

Financial supplement

Global Atlantic Financial Limited

(an indirect subsidiary of The Global Atlantic Financial Group LLC)

Second Quarter 2023

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 quarter ended June 30, 2023. Where applicable, prior periods were recast to reflect the impact of the retrospective application of new accounting guidance for long-duration insurance contracts.

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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 August 11, 2023			
	A.M. Best	Fitch	Moody's	Standard & Poor's
Financial Strength Ratings				
Commonwealth Annuity & Life Insurance	A	A	A2	A-
Forethought Life Insurance Company	A	A	A2	A-
Accordia Life and Annuity Company	A	A	A2	A-
First Allmerica Financial Life Insurance Company	A	A	A2	A-
Global Atlantic Re Limited	A	A	A2	A-
Global Atlantic Assurance Limited	A	A	A2	A-
Outlook	Stable	Stable	Stable	Positive
Holding Company Issuer Credit Ratings (ICR)¹				
Outlook	bbb+	BBB+	Baa2	BBB-
Senior Debt Ratings²				
Subordinated Debt Ratings³				
	N/A	BBB	Baa2	BBB-
	N/A	BB+	Baa3	BB

(1) Applies to Issuer Credit Rating / Issuer Default Rating / Issuer Rating for Global Atlantic (Fin) Company or Global Atlantic Financial Group Limited

(2) Applies to 2029, 2031 and 2033 senior notes issued by Global Atlantic (Fin) Company

(3) Applies to 2051 subordinated debt issued by Global Atlantic (Fin) Company

Consolidated results

Financial highlights

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Consolidated results of operations									
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (56)	\$ (98)	\$ 36	\$ 413	\$ 491	(111)%	\$ (154)	\$ 763	(120)%
Adjusted operating income, net of tax	236	279	328	236	252	(6)%	515	460	12 %
ROE ⁽¹⁾	NM	NM	NM	NM	133.7 %	— %	NM	55.9 %	— %
Adjusted ROE ⁽¹⁾	(3.3)%	(5.7)%	2.1 %	26.0 %	32.6 %	(35.9)%	(4.5)%	25.9 %	(30.4)%
Adjusted Operating ROE ⁽¹⁾	13.7 %	16.1 %	19.5 %	14.9 %	16.7 %	(3.0)%	14.9 %	15.6 %	(0.7)%
ROA ⁽¹⁾	(0.17)%	(0.30)%	0.12 %	1.36 %	1.59 %	(1.76)%	(0.24)%	1.23 %	(1.47)%
Adjusted operating ROA, net of tax ⁽¹⁾	0.77 %	0.92 %	1.11 %	0.82 %	0.89 %	(0.12)%	0.84 %	0.83 %	0.01 %
Effective income tax rate	2.0 %	16.5 %	138.5 %	21.7 %	20.7 %	(18.7)%	11.7 %	20.3 %	(8.6)%
Adjusted operating tax rate	15.4 %	16.7 %	15.5 %	17.2 %	17.1 %	(1.7)%	16.1 %	16.1 %	— %
Balance sheet items									
Total assets	\$ 176,041	\$ 174,831	\$ 171,711	\$ 163,645	\$ 166,034	6 %	\$ 176,041	\$ 166,034	6 %
Adjusted invested assets	123,010	122,657	121,087	115,436	113,553	8 %	123,010	113,553	8 %
Total liabilities	176,349	174,856	172,538	164,755	165,491	7 %	176,349	165,491	7 %
Total shareholders' equity	(491)	(203)	(1,098)	(1,408)	226	(317)%	(491)	226	(317)%
Adjusted shareholders' equity	6,850	6,906	6,936	6,513	6,180	11 %	6,850	6,180	11 %

(1) Interim periods are annualized.

Consolidated statements of income

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Revenues									
Premiums	\$ 626	\$ 474	\$ 555	\$ 480	\$ (225)	378 %	\$ 1,100	\$ 147	NM
Policy fees	315	314	311	318	319	(1)%	629	633	(1)%
Net investment income	1,244	1,237	1,230	1,056	895	39 %	2,481	1,672	48 %
Net investment gains (losses)	(122)	(114)	(421)	(174)	(426)	71 %	(236)	(795)	70 %
Other income	40	37	36	36	32	25 %	77	67	15 %
Total revenues	\$ 2,103	\$ 1,948	\$ 1,711	\$ 1,716	\$ 595	253 %	\$ 4,051	\$ 1,724	135 %
Benefits and expenses									
Policy benefits and claims	\$ 1,736	\$ 1,527	\$ 1,270	\$ 831	\$ (256)	NM	\$ 3,263	\$ 257	NM
Amortization of policy acquisition costs	—	44	61	6	(24)	100 %	44	(12)	467 %
Insurance expenses	172	226	160	155	132	30 %	398	248	60 %
Total benefits and insurance expenses	1,908	1,797	1,491	992	(148)	NM	3,705	493	NM
Net underwriting income	195	151	220	724	743	(74)%	346	1,231	(72)%
Interest expenses	40	40	29	26	19	111 %	80	32	150 %
General and administrative expenses	206	214	204	181	173	19 %	420	343	22 %
Income (loss) before income taxes	(51)	(103)	(13)	517	551	(109)%	(154)	856	(118)%
Income tax expense (benefit)	(1)	(17)	(18)	112	114	(101)%	(18)	174	(110)%
Net income (loss)	(50)	(86)	5	405	437	(111)%	(136)	682	(120)%
Net income (loss) attributable to non-controlling interests and redeemable non-controlling interests	6	12	(31)	(8)	(54)	111 %	18	(81)	122 %
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (56)	\$ (98)	\$ 36	\$ 413	\$ 491	(111)%	\$ (154)	\$ 763	(120)%

Components of return on assets

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Components of return on assets⁽¹⁾									
Net investment return ratio	3.76 %	3.82 %	3.97 %	3.47 %	2.90 %	0.86 %	3.81 %	2.69 %	1.12 %
Net cost of insurance ratio	(3.17)%	(3.36)%	(3.26)%	(1.09)%	(0.49)%	(2.68)%	(3.28)%	(0.71)%	(2.57)%
Net underwriting ratio	0.59 %	0.46 %	0.71 %	2.38 %	2.41 %	(1.82)%	0.53 %	1.98 %	(1.45)%
General and administrative expense ratio	(0.62)%	(0.66)%	(0.66)%	(0.59)%	(0.56)%	(0.06)%	(0.64)%	(0.55)%	(0.09)%
Interest expense ratio	(0.12)%	(0.12)%	(0.09)%	(0.09)%	(0.06)%	(0.06)%	(0.12)%	(0.05)%	(0.07)%
Income tax expense ratio	— %	0.05 %	0.06 %	(0.37)%	(0.37)%	0.37 %	0.03 %	(0.28)%	0.31 %
Non-controlling interest ratio	(0.02)%	(0.03)%	0.11 %	0.03 %	0.17 %	(0.19)%	(0.04)%	0.13 %	(0.17)%
Return on assets	(0.17)%	(0.30)%	0.12 %	1.36 %	1.59 %	(1.76)%	(0.24)%	1.23 %	(1.47)%

(1) Interim periods are annualized.

Components of adjusted operating return on assets, net of tax

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Adjusted operating return on assets, net of tax⁽¹⁾	0.77 %	0.92 %	1.11 %	0.82 %	0.89 %	(0.12)%	0.84 %	0.83 %	0.01 %
Components of adjusted operating return on assets, net of tax:⁽¹⁾									
Net investment earned rate⁽²⁾	4.18 %	4.17 %	4.16 %	3.69 %	3.42 %	0.76 %	4.18 %	3.31 %	0.87 %
Adjusted net cost of insurance ratio	(2.61)%	(2.42)%	(2.29)%	(2.14)%	(1.76)%	(0.85)%	(2.53)%	(1.75)%	(0.78)%
Adjusted net underwriting ratio	1.57 %	1.75 %	1.87 %	1.55 %	1.66 %	(0.09)%	1.65 %	1.56 %	0.09 %
Adjusted general and administrative expense ratio	(0.53)%	(0.52)%	(0.46)%	(0.47)%	(0.52)%	(0.01)%	(0.52)%	(0.51)%	(0.01)%
Adjusted interest expense ratio	(0.13)%	(0.13)%	(0.10)%	(0.09)%	(0.07)%	(0.06)%	(0.13)%	(0.06)%	(0.07)%
Adjusted operating return on assets, before taxes	0.91 %	1.10 %	1.31 %	0.99 %	1.08 %	(0.17)%	1.00 %	0.99 %	0.01 %
Adjusted income tax expense ratio	(0.14)%	(0.18)%	(0.20)%	(0.17)%	(0.18)%	0.04 %	(0.16)%	(0.16)%	— %
Adjusted operating return on assets, net of tax	0.77 %	0.92 %	1.11 %	0.82 %	0.89 %	(0.12)%	0.84 %	0.83 %	0.01 %
Components of adjusted operating earnings:									
Adjusted net investment income⁽²⁾	\$ 1,284	\$ 1,271	\$ 1,231	\$ 1,055	\$ 965	33 %	2,555	1,827	40 %
Adjusted net cost of insurance	802	739	678	609	495	62 %	1,541	967	59 %
Adjusted net underwriting income	482	532	553	446	470	3 %	1,014	860	18 %
Interest expenses	40	40	29	26	19	111 %	80	32	150 %
Adjusted general and administrative expenses	163	157	136	135	147	11 %	320	280	14 %
Adjusted operating earnings, before income taxes	279	335	388	285	304	(8)%	614	548	12 %
Adjusted operating income tax expense	(43)	(56)	(60)	(49)	(52)	17 %	(99)	(88)	(13)%
Adjusted operating earnings, net of tax	\$ 236	\$ 279	\$ 328	\$ 236	\$ 252	(6)%	\$ 515	\$ 460	12 %
Average total investments ⁽³⁾	\$ 132,195	\$ 129,373	\$ 124,018	\$ 121,766	\$ 123,498	7 %	\$ 130,342	\$ 124,236	5 %
Average adjusted invested assets ⁽³⁾	122,834	121,872	118,262	114,495	112,711	9 %	122,251	110,360	11 %

(1) Interim periods are annualized.

(2) Includes \$2 million, \$28 million, \$45 million, and \$15 million, of variable investment income (loss) for the quarters ended June 30, 2023, September 30, 2022, June 30, 2022, and March 31, 2022, respectively, derived from realized gains and losses from the sale of investments not related to asset/liability matching strategies.

(3) Quarterly averages are calculated by averaging the current and immediately preceding quarter; For year-to-date periods, calculated by averaging as of the end of each quarter in the applicable trailing period.

Consolidated balance sheets

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	
Assets						
Fixed maturity securities, available-for-sale, at fair value	\$ 69,198	\$ 70,015	\$ 63,860	\$ 60,622	\$ 61,842	12 %
Fixed maturity securities, trading, at fair value	13,101	13,276	12,553	10,800	11,242	17 %
Mortgage and other loan receivables	35,908	34,699	35,091	35,420	34,701	3 %
Funds withheld receivable at interest	2,727	2,775	2,868	2,894	2,911	(6)%
Other invested assets	11,346	11,345	12,263	11,665	11,434	(1)%
Total investments	132,280	132,110	126,635	121,401	122,130	8 %
Cash and cash equivalents	4,421	3,712	6,117	4,147	5,130	(14)%
Restricted cash and cash equivalent	340	277	308	370	351	(3)%
Accrued investment income	1,197	1,069	1,174	1,094	949	26 %
Reinsurance recoverable	26,127	26,157	26,021	24,115	24,680	6 %
Insurance Intangibles	2,437	2,392	2,331	2,307	2,206	10 %
Other assets	5,057	4,949	4,994	6,159	6,225	(19)%
Separate account assets	4,182	4,165	4,131	4,052	4,363	(4)%
Total assets	\$ 176,041	\$ 174,831	\$ 171,711	\$ 163,645	\$ 166,034	6 %

Consolidated balance sheets (continued)

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	
Liabilities						
Policy liabilities	141,429	141,130	137,780	131,965	130,976	8 %
Debt	2,356	2,157	2,128	1,921	1,975	19 %
Funds withheld payable at interest	23,252	22,996	22,739	21,064	22,090	5 %
Other liabilities	4,311	3,581	4,700	5,023	5,631	(23)%
Reinsurance liabilities	819	827	1,060	730	456	80 %
Separate account liabilities	4,182	4,165	4,131	4,052	4,363	(4)%
Total liabilities	\$ 176,349	\$ 174,856	\$ 172,538	\$ 164,755	\$ 165,491	7 %
Redeemable non-controlling interests	\$ 50	\$ 79	\$ 83	\$ 82	\$ 81	(38)%
Equity						
Additional paid-in capital	5,513	5,519	5,516	5,014	5,011	10 %
Retained earnings	1,667	1,723	1,821	1,785	1,372	22 %
Accumulated other comprehensive loss	(7,671)	(7,445)	(8,435)	(8,207)	(6,157)	(25)%
Total shareholders' equity	(491)	(203)	(1,098)	(1,408)	226	(317)%
Non-controlling interests	133	99	188	216	236	(44)%
Total equity	(358)	(104)	(910)	(1,192)	462	(177)%
Total liabilities, redeemable non-controlling interests and equity	\$ 176,041	\$ 174,831	\$ 171,711	\$ 163,645	\$ 166,034	6 %
Adjusted shareholders' equity	\$ 6,850	\$ 6,906	\$ 6,936	\$ 6,513	\$ 6,180	11 %
Average adjusted shareholders' equity ⁽¹⁾	6,878	6,920	6,724	6,346	6,029	14 %

(1) Quarterly averages are calculated by averaging the current and immediately preceding quarter.

Capitalization

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	
Total debt	\$ 2,356	\$ 2,157	\$ 2,128	\$ 1,921	\$ 1,975	19 %
50% of subordinated debentures	(375)	(375)	(375)	(375)	(375)	— %
Fair value adjustment to senior notes hedged with interest rate swap ⁽¹⁾	198	169	197	205	152	30 %
Adjusted debt	\$ 2,179	\$ 1,951	\$ 1,950	\$ 1,751	\$ 1,752	24 %
Total Global Atlantic Financial Limited shareholders' equity⁽²⁾	(491)	(203)	(1,098)	(1,408)	226	(317) %
Less: Accumulated other comprehensive income (AOCI) ⁽³⁾	(7,671)	(7,445)	(8,435)	(8,207)	(6,157)	(25) %
Less: Accumulated change in fair value of reinsurance balances and related assets	330	336	401	286	203	63 %
Adjusted shareholders' equity	\$ 6,850	\$ 6,906	\$ 6,936	\$ 6,513	\$ 6,180	11 %
Capitalization ⁽²⁾	\$ 1,865	\$ 1,954	\$ 1,030	\$ 513	\$ 2,201	(15) %
Adjusted capitalization	9,206	9,063	9,064	8,434	8,155	13 %
Adjusted capitalization, excluding debt fair value adjustments	9,404	9,232	9,261	8,639	8,307	13 %
Debt-to-capitalization⁽²⁾	126.3 %	110.4 %	206.6 %	374.5 %	89.7 %	36.6 %
Debt-to-adjusted capitalization	25.6 %	23.8 %	23.5 %	22.8 %	24.2 %	1.4 %
Adjusted debt-to-adjusted capitalization, excluding debt fair value adjustments	23.2 %	21.1 %	21.1 %	20.3 %	21.1 %	2.1 %

	Capital ratios	
	December 31, 2022	December 31, 2021
U.S. insurance subsidiaries risk based capital (RBC) ratio ⁽⁴⁾	380%	401%
Global Atlantic Re Bermuda Solvency Capital Requirement (BSCR) ratio	221%	257%
Global Atlantic Assurance Limited Bermuda Solvency Capital Requirement (BSCR) ratio	337%	333%

(1) The Company has designated interest rate swaps to hedge the interest rate risk associated with certain senior notes outstanding.

(2) Includes the impact to accumulated other comprehensive income ("AOCI") on available-for-sale securities that the Company does not expect to realize since the Company intends to hold the securities until recovery. As of June 30, 2023, the impact included \$10.8 billion in unrealized losses.

(3) Effective February 1, 2021, the date of the closing of the KKR acquisition, the AOCI balance was reduced to zero due to the impacts of pushing down purchase accounting entries and establishing a new accounting basis.

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

Revolving credit facility credit agreement: Global Atlantic debt-to-total capitalization ratio

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	
Global Atlantic debt-to-total capitalization ratio						
Total debt – principal	\$ 2,550	\$ 2,300	\$ 2,300	\$ 2,100	\$ 2,100	21 %
Less: Subordinated debentures, due October 2051 ⁽¹⁾	750	750	750	750	750	— %
Plus: Accrued but unpaid interest ⁽¹⁾	8	16	6	16	5	60 %
Consolidated debt, as defined in the credit agreement	\$ 1,808	\$ 1,566	\$ 1,556	\$ 1,366	\$ 1,355	33 %
Adjusted shareholders' equity						
Adjusted shareholders' equity	6,850	6,906	6,936	6,513	6,180	11 %
Global Atlantic consolidated debt to total capitalization, as defined in the credit agreement	20.9 %	18.5 %	18.3 %	17.3 %	18.0 %	2.9 %
Maximum permitted ratio under the credit agreement	35.0 %	35.0 %	35.0 %	35.0 %	35.0 %	— %
Difference between maximum permitted ratio and Global Atlantic ratio	14.1 %	16.5 %	16.7 %	17.7 %	17.0 %	(2.9)%
Global Atlantic net worth						
Minimum required net worth under the credit agreement	4,389	4,417	4,466	4,448	4,242	3 %
Excess over minimum required net worth	2,461	2,489	2,470	2,065	1,938	27 %

See Note 10 in the audited financial statements for the year ended December 31, 2022 for a description of the material terms of Global Atlantic revolving credit facility entered into on August 4, 2021, including the credit agreement consolidated debt to total capitalization and consolidated net worth covenants.

(1) In accordance with the credit agreement for Global Atlantic's revolving credit facility entered into on August 4, 2021, hybrid securities (including subordinated debentures), are treated as equity and excluded from accrued interest and total debt calculations.

Product and operational data

New business volume by origination channel and product

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change	
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022		
Individual channel⁽¹⁾										
Fixed-Rate Annuities	\$ 468	\$ 2,146	\$ 1,517	\$ 1,206	\$ 1,481	(68)%	\$ 2,614	\$ 2,520	4 %	
Fixed-Indexed Annuities	727	1,065	897	1,261	1,117	(35)%	1,792	2,021	(11)%	
Variable Annuities	7	4	8	12	11	(36)%	11	22	(50)%	
Total retirement products	\$ 1,202	\$ 3,215	\$ 2,422	\$ 2,479	\$ 2,609	(54)%	\$ 4,417	\$ 4,563	(3)%	
Life insurance products	\$ 3	\$ 4	\$ 9	\$ 7	\$ 12	(75)%	\$ 7	\$ 19	(63)%	
Preneed Life	\$ 80	\$ 75	\$ 67	\$ 72	\$ 73	10 %	\$ 155	\$ 138	12 %	
Institutional channel⁽²⁾										
Block ⁽³⁾	\$ —	\$ 79	\$ 2,955	\$ —	\$ 5	(100)%	\$ 79	\$ 2,782	(97)%	
Flow & pension risk transfer	2,438	2,430	3,107	2,571	2,143	14 %	4,868	3,842	27 %	
Funding agreement-backed notes ⁽⁴⁾	—	—	—	—	900	(100)%	—	2,000	(100)%	

(1) New business volumes in individual markets are referred to as sales. In Company's individual market channel, sales of annuities include all money paid into new and existing contracts. Individual market channel sales of life insurance products are based on commissionable premium and individual market channel sales for preneed life are based on the face amount of insurance. Life insurance product sales do not include the recurring premiums that policyholders may pay over time.

(2) New business volume from the Company's institutional market channel is based on the assets assumed, net of any ceding commission, and is gross of any retrocessions to investment vehicles that participate in qualifying reinsurance transactions sourced by the Company and to other third party reinsurers.

(3) The Company expects block reinsurance transactions to be episodic rather than steady quarter over quarter. Similarly, funding agreements issued in the FABN program are subject to capital markets conditions and not expected to be consistent quarter over quarter.

(4) Funding agreement new business volumes represents funding agreements issued in connection with our FABN program only.

Reserves by product

Unaudited (\$ in millions, except percentages)

	Balances as of										YoY Change	
	6/30/2023		3/31/2023		12/31/2022		9/30/2022		6/30/2022		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 annuities	\$ 22,869	\$ —	\$ 23,679	\$ —	\$ 22,740	\$ —	\$ 22,217	\$ —	\$ 22,072	\$ —	4 %	— %
Fixed-indexed annuities	23,955	—	23,530	—	22,760	—	22,085	—	21,378	—	12 %	— %
Payout annuities	477	—	456	—	450	—	453	—	465	—	3 %	— %
Variable annuities	248	2,270	281	2,282	258	2,308	260	2,309	307	2,483	(19)%	(9)%
Interest sensitive life	13,807	—	13,783	—	13,622	—	13,517	—	13,539	—	2 %	— %
Funding agreements	2,146	—	1,951	—	2,104	—	2,099	—	2,196	—	(2)%	— %
Other	3,486	—	3,489	—	3,479	—	3,502	—	3,498	—	— %	— %
Total Individual	66,988	2,270	67,169	2,282	65,413	2,308	64,133	2,309	63,455	2,483	6 %	(9)%
Fixed-rate annuities	26,529	—	26,357	—	25,926	—	25,243	—	24,501	—	8 %	— %
Fixed-indexed annuities	9,745	—	9,525	—	8,909	—	8,634	—	8,309	—	17 %	— %
Payout annuities	17,105	3	16,746	3	16,096	3	15,310	3	15,778	4	8 %	(25)%
Variable annuities	4,834	1,373	4,997	1,357	5,136	1,317	2,411	1,268	2,466	1,368	96 %	— %
Interest sensitive life	9,435	536	9,483	523	9,526	503	9,575	472	9,618	508	(2)%	6 %
Funding agreements	5,459	—	5,497	—	5,431	—	5,407	—	5,554	—	(2)%	— %
Other	262	—	264	—	267	—	109	—	112	—	134 %	— %
Total Institutional⁽¹⁾	73,369	1,912	72,869	1,883	71,291	1,823	66,689	1,743	66,338	1,880	11 %	2 %
Closed Block & Other	1,072	—	1,092	—	1,063	—	1,143	—	1,183	—	(9)%	— %
Total Reserves	\$ 141,429	\$ 4,182	\$ 141,130	\$ 4,165	\$ 137,767	\$ 4,131	\$ 131,965	\$ 4,052	\$ 130,976	\$ 4,363	8 %	(4)%

(1) Institutional channel reserves are sourced using customized reinsurance solutions such as block, flow and PRT.

Surrender charge protection by product

Unaudited (\$ in millions, except percentages)

Years of Surrender Charge Remaining	Fixed-rate and Fixed-indexed Annuities					
	6/30/2023			12/31/2022		
	Account Values	Percent of total	Average Surrender Charge Percent	Account Values	Percent of total	Average Surrender Charge Percent
No surrender charge	\$ 20,444	25.3 %	0.8 %	\$ 21,087	27.0 %	— %
Greater than 0 to less than 3	20,697	25.6 %	5.5 %	18,026	23.1 %	5.4 %
3 to less than 6	29,395	36.4 %	6.5 %	29,665	38.0 %	7.0 %
6 to less than 9	7,316	9.0 %	6.9 %	6,451	8.3 %	7.1 %
9 or greater	2,990	3.7 %	8.9 %	2,852	3.6 %	8.8 %
Total	\$ 80,842	100.0 %	5.0 %	\$ 78,081	100.0 %	5.0 %

Years of Surrender Charge Remaining	Indexed and Fixed Universal Life					
	6/30/2023			12/31/2022		
	Account Values	Percent of total	Average Surrender Charge Percent	Account Values	Percent of total	Average Surrender Charge Percent
No surrender charge	\$ 7,138	57.2 %	0.5 %	\$ 6,965	56.4 %	0.4 %
Greater than 0 to less than 3	1,522	12.2 %	3.0 %	1,460	11.8 %	3.0 %
3 to less than 6	1,759	14.1 %	6.2 %	2,075	16.8 %	6.3 %
6 to less than 9	489	3.9 %	10.3 %	450	3.7 %	11.2 %
9 or greater	1,566	12.6 %	18.4 %	1,391	11.3 %	22.2 %
Total	\$ 12,474	100.0 %	4.2 %	\$ 12,341	100.0 %	4.5 %

Investment portfolio

Investments summary

Unaudited (\$ in millions, except percentages)

	June 30, 2023		December 31, 2022	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
AFS fixed maturity securities	\$ 69,198	52.3 %	\$ 63,860	50.4 %
Trading fixed maturity securities ⁽¹⁾	13,101	9.9 %	12,553	9.9 %
Mortgage and other loan receivables	35,908	27.1 %	35,091	27.7 %
Funds withheld receivable at interest	2,727	2.1 %	2,868	2.3 %
Other investments	11,346	8.6 %	12,263	9.7 %
Total investments	\$ 132,280	100.0 %	\$ 126,635	100.0 %

Other investments, as above, consists of the following:	June 30, 2023		December 31, 2022	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Investments in real estate	\$ 4,827	42.5 %	\$ 4,641	37.8 %
Investments in renewable energy ⁽²⁾	2,289	20.2 %	3,427	27.9 %
Investments in transportation and other leased assets ⁽³⁾	2,876	25.3 %	2,822	23.0 %
Policy loans	871	7.7 %	869	7.3 %
Other investment partnerships	183	1.6 %	199	1.6 %
Federal Home Loan Bank, or "FHLB," common stock and other investments	280	2.5 %	287	2.3 %
Equity securities	20	0.2 %	18	0.1 %
Total other investments	\$ 11,346	100.0 %	\$ 12,263	100.0 %

(1) Trading assets back funds withheld payable at interest and investment performance is ceded to third party reinsurers.

(2) Net of accumulated depreciation attributed to consolidated renewable energy assets of \$135 million and \$230 million as of June 30, 2023 and December 31, 2022, respectively.

(3) Net of accumulated depreciation of \$269 million and \$230 million as of June 30, 2023 and December 31, 2022, respectively.

Adjusted invested assets (a non-GAAP measure)

Unaudited (\$ in millions, except percentages)

	June 30, 2023		December 31, 2022	
	Amount	Percent of Total	Amount	Percent of Total
U.S. and foreign governments	\$ 493	0.4 %	\$ 443	0.4 %
U.S. corporate debt	46,707	38.0 %	44,086	36.4 %
U.S. municipalities	5,410	4.4 %	5,598	4.6 %
Credit	\$ 52,117	42.4 %	\$ 49,684	41.0 %
Residential mortgage-backed securities, or "RMBS"	8,130	6.6 %	7,255	6.0 %
Commercial mortgage-backed securities, or "CMBS"	7,609	6.2 %	7,348	6.1 %
Collateralized loan obligations, or "CLOs"	3,648	3.0 %	2,816	2.3 %
Collateralized bond obligations, or "CBOs"	3,030	2.5 %	3,085	2.5 %
Asset-backed securities, or "ABS"	3,102	2.5 %	2,963	2.4 %
Structured products	\$ 25,519	20.7 %	\$ 23,467	19.4 %
Residential mortgage loans	9,710	7.9 %	8,965	7.4 %
Commercial mortgage loans	16,718	13.6 %	15,893	13.1 %
Consumer loans and other lending facilities	4,506	3.7 %	5,143	4.2 %
Investments in renewable energy	2,156	1.8 %	3,238	2.7 %
Investments in transportation and other leased assets	2,501	2.0 %	2,487	2.1 %
Investments in real estate	3,940	3.2 %	3,762	3.1 %
Loans and income-generating assets	\$ 39,531	32.1 %	\$ 39,488	32.6 %
Alternative Assets	183	0.1 %	198	0.2 %
Policy Loans	871	0.7 %	869	0.7 %
Other Invested Assets	280	0.2 %	287	0.2 %
Funds withheld receivable at interest	2,727	2.2 %	2,881	2.4 %
Cash, cash equivalents and other ¹	1,289	1.0 %	3,770	3.1 %
Total adjusted invested assets	\$ 123,010	100.0 %	\$ 121,087	100.0 %

(1) Cash, cash equivalents and other: Includes cash, cash equivalents and accrued investment income, offset primarily by funds withheld embedded derivative, collateral on derivative instruments, securities sold under agreements to repurchase, loan allowances and investment payables.

Fixed maturity securities – unrealized gains and losses

Unaudited (\$ in millions, except percentages)

	As of June 30, 2023					
	Cost or amortized cost	Allowance for credit losses ⁽¹⁾	Gross unrealized temporary		Fair value	Percent of total
			gain	loss		
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	\$ 492	\$ —	\$ —	\$ (70)	\$ 422	0.6 %
U.S. state, municipal and political subdivisions	5,442	—	8	(1,067)	4,383	6.3 %
Corporate	48,866	(23)	98	(7,707)	41,234	59.6 %
Residential mortgage-backed securities, or “RMBS”	8,200	(153)	14	(696)	7,365	10.6 %
Commercial mortgage-backed securities, or “CMBS”	7,500	(15)	—	(801)	6,684	9.7 %
Collateralized loan obligations, or “CLOs”	3,660	(27)	2	(148)	3,487	5.0 %
Collateralized bond obligations, or “CBOs”	2,996	(1)	—	(213)	2,782	4.0 %
Asset-backed securities, or “ABSs”	3,050	(11)	10	(208)	2,841	4.2 %
Total AFS fixed maturity securities	\$ 80,206	\$ (230)	\$ 132	\$ (10,910)	\$ 69,198	100.0 %

	As of December 31, 2022					
	Cost or amortized cost	Allowance for credit losses ⁽¹⁾	Gross unrealized temporary		Fair value	Percent of total
			gain	loss		
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	\$ 439	\$ —	\$ —	\$ (72)	\$ 367	0.6 %
U.S. state, municipal and political subdivisions	5,638	—	7	(1,234)	4,411	6.9 %
Corporate	46,365	(1)	50	(8,264)	38,150	59.7 %
RMBS	7,308	(101)	12	(834)	6,385	10.0 %
CMBS	7,270	(15)	—	(835)	6,420	10.1 %
CLOs	2,818	(6)	—	(205)	2,607	4.1 %
CBOs	3,052	—	—	(218)	2,834	4.4 %
ABSs	2,915	(5)	5	(229)	2,686	4.2 %
Total AFS fixed maturity securities	\$ 75,805	\$ (128)	\$ 74	\$ (11,891)	\$ 63,860	100.0 %

(1) Represents the cumulative amount of credit impairments that have been recognized in the consolidated statements of income (as net investment (losses) gains) or that were recognized as a gross-up of the purchase price of PCD securities. Amount excludes unrealized losses related to non-credit impairment.

Fixed maturity securities by ratings

Unaudited (\$ in millions, except percentages)

	AFS Fixed Maturity Securities by NAIC Rating			
	June 30, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NAIC designation:				
1	\$ 45,132	65.2 %	\$ 40,682	63.7 %
2	21,076	30.5 %	19,917	31.2 %
Total investment grade	66,208	95.7 %	60,599	94.9 %
3	1,431	2.1 %	1,479	2.3 %
4	241	0.3 %	310	0.5 %
5	48	0.1 %	238	0.4 %
6 ⁽¹⁾	1,269	1.8 %	1,234	1.9 %
Total below investment grade	2,989	4.3 %	3,261	5.1 %
Total AFS fixed maturity securities	\$ 69,197	100.0 %	\$ 63,860	100.0 %

	AFS Fixed Maturity Securities by NRSRO Rating			
	June 30, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NRSRO rating designation:				
AAA/AA/A	\$ 29,837	43.1 %	\$ 26,205	41.0 %
BBB	21,703	31.4 %	20,243	31.7 %
Non-rated ⁽²⁾	8,789	12.7 %	8,292	13.0 %
Total Investment Grade	60,329	87.2 %	54,740	85.7 %
BB	1,938	2.8 %	1,949	3.1 %
B	1,856	2.7 %	1,772	2.8 %
CCC	1,322	1.9 %	1,291	2.0 %
CC and lower	1,683	2.4 %	1,787	2.8 %
Non-rated ⁽³⁾	2,069	3.0 %	2,321	3.6 %
Total below investment grade	8,868	12.8 %	9,120	14.3 %
Total AFS fixed maturity securities	\$ 69,197	100.0 %	\$ 63,860	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) Primarily includes securities previously rated 5* that have an NAIC designation of 6 following changes in statutory reporting guidance.

(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.

Corporate fixed maturity securities by ratings

Unaudited (\$ in millions, except percentages)

	Corporate Fixed Maturity Securities by NAIC Rating			
	June 30, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NAIC designation:				
1	\$ 19,234	46.6 %	\$ 17,442	45.7 %
2	19,762	47.9 %	18,443	48.3 %
Total investment grade	38,996	94.5 %	35,885	94.0 %
3	848	2.1 %	801	2.1 %
4	152	0.4 %	179	0.5 %
5	17	— %	73	0.2 %
6 ⁽¹⁾	1,221	3.0 %	1,212	3.2 %
Total below investment grade	2,238	5.5 %	2,265	6.0 %
Total Corporate fixed maturity securities	\$ 41,234	100.0 %	\$ 38,150	100.0 %
	Corporate Fixed Maturity Securities by NRSRO Rating			
	June 30, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NRSRO rating designation:				
AAA/AA/A	\$ 19,196	46.6 %	\$ 17,763	46.6 %
BBB	19,755	47.9 %	18,024	47.2 %
Non-rated ⁽²⁾	44	0.1 %	100	0.3 %
Total Investment Grade	38,995	94.6 %	35,887	94.1 %
BB	835	2.0 %	778	2.0 %
B	166	0.4 %	124	0.3 %
CCC	17	— %	—	— %
Non-rated ⁽³⁾	1,221	3.0 %	1,361	3.6 %
Total below investment grade	2,239	5.4 %	2,263	5.9 %
Total Corporate fixed maturity securities	\$ 41,234	100.0 %	\$ 38,150	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) Primarily includes securities previously rated 5* that have an NAIC designation of 6 following changes in statutory reporting guidance.

(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.

Residential mortgage-backed securities by ratings

Unaudited (\$ in millions, except percentages)

	RMBS by NAIC Ratings			
	June 30, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 6,901	93.7 %	\$ 5,838	91.5 %
2	244	3.3 %	225	3.5 %
Total investment grade	7,145	97.0 %	6,063	95.0 %
3 and below	220	3.0 %	322	5.0 %
Total below investment grade	220	3.0 %	322	5.0 %
Total RMBS	\$ 7,365	100.0 %	\$ 6,385	100.0 %

	RMBS by NRSRO Ratings			
	June 30, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NRSRO rating designation:				
AAA/AA/A	\$ 2,031	27.6 %	\$ 1,021	16.0 %
BBB	552	7.5 %	421	6.6 %
BIG	3,359	45.6 %	3,511	55.0 %
Non-rated investment grade	1,423	19.3 %	1,432	22.4 %
Total RMBS	\$ 7,365	100.0 %	\$ 6,385	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.

Commercial mortgage-backed securities by ratings

Unaudited (\$ in millions, except percentages)

	CMBS by NAIC Ratings			
	June 30, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 6,046	90.5 %	\$ 5,738	89.4 %
2	312	4.7 %	328	5.1 %
Total investment grade	6,358	95.2 %	6,066	94.5 %
3	318	4.7 %	343	5.3 %
4	6	0.1 %	9	0.1 %
5	2	— %	2	0.1 %
Total below investment grade	326	4.8 %	354	5.5 %
Total CMBS	\$ 6,684	100.0 %	\$ 6,420	100.0 %

	CMBS by NRSRO Ratings			
	June 30, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NRSRO rating designation:				
AAA/AA/A	\$ 2,281	34.1 %	\$ 1,864	29.0 %
BBB	1,230	18.4 %	1,424	22.2 %
BIG	3,066	45.9 %	3,027	47.2 %
Non-rated investment grade	107	1.6 %	105	1.6 %
Total CMBS	\$ 6,684	100.0 %	\$ 6,420	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.

Collateralized loan obligations & collateralized bond obligations by ratings

Unaudited (\$ in millions, except percentages)

	Collateralized Loan Obligations			
	June 30, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 3,359	96.3 %	\$ 2,486	95.4 %
2	110	3.2 %	104	4.0 %
Total investment grade	3,469	99.5 %	2,590	99.4 %
3	18	0.5 %	17	0.6 %
Total below investment grade	18	0.5 %	17	0.6 %
Total CLO	\$ 3,487	100.0 %	\$ 2,607	100.0 %

	Collateralized Bond Obligations			
	June 30, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 2,782	100.0 %	\$ 2,834	100.0 %
Total investment grade	2,782	100.0 %	2,834	100.0 %
Total CBO	\$ 2,782	100.0 %	\$ 2,834	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.

Asset-backed securities by ratings

Unaudited (\$ in millions, except percentages)

	Asset-backed Securities			
	June 30, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 2,344	82.5 %	\$ 2,111	78.6 %
2	438	15.4 %	337	12.6 %
Total investment grade	2,782	97.9 %	2,448	91.2 %
3	—	— %	60	2.2 %
4	4	0.1 %	9	0.3 %
5	10	0.4 %	149	5.6 %
6 ⁽¹⁾	45	1.6 %	20	0.7 %
Total below investment grade	59	2.1 %	238	8.8 %
Total asset-backed securities	\$ 2,841	100.0 %	\$ 2,686	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) Primarily includes securities previously rated 5* that have an NAIC designation of 6 following changes in statutory reporting guidance.

Additional information

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 income tax expense (benefit)	Income tax expense (benefit)
Adjusted operating tax rate	Effective tax rate
Adjusted ROE	ROE
Adjusted operating ROE	ROE
Adjusted invested assets	Total investments
Adjusted net investment income	Net investment income
Net investment earned rate	Investment yield
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
Adjusted shareholders' equity	Total Global Atlantic Financial Limited shareholders' equity
Debt-to-adjusted capitalization	Debt-to-capitalization
Adjusted debt-to-adjusted capitalization	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 and annuity 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.

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 includes variable investment income (loss) derived from realized gains and losses from the sale of investments not related to asset/

liability matching strategies. 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. 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) which includes realized gains (losses) related to asset/liability matching investment strategies and unrealized investment gains (losses).
- Non-operating changes in policy liabilities and derivatives – primarily consists of adjustments for (1) changes in the fair value of market risk benefits and other policy liabilities measured at fair value and related benefit payments, (2) fees attributable to guaranteed benefits, (3) derivatives used to manage the risks associated with policy liabilities, and (4) losses at contract issuance on payout annuities.
- Transaction, integration, equity-based compensation expenses and acquired intangible amortization — primarily consist of equity-based compensation and expenses incurred in connection with strategic transactions, such as the acquisition of Global Atlantic by KKR, and implementation of new accounting standards.
- Income tax adjustments — calculated by applying the appropriate jurisdiction’s tax rate (21% for U.S. operations and our Bermuda entity taxed as U.S. taxpayers and 0% for Bermuda entities not taxed as a U.S. taxpayer) to the adjustments that are subject to income tax. The income tax adjustment for interim periods is calculated using an estimate of the annual adjusted operating tax rate. The adjusted operating tax rate could differ from Global Atlantic’s effective tax rate as determined under GAAP.

Adjusted income tax expense and adjusted operating tax rate

Adjusted income tax expense is equal to income tax expense adjusted for income tax 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.

Adjusted ROE and adjusted operating ROE

We use adjusted ROE and adjusted operating ROE 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, such as AOCI and accumulated change in fair value of reinsurance balances and related assets. AOCI varies 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 the above mentioned items is more effective in analyzing the trends of our operations. Adjusted ROE and adjusted operating ROE 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 policy 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) embedded derivatives associated with funds withheld at interest receivables, (3) securities sold under repurchase agreements, (4) investment related receivables and payables, (5) redeemable and non-redeemable non-controlling interests in consolidated renewable energy partnerships, and (6) strategic equity investments. 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 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), unrealized (gains) losses attributable to equity-method investments, and variable investment income (loss) 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 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 invested 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 investment 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 investments and adjusted net investment income as a percentage of average adjusted invested assets, (2) net cost of insurance as a percentage of average total investments and adjusted net cost of insurance as a percentage of average adjusted invested assets (the combination of (1) and (2) is also referred to as the “net underwriting ratio”, or the “adjusted net underwriting ratio”), (3) general, administrative and other expenses as a percentage of average total investments and adjusted general, administrative and other expenses as a percentage of average adjusted invested assets (4) interest expense as a percentage of average total investments and average adjusted invested assets and (5) income-tax expense as a percentage of average total investments and adjusted tax expense as a percentage of adjusted invested 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 by dividing adjusted net investment income by average total investments.

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), unrealized (gains) losses attributable to equity-method investments, and variable investment income (loss), (2) non-operating changes in policy liabilities and derivatives which includes (i) changes in the fair value of market risk benefits and other policy liabilities measured at fair value and related benefit payments, (ii) fees attributable to guaranteed benefits, (iii) derivatives used to manage the risks associated with policy liabilities, and (iv) losses at contract issuance on payout annuities, and (3) transaction, integration and equity-based expenses. These adjustments are reported gross of income tax. Adjusted net cost of insurance ratio is calculated as adjusted net cost of insurance divided by average adjusted invested assets. Net cost of insurance ratio is calculated as net cost of insurance divided by average total investments. Refer to “— Adjusted operating earnings, net of tax” above for additional details regarding the foregoing adjustments.

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

Adjusted general, administrative and other expense is equal to reported general, administrative and other expense adjusted for certain transaction, integration and equity-based compensation expense, as described above. Adjusted general, administrative and other expense ratio is adjusted general, administrative and other expense divided by average adjusted invested assets.

Adjusted interest expense ratio

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

Adjusted shareholders’ equity

Adjusted shareholders’ equity calculated as total Global Atlantic Financial Group Limited shareholders’ equity, as reported, less (1) accumulated other comprehensive income, as reported, and (2) accumulated change in fair value of reinsurance balances and related assets, net of income tax offsets. The change in the fair value of reinsurance balances and related assets represents the change in value of embedded derivatives underlying reinsurance with assumed and ceded modified coinsurance and funds withheld at interest and related trading securities. Adjusted shareholders’ equity should not be used as a substitute for total Global Atlantic Financial Group 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-adjusted capitalization and adjusted debt-to-adjusted capitalization

Debt-to-adjusted capitalization 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-adjusted capitalization and debt fair value adjustments is calculated using debt adjusted to exclude 50% 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-adjusted capitalization 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 Individual channel, retirement 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. We also refer to new business volume originated through the individual channel as “sales.” New business volume from our institutional channel 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.

Non-GAAP reconciliation: Adjusted operating earnings, net of tax

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (56)	\$ (98)	\$ 36	\$ 413	\$ 491	(111)%	\$ (154)	\$ 763	(120)%
Adjustments:									
Investment (gains) losses ¹	198	220	203	35	76	161 %	418	260	61 %
Non-operating changes in policy liabilities and derivatives	91	168	95	(325)	(408)	122 %	259	(721)	136 %
Transaction, integration and equity-based compensation expenses	47	62	72	50	31	52 %	109	72	51 %
Income tax adjustments	(44)	(73)	(78)	63	62	(171)%	(117)	86	(236)%
Total adjustments	292	377	292	(177)	(239)	222 %	669	(303)	321 %
Adjusted operating earnings, net of tax	\$ 236	\$ 279	\$ 328	\$ 236	\$ 252	(6)%	\$ 515	\$ 460	12 %

(1) Includes gains/losses on funds withheld receivables and payables embedded derivatives

Non-GAAP reconciliation: Adjusted invested assets

Unaudited (\$ in millions, except percentages)

	Balances as of					
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	YoY Change
Total investments	\$ 132,280	\$ 132,110	\$ 126,635	\$ 121,401	\$ 122,130	8 %
Adjustments to reconcile total investments and adjusted invested assets:						
Cash, cash equivalents, and restricted cash	4,761	3,989	6,425	4,517	5,481	(13)%
Accrued investment income	1,197	1,069	1,174	1,094	949	26 %
Exclude:						
Unrealized losses (gains) on fixed maturity and equity securities	13,265	12,922	14,619	14,773	11,224	18 %
Funds withheld payable at interest	(23,252)	(22,996)	(22,739)	(21,064)	(22,090)	(5)%
Derivative collateral	(921)	(645)	(466)	(430)	(336)	(174)%
Funds withheld on embedded derivatives	(3,087)	(3,040)	(3,501)	(3,398)	(2,558)	(21)%
Securities sold under repurchase agreements	(820)	(314)	(805)	(779)	(805)	(2)%
Non-controlling interests in consolidated investment entities	(133)	(99)	(189)	(216)	(236)	44 %
Redeemable non-controlling interests in consolidated investment entities	(50)	(79)	(83)	(82)	(81)	38 %
Net investment receivable (payable)	(230)	(260)	17	(380)	(125)	(84)%
Adjusted invested assets	\$ 123,010	\$ 122,657	\$ 121,087	\$ 115,436	\$ 113,553	8 %

Non-GAAP reconciliation: Adjusted net investment income and Net investment earned rate

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Net investment income	\$ 1,244	\$ 1,237	\$ 1,230	\$ 1,056	\$ 895	39 %	\$ 2,481	\$ 1,672	48 %
Average total investments ⁽¹⁾	\$ 132,195	\$ 129,373	\$ 124,018	\$ 121,766	\$ 123,498	7 %	\$ 130,342	\$ 124,236	5 %
Investment yield⁽²⁾	3.76 %	3.82 %	3.97 %	3.47 %	2.90 %	0.86 %	3.81 %	2.69 %	1.12 %
Net investment income	\$ 1,244	\$ 1,237	\$ 1,230	\$ 1,056	\$ 895	39 %	\$ 2,481	\$ 1,672	48 %
Unrealized gains (losses)	38	34	1	(29)	25	52 %	72	95	(24)%
Variable investment income (loss) ⁽³⁾	2	—	—	28	45	(96)%	2	60	(97)%
Total adjustments	\$ 40	\$ 34	\$ 1	\$ (1)	\$ 70	(43)%	\$ 74	\$ 155	(52)%
Adjusted net investment income⁽³⁾	\$ 1,284	\$ 1,271	\$ 1,231	\$ 1,055	\$ 965	33 %	\$ 2,555	\$ 1,827	40 %
Average adjusted invested assets ⁽¹⁾	\$ 122,834	\$ 121,872	\$ 118,262	\$ 114,495	\$ 112,711	9 %	\$ 122,251	\$ 110,360	11 %
Net investment earned rate^{(2) (3)}	4.18 %	4.17 %	4.16 %	3.69 %	3.42 %	0.76 %	4.18 %	3.31 %	0.87 %

(1) Quarterly averages are calculated by averaging the current and immediately preceding quarter; For year-to-date periods, calculated by averaging as of the end of each quarter in the applicable trailing period.

(2) Interim periods are annualized.

(3) Includes variable investment income (loss) derived from realized gains and losses from the sale of investments not related to asset/liability matching strategies.

Non-GAAP reconciliation: Adjusted operating ROA

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (56)	\$ (98)	\$ 36	\$ 413	\$ 491	(111)%	\$ (154)	\$ 763	(120)%
Average total investments ⁽¹⁾	132,195	129,373	124,018	121,766	123,498	7 %	130,342	124,236	5 %
ROA⁽²⁾	(0.17)%	(0.30)%	0.12 %	1.36 %	1.59 %	(1.76)%	(0.24)%	1.23 %	(1.47)%
Adjusted operating earnings, net of tax	\$ 236	\$ 279	\$ 328	\$ 236	\$ 252	(6)%	\$ 515	\$ 460	12 %
Average adjusted invested assets ⁽¹⁾	122,834	121,872	118,262	114,495	112,711	9 %	122,251	110,360	11 %
Adjusted operating ROA, net of tax⁽²⁾	0.77 %	0.92 %	1.11 %	0.82 %	0.89 %	(0.12)%	0.84 %	0.83 %	0.01 %

(1) Quarterly averages are calculated by averaging the current and immediately preceding quarter; For year-to-date periods, calculated by averaging as of the end of each quarter in the applicable trailing period.

(2) Interim periods are annualized.

Non-GAAP reconciliation: Components of adjusted operating ROA and related derived ratios

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change	
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022		
Reconciliation of adjusted net cost of insurance										
Net underwriting margin, as reported	\$ 195	\$ 151	\$ 220	\$ 724	\$ 743	(74)%	\$ 346	\$ 1,231	(72)%	
Less: Net investment income, as reported	1,244	1,237	1,230	1,056	895	39 %	2,481	1,672	48 %	
Net cost of insurance	1,049	1,086	1,010	332	152	NM	2,135	441	384 %	
Adjustments:										
Investment gains (losses), included in net cost of insurance	152	175	233	43	61	149 %	327	187	75 %	
Non-operating changes in policy liabilities and derivatives	91	168	95	(325)	(408)	122 %	259	(721)	136 %	
Transaction, integration and equity-based compensation expense included in net cost of insurance	4	4	4	5	4	— %	8	8	— %	
Total adjustments	247	347	332	(277)	(343)	172 %	594	(526)	213 %	
Adjusted net cost of insurance	\$ 802	\$ 739	\$ 678	\$ 609	\$ 495	62 %	\$ 1,541	\$ 967	59 %	
Reconciliation of adjusted net underwriting margin										
Net underwriting margin, as reported	\$ 195	\$ 151	\$ 220	\$ 724	\$ 743	(74)%	\$ 346	\$ 1,231	(72)%	
Total adjustments, as above	247	347	332	(277)	(343)	172 %	594	(526)	213 %	
Adjustment to derive adjusted net investment income	40	34	1	(1)	70	(43)%	74	155	(52)%	
Adjusted net underwriting margin	\$ 482	\$ 532	\$ 553	\$ 446	\$ 470	3 %	\$ 1,014	\$ 860	18 %	
Reconciliation of adjusted G&A expense										
General and administrative expenses, as reported	\$ 206	\$ 214	\$ 204	\$ 181	\$ 173	19 %	\$ 420	\$ 343	22 %	
Adjustments:										
Transaction, conversion and integration expense	43	57	68	46	26	65 %	100	63	59 %	
Adjusted general and administrative expenses	\$ 163	\$ 157	\$ 136	\$ 135	\$ 147	11 %	\$ 320	\$ 280	14 %	

Non-GAAP reconciliation: Components of adjusted operating ROA and related derived ratios (continued)

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Average total investments ⁽¹⁾	\$ 132,195	\$ 129,373	\$ 124,018	\$ 121,766	\$ 123,498	7 %	\$ 130,342	\$ 124,236	5 %
Average adjusted invested assets ⁽¹⁾	122,834	121,872	118,262	114,495	112,711	9 %	\$ 122,251	\$ 110,360	11 %
Ratios derived from average total investments and average total adjusted invested assets⁽²⁾:									
Adjusted net investment income ⁽³⁾	\$ 1,284	\$ 1,271	\$ 1,231	\$ 1,055	\$ 965	33 %	\$ 2,555	\$ 1,827	40 %
Adjusted net investment return ratio	3.89 %	3.93 %	3.97 %	3.47 %	3.13 %	0.76 %	3.92 %	2.94 %	0.98 %
Net investment earned rate ⁽³⁾	4.18 %	4.17 %	4.16 %	3.69 %	3.42 %	0.76 %	4.18 %	3.31 %	0.87 %
Net cost of insurance ratio	(3.17)%	(3.36)%	(3.26)%	(1.09)%	(0.49)%	(2.68)%	(3.28)%	(0.71)%	(2.57)%
Adjusted net cost of insurance ratio	(2.61)%	(2.42)%	(2.29)%	(2.14)%	(1.76)%	(0.85)%	(2.53)%	(1.75)%	(0.78)%
Net underwriting return	0.59 %	0.47 %	0.71 %	2.38 %	2.41 %	(1.82)%	0.53 %	1.98 %	(1.45)%
Adjusted net underwriting return ratio	1.57 %	1.75 %	1.87 %	1.55 %	1.66 %	(0.09)%	1.65 %	1.56 %	0.09 %
General and administrative expenses ratio	(0.62)%	(0.66)%	(0.66)%	(0.59)%	(0.56)%	(0.06)%	(0.64)%	(0.55)%	(0.09)%
Adjusted general and administrative expenses ratio	(0.53)%	(0.52)%	(0.46)%	(0.47)%	(0.52)%	(0.01)%	(0.52)%	(0.51)%	(0.01)%
Interest expense	\$ 40	\$ 40	\$ 29	\$ 26	\$ 19	111 %	\$ 80	\$ 32	150 %
Interest expense ratio	(0.12)%	(0.12)%	(0.09)%	(0.09)%	(0.06)%	(0.06)%	(0.12)%	(0.05)%	(0.07)%
Adjusted Interest expense ratio	(0.13)%	(0.13)%	(0.10)%	(0.09)%	(0.07)%	(0.06)%	(0.13)%	(0.06)%	(0.07)%
Adjusted operating income tax expense	\$ 43	\$ 56	\$ 60	\$ 49	\$ 52	(17)%	\$ 99	\$ 88	13 %
Adjusted operating income tax expense ratio	(0.14)%	(0.18)%	(0.20)%	(0.17)%	(0.18)%	0.04 %	(0.16)%	(0.16)%	— %

(1) Quarterly averages are calculated by averaging the current and immediately preceding quarter; For year-to-date periods, calculated by averaging as of the end of each quarter in the applicable trailing period.

(2) Interim periods are annualized.

(3) Includes \$2 million, \$28 million, \$45 million, and \$15 million of variable investment income (loss) for the quarters ended June 30, 2023, September 30, 2022, June 30, 2022, and March 31, 2022, respectively, derived from realized gains and losses from the sale of investments not related to asset/liability matching strategies.

Non-GAAP reconciliation: ROE excluding AOCI and Adjusted operating ROE excluding AOCI

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change	Six Months Ended		YoY Change
	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022		6/30/2023	6/30/2022	
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (56)	\$ (98)	\$ 36	\$ 413	\$ 491	(111)%	\$ (154)	\$ 763	(120)%
Adjusted operating earnings, net of tax	\$ 236	\$ 279	\$ 328	\$ 236	252	(6)%	\$ 515	\$ 460	12 %
Total Global Atlantic Financial Limited shareholders' equity	\$ (491)	\$ (203)	\$ (1,098)	\$ (1,408)	\$ 226	(317)%	\$ (491)	\$ 226	(317)%
Less: AOCI	(7,671)	(7,445)	(8,435)	(8,207)	(6,157)	(25)%	(7,671)	(6,157)	(25)%
Less: Accumulated change in fair value of reinsurance balances and related assets	330	336	401	286	203	63 %	330	203	63 %
Adjusted shareholders' equity	\$ 6,850	\$ 6,906	\$ 6,936	\$ 6,513	\$ 6,180	11 %	\$ 6,850	\$ 6,180	11 %
Average total Global Atlantic Financial Limited shareholders' equity ⁽¹⁾	\$ (347)	\$ (651)	\$ (1,253)	\$ (591)	\$ 1,469	(124)%	\$ (597)	\$ 2,729	(122)%
Average adjusted shareholders' equity ⁽¹⁾	6,878	6,920	6,724	6,346	6,029	14 %	6,897	5,899	17 %
ROE⁽²⁾	NM	NM	NM	NM	133.7 %	— %	NM	55.9 %	— %
Adjusted ROE⁽²⁾	(3.3)%	(5.7)%	2.1 %	26.0 %	32.6 %	(35.9)%	(4.5)%	25.9 %	(30.4)%
Adjusted Operating ROE⁽²⁾	13.7 %	16.1 %	19.5 %	14.9 %	16.7 %	(3.0)%	14.9 %	15.6 %	(0.7)%

(1) Quarterly averages are calculated by averaging the current and immediately preceding quarter; For year-to-date periods, calculated by averaging as of the end of each quarter in the applicable trailing period.

(2) Interim periods are annualized.