment gains (losses)
Forward bond purchase commitments	22		Net investment income		Net investment gains (losses)
Total	$ 30	$ 25		$ (6)	

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

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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 September 30, 2013**	**2012**
Derivatives qualifying as effective accounting hedges as of July 1	$ 1,581	$ 2,087
Current period increases (decreases) in fair value, net of deferred taxes of $73 and $31	(131)	(72)
Reclassification to net (income), net of deferred taxes of $4 and $9	(8)	(4)
Derivatives qualifying as effective accounting hedges as of September 30	$ 1,442	$ 2,011

(Amounts in millions)	**Nine months ended September 30, 2013**	**2012**
Derivatives qualifying as effective accounting hedges as of January 1	$ 1,909	$ 2,009
Current period increases (decreases) in fair value, net of deferred taxes of $244 and $(12)	(446)	18
Reclassification to net (income), net of deferred taxes of $10 and $9	(21)	(16)
Derivatives qualifying as effective accounting hedges as of September 30	$ 1,442	$ 2,011

The total of derivatives designated as cash flow hedges of $1,442 million, net of taxes, recorded in stockholders equity as of September 30, 2013 is expected to be reclassified to future net income, 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, $37 million, net of taxes, is expected to be reclassified to net income in the next 12 months. Actual amounts may vary from this amount as a result of market conditions. All forecasted transactions associated with qualifying cash flow hedges are expected to occur by 2047. No amounts were reclassified to net income during the nine months ended September 30, 2013 in connection with forecasted transactions that were no longer considered probable of occurring.

Fair Value Hedges

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

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There were no pre-tax income (loss) effects of fair value hedges and related hedged items for the three months ended September 30, 2013. The following table provides information about the pre-tax income (loss) effects of fair value hedges and related hedged items for the three months ended September 30, 2012:

	Derivative instrument				Hedged item	
(Amounts in millions)	**Gain (loss) recognized in net income**	**Classification of gain (losses) recognized in net income**	**Other impacts to net income**	**Classification of other impacts to net income**	**Gain (loss) recognized in net income**	**Classification of gain (losses) recognized in net income**
Interest rate swaps hedging liabilities	$ (4)	Net investment gains (losses)	$ 8	Interest credited	$ 4	Net investment gains (losses)
Foreign currency swaps		Net investment gains (losses)	1	Interest credited		Net investment gains (losses)
Total	$ (4)		$ 9		$ 4	

The following table provides information about the pre-tax income (loss) effects of fair value hedges and related hedged items for the nine months ended September 30, 2013:

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

The following table provides information about the pre-tax income (loss) effects of fair value hedges and related hedged items for the nine months ended September 30, 2012:

	Derivative instrument				Hedged item	
(Amounts in millions)	Gain (loss) recognized in net income	Classification of gain (losses) recognized in net income	Other impacts to net income	Classification of other impacts to net income	Gain (loss) recognized in net income	Classification of gain (losses) recognized in net income
Interest rate swaps hedging assets	$ 1	Net investment gains (losses)	$ (3)	Net investment income	$ (1)	Net investment gains (losses)
Interest rate swaps hedging liabilities	(23)	Net investment gains (losses)	29	Interest credited	23	Net investment gains (losses)
Foreign currency swaps	(3)	Net investment gains (losses)	2	Interest credited	3	Net investment gains (losses)
Total	$ (25)		$ 28		$ 25	

The difference between the gain (loss) recognized for the derivative instrument and the hedged item presented above represents the net ineffectiveness of the fair value hedging relationships. The other impacts presented above represent the net income effects of the derivative instruments that are presented in the same

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location as the income (loss) activity from the hedged item. There were no amounts excluded from the measurement of effectiveness.

Derivatives Not Designated As Hedges

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

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

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

	Three months ended September 30,		Classification of gain (loss) recognized
(Amounts in millions)	**2013**	**2012**	**in net income**
Interest rate swaps	$ (3)	$ 1	Net investment gains (losses)
Interest rate swaps related to securitization entities	(1)	(1)	Net investment gains (losses)
Credit default swaps	4	25	Net investment gains (losses)
Credit default swaps related to securitization entities	24	20	Net investment gains (losses)

Equity index options	(13)	(17)	Net investment gains (losses)
Financial futures	(28)	(70)	Net investment gains (losses)
Equity return swaps	(18)	(11)	Net investment gains (losses)
Other foreign currency contracts	(2)	(2)	Net investment gains (losses)
Reinsurance embedded derivatives		(1)	Net investment gains (losses)
GMWB embedded derivatives	46	79	Net investment gains (losses)
Fixed index annuity embedded derivatives	(3)	(1)	Net investment gains (losses)
Total derivatives not designated as hedges	$ 6	$ 22	

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

	Nine months ended September 30,		Classification of gain (loss) recognized
(Amounts in millions)	**2013**	**2012**	**in net income**
Interest rate swaps	$ (8)	$ 18	Net investment gains (losses)
Interest rate swaps related to securitization entities	8	(4)	Net investment gains (losses)
Credit default swaps	10	47	Net investment gains (losses)
Credit default swaps related to securitization entities	49	43	Net investment gains (losses)
Equity index options	(31)	(46)	Net investment gains (losses)
Financial futures	(181)	(109)	Net investment gains (losses)
Equity return swaps	(27)	(25)	Net investment gains (losses)
Other foreign currency contracts	1	(19)	Net investment gains (losses)
Reinsurance embedded derivatives		4	Net investment gains (losses)
GMWB embedded derivatives	191	132	Net investment gains (losses)
Fixed index annuity embedded derivatives	(7)	(2)	Net investment gains (losses)
Total derivatives not designated as hedges	$ 5	$ 39	

Derivative Counterparty Credit Risk

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

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

	September 30, 2013
	Gross amounts not offset in the balance sheet

(Amounts in millions)	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Collateral pledged/ received	Over collateralization	Net amount
Derivative assets [1]	$ 564	$	$ 564	$ (267)	$ (272)	$ 5	$ 30
Derivative liabilities [2]	559		559	(267)	(317)	30	5
Net derivatives	$ 5	$	$ 5	$	$ 45	$ (25)	$ 25

(1) Included $37 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives.

(2) Included $18 million of accruals on derivatives classified as other liabilities and does not include amounts related to embedded derivatives and derivatives related to securitization entities.

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	December 31, 2012						
				Gross amounts not offset in the balance sheet			
(Amounts in millions)	Gross amounts recognized	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Financial instruments	Collateral pledged/ received	Over collateralization	Net amount
Derivative assets [1]	$ 1,196	$	$ 1,196	$ (368)	$ (840)	$ 84	$ 72
Derivative liabilities [2]	432		432	(368)	(61)	9	12
Net derivatives	$ 764	$	$ 764	$	$ (779)	$ 75	$ 60

(1) Included $47 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives.

(2) Included $10 million of accruals on derivatives classified as other liabilities and does not include amounts related to embedded derivatives and derivatives related to securitization entities.

Except for derivatives related to securitization entities, almost all of our master swap agreements contain credit downgrade provisions that allow either party to assign or terminate derivative transactions if the other party s long-term unsecured debt rating or financial strength rating is below the limit defined in the applicable agreement. If the downgrade provisions had been triggered as of September 30, 2013 and December 31, 2012, we could have been allowed to claim or required to disburse up to the net amounts shown in the last column of the charts above. The charts above exclude embedded derivatives and derivatives related to securitization entities as those derivatives are not subject to master netting arrangements.

Credit Derivatives

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

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

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

	September 30, 2013			December 31, 2012		
(Amounts in millions)	**Notional value**	**Assets**	**Liabilities**	**Notional value**	**Assets**	**Liabilities**
Reference entity credit rating and maturity:						
AAA						
Matures in less than one year	$	$	$	$ 5	$	$
AA						
Matures in less than one year				6		
Matures after five years through ten years				5		
A						
Matures in less than one year				37		
Matures after one year through five years	15					
Matures after five years through ten years				10	1	
BBB						
Matures in less than one year				68		
Matures after one year through five years	24	1				
Matures after five years through ten years				24		
Total credit default swaps on single name reference entities	$ 39	$ 1	$	$ 155	$ 1	$

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

	September 30, 2013			December 31, 2012		
(Amounts in millions)	**Notional value**	**Assets**	**Liabilities**	**Notional value**	**Assets**	**Liabilities**
Original index tranche attachment/detachment point and maturity:						
7% - 15% matures after one year through five years (1)	$ 100	$ 1	$	$ 100	$	$ 1
9% - 12% matures in less than one year (2)				50		
9% - 12% matures after one year through five years (2)	250	4		250	2	
10% - 15% matures after one year through five years (3)	250	3		250	4	

15% - 30% matures after five years through ten years [4]				127	1	
Total credit default swap index tranches	600	8		777	7	1
Customized credit default swap index tranches related to securitization entities:						
Portion backing third-party borrowings maturing 2017 [5]	12		2	12		5
Portion backing our interest maturing 2017 [6]	300		57	300		99
Total customized credit default swap index tranches related to securitization entities	312		59	312		104
Total credit default swaps on index tranches	$ 912	$ 8	$ 59	$ 1,089	$ 7	$ 105

(1) The current attachment/detachment as of September 30, 2013 and December 31, 2012 was 7% 15%.

(2) The current attachment/detachment as of September 30, 2013 and December 31, 2012 was 9% 12%.

(3) The current attachment/detachment as of September 30, 2013 and December 31, 2012 was 10% 15%.

(4) The current attachment/detachment as of December 31, 2012 was 14.8% 30.3%.

(5) Original notional value was $39 million.

(6) Original notional value was $300 million.

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(6) Fair Value of Financial Instruments

Assets and liabilities that are reflected in the accompanying consolidated financial statements at fair value are not included in the following disclosure of fair value. Such items include cash and cash equivalents, investment securities, separate accounts, securities held as collateral and derivative instruments. Other financial assets and liabilities those not carried at fair value are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. The fair value estimates are made at a specific point in time, based upon available market information and judgments about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets.

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

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

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

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

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

Non-recourse funding obligations. We use an internal model to determine fair value using the current floating rate coupon and expected life/final maturity of the instrument discounted using the floating rate index and current market spread assumption, which is estimated based on recent transactions for these instruments or

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similar instruments as well as other market information or broker provided data. Given these instruments are private and very little market activity exists, our current market spread assumption is considered to have significant unobservable inputs in calculating fair value and, therefore, results in the fair value of these instruments being classified as Level 3.

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

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

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:

	September 30, 2013					
			Fair value			
(Amounts in millions)	**Notional amount**	**Carrying amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:						
Commercial mortgage loans	$ (1)	$ 5,858	$ 6,152	$	$	$ 6,152
Restricted commercial mortgage loans	(1)	290	324			324
Other invested assets	(1)	315	327		213	114
Liabilities:						
Long-term borrowings	(1)	4,780	5,185		5,049	136
Non-recourse funding obligations	(1)	2,046	1,461			1,461
Borrowings related to securitization entities	(1)	224	242		191	51
Investment contracts	(1)	17,137	17,804		85	17,719
Other firm commitments:						
Commitments to fund limited partnerships	67					
Ordinary course of business lending commitments	66					

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	December 31, 2012					
			Fair value			
(Amounts in millions)	**Notional amount**	**Carrying amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:						
Commercial mortgage loans	$ (1)	$ 5,872	$ 6,378	$	$	$ 6,378
Restricted commercial mortgage loans	(1)	341	389			389
Other invested assets	(1)	380	389		265	124
Liabilities:						
Long-term borrowings	(1)	4,776	4,950		4,800	150
Non-recourse funding obligations	(1)	2,066	1,462			1,462
Borrowings related to securitization entities	(1)	274	303		238	65
Investment contracts	(1)	18,280	19,526		1,009	18,517
Other firm commitments:						
Commitments to fund limited partnerships	64					
Ordinary course of business lending commitments	44					

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

Recurring Fair Value Measurements

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

Fixed maturity, equity and trading securities

The valuations of fixed maturity, equity and trading securities are determined using a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information.

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

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In general, we first obtain valuations from pricing services. If a price is not supplied by a pricing service, we will typically seek a broker quote. For certain private fixed maturity securities where we do not obtain valuations from pricing services, we utilize an internal model to determine fair value since transactions for identical securities are not readily observable and these securities are not typically valued by pricing services. For all securities, excluding certain private fixed maturity securities, if neither a pricing service nor broker quotes valuation is available, we determine fair value using internal models.

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

For private fixed maturity securities, we utilize an internal model to determine fair value and utilize public bond spreads by sector, rating and maturity to develop the market rate that would be utilized for a similar public bond. We then add an additional premium, which represents an unobservable input, to the public bond spread to adjust for the liquidity and other features of our private placements. We utilize the estimated market yield to discount the expected cash flows of the security to determine fair value. In certain instances, we utilize price caps for securities where the estimated market yield results in a valuation that may exceed the amount that would be received in a market transaction. We assign each 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 and whether external ratings are available for our private placement to determine whether the spreads utilized would be considered observable inputs. During the second quarter of 2012, we began classifying private securities without an external rating as Level 3. In general, increases (decreases) in credit spreads will decrease (increase) the fair value for our fixed maturity securities. To determine the significance of unobservable inputs, we calculate the impact on the valuation from the unobservable input and will classify a security as Level 3 when the impact on the valuation exceeds 10%.

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

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

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The following tables summarize the primary sources of data considered when determining fair value of each class of fixed maturity securities as of the dates indicated:

	September 30, 2013			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. government, agencies and government-sponsored enterprises:				
Pricing services	$ 5,320	$	$ 5,320	$
Internal models	5			5
Total U.S. government, agencies and government-sponsored enterprises	5,325		5,320	5
Tax-exempt:				
Pricing services	263		263	
Total tax-exempt	263		263	
Government non-U.S.:				
Pricing services	2,209		2,209	
Internal models	23		16	7
Total government non-U.S.	2,232		2,225	7
U.S. corporate:				
Pricing services	22,035		22,035	
Broker quotes	138			138
Internal models	2,609		416	2,193
Total U.S. corporate	24,782		22,451	2,331
Corporate non-U.S.:				
Pricing services	13,194		13,194	
Broker quotes	174			174
Internal models	1,908		199	1,709
Total corporate non-U.S.	15,276		13,393	1,883

Residential mortgage-backed:				
Pricing services	5,272		5,272	
Broker quotes	74			74
Internal models	51			51
Total residential mortgage-backed	5,397		5,272	125
Commercial mortgage-backed:				
Pricing services	2,784		2,784	
Broker quotes	1			1
Internal models	5			5
Total commercial mortgage-backed	2,790		2,784	6
Other asset-backed:				
Pricing services	1,924		1,924	
Broker quotes	1,066			1,066
Internal models	31			31
Total other asset-backed	3,021		1,924	1,097
Total fixed maturity securities	$ 59,086	$	$ 53,632	$ 5,454

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	December 31, 2012			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. government, agencies and government-sponsored enterprises:				
Pricing services	$ 5,482	$	$ 5,482	$
Internal models	9			9
Total U.S. government, agencies and government-sponsored enterprises	5,491		5,482	9
Tax-exempt:				
Pricing services	294		294	
Total tax-exempt	294		294	
Government non-U.S.:				
Pricing services	2,413		2,413	
Internal models	9			9
Total government non-U.S.	2,422		2,413	9
U.S. corporate:				
Pricing services	23,113		23,113	
Broker quotes	121			121
Internal models	2,871		309	2,562
Total U.S. corporate	26,105		23,422	2,683
Corporate non-U.S.:				
Pricing services	13,635		13,635	
Broker quotes	75			75
Internal models	2,082		174	1,908
Total corporate non-U.S.	15,792		13,809	1,983
Residential mortgage-backed:				
Pricing services	5,924		5,924	
Broker quotes	98			98
Internal models	59			59

Total residential mortgage-backed	6,081		5,924	157
Commercial mortgage-backed:				
Pricing services	3,298		3,298	
Broker quotes	18			18
Internal models	17			17
Total commercial mortgage-backed	3,333		3,298	35
Other asset-backed:				
Pricing services	1,776		1,776	
Broker quotes	829			829
Internal models	38		3	35
Total other asset-backed	2,643		1,779	864
Total fixed maturity securities	$ 62,161	$	$ 56,421	$ 5,740

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The following tables summarize the primary sources of data considered when determining fair value of equity securities as of the dates indicated:

(Amounts in millions)	Total	September 30, 2013 Level 1	Level 2	Level 3
Pricing services	$ 294	$ 290	$ 4	$
Broker quotes	1			1
Internal models	84			84
Total equity securities	$ 379	$ 290	$ 4	$ 85

(Amounts in millions)	Total	December 31, 2012 Level 1	Level 2	Level 3
Pricing services	$ 419	$ 417	$ 2	$
Broker quotes	3			3
Internal models	96			96
Total equity securities	$ 518	$ 417	$ 2	$ 99

The following tables summarize the primary sources of data considered when determining fair value of trading securities as of the dates indicated:

(Amounts in millions)	Total	September 30, 2013 Level 1	Level 2	Level 3
Pricing services	$ 244	$	$ 244	$
Broker quotes	34			34
Total trading securities	$ 278	$	$ 244	$ 34

(Amounts in millions)	Total	December 31, 2012 Level 1	Level 2	Level 3
Pricing services	$ 480	$	$ 480	$

Broker quotes	76			76
Total trading securities	$ 556	$	$ 480	$ 76

Restricted other invested assets related to securitization entities

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

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Securities lending and derivative counterparty collateral

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

Contingent consideration

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

Separate account assets

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

Derivatives

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

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

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

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

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

Credit default swaps. We have both single name credit default swaps and index tranche credit default swaps. For single name credit default swaps, we utilize an income approach to determine fair value based on using current market information for the credit spreads of the reference entity, which is considered observable inputs based on the reference entities of our derivatives and results in these derivatives being classified as Level 2. For index tranche credit default swaps, we utilize an income approach that utilizes current market information related to credit spreads and expected defaults and losses associated with the reference entities that comprise the respective index associated with each derivative. There are significant unobservable inputs associated with the timing and amount of losses from the reference entities as well as the timing or amount of losses, if any, that will be absorbed by our tranche. Accordingly, the index tranche credit default swaps are classified as Level 3. As credit spreads widen for the underlying issuers comprising the index, the change in our valuation of these credit default swaps will be unfavorable.

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

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

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

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

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

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

GMWB embedded derivatives

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

For GMWB liabilities, non-performance risk is integrated into the discount rate. Our discount rate used to determine fair value of our GMWB liabilities includes market credit spreads above U.S. Treasury rates to reflect an adjustment for the non-performance risk of the GMWB liabilities. As of September 30, 2013 and December 31, 2012, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of $59 million and $89 million, respectively.

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

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

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

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

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

We evaluate the inputs and methodologies used to determine fair value based on how we expect a market participant would determine exit value. As stated above, there is no exit market or market participants for the GMWB embedded derivatives. Accordingly, we evaluate our inputs and resulting fair value based on a hypothetical exit market and hypothetical market participants. A hypothetical exit market could be viewed as a transaction that would closely resemble reinsurance. While reinsurance transactions for this type of product are not an observable input, we consider this type of hypothetical exit market, as appropriate, when evaluating our inputs and determining that our inputs are consistent with that of a hypothetical market participant.

Fixed index annuity embedded derivatives

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

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as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Borrowings related to securitization entities

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

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

	September 30, 2013			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 5,325	$	$ 5,320	$ 5
Tax-exempt	263		263	
Government non-U.S.	2,232		2,225	7
U.S. corporate	24,782		22,451	2,331
Corporate non-U.S.	15,276		13,393	1,883
Residential mortgage-backed	5,397		5,272	125
Commercial mortgage-backed	2,790		2,784	6
Other asset-backed	3,021		1,924	1,097
Total fixed maturity securities	59,086		53,632	5,454
Equity securities	379	290	4	85
Other invested assets:				
Trading securities	278		244	34
Derivative assets:				
Interest rate swaps	504		504	
Foreign currency swaps	3		3	
Credit default swaps	9		1	8
Equity index options	6			6
Other foreign currency contracts	5		2	3
Total derivative assets	527		510	17
Securities lending collateral	154		154	
Derivatives counterparty collateral	104		104	
Total other invested assets	1,063		1,012	51

Restricted other invested assets related to securitization entities	392		180	212
Reinsurance recoverable [1]	3			3
Separate account assets	9,957	9,957		
Total assets	$ 70,880	$ 10,247	$ 54,828	$ 5,805
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives [2]	$ 177	$	$	$ 177
Fixed index annuity embedded derivatives	83			83
Total policyholder account balances	260			260
Derivative liabilities:				
Interest rate swaps	453		453	
Interest rate swaps related to securitization entities	18		18	
Inflation indexed swaps	73		73	
Foreign currency swaps	1		1	
Credit default swaps related to securitization entities	59			59
Equity return swaps	5		5	
Forward bond purchase commitments	5		5	
Other foreign currency contracts	4		1	3
Total derivative liabilities	618		556	62
Borrowings related to securitization entities	73			73
Total liabilities	$ 951	$	$ 556	$ 395

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

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

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	December 31, 2012			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 5,491	$	$ 5,482	$ 9
Tax-exempt	294		294	
Government non-U.S.	2,422		2,413	9
U.S. corporate	26,105		23,422	2,683
Corporate non-U.S.	15,792		13,809	1,983
Residential mortgage-backed	6,081		5,924	157
Commercial mortgage-backed	3,333		3,298	35
Other asset-backed	2,643		1,779	864
Total fixed maturity securities	62,161		56,421	5,740
Equity securities	518	417	2	99
Other invested assets:				
Trading securities	556		480	76
Derivative assets:				
Interest rate swaps	1,029		1,027	2
Foreign currency swaps	34		34	
Credit default swaps	8		1	7
Equity index options	25			25
Forward bond purchase commitments	53		53	
Total derivative assets	1,149		1,115	34
Securities lending collateral	187		187	
Derivatives counterparty collateral	261		261	
Total other invested assets	2,153		2,043	110
Restricted other invested assets related to securitization entities	393		199	194
Other assets (1)	9			9
Reinsurance recoverable (2)	10			10
Separate account assets	9,937	9,937		

Total assets	$ 75,181	$ 10,354	$ 58,665	$ 6,162
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives (3)	$ 350	$	$	$ 350
Fixed index annuity embedded derivatives	27			27
Total policyholder account balances	377			377
Derivative liabilities:				
Interest rate swaps	307		307	
Interest rate swaps related to securitization entities	27		27	
Inflation indexed swaps	105		105	
Foreign currency swaps	1		1	
Credit default swaps	1			1
Credit default swaps related to securitization entities	104			104
Equity return swaps	8		8	
Total derivative liabilities	553		448	105
Borrowings related to securitization entities	62			62
Total liabilities	$ 992	$	$ 448	$ 544

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

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

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

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications

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are reported as transfers between levels at the beginning fair value for the reporting period in which the changes occur. Given the types of assets classified as Level 1, which primarily represents mutual fund investments, we typically do not have any transfers between Level 1 and Level 2 measurement categories and did not have any such transfers during any period presented.

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

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

		Total realized and unrealized gains (losses)									
(Amounts in millions)	**Beginning balance as of July 1, 2013**	**Included in net income**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of September 30, 2013**	**Total gains (losses) included in net income attributable to assets still held**
Fixed maturity securities:											
U.S. government, agencies and government- sponsored enterprises	$ 5	$	$	$	$	$	$	$	$	$ 5	$
Government non-U.S.	8						(1)			7	
U.S. corporate [(1)]	2,459	5	(3)	17	(10)		(83)	33	(87)	2,331	4
Corporate non-U.S. [(1)]	1,846	1	(9)	25	(14)		(42)	76		1,883	1
	116	(7)	8		(1)		(5)	14		125	

Residential mortgage-backed											
Commercial mortgage-backed	13	(1)					(6)	2	(2)	6	(1)
Other asset-backed [1]	1,021	1	(7)	50			(18)	59	(9)	1,097	1
Total fixed maturity securities	5,468	(1)	(11)	92	(25)		(155)	184	(98)	5,454	5
Equity securities	88		1		(4)					85	
Other invested assets:											
Trading securities	34									34	
Derivative assets:											
Credit default swaps	6	4					(2)			8	3
Equity index options	13	(13)		6						6	(14)
Other foreign currency contracts		(1)		4						3	(1)
Total derivative assets	19	(10)		10			(2)			17	(12)
Total other invested assets	53	(10)		10			(2)			51	(12)
Restricted other invested assets related to securitization entities	193							19		212	
Reinsurance recoverable [2]	3	(1)				1				3	(1)
Total Level 3 assets	$ 5,805	$ (12)	$ (10)	$ 102	$ (29)	$ 1	$ (157)	$ 203	$ (98)	$ 5,805	$ (8)

[1] The transfers into and out of Level 3 were primarily related to private fixed rate U.S. corporate, corporate non-U.S. and structured securities. For private fixed rate U.S. corporate securities, the transfers into and out of Level 3 resulted from a change in the observability

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

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

		Total realized and unrealized gains (losses)									
(Amounts in millions)	**Beginning balance as of July 1, 2012**	**Included in net income**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of September 30, 2012**	**Total gains (losses) included in net income attributable to assets still held**
Fixed maturity securities:											
U.S. government, agencies and government- sponsored enterprises	$ 10	$	$	$	$	$	$	$	$ (1)	$ 9	$
Government non-U.S.	9						(1)			8	
U.S. corporate (1)	2,849	5	34	58	(4)		(92)	36	(137)	2,749	4
Corporate non-U.S. (1)	1,864	2	17	106			(88)	8		1,909	
Residential mortgage-backed	120		3	12	(12)		(9)	13	(3)	124	
Commercial mortgage-backed	33									33	
Other asset-backed	597		10	66			(25)	59	(26)	681	
Total fixed maturity securities	5,482	7	64	242	(16)		(215)	116	(167)	5,513	4
Equity securities	96			4	(1)					99	

Other invested assets:											
Trading securities	274	6			(63)		(2)		(31)	184	5
Derivative assets:											
Interest rate swaps	3									3	
Credit default swaps	2	4					(1)			5	4
Equity index options	27	(17)		14						24	(17)
Total derivative assets	32	(13)		14			(1)			32	(13)
Total other invested assets	306	(7)		14	(63)		(3)		(31)	216	(8)
Restricted other invested assets related to securitization entities	192	2								194	1
Other assets [2]	17	(8)								9	(8)
Reinsurance recoverable [3]	15	(4)								11	(4)
Total Level 3 assets	$ 6,108	$ (10)	$ 64	$ 260	$ (80)	$	$ (218)	$ 116	$ (198)	$ 6,042	$ (15)

(1) The transfers into and out of Level 3 were primarily related to private fixed rate U.S. corporate and corporate non-U.S. securities and resulted from a change in the observability of the additional premium to the public bond spread to adjust for the liquidity and other features of our private placements and resulted in unobservable inputs having a significant impact on certain valuations for transfers in or no longer having significant impact on certain valuations for transfers out.

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

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

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GENWORTH FINANCIAL, INC.

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(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:

		Total realized and unrealized gains (losses)									
(Amounts in millions)	**Beginning balance as of January 1, 2013**	**Included in net income**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of September 30, 2013**	**Total gains (losses) included in net income attributable to assets still held**
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 9	$	$	$	$	$	$ (4)	$	$	$ 5	$
Government non-U.S.	9						(2)			7	
U.S. corporate [(1)]	2,683	13	(34)	110	(131)		(319)	145	(136)	2,331	8
Corporate non-U.S.[(1)]	1,983	2	(37)	94	(33)		(149)	76	(53)	1,883	2
Residential mortgage-backed	157	(9)	9		(6)		(24)	14	(16)	125	
Commercial mortgage-backed	35	(5)	(1)				(32)	11	(2)	6	(4)
Other asset-backed [(1)]	864	4	8	174	(44)		(89)	189	(9)	1,097	4
Total fixed maturity securities	5,740	5	(55)	378	(214)		(619)	435	(216)	5,454	10
Equity securities	99	2		1	(17)					85	
Other invested assets:											
Trading securities	76	7			(40)		(9)			34	2

Derivative assets:											
Interest rate swaps	2	(1)					(1)				(1)
Credit default swaps	7	8					(7)			8	6
Equity index options	25	(30)		20			(9)			6	(30)
Other foreign currency contracts		(1)		4						3	(1)
Total derivative assets	34	(24)		24			(17)			17	(26)
Total other invested assets	110	(17)		24	(40)		(26)			51	(24)
Restricted other invested assets related to securitization entities	194	(1)						19		212	(1)
Other assets [2]	9						(9)				
Reinsurance recoverable [3]	10	(9)				2				3	(9)
Total Level 3 assets	$ 6,162	$ (20)	$ (55)	$ 403	$ (271)	$ 2	$ (654)	$ 454	$ (216)	$ 5,805	$ (24)

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

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

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

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(Unaudited)

(Amounts in millions)	Beginning balance as of January 1, 2012	Total realized and unrealized gains (losses): Included in net income	Total realized and unrealized gains (losses): Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of September 30, 2012	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government- sponsored enterprises	$ 13	$	$	$	$	$	$	$ 9	$ (13)	$ 9	$
Government non-U.S.	10						(2)			8	
U.S. corporate (1)	2,511	8	63	88	(22)		(129)	725	(495)	2,749	10
Corporate non-U.S. (1)	1,284	2	28	189	(12)		(127)	692	(147)	1,909	1
Residential mortgage-backed	95	(1)	10	15	(12)		(23)	43	(3)	124	(1)
Commercial mortgage-backed	39		2				(1)		(7)	33	
Other asset-backed	271	1	17	276	(22)		(60)	224	(26)	681	1
Total fixed maturity securities	4,223	10	120	568	(68)		(342)	1,693	(691)	5,513	11
Equity securities	98	1	(2)	9	(7)					99	
Other invested assets:											
Trading securities	264	11		24	(70)		(18)	4	(31)	184	12
Derivative assets:											
Interest rate swaps	5						(2)			3	
Credit default swaps		8					(3)			5	8
Equity index options	39	(46)		31						24	(42)
Other foreign currency contracts	9	(11)		3			(1)				(11)

Total derivative assets	53	(49)		34			(6)			32	(45)
Total other invested assets	317	(38)		58	(70)		(24)	4	(31)	216	(33)
Restricted other invested assets related to securitization entities	176	18		100	(100)					194	13
Other assets [2]		(7)				16				9	(7)
Reinsurance recoverable [3]	16	(7)				2				11	(7)
Total Level 3 assets	$ 4,830	$ (23)	$ 118	$ 735	$ (245)	$ 18	$ (366)	$ 1,697	$ (722)	$ 6,042	$ (23)

(1) The transfers into and out of Level 3 were primarily related to private fixed rate U.S. corporate and corporate non-U.S. securities and resulted from a change in the observability of the additional premium to the public bond spread to adjust for the liquidity and other features of our private placements and resulted in unobservable inputs having a significant impact on certain valuations for transfers in or no longer having significant impact on certain valuations for transfers out. During the second quarter of 2012, we began classifying private securities without an external rating as Level 3, which resulted in a significant number of securities being transferred into Level 3.

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
(Amounts in millions)	**2013**	**2012**	**2013**	**2012**
Total realized and unrealized gains (losses) included in net income:				
Net investment income	$ 8	$ 8	$ 28	$ 22
Net investment gains (losses)	(20)	(18)	(48)	(45)
Total	$ (12)	$ (10)	$ (20)	$ (23)
Total gains (losses) included in net income attributable to assets still held:				
Net investment income	$ 8	$ 4	$ 25	$ 17
Net investment gains (losses)	(16)	(19)	(49)	(40)
Total	$ (8)	$ (15)	$ (24)	$ (23)

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

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(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:

		Total realized and unrealized (gains) losses									
(Amounts in millions)	Beginning balance as of July 1, 2013	Included in net (income)	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of September 30, 2013	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 215	$ (47)	$	$	$	$ 9	$	$	$	$ 177	$ (47)
Fixed index annuity embedded derivatives	44	3				36				83	3
Total policyholder account balances	259	(44)				45				260	(44)
Derivative liabilities:											
Credit default swaps related to securitization entities	80	(23)		2						59	(23)
Equity index options	1						(1)				
Other foreign currency contracts				3						3	
Total derivative liabilities	81	(23)		5			(1)			62	(23)
Borrowings related to securitization entities	74	(1)								73	(1)
Total Level 3 liabilities	$ 414	$ (68)	$	$ 5	$	$ 45	$ (1)	$	$	$ 395	$ (68)

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

		Total realized and unrealized (gains) losses									
(Amounts in millions)	**Beginning balance as of July 1, 2012**	**Included in net (income)**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of September 30, 2012**	**Total (gains) losses included in net (income) attributable to liabilities still held**
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 453	$ (83)	$	$	$	$ 10	$	$	$	$ 380	$ (81)
Fixed index annuity embedded derivatives	10	1				10				21	1
Total policyholder account balances	463	(82)				20				401	(80)
Derivative liabilities:											
Credit default swaps	37	(19)					(9)			9	(19)
Credit default swaps related to securitization entities	155	(20)		1						136	(20)
Total derivative liabilities	192	(39)		1			(9)			145	(39)
Borrowings related to securitization entities	57	3								60	3
Total Level 3 liabilities	$ 712	$ (118)	$	$ 1	$	$ 20	$ (9)	$	$	$ 606	$ (116)

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

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(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:

		Total realized and unrealized (gains) losses									
(Amounts in millions)	**Beginning balance as of January 1, 2013**	**Included in net (income)**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of September 30, 2013**	**Total (gains) losses included in net (income) attributable to liabilities still held**
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 350	$ (200)	$	$	$	$ 27	$	$	$	$ 177	$ (198)
Fixed index annuity embedded derivatives	27	7				49				83	7
Total policyholder account balances	377	(193)				76				260	(191)
Derivative liabilities:											
Credit default swaps	1	(1)									(1)
Credit default swaps related to securitization entities	104	(49)		4						59	(49)
Equity index options		1					(1)				1
Other foreign currency contracts				3						3	
Total derivative liabilities	105	(49)		7			(1)			62	(49)
Borrowings related to securitization entities	62	11								73	11

Total Level 3 liabilities	$ 544	$ (231)	$	$ 7	$	$ 76	$ (1)	$	$	$ 395	$ (229)

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

(Amounts in millions)	Beginning balance as of January 1, 2012	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of September 30, 2012	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 492	$ (139)	$	$	$	$ 27	$	$	$	$ 380	$ (134)
Fixed index annuity embedded derivatives	4	2				15				21	2
Total policyholder account balances	496	(137)				42				401	(132)
Derivative liabilities:											
Credit default swaps	57	(37)		2			(13)			9	(40)
Credit default swaps related to securitization entities	177	(43)		2						136	(43)
Total derivative liabilities	234	(80)		4			(13)			145	(83)
Borrowings related to securitization entities	48	12								60	12
Total Level 3 liabilities	$ 778	$ (205)	$	$ 4	$	$ 42	$ (13)	$	$	$ 606	$ (203)

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

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

	Three months ended September 30,		Nine months ended September 30,	
(Amounts in millions)	**2013**	**2012**	**2013**	**2012**
Total realized and unrealized (gains) losses included in net (income):				
Net investment income	$	$	$	$
Net investment (gains) losses	(68)	(118)	(231)	(205)
Total	$ (68)	$ (118)	$ (231)	$ (205)
Total (gains) losses included in net (income) attributable to liabilities still held:				
Net investment income	$	$	$	$
Net investment (gains) losses	(68)	(116)	(229)	(203)
Total	$ (68)	$ (116)	$ (229)	$ (203)

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

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

Certain classes of instruments classified as Level 3 are excluded below as a result of not being material or due to limitations in being able to obtain the underlying inputs used by certain third-party sources, such as broker quotes, used as an input in determining fair value. The following table presents a summary of the significant

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unobservable inputs used for certain fair value measurements that are based on internal models and classified as Level 3 as of September 30, 2013:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range (weighted-average)
Assets				
Fixed maturity securities:				
U.S. corporate	Matrix pricing	$ 2,191	Credit spreads	64bps - 575bps (207bps)
Corporate non-U.S.	Matrix pricing	1,709	Credit spreads	69bps - 420bps (190bps)
Derivative assets:				
Credit default swaps [(1)]	Discounted cash flows	8	Credit spreads	3bps - 59bps (33bps)
Equity index options	Discounted cash flows	6	Equity index volatility	15% - 25% (22%)
Other foreign currency contracts	Discounted cash flows	3	Foreign exchange rate volatility	36% - 62% (42%)
Liabilities				
Policyholder account balances:				
			Withdrawal utilization rate	% - 98%
			Lapse rate	% - 15%
			Non-performance risk (credit spreads)	50bps - 90bps (79bps)
GMWB embedded derivatives [(2)]	Stochastic cash flow model	177	Equity index volatility	16% - 25% (22%)
Fixed index annuity embedded derivatives	Option budget method	83	Expected future interest credited	1% - 4% (2%)
Derivative liabilities:				
Other foreign currency contracts	Discounted cash flows	3	Foreign exchange rate volatility	32% - 40% (37%)

(1) Unobservable input valuation based on the current market credit default swap premium.

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

(7) Commitments and Contingencies

(a) Litigation

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

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

As previously disclosed, in January 2012, we, along with other mortgage insurance companies, received an information request from the Consumer Financial Protection Bureau (CFPB) requesting information from our U.S. mortgage insurance subsidiaries with respect to reinsurance arrangements, including captive reinsurance transactions, as part of the CFPB s review of such arrangements in the mortgage insurance industry. The CFPB further sent to us and other mortgage insurance companies a Civil Investigative Demand, dated June 20, 2012 (the CFPB Demand), seeking production of specified documents and responses to questions set forth in the CFPB Demand. In April 2013, Genworth Mortgage Insurance Corporation (GEMICO), our principal U.S. mortgage insurance subsidiary, and other mortgage insurance companies agreed to settle with the CFPB to end the agency s review. As part of the settlement, GEMICO (and its affiliates, officers, employees and certain other related parties) are enjoined from entering into or revising certain reinsurance arrangements and violating any provisions of RESPA for a period of 10 years and GEMICO paid approximately $4 million.

As previously disclosed, beginning in December 2011 and continuing through January 2013, one of our U.S. mortgage insurance subsidiaries was named along with several other mortgage insurance participants and mortgage lenders as a defendant in twelve putative class action lawsuits alleging that certain captive reinsurance arrangements were in violation of RESPA. The *Barlee* case was dismissed by the Court with prejudice as to our subsidiary and certain other defendants on February 27, 2013. In the *Riddle* case, the defendants motion to dismiss was denied, but the Court limited discovery at this stage to issues surrounding the statute of limitations. The *Manners* case was voluntarily dismissed by the plaintiffs in March 2013. In the *Moriba BA* case, the Court denied defendants motion to dismiss by order dated June 26, 2013. In the *White* case, plaintiffs filed a second amended complaint to address the deficiencies that the Court identified in previously dismissing the action. On July 22, 2013, our mortgage insurance subsidiary moved to dismiss the second amended complaint. In the *Hill* case, the defendants motion to dismiss was denied on June 27, 2013, but the Court limited discovery at this stage to issues surrounding the statute of limitations. In the *Samp* and *Orange* cases, the plaintiffs have appealed the dismissals to the U.S. Court of Appeals for the Ninth Circuit. The *Menichino* case was dismissed by the Court without prejudice as to our subsidiary and certain other defendants on July 19, 2013. In the *Riddle* case, on July 19, 2013, we moved for summary judgment dismissing the case. We intend to vigorously defend the remaining actions.

As previously disclosed, in April 2012, two of our U.S. mortgage insurance subsidiaries were named as respondents in two arbitrations, one brought by Bank of America, N.A. and one brought by Countrywide Home Loans, Inc. and Bank of America, N.A. as claimants. Claimants allege breach of contract and breach of the covenant of good faith and fair dealing, and seek a declaratory judgment relating to our subsidiaries mortgage insurance claims handling practices in connection with denying, curtailing or rescinding coverage of mortgage insurance. Claimants and our subsidiaries are engaged in settlement negotiations regarding a potential resolution of certain, and potentially all, aspects of the disputes. We currently believe we may be able to resolve this matter for significantly less than $834 million, the previously-disclosed amount of claimed damages in this matter.

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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. In light of the inherent uncertainties involved in these matters, no amounts have been accrued. We also are not able to provide an estimate or range of possible losses related to these matters.

(b) Commitments

As of September 30, 2013, we were committed to fund $67 million in limited partnership investments, $58 million in U.S. commercial mortgage loans and $8 million in private placement investments.

(8) Borrowings and Other Financings

Revolving Credit Facility

On September 26, 2013, Genworth Holdings entered into a $300 million multicurrency revolving credit facility, which matures in September 2016, with a $100 million sublimit for letters of credit. The proceeds of the loans may be used for working capital and general corporate purposes. The obligations under the credit agreement are unsecured and payment of Genworth Holdings obligations is fully and unconditionally guaranteed by New Genworth. As of September 30, 2013, there were no amounts outstanding under the credit facility.

Long-Term Borrowings

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

(Amounts in millions)	September 30, 2013	December 31, 2012
5.75% Senior Notes, due 2014 (1)	$ 485	$ 500
4.59% Senior Notes, due 2015 (2)	145	151
4.95% Senior Notes, due 2015 (1)		350
8.625% Senior Notes, due 2016 (1)	300	300
6.52% Senior Notes, due 2018 (1)	600	600
5.68% Senior Notes, due 2020 (2)	267	276
7.70% Senior Notes, due 2020 (1)	400	400
7.20% Senior Notes, due 2021 (1)	399	399
7.625% Senior Notes, due 2021 (1)	759	760
Floating Rate Junior Notes, due 2021 (3)	131	145
4.90% Senior Notes, due 2023 (1)	399	

6.50% Senior Notes, due 2034 [1]	297	297
6.15% Junior Notes, due 2066	598	598
Total	$ 4,780	$ 4,776

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

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

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

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During 2013, Genworth Holdings repurchased $15 million aggregate principal amount of the 5.75% senior notes that mature in 2014, plus accrued and unpaid interest. In June 2013, Genworth Holdings repurchased $4 million aggregate principal amount of the 4.95% senior notes that mature in 2015 (the 2015 Notes), plus accrued and unpaid interest.

In August 2013, Genworth Holdings issued $400 million aggregate principal amount of senior notes, with an interest rate of 4.90% per year payable semi-annually, and maturing in 2023 (2023 Notes). The 2023 Notes are Genworth Holdings direct, unsecured obligations and will rank equally in right of payment with all of its existing and future unsecured and unsubordinated obligations. The 2023 Notes are fully and unconditionally guaranteed on an unsecured and unsubordinated basis by New Genworth. The net proceeds of $395 million from the issuance of the 2023 Notes, together with cash on hand at Genworth Holdings, were used to redeem all $346 million of the remaining outstanding aggregate principal amount of Genworth Holdings 2015 Notes, plus accrued and unpaid interest on such notes, and a pre-tax make-whole expense of approximately $30 million.

(9) Segment Information

We currently operate through three divisions: U.S. Life Insurance, Global Mortgage Insurance and Corporate and Other. Under these divisions, there are five operating business segments. The U.S. Life Insurance Division includes the U.S. Life Insurance segment. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The Corporate and Other Division includes the International Protection and Runoff segments and Corporate and Other activities. Our operating business segments are as follows: (1) U.S. Life Insurance, which includes our life insurance, long-term care insurance and fixed annuities businesses; (2) International Mortgage Insurance, which includes mortgage insurance-related products and services; (3) U.S. Mortgage Insurance, which includes mortgage insurance-related products and services; (4) International Protection Insurance, which includes our lifestyle protection insurance business; and (5) Runoff, which includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of: funding agreements, FABNs and GICs.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings holding company 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. Effective April 1, 2013 (immediately prior to the holding company reorganization), Genworth Holdings completed the sale of its reverse mortgage business (which had been part of Corporate and Other activities) for total proceeds of $22 million. The gain on the sale was not significant.

We use the same accounting policies and procedures to measure segment income (loss) and assets as our consolidated net income (loss) and assets. Our chief operating decision maker evaluates segment performance and allocates resources on the basis of net operating income (loss). We define net operating income (loss) as income (loss) from continuing operations excluding the after-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses and infrequent or unusual non-operating items. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by

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(Unaudited)

market opportunities, as well as asset-liability matching considerations. Goodwill impairments and gains (losses) on the sale of businesses are also excluded from net operating income (loss) because, in our opinion, they are not indicative of overall operating trends. Other non-operating items are also excluded from net operating income (loss) if, in our opinion, they are not indicative of overall operating trends.

There were no infrequent or unusual items excluded from net operating income (loss) during the periods presented other than a $13 million after-tax expense recorded in the second quarter of 2013 related to restructuring costs. In June 2013, we announced an expense reduction plan as we continue to work on improving the operating performance of our businesses resulting in a pre-tax non-operating charge of $20 million reflecting severance, outplacement and other associated costs. This plan eliminated approximately 400 positions, including 150 open positions that will not be filled, and will reduce related information technology and program spend.

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

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

(Amounts in millions)	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenues:				
U.S. Life Insurance segment:				
Life insurance	$ 492	$ 533	$ 1,488	$ 1,404
Long-term care insurance	846	809	2,447	2,381
Fixed annuities	249	284	776	838
U.S. Life Insurance segment s revenues	1,587	1,626	4,711	4,623
International Mortgage Insurance segment:				
Canada	190	197	576	591
Australia	131	140	418	421
Other Countries	8	13	29	45
International Mortgage Insurance segment s revenues	329	350	1,023	1,057
U.S. Mortgage Insurance segment s revenues	156	156	461	514
International Protection segment s revenues	187	198	594	627
Runoff segment s revenues	73	92	185	289
Corporate and Other s revenues	(15)	34	17	63
Total revenues	$ 2,317	$ 2,456	$ 6,991	$ 7,173

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(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
(Amounts in millions)	**2013**	**2012**	**2013**	**2012**
U.S. Life Insurance segment:				
Life insurance	$ 54	$ 22	$ 117	$ 58
Long-term care insurance	41	45	87	94
Fixed annuities	16	19	71	62
U.S. Life Insurance segment s net operating income	111	86	275	214
International Mortgage Insurance segment:				
Canada	41&nb			