



Global Atlantic Financial Limited
(an indirect subsidiary of Global Atlantic Financial Group Limited)

Financial Supplement

Fourth Quarter 2019

Information in this document is unaudited. This Financial Supplement is for informational purposes only and should be read in conjunction with Global Atlantic Financial Limited's consolidated financial statements for the year ended December 31, 2019.

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Important notice

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Credit Ratings

This list is provided for informational purposes only. Ratings are not recommendations to buy, sell, or hold securities, and each rating may be revised or revoked at any time at the sole discretion of the rating organization. Financial strength ratings apply to the issuing companies and do not apply to any specific product or underlying fund. Each individual insurer is solely responsible for the benefits and obligations of the products it issues.

	Ratings as of March 12, 2020			
	A.M. Best	Fitch	Moody's	Standard & Poor's
Credit Ratings⁽¹⁾				
Global Atlantic Financial Limited	N/A	BBB+	N/A	BBB-
Global Atlantic (Fin) Company	bbb	BBB+	Baa3	BBB-
Financial Strength Ratings				
Commonwealth Annuity & Life Insurance	A	A	A3	A-
Forethought Life Insurance Company	A	A	A3	A-
Accordia Life and Annuity Company	A	A	A3	A-
First Allmerica Financial Life Insurance Company	A	A	A3	A-
Global Atlantic Re Limited	A	A	N/A	A-
Global Atlantic Assurance Limited	A	A	N/A	A-

(1) Fitch's credit rating is its Long Term Issuer Default Rating.

Consolidated Results

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Financial Highlights

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change	
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018		
Consolidated results of operations										
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 198	\$ 144	\$ 117	\$ 174	\$ 70	183 %	\$ 633	\$ 434	46 %	
Adjusted operating income, net of tax	168	150	144	140	148	14 %	602	541	11 %	
ROE ⁽¹⁾	13.2 %	10.2 %	9.7%	18.0%	7.9 %	5.3 %	12.6%	11.6%	1.0 %	
ROE excluding AOCI ⁽¹⁾	19.7 %	15.0 %	12.7%	19.6%	8.1 %	11.6 %	16.8%	13.3%	3.5 %	
Adjusted Operating ROE, excluding AOCI ⁽¹⁾	16.8 %	15.6 %	15.6%	15.7%	17.2 %	(0.4)%	15.9%	16.6%	(0.7)%	
ROA ⁽¹⁾	0.90 %	0.67 %	0.57%	0.89%	0.37 %	0.53 %	0.76%	0.62%	0.14 %	
Adjusted operating ROA, net of tax ⁽¹⁾	0.85 %	0.78 %	0.77%	0.78%	0.85 %	— %	0.79%	0.84%	(0.05)%	
Effective income tax rate	(1.7)%	(7.1)%	16.0%	13.7%	(1.4)%	(0.3)%	6.5%	10.3%	(3.8)%	
Adjusted operating tax rate	(8.4)%	(4.9)%	15.8%	14.1%	14.0 %	(22.4)%	4.7%	14.4%	(9.7)%	
Balance sheet items										
Total assets	\$ 89,556	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	19 %	\$ 89,556	\$ 75,240	19 %	
Adjusted total assets	81,106	77,360	76,247	73,936	70,167	16 %	81,106	70,167	16 %	
Adjusted invested assets	69,881	66,751	65,473	63,290	60,125	16 %	69,881	60,125	16 %	
Total liabilities	83,302	79,928	79,134	76,191	71,751	16 %	83,302	71,751	16 %	
Total shareholders' equity	6,025	6,001	5,346	4,333	3,419	76 %	6,025	3,419	76 %	
Shareholders' equity, excluding AOCI	4,113	3,910	3,759	3,637	3,476	18 %	4,113	3,476	18 %	

(1) Interim periods are annualized.

Financial Supplement – Fourth Quarter 2019
Consolidated Statements of Income
Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Revenues									
Premiums	\$ 813	\$ 290	\$ 29	\$ 160	\$ 65	NM	\$ 1,292	\$ 1,510	(14)%
Policy fees	306	334	293	290	315	(3)%	1,223	1,249	(2)%
Net investment income	756	766	712	689	685	10 %	2,923	2,469	18 %
Other-than-temporary impairment losses	—	—	—	—	(5)	100 %	—	(5)	100 %
Gains (losses) on derivative instruments	51	74	85	135	(260)	120 %	345	(294)	217 %
Other net investment gains (losses)	40	33	67	91	(14)	386 %	231	15	NM
Other income	15	14	14	15	15	— %	58	58	— %
Total revenues	\$ 1,981	\$ 1,511	\$ 1,200	\$ 1,380	\$ 801	147 %	\$ 6,072	\$ 5,002	21 %
Benefits and expenses									
Policy benefits and claims	\$ 1,575	\$ 1,111	\$ 860	\$ 975	\$ 488	223 %	4,521	3,659	24 %
Amortization of policy acquisition costs	96	100	43	48	62	55 %	287	257	12 %
Insurance expenses	37	23	24	22	28	32 %	106	98	8 %
Total benefits and insurance expenses	1,708	1,234	927	1,045	578	196 %	4,914	4,014	22 %
Net underwriting income	273	277	273	335	223	22 %	1,158	988	17 %
Interest expenses	19	17	15	16	15	27 %	67	57	18 %
General and administrative expenses	139	120	114	115	137	1 %	488	505	(3)%
Income before income taxes	115	140	144	204	71	62 %	603	426	42 %
Income tax expense (benefit)	(2)	(10)	23	28	(1)	(100)%	39	44	(11)%
Net income	117	150	121	176	72	63 %	564	382	48 %
Net income (loss) attributable to non-controlling interests and redeemable non-controlling interests	(81)	6	4	2	2	NM	(69)	(52)	(33)%
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 198	\$ 144	\$ 117	\$ 174	\$ 70	183 %	\$ 633	\$ 434	46 %
Components of return on assets⁽¹⁾									
Net investment return ratio	3.44 %	3.59 %	3.44 %	3.54 %	3.63 %	(0.19)%	3.51 %	3.55 %	(0.04)%
Net cost of insurance ratio	(2.20)%	(2.29)%	(2.12)%	(1.82)%	(2.45)%	0.25 %	(2.12)%	(2.13)%	0.01 %
Net underwriting ratio	1.24 %	1.30 %	1.32 %	1.72 %	1.18 %	0.06 %	1.39 %	1.42 %	(0.03)%
General and administrative expense ratio	(0.63)%	(0.56)%	(0.55)%	(0.59)%	(0.73)%	0.10 %	(0.59)%	(0.73)%	0.14 %
Interest expense ratio	(0.09)%	(0.08)%	(0.07)%	(0.08)%	(0.08)%	(0.01)%	(0.08)%	(0.08)%	— %
Income tax expense ratio	0.01 %	0.04 %	(0.11)%	(0.15)%	0.01 %	— %	(0.05)%	(0.06)%	0.01 %
Non-controlling interest ratio	0.37 %	(0.03)%	(0.02)%	(0.01)%	(0.01)%	0.38 %	0.09 %	0.07 %	0.02 %
Return on assets	0.90 %	0.67 %	0.57 %	0.89 %	0.37 %	0.53 %	0.76 %	0.62 %	0.14 %

(1) Interim periods are annualized.

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Components of Adjusted Operating Return on Assets, net of tax

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Adjusted operating return on assets, net of tax⁽¹⁾	0.85 %	0.78 %	0.77 %	0.78 %	0.85 %	— %	0.79 %	0.84 %	(0.05)%
Components of adjusted operating return on assets, net of tax:⁽¹⁾									
Net investment earned rate	4.40 %	4.56 %	4.60 %	4.51 %	4.62 %	(0.22)%	4.52 %	4.57 %	(0.05)%
Adjustment to change net investment earned rate basis from adjusted invested assets to adjusted total assets	(0.60)%	(0.64)%	(0.66)%	(0.64)%	(0.70)%	0.10 %	(0.64)%	(0.76)%	0.12 %
Adjusted net cost of insurance ratio	(2.31)%	(2.52)%	(2.39)%	(2.28)%	(2.20)%	(0.11)%	(2.38)%	(2.06)%	(0.32)%
Adjusted net underwriting ratio	1.49 %	1.40 %	1.55 %	1.59 %	1.72 %	(0.23)%	1.50 %	1.75 %	(0.25)%
Adjusted general and administrative expense ratio	(0.61)%	(0.57)%	(0.56)%	(0.59)%	(0.64)%	0.03 %	(0.58)%	(0.68)%	0.10 %
Adjusted interest expense ratio	(0.10)%	(0.09)%	(0.08)%	(0.09)%	(0.09)%	(0.01)%	(0.09)%	(0.09)%	— %
Adjusted operating return on assets, before taxes	0.78 %	0.74 %	0.91 %	0.91 %	0.99 %	(0.21)%	0.83 %	0.98 %	(0.15)%
Adjusted income tax expense ratio	0.07 %	0.04 %	(0.14)%	(0.13)%	(0.14)%	0.21 %	(0.04)%	(0.14)%	0.10 %
Adjusted operating return on assets, net of tax	0.85 %	0.78 %	0.77 %	0.78 %	0.85 %	— %	0.79 %	0.84 %	(0.05)%
Components of adjusted operating earnings:									
Adjusted net investment income	\$ 752	\$ 753	\$ 740	\$ 696	\$ 683	10 %	\$ 2,941	\$ 2,462	19 %
Adjusted net cost of insurance	458	483	449	410	384	19 %	1,800	1,331	35 %
Adjusted net underwriting income	294	270	291	286	299	(2)%	1,141	1,131	1 %
Interest expenses	19	17	15	16	15	27 %	67	57	18 %
Adjusted general and administrative expenses	120	110	105	107	112	7 %	442	442	— %
Adjusted operating earnings, before income taxes	155	143	171	163	172	(10)%	632	632	— %
Adjusted operating income tax expense	13	7	(27)	(23)	(24)	154 %	(30)	(91)	67 %
Adjusted operating earnings, net of tax	\$ 168	\$ 150	\$ 144	\$ 140	\$ 148	14 %	\$ 602	\$ 541	11 %
Average total assets⁽²⁾	\$ 87,837	\$ 85,390	\$ 82,683	\$ 77,971	\$ 75,315	17 %	\$ 83,256	\$ 69,474	20 %
Average adjusted total assets⁽²⁾	79,233	76,804	75,092	72,052	69,787	14 %	75,763	64,680	17 %

(1) Interim periods are annualized.

(2) For year-to-date periods, calculated by averaging total assets and adjusted total assets, as of the end of each quarter in the applicable trailing period; For quarterly periods, calculated by averaging the current and immediately preceding quarter. Average for the year ended December 31, 2018 is weighted to reflect the timing of the closing of significant reinsurance assumed and ceded transactions on January 1, 2018, May 1, 2018, and June 1, 2018.

Financial Supplement – Fourth Quarter 2019
Consolidated Balance Sheets
Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	
Assets						
Fixed maturity securities, available-for-sale, at fair value	\$ 49,765	\$ 49,260	\$ 49,294	\$ 45,943	\$ 42,107	18 %
Fixed maturity securities, trading, at fair value	984	993	992	853	797	23 %
Equity securities at fair value	58	58	493	228	183	(68)%
Mortgage and other loan receivables	13,506	12,112	10,904	10,407	10,144	33 %
Policy loans	711	625	629	629	624	14 %
Derivative instruments	823	716	636	497	208	296 %
Funds withheld receivable at interest	2,428	2,420	2,425	2,461	2,451	(1)%
Other invested assets	5,847	5,388	5,110	4,906	4,635	26 %
Total investments	74,122	71,572	70,483	65,924	61,149	21 %
Cash and cash equivalents	2,458	1,873	1,192	1,808	1,253	96 %
Accrued investment income	544	536	505	497	467	16 %
Reinsurance recoverable	4,189	4,252	4,223	4,204	4,175	— %
Deferred policy acquisition costs	1,704	1,596	1,716	1,790	1,891	(10)%
Value of business acquired	424	399	495	583	668	(37)%
Other assets	611	553	577	431	493	24 %
Separate account assets	5,504	5,336	5,472	5,465	5,144	7 %
Total assets	\$ 89,556	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	19 %

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Consolidated Balance Sheets (continued)

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	
Liabilities						
Future policyholder benefits	\$ 5,744	\$ 5,036	\$ 4,771	\$ 4,765	\$ 4,568	26 %
Outstanding claims	179	181	227	230	204	(12)%
Contractholder deposit funds and other policyholder liabilities	66,321	64,012	62,850	60,567	57,345	16 %
Total policyholder liabilities	72,244	69,229	67,848	65,562	62,117	16 %
Debt	1,105	1,032	1,026	901	901	23 %
Tax payable to former parent company	90	89	88	87	98	(8)%
Collateral on derivative instruments	724	579	526	421	138	425 %
Funds withheld payable at interest	2,144	2,140	2,123	2,139	2,132	1 %
Accrued expenses and other liabilities	1,187	1,227	1,730	1,253	826	44 %
Reinsurance liabilities	304	296	321	363	395	(23)%
Separate account liabilities	5,504	5,336	5,472	5,465	5,144	7 %
Total liabilities	\$ 83,302	\$ 79,928	\$ 79,134	\$ 76,191	\$ 71,751	16 %
Redeemable non-controlling interests	94	124	119	117	—	— %
Shareholders' Equity						
Common stock	\$ —	\$ —	\$ —	\$ —	\$ —	— %
Additional paid-in capital	1,662	1,657	1,650	1,645	1,658	— %
Retained earnings	2,451	2,253	2,109	1,992	1,818	35 %
Accumulated other comprehensive income (loss)	1,912	2,091	1,587	696	(57)	NM
Total shareholders' equity	6,025	6,001	5,346	4,333	3,419	76 %
Non-controlling interests	135	64	64	61	70	93 %
Total equity	6,160	6,065	5,410	4,394	3,489	77 %
Total liabilities, redeemable non-controlling interests and equity	\$ 89,556	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	19 %
Shareholders' equity, excluding AOCI	\$ 4,113	\$ 3,910	\$ 3,759	\$ 3,637	\$ 3,476	18 %
Average shareholders' equity, excluding AOCI ⁽¹⁾	4,011	3,698	3,698	3,556	3,437	17 %

(1) Calculated by averaging shareholders' equity excluding AOCI as of the current and immediately preceding quarter.

Financial Supplement – Fourth Quarter 2019

Capitalization

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	
Debt	\$ 1,105	\$ 1,032	\$ 1,026	\$ 901	\$ 901	23 %
25% of subordinated debentures	(63)	(63)	(63)	(63)	(63)	— %
Fair value adjustment to senior notes hedged with interest rate swap ⁽¹⁾	15	—	—	—	—	— %
Adjusted debt	1,057	969	963	838	838	26 %
Total Global Atlantic Financial Limited shareholders' equity	6,025	6,001	5,346	4,333	3,419	76 %
Capitalization	\$ 7,130	\$ 7,033	\$ 6,372	\$ 5,234	\$ 4,320	65 %
Less: Accumulated other comprehensive income (AOCI)	1,912	2,091	1,587	696	(57)	NM
Capitalization, excluding AOCI	5,218	4,942	4,785	4,538	4,377	19 %
Fair value adjustment to senior notes hedged with interest rate swap ⁽¹⁾	15	—	—	—	—	— %
Capitalization, excluding AOCI and debt fair value adjustments	5,233	4,942	4,785	4,538	4,377	20 %
Debt-to-capitalization	15.5%	14.7%	16.1%	17.2%	20.9%	(5.4)%
Debt-to-capitalization, excluding AOCI	21.2%	20.9%	21.4%	19.9%	20.6%	0.6 %
Adjusted debt-to-capitalization excluding AOCI and debt fair value adjustments	20.2%	19.6%	20.1%	18.5%	19.1%	1.1 %
					Risk-based capital	
					as of December 31, 2019	
U.S. insurance subsidiaries ⁽²⁾						431%
Estimated consolidated RBC, including Bermuda subsidiaries ⁽³⁾						481%

(1) The Company has designated an interest rate swap to hedge the interest rate risk associated with the Senior Notes issued in October 2019 and due in 2029 in a fair value hedge. The 2029 Senior Notes are reported in debt in the consolidated balance sheets and are hedged through their maturity in October 2029. For the year ended December 31, 2019, the carrying amount of the hedged 2029 Senior Notes was \$479 million, which is reduced by a fair value hedge adjustment of \$15 million. A loss due to changes in the fair value of the swap of \$15 million was recognized in interest expense in the consolidated statements of income for the year ended December 31, 2019, fully offsetting the fair value change in the hedged 2029 Senior Notes.

(2) Risk-Based Capital, or "RBC", for Commonwealth Annuity & Life Insurance Company, which consolidates all our U.S. insurance subsidiaries

(3) Estimated consolidated RBC ratio includes our Bermuda insurance subsidiaries and the cash and securities at holding companies. U.S. Company Action Level, or "CAL", RBC factors are applied to the assets and liabilities of our Bermuda insurance subsidiaries to determine their CAL. Certain balances reflected in Total Available Capital, or "TAC", for Bermuda insurance subsidiaries are reported under an economic or principle-based approach.

Segment Results

Financial Supplement – Fourth Quarter 2019

Retirement Segment Results

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Operating revenues									
Premiums	\$ 800	\$ 271	\$ 19	\$ 141	\$ 52	NM	\$ 1,231	\$ 1,451	(15)%
Policy fees	62	64	63	57	61	2 %	246	246	— %
Net investment income	570	565	553	505	489	17 %	2,193	1,700	29 %
Other income	13	13	13	13	12	8 %	52	49	6 %
Total operating revenues	<u>1,445</u>	<u>913</u>	<u>648</u>	<u>716</u>	<u>614</u>	135 %	<u>3,722</u>	<u>3,446</u>	8 %
Operating benefits and expenses									
Policy benefits and claims	1,145	607	354	445	334	243 %	2,551	2,430	5 %
Amortization of policy acquisition costs	60	41	51	50	50	20 %	202	158	28 %
Insurance expenses	18	12	11	14	13	38 %	55	42	31 %
Total benefit and insurance expenses	<u>1,223</u>	<u>660</u>	<u>416</u>	<u>509</u>	<u>397</u>	208 %	<u>2,808</u>	<u>2,630</u>	7 %
Net underwriting income	222	253	232	207	217	2 %	914	816	12 %
General and administrative expenses	67	69	64	65	68	(1)%	265	266	— %
Adjusted operating earnings, before income tax	<u>\$ 155</u>	<u>\$ 184</u>	<u>\$ 168</u>	<u>\$ 142</u>	<u>\$ 149</u>	4 %	<u>\$ 649</u>	<u>\$ 550</u>	18 %
Total assets (as of period end)									
Total assets (as of period end)	\$ 60,782	\$ 58,640	\$ 57,195	\$ 55,078	\$ 51,357	18 %	\$ 60,782	\$ 51,357	18 %
Average adjusted invested assets ⁽¹⁾	51,766	49,994	48,183	45,500	43,015	20 %	48,749	37,737	29 %
Average total assets ⁽¹⁾	59,711	57,918	56,137	53,218	50,942	17 %	56,610	45,664	24 %
Adjusted operating return on assets, before income taxes⁽²⁾									
Adjusted operating return on assets, before income taxes ⁽²⁾	1.04 %	1.27 %	1.20 %	1.07 %	1.17 %	(0.13)%	1.15 %	1.20 %	(0.05)%

(1) For year-to-date periods, calculated by averaging total assets and adjusted invested assets, as of the end of each quarter in the applicable trailing period; For quarterly periods, calculated by averaging the current and immediately preceding quarter. Average for the year ended December 31, 2018 is weighted to reflect the timing of the closing of significant reinsurance assumed and ceded transactions on January 1, 2018, May 1, 2018, and June 1, 2018.

(2) Interim periods are annualized.

Financial Supplement – Fourth Quarter 2019

Life Segment Results

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Operating revenues									
Premiums	\$ 11	\$ 16	\$ 11	\$ 17	\$ 9	22 %	\$ 55	\$ 45	22 %
Policy fees	226	261	220	231	238	(5)%	938	956	(2)%
Net investment income	178	184	181	182	187	(5)%	725	733	(1)%
Other income	1	1	1	1	1	— %	4	4	— %
Total operating revenues	416	462	413	431	435	(4)%	1,722	1,738	(1)%
Operating benefits and expenses									
Policy benefits and claims	327	375	335	343	329	(1)%	1,380	1,328	4 %
Amortization of policy acquisition costs	11	65	10	15	24	(54)%	101	98	3 %
Insurance expenses	14	10	10	7	8	75 %	41	37	11 %
Total benefit and insurance expenses	352	450	355	365	361	(2)%	1,522	1,463	4 %
Net underwriting income	64	12	58	66	74	(14)%	200	275	(27)%
General and administrative expenses	33	33	32	34	35	(6)%	132	140	(6)%
Adjusted operating earnings (losses), before income tax	\$ 31	\$ (21)	\$ 26	\$ 32	\$ 39	(21)%	\$ 68	\$ 135	(50)%
Total assets (as of period end)									
	\$ 19,375	\$ 18,076	\$ 18,038	\$ 17,850	\$ 17,591	10 %	\$ 19,375	\$ 17,591	10 %
Average adjusted invested assets ⁽¹⁾	15,755	15,291	15,189	15,095	15,044	5 %	15,390	14,946	3 %
Average total assets ⁽¹⁾	18,726	18,057	17,944	17,721	17,749	6 %	18,186	17,738	3 %
Adjusted operating return on assets, before income taxes⁽²⁾									
	0.66 %	(0.47)%	0.58 %	0.72 %	0.88 %	(0.22)%	0.37 %	0.76 %	(0.39)%

(1) For year-to-date periods, calculated by averaging total assets and adjusted invested assets, as of the end of each quarter in the applicable trailing period; For quarterly periods, calculated by averaging the current and immediately preceding quarter.

(2) Interim periods are annualized.

Financial Supplement – Fourth Quarter 2019

Corporate & Other⁽¹⁾ – Operating Earnings

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Operating revenues									
Premiums	\$ 2	\$ 3	\$ 3	\$ 3	\$ 3	(33)%	\$ 11	\$ 13	(15)%
Policy fees	2	2	2	3	2	— %	9	8	13 %
Net investment income	4	4	6	9	7	(43)%	23	29	(21)%
Other income	1	1	1	1	1	— %	4	4	— %
Total operating revenues	<u>9</u>	<u>10</u>	<u>12</u>	<u>16</u>	<u>13</u>	(31)%	<u>47</u>	<u>54</u>	(13)%
Operating benefits and expenses									
Policy benefits and claims	—	4	7	1	3	(100)%	12	6	100 %
Amortization of policy acquisition costs	—	—	1	—	—	— %	1	1	— %
Insurance expenses	1	1	2	2	2	(50)%	6	7	(14)%
Total benefit and insurance expenses	<u>1</u>	<u>5</u>	<u>10</u>	<u>3</u>	<u>5</u>	(80)%	<u>19</u>	<u>14</u>	36 %
Net underwriting income	8	5	2	13	8	— %	28	40	(30)%
Interest expenses	19	17	16	16	15	27 %	68	57	19 %
General and administrative expenses	20	8	9	8	9	122 %	45	36	25 %
Adjusted operating earnings (losses), before income tax	<u>\$ (31)</u>	<u>\$ (20)</u>	<u>\$ (23)</u>	<u>\$ (11)</u>	<u>\$ (16)</u>	(94)%	<u>\$ (85)</u>	<u>\$ (53)</u>	(60)%

(1) Corporate and Other includes items not allocated to our Retirement and Life segments, such as unallocated general and administrative expenses, net investment income on assets not attributable to the Retirement and Life segments, debt costs, and the economic results from regulatory closed blocks where the economic performance of assets are largely passed on to the policyholders through dividends.

Financial Supplement – Fourth Quarter 2019

Assumption Review

Unaudited (\$ in millions, except percentages)

We review the adequacy of our reserves, deferred revenue and expenses and the assumptions underlying those items at least annually, usually in the third quarter. As we analyze our assumptions, to the extent we choose to update one or more of those assumptions, there may be an “unlocking” impact. Upon completion of assumption review during the Third Quarter 2019, we recognized a favorable unlocking of \$30 million in our Retirement segment (as compared to \$8 million favorable in the Third Quarter 2018), and an unfavorable unlocking of \$60 million in our Life segment (as compared to \$11 million unfavorable in the Third Quarter 2018.) The Retirement segment favorable unlocking was primarily due to (1) a lower projected policyholder lapses as a result of lower interest rates, (2) increase in the nonperformance risk spread assumption, and (3) a lower assumed benefit utilization rate for certain fixed-indexed annuities with guaranteed income features. These favorable unlocking impacts were partially offset by an unfavorable unlocking relating to lower projected partial withdrawals and the impact of lower investment yields. The Life segment unfavorable unlocking was primarily due to lower projected investment yields.

The following table reflects the impacts to adjusted operating earnings, before income taxes, by segment, and to income before income taxes, from our assumption review:

	Third Quarter	
	2019	2018
(\$ in millions)		
Impacts of assumption review on adjusted operating earnings, before income taxes, by segment:		
Retirement	\$ 30	\$ 8
Life	(60)	(11)
Corporate and Other	—	—
Total assumption review impact on adjusted operating earnings, before income taxes	(30)	(3)
Assumption review impact on adjustments to derive adjusted operating earnings, before income taxes	4	1
Total assumption review impact on income before income taxes	\$ (26)	\$ (2)

The following table reflects the impact on income before income taxes by financial statement line item from our assumption review:

	Third Quarter	
	2019	2018
(\$ in millions)		
Impacts of assumption review, by statement of income line item:		
Policy fees	\$ 36	\$ 2
Policy benefits and claims	(29)	(19)
Amortization of policy acquisition costs	(33)	15
Total assumption review impact on income before income taxes	\$ (26)	\$ (2)

Product and Operational Data

Financial Supplement – Fourth Quarter 2019

New Business Volume by Product and Origination Channel

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Retirement									
<i>Individual channel:</i>									
Fixed-Rate Annuities	\$ 747	\$ 851	\$ 1,663	\$ 1,424	\$ 1,648	(55)%	\$ 4,685	\$ 5,303	(12)%
Fixed-Indexed Annuities	790	822	1,142	876	875	(10)%	3,630	2,845	28 %
Variable Annuities	25	28	28	24	27	(7)%	105	149	(30)%
Total Retirement individual channel	\$ 1,562	\$ 1,701	\$ 2,833	\$ 2,324	\$ 2,550	(39)%	\$ 8,420	\$ 8,297	1 %
<i>Institutional channel:</i>									
Reinsurance	\$ 1,468	\$ 325	\$ 99	\$ 1,812	\$ 62	NM	\$ 3,704	\$ 9,047	(59)%
Life									
<i>Individual channel:</i>									
Indexed Universal Life	38	27	27	15	16	138 %	107	54	98 %
Fixed Universal and Term Life	1	1	1	—	1	— %	3	3	— %
Total Traditional Life individual channel	\$ 39	\$ 28	\$ 28	\$ 15	\$ 17	129 %	\$ 110	\$ 57	93 %
Total Preneed Life	\$ 47	\$ 52	\$ 50	\$ 45	\$ 45	4 %	\$ 194	\$ 193	1 %
<i>Institutional channel:</i>									
Reinsurance	\$ 620	\$ —	\$ —	\$ 27	\$ —	— %	\$ 647	\$ —	— %

Note: In our Retirement segment, individual channel sales of annuities include all money paid into new and existing contracts. Individual channel sales of traditional life products are based on commissionable premium, a commonly used industry sales metric, and individual channel sales for preneed life are based on the face amount of insurance. Traditional life sales do not include the recurring premiums that policyholders may pay over time. New business volume from our institutional channel is based on the assets assumed, net of any ceding commission.

Financial Supplement – Fourth Quarter 2019

Reserves by Product

Unaudited (\$ in millions, except percentages)

	Balances as of										YoY Change	
	12/31/2019		9/30/2019		6/30/2019		3/31/2019		12/31/2018		General Account	Separate Account
	General Account	Separate Account	General Account	Separate Account	General Account	Separate Account	General Account	Separate Account	General Account	Separate Account		
Fixed-Rate Annuity	\$ 34,956	\$ 13	\$ 33,782	\$ 12	\$ 33,429	\$ 12	\$ 32,754	\$ 12	\$ 30,494	\$ 10	15 %	30%
Fixed-Indexed Annuity	14,659	—	13,575	—	12,733	—	11,504	—	10,501	—	40 %	—%
Variable Annuity	2,296	4,934	2,386	4,791	2,349	4,910	2,339	4,912	2,411	4,640	(5)%	6%
FHLB funding agreements	1,782	—	1,782	—	1,782	—	1,583	—	1,583	—	13 %	—%
Total Retirement	53,693	4,947	51,525	4,803	50,293	4,922	48,180	4,924	44,989	4,650	19 %	6%
Indexed Universal Life	8,658	—	8,445	—	8,218	—	7,995	—	7,719	—	12 %	—%
Fixed Universal Life	3,529	—	2,931	—	2,983	—	2,996	—	3,016	—	17 %	—%
Variable Universal Life	415	557	394	533	385	550	393	541	392	494	6 %	13%
Term & Whole Life	1,025	—	1,036	—	1,067	—	1,087	—	1,069	—	(4)%	—%
Preneed	2,995	—	3,004	—	3,048	—	3,093	—	3,139	—	(5)%	—%
FHLB funding agreements	500	—	420	—	420	—	420	—	420	—	19 %	—%
Total Life	17,122	557	16,230	533	16,121	550	15,984	541	15,755	494	9 %	13%
Closed Block	1,368	—	1,410	—	1,369	—	1,331	—	1,305	—	5 %	—%
Other Corporate ⁽¹⁾	61	—	64	—	65	—	67	—	68	—	(10)%	—%
Total Corporate & Other	1,429	—	1,474	—	1,434	—	1,398	—	1,373	—	4 %	—%
Total Reserves	\$ 72,244	\$ 5,504	\$ 69,229	\$ 5,336	\$ 67,848	\$ 5,472	\$ 65,562	\$ 5,465	\$ 62,117	\$ 5,144	16 %	7%

(1) Other Corporate primarily includes accident & health reserves that we assumed as part of a reinsurance transaction in 2009 which are offset by the Reinsurance recoverable line item in the consolidated financial statements.

Financial Supplement – Fourth Quarter 2019

General Account Reserve Roll Forward by Segment

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	
Retirement						
Reserve liability, gross, opening balance	\$ 51,525	\$ 50,293	\$ 48,180	\$ 44,989	\$ 43,377	19 %
Deposits	1,613	1,759	3,357	2,400	2,566	(37)%
Block reinsurance	1,438	253	—	1,763	31	NM
Surrenders, benefits and fees	(1,059)	(1,050)	(1,503)	(1,204)	(1,117)	5 %
Other reserve changes	176	270	259	232	132	33 %
Reserve liability, gross, ending	<u>53,693</u>	<u>51,525</u>	<u>50,293</u>	<u>48,180</u>	<u>44,989</u>	19 %
Reinsurance recoverable	(2,379)	(2,380)	(2,392)	(2,432)	(2,439)	2 %
Net retirement reserve liability	<u>\$ 51,314</u>	<u>\$ 49,145</u>	<u>\$ 47,901</u>	<u>\$ 45,748</u>	<u>\$ 42,550</u>	21 %
Life						
Reserve liability, gross, opening balance	\$ 16,230	\$ 16,121	\$ 15,984	\$ 15,755	\$ 15,944	2 %
Deposits	380	240	229	234	229	66 %
Block reinsurance	660	—	—	10	—	— %
Surrenders, benefits and fees	(161)	(122)	(118)	(153)	(184)	13 %
Other reserve changes	13	(9)	26	138	(234)	106 %
Reserve liability, gross, ending	<u>17,122</u>	<u>16,230</u>	<u>16,121</u>	<u>15,984</u>	<u>15,755</u>	9 %
Reinsurance recoverable	(433)	(449)	(450)	(429)	(416)	(4)%
Net life reserve liability	<u>\$ 16,689</u>	<u>\$ 15,781</u>	<u>\$ 15,671</u>	<u>\$ 15,555</u>	<u>\$ 15,339</u>	9 %
Consolidated						
Reserve liability, gross, opening balance	\$ 69,229	\$ 67,848	\$ 65,562	\$ 62,117	\$ 60,729	14 %
Deposits	1,993	1,999	3,586	2,634	2,795	(29)%
Block reinsurance	2,097	—	—	1,773	31	NM
Surrenders, benefits and fees	(1,220)	(1,172)	(1,621)	(1,357)	(1,301)	6 %
Other reserve changes	145	554	321	395	(137)	206 %
Reserve liability, gross, ending	<u>72,244</u>	<u>69,229</u>	<u>67,848</u>	<u>65,562</u>	<u>62,117</u>	16 %
Reinsurance recoverable	(4,189)	(4,252)	(4,223)	(4,204)	(4,175)	— %
Net reserve liability	<u>\$ 68,055</u>	<u>\$ 64,977</u>	<u>\$ 63,625</u>	<u>\$ 61,358</u>	<u>\$ 57,942</u>	17 %

Financial Supplement – Fourth Quarter 2019
Retirement – Account Value Roll Forwards
Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Fixed-rate Annuities									
Balance, beginning-of-period	\$ 27,555	\$ 27,395	\$ 26,654	\$ 24,409	\$ 23,571	17 %	\$ 24,409	\$ 17,523	39 %
Deposits ⁽¹⁾	1,330	835	1,650	3,114	1,621	(18)%	6,929	9,420	(26)%
Surrenders, benefits and fees	(852)	(855)	(1,085)	(1,037)	(936)	9 %	(3,829)	(3,052)	(25)%
Net flows	478	(20)	565	2,077	685	(30)%	3,100	6,368	(51)%
Interest credited	182	181	175	169	151	21 %	707	514	38 %
Transfers and other charges	(1)	(1)	1	(1)	2	(150)%	(2)	4	(150)%
Balance, end-of-period	\$ 28,214	\$ 27,555	\$ 27,395	\$ 26,654	\$ 24,409	16 %	\$ 28,214	\$ 24,409	16 %
Fixed-indexed Annuities									
Balance, beginning-of-period	\$ 12,953	\$ 12,183	\$ 11,053	\$ 10,241	\$ 9,424	37 %	\$ 10,241	\$ 7,603	35 %
Deposits	840	876	1,212	922	915	(8)%	3,850	2,958	30 %
Surrenders, benefits and fees	(168)	(162)	(148)	(134)	(141)	(19)%	(612)	(522)	(17)%
Net flows	672	714	1,064	788	774	(13)%	3,238	2,436	33 %
Interest credited	85	54	65	24	42	102 %	228	198	15 %
Transfers and other charges	1	2	1	—	1	— %	4	4	— %
Balance, end-of-period	\$ 13,711	\$ 12,953	\$ 12,183	\$ 11,053	\$ 10,241	34 %	\$ 13,711	\$ 10,241	34 %
FHLB funding agreements									
Balance, beginning-of-period	\$ 1,782	\$ 1,782	\$ 1,583	\$ 1,583	\$ 1,582	13 %	\$ 1,583	\$ 1,517	4 %
Deposits	—	—	438	—	—	— %	438	65	NM
Surrenders, benefits and fees	—	—	(238)	—	—	— %	(238)	—	— %
Net flows	—	—	200	—	—	— %	200	65	208 %
Investment performance	—	—	—	—	—	— %	—	—	— %
Transfers and other charges	—	—	(1)	—	1	(100)%	(1)	1	(200)%
Balance, end-of-period	\$ 1,782	\$ 1,782	\$ 1,782	\$ 1,583	\$ 1,583	13 %	\$ 1,782	\$ 1,583	13 %

Financial Supplement – Fourth Quarter 2019

Retirement – Account Value Roll Forwards

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Variable annuities (General account)									
Balance, beginning-of-period	\$ 1,288	\$ 1,293	\$ 1,301	\$ 1,307	\$ 1,318	(2)%	\$ 1,307	\$ 1,953	(33)%
Deposits	9	11	10	10	10	(10)%	40	49	(18)%
Surrenders, benefits and fees	(40)	(33)	(31)	(33)	(39)	(3)%	(137)	(165)	17 %
Net flows	(31)	(22)	(21)	(23)	(29)	(7)%	(97)	(116)	16 %
Interest credited	10	10	10	11	9	11 %	41	47	(13)%
Transfers and other charges ⁽²⁾	5	7	3	6	9	(44)%	21	(577)	104 %
Balance, end-of-period	\$ 1,272	\$ 1,288	\$ 1,293	\$ 1,301	\$ 1,307	(3)%	\$ 1,272	\$ 1,307	(3)%
Variable annuities (Separate account)									
Balance, beginning-of-period	\$ 5,968	\$ 6,112	\$ 6,120	\$ 5,773	\$ 6,595	(10)%	\$ 5,773	\$ 6,824	(15)%
Deposits	20	18	21	14	19	5 %	73	111	(34)%
Surrenders, benefits and fees	(148)	(157)	(168)	(131)	(151)	2 %	(604)	(640)	6 %
Net flows	(128)	(139)	(147)	(117)	(132)	3 %	(531)	(529)	— %
Investment performance	336	36	178	531	(703)	148 %	1,081	(317)	441 %
Transfers and other charges	(26)	(41)	(39)	(67)	13	(300)%	(173)	(205)	16 %
Balance, end-of-period	\$ 6,150	\$ 5,968	\$ 6,112	\$ 6,120	\$ 5,773	7 %	\$ 6,150	\$ 5,773	7 %
Total Retirement									
Balance, beginning-of-period	\$ 49,546	\$ 48,765	\$ 46,711	\$ 43,313	\$ 42,490	17 %	\$ 43,313	\$ 35,420	22 %
Deposits	2,199	1,740	3,331	4,060	2,566	(14)%	11,330	12,604	(10)%
Surrenders, benefits and fees	(1,208)	(1,207)	(1,670)	(1,335)	(1,267)	5 %	(5,420)	(4,379)	(24)%
Net flows	991	533	1,661	2,725	1,299	(24)%	5,910	8,225	(28)%
Interest credited/Investment performance	613	281	428	735	(500)	223 %	2,057	443	364 %
Transfers and other charges	(21)	(33)	(35)	(62)	24	(188)%	(151)	(775)	81 %
Balance, end-of-period	\$ 51,129	\$ 49,546	\$ 48,765	\$ 46,711	\$ 43,313	18 %	\$ 51,129	\$ 43,313	18 %

(1) The three months ended December 31, 2019 and March 31, 2019 includes \$589 million and \$1,683 million, respectively, of account value assumed at inception under block reinsurance agreements.

(2) The year ended December 31, 2018 includes \$609 million of account value ceded at inception under a reinsurance agreement.

Financial Supplement – Fourth Quarter 2019

Surrender Charge Protection by Product

Unaudited (\$ in millions, except percentages)

Years of Surrender Charge Remaining	Fixed-rate and Fixed-indexed Annuities					
	December 31, 2019			December 31, 2018		
	Account Values	Percent of total	Average Surrender Charge Percent	Account Values	Percent of total	Average Surrender Charge Percent
No surrender charge	\$ 6,826	16.3%	—%	\$ 4,495	13.0%	—%
Greater than 0 to less than 3	9,623	23.0%	5.2%	8,603	24.8%	4.9%
3 to less than 6	17,570	41.9%	7.2%	14,606	42.2%	6.6%
6 to less than 9	6,335	15.1%	7.1%	5,754	16.6%	7.1%
9 or greater	1,571	3.7%	7.7%	1,192	3.4%	7.8%
Total	<u>\$ 41,925</u>	<u>100.0%</u>	<u>5.6%</u>	<u>\$ 34,650</u>	<u>100.0%</u>	<u>5.5%</u>

Years of Surrender Charge Remaining	Indexed and Fixed Universal Life					
	December 31, 2019			December 31, 2018		
	Account Values	Percent of total	Average Surrender Charge Percent	Account Values	Percent of total	Average Surrender Charge Percent
No surrender charge	\$ 3,844	41.0%	—%	\$ 3,197	36.8%	—%
Greater than 0 to less than 3	1,164	12.4%	3.2%	989	11.4%	3.2%
3 to less than 6	1,468	15.7%	8.3%	1,351	15.5%	8.1%
6 to less than 9	1,964	21.0%	12.8%	2,180	25.1%	13.3%
9 or greater	925	9.9%	31.0%	972	11.2%	27.9%
Total	<u>\$ 9,365</u>	<u>100.0%</u>	<u>7.4%</u>	<u>\$ 8,689</u>	<u>100.0%</u>	<u>8.1%</u>

Financial Supplement – Fourth Quarter 2019

Account Values by Guaranteed Minimum Interest Rates

Unaudited (\$ in millions, except percentages)

Range of Guaranteed Minimum Crediting Rates:	Subset of Account Values with Adjustable Crediting Rates Subject to Guaranteed Minimums					Total
	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	
<i>(As of December 31, 2019)</i>						
Individual channel	\$ 1,737	\$ 320	\$ 2,132	\$ 3,452	\$ 15,700	\$ 23,341
Institutional channel and strategic acquisitions	11,269	230	24	436	336	12,295
Total	\$ 13,006	\$ 550	\$ 2,156	\$ 3,888	\$ 16,036	\$ 35,636
Percentage in total	36.5%	1.5%	6.1%	10.9%	45.0%	100.0%
Percentage from institutional channel and strategic acquisitions	86.6%	41.8%	1.1%	11.2%	2.1%	34.5%

Range of Guaranteed Minimum Crediting Rates:	Subset of Account Values with Adjustable Crediting Rates Subject to Guaranteed Minimums					Total
	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	
<i>(As of December 31, 2018)</i>						
Individual channel	\$ 1,723	\$ 468	\$ 2,166	\$ 4,210	\$ 12,086	\$ 20,653
Institutional channel and strategic acquisitions	9,117	361	92	304	670	10,544
Total	\$ 10,840	\$ 829	\$ 2,258	\$ 4,514	\$ 12,756	\$ 31,197
Percentage in total	34.7%	2.7%	7.2%	14.5%	40.9%	100.0%
Percentage from institutional channel and strategic acquisitions	84.1%	43.5%	4.1%	6.7%	5.3%	33.8%

Note: Of the liabilities already at guaranteed minimums, the majority of the account values were assumed through either reinsurance transactions or acquisitions. As part of these reinsurance transactions and acquisitions, our view of the value of these liabilities was informed by the guaranteed minimum crediting rates on the policies and the then-current market conditions.

Investment Management

Financial Supplement – Fourth Quarter 2019

Investments Summary

Unaudited (\$ in millions, except percentages)

	December 31, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
AFS fixed maturity securities	\$ 49,765	67.1%	\$ 42,107	68.9%
Trading fixed maturity securities	984	1.3%	797	1.3%
Equity securities	58	0.1%	183	0.3%
Mortgage and other loan receivables	13,506	18.2%	10,144	16.6%
Policy loans	711	1.0%	624	1.0%
Derivative instruments	823	1.1%	208	0.3%
Funds withheld receivable at interest	2,428	3.3%	2,451	4.0%
Other investments	5,847	7.9%	4,635	7.6%
Total investments	\$ 74,122	100.0%	\$ 61,149	100.0%

Other investments, as above, consists of the following:	December 31, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Investments in renewable energy ⁽¹⁾	\$ 2,947	50.4%	\$ 2,135	46.1%
Investments in transportation and other leased assets ⁽²⁾	1,796	30.7%	1,321	28.5%
Other investment partnerships	558	9.6%	450	9.7%
Investments in real estate	384	6.6%	346	7.4%
Life settlement and other contracts	49	0.8%	277	6.0%
Federal Home Loan Bank common stock	113	1.9%	106	2.3%
Total other investments	\$ 5,847	100.0%	\$ 4,635	100.0%

(1) Net of accumulated depreciation attributed to consolidated renewable energy assets of \$38 million and \$16 million as of December 31, 2019 and December 31, 2018, respectively.

(2) Net of accumulated depreciation of \$158 million and \$83 million as of December 31, 2019 and December 31, 2018, respectively.

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Adjusted Invested Assets (a non-GAAP measure)

Unaudited (\$ in millions, except percentages)

	December 31, 2019		December 31, 2018	
	Amount	Percent of Total	Amount	Percent of Total
U.S. and foreign governments	\$ 671	1.0%	\$ 353	0.6%
U.S. corporate debt	22,417	32.1%	17,032	28.3%
U.S. municipalities	2,335	3.3%	2,250	3.8%
Credit	24,752	35.4%	19,282	32.1%
Residential mortgage-backed securities, or "RMBS"	8,060	11.5%	8,325	13.9%
Commercial mortgage-backed securities, or "CMBS"	3,742	5.4%	3,320	5.5%
Collateralized loan obligations, or "CLOs"	2,906	4.2%	5,286	8.8%
All other structured securities ⁽¹⁾	6,550	9.4%	5,539	9.2%
Structured products	21,258	30.5%	22,470	37.4%
Residential mortgage loans	4,004	5.7%	2,641	4.4%
Commercial mortgage loans	6,735	9.6%	5,457	9.1%
Consumer loans and other lending facilities	3,769	5.4%	3,023	5.0%
Investments in renewable energy	2,680	3.8%	2,023	3.4%
Investments in transportation and other leased assets	1,796	2.6%	1,321	2.2%
Investments in real estate	485	0.7%	438	0.7%
Loans and income-generating assets	19,469	27.8%	14,903	24.8%
Alternative assets	283	0.4%	296	0.5%
Policy loans	711	1.0%	624	1.0%
Other invested assets	162	0.2%	492	0.8%
Cash, cash equivalents and other	2,575	3.7%	1,705	2.8%
Total adjusted invested assets	\$ 69,881	100.0%	\$ 60,125	100.0%

(1) "All other structured securities" primarily consists of asset-backed securities and collateralized bond obligations.

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Fixed Maturity Securities - Unrealized Gains and Losses

Unaudited (\$ in millions, except percentages)

	As of December 31, 2019				
	Cost or amortized cost	Gross unrealized temporary		Fair value	Percent of total
		gain	loss		
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	\$ 583	\$ 20	\$ (1)	\$ 602	1.2%
U.S. state, municipal and political subdivisions	2,206	378	(2)	2,582	5.2%
Corporate	22,262	1,736	(43)	23,955	48.1%
RMBS	8,005	774	(32)	8,747	17.6%
CMBS	3,727	164	(6)	3,885	7.8%
CLOs	2,905	4	(57)	2,852	5.7%
All other structured securities ⁽¹⁾	6,938	222	(18)	7,142	14.4%
Total AFS fixed maturity securities	\$ 46,626	\$ 3,298	\$ (159)	\$ 49,765	100.0%

	As of December 31, 2018				
	Cost or amortized cost	Gross unrealized temporary		Fair value	Percent of total
		gain	loss		
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	\$ 273	\$ 13	\$ (11)	\$ 275	0.6%
U.S. state, municipal and political subdivisions	2,116	163	(11)	2,268	5.4%
Corporate	16,792	154	(710)	16,236	38.6%
RMBS	8,229	726	(74)	8,881	21.1%
CMBS	3,305	42	(51)	3,296	7.8%
CLOs	5,282	—	(198)	5,084	12.1%
All other structured securities ⁽¹⁾	6,019	89	(41)	6,067	14.4%
Total AFS fixed maturity securities	\$ 42,016	\$ 1,187	\$ (1,096)	\$ 42,107	100.0%

(1) "All other structured securities" primarily consists of asset-backed securities and collateralized bond obligations.

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Fixed Maturity Securities by NAIC and NRSRO ratings

Unaudited (\$ in millions, except percentages)

	AFS Fixed Maturity Securities by NAIC Rating					
	December 31, 2019			December 31, 2018		
	Cost or Amortized Cost	Fair Value	Percent of Total	Cost or Amortized Cost	Fair Value	Percent of Total
NAIC designation:						
1	\$ 32,421	\$ 34,502	69.3%	\$ 30,460	\$ 30,954	73.5%
2	13,588	14,641	29.4%	10,987	10,598	25.2%
Total investment grade	46,009	49,143	98.7%	41,447	41,552	98.7%
3	275	278	0.6%	322	311	0.7%
4	142	146	0.3%	140	141	0.3%
5	23	22	—%	19	19	0.1%
6	—	—	—%	5	4	—%
5*(¹)	177	176	0.4%	83	80	0.2%
Total below investment grade	617	622	1.3%	569	555	1.3%
Total AFS fixed maturity securities	\$ 46,626	\$ 49,765	100.0%	\$ 42,016	\$ 42,107	100.0%

	AFS Fixed Maturity Securities by NRSRO Rating					
	December 31, 2019			December 31, 2018		
	Cost or Amortized Cost	Fair Value	Percent of Total	Cost or Amortized Cost	Fair Value	Percent of Total
NRSRO rating designation:						
AAA/AA/A	\$ 22,810	\$ 24,109	48.5%	\$ 20,222	\$ 20,075	47.7%
BBB	14,838	15,977	32.1%	12,426	12,050	28.6%
Non-rated ⁽²⁾	2,885	3,044	6.1%	3,841	3,937	9.3%
Total Investment Grade	40,533	43,130	86.7%	36,489	36,062	85.6%
BB	432	441	0.9%	670	659	1.6%
B	198	207	0.4%	241	248	0.6%
CCC	1,781	2,044	4.1%	1,938	2,205	5.2%
CC and lower	2,367	2,633	5.3%	2,413	2,676	6.4%
Non-rated ⁽³⁾	1,315	1,310	2.6%	265	257	0.6%
Total below investment grade	6,093	6,635	13.3%	5,527	6,045	14.4%
Total AFS fixed maturity securities	\$ 46,626	\$ 49,765	100.0%	\$ 42,016	\$ 42,107	100.0%

Note: NRSRO and NAIC ratings have different methodologies. We believe the NAIC ratings methodology, which considers the likelihood of recovery of our amortized cost as opposed to the recovery of all contractual payments including the principal at par, is the more appropriate way to view the ratings quality of our AFS fixed maturity portfolio since a large portion of our holdings were purchased at a significant discount to par value.

(1) Securities rated using an internally developed methodology are designated 5* by the NAIC.

(2) Includes securities that were not rated by an NRSRO but have an NAIC designation of 1 or 2.

(3) Includes securities that were not rated by an NRSRO but have an NAIC designation of 3 or lower.

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Corporate Fixed Maturity Securities by NAIC and NRSRO Ratings

Unaudited (\$ in millions, except percentages)

	Corporate Fixed Maturity Securities by NAIC Rating					
	December 31, 2019			December 31, 2018		
	Cost or Amortized Cost	Fair Value	Percent of Total	Cost or Amortized Cost	Fair Value	Percent of Total
NAIC designation:						
1	\$ 10,082	\$ 10,829	45.2%	\$ 7,080	\$ 6,951	42.8%
2	11,911	12,858	53.7%	9,455	9,041	55.7%
Total investment grade	21,993	23,687	98.9%	16,535	15,992	98.5%
3	68	68	0.3%	104	96	0.6%
4	22	22	0.1%	55	54	0.3%
5	179	178	0.7%	98	94	0.6%
Total below investment grade	269	268	1.1%	257	244	1.5%
Total Corporate fixed maturity securities	\$ 22,262	\$ 23,955	100.0%	\$ 16,792	\$ 16,236	100.0%
	Corporate Fixed Maturity Securities by NRSRO Rating					
	December 31, 2019			December 31, 2018		
	Cost or Amortized Cost	Fair Value	Percent of Total	Cost or Amortized Cost	Fair Value	Percent of Total
NRSRO rating designation:						
AAA/AA/A	\$ 8,884	\$ 9,620	40.1%	\$ 6,370	\$ 6,257	38.5%
BBB	11,887	12,852	53.6%	9,473	9,058	55.8%
Non-rated ⁽¹⁾	1,216	1,210	5.1%	692	676	4.2%
Total Investment Grade	21,987	23,682	98.8%	16,535	15,991	98.5%
BB	12	12	0.1%	25	21	0.2%
B	22	22	0.1%	38	37	0.2%
CCC	—	—	—%	17	17	0.1%
Non-rated ⁽²⁾	241	239	1.0%	177	170	1.0%
Total below investment grade	275	273	1.2%	257	245	1.5%
Total Corporate fixed maturity securities	\$ 22,262	\$ 23,955	100.0%	\$ 16,792	\$ 16,236	100.0%

Note: NRSRO and NAIC ratings have different methodologies. We believe the NAIC ratings methodology, which considers the likelihood of recovery of our amortized cost as opposed to the recovery of all contractual payments including the principal at par, is the more appropriate way to view the ratings quality of our AFS fixed maturity portfolio since a large portion of our holdings were purchased at a significant discount to par value.

(1) Includes securities that were not rated by an NRSRO but have an NAIC designation of 1 or 2.

(2) Includes securities that were not rated by an NRSRO but have an NAIC designation of 3 or lower.

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Residential Mortgage-backed Securities by Ratings

Unaudited (\$ in millions, except percentages)

	RMBS by NAIC Ratings			
	December 31, 2019		December 31, 2018	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 8,046	92.0%	\$ 8,174	92.0%
2	441	5.0%	472	5.3%
Total investment grade	8,487	97.0%	8,646	97.4%
3	166	1.9%	171	1.9%
4	89	1.0%	55	0.6%
5	5	0.1%	5	0.1%
6	—	—%	4	—%
Total below investment grade	260	3.0%	235	2.6%
Total RMBS	\$ 8,747	100.0%	\$ 8,881	100.0%

	RMBS by NRSRO Ratings			
	December 31, 2019		December 31, 2018	
	Fair value	Percent of total	Fair Value	Percent of total
NRSRO rating designation:				
AAA/AA/A	\$ 1,162	13.3%	\$ 864	9.7%
BBB	662	7.6%	866	9.8%
BIG	5,273	60.3%	5,466	61.5%
Non-rated investment grade	1,650	18.9%	1,685	19.0%
Total RMBS	\$ 8,747	100.0%	\$ 8,881	100.0%

Note: NRSRO and NAIC ratings have different methodologies. We believe the NAIC ratings methodology, which considers the likelihood of recovery of our amortized cost as opposed to the recovery of all contractual payments including the principal at par, is the more appropriate way to view the ratings quality of our AFS fixed maturity portfolio since a large portion of our holdings were purchased at a significant discount to par value.

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Commercial Mortgage-backed Securities by Ratings

Unaudited (\$ in millions, except percentages)

	CMBS by NAIC Ratings			
	December 31, 2019		December 31, 2018	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 3,838	98.8%	\$ 3,277	99.4%
2	36	0.9%	3	0.1%
Total investment grade	3,874	99.7%	3,280	99.5%
3	—	—%	16	0.5%
4	11	0.3%	—	—%
Total below investment grade	11	0.3%	16	0.5%
Total CMBS	\$ 3,885	100.0%	\$ 3,296	100.0%

	CMBS by NRSRO Ratings			
	December 31, 2019		December 31, 2018	
	Fair value	Percent of total	Fair Value	Percent of total
NRSRO rating designation:				
AAA/AA/A	\$ 2,361	60.8%	\$ 1,728	52.4%
BBB	1,153	29.7%	1,097	33.3%
BIG	371	9.5%	471	14.3%
Total CMBS	\$ 3,885	100.0%	\$ 3,296	100.0%

Note: NRSRO and NAIC ratings have different methodologies. We believe the NAIC ratings methodology, which considers the likelihood of recovery of our amortized cost as opposed to the recovery of all contractual payments including the principal at par, is the more appropriate way to view the ratings quality of our AFS fixed maturity portfolio since a large portion of our holdings were purchased at a significant discount to par value.

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Collateralized Loan Obligations & All Other Structured Securities by Ratings
Unaudited (\$ in millions, except percentages)

	Collateralized Loan Obligations			
	December 31, 2019		December 31, 2018	
	Fair value	Percent of total	Fair value	Percent of total
NAIC designation:				
1	\$ 2,669	93.6%	\$ 4,808	94.6%
2	165	5.8%	257	5.0%
Total investment grade	2,834	99.4%	5,065	99.6%
3	18	0.6%	19	0.4%
Total below investment grade	18	0.6%	19	0.4%
Total CLO	\$ 2,852	100.0%	\$ 5,084	100.0%

	All Other Structured Securities			
	December 31, 2019		December 31, 2018	
	Fair value	Percent of total	Fair value	Percent of total
NAIC designation:				
1	\$ 6,439	90.2%	\$ 5,625	92.7%
2	638	8.9%	418	6.9%
Total investment grade	7,077	99.1%	6,043	99.6%
3	26	0.4%	10	0.2%
4	24	0.3%	14	0.2%
5	15	0.2%	—	—%
Total below investment grade	65	0.9%	24	0.4%
Total all other structured securities	\$ 7,142	100.0%	\$ 6,067	100.0%

Note: NRSRO and NAIC ratings have different methodologies. We believe the NAIC ratings methodology, which considers the likelihood of recovery of our amortized cost as opposed to the recovery of all contractual payments including the principal at par, is the more appropriate way to view the ratings quality of our AFS fixed maturity portfolio since a large portion of our holdings were purchased at a significant discount to par value.

Additional Information

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Non-GAAP financial measures

In addition to presenting our results in accordance with GAAP, we use certain non-GAAP measures commonly used in our industry in analyzing performance. We believe the use of these non-GAAP measures, together with the relevant GAAP measures, provides a better understanding of our results of operations, financial condition, and the underlying profitability drivers of our business. These measures should be considered supplementary to our results in accordance with GAAP and should not be viewed as a substitute for the GAAP measures. Our definitions of the various non-GAAP measures and other metrics discussed in this information statement may differ from those used by other companies.

The following key operating or non-GAAP measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

Key operating or non-GAAP measure	Comparable GAAP measure
Adjusted operating earnings, net of tax	Net income attributable to Global Atlantic Financial Limited shareholder
Adjusted operating earnings, before income taxes	Income before income taxes
Adjusted income tax expense (benefit)	Income tax expense (benefit)
Adjusted operating tax rate	Effective tax rate
ROE excluding AOCI	ROE
Adjusted operating ROE excluding AOCI	ROE
Adjusted invested assets	Total investments
Adjusted net investment income	Net investment income
Net investment earned rate	Investment yield
Adjusted total assets	Total assets
Adjusted operating return on assets, net of tax	Return on assets
Components of adjusted operating return on assets, net of tax	Components of return on assets
Adjusted net investment return ratio	Net investment return ratio
Adjusted net cost of insurance ratio	Net cost of insurance ratio
Adjusted general and administrative expense ratio	General and administrative expense ratio
Adjusted interest expense ratio	Interest expense ratio
Adjusted income tax expense ratio	Income tax expense ratio
Shareholders' equity excluding AOCI	Total Global Atlantic Financial Limited shareholders' equity
Debt-to-capitalization excluding AOCI	Debt-to-capitalization
Adjusted debt-to-capitalization excluding AOCI and debt fair value adjustments	Debt-to-capitalization
New business volume	No comparable GAAP measure

Adjusted operating earnings, net of tax

Adjusted operating earnings, net of tax, a commonly used operating measure in the life insurance industry, is a non-GAAP measure used to evaluate our financial performance by excluding items that tend to be highly variable from period to period, primarily based on market volatility and non-core expenses. These adjustments are reported gross of income tax and, where applicable, net of offsets related to amortization of DAC, VOBA, unearned revenue reserves and deferred sales inducements, policy fees charged to policyholders to cover benefits, and changes to reserves for certain guaranteed benefits.

Our adjusted operating earnings, net of tax, is equal to reported net income attributable to Global Atlantic Financial Limited shareholders adjusted to eliminate the impact of items in the categories as described below. Adjusted operating earnings, net of tax should not be used as a substitute for net income attributable to Global Atlantic Financial Limited shareholders as calculated in accordance with GAAP. However, we believe the adjustments to net income attributable to Global Atlantic Financial Limited shareholders are useful to gaining an understanding of our results of operations. We adjust for these items as we believe that these items distort the ability to make a meaningful evaluation of our business:

- **Investment (gains) losses, net of offsets** — Investment (gains) losses adjustments consist primarily of the following:
 - **Realized (gains) losses on the sale of AFS securities, net of offsets.**
 - **Change in assumed and ceded modified coinsurance and funds withheld at interest embedded derivatives and related trading securities, net of offsets** — the change in the fair value of embedded derivatives underlying reinsurance with assumed and ceded modified coinsurance and funds withheld at interest and related trading securities, net of offsets. The total change in the embedded derivatives and trading securities will net to zero over the life of the reinsurance contract.

- **Unrealized (gains) losses, impairments and other investment, derivative and hedging (gains) losses, net of offsets** — are comprised of (1) fair value adjustments related to certain policyholder and closed block liabilities held under the fair value option, (2) hedging derivative gains and losses not related to fixed-indexed annuities, indexed universal life contracts and variable annuities, (3) allowance for loan losses and (4) net OTTI.
- **Renewable energy income, net of offsets and non-controlling interest** — we account for our investments in renewable energy using either the equity method of accounting or consolidating. Renewable energy income can fluctuate significantly from period to period primarily driven by the application of the hypothetical liquidation at book value method of allocating income. Such fluctuations are reported in net investment income and also within net income attributable to redeemable and non-redeemable non-controlling interests. We adjust for the reported net investment income and redeemable and non-redeemable non-controlling interest (in excess of), or less than, our long-term return expectations for those investments, net of offsets.
- **Equity-method (income) loss attributable to strategic equity investments** — the equity method income or loss attributable to our strategic equity investments, which currently consists of our investments in the limited partnership interest in the acquisition vehicle formed in connection with the sale of The Hartford's run-off life and annuity business, or "Talcott Resolution," and Origis USA, LLC in which we acquired a minority equity interest in September 2018. Origis USA, LLC is the holding company of Origis Energy, or "Origis," a utility-scale solar developer. We exclude these investments from adjusted operating earnings as our investments in these entities are strategic in nature, and not for the purpose of generating investment income.
- **Change in the fair value of derivatives and embedded derivatives for fixed-indexed annuities, indexed universal life contracts and variable annuities, net of offsets** — consists primarily of (1) the period-to-period change in the fair value of derivatives hedging the market risk of fixed-indexed annuities, indexed universal life contracts and variable annuities, (2) the change in the fair value of embedded derivatives associated with changes in financial market conditions, such as the level of interest rates and equities and (3) the rider fees attributable to the guaranteed minimum withdrawal benefit offered under certain variable annuities.
- **Transaction, conversion and integration expenses** — the expenses incurred in connection with our potential initial public offering, in connection with converting and integrating a policy administration platform acquired as part of a business combination, which are not part of our core operations, and certain other expenses that are not related to our underlying profitability drivers. Conversion and integration costs include reserves for regulatory, legal and related costs and the cost of providing benefits in recognition of the administrative disruption imposed by the conversion.
- **Income tax adjustments** — the income tax impact of the foregoing adjustments. The income tax impact is calculated using our estimate of the annual adjusted operating tax rate. The adjusted operating tax rate could differ from the company's effective tax rate as determined under GAAP. The adjustment for 2018 also includes an income tax benefit resulting from our Section 953(d) election for Global Atlantic Re.

Adjusted operating earnings, before income taxes

Adjusted operating earnings, before income taxes is equal to reported income before income taxes adjusted for the adjustments as described above under "—Adjusted operating earnings, net of tax," with the exception of the adjustments for income taxes and the non-controlling interest component of the adjustment for renewable energy income (loss). Adjusted operating earnings, before income taxes should not be used as a substitute for income before income taxes as calculated in accordance with GAAP. However, we believe the adjustments to income before income taxes are useful to gaining an understanding of our results of operations.

Adjusted income tax expense and adjusted operating tax rate

Adjusted income tax expense is equal to reported income tax expense adjusted for income tax and tax reform adjustments as described above under "—Adjusted operating earnings, net of tax." Adjusted income tax expense should not be used as a substitute for income tax expense as calculated in accordance with GAAP. However, we believe the adjustments to income tax expense are useful to gaining an understanding of our results of operations.

Adjusted operating tax rate is equal to adjusted income tax expense divided by adjusted operating earnings, before income taxes. Adjusted operating tax rate should not be used as a substitute for effective tax rate as calculated in accordance with GAAP. However, we believe the adjusted operating tax rate is useful to gaining an understanding of our results of operations.

ROE excluding AOCI and adjusted operating ROE excluding AOCI

We use ROE excluding AOCI and adjusted operating ROE, excluding AOCI to evaluate our financial performance by excluding items that tend to be highly variable from period to period based on market volatility and non-core expenses. AOCI varies period-to-period in a manner inconsistent with our underlying profitability drivers, as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with our AFS securities. Accordingly, we believe using measures which exclude AOCI is more effective in analyzing the trends of our operations. ROE excluding AOCI and adjusted operating ROE, excluding AOCI should not be used as a substitute for ROE as calculated in accordance with GAAP. However, we believe the adjustments to equity and earnings are useful to gaining an understanding of our results of operations.

Adjusted invested assets

Adjusted invested assets represent the investments that back our policyholder liabilities as well as surplus assets. Adjusted invested assets is used in the computation of net investment earned rate, which allows us to analyze the performance of our investment portfolio. Adjusted invested assets includes (1) total investments on the consolidated balance sheets with available-for-sale securities at cost or amortized cost, (2) cash, cash equivalents and restricted cash, and (3) accrued investment income. Adjusted invested assets excludes the following items that are included in total investments but do not produce net investment income reflective of ongoing operations: (1) assets associated with funds withheld at interest liabilities related to business exited through reinsurance agreements, (2) derivative assets and derivative collateral liabilities (offsetting the related cash positions), (3) embedded derivatives associated with funds withheld at interest receivables, (4) securities sold under repurchase agreements, (5) investment related receivables and payables, (6) redeemable and non-redeemable non-controlling interests in consolidated renewable energy partnerships, and (7) strategic equity investments, which currently consists of our investments in Talcott Resolution and Origis. We include the underlying investments supporting our assumed funds withheld at interest and modified co-insurance agreements in our adjusted invested assets calculation in order to match the assets with the income received.

Adjusted invested assets are allocated to our Retirement and Life segments based on the segment's respective statutory reserves and management's estimate of the statutory capital levels necessary to support each segment's business, which takes into account regulatory, rating agency and business requirements. The remainder of consolidated adjusted invested assets over the portion allocated to Retirement and Life is reflected within Corporate & Other.

Adjusted invested assets should not be used as a substitute for total investments as calculated in accordance with GAAP. However, we believe the adjustments to total investments provide a view of the assets from which we earn investment income.

Adjusted net investment income and net investment earned rate

Adjusted net investment income is calculated as reported net investment income adjusted for renewable energy income (loss) and equity-method (income) loss attributable to strategic equity investments as described above under “Adjusted operating earnings, net of tax,” excluding the impact of non-controlling interest. Adjusted net investment income should not be used as a substitute for net investment income. However, we believe adjusted net investment income is significant to gaining an understanding of the overall performance of our portfolio of adjusted invested assets.

Net investment earned rate is computed as adjusted net investment income, as described above, divided by the average adjusted invested assets for the relevant period. Net investment earned rate should not be used as a substitute for investment yield as calculated in accordance with GAAP. However, we believe net investment earned rate is useful to gaining an understanding of the overall performance of our adjusted invested assets.

Adjusted total assets

Adjusted total assets includes adjusted invested assets, as defined above, plus (1) separate accounts, (2) separate account assets associated with variable annuities and variable universal life policies whereby those assets are withheld by the cedent by terms of the reinsurance contract on a funds-withheld coinsurance basis, and (3) gross insurance intangible assets and liabilities.

Adjusted total assets should not be used as a substitute for total assets as calculated in accordance with GAAP. However, we believe the adjustments to derive adjusted total assets are necessary to reflect those assets from which we generate earnings.

Adjusted operating return on assets, net of tax

Adjusted operating return on assets, net of tax is equal to adjusted operating earnings, net of tax divided by average adjusted total assets. Adjusted operating return on assets, net of tax should not be used as a substitute for return on assets, as calculated in accordance with GAAP. However, we believe adjusted operating return on assets, net of tax is useful to gaining an understanding of our results of operations relative to the underlying asset base which generates earnings.

Components of adjusted operating return on assets, net of tax

When analyzing return on assets and adjusted operating return on assets, net of tax, we also consider certain ratios that aggregate to return on assets and adjusted operating return on assets, net of tax, namely: (1) net investment income as a percentage of average total assets and adjusted net investment income as a percentage of average adjusted total assets, (2) net cost of insurance as a percentage of average total assets and adjusted net cost of insurance as a percentage of average adjusted total assets (the combination of (1) and (2) is also referred to as the “net underwriting ratio”, or the “adjusted net underwriting ratio”), (3) general and administrative expenses as a percentage of average total assets and adjusted general and administrative expenses as a percentage of average adjusted total assets (4) interest expense as a percentage of average total assets and average adjusted total assets and (5) income-tax expense as a percentage of average total assets and adjusted tax expense as a percentage of adjusted total assets. Altogether, we refer to the foregoing as the “components of return on assets,” or “the components of adjusted operating return on assets, net of tax.”

The components of adjusted operating return on assets, net of tax, individually or in the aggregate, should not be used as a substitute for the respective or aggregated components of return on assets, as calculated in accordance with GAAP. However, we believe adjustments to the respective or aggregated components of return on assets are useful to gaining an understanding of our results of operations relative to our underlying asset base generating earnings.

The components of adjusted operating return on assets, net of tax, are defined as follows:

Adjusted net investment return ratio

Adjusted net investment return ratio is calculated in a similar way to “Net Investment Earned Rate,” as discussed above, but divides adjusted net investment income by average adjusted total assets as the denominator, instead of average adjusted invested assets.

Adjusted net cost of insurance and adjusted net cost of insurance ratio

Adjusted net cost of insurance is equal to reported net underwriting income, excluding net investment income, and adjusted for (1) investment gains (losses) other than renewable energy income (loss) and strategic equity investment income (loss); (2) change in the fair value of derivatives and embedded derivatives associated with fixed-indexed annuities, indexed universal life contracts and variable annuities; and (3) transaction, conversion and integration expenses. These adjustments are reported gross of income tax and, where applicable, net of offsets related to (1) DAC, VOBA, URR and DSI amortization; (2) changes to reserves for certain guaranteed benefits; and (3) policy fees to cover benefits, as described above. Adjusted net cost of insurance ratio is calculated as adjusted net cost of insurance divided by average adjusted total assets. Net cost of insurance ratio is calculated as net cost of insurance divided by average total assets. Refer to “Adjusted operating earnings, net of tax” above for additional details regarding the foregoing adjustments.

Adjusted general and administrative expenses and adjusted general and administrative expense ratio

Adjusted general and administrative expense is equal to reported general and administrative expense adjusted for certain transaction, conversion and integration expense, as described above. Adjusted general and administrative expense ratio is adjusted general and administrative expense divided by average adjusted total assets.

Adjusted interest expense ratio

Adjusted interest expense ratio is interest expense, as reported, divided by average adjusted total assets.

Adjusted income tax expense ratio

Adjusted income tax expense ratio is adjusted income tax expense, as defined above under “—Adjusted income tax expense and adjusted operating tax rate,” divided by average adjusted total assets.

Shareholders’ equity excluding AOCI

Shareholders’ equity excluding AOCI is calculated as total Global Atlantic Financial Limited shareholders’ equity, as reported, less AOCI, as reported. Shareholders’ equity excluding AOCI should not be used as a substitute for total Global Atlantic Financial Limited shareholders’ equity as calculated in accordance with GAAP. However, we believe the adjustments to shareholders’ equity are useful to gaining an understanding of our overall results of operations and financial condition.

Debt-to-capitalization excluding AOCI and adjusted debt-to-capitalization excluding AOCI and debt fair value adjustments

Debt-to-capitalization excluding AOCI is calculated as debt divided by the aggregate of total Global Atlantic Financial Limited shareholders’ equity and debt, or “capitalization,” adjusted to exclude AOCI. Adjusted debt-to-capitalization excluding AOCI and debt fair value adjustments is calculated using debt adjusted to exclude 25% of the outstanding principal amount of the subordinated debentures as an equity credit, and an adjustment to both the debt and capitalization numerator and denominator for the cumulative changes in fair value recognized due to the application of hedge accounting. We exclude a portion of the outstanding principal amount of the subordinated debentures because their terms result in the subordinated debentures receiving equity credit under certain NRSRO methodologies. Adjusted debt-to-capitalization excluding AOCI should not be used as a substitute for debt-to-capitalization as calculated in accordance with GAAP debt divided by capitalization. However, we believe the adjustments to our debt-to-capitalization are useful to gaining an understanding of our overall financial condition.

New business volume

In our Retirement segment, individual channel new business volume of annuities include all money paid into new and existing contracts. In our Life segment, individual channel new business volume of traditional life are based on commissionable premium, a commonly used industry sales metric, and individual channel new business volume for preneed life are based on the face amount of insurance issued. Traditional life products include indexed universal, fixed universal and term life sold both to individuals in the individual life market, and to corporations in the corporate life market. We also refer to new business volume originated through the individual channel as “sales.” Institutional channel new business volume is based on the assets assumed, net of any ceding commission. New business volume should not be used as a substitute for revenue as calculated in accordance with GAAP. However, we believe new business volume statistics are useful to gaining an understanding of our overall results of operations.

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: Adjusted Operating Earnings, Net of Tax

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 198	\$ 144	\$ 117	\$ 174	\$ 70	183 %	\$ 633	\$ 434	46 %
Adjustments:									
Realized (gains) losses on the sale of AFS securities, net of offsets	(66)	(15)	6	(8)	2	(3,400)%	(83)	(57)	(46)%
Change in assumed and ceded modified coinsurance and funds withheld at interest embedded derivatives and related trading securities, net of offsets	(9)	2	(6)	(18)	19	(147)%	(31)	49	(163)%
Unrealized (gains) losses, impairments and other investment, derivative and hedging (gains) losses, net of offsets	44	7	(24)	(14)	6	633 %	13	24	(46)%
Renewable energy income, net of offsets and non-controlling interest	(52)	4	32	28	6	(967)%	12	(42)	129 %
Equity-method (income) loss attributable to strategic equity investments	(19)	(13)	(3)	(25)	(6)	NM	(60)	(7)	NM
Total investment (gains) losses, net of offsets	(102)	(15)	5	(37)	27	(478)%	(149)	(33)	(352)%
Change in the fair value of derivatives and embedded derivatives for fixed-indexed annuities, indexed universal life contracts and variable annuities, net of offsets	30	13	5	(16)	40	(25)%	32	62	(48)%
Transaction, conversion and integration expenses	31	11	21	14	36	(14)%	77	125	(38)%
Tax effect on adjustments	11	(3)	(4)	5	(25)	144 %	9	(47)	119 %
Total adjustments	(30)	6	27	(34)	78	(138)%	(31)	107	(129)%
Adjusted operating earnings, net of tax	\$ 168	\$ 150	\$ 144	\$ 140	\$ 148	14 %	\$ 602	\$ 541	11 %

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: Invested Assets, Adjusted Total Assets

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	
Total investments	\$ 74,122	\$ 71,572	\$ 70,483	\$ 65,924	\$ 61,149	21 %
Adjustments to reconcile total investments and adjusted invested assets:						
Cash, cash equivalents, and restricted cash	2,639	1,992	1,375	1,970	1,333	98 %
Accrued investment income	544	536	505	497	467	16 %
Unrealized gains on fixed maturity and equity securities	(3,205)	(3,559)	(2,680)	(1,315)	(80)	NM
Funds withheld payable at interest	(2,144)	(2,140)	(2,123)	(2,139)	(2,132)	(1)%
Derivative instruments receivables	(823)	(716)	(636)	(497)	(208)	(296)%
Derivative collateral	(724)	(579)	(526)	(421)	(138)	(425)%
Funds withheld on embedded derivatives	(18)	7	(13)	(37)	(47)	62 %
Non-controlling interests in consolidated renewable energy partnerships	(135)	(64)	(64)	(61)	(70)	(93)%
Redeemable non-controlling interests in consolidated renewable energy partnerships	(94)	(124)	(119)	(117)	—	— %
Net investment receivable (payable)	(12)	51	(486)	(305)	39	(131)%
Strategic equity investments	(269)	(225)	(243)	(209)	(188)	(43)%
Adjusted invested assets	\$ 69,881	\$ 66,751	\$ 65,473	\$ 63,290	\$ 60,125	16 %
Retirement						
Adjusted invested assets	\$ 52,756	\$ 50,775	\$ 49,213	\$ 47,153	\$ 43,847	20 %
Adjustments:						
Separate account assets	4,947	4,803	4,922	4,924	4,650	6 %
Off-balance sheet separate account assets associated with variable annuities and variable universal life policies assumed via reinsurance on a funds-withheld coinsurance basis	1,638	1,598	1,646	1,665	1,571	4 %
Gross insurance intangibles	1,441	1,464	1,414	1,336	1,289	12 %
Adjusted retirement segment total assets	\$ 60,782	\$ 58,640	\$ 57,195	\$ 55,078	\$ 51,357	18 %
Life						
Adjusted invested assets	\$ 16,177	\$ 15,333	\$ 15,248	\$ 15,130	\$ 15,060	7 %
Adjustments:						
Separate account assets	557	533	550	541	494	13 %
Off-balance sheet separate account assets associated with variable annuities and variable universal life policies assumed via reinsurance on a funds-withheld coinsurance basis	1,950	1,583	1,611	1,587	1,445	35 %
Gross insurance intangibles	691	627	629	592	592	17 %
Adjusted life segment total assets	\$ 19,375	\$ 18,076	\$ 18,038	\$ 17,850	\$ 17,591	10 %

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: Adjusted Net Investment Income and Net Investment Earned Rate

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Net investment income	\$ 756	\$ 766	\$ 712	\$ 689	\$ 685	10 %	\$ 2,923	\$ 2,469	18 %
Average total investments ⁽¹⁾	\$ 72,847	\$ 71,028	\$ 68,204	\$ 63,537	\$ 60,802	20 %	\$ 68,650	\$ 55,644	23 %
Investment yield⁽²⁾	4.15%	4.31%	4.18%	4.34%	4.51%	(0.36)%	4.26%	4.44%	(0.18)%
Net investment income	\$ 756	\$ 766	\$ 712	\$ 689	\$ 685	10 %	\$ 2,923	\$ 2,469	18 %
Renewable energy income	15	—	31	32	4	275 %	78	—	— %
Equity-method (income) loss attributable to strategic equity investments	(19)	(13)	(3)	(25)	(6)	(217)%	(60)	(7)	NM
Total adjustments	\$ (4)	\$ (13)	\$ 28	\$ 7	\$ (2)	(100)%	\$ 18	\$ (7)	357 %
Adjusted net investment income	\$ 752	\$ 753	\$ 740	\$ 696	\$ 683	10 %	\$ 2,941	\$ 2,462	19 %
Average adjusted invested assets ⁽¹⁾	\$ 68,316	\$ 66,112	\$ 64,382	\$ 61,708	\$ 59,155	15 %	\$ 65,104	\$ 53,879	21 %
Net investment earned rate⁽²⁾	4.40%	4.56%	4.60%	4.51%	4.62%	(0.22)%	4.52%	4.57%	(0.05)%

(1) For year-to-date periods, calculated by averaging total investments and adjusted invested assets, as of the end of each quarter in the applicable trailing period; For quarterly periods, calculated by averaging the current and immediately preceding quarter. Average for the year ended December 31, 2018 is weighted to reflect the timing of the closing of significant reinsurance assumed and ceded transactions on January 1, 2018, May 1, 2018, and June 1, 2018.

(2) Interim periods are annualized.

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: Adjusted Operating ROA

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 198	\$ 144	\$ 117	\$ 174	\$ 70	183 %	\$ 633	\$ 434	46 %
Average total assets ⁽¹⁾	87,837	85,390	82,683	77,971	75,315	17 %	83,256	69,474	20 %
ROA⁽²⁾	0.90%	0.67%	0.57%	0.89%	0.37%	0.53 %	0.76%	0.62%	0.14 %
Adjusted operating earnings, before income taxes	\$ 155	\$ 143	\$ 171	\$ 163	\$ 172	(10)%	\$ 632	\$ 632	— %
Average adjusted total assets ⁽¹⁾	79,233	76,804	75,092	72,052	69,787	14 %	75,763	64,680	17 %
Adjusted operating ROA, before tax⁽²⁾	0.78%	0.74%	0.91%	0.91%	0.99%	(0.21)%	0.83%	0.98%	(0.15)%
Adjusted operating earnings, net of tax	\$ 168	\$ 150	\$ 144	\$ 140	\$ 148	14 %	\$ 602	\$ 541	11 %
Average adjusted total assets ⁽¹⁾	79,233	76,804	75,092	72,052	69,787	14 %	75,763	64,680	17 %
Adjusted operating ROA, net of tax⁽²⁾	0.85%	0.78%	0.77%	0.78%	0.85%	— %	0.79%	0.84%	(0.05)%

(1) For year-to-date periods, calculated by averaging total assets and adjusted total assets, as of the end of each quarter in the applicable trailing period; For quarterly periods, calculated by averaging the current and immediately preceding quarter. Average for the year ended December 31, 2018 is weighted to reflect the timing of the closing of significant reinsurance assumed and ceded transactions on January 1, 2018, May 1, 2018, and June 1, 2018.

(2) Interim periods are annualized.

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: Adjusted Total Assets

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018	
Adjusted invested assets	69,881	66,751	65,473	63,290	60,125	16 %
Separate account assets	5,504	5,336	5,472	5,465	5,144	7 %
Separate account assets withheld by the cedent on a funds-withheld coinsurance basis	3,588	3,181	3,257	3,252	3,016	19 %
Gross insurance intangibles	2,133	2,092	2,045	1,929	1,882	13 %
Adjusted total assets	\$ 81,106	\$ 77,360	\$ 76,247	\$ 73,936	\$ 70,167	16 %
Total assets	\$ 89,556	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	19 %
Adjustments:						
Separate account assets withheld by the cedent on a funds-withheld coinsurance basis	3,588	3,181	3,257	3,252	3,016	19 %
Deferred revenue liabilities and unearned revenue reserves	(854)	(839)	(861)	(865)	(844)	(1)%
Insurance intangibles associated with unrealized gains on fixed maturity and equity securities ("Shadow adjustments")	828	904	662	386	133	NM
Reinsurance recoverable	(4,189)	(4,252)	(4,223)	(4,204)	(4,175)	— %
Other assets, excluding DSI and restricted cash	(399)	(402)	(361)	(234)	(379)	(5)%
Unrealized gains on fixed maturity and equity securities	(3,205)	(3,559)	(2,680)	(1,315)	(80)	NM
Derivative collateral	(724)	(579)	(526)	(421)	(138)	(425)%
Derivative instruments receivables	(823)	(716)	(636)	(497)	(208)	(296)%
Funds withheld payable at interest	(2,144)	(2,140)	(2,123)	(2,139)	(2,132)	(1)%
Embedded derivatives on funds withheld	(18)	7	(13)	(37)	(47)	62 %
Net investment receivable (payable)	(12)	51	(486)	(305)	39	(131)%
Non-controlling interests in consolidated renewable energy partnerships	(135)	(64)	(64)	(61)	(70)	(93)%
Redeemable non-controlling interests in consolidated renewable energy partnerships	(94)	(124)	(119)	(117)	—	NM
Strategic equity investments	(269)	(225)	(243)	(209)	(188)	(43)%
Total adjustments	(8,450)	(8,757)	(8,416)	(6,766)	(5,073)	(67)%
Adjusted total assets	\$ 81,106	\$ 77,360	\$ 76,247	\$ 73,936	\$ 70,167	16 %

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: Components of Adjusted Operating ROA and related derived ratios

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Reconciliation of adjusted net cost of insurance									
Net underwriting margin, as reported	\$ 273	\$ 277	\$ 273	\$ 335	\$ 223	22 %	\$ 1,158	\$ 988	17 %
Less: Net investment income, as reported	756	766	712	689	685	10 %	2,923	2,469	18 %
Net cost of insurance	483	489	439	354	462	5 %	1,765	1,481	19 %
Adjustments:									
Realized (gains) losses on the sale of AFS securities, net of offsets	(66)	(15)	6	(8)	2	NM	(83)	(57)	(46)%
Change in assumed modified coinsurance and funds withheld embedded derivatives, net of offsets	(9)	2	(6)	(18)	19	(147)%	(31)	49	(163)%
Unrealized (gains) losses, impairments and other investment, derivative and hedging (gains) losses, net of offsets	44	7	(24)	(14)	6	NM	13	24	(46)%
Offsets to adjustments for renewable energy investments	14	(2)	(3)	(6)	—	— %	3	10	(70)%
Change in the fair value of derivatives and embedded derivatives for fixed indexed annuities and indexed universal life contracts, net of offsets	30	13	5	(16)	40	(25)%	32	62	(48)%
Transaction, conversion and integration expense	12	1	12	6	11	9 %	31	62	(50)%
Total adjustments	25	6	(10)	(56)	78	(68)%	(35)	150	(123)%
Adjusted net cost of insurance	\$ 458	\$ 483	\$ 449	\$ 410	\$ 384	19 %	\$ 1,800	\$ 1,331	35 %
Reconciliation of adjusted net underwriting margin									
Net underwriting margin, as reported	273	277	273	335	223	22 %	1,158	988	17 %
Total adjustments, as above	25	6	(10)	(56)	78	(68)%	(35)	150	(123)%
Adjustment to derive adjusted net investment income	(4)	(13)	28	7	(2)	(100)%	18	(7)	357 %
Adjusted net underwriting margin	\$ 294	\$ 270	\$ 291	\$ 286	\$ 299	(2)%	\$ 1,141	\$ 1,131	1 %
Reconciliation of adjusted G&A expense									
General and administrative expenses, as reported	\$ 139	\$ 120	\$ 114	\$ 115	\$ 137	1 %	\$ 488	\$ 505	(3)%
Adjustments:									
Transaction, conversion and integration expense	19	10	9	8	25	(24)%	46	63	(27)%
Adjusted general and administrative expenses	\$ 120	\$ 110	\$ 105	\$ 107	\$ 112	7 %	\$ 442	\$ 442	— %

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: Components of Adjusted Operating ROA and related derived ratios (continued)

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Average total assets ⁽¹⁾	\$ 87,837	\$ 85,390	\$ 82,683	\$ 77,971	\$ 75,315	17 %	\$ 83,256	\$ 69,474	20 %
Average adjusted total assets ⁽¹⁾	\$ 79,233	\$ 76,804	\$ 75,092	\$ 72,052	\$ 69,787	14 %	\$ 75,763	\$ 64,680	17 %
Ratios derived from average total assets and average adjusted total assets⁽²⁾:									
Adjusted net investment income	\$ 752	\$ 753	\$ 740	\$ 696	\$ 683	10 %	\$ 2,941	\$ 2,462	19 %
Adjusted net investment return ratio	3.80 %	3.92 %	3.94 %	3.87 %	3.92 %	(0.12)%	3.88 %	3.81 %	0.07 %
Net investment earned rate	4.40 %	4.56 %	4.60 %	4.51 %	4.62 %	(0.22)%	4.52 %	4.57 %	(0.05)%
Adjustment to change net investment earned rate basis from adjusted invested assets to adjusted total assets	(0.60)%	(0.64)%	(0.66)%	(0.64)%	(0.70)%	0.10 %	(0.64)%	(0.76)%	0.12 %
Net cost of insurance ratio	(2.20)%	(2.29)%	(2.12)%	(1.82)%	(2.45)%	0.25 %	(2.12)%	(2.13)%	0.01 %
Adjusted net cost of insurance ratio	(2.31)%	(2.52)%	(2.39)%	(2.28)%	(2.20)%	(0.11)%	(2.38)%	(2.06)%	(0.32)%
Net underwriting return	1.24 %	1.30 %	1.32 %	1.72 %	1.18 %	0.06 %	1.39 %	1.42 %	(0.03)%
Adjusted net underwriting return ratio	1.49 %	1.40 %	1.55 %	1.59 %	1.72 %	(0.23)%	1.50 %	1.75 %	(0.25)%
General and administrative expenses ratio	(0.63)%	(0.56)%	(0.55)%	(0.59)%	(0.73)%	0.10 %	(0.59)%	(0.73)%	0.14 %
Adjusted general and administrative expenses ratio	(0.61)%	(0.57)%	(0.56)%	(0.59)%	(0.64)%	0.03 %	(0.58)%	(0.68)%	0.10 %
Interest expense	\$ 19	\$ 17	\$ 15	\$ 16	\$ 15	27 %	\$ 67	\$ 57	18 %
Interest expense ratio	(0.09)%	(0.08)%	(0.07)%	(0.08)%	(0.08)%	(0.01)%	(0.08)%	(0.08)%	— %
Adjusted Interest expense ratio	(0.10)%	(0.09)%	(0.08)%	(0.09)%	(0.09)%	(0.01)%	(0.09)%	(0.09)%	— %
Adjusted operating income tax expense	\$ (13)	\$ (7)	\$ 27	\$ 23	\$ 24	(154)%	\$ 30	\$ 91	(67)%
Adjusted operating income tax expense ratio	0.07 %	0.04 %	(0.14)%	(0.13)%	(0.14)%	0.21 %	(0.04)%	(0.14)%	0.10 %

(1) For year-to-date periods, calculated by averaging total assets and adjusted total assets, as of the end of each quarter in the applicable trailing period; For quarterly periods, calculated by averaging the current and immediately preceding quarter. Average for the year ended December 31, 2018 is weighted to reflect the timing of the closing of significant reinsurance assumed and ceded transactions on January 1, 2018, May 1, 2018, and June 1, 2018.

(2) Interim periods are annualized

Financial Supplement – Fourth Quarter 2019

Non-GAAP Reconciliation: ROE excluding AOCI and Adjusted Operating ROE excluding AOCI

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Year Ended		YoY Change
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018		12/31/2019	12/31/2018	
Net income attributable to Global Atlantic Financial Limited shareholder	\$ 198	\$ 144	\$ 117	\$ 174	\$ 70	183 %	\$ 633	\$ 434	46 %
Adjusted operating earnings, net of tax	\$ 168	\$ 150	\$ 144	\$ 140	\$ 148	14 %	\$ 602	\$ 541	11 %
Total Global Atlantic Financial Limited shareholders' equity	\$ 6,025	\$ 6,001	\$ 5,346	\$ 4,333	\$ 3,419	76 %	\$ 6,025	\$ 3,419	76 %
Less: AOCI	1,912	2,091	1,587	696	(57)	3,454 %	1,912	(57)	3,454 %
Shareholders' equity excluding AOCI	\$ 4,113	\$ 3,910	\$ 3,759	\$ 3,637	\$ 3,476	18 %	\$ 4,113	\$ 3,476	18 %
Average total Global Atlantic Financial Limited shareholders' equity ⁽¹⁾	\$ 6,013	\$ 5,674	\$ 4,840	\$ 3,876	\$ 3,549	69 %	\$ 5,025	\$ 3,752	34 %
Average shareholders' equity, excluding AOCI ⁽¹⁾	\$ 4,011	\$ 3,835	\$ 3,698	\$ 3,556	\$ 3,437	17 %	\$ 3,779	\$ 3,260	16 %
ROE⁽²⁾	13.2%	10.2%	9.7%	18.0%	7.9%	5.3 %	12.6%	11.6%	1.0 %
ROE excluding AOCI⁽²⁾	19.7%	15.0%	12.7%	19.6%	8.1%	11.6 %	16.8%	13.3%	3.5 %
Adjusted Operating ROE, excluding AOCI⁽²⁾	16.8%	15.6%	15.6%	15.7%	17.2%	(0.4)%	15.9%	16.6%	(0.7)%

(1) For year-to-date periods, calculated by averaging total shareholders' equity and shareholders' equity excluding AOCI, as applicable, as of the end of each quarter in the applicable trailing period; For quarterly periods, calculated by averaging the current and immediately preceding quarter.

(2) Interim periods are annualized.