

Financial supplement

Global Atlantic Financial Limited

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

First 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 March 31, 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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Important notice

Global Atlantic Financial Limited and its subsidiaries (“Global Atlantic”) adopted new accounting guidance for insurance and reinsurance companies that issue long-duration contracts (“LDTI”) as of February 1, 2021 on a full retrospective basis. This financial supplement presents GAAP and operating results for each of the quarters within the year ended December 31, 2022 as recast for the impact of the aforementioned LDTI adoption. See Note 2—“Significant accounting policies and practices” in the unaudited interim consolidated financial statements for additional information.

Where applicable, prior year disclosures have been conformed to (i) the current period presentation and (ii) revisions to non-GAAP measure definitions. Global Atlantic undertakes no obligation to update or correct the information in this Financial Supplement.

Certain totals may not sum to the corresponding components due to rounding.

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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 May 16, 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
Senior Debt Ratings¹	N/A	BBB	Baa2	BBB-
Subordinated Debt Ratings²	N/A	BB+	Baa3	BB
Holding Company Outlook³	Positive	Stable	Stable	Positive

(1) Applies to 2029 and 2031 senior notes issued by Global Atlantic (Fin) Company

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

(3) Applies to Issuer Credit Rating / Issuer Default Rating / Issuer Rating for Global Atlantic (Fin) Company

Consolidated results

Financial highlights

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Consolidated results of operations						
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (98)	\$ 36	\$ 412	\$ 491	\$ 272	(136)%
Adjusted operating income, net of tax	279	328	236	252	208	34 %
ROE ⁽¹⁾	NM	NM	NM	133.7 %	27.3 %	NM
Adjusted ROE ⁽¹⁾	(5.7)%	2.1 %	26.0 %	32.6 %	18.9 %	(24.6)%
Adjusted Operating ROE ⁽¹⁾	16.1 %	19.5 %	14.9 %	16.7 %	14.4 %	1.7 %
ROA ⁽¹⁾	(0.30)%	0.12 %	1.35 %	1.59 %	0.87 %	(1.17)%
Adjusted operating ROA, net of tax ⁽¹⁾	0.92 %	1.11 %	0.82 %	0.89 %	0.76 %	0.16 %
Effective income tax rate	16.5 %	138.5 %	21.7 %	20.7 %	19.7 %	(3.2)%
Adjusted operating tax rate	16.7 %	15.5 %	17.2 %	17.1 %	14.8 %	1.9 %
Balance sheet items						
Total assets	\$ 174,831	\$ 171,711	\$ 163,645	\$ 166,034	\$ 167,121	5 %
Adjusted invested assets	122,657	121,087	115,436	113,553	111,868	10 %
Total liabilities	174,856	172,538	164,755	165,491	164,032	7 %
Total shareholders' equity	(203)	(1,098)	(1,408)	226	2,711	(107)%
Adjusted shareholders' equity	6,906	6,936	6,513	6,180	5,877	18 %

(1) Interim periods are annualized.

Consolidated statements of income

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Revenues						
Premiums	\$ 474	\$ 555	\$ 480	\$ (225)	\$ 372	27 %
Policy fees	314	311	318	319	314	— %
Net investment income	1,237	1,230	1,056	895	777	59 %
Net investment gains (losses)	(114)	(421)	(174)	(426)	(369)	69 %
Other income	37	36	36	32	35	6 %
Total revenues	\$ 1,948	\$ 1,711	\$ 1,716	\$ 595	\$ 1,129	73 %
Benefits and expenses						
Policy benefits and claims	\$ 1,527	\$ 1,270	\$ 832	\$ (256)	\$ 513	198 %
Amortization of policy acquisition costs	44	61	6	(24)	12	267 %
Insurance expenses	226	160	155	132	116	95 %
Total benefits and insurance expenses	1,797	1,491	993	(148)	641	180 %
Net underwriting income	151	220	723	743	488	(69)%
Interest expenses	40	29	26	19	13	208 %
General and administrative expenses	214	204	181	173	170	26 %
Income (loss) before income taxes	(103)	(13)	516	551	305	(134)%
Income tax expense (benefit)	(17)	(18)	112	114	60	(128)%
Net income (loss)	(86)	5	404	437	245	(135)%
Net income (loss) attributable to non-controlling interests and redeemable non-controlling interests	12	(31)	(8)	(54)	(27)	144 %
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (98)	\$ 36	\$ 412	\$ 491	\$ 272	(136)%

Components of return on assets

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Components of return on assets⁽¹⁾						
Net investment return ratio	3.82 %	3.97 %	3.47 %	2.90 %	2.48 %	1.34 %
Net cost of insurance ratio	(3.36)%	(3.26)%	(1.09)%	(0.49)%	(0.92)%	(2.44)%
Net underwriting ratio	0.46 %	0.71 %	2.38 %	2.41 %	1.56 %	(1.10)%
General and administrative expense ratio	(0.66)%	(0.66)%	(0.59)%	(0.56)%	(0.54)%	(0.12)%
Interest expense ratio	(0.12)%	(0.09)%	(0.09)%	(0.06)%	(0.04)%	(0.08)%
Income tax expense ratio	0.05 %	0.06 %	(0.37)%	(0.37)%	(0.19)%	0.24 %
Non-controlling interest ratio	(0.03)%	0.11 %	0.03 %	0.17 %	0.08 %	(0.11)%
Return on assets	(0.30)%	0.12 %	1.35 %	1.59 %	0.87 %	(1.17)%

(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
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Adjusted operating return on assets, net of tax⁽¹⁾	0.92 %	1.11 %	0.82 %	0.89 %	0.76 %	0.16 %
Components of adjusted operating return on assets, net of tax:⁽¹⁾						
Net investment earned rate⁽²⁾	4.17 %	4.16 %	3.69 %	3.42 %	3.17 %	1.00 %
Adjusted net cost of insurance ratio	(2.42)%	(2.29)%	(2.14)%	(1.76)%	(1.74)%	(0.68)%
Adjusted net underwriting ratio	1.75 %	1.87 %	1.55 %	1.66 %	1.43 %	0.32 %
Adjusted general and administrative expense ratio	(0.52)%	(0.46)%	(0.47)%	(0.52)%	(0.49)%	(0.03)%
Adjusted interest expense ratio	(0.13)%	(0.10)%	(0.09)%	(0.07)%	(0.05)%	(0.08)%
Adjusted operating return on assets, before taxes	1.10 %	1.31 %	0.99 %	1.08 %	0.89 %	0.21 %
Adjusted income tax expense ratio	(0.18)%	(0.20)%	(0.17)%	(0.18)%	(0.13)%	(0.05)%
Adjusted operating return on assets, net of tax	0.92 %	1.11 %	0.82 %	0.89 %	0.76 %	0.16 %
Components of adjusted operating earnings:						
Adjusted net investment income⁽²⁾	\$ 1,271	\$ 1,231	\$ 1,055	\$ 965	\$ 862	47 %
Adjusted net cost of insurance	739	678	609	495	472	57 %
Adjusted net underwriting income	532	553	446	470	390	36 %
Interest expenses	40	29	26	19	13	208 %
Adjusted general and administrative expenses	157	136	135	147	133	18 %
Adjusted operating earnings, before income taxes	335	388	285	304	244	37 %
Adjusted operating income tax expense	(56)	(60)	(49)	(52)	(36)	(56)%
Adjusted operating earnings, net of tax	\$ 279	\$ 328	\$ 236	\$ 252	\$ 208	34 %
Average total investments ⁽³⁾	\$ 129,373	\$ 124,018	\$ 121,766	\$ 123,498	\$ 125,289	3 %
Average adjusted invested assets ⁽³⁾	121,872	118,262	114,495	112,711	108,763	12 %

(1) Interim periods are annualized.

(2) Includes \$28 million, \$45 million, and \$15 million, of variable investment income (loss) for the quarters ended 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.

Consolidated balance sheets

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Assets						
Fixed maturity securities, available-for-sale, at fair value	\$ 70,015	\$ 63,860	\$ 60,622	\$ 61,842	\$ 65,869	6 %
Fixed maturity securities, trading, at fair value	13,276	12,553	10,800	11,242	13,499	(2)%
Mortgage and other loan receivables	34,699	35,091	35,420	34,701	31,577	10 %
Funds withheld receivable at interest	2,775	2,868	2,894	2,911	2,967	(6)%
Other invested assets	11,345	12,263	11,665	11,434	10,953	4 %
Total investments	132,110	126,635	121,401	122,130	124,865	6 %
Cash and cash equivalents	3,712	6,117	4,147	5,130	4,590	(19)%
Restricted cash and cash equivalent	277	308	370	351	524	(47)%
Accrued investment income	1,069	1,174	1,094	949	905	18 %
Reinsurance recoverable	26,157	26,021	24,115	24,680	23,871	10 %
Insurance Intangibles	2,392	2,331	2,307	2,206	2,104	14 %
Other assets	4,949	4,994	6,159	6,225	5,192	(5)%
Separate account assets	4,165	4,131	4,052	4,363	5,070	(18)%
Total assets	\$ 174,831	\$ 171,711	\$ 163,645	\$ 166,034	\$ 167,121	5 %

Consolidated balance sheets (continued)

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Liabilities						
Policy liabilities	141,130	137,780	131,965	130,976	129,848	9 %
Debt	2,157	2,128	1,921	1,975	2,030	6 %
Funds withheld payable at interest	22,996	22,739	21,064	22,090	21,782	6 %
Other liabilities	3,581	4,700	5,023	5,631	4,695	(24)%
Reinsurance liabilities	827	1,060	730	456	607	36 %
Separate account liabilities	4,165	4,131	4,052	4,363	5,070	(18)%
Total liabilities	\$ 174,856	\$ 172,538	\$ 164,755	\$ 165,491	\$ 164,032	7 %
Redeemable non-controlling interests	\$ 79	\$ 83	\$ 82	\$ 81	\$ 82	(4)%
Shareholders' Equity						
Additional paid-in capital	5,519	5,516	5,014	5,011	5,007	10 %
Retained earnings	1,723	1,821	1,785	1,372	881	96 %
Accumulated other comprehensive loss	(7,445)	(8,435)	(8,207)	(6,157)	(3,177)	(134)%
Total shareholders' equity	(203)	(1,098)	(1,408)	226	2,711	(107)%
Non-controlling interests	99	188	216	236	296	(67)%
Total equity	(104)	(910)	(1,192)	462	3,007	(103)%
Total liabilities, redeemable non-controlling interests and equity	\$ 174,831	\$ 171,711	\$ 163,645	\$ 166,034	\$ 167,121	5 %
Adjusted shareholders' equity	\$ 6,906	\$ 6,936	\$ 6,513	\$ 6,180	\$ 5,877	18 %
Average adjusted shareholders' equity ⁽¹⁾	6,920	6,724	6,346	6,029	5,760	20 %

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

Capitalization

Unaudited (\$ in millions, except percentages)

	Balances as of					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Total debt	\$ 2,157	\$ 2,128	\$ 1,921	\$ 1,975	\$ 2,030	6 %
50% of subordinated debentures	(375)	(375)	(375)	(375)	(375)	— %
Fair value adjustment to senior notes hedged with interest rate swap ⁽¹⁾	169	197	205	152	97	74 %
Adjusted debt	\$ 1,951	\$ 1,950	\$ 1,751	\$ 1,752	\$ 1,752	11 %
Total Global Atlantic Financial Limited shareholders' equity⁽²⁾	(203)	(1,098)	(1,408)	226	2,711	(107) %
Less: Accumulated other comprehensive income (AOCI) ⁽³⁾	(7,445)	(8,435)	(8,207)	(6,157)	(3,177)	(134) %
Less: Accumulated change in fair value of reinsurance balances and related assets	336	401	286	203	11	NM
Adjusted shareholders' equity	\$ 6,906	\$ 6,936	\$ 6,513	\$ 6,180	\$ 5,877	18 %
Capitalization ⁽²⁾	\$ 1,954	\$ 1,030	\$ 513	\$ 2,201	\$ 4,741	(59) %
Adjusted capitalization	9,063	9,064	8,434	8,155	7,907	15 %
Adjusted capitalization, excluding debt fair value adjustments	9,232	9,261	8,639	8,307	8,004	15 %
Debt-to-capitalization⁽²⁾	110.4 %	206.6 %	374.5 %	89.7 %	42.8 %	67.6 %
Debt-to-adjusted capitalization	23.8 %	23.5 %	22.8 %	24.2 %	25.7 %	(1.9) %
Adjusted debt-to-adjusted capitalization, excluding debt fair value adjustments	21.1 %	21.1 %	20.3 %	21.1 %	21.9 %	(0.8) %

	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 the Senior Notes issued in October 2019 and due in 2029, and Senior Notes issued June 2021 and due in June 2031.

(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 March 31, 2023, the impact included \$10.5 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
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Global Atlantic debt-to-total capitalization ratio						
Total debt – principal	\$ 2,300	\$ 2,300	\$ 2,100	\$ 2,100	\$ 2,100	10 %
Less: Subordinated debentures, due October 2051 ⁽¹⁾	750	750	750	750	750	— %
Plus: Accrued but unpaid interest ⁽¹⁾	16	6	16	5	16	— %
Consolidated debt, as defined in the credit agreement	\$ 1,566	\$ 1,556	\$ 1,366	\$ 1,355	\$ 1,366	15 %
Adjusted shareholders' equity						
Adjusted shareholders' equity	6,906	6,936	6,513	6,180	5,877	18 %
Global Atlantic consolidated debt to total capitalization, as defined in the credit agreement	18.5 %	18.3 %	17.3 %	18.0 %	18.9 %	(0.4)%
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	16.5 %	16.7 %	17.7 %	17.0 %	16.1 %	0.4 %
Global Atlantic net worth						
Minimum required net worth under the credit agreement	4,417	4,466	4,448	4,242	3,996	11 %
Excess over minimum required net worth	2,489	2,470	2,065	1,938	1,881	32 %

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
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Individual channel⁽¹⁾:						
Fixed-Rate Annuities	\$ 2,146	\$ 1,517	\$ 1,206	\$ 1,481	\$ 1,039	107 %
Fixed-Indexed Annuities	1,065	897	1,261	1,117	904	18 %
Variable Annuities	4	8	12	11	11	(64)%
Total retirement products	\$ 3,215	\$ 2,422	\$ 2,479	\$ 2,609	\$ 1,954	65 %
Life insurance products	\$ 4	\$ 9	\$ 7	\$ 12	\$ 7	(43)%
Preneed Life	\$ 75	\$ 67	\$ 72	\$ 73	\$ 65	15 %
Institutional channel⁽²⁾:						
Block ⁽³⁾	\$ 79	\$ 2,955	\$ —	\$ 5	\$ 2,777	(97)%
Flow & pension risk transfer	2,430	3,107	2,571	2,143	1,699	43 %
Funding agreement-backed notes ⁽⁴⁾	—	—	—	900	1,100	(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	
	3/31/2023		12/31/2022		9/30/2022		6/30/2022		3/31/2022		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	\$ 23,679	\$ —	\$ 22,740	\$ —	\$ 22,217	\$ —	\$ 22,072	\$ —	\$ 21,687	\$ —	9 %	— %
Fixed-indexed annuities	23,530	—	22,760	—	22,085	—	21,378	—	21,128	—	11 %	— %
Payout annuities	456	—	450	—	453	—	465	—	473	—	(4)%	— %
Variable annuities	281	2,282	258	2,308	260	2,309	307	2,483	342	2,797	(18)%	(18)%
Interest sensitive life	13,783	—	13,622	—	13,517	—	13,539	—	13,616	—	1 %	— %
Funding agreements	1,951	—	2,104	—	2,099	—	2,196	—	2,206	—	(12)%	— %
Other	3,489	—	3,479	—	3,502	—	3,498	—	3,520	—	(1)%	— %
Total Individual	67,169	2,282	65,413	2,308	64,133	2,309	63,455	2,483	62,972	2,797	7 %	(18)%
Fixed-rate annuities	26,357	—	25,926	—	25,243	—	24,501	—	23,125	—	14 %	— %
Fixed-indexed annuities	9,525	—	8,909	—	8,634	—	8,309	—	8,279	—	15 %	— %
Payout annuities	16,746	3	16,096	3	15,310	3	15,778	4	17,175	6	(2)%	(50)%
Variable annuities	4,997	1,357	5,136	1,317	2,411	1,268	2,466	1,368	2,499	1,657	100 %	(18)%
Interest sensitive life	9,483	523	9,526	503	9,575	472	9,618	508	9,628	610	(2)%	(14)%
Funding agreements	5,497	—	5,431	—	5,407	—	5,554	—	4,731	—	16 %	— %
Other	264	—	267	—	109	—	112	—	121	—	118 %	— %
Total Institutional⁽¹⁾	72,869	1,883	71,291	1,823	66,689	1,743	66,338	1,880	65,558	2,273	11 %	(17)%
Closed Block & Other	1,092	—	1,063	—	1,143	—	1,183	—	1,318	—	(17)%	— %
Total Reserves	\$ 141,130	\$ 4,165	\$ 137,767	\$ 4,131	\$ 131,965	\$ 4,052	\$ 130,976	\$ 4,363	\$ 129,848	\$ 5,070	9 %	(18)%

(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					
	3/31/2023			12/31/2022		
	Account Values	Percent of total	Average Surrender Charge Percent	Account Values	Percent of total	Average Surrender Charge Percent
No surrender charge	\$ 20,405	25.3 %	— %	\$ 21,087	27.0 %	— %
Greater than 0 to less than 3	18,885	23.4 %	5.5 %	18,026	23.1 %	5.4 %
3 to less than 6	31,394	38.9 %	6.6 %	29,665	38.0 %	7.0 %
6 to less than 9	7,105	8.8 %	6.9 %	6,451	8.3 %	7.1 %
9 or greater	2,884	3.6 %	8.6 %	2,852	3.6 %	8.8 %
Total	\$ 80,673	100.0 %	5.0 %	\$ 78,081	100.0 %	5.0 %

Years of Surrender Charge Remaining	Indexed and Fixed Universal Life					
	3/31/2023			12/31/2022		
	Account Values	Percent of total	Average Surrender Charge Percent	Account Values	Percent of total	Average Surrender Charge Percent
No surrender charge	\$ 6,993	56.0 %	0.4 %	\$ 6,965	56.4 %	0.4 %
Greater than 0 to less than 3	1,480	11.8 %	3.0 %	1,460	11.8 %	3.0 %
3 to less than 6	1,950	15.6 %	6.2 %	2,075	16.8 %	6.3 %
6 to less than 9	501	4.0 %	10.0 %	450	3.7 %	11.2 %
9 or greater	1,568	12.6 %	19.2 %	1,391	11.3 %	22.2 %
Total	\$ 12,492	100.0 %	4.3 %	\$ 12,341	100.0 %	4.5 %

Investment portfolio

Investments summary

Unaudited (\$ in millions, except percentages)

	March 31, 2023		December 31, 2022	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
AFS fixed maturity securities	\$ 70,015	53.0 %	\$ 63,860	50.4 %
Trading fixed maturity securities ⁽¹⁾	13,276	10.0 %	12,553	9.9 %
Mortgage and other loan receivables	34,699	26.3 %	35,091	27.7 %
Funds withheld receivable at interest	2,775	2.1 %	2,868	2.3 %
Other investments	11,345	8.6 %	12,263	9.7 %
Total investments	\$ 132,110	100.0 %	\$ 126,635	100.0 %

Other investments, as above, consists of the following:	March 31, 2023		December 31, 2022	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Investments in real estate	\$ 4,806	42.4 %	\$ 4,641	37.8 %
Investments in renewable energy ⁽²⁾	2,298	20.3 %	3,427	27.9 %
Investments in transportation and other leased assets ⁽³⁾	2,869	25.3 %	2,822	23.0 %
Policy loans	880	7.7 %	869	7.3 %
Other investment partnerships	186	1.6 %	199	1.6 %
Federal Home Loan Bank, or "FHLB," common stock and other investments	288	2.5 %	287	2.3 %
Equity securities	18	0.2 %	18	0.1 %
Total other investments	\$ 11,345	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 \$239 million and \$230 million as of March 31, 2023 and December 31, 2022, respectively.

(3) Net of accumulated depreciation of \$260 million and \$230 million as of March 31, 2023 and December 31, 2022, respectively.

Fixed maturity securities – unrealized gains and losses

Unaudited (\$ in millions, except percentages)

	As of March 31, 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	\$ 440	\$ —	\$ 2	\$ (63)	\$ 379	0.5 %
U.S. state, municipal and political subdivisions	5,568	—	21	(1,020)	4,569	6.5 %
Corporate	49,550	(1)	141	(7,407)	42,283	60.4 %
Residential mortgage-backed securities, or “RMBS”	7,981	(147)	13	(807)	7,040	10.1 %
Commercial mortgage-backed securities, or “CMBS”	7,455	(16)	1	(822)	6,618	9.5 %
Collateralized loan obligations, or “CLOs”	3,604	(26)	1	(171)	3,408	4.9 %
Collateralized bond obligations, or “CBOs”	3,029	(1)	—	(186)	2,842	4.1 %
Asset-backed securities, or “ABSs”	3,095	(11)	8	(216)	2,876	4.0 %
Total AFS fixed maturity securities	\$ 80,722	\$ (202)	\$ 187	\$ (10,692)	\$ 70,015	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			
	March 31, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NAIC designation:				
1	\$ 44,411	63.4 %	\$ 40,682	63.7 %
2	22,348	31.9 %	19,917	31.2 %
Total investment grade	66,759	95.3 %	60,599	94.9 %
3	1,495	2.1 %	1,479	2.3 %
4	320	0.5 %	310	0.5 %
5	155	0.2 %	238	0.4 %
6 ⁽¹⁾	1,286	1.9 %	1,234	1.9 %
Total below investment grade	3,256	4.7 %	3,261	5.1 %
Total AFS fixed maturity securities	\$ 70,015	100.0 %	\$ 63,860	100.0 %
	AFS Fixed Maturity Securities by NRSRO Rating			
	March 31, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NRSRO rating designation:				
AAA/AA/A	\$ 29,499	42.1 %	\$ 26,205	41.0 %
BBB	22,874	32.7 %	20,243	31.7 %
Non-rated ⁽²⁾	8,561	12.2 %	8,292	13.0 %
Total Investment Grade	60,934	87.0 %	54,740	85.7 %
BB	1,880	2.7 %	1,949	3.1 %
B	1,871	2.7 %	1,772	2.8 %
CCC	1,351	1.9 %	1,291	2.0 %
CC and lower	1,633	2.3 %	1,787	2.8 %
Non-rated ⁽³⁾	2,346	3.4 %	2,321	3.6 %
Total below investment grade	9,081	13.0 %	9,120	14.3 %
Total AFS fixed maturity securities	\$ 70,015	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			
	March 31, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NAIC designation:				
1	\$ 19,080	45.1 %	\$ 17,442	45.7 %
2	20,911	49.5 %	18,443	48.3 %
Total investment grade	39,991	94.6 %	35,885	94.0 %
3	843	2.0 %	801	2.1 %
4	193	0.5 %	179	0.5 %
5	—	— %	73	0.2 %
6 ⁽¹⁾	1,256	2.9 %	1,212	3.2 %
Total below investment grade	2,292	5.4 %	2,265	6.0 %
Total Corporate fixed maturity securities	\$ 42,283	100.0 %	\$ 38,150	100.0 %
	Corporate Fixed Maturity Securities by NRSRO Rating			
	March 31, 2023		December 31, 2022	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NRSRO rating designation:				
AAA/AA/A	\$ 18,986	44.9 %	\$ 17,763	46.6 %
BBB	20,916	49.5 %	18,024	47.2 %
Non-rated ⁽²⁾	79	0.2 %	100	0.3 %
Total Investment Grade	39,981	94.6 %	35,887	94.1 %
BB	753	1.8 %	778	2.0 %
B	217	0.5 %	124	0.3 %
Non-rated ⁽³⁾	1,332	3.1 %	1,361	3.6 %
Total below investment grade	2,302	5.4 %	2,263	5.9 %
Total Corporate fixed maturity securities	\$ 42,283	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			
	March 31, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 6,455	91.7 %	\$ 5,838	91.5 %
2	323	4.6 %	225	3.5 %
Total investment grade	6,778	96.3 %	6,063	95.0 %
3 and below	262	3.7 %	322	5.0 %
Total below investment grade	262	3.7 %	322	5.0 %
Total RMBS	\$ 7,040	100.0 %	\$ 6,385	100.0 %

	RMBS by NRSRO Ratings			
	March 31, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NRSRO rating designation:				
AAA/AA/A	\$ 1,724	24.5 %	\$ 1,021	16.0 %
BBB	522	7.4 %	421	6.6 %
BIG	3,401	48.3 %	3,511	55.0 %
Non-rated investment grade	1,393	19.8 %	1,432	22.4 %
Total RMBS	\$ 7,040	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			
	March 31, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 5,940	89.8 %	\$ 5,738	89.4 %
2	327	4.9 %	328	5.1 %
Total investment grade	6,267	94.7 %	6,066	94.5 %
3	340	5.1 %	343	5.3 %
4	11	0.2 %	9	0.1 %
5	—	— %	2	0.1 %
Total below investment grade	351	5.3 %	354	5.5 %
Total CMBS	\$ 6,618	100.0 %	\$ 6,420	100.0 %

	CMBS by NRSRO Ratings			
	March 31, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NRSRO rating designation:				
AAA/AA/A	\$ 2,271	34.3 %	\$ 1,864	29.0 %
BBB	1,216	18.4 %	1,424	22.2 %
BIG	3,026	45.7 %	3,027	47.2 %
Non-rated investment grade	105	1.6 %	105	1.6 %
Total CMBS	\$ 6,618	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			
	March 31, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 3,283	96.4 %	\$ 2,486	95.4 %
2	107	3.1 %	104	4.0 %
Total investment grade	3,390	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	\$ 3,408	100.0 %	\$ 2,607	100.0 %

	Collateralized Bond Obligations			
	March 31, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 2,842	100.0 %	\$ 2,834	100.0 %
Total investment grade	2,842	100.0 %	2,834	100.0 %
Total CBO	\$ 2,842	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			
	March 31, 2023		December 31, 2022	
	Fair value	Percent of total	Fair Value	Percent of total
NAIC designation:				
1	\$ 2,236	77.7 %	\$ 2,111	78.6 %
2	389	13.5 %	337	12.6 %
Total investment grade	2,625	91.2 %	2,448	91.2 %
3	70	2.4 %	60	2.2 %
4	5	0.2 %	9	0.3 %
5	145	5.0 %	149	5.6 %
6 ⁽¹⁾	31	1.2 %	20	0.7 %
Total below investment grade	251	8.8 %	238	8.8 %
Total asset-backed securities	\$ 2,876	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 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), 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
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (98)	\$ 36	\$ 412	\$ 491	\$ 272	(136)%
Adjustments:						
Investment (gains) losses ¹	220	203	36	76	184	20 %
Non-operating changes in policy liabilities and derivatives	168	95	(325)	(408)	(313)	154 %
Transaction, integration and equity-based compensation expenses	62	72	50	31	41	51 %
Income tax adjustments	(73)	(78)	63	62	24	(404)%
Total adjustments	377	292	(176)	(239)	(64)	NM
Adjusted operating earnings, net of tax	\$ 279	\$ 328	\$ 236	\$ 252	\$ 208	34 %

(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					
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	YoY Change
Total investments	\$ 132,110	\$ 126,635	\$ 121,401	\$ 122,130	\$ 124,865	6 %
Adjustments to reconcile total investments and adjusted invested assets:						
Cash, cash equivalents, and restricted cash	3,989	6,425	4,517	5,481	5,114	(22)%
Accrued investment income	1,069	1,174	1,094	949	905	18 %
Exclude:						
Unrealized losses (gains) on fixed maturity and equity securities	12,922	14,619	14,773	11,224	5,952	117 %
Funds withheld payable at interest	(22,996)	(22,739)	(21,064)	(22,090)	(21,782)	(6)%
Derivative collateral	(645)	(466)	(430)	(336)	(895)	28 %
Funds withheld on embedded derivatives	(3,040)	(3,501)	(3,398)	(2,558)	(1,228)	(148)%
Securities sold under repurchase agreements	(314)	(805)	(779)	(805)	(811)	61 %
Non-controlling interests in consolidated investment entities	(99)	(189)	(216)	(236)	(296)	67 %
Redeemable non-controlling interests in consolidated investment entities	(79)	(83)	(82)	(81)	(82)	4 %
Net investment receivable (payable)	(260)	17	(380)	(125)	126	(306)%
Adjusted invested assets	\$ 122,657	\$ 121,087	\$ 115,436	\$ 113,553	\$ 111,868	10 %

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

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Net investment income	\$ 1,237	\$ 1,230	\$ 1,056	\$ 895	\$ 777	59 %
Average total investments ⁽¹⁾	\$ 129,373	\$ 124,018	\$ 121,766	\$ 123,498	\$ 125,289	3 %
Investment yield⁽²⁾	3.82 %	3.97 %	3.47 %	2.90 %	2.48 %	1.34 %
Net investment income	\$ 1,237	\$ 1,230	\$ 1,056	\$ 895	\$ 777	59 %
Unrealized gains (losses)	34	1	(29)	25	70	(51)%
Variable investment income (loss) ⁽³⁾	—	—	28	45	15	(100)%
Total adjustments	\$ 34	\$ 1	\$ (1)	\$ 70	\$ 85	(60)%
Adjusted net investment income⁽³⁾	\$ 1,271	\$ 1,231	\$ 1,055	\$ 965	\$ 862	47 %
Average adjusted invested assets ⁽¹⁾	\$ 121,872	\$ 118,262	\$ 114,495	\$ 112,711	\$ 108,763	12 %
Net investment earned rate^{(2) (3)}	4.17 %	4.16 %	3.69 %	3.42 %	3.17 %	1.00 %

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

(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
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (98)	\$ 36	\$ 412	\$ 491	\$ 272	(136)%
Average total investments ⁽¹⁾	129,373	124,018	121,766	123,498	125,289	3 %
ROA⁽²⁾	(0.30)%	0.12 %	1.35 %	1.59 %	0.87 %	(1.17)%
Adjusted operating earnings, net of tax	\$ 279	\$ 328	\$ 236	\$ 252	\$ 208	34 %
Average adjusted invested assets ⁽¹⁾	121,872	118,262	114,495	112,711	108,763	12 %
Adjusted operating ROA, net of tax⁽²⁾	0.92 %	1.11 %	0.82 %	0.89 %	0.76 %	0.16 %

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

(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
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Reconciliation of adjusted net cost of insurance						
Net underwriting margin, as reported	\$ 151	\$ 220	\$ 723	\$ 743	\$ 488	(69)%
Less: Net investment income, as reported	1,237	1,230	1,056	895	777	59 %
Net cost of insurance	1,086	1,010	333	152	289	276 %
Adjustments:						
Investment gains (losses), included in net cost of insurance	175	233	44	61	126	39 %
Non-operating changes in policy liabilities and derivatives	168	95	(325)	(408)	(313)	154 %
Transaction, integration and equity-based compensation expense included in net cost of insurance	4	4	5	4	4	— %
Total adjustments	347	332	(276)	(343)	(183)	290 %
Adjusted net cost of insurance	\$ 739	\$ 678	\$ 609	\$ 495	\$ 472	57 %
Reconciliation of adjusted net underwriting margin						
Net underwriting margin, as reported	\$ 151	\$ 220	\$ 723	\$ 743	\$ 488	(69)%
Total adjustments, as above	347	332	(276)	(343)	(183)	290 %
Adjustment to derive adjusted net investment income	34	1	(1)	70	85	(60)%
Adjusted net underwriting margin	\$ 532	\$ 553	\$ 446	\$ 470	\$ 390	36 %
Reconciliation of adjusted G&A expense						
General and administrative expenses, as reported	\$ 214	\$ 204	\$ 181	\$ 173	\$ 170	26 %
Adjustments:						
Transaction, conversion and integration expense	57	68	46	26	37	54 %
Adjusted general and administrative expenses	\$ 157	\$ 136	\$ 135	\$ 147	\$ 133	18 %

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

Unaudited (\$ in millions, except percentages)

	Three Months Ended					YoY Change
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Average total investments ⁽¹⁾	\$ 129,373	\$ 124,018	\$ 121,766	\$ 123,498	\$ 125,289	3 %
Average adjusted invested assets ⁽¹⁾	121,872	118,262	114,495	112,711	108,763	12 %
Ratios derived from average total investments and average total adjusted invested assets⁽²⁾:						
Adjusted net investment income ⁽³⁾	\$ 1,271	\$ 1,231	\$ 1,055	\$ 965	\$ 862	47 %
Adjusted net investment return ratio	3.93 %	3.97 %	3.47 %	3.13 %	2.75 %	1.18 %
Net investment earned rate ⁽³⁾	4.17 %	4.16 %	3.69 %	3.42 %	3.17 %	1.00 %
Net cost of insurance ratio	(3.36)%	(3.26)%	(1.09)%	(0.49)%	(0.92)%	(2.44)%
Adjusted net cost of insurance ratio	(2.42)%	(2.29)%	(2.14)%	(1.76)%	(1.74)%	(0.68)%
Net underwriting return	0.47 %	0.71 %	2.38 %	2.41 %	1.56 %	(1.09)%
Adjusted net underwriting return ratio	1.75 %	1.87 %	1.55 %	1.66 %	1.43 %	0.32 %
General and administrative expenses ratio	(0.66)%	(0.66)%	(0.59)%	(0.56)%	(0.54)%	(0.12)%
Adjusted general and administrative expenses ratio	(0.52)%	(0.46)%	(0.47)%	(0.52)%	(0.49)%	(0.03)%
Interest expense	\$ 40	\$ 29	\$ 26	\$ 19	\$ 13	208 %
Interest expense ratio	(0.12)%	(0.09)%	(0.09)%	(0.06)%	(0.04)%	(0.08)%
Adjusted Interest expense ratio	(0.13)%	(0.10)%	(0.09)%	(0.07)%	(0.05)%	(0.08)%
Adjusted operating income tax expense	\$ 56	\$ 60	\$ 49	\$ 52	\$ 36	56 %
Adjusted operating income tax expense ratio	(0.18)%	(0.20)%	(0.17)%	(0.18)%	(0.13)%	(0.05)%

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

(2) Interim periods are annualized.

(3) Includes \$28 million, \$45 million, and \$15 million of variable investment income (loss) for the quarters ended 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
	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	
Net income (loss) attributable to Global Atlantic Financial Limited shareholders	\$ (98)	\$ 36	\$ 412	\$ 491	\$ 272	(136)%
Adjusted operating earnings, net of tax	\$ 279	\$ 328	\$ 236	\$ 252	208	34 %
Total Global Atlantic Financial Limited shareholders' equity	\$ (203)	\$ (1,098)	\$ (1,408)	\$ 226	\$ 2,711	(107)%
Less: AOCI	(7,445)	(8,435)	(8,207)	(6,157)	(3,177)	(134)%
Less: Accumulated change in fair value of reinsurance balances and related assets	336	401	286	203	11	NM
Adjusted shareholders' equity	\$ 6,906	\$ 6,936	\$ 6,513	\$ 6,180	\$ 5,877	18 %
Average total Global Atlantic Financial Limited shareholders' equity ⁽¹⁾	\$ (651)	\$ (1,253)	\$ (591)	\$ 1,469	\$ 3,981	(116)%
Average adjusted shareholders' equity ⁽¹⁾	6,920	6,724	6,346	6,029	5,760	20 %
ROE⁽²⁾	NM	NM	NM	133.7 %	27.3 %	NM
Adjusted ROE⁽²⁾	(5.7)%	2.1 %	26.0 %	32.6 %	18.9 %	(24.6)%
Adjusted Operating ROE⁽²⁾	16.1 %	19.5 %	14.9 %	16.7 %	14.4 %	1.7 %

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

(2) Interim periods are annualized.