



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

Financial Supplement

Third 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 quarterly unaudited financial statements for the Third Quarter 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 November 4, 2019			
	A.M. Best	Fitch	Moody's	Standard & Poor's
Credit Ratings				
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-

Consolidated Results

Financial Supplement – Third Quarter 2019

Financial Highlights

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Nine Months Ended			
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		9/30/2019	9/30/2018	YoY Change	
Consolidated results of operations										
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 144	\$ 117	\$ 174	\$ 70	\$ 134	7 %	\$ 435	\$ 364	20 %	
Adjusted operating income, net of tax	150	144	140	148	146	3 %	434	393	10 %	
ROE ⁽¹⁾	10.2 %	9.7%	18.0%	7.9 %	14.7%	(4.5)%	12.1%	12.7%	(0.6)%	
ROE excluding AOCI ⁽¹⁾	15.0 %	12.7%	19.6%	8.1 %	16.1%	(1.1)%	15.7%	15.1%	0.6 %	
Adjusted Operating ROE, excluding AOCI ⁽¹⁾	15.6 %	15.6%	15.7%	17.2 %	17.5%	(1.9)%	15.7%	16.3%	(0.6)%	
ROA ⁽¹⁾	0.67 %	0.57%	0.89%	0.37 %	0.72%	(0.05)%	0.71%	0.72%	(0.01)%	
Adjusted operating ROA, net of tax ⁽¹⁾	0.78 %	0.77%	0.78%	0.85 %	0.85%	(0.07)%	0.78%	0.83%	(0.05)%	
Effective income tax rate	(7.1)%	16.0%	13.7%	(1.4)%	8.2%	(15.3)%	8.4%	12.7%	(4.3)%	
Adjusted operating tax rate	(4.9)%	15.8%	14.1%	14.0 %	10.4%	(15.3)%	9.0%	14.6%	(5.6)%	
Balance sheet items										
Total assets	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	\$ 75,389	14 %	\$ 86,117	\$ 75,389	14 %	
Adjusted total assets	77,360	76,247	73,936	70,167	69,407	11 %	77,360	69,407	11 %	
Adjusted invested assets	66,751	65,473	63,290	60,125	58,184	15 %	66,751	58,184	15 %	
Total liabilities	79,928	79,134	76,191	71,751	71,638	12 %	79,928	71,638	12 %	
Total Global Atlantic Financial Limited shareholders' equity	6,001	5,346	4,333	3,419	3,679	63 %	6,001	3,679	63 %	
Shareholders' equity, excluding AOCI	3,910	3,759	3,637	3,476	3,398	15 %	3,910	3,398	15 %	

(1) Interim periods are annualized.

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

	Three Months Ended						Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	YoY Change	9/30/2019	9/30/2018	YoY Change
Revenues									
Premiums	\$ 290	\$ 29	\$ 160	\$ 65	\$ 50	480 %	\$ 479	\$ 1,445	(67)%
Policy fees	334	293	290	315	298	12 %	917	934	(2)%
Net investment income	766	712	689	685	657	17 %	2,167	1,784	21 %
Other-than-temporary impairment losses	—	—	—	(5)	—	— %	—	—	— %
Gains (losses) on derivative instruments	74	85	135	(260)	78	(5)%	294	(34)	NM
Other net investment gains (losses)	33	67	91	(14)	(13)	354 %	191	29	NM
Other income	14	14	15	15	17	(18)%	43	43	— %
Total revenues	\$ 1,511	\$ 1,200	\$ 1,380	\$ 801	\$ 1,087	39 %	\$ 4,091	\$ 4,201	(3)%
Benefits and expenses									
Policy benefits and claims	\$ 1,111	\$ 860	\$ 975	\$ 488	\$ 735	51 %	2,946	3,171	(7)%
Amortization of policy acquisition costs	100	43	48	62	41	144 %	191	195	(2)%
Insurance expenses	23	24	22	28	21	10 %	69	70	(1)%
Total benefits and insurance expenses	1,234	927	1,045	578	797	55 %	3,206	3,436	(7)%
Net underwriting income	277	273	335	223	290	(4)%	885	765	16 %
Interest expenses	17	15	16	15	15	13 %	48	42	14 %
General and administrative expenses	120	114	115	137	129	(7)%	349	368	(5)%
Income before income taxes	140	144	204	71	146	(4)%	488	355	37 %
Income tax expense (benefit)	(10)	23	28	(1)	12	(183)%	41	45	(9)%
Net income	150	121	176	72	134	12 %	447	310	44 %
Net income (loss) attributable to non-controlling interests and redeemable non-controlling interests	6	4	2	2	—	— %	12	(54)	122 %
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 144	\$ 117	\$ 174	\$ 70	\$ 134	7 %	\$ 435	\$ 364	20 %
Components of return on assets⁽¹⁾									
Net investment return ratio	3.59 %	3.44 %	3.54 %	3.63 %	3.51 %	0.08 %	3.54 %	3.52 %	0.02 %
Net cost of insurance ratio	(2.29)%	(2.12)%	(1.82)%	(2.45)%	(1.96)%	(0.33)%	(2.09)%	(2.01)%	(0.08)%
Net underwriting ratio	1.30 %	1.32 %	1.72 %	1.18 %	1.55 %	(0.25)%	1.45 %	1.51 %	(0.06)%
General and administrative expense ratio	(0.56)%	(0.55)%	(0.59)%	(0.73)%	(0.69)%	0.13 %	(0.57)%	(0.73)%	0.16 %
Interest expense ratio	(0.08)%	(0.07)%	(0.08)%	(0.08)%	(0.08)%	— %	(0.08)%	(0.08)%	— %
Income tax expense ratio	0.04 %	(0.11)%	(0.15)%	0.01 %	(0.06)%	0.10 %	(0.07)%	(0.09)%	0.02 %
Non-controlling interest ratio	(0.03)%	(0.02)%	(0.01)%	(0.01)%	— %	(0.03)%	(0.02)%	0.11 %	(0.13)%
Return on assets	0.67 %	0.57 %	0.89 %	0.37 %	0.72 %	(0.05)%	0.71 %	0.72 %	(0.01)%

(1) Interim periods are annualized.

Financial Supplement – Third Quarter 2019

Components of Adjusted Operating Return on Assets, net of tax

Unaudited (\$ in millions, except percentages)

	Three Months Ended						Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	YoY Change	9/30/2019	9/30/2018	YoY Change
Adjusted operating return on assets, net of tax⁽¹⁾	0.78 %	0.77 %	0.78 %	0.85 %	0.85 %	(0.07)%	0.78 %	0.83 %	(0.05)%
Components of adjusted operating return on assets, net of tax:⁽¹⁾									
Net investment earned rate	4.56 %	4.60 %	4.51 %	4.62 %	4.56 %	— %	4.57 %	4.55 %	0.02 %
Adjustment to change net investment earned rate basis from adjusted invested assets to adjusted total assets	(0.64)%	(0.66)%	(0.64)%	(0.70)%	(0.73)%	0.09 %	(0.65)%	(0.79)%	0.14 %
Adjusted net cost of insurance ratio	(2.52)%	(2.39)%	(2.28)%	(2.20)%	(2.11)%	(0.41)%	(2.40)%	(2.00)%	(0.40)%
Adjusted net underwriting ratio	1.40 %	1.55 %	1.59 %	1.72 %	1.72 %	(0.32)%	1.52 %	1.76 %	(0.24)%
Adjusted general and administrative expense ratio	(0.57)%	(0.56)%	(0.59)%	(0.64)%	(0.68)%	0.11 %	(0.58)%	(0.70)%	0.12 %
Adjusted Interest expense ratio	(0.09)%	(0.08)%	(0.09)%	(0.09)%	(0.09)%	— %	(0.09)%	(0.09)%	— %
Adjusted operating return on assets, before taxes	0.74 %	0.91 %	0.91 %	0.99 %	0.95 %	(0.21)%	0.85 %	0.97 %	(0.12)%
Adjusted income tax expense ratio	0.04 %	(0.14)%	(0.13)%	(0.14)%	(0.10)%	0.14 %	(0.07)%	(0.14)%	0.07 %
Adjusted operating return on assets, net of tax	0.78 %	0.77 %	0.78 %	0.85 %	0.85 %	(0.07)%	0.78 %	0.83 %	(0.05)%
Components of adjusted operating earnings:									
Adjusted net investment income	\$ 753	\$ 740	\$ 696	\$ 683	\$ 657	15 %	\$ 2,189	\$ 1,779	23 %
Adjusted net cost of insurance	483	449	410	384	363	33 %	1,342	947	42 %
Adjusted net underwriting income	270	291	286	299	294	(8)%	847	832	2 %
Interest expenses	17	15	16	15	15	13 %	48	42	14 %
Adjusted general and administrative expenses	110	105	107	112	116	(5)%	322	330	(2)%
Adjusted operating earnings, before income taxes	143	171	163	172	163	(12)%	477	460	4 %
Adjusted operating income tax expense	7	(27)	(23)	(24)	(17)	141 %	(43)	(67)	36 %
Adjusted operating earnings, net of tax	\$ 150	\$ 144	\$ 140	\$ 148	\$ 146	3 %	\$ 434	\$ 393	10 %
Average total assets⁽²⁾	\$ 85,390	\$ 82,683	\$ 77,971	\$ 75,315	\$ 74,794	14 %	\$ 81,681	\$ 67,677	21 %
Average adjusted total assets⁽²⁾	76,804	75,092	72,052	69,787	68,716	12 %	74,428	63,030	18 %

(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 nine months ended September 30, 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 – Third Quarter 2019
Consolidated Balance Sheets
Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	
Assets						
Fixed maturity securities, available-for-sale, at fair value	\$ 49,260	\$ 49,294	\$ 45,943	\$ 42,107	\$ 42,092	17 %
Fixed maturity securities, trading, at fair value	993	992	853	797	842	18 %
Equity securities at fair value	58	493	228	183	342	(83)%
Mortgage and other loan receivables	12,112	10,904	10,407	10,144	9,124	33 %
Policy loans	625	629	629	624	633	(1)%
Derivative instruments	716	636	497	208	582	23 %
Funds withheld receivable at interest	2,420	2,425	2,461	2,451	2,509	(4)%
Other invested assets	5,388	5,110	4,906	4,635	4,330	24 %
Total investments	71,572	70,483	65,924	61,149	60,454	18 %
Cash and cash equivalents	1,873	1,192	1,808	1,253	1,536	22 %
Accrued investment income	536	505	497	467	448	20 %
Reinsurance recoverable	4,252	4,223	4,204	4,175	4,225	1 %
Deferred policy acquisition costs	1,596	1,716	1,790	1,891	1,735	(8)%
Value of business acquired	399	495	583	668	655	(39)%
Other assets	553	577	431	493	441	25 %
Separate account assets	5,336	5,472	5,465	5,144	5,895	(9)%
Total assets	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	\$ 75,389	14 %

Financial Supplement – September 30, 2019

Consolidated Balance Sheets (continued)

Unaudited (\$ in millions, except percentages)

	Balances as of						YoY Change
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		
Liabilities							
Future policyholder benefits	\$ 5,036	\$ 4,771	\$ 4,765	\$ 4,568	\$ 4,604		9 %
Outstanding claims	181	227	230	204	190		(5)%
Contractholder deposit funds and other policyholder liabilities	64,012	62,850	60,567	57,345	55,935		14 %
Total policyholder liabilities	69,229	67,848	65,562	62,117	60,729		14 %
Debt	1,032	1,026	901	901	802		29 %
Tax payable to former parent company	89	88	87	98	97		(8)%
Collateral on derivative instruments	579	526	421	138	562		3 %
Funds withheld payable at interest	2,140	2,123	2,139	2,132	2,156		(1)%
Accrued expenses and other liabilities	1,227	1,730	1,253	826	997		23 %
Reinsurance liabilities	296	321	363	395	400		(26)%
Separate account liabilities	5,336	5,472	5,465	5,144	5,895		(9)%
Total liabilities	\$ 79,928	\$ 79,134	\$ 76,191	\$ 71,751	\$ 71,638		12 %
Redeemable non-controlling interests	124	119	117	—	—		— %
Shareholders' Equity							
Common stock	\$ —	\$ —	\$ —	\$ —	\$ —		— %
Additional paid-in capital	1,657	1,650	1,645	1,658	1,650		— %
Retained earnings	2,253	2,109	1,992	1,818	1,748		29 %
Accumulated other comprehensive income (loss)	2,091	1,587	696	(57)	281		NM
Total Global Atlantic Financial Limited shareholders' equity	6,001	5,346	4,333	3,419	3,679		63 %
Non-controlling interests	64	64	61	70	72		(11)%
Total shareholders' equity	6,065	5,410	4,394	3,489	3,751		62 %
Total liabilities, redeemable non-controlling interests and shareholders' equity	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	\$ 75,389		14 %
Shareholders' equity, excluding AOCI	\$ 3,910	\$ 3,759	\$ 3,637	\$ 3,476	\$ 3,398		15 %
Average shareholders' equity, excluding AOCI ⁽¹⁾	3,835	3,698	3,556	3,437	3,329		15 %

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

Financial Supplement – Third Quarter 2019

Capitalization

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	
Debt	\$ 1,032	\$ 1,026	\$ 901	\$ 901	\$ 802	29 %
Less: 25% of subordinated debentures	(63)	(63)	(63)	(63)	(63)	— %
Adjusted debt	969	963	838	838	739	31 %
Total Global Atlantic Financial Limited shareholders' equity	6,001	5,346	4,333	3,419	3,679	63 %
Less: Accumulated other comprehensive income (AOCI)	2,091	1,587	696	(57)	281	NM
Shareholders' equity, excluding AOCI	<u>\$ 3,910</u>	<u>\$ 3,759</u>	<u>\$ 3,637</u>	<u>\$ 3,476</u>	<u>\$ 3,398</u>	15 %
Capitalization	\$ 7,033	\$ 6,372	\$ 5,234	\$ 4,320	\$ 4,481	57 %
Capitalization, excluding AOCI	4,942	4,785	4,538	4,377	4,200	18 %
Debt-to-capitalization	14.7%	16.1%	17.2%	20.9%	17.9%	(3.2)%
Debt-to-capitalization, excluding AOCI	20.9%	21.4%	19.9%	20.6%	19.1%	1.8 %
Adjusted debt-to-capitalization, excluding AOCI	19.6%	20.1%	18.5%	19.1%	17.6%	2.0 %
					Risk-based capital	
					as of December 31, 2018	
U.S. insurance subsidiaries ⁽¹⁾						441%
Estimated consolidated RBC, including Bermuda subsidiaries ⁽²⁾						490%

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

(2) Estimated combined 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 – Third Quarter 2019

Retirement Segment Results

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		9/30/2019	9/30/2018	YoY Change
Operating revenues									
Premiums	\$ 271	\$ 19	\$ 141	\$ 52	\$ 35	NM	\$ 431	\$ 1,399	(69)%
Policy fees	64	63	57	61	62	3 %	184	185	(1)%
Net investment income	565	553	505	489	464	22 %	1,623	1,211	34 %
Other income	13	13	13	12	15	(13)%	39	37	5 %
Total operating revenues	913	648	716	614	576	59 %	2,277	2,832	(20)%
Operating benefits and expenses									
Policy benefits and claims	607	354	445	334	318	91 %	1,406	2,096	(33)%
Amortization of policy acquisition costs	41	51	50	50	24	71 %	142	108	31 %
Insurance expenses	12	11	14	13	11	9 %	37	29	28 %
Total benefit and insurance expenses	660	416	509	397	353	87 %	1,585	2,233	(29)%
Net underwriting income	253	232	207	217	223	13 %	692	599	16 %
General and administrative expenses	69	64	65	68	70	(1)%	198	198	— %
Adjusted operating earnings, before income tax	\$ 184	\$ 168	\$ 142	\$ 149	\$ 153	20 %	\$ 494	\$ 401	23 %
Total assets (as of period end)									
	\$ 58,640	\$ 57,195	\$ 55,078	\$ 51,357	\$ 50,526	16 %	\$ 58,640	\$ 50,526	16 %
Average adjusted invested assets ⁽¹⁾	49,994	48,183	45,500	43,015	41,364	21 %	47,747	35,967	33 %
Average total assets ⁽¹⁾	57,918	56,137	53,218	50,942	49,634	17 %	55,568	43,981	26 %
Adjusted operating return on assets, before income taxes⁽²⁾									
	1.27 %	1.20 %	1.07 %	1.17 %	1.23 %	0.04 %	1.19 %	1.22 %	(0.03)%

(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 nine months ended September 30, 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 – Third Quarter 2019

Life Segment Results

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		9/30/2019	9/30/2018	YoY Change
Operating revenues									
Premiums	\$ 16	\$ 11	\$ 17	\$ 9	\$ 13	23 %	\$ 44	\$ 36	22 %
Policy fees	261	220	231	238	232	13 %	712	718	(1)%
Net investment income	184	181	182	187	187	(2)%	547	546	— %
Other income	1	1	1	1	1	— %	3	3	— %
Total operating revenues	<u>462</u>	<u>413</u>	<u>431</u>	<u>435</u>	<u>433</u>	7 %	<u>1,306</u>	<u>1,303</u>	— %
Operating benefits and expenses									
Policy benefits and claims	375	335	343	329	342	10 %	1,053	999	5 %
Amortization of policy acquisition costs	65	10	15	24	20	225 %	90	74	22 %
Insurance expenses	10	10	7	8	8	25 %	27	29	(7)%
Total benefit and insurance expenses	<u>450</u>	<u>355</u>	<u>365</u>	<u>361</u>	<u>370</u>	22 %	<u>1,170</u>	<u>1,102</u>	6 %
Net underwriting income	12	58	66	74	63	(81)%	136	201	(32)%
General and administrative expenses	33	32	34	35	33	— %	99	105	(6)%
Adjusted operating earnings, before income tax	<u>\$ (21)</u>	<u>\$ 26</u>	<u>\$ 32</u>	<u>\$ 39</u>	<u>\$ 30</u>	(170)%	<u>\$ 37</u>	<u>\$ 96</u>	(61)%
Total assets (as of period end)									
	\$ 18,076	\$ 18,038	\$ 17,850	\$ 17,591	\$ 17,907	1 %	\$ 18,076	\$ 17,907	1 %
Average adjusted invested assets ⁽¹⁾	15,291	15,189	15,095	15,044	14,967	2 %	15,193	14,918	2 %
Average total assets ⁽¹⁾	18,057	17,944	17,721	17,749	17,823	1 %	17,889	17,774	1 %
Adjusted operating return on assets, before income taxes⁽²⁾									
	(0.47)%	0.58 %	0.72 %	0.88 %	0.67 %	(1.14)%	0.28 %	0.72 %	(0.44)%

(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 – Third Quarter 2019 Corporate & Other⁽¹⁾ – Operating Earnings

Unaudited (\$ in millions, except percentages)

	Three Months Ended						Nine Months Ended			
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	YoY Change	9/30/2019	9/30/2018	YoY Change	
Operating revenues										
Premiums	\$ 3	\$ 3	\$ 3	\$ 3	\$ 2	50 %	\$ 9	\$ 10	(10)%	
Policy fees	2	2	3	2	2	— %	7	6	17 %	
Net investment income	4	6	9	7	6	(33)%	19	22	(14)%	
Other income	1	1	1	1	1	— %	3	3	— %	
Total operating revenues	<u>10</u>	<u>12</u>	<u>16</u>	<u>13</u>	<u>11</u>	(9)%	<u>38</u>	<u>41</u>	(7)%	
Operating benefits and expenses										
Policy benefits and claims	4	7	1	3	—	— %	12	3	300 %	
Amortization of policy acquisition costs	—	1	—	—	1	(100)%	1	1	— %	
Insurance expenses	1	2	2	2	2	(50)%	5	5	— %	
Total benefit and insurance expenses	<u>5</u>	<u>10</u>	<u>3</u>	<u>5</u>	<u>3</u>	67 %	<u>18</u>	<u>9</u>	100 %	
Net underwriting income	5	2	13	8	8	(38)%	20	32	(38)%	
Interest expenses	17	16	16	15	15	13 %	49	42	17 %	
General and administrative expenses	8	9	8	9	13	(38)%	25	27	(7)%	
Adjusted operating earnings (losses), before income tax	<u>\$ (20)</u>	<u>\$ (23)</u>	<u>\$ (11)</u>	<u>\$ (16)</u>	<u>\$ (20)</u>	— %	<u>\$ (54)</u>	<u>\$ (37)</u>	(46)%	

(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 – Third 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. 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
<i>(\$ in millions)</i>		
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
<i>(\$ in millions)</i>		
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 – Third Quarter 2019

New Business Volume by Product and Origination Channel

Unaudited (\$ in millions, except percentages)

	Three Months Ended						Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	YoY Change	9/30/2019	9/30/2018	YoY Change
Retirement									
<i>Individual channel:</i>									
Fixed-Rate Annuities	\$ 851	\$ 1,663	\$ 1,424	\$ 1,648	\$ 1,326	(36)%	\$ 3,938	\$ 3,654	8 %
Fixed-Indexed Annuities	822	1,142	876	875	714	15 %	2,840	1,970	44 %
Variable Annuities	28	28	24	27	39	(28)%	80	122	(34)%
Total Retirement individual channel	\$ 1,701	\$ 2,833	\$ 2,324	\$ 2,550	\$ 2,079	(18)%	\$ 6,858	\$ 5,746	19 %
<i>Institutional channel:</i>									
Reinsurance ⁽¹⁾	\$ 325	\$ 99	\$ 1,812	\$ 62	\$ 25	NM	\$ 2,236	\$ 8,984	(75)%
Life									
<i>Individual channel:</i>									
Indexed Universal Life	27	27	15	16	9	200 %	69	38	82 %
Fixed Universal and Term Life	1	1	—	1	1	— %	2	3	(33)%
Total Traditional Life individual channel	\$ 28	\$ 28	\$ 15	\$ 17	\$ 10	180 %	\$ 71	\$ 41	73 %
Total Preneed Life	\$ 52	\$ 50	\$ 45	\$ 45	\$ 48	8 %	\$ 147	\$ 148	(1)%
<i>Institutional channel:</i>									
Reinsurance	\$ —	\$ —	\$ 27	\$ —	\$ —	— %	\$ 27	\$ —	— %

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.

(1) Effective January 1, 2019, we entered into a coinsurance agreement with a third party, whereby we assumed \$1.6 billion of fixed annuity reserves. Effective June 1, 2018, we entered into the Talcott reinsurance transaction, whereby we assumed \$8.5 billion of assets. We then concurrently retroceded \$1.2 billion of assets associated with life-contingent payout annuities to a third party on a funds withheld basis. New business volume from our institutional channel reported above does not reflect such amounts concurrently retroceded.

Financial Supplement – Third Quarter 2019

Reserves by Product

Unaudited (\$ in millions, except percentages)

	Balances as of											
	9/30/2019		6/30/2019		3/31/2019		12/31/2018		9/30/2018		YoY Change	
	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	\$ 33,782	\$ 12	\$ 33,429	\$ 12	\$ 32,754	\$ 12	\$ 30,494	\$ 10	\$ 29,444	\$ —	15 %	— %
Fixed-Indexed Annuity	13,575	—	12,733	—	11,504	—	10,501	—	9,910	—	37 %	— %
Variable Annuity	2,386	4,791	2,349	4,910	2,339	4,912	2,411	4,640	2,441	5,315	(2)%	(10)%
FHLB funding agreements	1,782	—	1,782	—	1,583	—	1,583	—	1,582	—	13 %	— %
Total Retirement	51,525	4,803	50,293	4,922	48,180	4,924	44,989	4,650	43,377	5,315	19 %	(10)%
Indexed Universal Life	8,445	—	8,218	—	7,995	—	7,719	—	7,875	—	7 %	— %
Fixed Universal Life	2,931	—	2,983	—	2,996	—	3,016	—	3,050	—	(4)%	— %
Variable Universal Life	394	533	385	550	393	541	392	494	387	580	2 %	(8)%
Term & Whole Life	1,036	—	1,067	—	1,087	—	1,069	—	1,083	—	(4)%	— %
Preneed	3,004	—	3,048	—	3,093	—	3,139	—	3,129	—	(4)%	— %
FHLB funding agreements	420	—	420	—	420	—	420	—	420	—	— %	— %
Total Life	16,230	533	16,121	550	15,984	541	15,755	494	15,944	580	2 %	(8)%
Closed Block	1,410	—	1,369	—	1,331	—	1,305	—	1,336	—	6 %	— %
Other Corporate ⁽¹⁾	64	—	65	—	67	—	68	—	72	—	(11)%	— %
Total Corporate & Other	1,474	—	1,434	—	1,398	—	1,373	—	1,408	—	5 %	— %
Total Reserves	\$ 69,229	\$ 5,336	\$ 67,848	\$ 5,472	\$ 65,562	\$ 5,465	\$ 62,117	\$ 5,144	\$ 60,729	\$ 5,895	14 %	(9)%

(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 – Third Quarter 2019

General account reserve roll forward by segment

Unaudited (\$ in millions, except percentages)

	As of						Change
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		
Retirement							
Reserve liability, gross, opening balance	\$ 50,293	\$ 48,180	\$ 44,989	\$ 43,377	\$ 42,115		19 %
Deposits	1,759	3,357	2,400	2,566	2,069		(15)%
Block reinsurance	—	—	1,763	31	—		— %
Surrenders, benefits and fees	(1,050)	(1,503)	(1,204)	(1,117)	(1,030)		(2)%
Other reserve changes	523	259	232	132	223		135 %
Reserve liability, gross, ending	51,525	50,293	48,180	44,989	43,377		19 %
Reinsurance recoverable	(2,380)	(2,392)	(2,432)	(2,439)	(2,455)		3 %
Net retirement reserve liability	\$ 49,145	\$ 47,901	\$ 45,748	\$ 42,550	\$ 40,922		20 %
Life							
Reserve liability, gross, opening balance	\$ 16,121	\$ 15,984	\$ 15,755	\$ 15,944	\$ 15,827		2 %
Deposits	240	229	234	229	177		36 %
Block reinsurance	—	—	10	—	—		— %
Surrenders, benefits and fees	(122)	(118)	(153)	(184)	(101)		(21)%
Other reserve changes	(9)	26	138	(234)	41		(122)%
Reserve liability, gross, ending	16,230	16,121	15,984	15,755	15,944		2 %
Reinsurance recoverable	(449)	(450)	(429)	(416)	(410)		(10)%
Net life reserve liability	\$ 15,781	\$ 15,671	\$ 15,555	\$ 15,339	\$ 15,534		2 %
Consolidated							
Reserve liability, gross, opening balance	\$ 67,848	\$ 65,562	\$ 62,117	\$ 60,729	\$ 59,372		14 %
Deposits	1,999	3,586	2,634	2,795	2,246		(11)%
Block reinsurance	—	—	1,773	31	—		— %
Surrenders, benefits and fees	(1,172)	(1,621)	(1,357)	(1,301)	(1,131)		(4)%
Other reserve changes	554	321	395	(137)	242		129 %
Reserve liability, gross, ending	69,229	67,848	65,562	62,117	60,729		14 %
Reinsurance recoverable	(4,252)	(4,223)	(4,204)	(4,175)	(4,225)		(1)%
Net reserve liability	\$ 64,977	\$ 63,625	\$ 61,358	\$ 57,942	\$ 56,504		15 %

Financial Supplement – Third Quarter 2019

Retirement – Account Value Roll Forwards

Unaudited (\$ in millions, except percentages)

	Three Months Ended						Nine Months Ended			
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	Change	9/30/2019	9/30/2018	Change	
Fixed-rate Annuities										
Balance, beginning-of-period	\$ 27,395	\$ 26,654	\$ 24,409	\$ 23,571	\$ 22,992	19 %	\$ 24,409	\$ 17,523	39 %	
Deposits ⁽¹⁾	835	1,650	3,114	1,621	1,300	(36)%	5,599	7,799	(28)%	
Surrenders, benefits and fees	(855)	(1,085)	(1,037)	(936)	(866)	1 %	(2,977)	(2,116)	(41)%	
Net flows	(20)	565	2,077	685	434	(105)%	2,622	5,683	(54)%	
Interest credited	181	175	169	151	145	25 %	525	363	45 %	
Transfers and other charges	(1)	1	(1)	2	—	— %	(1)	2	(150)%	
Balance, end-of-period	\$ 27,555	\$ 27,395	\$ 26,654	\$ 24,409	\$ 23,571	17 %	\$ 27,555	\$ 23,571	17 %	
Fixed-indexed Annuities										
Balance, beginning-of-period	\$ 12,183	\$ 11,053	\$ 10,241	\$ 9,424	\$ 8,744	39 %	\$ 10,241	\$ 7,603	35 %	
Deposits	876	1,212	922	915	741	18 %	3,010	2,043	47 %	
Surrenders, benefits and fees	(162)	(148)	(134)	(141)	(130)	(25)%	(444)	(381)	(17)%	
Net flows	714	1,064	788	774	611	17 %	2,566	1,662	54 %	
Interest credited	54	65	24	42	67	(19)%	143	156	(8)%	
Transfers and other charges	2	1	—	1	2	— %	3	3	— %	
Balance, end-of-period	\$ 12,953	\$ 12,183	\$ 11,053	\$ 10,241	\$ 9,424	37 %	\$ 12,953	\$ 9,424	37 %	
FHLB funding agreements										
Balance, beginning-of-period	\$ 1,782	\$ 1,583	\$ 1,583	\$ 1,582	\$ 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	—	— %	(1)	—	— %	
Balance, end-of-period	\$ 1,782	\$ 1,782	\$ 1,583	\$ 1,583	\$ 1,582	13 %	\$ 1,782	\$ 1,582	13 %	

Financial Supplement – Third Quarter 2019 Retirement – Account Value Roll Forwards

Unaudited (\$ in millions, except percentages)

	Three Months Ended						Nine Months Ended			
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	Change	9/30/2019	9/30/2018	Change	
Variable annuities (General account)										
Balance, beginning-of-period	\$ 1,293	\$ 1,301	\$ 1,307	\$ 1,318	\$ 1,326	(2)%	\$ 1,307	\$ 1,953	(33)%	
Deposits	11	10	10	10	10	10 %	31	39	(21)%	
Surrenders, benefits and fees	(33)	(31)	(33)	(39)	(34)	3 %	(97)	(126)	23 %	
Net flows	(22)	(21)	(23)	(29)	(24)	8 %	(66)	(87)	24 %	
Interest credited	10	10	11	9	10	— %	31	38	(18)%	
Transfers and other charges ⁽²⁾	7	3	6	9	6	17 %	16	(586)	103 %	
Balance, end-of-period	\$ 1,288	\$ 1,293	\$ 1,301	\$ 1,307	\$ 1,318	(2)%	\$ 1,288	\$ 1,318	(2)%	
Variable annuities (Separate account)										
Balance, beginning-of-period	\$ 6,112	\$ 6,120	\$ 5,773	\$ 6,595	\$ 6,517	(6)%	\$ 5,773	\$ 6,824	(15)%	
Deposits	18	21	14	19	28	(36)%	53	92	(42)%	
Surrenders, benefits and fees	(157)	(168)	(131)	(151)	(185)	15 %	(456)	(489)	7 %	
Net flows	(139)	(147)	(117)	(132)	(157)	11 %	(403)	(397)	(2)%	
Investment performance	36	178	531	(703)	284	(87)%	745	386	93 %	
Transfers and other charges	(41)	(39)	(67)	13	(49)	16 %	(147)	(218)	33 %	
Balance, end-of-period	\$ 5,968	\$ 6,112	\$ 6,120	\$ 5,773	\$ 6,595	(10)%	\$ 5,968	\$ 6,595	(10)%	
Total Retirement										
Balance, beginning-of-period	\$ 48,765	\$ 46,711	\$ 43,313	\$ 42,490	\$ 41,161	18 %	\$ 46,711	\$ 35,420	32 %	
Deposits	1,740	3,331	4,060	2,566	2,079	(16)%	9,131	10,038	(9)%	
Surrenders, benefits and fees	(1,207)	(1,670)	(1,335)	(1,267)	(1,215)	1 %	(4,212)	(3,112)	(35)%	
Net flows	533	1,661	2,725	1,299	864	(38)%	4,919	6,926	(29)%	
Interest credited/Investment performance	281	428	735	(500)	506	(44)%	1,444	943	53 %	
Transfers and other charges	(33)	(35)	(62)	24	(41)	20 %	(130)	(799)	84 %	
Balance, end-of-period	\$ 49,546	\$ 48,765	\$ 46,711	\$ 43,313	\$ 42,490	17 %	\$ 49,546	\$ 42,490	17 %	

(1) The three months ended March 31, 2019 and nine months ended September 30, 2018 include \$1,683 million and \$4,213 million, respectively, of account value assumed at inception under reinsurance agreements.

(2) The nine months ended September 30, 2018 includes \$609 million of account value ceded at inception under a reinsurance agreement.

Financial Supplement – Third Quarter 2019
Surrender Charge Protection by Product
Unaudited (\$ in millions, except percentages)

Years of Surrender Charge Remaining	Fixed-rate and Fixed-indexed Annuities					
	September 30, 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	\$ 6,186	15.3%	—%	\$ 4,495	13.0%	—%
Greater than 0 to less than 3	9,347	23.1%	5.1%	8,603	24.8%	4.9%
3 to less than 6	17,255	42.6%	7.2%	14,606	42.2%	6.6%
6 to less than 9	6,318	15.6%	7.2%	5,754	16.6%	7.1%
9 or greater	1,402	3.4%	7.6%	1,192	3.4%	7.8%
Total	<u>\$ 40,508</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					
	September 30, 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	\$ 3,294	37.6%	—%	\$ 3,197	36.8%	—%
Greater than 0 to less than 3	1,135	13.0%	3.2%	989	11.4%	3.2%
3 to less than 6	1,437	16.4%	8.3%	1,351	15.5%	8.1%
6 to less than 9	1,963	22.4%	12.8%	2,180	25.1%	13.3%
9 or greater	924	10.6%	31.0%	972	11.2%	27.9%
Total	<u>\$ 8,753</u>	<u>100.0%</u>	<u>7.9%</u>	<u>\$ 8,689</u>	<u>100.0%</u>	<u>8.1%</u>

Financial Supplement – Third 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 September 30, 2019)</i>						
Individual channel	\$ 1,738	\$ 254	\$ 2,189	\$ 3,477	\$ 15,356	\$ 23,014
Institutional channel and strategic acquisitions	10,359	218	26	433	363	11,399
Total	\$ 12,097	\$ 472	\$ 2,215	\$ 3,910	\$ 15,719	\$ 34,413
Percentage in total	35.2%	1.4%	6.4%	11.4%	45.7%	100.0%
Percentage from institutional channel and strategic acquisitions	85.6%	46.2%	1.2%	11.1%	2.3%	33.1%

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 – Third Quarter 2019

Investments Summary

Unaudited (\$ in millions, except percentages)

	Investments Summary			
	September 30, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
AFS fixed maturity securities	\$ 49,260	68.8%	\$ 42,107	68.9%
Trading fixed maturity securities	993	1.4%	797	1.3%
Equity securities	58	0.1%	183	0.3%
Mortgage and other loan receivables	12,112	16.9%	10,144	16.6%
Policy loans	625	0.9%	624	1.0%
Derivative instruments	716	1.0%	208	0.3%
Funds withheld receivable at interest	2,420	3.4%	2,451	4.0%
Other investments	5,388	7.5%	4,635	7.6%
Total investments	\$ 71,572	100.0%	\$ 61,149	100.0%

	September 30, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Other investments, as above, consists of the following:				
Investments in renewable energy ⁽¹⁾	\$ 2,357	43.7%	\$ 2,135	46.1%
Investments in transportation and other leased assets ⁽²⁾	1,752	32.5%	1,321	28.5%
Other investment partnerships	515	9.6%	450	9.7%
Investments in real estate	382	7.1%	346	7.4%
Life settlement and other contracts	272	5.1%	277	6.0%
Federal Home Loan Bank common stock	110	2.0%	106	2.3%
Total other investments	\$ 5,388	100.0%	\$ 4,635	100.0%

(1) Net of accumulated depreciation attributed to consolidated renewable energy assets of \$32 million and \$16 million as of September 30, 2019 and December 31, 2018, respectively.

(2) Net of accumulated depreciation of \$137 million and \$83 million as of September 30, 2019 and December 31, 2018, respectively.

Financial Supplement – Third Quarter 2019

Adjusted Invested Assets

Unaudited (\$ in millions, except percentages)

	September 30, 2019		December 31, 2018	
	Amount	Percent of Total	Amount	Percent of Total
U.S. and foreign governments	\$ 296	0.4%	\$ 353	0.6%
U.S. corporate debt	20,678	31.0%	17,032	28.3%
U.S. municipalities	2,229	3.3%	2,250	3.8%
Credit	22,907	34.3%	19,282	32.1%
Residential mortgage-backed securities, or "RMBS"	9,783	14.7%	8,325	13.9%
Commercial mortgage-backed securities, or "CMBS"	3,481	5.2%	3,320	5.5%
Collateralized loan obligations, or "CLOs"	3,468	5.2%	5,286	8.8%
All other structured securities ⁽¹⁾	5,868	8.8%	5,539	9.2%
Structured products	22,600	33.9%	22,470	37.4%
Residential mortgage loans	3,422	5.1%	2,641	4.4%
Commercial mortgage loans	6,264	9.4%	5,457	9.1%
Consumer loans and other lending facilities	3,445	5.2%	3,023	5.0%
Investments in renewable energy	2,129	3.2%	2,023	3.4%
Investments in transportation and other leased assets	1,752	2.7%	1,321	2.2%
Investments in real estate	488	0.7%	438	0.7%
Loans and income-generating assets	17,500	26.3%	14,903	24.8%
Alternative assets	278	0.4%	296	0.5%
Policy loans	625	0.9%	624	1.0%
Other invested assets	393	0.6%	492	0.8%
Cash, cash equivalents and other	2,152	3.2%	1,705	2.8%
Total adjusted invested assets	\$ 66,751	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 September 30, 2019	Cost or amortized cost	Gross unrealized temporary		Fair value	Percent of total
		gain	loss		
<i>(\$ in millions, except percentages)</i>					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	\$ 193	\$ 24	\$ —	\$ 217	0.4%
U.S. state, municipal and political subdivisions	2,111	462	—	2,573	5.2%
Corporate	20,685	1,710	(39)	22,356	45.4%
RMBS	9,738	932	(38)	10,632	21.6%
CMBS	3,450	227	(2)	3,675	7.5%
CLOs	3,464	4	(64)	3,404	6.9%
All other structured securities ⁽¹⁾	6,134	279	(10)	6,403	13.0%
Total AFS fixed maturity securities	\$ 45,775	\$ 3,638	\$ (153)	\$ 49,260	100.0%

As of December 31, 2018	Cost or amortized cost	Gross unrealized temporary		Fair value	Percent of total
		gain	loss		
<i>(\$ in millions, except percentages)</i>					
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					
	September 30, 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	\$ 31,607	\$ 34,012	69.1%	\$ 30,460	\$ 30,954	73.5%
2	13,703	14,778	30.0%	10,987	10,598	25.2%
Total investment grade	45,310	48,790	99.1%	41,447	41,552	98.7%
3	295	298	0.6%	322	311	0.7%
4	125	128	0.3%	140	141	0.3%
5	21	21	—%	19	19	0.1%
6	24	23	—%	5	4	—%
5*(1)	—	—	—%	83	80	0.2%
Total below investment grade	465	470	0.9%	569	555	1.3%
Total AFS fixed maturity securities	\$ 45,775	\$ 49,260	100.0%	\$ 42,016	\$ 42,107	100.0%

	AFS Fixed Maturity Securities by NRSRO Rating					
	September 30, 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	\$ 21,697	\$ 23,171	47.0%	\$ 20,222	\$ 20,075	47.7%
BBB	15,292	16,515	33.5%	12,426	12,050	28.6%
Non-rated ⁽²⁾	2,353	2,517	5.1%	3,841	3,937	9.3%
Total Investment Grade	39,342	42,203	85.6%	36,489	36,062	85.6%
BB	695	724	1.5%	670	659	1.6%
B	382	398	0.8%	241	248	0.6%
CCC	1,873	2,155	4.4%	1,938	2,205	5.2%
CC and lower	2,544	2,846	5.8%	2,413	2,676	6.4%
Non-rated ⁽³⁾	939	934	1.9%	265	257	0.6%
Total below investment grade	6,433	7,057	14.4%	5,527	6,045	14.4%
Total AFS fixed maturity securities	\$ 45,775	\$ 49,260	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.

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	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 and 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. 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

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 is calculated using debt adjusted to exclude (1) 25% of the outstanding principal amount of the subordinated debentures as an equity credit, and (2) 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.

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

Unaudited (\$ in millions, except percentages)

	Three Months Ended						Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	YoY Change	9/30/2019	9/30/2018	YoY Change
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 144	\$ 117	\$ 174	\$ 70	\$ 134	7 %	\$ 435	\$ 364	20 %
Adjustments:									
Realized (gains) losses on the sale of AFS securities, net of offsets	(15)	6	(8)	2	(3)	(400)%	(17)	(59)	71 %
Change in assumed and ceded modified coinsurance and funds withheld at interest embedded derivatives and related trading securities, net of offsets	2	(6)	(18)	19	(5)	140 %	(22)	30	(173)%
Unrealized (gains) losses, impairments and other investment, derivative and hedging (gains) losses, net of offsets	7	(24)	(14)	6	2	250 %	(31)	18	(272)%
Renewable energy income, net of offsets and non-controlling interest	4	32	28	6	1	300 %	64	(48)	233 %
Equity-method (income) loss attributable to strategic equity investments	(13)	(3)	(25)	(6)	(1)	NM	(41)	(1)	NM
Total investment (gains) losses, net of offsets	(15)	5	(37)	27	(6)	(150)%	(47)	(60)	22 %
Change in the fair value of derivatives and embedded derivatives for fixed-indexed annuities, indexed universal life contracts and variable annuities, net of offsets	13	5	(16)	40	1	1,200 %	2	22	(91)%
Transaction, conversion and integration expenses	11	21	14	36	22	(50)%	46	89	(48)%
Tax effect on adjustments	(3)	(4)	5	(25)	(5)	40 %	(2)	(22)	91 %
Total adjustments	6	27	(34)	78	12	(50)%	(1)	29	(103)%
Adjusted operating earnings, net of tax	\$ 150	\$ 144	\$ 140	\$ 148	\$ 146	3 %	\$ 434	\$ 393	10 %

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Non-GAAP Reconciliation: Invested Assets, Adjusted Total Assets

Unaudited (\$ in millions, except percentages)

	Balances as of						YoY Change
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		
Total investments	\$ 71,572	\$ 70,483	\$ 65,924	\$ 61,149	\$ 60,454		18 %
Adjustments to reconcile total investments and adjusted invested assets:							
Cash, cash equivalents, and restricted cash	1,992	1,375	1,970	1,333	1,664		20 %
Accrued investment income	536	505	497	467	448		20 %
Unrealized gains on fixed maturity and equity securities	(3,559)	(2,680)	(1,315)	(80)	(606)		(487)%
Funds withheld payable at interest	(2,140)	(2,123)	(2,139)	(2,132)	(2,156)		1 %
Derivative instruments receivables	(716)	(636)	(497)	(208)	(582)		(23)%
Derivative collateral	(579)	(526)	(421)	(138)	(562)		(3)%
Funds withheld on embedded derivatives	7	(13)	(37)	(47)	(79)		109 %
Non-controlling interests in consolidated renewable energy partnerships	(64)	(64)	(61)	(70)	—		— %
Redeemable non-controlling interests in consolidated renewable energy partnerships	(124)	(119)	(117)	—	—		— %
Net investment receivable (payable)	51	(486)	(305)	39	(205)		125 %
Strategic equity investments	(225)	(243)	(209)	(188)	(192)		(17)%
Adjusted invested assets	\$ 66,751	\$ 65,473	\$ 63,290	\$ 60,125	\$ 58,184		15 %
Retirement							
Adjusted invested assets	\$ 50,775	\$ 49,213	\$ 47,153	\$ 43,847	\$ 42,183		20 %
Adjustments:							
Separate account assets	4,803	4,922	4,924	4,650	5,316		(10)%
Off-balance sheet separate account assets associated with variable annuities and variable universal life policies assumed via reinsurance on a funds-withheld coinsurance basis	1,598	1,646	1,665	1,571	1,812		(12)%
Gross insurance intangibles	1,464	1,414	1,336	1,289	1,215		20 %
Adjusted retirement segment total assets	\$ 58,640	\$ 57,195	\$ 55,078	\$ 51,357	\$ 50,526		16 %
Life							
Adjusted invested assets	\$ 15,333	\$ 15,248	\$ 15,130	\$ 15,060	\$ 15,029		2 %
Adjustments:							
Separate account assets	533	550	541	494	579		(8)%
Off-balance sheet separate account assets associated with variable annuities and variable universal life policies assumed via reinsurance on a funds-withheld coinsurance basis	1,583	1,611	1,587	1,445	1,693		(6)%
Gross insurance intangibles	627	629	592	592	606		3 %
Adjusted life segment total assets	\$ 18,076	\$ 18,038	\$ 17,850	\$ 17,591	\$ 17,907		1 %

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

Unaudited (\$ in millions, except percentages)

	Net Investment Yield and Net Investment Earned Rate								
	Three Months Ended					YoY Change	Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		9/30/2019	9/30/2018	YoY Change
Net investment income	\$ 766	\$ 712	\$ 689	\$ 685	\$ 657	17 %	\$ 2,167	\$ 1,784	21 %
Average total investments ⁽¹⁾	\$ 71,028	\$ 68,204	\$ 63,537	\$ 60,802	\$ 59,218	20 %	\$ 67,282	\$ 54,005	25 %
Investment yield⁽²⁾	4.31%	4.18%	4.34%	4.51%	4.44%	(0.13)%	4.29%	4.40%	(0.11)%
Net investment income	\$ 766	\$ 712	\$ 689	\$ 685	\$ 657	17 %	\$ 2,167	\$ 1,784	21 %
Renewable energy income	—	31	32	4	1	(100)%	63	(4)	NM
Equity-method (income) loss attributable to strategic equity investments	(13)	(3)	(25)	(6)	(1)	NM	(41)	(1)	NM
Total adjustments	\$ (13)	\$ 28	\$ 7	\$ (2)	\$ —	— %	\$ 22	\$ (5)	NM
Adjusted net investment income	\$ 753	\$ 740	\$ 696	\$ 683	\$ 657	15 %	\$ 2,189	\$ 1,779	23 %
Average adjusted invested assets ⁽¹⁾	\$ 66,112	\$ 64,382	\$ 61,708	\$ 59,155	\$ 57,587	15 %	\$ 63,910	\$ 52,081	23 %
Net investment earned rate⁽²⁾	4.56%	4.60%	4.51%	4.62%	4.56%	— %	4.57%	4.55%	0.02 %

(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 nine months ended September 30, 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 – Third Quarter 2019

Non-GAAP Reconciliation: Adjusted Operating ROA

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		9/30/2019	9/30/2018	YoY Change
Net income attributable to Global Atlantic Financial Limited shareholders	\$ 144	\$ 117	\$ 174	\$ 70	\$ 134	7 %	\$ 435	\$ 364	20 %
Average total assets ⁽¹⁾	85,390	82,683	77,971	75,315	74,794	14 %	81,681	67,677	21 %
ROA⁽²⁾	0.67%	0.57%	0.89%	0.37%	0.72%	(0.05)%	0.71%	0.72%	(0.01)%
Adjusted operating earnings, before income taxes	\$ 143	\$ 171	\$ 163	\$ 172	\$ 163	(12)%	\$ 477	\$ 460	4 %
Average adjusted total assets ⁽¹⁾	76,804	75,092	72,052	69,787	68,716	12 %	74,428	63,030	18 %
Adjusted operating ROA, before tax⁽²⁾	0.74%	0.91%	0.91%	0.99%	0.95%	(0.21)%	0.85%	0.97%	(0.12)%
Adjusted operating earnings, net of tax	\$ 150	\$ 144	\$ 140	\$ 148	\$ 146	3 %	\$ 434	\$ 393	10 %
Average adjusted total assets ⁽¹⁾	76,804	75,092	72,052	69,787	68,716	12 %	74,428	63,030	18 %
Adjusted operating ROA, net of tax⁽²⁾	0.78%	0.77%	0.78%	0.85%	0.85%	(0.07)%	0.78%	0.83%	(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 nine months ended September 30, 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 – Third Quarter 2019

Non-GAAP Reconciliation: Adjusted Total Assets

Unaudited (\$ in millions, except percentages)

	Balances as of					
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	YoY Change
Adjusted invested assets	66,751	65,473	63,290	60,125	58,184	15 %
Separate account assets	5,336	5,472	5,465	5,144	5,895	(9)%
Separate account assets withheld by the cedent on a funds-withheld coinsurance basis	3,181	3,257	3,252	3,016	3,505	(9)%
Gross insurance intangibles	2,092	2,045	1,929	1,882	1,823	15 %
Adjusted total assets	\$ 77,360	\$ 76,247	\$ 73,936	\$ 70,167	\$ 69,407	11 %
Total assets	\$ 86,117	\$ 84,663	\$ 80,702	\$ 75,240	\$ 75,389	14 %
Adjustments:						
Separate account assets withheld by the cedent on a funds-withheld coinsurance basis	3,181	3,257	3,252	3,016	3,505	(9)%
Deferred revenue liabilities and unearned revenue reserves	(839)	(861)	(865)	(844)	(843)	— %
Deferred acquisition costs associated with unrealized gains on fixed maturity and equity securities (“Shadow DAC”)	904	662	386	133	240	277 %
Reinsurance recoverable	(4,252)	(4,223)	(4,204)	(4,175)	(4,225)	(1)%
Other assets, excluding DSI and restricted cash	(402)	(361)	(234)	(379)	(277)	(45)%
Unrealized gains on fixed maturity and equity securities	(3,559)	(2,680)	(1,315)	(80)	(606)	(487)%
Derivative collateral	(579)	(526)	(421)	(138)	(562)	(3)%
Derivative instruments receivables	(716)	(636)	(497)	(208)	(582)	(23)%
Funds withheld payable at interest	(2,140)	(2,123)	(2,139)	(2,132)	(2,156)	1 %
Embedded derivatives on funds withheld	7	(13)	(37)	(47)	(79)	109 %
Net investment receivable (payable)	51	(486)	(305)	39	(205)	125 %
Non-controlling interests in consolidated renewable energy partnerships	(64)	(64)	(61)	(70)	—	NM
Redeemable non-controlling interests in consolidated renewable energy partnerships	(124)	(119)	(117)	—	—	NM
Strategic equity investments	(225)	(243)	(209)	(188)	(192)	(17)%
Total adjustments	(8,757)	(8,416)	(6,766)	(5,073)	(5,982)	(46)%
Adjusted total assets	\$ 77,360	\$ 76,247	\$ 73,936	\$ 70,167	\$ 69,407	11 %

Financial Supplement – Third Quarter 2019

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

Unaudited (\$ in millions, except percentages)

	Three Months Ended						Nine Months Ended			
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018	YoY Change	9/30/2019	9/30/2018	YoY Change	
Reconciliation of adjusted net cost of insurance										
Net underwriting margin, as reported	\$ 277	\$ 273	\$ 335	\$ 223	\$ 290	(4)%	\$ 885	\$ 765	16 %	
Less: Net investment income, as reported	766	712	689	685	657	17 %	2,167	1,784	21 %	
Net cost of insurance	489	439	354	462	367	33 %	1,282	1,019	26 %	
Adjustments:										
Realized (gains) losses on the sale of AFS securities, net of offsets	(15)	6	(8)	2	(3)	(400)%	(17)	(59)	71 %	
Change in assumed modified coinsurance and funds withheld embedded derivatives, net of offsets	2	(6)	(18)	19	(5)	140 %	(22)	30	(173)%	
Unrealized (gains) losses, impairments and other investment, derivative and hedging (gains) losses, net of offsets	7	(24)	(14)	6	2	250 %	(31)	18	(272)%	
Offsets to adjustments for renewable energy investments	(2)	(3)	(6)	—	—	— %	(11)	10	(210)%	
Change in the fair value of derivatives and embedded derivatives for fixed indexed annuities and indexed universal life contracts, net of offsets	13	5	(16)	40	1	NM	2	22	(91)%	
Transaction, conversion and integration expense	1	12	6	11	9	(89)%	19	51	(63)%	
Total adjustments	6	(10)	(56)	78	4	50 %	(60)	72	(183)%	
Adjusted net cost of insurance	\$ 483	\$ 449	\$ 410	\$ 384	\$ 363	33 %	\$ 1,342	\$ 947	42 %	
Reconciliation of adjusted net underwriting margin										
Net underwriting margin, as reported	277	273	335	223	290	(4)%	885	765	16 %	
Total adjustments, as above	6	(10)	(56)	78	4	50 %	(60)	72	(183)%	
Adjustment to derive adjusted net investment income	(13)	28	7	(2)	—	— %	22	(5)	NM	
Adjusted net underwriting margin	\$ 270	\$ 291	\$ 286	\$ 299	\$ 294	(8)%	\$ 847	\$ 832	2 %	
Reconciliation of adjusted G&A expense										
General and administrative expenses, as reported	\$ 120	\$ 114	\$ 115	\$ 137	\$ 129	(7)%	\$ 349	\$ 368	(5)%	
Adjustments:										
Transaction, conversion and integration expense	10	9	8	25	13	(23)%	27	38	(29)%	
Adjusted general and administrative expenses	\$ 110	\$ 105	\$ 107	\$ 112	\$ 116	(5)%	\$ 322	\$ 330	(2)%	

Financial Supplement – Third 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	Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		9/30/2019	9/30/2018	YoY Change
Average total assets ⁽¹⁾	\$ 85,390	\$ 82,683	\$ 77,971	\$ 75,315	\$ 74,794	14 %	\$ 81,681	\$ 67,677	21 %
Average adjusted total assets ⁽¹⁾	\$ 76,804	\$ 75,092	\$ 72,052	\$ 69,787	\$ 68,716	12 %	\$ 74,428	\$ 63,030	18 %
Ratios derived from average total assets and average adjusted total assets⁽²⁾:									
Adjusted net investment income	\$ 753	\$ 740	\$ 696	\$ 683	\$ 657	15 %	\$ 2,189	\$ 1,779	23 %
Adjusted net investment return ratio	3.92 %	3.94 %	3.87 %	3.92 %	3.83 %	0.09 %	3.92 %	3.76 %	0.16 %
Net investment earned rate	4.56 %	4.60 %	4.51 %	4.62 %	4.56 %	— %	4.57 %	4.55 %	0.02 %
Adjustment to change net investment earned rate basis from adjusted invested assets to adjusted total assets	(0.64)%	(0.66)%	(0.64)%	(0.70)%	(0.73)%	0.09 %	(0.65)%	(0.79)%	0.14 %
Net cost of insurance ratio	(2.29)%	(2.12)%	(1.82)%	(2.45)%	(1.96)%	(0.33)%	(2.09)%	(2.01)%	(0.08)%
Adjusted net cost of insurance ratio	(2.52)%	(2.39)%	(2.28)%	(2.20)%	(2.11)%	(0.41)%	(2.40)%	(2.00)%	(0.40)%
Net underwriting return	1.30 %	1.32 %	1.72 %	1.18 %	1.55 %	(0.25)%	1.45 %	1.51 %	(0.06)%
Adjusted net underwriting return ratio	1.40 %	1.55 %	1.59 %	1.72 %	1.72 %	(0.32)%	1.52 %	1.76 %	(0.24)%
General and administrative expenses ratio	(0.56)%	(0.55)%	(0.59)%	(0.73)%	(0.69)%	0.13 %	(0.57)%	(0.73)%	0.16 %
Adjusted general and administrative expenses ratio	(0.57)%	(0.56)%	(0.59)%	(0.64)%	(0.68)%	0.11 %	(0.58)%	(0.70)%	0.12 %
Interest expense	\$ 17	\$ 15	\$ 16	\$ 15	\$ 15	13 %	\$ 48	\$ 42	14 %
Interest expense ratio	(0.08)%	(0.07)%	(0.08)%	(0.08)%	(0.08)%	— %	(0.08)%	(0.08)%	— %
Adjusted Interest expense ratio	(0.09)%	(0.08)%	(0.09)%	(0.09)%	(0.09)%	— %	(0.09)%	(0.09)%	— %
Adjusted operating income tax expense	\$ (7)	\$ 27	\$ 23	\$ 24	\$ 17	(141)%	\$ 43	\$ 67	(36)%
Adjusted operating income tax expense ratio	0.04 %	(0.14)%	(0.13)%	(0.14)%	(0.10)%	0.14 %	(0.07)%	(0.14)%	0.07 %

(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 nine months ended September 30, 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 – Third Quarter 2019

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

Unaudited (\$ in millions, except percentages)

	Comparison of ROE excluding AOCI and Adjusted Operating ROE excluding AOCI to ROE								
	Three Months Ended					YoY Change	Nine Months Ended		
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018		9/30/2019	9/30/2018	YoY Change
Net income attributable to Global Atlantic Financial Limited shareholder	\$ 144	\$ 117	\$ 174	\$ 70	\$ 134	7 %	\$ 435	\$ 364	20 %
Adjusted operating earnings, net of tax	\$ 150	\$ 144	\$ 140	\$ 148	\$ 146	3 %	\$ 434	\$ 393	10 %
Total Global Atlantic Financial Limited shareholders' equity	\$ 6,001	\$ 5,346	\$ 4,333	\$ 3,419	\$ 3,679	63 %	\$ 6,001	\$ 3,679	63 %
Less: AOCI	2,091	1,587	696	(57)	281	644 %	2,091	281	644 %
Shareholders' equity excluding AOCI	\$ 3,910	\$ 3,759	\$ 3,637	\$ 3,476	\$ 3,398	15 %	\$ 3,910	\$ 3,398	15 %
Average total Global Atlantic Financial Limited shareholders' equity ⁽¹⁾	\$ 5,674	\$ 4,840	\$ 3,876	\$ 3,549	\$ 3,644	56 %	\$ 4,775	\$ 3,835	25 %
Average shareholders' equity, excluding AOCI ⁽¹⁾	\$ 3,835	\$ 3,698	\$ 3,556	\$ 3,437	\$ 3,329	15 %	\$ 3,696	\$ 3,206	15 %
ROE⁽²⁾	10.2%	9.7%	18.0%	7.9%	14.7%	(4.5)%	12.1%	12.7%	(0.6)%
ROE excluding AOCI⁽²⁾	15.0%	12.7%	19.6%	8.1%	16.1%	(1.1)%	15.7%	15.1%	0.6 %
Adjusted Operating ROE, excluding AOCI⁽²⁾	15.6%	15.6%	15.7%	17.2%	17.5%	(1.9)%	15.7%	16.3%	(0.6)%

(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.