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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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

**For the quarterly period ended March 31, 2021**

**or**

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

**For the transition period from              to**

**Commission File No. 001-38469**

**————————————————**

**Equitable Holdings, Inc.**

(Exact name of registrant as specified in its charter)

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|  |  |  |  |  |  |  |  |  |
| **Delaware** | | |  | | | **90-0226248** | | |
| (State or other jurisdiction of incorporation or organization) | | |  | | | (I.R.S. Employer Identification No.) | | |

**1290 Avenue of the Americas, New York, New York                 10104**

(Address of principal executive offices) (Zip Code)

**(212) 554-1234**

(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Title of each class** | | |  | | | **Trading symbol** | | |  | | | **Name of each exchange on which registered** | | |
| Common Stock | | |  | | | EQH | | |  | | | New York Stock Exchange | | |
| Depositary Shares, each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series A | | |  | | | EQH PR A | | |  | | | New York Stock Exchange | | |
| Depositary Shares, each representing a 1/1,000th interest in a share of Fixed Rate Noncumulative Perpetual Preferred Stock, Series C | | |  | | | EQH PR C | | |  | | | New York Stock Exchange | | |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.    Yes ☒    No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).    Yes  ☒    No  ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an “emerging growth company”. See definition of “accelerated filer,” “large accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Large accelerated filer | | | ☒ | | | Accelerated filer | | | ☐ | | | Non-accelerated filer | | | ☐ | | | Smaller reporting company | | | ☐ | | | Emerging growth company | | | ☐ | | |
| If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act. ¨ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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

As of May 4, 2021, 428,272,746 shares of the registrant’s Common Stock, $0.01 par value, were outstanding.

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**NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION**

Certain of the statements included or incorporated by reference in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “intends,” “seeks,” “aims,” “plans,” “assumes,” “estimates,” “projects,” “should,” “would,” “could,” “may,” “will,” “shall” or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Equitable Holdings, Inc. (“Holdings”) and its consolidated subsidiaries. “We,” “us” and “our” refer to Holdings and its consolidated subsidiaries, unless the context refers only to Holdings as a corporate entity. There can be no assurance that future developments affecting Holdings will be those anticipated by management. Forward-looking statements include, without limitation, all matters that are not historical facts.

These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including, among others: (i) conditions in the financial markets and economy, including the impact of COVID-19 and related economic conditions, equity market declines and volatility, interest rate fluctuations, impacts on our goodwill and changes in liquidity and access to and cost of capital; (ii) operational factors, including reliance on the payment of dividends to Holdings by its subsidiaries, protection of confidential customer information or proprietary business information, operational failures by us or our service providers, and catastrophic events, such as the outbreak of pandemic diseases including COVID-19; (iii) credit, counterparties and investments, including counterparty default on derivative contracts, failure of financial institutions, defaults by third parties and affiliates and economic downturns, defaults and other events adversely affecting our investments; (iv) our reinsurance and hedging programs; (v) our products, structure and product distribution, including variable annuity guaranteed benefits features within certain of our products, variations in statutory capital requirements, financial strength and claims-paying ratings, state insurance laws limiting the ability of our insurance subsidiaries to pay dividends and key product distribution relationships; (vi) estimates, assumptions and valuations, including risk management policies and procedures, potential inadequacy of reserves and experience differing from pricing expectations, amortization of deferred acquisition costs and financial models; (vii) our Investment Management and Research segment, including fluctuations in assets under management and the industry-wide shift from actively-managed investment services to passive services; (viii) legal and regulatory risks, including federal and state legislation affecting financial institutions, insurance regulation and tax reform; (ix) risks related to our common stock and (x) general risks, including strong industry competition, information systems failing or being compromised and protecting our intellectual property.

Forward-looking statements should be read in conjunction with the other cautionary statements, risks, uncertainties and other factors identified in Holdings’ Annual Report on Form 10-K for the year ended December 31, 2020, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q, including in the section entitled “Risk Factors,” and elsewhere in this Quarterly Report on Form 10-Q. You should read this Form 10-Q completely and with the understanding the actual future results may be materially different from expectations. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law.

Other risks, uncertainties and factors, including those discussed under “Risk Factors”, in our Annual Report on Form 10-K could cause our actual results to differ materially from those projected in any forward-looking statements we make. Readers should read carefully the factors described in “Risk Factors” in our Annual Report on Form 10-K to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

Throughout this Quarterly Report on Form 10-Q we use certain defined terms and abbreviations, which are summarized in the “Glossary” and “Acronyms” sections.

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**Part I FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements**

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**EQUITABLE HOLDINGS, INC.**

**Consolidated Balance Sheets**

**March 31, 2021 (Unaudited) and December 31, 2020**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |
|  | | | March 31, | | |  | | | December 31, | | |
|  | | | 2021 | | |  | | | 2020 | | |
|  | | | (in millions, except share data) | | | | | | | | |
| **ASSETS** | | |  | | |  | | |  | | |
| Investments: | | |  | | |  | | |  | | |
| Fixed maturities available-for-sale, at fair value (amortized cost of $73,734 and $72,867) (allowance for credit losses of $19 and $13) | | | **$** | **77,161** |  |  | | | $ | 81,638 |  |
| Fixed maturities, at fair value using the fair value option (1) | | | **844** | |  |  | | | 389 | |  |
| Mortgage loans on real estate (net of allowance for credit losses of $74 and $81) | | | **13,280** | |  |  | | | 13,159 | |  |
|  | | |  | | |  | | |  | | |
| Policy loans | | | **4,091** | |  |  | | | 4,118 | |  |
| Other equity investments (1) | | | **2,387** | |  |  | | | 1,502 | |  |
| Trading securities, at fair value | | | **4,821** | |  |  | | | 5,553 | |  |
| Other invested assets (1) | | | **2,913** | |  |  | | | 2,728 | |  |
| Total investments | | | **105,497** | |  |  | | | 109,087 | |  |
| Cash and cash equivalents (1) | | | **6,795** | |  |  | | | 6,179 | |  |
| Cash and securities segregated, at fair value | | | **1,413** | |  |  | | | 1,753 | |  |
| Broker-dealer related receivables | | | **2,361** | |  |  | | | 2,223 | |  |
| Deferred policy acquisition costs | | | **4,943** | |  |  | | | 4,243 | |  |
| Goodwill and other intangible assets, net | | | **4,744** | |  |  | | | 4,737 | |  |
| Amounts due from reinsurers (allowance for credit losses of $5 and $5) | | | **4,526** | |  |  | | | 4,566 | |  |
|  | | |  | | |  | | |  | | |
| GMIB reinsurance contract asset, at fair value | | | **1,907** | |  |  | | | 2,488 | |  |
| Current and deferred income taxes | | | **509** | |  |  | | | — | |  |
| Other assets (1) | | | **3,859** | |  |  | | | 3,701 | |  |
| Assets held-for-sale | | | **483** | |  |  | | | 470 | |  |
| Separate Accounts assets | | | **139,795** | |  |  | | | 135,950 | |  |
| Total Assets | | | **$** | **276,832** |  |  | | | $ | 275,397 |  |
| **LIABILITIES** | | |  | | |  | | |  | | |
| Policyholders’ account balances | | | **$** | **73,303** |  |  | | | $ | 66,820 |  |
| Future policy benefits and other policyholders' liabilities | | | **35,922** | |  |  | | | 39,881 | |  |
| Broker-dealer related payables | | | **2,283** | |  |  | | | 1,443 | |  |
|  | | |  | | |  | | |  | | |
| Customer related payables | | | **3,179** | |  |  | | | 3,417 | |  |
| Amounts due to reinsurers | | | **1,340** | |  |  | | | 1,381 | |  |
| Short-term and long-term debt | | | **4,022** | |  |  | | | 4,115 | |  |
|  | | |  | | |  | | |  | | |
| Current and deferred income taxes | | | **—** | |  |  | | | 749 | |  |
| Notes issued by consolidated variable interest entities, at fair value using the fair value option (1) | | | **323** | |  |  | | | 313 | |  |
| Other liabilities (1) | | | **3,990** | |  |  | | | 3,686 | |  |
| Liabilities held-for-sale | | | **270** | |  |  | | | 322 | |  |
| Separate Accounts liabilities | | | **139,795** | |  |  | | | 135,950 | |  |
| Total Liabilities | | | **$** | **264,427** |  |  | | | $ | 258,077 |  |
| Redeemable noncontrolling interest (1) (2) | | | **$** | **137** |  |  | | | $ | 143 |  |
| Commitments and contingent liabilities (Note 12) | | |  | | |  | | |  | | |
| **EQUITY** | | |  | | |  | | |  | | |
| **Equity attributable to Holdings:** | | |  | | |  | | |  | | |
| Preferred stock and additional paid-in capital, $1 par value and $25,000 liquidation preference | | | **$** | **1,562** |  |  | | | $ | 1,269 |  |
| Common stock, $0.01 par value, 2,000,000,000 shares authorized; 541,662,121 and 552,896,328 shares issued, respectively; 428,451,410 and 440,776,011 shares outstanding, respectively | | | **5** | |  |  | | | 5 | |  |
| Additional paid-in capital | | | **1,928** | |  |  | | | 1,985 | |  |
| Treasury stock, at cost, 113,210,711 and 112,120,317 shares, respectively | | | **(2,300)** | |  |  | | | (2,245) | |  |
| Retained earnings | | | **8,758** | |  |  | | | 10,699 | |  |
| Accumulated other comprehensive income (loss) | | | **740** | |  |  | | | 3,863 | |  |
| Total equity attributable to Holdings | | | **10,693** | |  |  | | | 15,576 | |  |
| Noncontrolling interest | | | **1,575** | |  |  | | | 1,601 | |  |
| Total Equity | | | **12,268** | |  |  | | | 17,177 | |  |
| **Total Liabilities, Redeemable Noncontrolling Interest and Equity** | | | **$** | **276,832** |  |  | | | $ | 275,397 |  |

\_\_\_\_\_\_\_\_\_\_\_\_

(1) See Note 2 for details of balances with VIEs.

(2) See Note 11 for details of redeemable noncontrolling interest.

See Notes to Consolidated Financial Statements (Unaudited).

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**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Income (Loss)**

**For the Three Months Ended March 31, 2021 and 2020 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions, except per share data)** | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Policy charges and fee income | | |  |  |  |  | | | **$** | **949** |  |  | | | $ | 996 |  |  | | |  | | |
| Premiums | | |  |  |  |  | | | **258** | |  |  | | | 289 | |  |  | | |  | | |
| Net derivative gains (losses) | | |  |  |  |  | | | **(2,546)** | |  |  | | | 9,400 | |  |  | | |  | | |
| Net investment income (loss) | | |  |  |  |  | | | **884** | |  |  | | | 629 | |  |  | | |  | | |
| Investment gains (losses), net: | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit losses on Available for Sale debt securities and loans | | |  |  |  |  | | | **1** | |  |  | | | (12) | |  |  | | |  | | |
| Other investment gains (losses), net | | |  |  |  |  | | | **183** | |  |  | | | 16 | |  |  | | |  | | |
| Total investment gains (losses), net | | |  |  |  |  | | | **184** | |  |  | | | 4 | |  |  | | |  | | |
| Investment management and service fees | | |  |  |  |  | | | **1,257** | |  |  | | | 1,136 | |  |  | | |  | | |
| Other income | | |  |  |  |  | | | **167** | |  |  | | | 155 | |  |  | | |  | | |
| Total revenues | | |  |  |  |  | | | **1,153** | |  |  | | | 12,609 | |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | |  |  |  |  | | | **939** | |  |  | | | 2,776 | |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | |  |  |  |  | | | **291** | |  |  | | | 317 | |  |  | | |  | | |
| Compensation and benefits | | |  |  |  |  | | | **580** | |  |  | | | 526 | |  |  | | |  | | |
| Commissions and distribution-related payments | | |  |  |  |  | | | **382** | |  |  | | | 338 | |  |  | | |  | | |
| Interest expense | | |  |  |  |  | | | **74** | |  |  | | | 52 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | |  |  |  |  | | | **87** | |  |  | | | 1,303 | |  |  | | |  | | |
| Other operating costs and expenses | | |  |  |  |  | | | **608** | |  |  | | | 438 | |  |  | | |  | | |
| Total benefits and other deductions | | |  |  |  |  | | | **2,961** | |  |  | | | 5,750 | |  |  | | |  | | |
| Income (loss) from continuing operations, before income taxes | | |  |  |  |  | | | **(1,808)** | |  |  | | | 6,859 | |  |  | | |  | | |
| Income tax (expense) benefit | | |  |  |  |  | | | **408** | |  |  | | | (1,434) | |  |  | | |  | | |
| Net income (loss) | | |  |  |  |  | | | **(1,400)** | |  |  | | | 5,425 | |  |  | | |  | | |
| Less: Net income (loss) attributable to the noncontrolling interest | | |  |  |  |  | | | **88** | |  |  | | | 37 | |  |  | | |  | | |
| Net income (loss) attributable to Holdings | | |  |  |  |  | | | **$** | **(1,488)** |  |  | | | $ | 5,388 |  |  | | |  | | |
| Less: Preferred stock dividends | | |  |  |  |  | | | **13** | |  |  | | | 13 | |  |  | | |  | | |
| Net income (loss) available to Holdings’ common shareholders | | |  |  |  |  | | | **$** | **(1,501)** |  |  | | | $ | 5,375 |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| **EARNINGS PER COMMON SHARE** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) applicable to Holdings’ common shareholders per common share: | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  |  |  |  | | | **$** | **(3.46)** |  |  | | | $ | 11.66 |  |  | | |  | | |
| Diluted | | |  |  |  |  | | | **$** | **(3.46)** |  |  | | | $ | 11.60 |  |  | | |  | | |
| Weighted average common shares outstanding (in millions): | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  |  |  |  | | | **434.2** | |  |  | | | 461.0 | |  |  | | |  | | |
| Diluted | | |  |  |  |  | | | **434.2** | |  |  | | | 463.5 | |  |  | | |  | | |

See Notes to Consolidated Financial Statements (Unaudited).

5

**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Comprehensive Income (Loss)**

**For the Three Months Ended March 31, 2021 and 2020 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | | | | |  |  |  |  |  |  |
| **COMPREHENSIVE INCOME (LOSS)** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | |  |  |  |  | | | **$** | **(1,400)** |  |  | | | $ | 5,425 |  |  | | |  | | |
| Other comprehensive income (loss) net of income taxes: | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Change in unrealized gains (losses), net of reclassification adjustment | | |  |  |  |  | | | **(3,153)** | |  |  | | | 1,430 | |  |  | | |  | | |
| Changes in defined benefit plan related items not yet recognized in periodic benefit cost, net of reclassification adjustment | | |  |  |  |  | | | **33** | |  |  | | | 28 | |  |  | | |  | | |
| Foreign currency translation adjustment | | |  |  |  |  | | | **(6)** | |  |  | | | (21) | |  |  | | |  | | |
| Total other comprehensive income (loss), net of income taxes | | |  |  |  |  | | | **(3,126)** | |  |  | | | 1,437 | |  |  | | |  | | |
| Comprehensive income (loss) | | |  |  |  |  | | | **(4,526)** | |  |  | | | 6,862 | |  |  | | |  | | |
| Less: Comprehensive income (loss) attributable to the noncontrolling interest | | |  |  |  |  | | | **85** | |  |  | | | 29 | |  |  | | |  | | |
| Comprehensive income (loss) attributable to Holdings | | |  |  |  |  | | | **$** | **(4,611)** |  |  | | | $ | 6,833 |  |  | | |  | | |

See Notes to Consolidated Financial Statements (Unaudited).

6

**EQUITABLE HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF EQUITY**

**For the Three Months Ended March 31, 2021 and 2020 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  |  |  |  |  |  |  |  |  | | | |  |  |  |  |  |  | | | |  |  | |  |  |  | |  | |  |  |  | |  |  | |  | | | |  |  | |  |  |  |  | | | | |  |  | |  |  |  | |  | |  |  |  | |  |  | |  | | | |  |  |  |  |  |  | | | |  |
|  | | | | **Three Months Ended March 31,** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | | **Equity Attributable to Holdings** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | |  | | | | | | |  | | |  | | | | | |
|  | | | | **Preferred Stock and Additional Paid-In Capital** | | |  | | | **Common Stock** | | | | | |  | | | **Additional Paid-in Capital** | | | | | |  | | | | **Treasury Stock** | | | | |  | | | | **Retained Earnings** | | | | | | |  | | | | **Accumulated Other Comprehensive Income (Loss)** | | | | | | |  | | | | **Total Holdings Equity** | | | | |  | | | | **Non-controlling Interest** | | | | | | |  | | | **Total Equity** | | | | | |
|  | | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **January 1, 2021** | | | | **$** | **1,269** |  |  | | | **$** | **5** | | | |  |  | | | **$** | **1,985** | | | |  |  | | | | **$** | | **(2,245)** | |  |  | | | | **$** | | **10,699** | | | |  |  | | | | **$** | **3,863** | | | | |  |  | | | | **$** | | **15,576** | |  |  | | | | **$** | | **1,601** | | | |  |  | | | **$** | **17,177** | | | |  |
|  | | | |  | | |  | | |  | | | | | |  | | |  | | | | | |  | | | |  | | | | |  | | | |  | | | | | | |  | | | |  | | | | | | |  | | | |  | | | | |  | | | |  | | | | | | |  | | |  | | | | | |
| Stock compensation | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **19** | | | | |  |  | | | | **45** | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **64** | | | |  |  | | | | **7** | | | | | |  |  | | | **71** | | | | |  |
| Purchase of treasury stock | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **(10)** | | | | |  |  | | | | **(420)** | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **(430)** | | | |  |  | | | | **—** | | | | | |  |  | | | **(430)** | | | | |  |
| Reissuance of treasury stock | | | |  | | |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **(46)** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **(46)** | | | |  |  | | | | **—** | | | | | |  |  | | | **(46)** | | | | |  |
| Retirement of common stock | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **320** | | | |  |  | | | | **(320)** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | |  |  | | | | **—** | | | | | |  |  | | | **—** | | | | |  |
| Repurchase of AB Holding units | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | |  |  | | | | **(13)** | | | | | |  |  | | | **(13)** | | | | |  |
| Dividends paid to noncontrolling interest | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | |  |  | | | | **(108)** | | | | | |  |  | | | **(108)** | | | | |  |
| Dividends on common stock (cash dividends declared per common share of $0.17) | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **(74)** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **(74)** | | | |  |  | | | | **—** | | | | | |  |  | | | **(74)** | | | | |  |
| Dividends on preferred stock | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **(13)** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **(13)** | | | |  |  | | | | **—** | | | | | |  |  | | | **(13)** | | | | |  |
| Issuance of preferred stock | | | | **293** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **293** | | | |  |  | | | | **—** | | | | | |  |  | | | **293** | | | | |  |
| Net income (loss) | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **(1,488)** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **(1,488)** | | | |  |  | | | | **88** | | | | | |  |  | | | **(1,400)** | | | | |  |
| Other comprehensive income (loss) | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **—** | | | | |  |  | | | | **—** | | | |  |  | | | | **—** | | | | | |  |  | | | | **(3,123)** | | | | | |  |  | | | | **(3,123)** | | | |  |  | | | | **(3)** | | | | | |  |  | | | **(3,126)** | | | | |  |
| Other | | | | **—** | |  |  | | | **—** | | | | |  |  | | | **(66)** | | | | |  |  | | | | **—** | | | |  |  | | | | **—** | | | | | |  |  | | | | **—** | | | | | |  |  | | | | **(66)** | | | |  |  | | | | **3** | | | | | |  |  | | | **(63)** | | | | |  |
| **March 31, 2021** | | | | **$** | **1,562** |  |  | | | **$** | **5** | | | |  |  | | | **$** | **1,928** | | | |  |  | | | | **$** | | **(2,300)** | |  |  | | | | **$** | | **8,758** | | | |  |  | | | | **$** | **740** | | | | |  |  | | | | **$** | | **10,693** | |  |  | | | | **$** | | **1,575** | | | |  |  | | | **$** | **12,268** | | | |  |
|  | |  | | | | | | | | | |  |  |  | | | | | | |  |  |  | | |  | | | |  | |  | | | |  | | |  | |  |  |  | | |  | | | | |  |  |  |  | | |  | | | |  | |  | | | |  | | |  | |  |  |  | | | | | | |  |  |  | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| January 1, 2020 | | | | | | | | | | | | | $ | 775 | | | | | | |  |  | | | | | | | | $ | | 5 | | | |  | | |  | | | | $ | | | 1,920 | | | | |  |  | | | | | $ | | | | (1,832) | |  | | | |  | | | | | | $ | 11,744 | | | | | | |  |  | | | | | $ | 844 |  |  | | | $ | 13,456 |  |  | | | $ | 1,591 |  |  | | | $ | 15,047 |  |
| Cumulative effect of adoption of ASU 2016-03, Current Expected Credit Loss | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | (30) | | | | | | | |  |  | | | | | — | |  |  | | | (30) | |  |  | | | — | |  |  | | | (30) | |  |
| Stock compensation | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | 14 | | | | | | | |  |  | | | | | 13 | | | | | |  | | | |  | | | | | | — | | | | | | | |  |  | | | | | — | |  |  | | | 27 | |  |  | | | 3 | |  |  | | | 30 | |  |
| Purchase of treasury stock | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | (206) | | | | | |  | | | |  | | | | | | — | | | | | | | |  |  | | | | | — | |  |  | | | (206) | |  |  | | | — | |  |  | | | (206) | |  |
| Reissuance of treasury stock | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | (13) | | | | | | | |  |  | | | | | — | |  |  | | | (13) | |  |  | | | — | |  |  | | | (13) | |  |
|  | | | | | | | | | | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | | | | | | | | |  | | | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | | | | | | | | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | | | | | | | | |  | | | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Repurchase of AB Holding units | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | 6 | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | — | | | | | | | |  |  | | | | | — | |  |  | | | 6 | |  |  | | | (6) | |  |  | | | — | |  |
| Dividends paid to noncontrolling interest | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | — | | | | | | | |  |  | | | | | — | |  |  | | | — | |  |  | | | (93) | |  |  | | | (93) | |  |
| Dividends on common stock (cash dividends declared per common share of $0.15) | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | (69) | | | | | | | |  |  | | | | | — | |  |  | | | (69) | |  |  | | | — | |  |  | | | (69) | |  |
| Dividends on preferred stock | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | (13) | | | | | | | |  |  | | | | | — | |  |  | | | (13) | |  |  | | | — | |  |  | | | (13) | |  |
|  | | | | | | | | | | | | |  | | | | | | | | |  | | | | | | | |  | | | | | | | | |  | | | |  | | | | | | | | |  | | | | |  | | | | | | | | | |  | | | | | |  | | | | | | | | |  | | | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | 5,388 | | | | | | | |  |  | | | | | — | |  |  | | | 5,388 | |  |  | | | 67 | |  |  | | | 5,455 | |  |
| Other comprehensive income (loss) | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | — | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | — | | | | | | | |  |  | | | | | 1,445 | |  |  | | | 1,445 | |  |  | | | (8) | |  |  | | | 1,437 | |  |
| Other | | | | | | | | | | | | | — | | | | | | | |  |  | | | | | | | | — | | | | | |  | | |  | | | | (10) | | | | | | | |  |  | | | | | — | | | | | |  | | | |  | | | | | | — | | | | | | | |  |  | | | | | — | |  |  | | | (10) | |  |  | | | — | |  |  | | | (10) | |  |
| March 31, 2020 | | | | | | | | | | | | | $ | 775 | | | | | | |  |  | | | | | | | | $ | | 5 | | | |  | | |  | | | | $ | | | 1,930 | | | | |  |  | | | | | $ | | | | (2,025) | |  | | | |  | | | | | | $ | 17,007 | | | | | | |  |  | | | | | $ | 2,289 |  |  | | | $ | 19,981 |  |  | | | $ | 1,554 |  |  | | | $ | 21,535 |  |

See Notes to Consolidated Financial Statements (Unaudited).

7

**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Cash Flows**

**Three Months Ended March 31, 2021 and 2020 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended March 31,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Cash flows from operating activities:** | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | | **$** | **(1,400)** |  |  | | | $ | 5,425 |  |  | | |  | | |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |  | | |  | | |  | | |  | | |  | | |
| Interest credited to policyholders’ account balances | | | **291** | |  |  | | | 317 | |  |  | | |  | | |
| Policy charges and fee income | | | **(949)** | |  |  | | | (996) | |  |  | | |  | | |
| Net derivative (gains) losses | | | **2,546** | |  |  | | | (9,400) | |  |  | | |  | | |
| Credit losses on AFS debt securities and loans | | | **(1)** | |  |  | | | 12 | |  |  | | |  | | |
| Investment (gains) losses, net | | | **(182)** | |  |  | | | (65) | |  |  | | |  | | |
| (Gains) losses on businesses HFS | | | **(1)** | |  |  | | | 49 | |  |  | | |  | | |
| Realized and unrealized (gains) losses on trading securities | | | **41** | |  |  | | | 170 | |  |  | | |  | | |
| Non-cash long term incentive compensation expense | | | **41** | |  |  | | | 5 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Amortization and depreciation | | | **153** | |  |  | | | 1,330 | |  |  | | |  | | |
| Equity (income) loss from limited partnerships | | | **(107)** | |  |  | | | 22 | |  |  | | |  | | |
| Changes in: | | |  | | |  | | |  | | |  | | |  | | |
| Net broker-dealer and customer related receivables/payables | | | **(328)** | |  |  | | | 881 | |  |  | | |  | | |
| Reinsurance recoverable | | | **(79)** | |  |  | | | (113) | |  |  | | |  | | |
| Segregated cash and securities, net | | | **341** | |  |  | | | (918) | |  |  | | |  | | |
| Capitalization of deferred policy acquisition costs | | | **(186)** | |  |  | | | (185) | |  |  | | |  | | |
| Future policy benefits | | | **60** | |  |  | | | 1,925 | |  |  | | |  | | |
| Current and deferred income taxes | | | **(429)** | |  |  | | | 1,420 | |  |  | | |  | | |
| Other, net | | | 175 | |  |  | | | (449) | |  |  | | |  | | |
| Net cash provided by (used in) operating activities | | | **$** | **(14)** |  |  | | | $ | (570) |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| **Cash flows from investing activities:** | | |  | | |  | | |  | | |  | | |  | | |
| Proceeds from the sale/maturity/prepayment of: | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, available-for-sale | | | **$** | **9,257** |  |  | | | $ | 2,762 |  |  | | |  | | |
| Fixed maturities, at fair value using the fair value option | | | **109** | |  |  | | | — | |  |  | | |  | | |
| Mortgage loans on real estate | | | **245** | |  |  | | | 120 | |  |  | | |  | | |
| Trading account securities | | | **799** | |  |  | | | 510 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Short term investments | | | **18** | |  |  | | | 718 | |  |  | | |  | | |
| Other | | | **775** | |  |  | | | 147 | |  |  | | |  | | |
| Payment for the purchase/origination of: | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, available-for-sale | | | **(10,240)** | |  |  | | | (4,993) | |  |  | | |  | | |
| Fixed maturities, at fair value using the fair value option | | | **(322)** | |  |  | | | — | |  |  | | |  | | |
| Mortgage loans on real estate | | | **(352)** | |  |  | | | (181) | |  |  | | |  | | |
| Trading account securities | | | **(70)** | |  |  | | | (166) | |  |  | | |  | | |
| Short term investments | | | **(5)** | |  |  | | | (359) | |  |  | | |  | | |
| Other | | | **(1,157)** | |  |  | | | (194) | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Cash settlements related to derivative instruments | | | **(2,973)** | |  |  | | | 5,581 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Investment in capitalized software, leasehold improvements and EDP equipment | | | **(23)** | |  |  | | | (14) | |  |  | | |  | | |
| Other, net | | | **188** | |  |  | | | 216 | |  |  | | |  | | |
| Net cash provided by (used in) investing activities | | | **$** | **(3,751)** |  |  | | | $ | 4,147 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| **Cash flows from financing activities:** | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ account balances: | | |  | | |  | | |  | | |  | | |  | | |
| Deposits | | | **$** | **7,236** |  |  | | | $ | 2,507 |  |  | | |  | | |

See Notes to Consolidated Financial Statements (Unaudited).

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**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Cash Flows**

**Three Months Ended March 31, 2021 and 2020 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended March 31,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Withdrawals | | | **(1,467)** | |  |  | | | (1,099) | |  |  | | |  | | |
| Transfers (to) from Separate Accounts | | | **497** | |  |  | | | 513 | |  |  | | |  | | |
| Change in short-term financings | | | **185** | |  |  | | | 105 | |  |  | | |  | | |
| Change in collateralized pledged assets | | | **(1,392)** | |  |  | | | 43 | |  |  | | |  | | |
| Change in collateralized pledged liabilities | | | **96** | |  |  | | | 646 | |  |  | | |  | | |
| (Decrease) increase in overdrafts payable | | | **1** | |  |  | | | 85 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Repayment of long-term debt | | | **(280)** | |  |  | | | — | |  |  | | |  | | |
| Proceeds from notes issued by consolidated VIEs | | | **11** | |  |  | | | — | |  |  | | |  | | |
| Dividends paid on common stock | | | **(74)** | |  |  | | | (69) | |  |  | | |  | | |
| Dividends paid on preferred stock | | | **(13)** | |  |  | | | (13) | |  |  | | |  | | |
| Issuance of preferred stock | | | **293** | |  |  | | | — | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Purchases of AB Holding Units to fund long-term incentive compensation plan awards | | | **(36)** | |  |  | | | (18) | |  |  | | |  | | |
| Purchase of treasury shares | | | **(430)** | |  |  | | | (205) | |  |  | | |  | | |
| Purchases (redemptions) of noncontrolling interests of consolidated company-sponsored investment funds | | | **(7)** | |  |  | | | (74) | |  |  | | |  | | |
| Distribution to noncontrolling interest of consolidated subsidiaries | | | **(108)** | |  |  | | | (93) | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Other, net | | | **(76)** | |  |  | | | (6) | |  |  | | |  | | |
| Net cash provided by (used in) financing activities | | | **$** | **4,436** |  |  | | | $ | 2,322 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Effect of exchange rate changes on cash and cash equivalents | | | **$** | **(2)** |  |  | | | $ | (13) |  |  | | |  | | |
| Change in cash and cash equivalents | | | **669** | |  |  | | | 5,886 | |  |  | | |  | | |
| Cash and cash equivalents, beginning of year | | | **6,179** | |  |  | | | 4,405 | |  |  | | |  | | |
| Change in cash of businesses held-for-sale | | | **(53)** | |  |  | | | 24 | |  |  | | |  | | |
| Cash and cash equivalents, end of year | | | **$** | **6,795** |  |  | | | $ | 10,315 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
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| **Non-cash transactions:** | | |  | | |  | | |  | | |  | | |  | | |
| Right-of-use assets obtained in exchange for lease obligations | | | **$** | **26** |  |  | | | $ | 14 |  |  | | |  | | |
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See Notes to Consolidated Financial Statements (Unaudited).

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited)**

**1)    ORGANIZATION**

Equitable Holdings, Inc. is the holding company for a diversified financial services organization. The Company conducts operations in four segments: Individual Retirement, Group Retirement, Investment Management and Research, and Protection Solutions. The Company’s management evaluates the performance of each of these segments independently.

•The Individual Retirement segment offers a diverse suite of variable annuity products which are primarily sold to affluent and high net worth individuals saving for retirement or seeking retirement income.

•The Group Retirement segment offers tax-deferred investment and retirement services or products to plans sponsored by educational entities, municipalities and not-for-profit entities, as well as small and medium-sized businesses.

•The Investment Management and Research segment provides diversified investment management, research and related solutions globally to a broad range of clients through three main client channels - Institutional, Retail and Private Wealth Management - and distributes its institutional research products and solutions through Bernstein Research Services. The Investment Management and Research segment reflects the business of AB Holding and ABLP and their subsidiaries (collectively, AB).

•The Protection Solutions segment includes the Company’s life insurance and group employee benefits businesses. The life insurance business offers a variety of VUL, IUL and term life products to help affluent and high net worth individuals, as well as small and medium-sized business owners, with their wealth protection, wealth transfer and corporate needs. Our group employee benefits business offers a suite of life, short- and long-term disability, dental and vision insurance products to small and medium-size businesses across the United States.

The Company reports certain activities and items that are not included in our segments in Corporate and Other. Corporate and Other includes certain of our financing and investment expenses. It also includes: Equitable Advisors broker-dealer business, closed block of life insurance (the “Closed Block”), run-off variable annuity reinsurance business, run-off group pension business, run-off health business, benefit plans for our employees, certain strategic investments and certain unallocated items, including capital and related investments, interest expense and corporate expense. AB’s results of operations are reflected in the Investment Management and Research segment. Accordingly, Corporate and Other does not include any items applicable to AB.

As of March 31, 2021 and December 31, 2020, the Company’s economic interest in AB was approximately 64% and 65%, respectively.The General Partner of AB is a wholly-owned subsidiary of the Company. Because the General Partner has the authority to manage and control the business of AB, AB is consolidated in the Company’s financial statements for all periods presented.

On October 27, 2020, the Company entered into a Master Transaction Agreement with Venerable Insurance and Annuity Company, an insurance company domiciled in Iowa, pursuant to which, among other things, VIAC will acquire all of the shares of the capital stock of CS Life, a wholly owned subsidiary of the Company. The transaction is expected to close in the second quarter of 2021 and is subject to conditions specified in the Agreement, including the receipt of required regulatory approvals. Prior to the closing, CS Life will affect the recapture of all of the business that is currently ceded to CS Life RE Company, an insurance company domiciled in Arizona and wholly owned subsidiary of CS Life, and sell 100% of the common stock of CS Life RE to an affiliate. The assets and liabilities of CS Life, including those assets and liabilities associated with CS Life RE that are expected to be recaptured into CS Life immediately prior the closing, were reported as HFS in the Company’s consolidated balance sheets as of December 31, 2020. See Note 15 of the Notes to the Consolidated Financial Statements.

Immediately following the sale of CS Life, CS Life and Equitable Financial will enter into a coinsurance and modified coinsurance agreement (the “Reinsurance Agreement”), pursuant to which Equitable Financial will cede to CS Life, on a combined coinsurance and modified coinsurance basis, legacy variable annuity policies sold by Equitable Financial in 2006-2008 (the “Block”). The Block is comprised of non-New York “Accumulator” policies containing fixed rate GMIB and/or GMDB guarantees. CS Life will deposit assets supporting the general account liabilities relating to the Block into a trust account for the benefit of Equitable Financial to secure its obligations to Equitable Financial under the Reinsurance Agreement. Equitable Financial will reinsure the separate accounts relating to the Block on a modified coinsurance basis. Venerable Holdings Inc. (“VHI”)will provide a parental company guarantee of CS Life’s

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

obligation to Equitable Financial under the Reinsurance Agreement. In addition, the investment of assets in the trust account will be subject to investment guidelines and the requirements of the trust will be strengthened upon certain triggers related to capital adequacy. The Reinsurance Agreement also contains additional counterparty risk management and mitigation provisions.

**2)     SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation and Principles of Consolidation

The unaudited interim consolidated financial statements (the “consolidated financial statements”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP” or “GAAP”) on a basis consistent with reporting interim financial information in accordance with instructions to the Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (“SEC”).

In the opinion of management, all adjustments necessary for a fair statement of the financial position and results of operations have been made. All such adjustments are of a normal, recurring nature, with the exception of the Company’s update of its interest rate assumption and adoption of new economic scenario generator as further described below in Assumption Updates and Model Changes. Interim results are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the Company’s consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

The accompanying unaudited consolidated financial statements present the consolidated results of operations, financial condition, and cash flows of the Company and its subsidiaries and those investment companies, partnerships and joint ventures in which the Company has control and a majority economic interest as well as those variable interest entities (“VIEs”) that meet the requirements for consolidation.

All significant intercompany transactions and balances have been eliminated in consolidation. The terms “first quarter 2021” and “first quarter 2020” refer to the three months ended March 31, 2021 and 2020, respectively. The terms “first three months of 2021” and “first three months of 2020” refer to the three months ended March 31, 2021 and 2020, respectively.

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

Adoption of New Accounting Pronouncements

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | | |
| **Description** | | | **Effect on the Financial Statement or Other Significant Matters** | | |  | | |
| *ASU 2019-12: Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* | | | | | |  | | |
| This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, as well as clarifying and amending existing guidance. | | | On January 1, 2021, the Company adopted the new accounting standards update. The new guidance is applied either on a retrospective, modified retrospective or prospective basis based on the items to which the amendments relate. The adoption did not have a material impact on the Company’s consolidated financial position, results of operations and cash flows as of the adoption date. | | |  | | |
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Future Adoption of New Accounting Pronouncements

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **Description** | | | **Effective Date and Method of Adoption** | | | **Effect on the Financial Statement or Other Significant Matters** | | |
| **ASU 2018-12:***Financial Services - Insurance (Topic 944);* **ASU 2020-11:** *Financial Services - Insurance (Topic 944): Effective Date and Early Application* | | | | | | | | |
| This ASU provides targeted improvements to existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The ASU primarily impacts four key areas, including: | | | In November 2020, the FASB issued ASU 2020-11 which deferred the effective date of the amendments in ASU 2018-12 for all insurance entities. ASU 2018-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early adoption is allowed. | | | The Company is currently evaluating the impact that adoption of this guidance will have on the Company’s consolidated financial statements, however the adoption of the ASU is expected to have a significant impact on the Company’s consolidated financial condition, results of operations, cash flows and required disclosures, as well as processes and controls. | | |
| 1. Measurement of the liability for future policy benefits for traditional and limited payment contracts. The ASU requires companies to review, and if necessary, update cash flow assumptions at least annually for non-participating traditional and limited-payment insurance contracts. Interest rates used to discount the liability will need to be updated quarterly using an upper medium grade (low credit risk) fixed-income instrument yield.  2. Measurement of MRBs. MRBs, as defined under the ASU, will encompass certain GMxB features associated with variable annuity products and other general account annuities with other than nominal market risk. The ASU requires MRBs to be measured at fair value with changes in value attributable to changes in instrument-specific credit risk recognized in OCI.  3. Amortization of deferred acquisition costs. The ASU simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs will be required to be written off for unexpected contract terminations but will not be subject to impairment testing.  4. Expanded footnote disclosures. The ASU requires additional disclosures including disaggregated roll-forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, MRBs, separate account liabilities and deferred acquisition costs. Companies will also be required to disclose information about significant inputs, judgements, assumptions and methods used in measurement. | | | For the liability for future policyholder benefits for traditional and limited payment contracts, companies can elect one of two adoption methods. Companies can either elect a modified retrospective transition method applied to contracts in force as of the beginning of the earliest period presented on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in AOCI or a full retrospective transition method using actual historical experience information as of contract inception. The same adoption method must be used for deferred policy acquisition costs. For MRBs, the ASU should be applied retrospectively as of the beginning of the earliest period presented. | | |  | | |
| **ASU2020-04***: Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* | | | | | | | | |
| The amendments in this ASU provide optional expedients and exceptions to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met.  The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. | | | This ASU is effective as of March 12, 2020 through December 31, 2022. | | | The Company is currently assessing the applicability of the optional expedients and exceptions provided under the ASU. Management is evaluating the impact that the adoption of this guidance will have on the Company’s consolidated financial statements. | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

Investments

The carrying values of fixed maturities classified as AFS are reported at fair value. Changes in fair value are reported in OCI, net of allowance for credit losses, policy related amounts and deferred income taxes. Changes in credit losses are recognized in Investment gains (losses), net. The redeemable preferred stock investments that are reported in fixed maturities include REIT, perpetual preferred stock and redeemable preferred stock. These securities may not have a stated maturity, may not be cumulative and do not provide for mandatory redemption by the issuer. Effective January 1, 2021, the Company began classifying certain preferred stock as equity securities to better reflect the economics and nature of these securities. These preferred stock securities are reported in other equity investments.

The Company determines the fair values of fixed maturities and equity securities based upon quoted prices in active markets, when available, or through the use of alternative approaches when market quotes are not readily accessible or available. These alternative approaches include matrix or model pricing and use of independent pricing services, each supported by reference to principal market trades or other observable market assumptions for similar securities. More specifically, the matrix pricing approach to fair value is a discounted cash flow methodology that incorporates market interest rates commensurate with the credit quality and duration of the investment. The Company’s management, with the assistance of its investment advisors, evaluates AFS debt securities that experienced a decline in fair value below amortized cost for credit losses which are evaluated in accordance with the new financial instruments credit losses guidance. Integral to this review is an assessment made each quarter, on a security-by-security basis, by the IUS Committee, of various indicators of credit deterioration to determine whether the investment security has experienced a credit loss. This assessment includes, but is not limited to, consideration of the severity of the unrealized loss, failure, if any, of the issuer of the security to make scheduled payments, actions taken by rating agencies, adverse conditions specifically related to the security or sector, and the financial strength, liquidity and continued viability of the issuer.

The Company recognizes an allowance for credit losses on AFS debt securities with a corresponding adjustment to earnings rather than a direct write down that reduces the cost basis of the investment, and credit losses are limited to the amount by which the security’s amortized cost basis exceeds its fair value. Any improvements in estimated credit losses on AFS debt securities are recognized immediately in earnings. Management does not use the length of time a security has been in an unrealized loss position as a factor, either by itself or in combination with other factors, to conclude that a credit loss does not exist.

When the Company determines that there is more than 50% likelihood that it is not going to recover the principal and interest cash flows related to an AFS debt security, the security is placed on nonaccrual status and the Company reverses accrued interest receivable against interest income. Since the nonaccrual policy results in a timely reversal of accrued interest receivable, the Company does not record an allowance for credit losses on accrued interest receivable.

If there is no intent to sell or likely requirement to dispose of the fixed maturity security before its recovery, only the credit loss component of any resulting allowance is recognized in income (loss) and the remainder of the fair value loss is recognized in OCI. The amount of credit loss is the shortfall of the present value of the cash flows expected to be collected as compared to the amortized cost basis of the security. The present value is calculated by discounting management’s best estimate of projected future cash flows at the effective interest rate implicit in the debt security at the date of acquisition. Projections of future cash flows are based on assumptions regarding probability of default and estimates regarding the amount and timing of recoveries. These assumptions and estimates require use of management judgment and consider internal credit analyses as well as market observable data relevant to the collectability of the security. For mortgage and asset-backed securities, projected future cash flows also include assumptions regarding prepayments and underlying collateral value.

Write-offs of AFS debt securities are recorded when all or a portion of a financial asset is deemed uncollectible. Full or partial write-offs are recorded as reductions to the amortized cost basis of the AFS debt security and deducted from the allowance in the period in which the financial assets are deemed uncollectible. The Company elected to reverse accrued interest deemed uncollectible as a reversal of interest income. In instances where the Company collects cash that it has previously written off, the recovery will be recognized through earnings or as a reduction of the amortized cost basis for interest and principal, respectively.

COLI has been purchased by the Company and certain subsidiaries on the lives of certain key employees and the Company and these subsidiaries are named as beneficiaries under these policies. COLI is carried at the cash surrender value of the policies. As of March 31, 2021 and December 31, 2020, the carrying value of COLI was $992 million and $992 million, respectively, and is reported in Other invested assets in the consolidated balance sheets.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

Accounting and Consolidation of VIEs

For all new investment products and entities developed by the Company, the Company first determines whether the entity is a VIE, which involves determining an entity’s variability and variable interests, identifying the holders of the equity investment at risk and assessing the five characteristics of a VIE. Once an entity has been determined to be a VIE, the Company then determines whether it is the primary beneficiary of the VIE based on its beneficial interests. If the Company is deemed to be the primary beneficiary of the VIE, then the Company consolidates the entity.

Management of the Company reviews quarterly its investment management agreements and its investments in, and other financial arrangements with, certain entities that hold client AUM to determine the entities that the Company is required to consolidate under this guidance. These entities include certain mutual fund products, hedge funds, structured products, group trusts, collective investment trusts and limited partnerships.

The analysis performed to identify variable interests held, determine whether entities are VIEs or VOEs, and evaluate whether the Company has a controlling financial interest in such entities requires the exercise of judgment and is updated on a continuous basis as circumstances change or new entities are developed. The primary beneficiary evaluation generally is performed qualitatively based on all facts and circumstances, including consideration of economic interests in the VIE held directly and indirectly through related parties and entities under common control, as well as quantitatively, as appropriate.

***Consolidated VIEs***

Consolidated CLOs

The Company is the investment manager of certain asset-backed investment vehicles, commonly referred to as CLOs, and certain other vehicles for which the Company earns fee income for investment management services. The Company may sell or syndicate investments through these vehicles, principally as part of the strategic investing activity as part of its investment management businesses. Additionally, the Company may invest in securities issued by these vehicles which are eliminated in consolidation of the CLO.

As of March 31, 2021 and December 31, 2020, respectively, Equitable Financial holds $41 million and $38 million of equity interests in the CLO. The Company consolidated the CLO as of March 31, 2021 and December 31, 2020 as it is the primary beneficiary due to the combination of both its equity interest held by Equitable Financial and the majority ownership of AB, which functions as the CLO loan manager. The assets of the CLO are legally isolated from the Company’s creditors and can only be used to settle obligations of the CLO. The liabilities of the CLO are non-recourse to the Company and the Company has no obligation to satisfy the liabilities of the CLO. As of March 31, 2021, Equitable Financial holds $81 million of equity interests in a newly formed SPE established to purchase loans from the market in anticipation of a new CLO transaction. The Company has determined it will consolidate the SPE as of March 31, 2021 as it is the primary beneficiary due to the combination of both its equity interest held by Equitable Financial and the majority ownership of AB, which functions as the SPE loan manager.

Resulting from this consolidation in the Company’s consolidated balance sheets are fixed maturities, at fair value using the fair value option with total assets of $844 million and $389 million notes issued by consolidated variable interest entities, at fair value using the fair value option with total liabilities of $323 million and $313 million at March 31, 2021 and December 31, 2020, respectively. The unpaid outstanding principal balance of the notes and short-term borrowing is $547 million and $362 million at March 31, 2021 and December 31, 2020,

Consolidated Limited Partnerships

As of March 31, 2021 and December 31, 2020, the Company consolidated one private equity limited partnership for which it was identified as the primary beneficiary under the VIE model. Included in other invested assets in the Company’s consolidated balance sheets at March 31, 2021 and December 31, 2020 are total assets of $10 million and $12 million, respectively related to this VIE.

***Consolidated AB-Sponsored Investment Funds***

Included in the Company’s consolidated balance sheet as of March 31, 2021 and December 31, 2020 are assets of $290 million and $284 million, liabilities of $14 million and $8 million, and redeemable noncontrolling interests of $64 million and $83 million, respectively, associated with the consolidation of AB-sponsored investment funds under the VIE model. Also included in the Company’s consolidated balance sheets as of March 31, 2021 and December 31, 2020 are assets of $78 million and $68 million, liabilities of $29 million and $23 million, and redeemable

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

noncontrolling interests of $24 million and $20 million, respectively, from consolidation of AB-sponsored investment funds under the VOE model. The assets of these consolidated funds are presented within other invested assets and cash and cash equivalents, and liabilities of these consolidated funds are presented with other liabilities in the Company’s consolidated balance sheets; ownership interests not held by the Company relating to consolidated VIEs and VOEs are presented either as redeemable or non-redeemable noncontrolling interests, as appropriate. Redeemable noncontrolling interests are presented in mezzanine equity and non-redeemable noncontrolling interests are presented within permanent equity. The Company is not required to provide financial support to these AB-sponsored investment funds, and only the assets of such funds are available to settle each fund’s own liabilities.

***Non-Consolidated VIEs***

As of March 31, 2021 and December 31, 2020, respectively, the Company held approximately $1.5 billion and $1.4 billion of investment assets in the form of equity interests issued by non-corporate legal entities determined under the guidance to be VIEs, such as limited partnerships and limited liability companies, including CLOs, hedge funds, private equity funds and real estate-related funds. As an equity investor, the Company is considered to have a variable interest in each of these VIEs as a result of its participation in the risks and/or rewards these funds were designed to create by their defined portfolio objectives and strategies. Primarily through qualitative assessment, including consideration of related party interests or other financial arrangements, if any, the Company was not identified as primary beneficiary of any of these VIEs, largely due to its inability to direct the activities that most significantly impact their economic performance. Consequently, the Company continues to reflect these equity interests in the consolidated balance sheets as other equity investments and applies the equity method of accounting for these positions. The net assets of these non-consolidated VIEs are approximately $173.1 billion and $165.9 billion as of March 31, 2021 and December 31, 2020, respectively. The Company’s maximum exposure to loss from its direct involvement with these VIEs is the carrying value of its investment of $1.5 billion and $1.4 billion and approximately $1.3 billion and $1.2 billion of unfunded commitments as of March 31, 2021 and December 31, 2020, respectively. The Company has no further economic interest in these VIEs in the form of guarantees, derivatives, credit enhancements or similar instruments and obligations.

***Non-Consolidated AB-Sponsored Investment Products***

As of March 31, 2021 and December 31, 2020, the net assets of investment products sponsored by AB that are non-consolidated VIEs are approximately $70.9 billion and $73.4 billion, respectively. The Company’s maximum exposure to loss from its direct involvement with these VIEs is its investment of $7 million as of March 31, 2021 and December 31, 2020. The Company has no further commitments to or economic interest in these VIEs.

***Assumption Updates and Model Changes***

The Company conducts its annual review of its assumptions and models during the third quarter of each year. The annual review encompasses assumptions underlying the valuation of unearned revenue liabilities, embedded derivatives for our insurance business, liabilities for future policyholder benefits, DAC and DSI assets.

However, the Company updates its assumptions as needed in the event it becomes aware of economic conditions or events that could require a change in assumptions that it believes may have a significant impact to the carrying value of product liabilities and assets and consequently materially impact its earnings in the period of the change.

Due to the extraordinary economic conditions driven by the COVID-19 pandemic in the first quarter of 2020, the Company updated its interest rate assumption to grade from the current interest rate environment to an ultimate five-year historical average over a 10-year period. As such, the 10-year U.S. Treasury yield grades from the current level to an ultimate 5-year average of 2.25%.

The low interest rate environment and update to the interest rate assumption caused a loss recognition event for the Company’s life interest-sensitive products, as well as to certain run-off business. This loss recognition event caused an acceleration of DAC amortization on the life interest-sensitive products and an increase in the premium deficiency reserve on the run-off business in the first quarter of 2020.

Impact of Assumption Updates

There were no assumption changes in the first quarter of 2021.

The net impact of the assumption update in the first quarter of 2020 was an increase in policy charges and fee income of $46 million, an increase in policyholders’ benefits of $1.4 billion, a decrease in interest credited to policyholders’

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

account balances of $6 million, and an increase in amortization of DAC of $1.1 billion. This resulted in a decrease in income (loss) from operations, before income taxes of $2.5 billion and a decrease in net income (loss) of $2.0 billion.

Model Changes

There were no model changes in the first quarter of 2021.

In the first quarter of 2020, the Company adopted a new economic scenario generator to calculate the fair value of the GMIB reinsurance contract asset and GMxB derivative features liability, eliminating reliance on AXA for scenario production. The new economic scenario generator allows for a tighter calibration of U.S. indices, better reflecting the Company’s actual portfolio. The net impact of the new economic scenario generator resulted in an increase in income (loss) from continuing operations, before income taxes of $201 million, and an increase to net income (loss) of $159 million during 2020.

***Revision of Prior Period Financial Statements***

The Company identified certain errors in its previously issued financial statements primarily related to the calculation of actuarially determined insurance contract assets and liabilities. The impact of these errors to the current and the prior periods consolidated financial statements was not considered to be material. In order to improve the consistency and comparability of the financial statements, management revised the consolidated financial statements to include the revisions discussed herein. See Note 16 to the Notes to Consolidated Financial Statements for details of the revisions.

**3)    INVESTMENTS**

Fixed Maturities AFS

The components of fair value and amortized cost for fixed maturities classified as AFS on the consolidated balance sheets excludes accrued interest receivable because the Company elected to present accrued interest receivable within other assets. Accrued interest receivable on AFS fixed maturities as of March 31, 2021 was $545 million. There was no accrued interest written off for AFS fixed maturities for the three months ended March 31, 2021.

The following tables provide information relating to the Company’s fixed maturities classified as AFS.

**AFS Fixed Maturities by Classification**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Amortized Cost** | | |  | | | **Allowance for Credit Losses** | | |  | | | **Gross Unrealized Gains** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Fair Value** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **March 31, 2021 (4)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (1) | | | **$** | **50,988** |  |  | | | **$** | **19** |  |  | | | **$** | **2,775** |  |  | | | **$** | **652** |  |  | | | **$** | **53,092** |  |
| U.S. Treasury, government and agency | | | **14,817** | |  |  | | | **—** | |  |  | | | **1,362** | |  |  | | | **175** | |  |  | | | **16,004** | |  |
| States and political subdivisions | | | **569** | |  |  | | | **—** | |  |  | | | **78** | |  |  | | | **7** | |  |  | | | **640** | |  |
| Foreign governments | | | **1,065** | |  |  | | | **—** | |  |  | | | **47** | |  |  | | | **38** | |  |  | | | **1,074** | |  |
| Residential mortgage-backed (2) | | | **119** | |  |  | | | **—** | |  |  | | | **11** | |  |  | | | **—** | |  |  | | | **130** | |  |
| Asset-backed (3) | | | **4,653** | |  |  | | | **—** | |  |  | | | **28** | |  |  | | | **2** | |  |  | | | **4,679** | |  |
| Commercial mortgage-backed | | | **1,482** | |  |  | | | **—** | |  |  | | | **26** | |  |  | | | **18** | |  |  | | | **1,490** | |  |
| Redeemable preferred stock (5) | | | **41** | |  |  | | | **—** | |  |  | | | **11** | |  |  | | | **—** | |  |  | | | **52** | |  |
| **Total at March 31, 2021** | | | **$** | **73,734** |  |  | | | **$** | **19** |  |  | | | **$** | **4,338** |  |  | | | **$** | **892** |  |  | | | **$** | **77,161** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| December 31, 2020 (4) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (1) | | | $ | 53,160 |  |  | | | $ | 13 |  |  | | | $ | 5,104 |  |  | | | $ | 92 |  |  | | | $ | 58,159 |  |
| U.S. Treasury, government and agency | | | 12,675 | |  |  | | | — | |  |  | | | 3,448 | |  |  | | | 5 | |  |  | | | 16,118 | |  |
| States and political subdivisions | | | 535 | |  |  | | | — | |  |  | | | 100 | |  |  | | | — | |  |  | | | 635 | |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Amortized Cost** | | |  | | | **Allowance for Credit Losses** | | |  | | | **Gross Unrealized Gains** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Fair Value** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Foreign governments | | | 1,011 | |  |  | | | — | |  |  | | | 98 | |  |  | | | 6 | |  |  | | | 1,103 | |  |
| Residential mortgage-backed (2) | | | 130 | |  |  | | | — | |  |  | | | 13 | |  |  | | | — | |  |  | | | 143 | |  |
| Asset-backed (3) | | | 3,587 | |  |  | | | — | |  |  | | | 29 | |  |  | | | 5 | |  |  | | | 3,611 | |  |
| Commercial mortgage-backed | | | 1,148 | |  |  | | | — | |  |  | | | 55 | |  |  | | | — | |  |  | | | 1,203 | |  |
| Redeemable preferred stock | | | 621 | |  |  | | | — | |  |  | | | 48 | |  |  | | | 3 | |  |  | | | 666 | |  |
| Total at December 31, 2020 | | | $ | 72,867 |  |  | | | $ | 13 |  |  | | | $ | 8,895 |  |  | | | $ | 111 |  |  | | | $ | 81,638 |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Corporate fixed maturities include both public and private issues.

(2)Includes publicly traded agency pass-through securities and collateralized obligations.

(3)Includes credit-tranched securities collateralized by sub-prime mortgages, credit risk transfer securities and other asset types.

(4)Excludes amounts reclassified as HFS.

(5)Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments (see Note 2 Significant Accounting Policies – Investments).

The contractual maturities of AFS fixed maturities as of March 31, 2021 are shown in the table below. Bonds not due at a single maturity date have been included in the table in the final year of maturity. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

**Contractual Maturities of AFS Fixed Maturities**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Amortized Cost (Less Allowance for Credit Losses)** | | |  | | | **Fair Value** | | |
|  | | | **(in millions)** | | | | | | | | |
| **March 31, 2021** | | |  | | |  | | |  | | |
| Contractual maturities: | | |  | | |  | | |  | | |
| Due in one year or less | | | **$** | **2,645** |  |  | | | **$** | **2,665** |  |
| Due in years two through five | | | **16,460** | |  |  | | | **17,279** | |  |
| Due in years six through ten | | | **19,385** | |  |  | | | **20,464** | |  |
| Due after ten years | | | **28,930** | |  |  | | | **30,402** | |  |
| Subtotal | | | **67,420** | |  |  | | | **70,810** | |  |
| Residential mortgage-backed | | | **119** | |  |  | | | **130** | |  |
| Asset-backed | | | **4,653** | |  |  | | | **4,679** | |  |
| Commercial mortgage-backed | | | **1,482** | |  |  | | | **1,490** | |  |
| Redeemable preferred stock | | | **41** | |  |  | | | **52** | |  |
| **Total at March 31, 2021** | | | **$** | **73,715** |  |  | | | **$** | **77,161** |  |

The following table shows proceeds from sales, gross gains (losses) from sales and credit losses for AFS fixed maturities for the three months ended March 31, 2021 and 2020:

**Proceeds from Sales, Gross Gains (Losses) from Sales and Credit Losses for AFS Fixed Maturities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Proceeds from sales | | |  |  |  |  | **$** | **7,209** |  |  | | | $ | 1,820 |  |  | | |  | | |
| Gross gains on sales | | |  |  |  |  | **$** | **291** |  |  | | | $ | 70 |  |  | | |  | | |
| Gross losses on sales | | |  |  |  |  | **$** | **(116)** |  |  | | | $ | (6) |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Credit losses | | |  |  |  |  | **$** | **(6)** |  |  | | | $ | (2) |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

The following table sets forth the amount of credit loss impairments on AFS fixed maturities held by the Company at the dates indicated and the corresponding changes in such amounts.

**AFS Fixed Maturities - Credit Loss Impairments**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |
| Balance, beginning of period | | |  |  |  |  | **$** | **32** |  |  | | | $ | 21 |  |
| Previously recognized impairments on securities that matured, paid, prepaid or sold | | |  |  |  |  | **—** | |  |  | | | — | |  |
| Recognized impairments on securities impaired to fair value this period (1) | | |  |  |  |  | **—** | |  |  | | | — | |  |
| Credit losses recognized this period on securities for which credit losses were not previously recognized | | |  |  |  |  | **2** | |  |  | | | 2 | |  |
| Additional credit losses this period on securities previously impaired | | |  |  |  |  | **4** | |  |  | | | — | |  |
| Increases due to passage of time on previously recorded credit losses | | |  |  |  |  | **—** | |  |  | | | — | |  |
| Accretion of previously recognized impairments due to increases in expected cash flows (for OTTI securities 2019 and prior) | | |  |  |  |  | **—** | |  |  | | | — | |  |
| Balance at March 31, | | |  |  |  |  | **$** | **38** |  |  | | | $ | 23 |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Represents circumstances where the Company determined in the current period that it intends to sell the security, or it is more likely than not that it will be required to sell the security before recovery of the security’s amortized cost.

The tables that follow below present a roll-forward of net unrealized investment gains (losses) recognized in AOCI.

**Net Unrealized Gains (Losses) on AFS Fixed Maturities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Net Unrealized Gains (Losses) on Investments** | | |  | | | **DAC** | | |  | | | **Policyholders’ Liabilities** | | |  | | | **Deferred Income Tax Asset (Liability)** | | |  | | | **AOCI Gain (Loss) Related to Net Unrealized Investment Gains (Losses)** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Balance, January 1, 2021** | | | **$** | **8,811** |  |  | | | **$** | **(1,548)** |  |  | | | **$** | **(1,065)** |  |  | | | **$** | **(1,302)** |  |  | | | **$** | **4,896** |  |
| Net investment gains (losses) arising during the period | | | **(5,129)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(5,129)** | |  |
| Reclassification adjustment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Included in Net income (loss) | | | **(175)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(175)** | |  |
| Excluded from Net income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Other (1) | | | **(33)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(33)** | |  |
| Impact of net unrealized investment gains (losses) | | | **—** | |  |  | | | **599** | |  |  | | | **757** | |  |  | | | **836** | |  |  | | | **2,192** | |  |
| Net unrealized investment gains (losses) excluding credit losses | | | **3,474** | |  |  | | | **(949)** | |  |  | | | **(308)** | |  |  | | | **(466)** | |  |  | | | **1,751** | |  |
| Net unrealized investment gains (losses) with credit losses | | | **(8)** | |  |  | | | **2** | |  |  | | | **1** | |  |  | | | **1** | |  |  | | | **(4)** | |  |
| **Balance, March 31, 2021** | | | **$** | **3,466** |  |  | | | **$** | **(947)** |  |  | | | **$** | **(307)** |  |  | | | **$** | **(465)** |  |  | | | **$** | **1,747** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2020 | | | $ | 3,453 |  |  | | | $ | (894) |  |  | | | $ | (189) |  |  | | | $ | (497) |  |  | | | $ | 1,873 |  |
| Net investment gains (losses) arising during the period | | | 1,922 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 1,922 | |  |
| Reclassification adjustment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Included in Net income (loss) | | | (62) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (62) | |  |
| Excluded from Net income (loss) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Impact of net unrealized investment gains (losses) | | | — | |  |  | | | (28) | |  |  | | | (165) | |  |  | | | (351) | |  |  | | | (544) | |  |
| Net unrealized investment gains (losses) excluding credit losses | | | 5,313 | |  |  | | | (922) | |  |  | | | (354) | |  |  | | | (848) | |  |  | | | 3,189 | |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Net Unrealized Gains (Losses) on Investments** | | |  | | | **DAC** | | |  | | | **Policyholders’ Liabilities** | | |  | | | **Deferred Income Tax Asset (Liability)** | | |  | | | **AOCI Gain (Loss) Related to Net Unrealized Investment Gains (Losses)** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net unrealized investment gains (losses) with credit losses | | | (7) | |  |  | | | 1 | |  |  | | | 1 | |  |  | | | 1 | |  |  | | | (4) | |  |
| Balance, March 31, 2020 | | | $ | 5,306 |  |  | | | $ | (921) |  |  | | | $ | (353) |  |  | | | $ | (847) |  |  | | | $ | 3,185 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments (see Note 2 Significant Accounting Policies – Investments).

The following tables disclose the fair values and gross unrealized losses of the 1,663 issues as of March 31, 2021 and the 565 issues as of December 31, 2020 that are not deemed to have credit losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position for the specified periods at the dates indicated.

**AFS Fixed Maturities in an Unrealized Loss Position for Which No Allowance Is Recorded**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Less Than 12 Months** | | | | | | | | |  | | | **12 Months or Longer** | | | | | | | | |  | | | **Total** | | | | | | | | |
|  | | | **Fair Value** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Fair Value** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Fair Value** | | |  | | | **Gross Unrealized Losses** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **March 31, 2021: (1)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | **$** | **12,951** |  |  | | | **$** | **611** |  |  | | | **$** | **468** |  |  | | | **$** | **30** |  |  | | | **$** | **13,419** |  |  | | | **$** | **641** |  |
| U.S. Treasury, government and agency | | | **5,043** | |  |  | | | **175** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **5,043** | |  |  | | | **175** | |  |
| States and political subdivisions | | | **117** | |  |  | | | **7** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **117** | |  |  | | | **7** | |  |
| Foreign governments | | | **424** | |  |  | | | **35** | |  |  | | | **29** | |  |  | | | **4** | |  |  | | | **453** | |  |  | | | **39** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Asset-backed | | | **649** | |  |  | | | **2** | |  |  | | | **17** | |  |  | | | **—** | |  |  | | | **666** | |  |  | | | **2** | |  |
| Commercial mortgage-backed | | | **778** | |  |  | | | **18** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **778** | |  |  | | | **18** | |  |
| Redeemable preferred stock (2) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| **Total at March 31, 2021** | | | **$** | **19,962** |  |  | | | **$** | **848** |  |  | | | **$** | **514** |  |  | | | **$** | **34** |  |  | | | **$** | **20,476** |  |  | | | **$** | **882** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| December 31, 2020: (1) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | $ | 2,990 |  |  | | | $ | 53 |  |  | | | $ | 337 |  |  | | | $ | 33 |  |  | | | $ | 3,327 |  |  | | | $ | 86 |  |
| U.S. Treasury, government and agency | | | 885 | |  |  | | | 5 | |  |  | | | — | |  |  | | | — | |  |  | | | 885 | |  |  | | | 5 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign governments | | | 153 | |  |  | | | 2 | |  |  | | | 21 | |  |  | | | 4 | |  |  | | | 174 | |  |  | | | 6 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Asset-backed | | | 809 | |  |  | | | 4 | |  |  | | | 76 | |  |  | | | 1 | |  |  | | | 885 | |  |  | | | 5 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Redeemable preferred stock | | | 53 | |  |  | | | 1 | |  |  | | | 11 | |  |  | | | 2 | |  |  | | | 64 | |  |  | | | 3 | |  |
| Total at December 31, 2020 | | | $ | 4,890 |  |  | | | $ | 65 |  |  | | | $ | 445 |  |  | | | $ | 40 |  |  | | | $ | 5,335 |  |  | | | $ | 105 |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Excludes amounts reclassified as HFS.

(2)Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments (see Note 2 Significant Accounting Policies – Investments).

The Company’s investments in fixed maturities do not include concentrations of credit risk of any single issuer greater than 10% of the consolidated equity of the Company, other than securities of the U.S. government, U.S. government agencies, and certain securities guaranteed by the U.S. government. The Company maintains a diversified portfolio of corporate securities across industries and issuers and does not have exposure to any single issuer in excess of 0.7% of total corporate securities. The largest exposures to a single issuer of corporate securities held as of March 31, 2021 and December 31, 2020 were $368 million and $391 million, respectively, representing 3.0% and 2.3% of the consolidated equity of the Company.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

Corporate high yield securities, consisting primarily of public high yield bonds, are classified as other than investment grade by the various rating agencies, i.e., a rating below Baa3/BBB- or the NAIC designation of 3 (medium investment grade), 4 or 5 (below investment grade) or 6 (in or near default). As of March 31, 2021 and December 31, 2020, respectively, approximately $2.6 billion and $2.5 billion, or 3.6% and 3.4%, of the $73.7 billion and $72.9 billion aggregate amortized cost of fixed maturities held by the Company were considered to be other than investment grade. These securities had gross unrealized losses of $49 million and $49 million as of March 31, 2021 and December 31, 2020, respectively.

As of March 31, 2021 and December 31, 2020, respectively, the $34 million and $40 million of gross unrealized losses of twelve months or more were primarily concentrated in corporate securities. In accordance with the policy described in Note 2, the Company concluded that an adjustment to allowance for credit losses for these securities was not warranted at either March 31, 2021 or December 31, 2020. As of March 31, 2021 and December 31, 2020, the Company did not intend to sell the securities nor will it likely be required to dispose of the securities before the anticipated recovery of their remaining amortized cost basis.

Based on the Company’s evaluation both qualitatively and quantitatively of the drivers of the decline in fair value of fixed maturity securities as of March 31, 2021, the Company determined that the unrealized loss was primarily due to increases in credit spreads and changes in credit ratings.

Mortgage Loans on Real Estate

Accrued interest receivable on commercial and agricultural mortgage loans as of March 31, 2021 was $30 million and $29 million, respectively. There was no accrued interest written off for commercial and agricultural mortgage loans for the three months ended March 31, 2021.

As of March 31, 2021, the Company had no loans for which foreclosure was probable included within the individually assessed mortgage loans, and accordingly had no associated allowance for credit losses.

Allowance for Credit Losses on Mortgage Loans

The change in the allowance for credit losses for commercial mortgage loans and agricultural mortgage loans during the three months ended March 31, 2021 and 2020 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | | | |
|  | | |  |  | **2021** | | |  | | | 2020 | | |
|  | | |  |  | **(in millions)** | | | | | | | | |
| **Allowance for credit losses on mortgage loans:** | | |  |  |  | | |  | | |  | | |
| **Commercial mortgages:** | | |  |  |  | | |  | | |  | | |
| **Balance, beginning of period** | | |  |  | **$** | **77** |  |  | | | $ | 33 |  |
| Current-period provision for expected credit losses | | |  |  | **(7)** | |  |  | | | 11 | |  |
| Write-offs charged against the allowance | | |  |  | **—** | |  |  | | | — | |  |
| Recoveries of amounts previously written off | | |  |  | **—** | |  |  | | | (1) | |  |
| Net change in allowance | | |  |  | **(7)** | |  |  | | | 10 | |  |
| **Balance, end of period** | | |  |  | **$** | **70** |  |  | | | $ | 43 |  |
|  | | |  |  |  | | |  | | |  | | |
| **Agricultural mortgages:** | | |  |  |  | | |  | | |  | | |
| **Balance, beginning of period** | | |  |  | **$** | **4** |  |  | | | $ | 3 |  |
| Current-period provision for expected credit losses | | |  |  | **—** | |  |  | | | — | |  |
| Write-offs charged against the allowance | | |  |  | **—** | |  |  | | | — | |  |
| Recoveries of amounts previously written off | | |  |  | **—** | |  |  | | | — | |  |
| Net change in allowance | | |  |  | **—** | |  |  | | | — | |  |
| **Balance, end of period** | | |  |  | **$** | **4** |  |  | | | $ | 3 |  |
|  | | |  |  |  | | |  | | |  | | |
| **Total allowance for credit losses** | | |  |  | **$** | **74** |  |  | | | $ | 46 |  |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

The change in the allowance for credit losses is attributable to:

•increases/decreases in the loan balance due to new originations, maturing mortgages, and loan amortization;

•changes in credit quality; and

•changes in market assumptions primarily related to COVID-19 driven economic changes.

Credit Quality Information

The following tables summarize the Company’s mortgage loans segregated by risk rating exposure as of March 31, 2021 and December 31, 2020.

**LTV Ratios (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Amortized Cost Basis by Origination Year** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **2021** | | |  | | | **2020** | | |  | | | **2019** | | |  | | | **2018** | | |  | | | **2017** | | |  | | | **Prior** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Mortgage loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **324** |  |  | | | **$** | **789** |  |  | | | **$** | **1,113** |  |
| 50% - 70% | | | **313** | |  |  | | | **1,294** | |  |  | | | **364** | |  |  | | | **803** | |  |  | | | **657** | |  |  | | | **3,681** | |  |  | | | **7,112** | |  |
| 70% - 90% | | | **—** | |  |  | | | **321** | |  |  | | | **456** | |  |  | | | **452** | |  |  | | | **220** | |  |  | | | **668** | |  |  | | | **2,117** | |  |
| 90% plus | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **12** | |  |  | | | **5** | |  |  | | | **290** | |  |  | | | **307** | |  |
| Total commercial | | | **$** | **313** |  |  | | | **$** | **1,615** |  |  | | | **$** | **820** |  |  | | | **$** | **1,267** |  |  | | | **$** | **1,206** |  |  | | | **$** | **5,428** |  |  | | | **$** | **10,649** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **51** |  |  | | | **$** | **218** |  |  | | | **$** | **131** |  |  | | | **$** | **152** |  |  | | | **$** | **140** |  |  | | | **$** | **853** |  |  | | | **$** | **1,545** |  |
| 50% - 70% | | | **41** | |  |  | | | **275** | |  |  | | | **120** | |  |  | | | **158** | |  |  | | | **101** | |  |  | | | **444** | |  |  | | | **1,139** | |  |
| 70% - 90% | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **3** | |  |  | | | **—** | |  |  | | | **18** | |  |  | | | **21** | |  |
| 90% plus | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Total agricultural | | | **$** | **92** |  |  | | | **$** | **493** |  |  | | | **$** | **251** |  |  | | | **$** | **313** |  |  | | | **$** | **241** |  |  | | | **$** | **1,315** |  |  | | | **$** | **2,705** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **51** |  |  | | | **$** | **218** |  |  | | | **$** | **131** |  |  | | | **$** | **152** |  |  | | | **$** | **464** |  |  | | | **$** | **1,642** |  |  | | | **$** | **2,658** |  |
| 50% - 70% | | | **354** | |  |  | | | **1,569** | |  |  | | | **484** | |  |  | | | **961** | |  |  | | | **758** | |  |  | | | **4,125** | |  |  | | | **8,251** | |  |
| 70% - 90% | | | **—** | |  |  | | | **321** | |  |  | | | **456** | |  |  | | | **455** | |  |  | | | **220** | |  |  | | | **686** | |  |  | | | **2,138** | |  |
| 90% plus | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **12** | |  |  | | | **5** | |  |  | | | **290** | |  |  | | | **307** | |  |
| Total mortgage loans | | | **$** | **405** |  |  | | | **$** | **2,108** |  |  | | | **$** | **1,071** |  |  | | | **$** | **1,580** |  |  | | | **$** | **1,447** |  |  | | | **$** | **6,743** |  |  | | | **$** | **13,354** |  |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Debt Service Coverage Ratios (2**)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Amortized Cost Basis by Origination Year** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **2021** | | |  | | | **2020** | | |  | | | **2019** | | |  | | | **2018** | | |  | | | **2017** | | |  | | | **Prior** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Mortgage loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | **$** | **226** |  |  | | | **$** | **1,230** |  |  | | | **$** | **492** |  |  | | | **$** | **772** |  |  | | | **$** | **268** |  |  | | | **$** | **3,336** |  |  | | | **$** | **6,324** |  |
| 1.8x to 2.0x | | | **—** | |  |  | | | **227** | |  |  | | | **90** | |  |  | | | **118** | |  |  | | | **378** | |  |  | | | **438** | |  |  | | | **1,251** | |  |
| 1.5x to 1.8x | | | **—** | |  |  | | | **98** | |  |  | | | **138** | |  |  | | | **187** | |  |  | | | **424** | |  |  | | | **758** | |  |  | | | **1,605** | |  |
| 1.2x to 1.5x | | | **—** | |  |  | | | **60** | |  |  | | | **56** | |  |  | | | **154** | |  |  | | | **81** | |  |  | | | **699** | |  |  | | | **1,050** | |  |
| 1.0x to 1.2x | | | **87** | |  |  | | | **—** | |  |  | | | **44** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **124** | |  |  | | | **255** | |  |
| Less than 1.0x | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **36** | |  |  | | | **55** | |  |  | | | **73** | |  |  | | | **164** | |  |
| Total commercial | | | **$** | **313** |  |  | | | **$** | **1,615** |  |  | | | **$** | **820** |  |  | | | **$** | **1,267** |  |  | | | **$** | **1,206** |  |  | | | **$** | **5,428** |  |  | | | **$** | **10,649** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | **$** | **11** |  |  | | | **$** | **67** |  |  | | | **$** | **26** |  |  | | | **$** | **24** |  |  | | | **$** | **34** |  |  | | | **$** | **233** |  |  | | | **$** | **395** |  |
| 1.8x to 2.0x | | | **19** | |  |  | | | **37** | |  |  | | | **31** | |  |  | | | **24** | |  |  | | | **15** | |  |  | | | **94** | |  |  | | | **220** | |  |
| 1.5x to 1.8x | | | **25** | |  |  | | | **117** | |  |  | | | **33** | |  |  | | | **39** | |  |  | | | **43** | |  |  | | | **249** | |  |  | | | **506** | |  |
| 1.2x to 1.5x | | | **22** | |  |  | | | **182** | |  |  | | | **118** | |  |  | | | **124** | |  |  | | | **82** | |  |  | | | **428** | |  |  | | | **956** | |  |
| 1.0x to 1.2x | | | **15** | |  |  | | | **86** | |  |  | | | **34** | |  |  | | | **91** | |  |  | | | **66** | |  |  | | | **267** | |  |  | | | **559** | |  |
| Less than 1.0x | | | **—** | |  |  | | | **4** | |  |  | | | **9** | |  |  | | | **11** | |  |  | | | **1** | |  |  | | | **44** | |  |  | | | **69** | |  |
| Total agricultural | | | **$** | **92** |  |  | | | **$** | **493** |  |  | | | **$** | **251** |  |  | | | **$** | **313** |  |  | | | **$** | **241** |  |  | | | **$** | **1,315** |  |  | | | **$** | **2,705** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | **$** | **237** |  |  | | | **$** | **1,297** |  |  | | | **$** | **518** |  |  | | | **$** | **796** |  |  | | | **$** | **302** |  |  | | | **$** | **3,569** |  |  | | | **$** | **6,719** |  |
| 1.8x to 2.0x | | | **19** | |  |  | | | **264** | |  |  | | | **121** | |  |  | | | **142** | |  |  | | | **393** | |  |  | | | **532** | |  |  | | | **1,471** | |  |
| 1.5x to 1.8x | | | **25** | |  |  | | | **215** | |  |  | | | **171** | |  |  | | | **226** | |  |  | | | **467** | |  |  | | | **1,007** | |  |  | | | **2,111** | |  |
| 1.2x to 1.5x | | | **22** | |  |  | | | **242** | |  |  | | | **174** | |  |  | | | **278** | |  |  | | | **163** | |  |  | | | **1,127** | |  |  | | | **2,006** | |  |
| 1.0x to 1.2x | | | **102** | |  |  | | | **86** | |  |  | | | **78** | |  |  | | | **91** | |  |  | | | **66** | |  |  | | | **391** | |  |  | | | **814** | |  |
| Less than 1.0x | | | **—** | |  |  | | | **4** | |  |  | | | **9** | |  |  | | | **47** | |  |  | | | **56** | |  |  | | | **117** | |  |  | | | **233** | |  |
| **Total mortgage loans** | | | **$** | **405** |  |  | | | **$** | **2,108** |  |  | | | **$** | **1,071** |  |  | | | **$** | **1,580** |  |  | | | **$** | **1,447** |  |  | | | **$** | **6,743** |  |  | | | **$** | **13,354** |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)The LTV ratio is derived from current loan balance divided by the fair value of the property. The fair value of the underlying commercial properties is updated annually for each mortgage loan.

(2)The DSC ratio is calculated using the most recently reported operating income results from property operations divided by annual debt service.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**LTV Ratios (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2020** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | Amortized Cost Basis by Origination Year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | 2020 | | |  | | | 2019 | | |  | | | 2018 | | |  | | | 2017 | | |  | | | 2016 | | |  | | | Prior | | |  | | | Total | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 324 |  |  | | | $ | 187 |  |  | | | $ | 505 |  |  | | | $ | 1,016 |  |
| 50% - 70% | | | 1,294 | |  |  | | | 357 | |  |  | | | 803 | |  |  | | | 656 | |  |  | | | 2,190 | |  |  | | | 1,697 | |  |  | | | 6,997 | |  |
| 70% - 90% | | | 321 | |  |  | | | 457 | |  |  | | | 452 | |  |  | | | 219 | |  |  | | | 203 | |  |  | | | 538 | |  |  | | | 2,190 | |  |
| 90% plus | | | — | |  |  | | | — | |  |  | | | 12 | |  |  | | | 5 | |  |  | | | — | |  |  | | | 288 | |  |  | | | 305 | |  |
| Total commercial | | | $ | 1,615 |  |  | | | $ | 814 |  |  | | | $ | 1,267 |  |  | | | $ | 1,204 |  |  | | | $ | 2,580 |  |  | | | $ | 3,028 |  |  | | | $ | 10,508 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | 218 |  |  | | | $ | 135 |  |  | | | $ | 169 |  |  | | | $ | 157 |  |  | | | $ | 236 |  |  | | | $ | 652 |  |  | | | $ | 1,567 |  |
| 50% - 70% | | | 277 | |  |  | | | 129 | |  |  | | | 161 | |  |  | | | 102 | |  |  | | | 124 | |  |  | | | 351 | |  |  | | | 1,144 | |  |
| 70% - 90% | | | — | |  |  | | | — | |  |  | | | 3 | |  |  | | | — | |  |  | | | — | |  |  | | | 18 | |  |  | | | 21 | |  |
| 90% plus | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total agricultural | | | $ | 495 |  |  | | | $ | 264 |  |  | | | $ | 333 |  |  | | | $ | 259 |  |  | | | $ | 360 |  |  | | | $ | 1,021 |  |  | | | $ | 2,732 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | 218 |  |  | | | $ | 135 |  |  | | | $ | 169 |  |  | | | $ | 481 |  |  | | | $ | 423 |  |  | | | $ | 1,157 |  |  | | | $ | 2,583 |  |
| 50% - 70% | | | 1,571 | |  |  | | | 486 | |  |  | | | 964 | |  |  | | | 758 | |  |  | | | 2,314 | |  |  | | | 2,048 | |  |  | | | 8,141 | |  |
| 70% - 90% | | | 321 | |  |  | | | 457 | |  |  | | | 455 | |  |  | | | 219 | |  |  | | | 203 | |  |  | | | 556 | |  |  | | | 2,211 | |  |
| 90% plus | | | — | |  |  | | | — | |  |  | | | 12 | |  |  | | | 5 | |  |  | | | — | |  |  | | | 288 | |  |  | | | 305 | |  |
| Total mortgage loans | | | $ | 2,110 |  |  | | | $ | 1,078 |  |  | | | $ | 1,600 |  |  | | | $ | 1,463 |  |  | | | $ | 2,940 |  |  | | | $ | 4,049 |  |  | | | $ | 13,240 |  |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Debt Service Coverage Ratios (2)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2020** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | Amortized Cost Basis by Origination Year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | 2020 | | |  | | | 2019 | | |  | | | 2018 | | |  | | | 2017 | | |  | | | 2016 | | |  | | | Prior | | |  | | | Total | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | $ | 1,230 |  |  | | | $ | 492 |  |  | | | $ | 772 |  |  | | | $ | 268 |  |  | | | $ | 1,959 |  |  | | | $ | 1,230 |  |  | | | $ | 5,951 |  |
| 1.8x to 2.0x | | | 227 | |  |  | | | 83 | |  |  | | | 118 | |  |  | | | 378 | |  |  | | | 184 | |  |  | | | 329 | |  |  | | | 1,319 | |  |
| 1.5x to 1.8x | | | 98 | |  |  | | | 138 | |  |  | | | 187 | |  |  | | | 479 | |  |  | | | 437 | |  |  | | | 616 | |  |  | | | 1,955 | |  |
| 1.2x to 1.5x | | | 60 | |  |  | | | 57 | |  |  | | | 154 | |  |  | | | 79 | |  |  | | | — | |  |  | | | 658 | |  |  | | | 1,008 | |  |
| 1.0x to 1.2x | | | — | |  |  | | | 44 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 123 | |  |  | | | 167 | |  |
| Less than 1.0x | | | — | |  |  | | | — | |  |  | | | 36 | |  |  | | | — | |  |  | | | — | |  |  | | | 72 | |  |  | | | 108 | |  |
| Total commercial | | | $ | 1,615 |  |  | | | $ | 814 |  |  | | | $ | 1,267 |  |  | | | $ | 1,204 |  |  | | | $ | 2,580 |  |  | | | $ | 3,028 |  |  | | | $ | 10,508 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | $ | 67 |  |  | | | $ | 26 |  |  | | | $ | 36 |  |  | | | $ | 38 |  |  | | | $ | 71 |  |  | | | $ | 167 |  |  | | | $ | 405 |  |
| 1.8x to 2.0x | | | 38 | |  |  | | | 35 | |  |  | | | 14 | |  |  | | | 15 | |  |  | | | 20 | |  |  | | | 82 | |  |  | | | 204 | |  |
| 1.5x to 1.8x | | | 117 | |  |  | | | 38 | |  |  | | | 41 | |  |  | | | 45 | |  |  | | | 52 | |  |  | | | 209 | |  |  | | | 502 | |  |
| 1.2x to 1.5x | | | 183 | |  |  | | | 120 | |  |  | | | 141 | |  |  | | | 90 | |  |  | | | 142 | |  |  | | | 313 | |  |  | | | 989 | |  |
| 1.0x to 1.2x | | | 86 | |  |  | | | 35 | |  |  | | | 93 | |  |  | | | 70 | |  |  | | | 57 | |  |  | | | 233 | |  |  | | | 574 | |  |
| Less than 1.0x | | | 4 | |  |  | | | 10 | |  |  | | | 8 | |  |  | | | 1 | |  |  | | | 18 | |  |  | | | 17 | |  |  | | | 58 | |  |
| Total agricultural | | | $ | 495 |  |  | | | $ | 264 |  |  | | | $ | 333 |  |  | | | $ | 259 |  |  | | | $ | 360 |  |  | | | $ | 1,021 |  |  | | | $ | 2,732 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | $ | 1,297 |  |  | | | $ | 518 |  |  | | | $ | 808 |  |  | | | $ | 306 |  |  | | | $ | 2,030 |  |  | | | $ | 1,397 |  |  | | | $ | 6,356 |  |
| 1.8x to 2.0x | | | 265 | |  |  | | | 118 | |  |  | | | 132 | |  |  | | | 393 | |  |  | | | 204 | |  |  | | | 411 | |  |  | | | 1,523 | |  |
| 1.5x to 1.8x | | | 215 | |  |  | | | 176 | |  |  | | | 228 | |  |  | | | 524 | |  |  | | | 489 | |  |  | | | 825 | |  |  | | | 2,457 | |  |
| 1.2x to 1.5x | | | 243 | |  |  | | | 177 | |  |  | | | 295 | |  |  | | | 169 | |  |  | | | 142 | |  |  | | | 971 | |  |  | | | 1,997 | |  |
| 1.0x to 1.2x | | | 86 | |  |  | | | 79 | |  |  | | | 93 | |  |  | | | 70 | |  |  | | | 57 | |  |  | | | 356 | |  |  | | | 741 | |  |
| Less than 1.0x | | | 4 | |  |  | | | 10 | |  |  | | | 44 | |  |  | | | 1 | |  |  | | | 18 | |  |  | | | 89 | |  |  | | | 166 | |  |
| Total mortgage loans | | | $ | 2,110 |  |  | | | $ | 1,078 |  |  | | | $ | 1,600 |  |  | | | $ | 1,463 |  |  | | | $ | 2,940 |  |  | | | $ | 4,049 |  |  | | | $ | 13,240 |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)The LTV ratio is derived from current loan balance divided by the fair value of the property. The fair value of the underlying commercial properties is updated annually for each mortgage loan.

(2)The DSC ratio is calculated using the most recently reported operating income results from property operations divided by annual debt service.

The following tables provide information relating to the LTV and DSC ratios for commercial and agricultural mortgage loans as of March 31, 2021 and December 31, 2020. The values used in these ratio calculations were developed as part of the periodic review of the commercial and agricultural mortgage loan portfolio, which includes an evaluation of the underlying collateral value

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Mortgage Loans by LTV and DSC Ratios**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **DSC Ratio (2) (3)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| **LTV Ratio (1) (3):** | | | **Greater than 2.0x** | | |  | | | **1.8x to 2.0x** | | |  | | | **1.5x to 1.8x** | | |  | | | **1.2x to 1.5x** | | |  | | | **1.0x to 1.2x** | | |  | | | **Less than 1.0x** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **March 31, 2021:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **953** |  |  | | | **$** | **—** |  |  | | | **$** | **160** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **1,113** |  |
| 50% - 70% | | | **4,370** | |  |  | | | **877** | |  |  | | | **1,156** | |  |  | | | **597** | |  |  | | | **112** | |  |  | | | **—** | |  |  | | | **7,112** | |  |
| 70% - 90% | | | **844** | |  |  | | | **374** | |  |  | | | **289** | |  |  | | | **376** | |  |  | | | **143** | |  |  | | | **91** | |  |  | | | **2,117** | |  |
| 90% plus | | | **157** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **77** | |  |  | | | **—** | |  |  | | | **73** | |  |  | | | **307** | |  |
| Total commercial | | | **$** | **6,324** |  |  | | | **$** | **1,251** |  |  | | | **$** | **1,605** |  |  | | | **$** | **1,050** |  |  | | | **$** | **255** |  |  | | | **$** | **164** |  |  | | | **$** | **10,649** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **297** |  |  | | | **$** | **99** |  |  | | | **$** | **301** |  |  | | | **$** | **510** |  |  | | | **$** | **300** |  |  | | | **$** | **38** |  |  | | | **$** | **1,545** |  |
| 50% - 70% | | | **98** | |  |  | | | **119** | |  |  | | | **205** | |  |  | | | **446** | |  |  | | | **259** | |  |  | | | **12** | |  |  | | | **1,139** | |  |
| 70% - 90% | | | **—** | |  |  | | | **2** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **19** | |  |  | | | **21** | |  |
| 90% plus | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Total agricultural | | | **$** | **395** |  |  | | | **$** | **220** |  |  | | | **$** | **506** |  |  | | | **$** | **956** |  |  | | | **$** | **559** |  |  | | | **$** | **69** |  |  | | | **$** | **2,705** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **1,250** |  |  | | | **$** | **99** |  |  | | | **$** | **461** |  |  | | | **$** | **510** |  |  | | | **$** | **300** |  |  | | | **$** | **38** |  |  | | | **$** | **2,658** |  |
| 50% - 70% | | | **4,468** | |  |  | | | **996** | |  |  | | | **1,361** | |  |  | | | **1,043** | |  |  | | | **371** | |  |  | | | **12** | |  |  | | | **8,251** | |  |
| 70% - 90% | | | **844** | |  |  | | | **376** | |  |  | | | **289** | |  |  | | | **376** | |  |  | | | **143** | |  |  | | | **110** | |  |  | | | **2,138** | |  |
| 90% plus | | | **157** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **77** | |  |  | | | **—** | |  |  | | | **73** | |  |  | | | **307** | |  |
| Total mortgage loans | | | **$** | **6,719** |  |  | | | **$** | **1,471** |  |  | | | **$** | **2,111** |  |  | | | **$** | **2,006** |  |  | | | **$** | **814** |  |  | | | **$** | **233** |  |  | | | **$** | **13,354** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **DSC Ratio (2) (3)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| **LTV Ratio (1) (3):** | | | **Greater than 2.0x** | | |  | | | **1.8x to 2.0x** | | |  | | | **1.5x to 1.8x** | | |  | | | **1.2x to 1.5x** | | |  | | | **1.0x to 1.2x** | | |  | | | **Less than 1.0x** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| December 31, 2020: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | 856 |  |  | | | $ | — |  |  | | | $ | 160 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 1,016 |  |
| 50% - 70% | | | 4,095 | |  |  | | | 870 | |  |  | | | 1,452 | |  |  | | | 555 | |  |  | | | 25 | |  |  | | | — | |  |  | | | 6,997 | |  |
| 70% - 90% | | | 844 | |  |  | | | 449 | |  |  | | | 343 | |  |  | | | 376 | |  |  | | | 142 | |  |  | | | 36 | |  |  | | | 2,190 | |  |
| 90% plus | | | 156 | |  |  | | | — | |  |  | | | — | |  |  | | | 77 | |  |  | | | — | |  |  | | | 72 | |  |  | | | 305 | |  |
| Total commercial | | | $ | 5,951 |  |  | | | $ | 1,319 |  |  | | | $ | 1,955 |  |  | | | $ | 1,008 |  |  | | | $ | 167 |  |  | | | $ | 108 |  |  | | | $ | 10,508 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | 297 |  |  | | | $ | 108 |  |  | | | $ | 291 |  |  | | | $ | 520 |  |  | | | $ | 317 |  |  | | | $ | 34 |  |  | | | $ | 1,567 |  |
| 50% - 70% | | | 108 | |  |  | | | 94 | |  |  | | | 211 | |  |  | | | 450 | |  |  | | | 257 | |  |  | | | 24 | |  |  | | | 1,144 | |  |
| 70% - 90% | | | — | |  |  | | | 2 | |  |  | | | — | |  |  | | | 19 | |  |  | | | — | |  |  | | | — | |  |  | | | 21 | |  |
| 90% plus | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total agricultural | | | $ | 405 |  |  | | | $ | 204 |  |  | | | $ | 502 |  |  | | | $ | 989 |  |  | | | $ | 574 |  |  | | | $ | 58 |  |  | | | $ | 2,732 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | 1,153 |  |  | | | $ | 108 |  |  | | | $ | 451 |  |  | | | $ | 520 |  |  | | | $ | 317 |  |  | | | $ | 34 |  |  | | | $ | 2,583 |  |
| 50% - 70% | | | 4,203 | |  |  | | | 964 | |  |  | | | 1,663 | |  |  | | | 1,005 | |  |  | | | 282 | |  |  | | | 24 | |  |  | | | 8,141 | |  |
| 70% - 90% | | | 844 | |  |  | | | 451 | |  |  | | | 343 | |  |  | | | 395 | |  |  | | | 142 | |  |  | | | 36 | |  |  | | | 2,211 | |  |
| 90% plus | | | 156 | |  |  | | | — | |  |  | | | — | |  |  | | | 77 | |  |  | | | — | |  |  | | | 72 | |  |  | | | 305 | |  |
| Total mortgage loans | | | $ | 6,356 |  |  | | | $ | 1,523 |  |  | | | $ | 2,457 |  |  | | | $ | 1,997 |  |  | | | $ | 741 |  |  | | | $ | 166 |  |  | | | $ | 13,240 |  |

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(1)The LTV ratio is derived from current loan balance divided by the fair value of the property. The fair value of the underlying commercial properties is updated annually for each mortgage loan.

(2)The DSC ratio is calculated using the most recently reported operating income results from property operations divided by annual debt service.

(3)Amounts presented at amortized cost basis.

Past-Due and Nonaccrual Mortgage Loan Status

The following table provides information relating to the aging analysis of past-due mortgage loans as of March 31, 2021 and December 31, 2020, respectively.

**Age Analysis of Past Due Mortgage Loans (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Accruing Loans** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | **Non-accruing Loans** | | |  | | | **Total Loans** | | |  | | | **Non-accruing Loans with No Allowance** | | |  | | | **Interest Income on Non-accruing Loans** | | |
|  | | | **Past Due** | | | | | | | | | | | | | | | | | | | | |  | | | **Current** | | |  | | | **Total** | | |  | | |
|  | | | **30-59 Days** | | |  | | | **60-89 Days** | | |  | | | **90 Days or More** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **March 31, 2021:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **10,649** |  |  | | | **$** | **10,649** |  |  | | | **$** | **—** |  |  | | | **$** | **10,649** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |
| Agricultural | | | **10** | |  |  | | | **4** | |  |  | | | **80** | |  |  | | | **94** | |  |  | | | **2,611** | |  |  | | | **2,705** | |  |  | | | **—** | |  |  | | | **2,705** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Total | | | **$** | **10** |  |  | | | **$** | **4** |  |  | | | **$** | **80** |  |  | | | **$** | **94** |  |  | | | **$** | **13,260** |  |  | | | **$** | **13,354** |  |  | | | **$** | **—** |  |  | | | **$** | **13,354** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| December 31, 2020: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial | | | $ | 162 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 162 |  |  | | | $ | 10,346 |  |  | | | $ | 10,508 |  |  | | | $ | — |  |  | | | $ | 10,508 |  |  | | | $ | — |  |  | | | $ | — |  |
| Agricultural | | | 76 | |  |  | | | 7 | |  |  | | | 29 | |  |  | | | 112 | |  |  | | | 2,620 | |  |  | | | 2,732 | |  |  | | | — | |  |  | | | 2,732 | |  |  | | | — | |  |  | | | — | |  |
| Total | | | $ | 238 |  |  | | | $ | 7 |  |  | | | $ | 29 |  |  | | | $ | 274 |  |  | | | $ | 12,966 |  |  | | | $ | 13,240 |  |  | | | $ | — |  |  | | | $ | 13,240 |  |  | | | $ | — |  |  | | | $ | — |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) Amounts presented at amortized cost basis.

As of March 31, 2021 and December 31, 2020, the carrying values of problem mortgage loans that had been classified as non-accrual loans were $0 million and $0 million, respectively.

Troubled Debt Restructuring

There were no mortgage loan on real estate or fixed maturities accounted for as a TDR during the three months ended March 31, 2021 and 2020.

Equity Securities

The table below presents a breakdown of unrealized and realized gains and (losses) on equity securities during the three months ended March 31, 2021.

**Unrealized and Realized Gains (Losses) from Equity Securities (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended March 31,** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2021** | | |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **(in millions)** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net investment gains (losses) recognized during the period on securities held at the end of the period | | | **$** | **19** |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Net investment gains (losses) recognized on securities sold during the period | | | **(6)** | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Unrealized and realized gains (losses) on equity securities | | | **$** | **13** |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  |  |  | | |  | | |  | | |  | | |  | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments (see Note 2 Significant Accounting Policies – Investments)

Trading Securities

As of March 31, 2021 and December 31, 2020, respectively, the fair value of the Company’s trading securities was $4.8 billion and $5.6 billion. As of March 31, 2021 and December 31, 2020, respectively, trading securities included the General Account’s investment in Separate Accounts which had carrying values of $42 million and $44 million.

The table below shows a breakdown of net investment income (loss) from trading securities during the three months ended March 31, 2021 and 2020.

**Net Investment Income (Loss) from Trading Securities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  | **(in millions)** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| Net investment gains (losses) recognized during the period on securities held at the end of the period | | |  |  |  |  | **$** | **(70)** |  |  | | | $ | (186) |  |  | | |  | | |
| Net investment gains (losses) recognized on securities sold during the period | | |  |  |  |  | **29** | |  |  | | | 4 | |  |  | | |  | | |
| Unrealized and realized gains (losses) on trading securities | | |  |  |  |  | **(41)** | |  |  | | | (182) | |  |  | | |  | | |
| Interest and dividend income from trading securities | | |  |  |  |  | **38** | |  |  | | | 51 | |  |  | | |  | | |
| Net investment income (loss) from trading securities | | |  |  |  |  | **$** | **(3)** |  |  | | | $ | (131) |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**4)     DERIVATIVES**

The Company uses derivatives as part of its overall asset/liability risk management primarily to reduce exposures to equity market and interest rate risks. Derivative hedging strategies are designed to reduce these risks from an economic perspective and are all executed within the framework of a “Derivative Use Plan” approved by applicable states’ insurance law. Derivatives are generally not accounted for using hedge accounting, with the exception of TIPS, which is discussed further below. Operation of these hedging programs is based on models involving numerous estimates and assumptions, including, among others, mortality, lapse, surrender and withdrawal rates, election rates, fund performance, market volatility and interest rates. A wide range of derivative contracts are used in these hedging programs, including exchange traded equity, currency and interest rate futures contracts, total return and/or other equity swaps, interest rate swap and floor contracts, bond and bond-index total return swaps, swaptions, variance swaps and equity options, credit and foreign exchange derivatives, as well as bond and repo transactions to support the hedging. The derivative contracts are collectively managed in an effort to reduce the economic impact of unfavorable changes in guaranteed benefits’ exposures attributable to movements in capital markets. In addition, as part of its hedging strategy, the Company targets an asset level for all variable annuity products at or above a CTE98 level under most economic scenarios (CTE is a statistical measure of tail risk which quantifies the total asset requirement to sustain a loss if an event outside a given probability level has occurred. CTE98 denotes the financial resources a company would need to cover the average of the worst 2% of scenarios.)

Derivatives Utilized to Hedge Exposure to Variable Annuities with Guarantee Features

The Company has issued and continues to offer variable annuity products with GMxB features. The risk associated with the GMDB feature is that under-performance of the financial markets could result in GMDB benefits, in the event of death, being higher than what accumulated policyholders’ account balances would support. The risk associated with the GMIB feature is that under-performance of the financial markets could result in the present value of GMIB, in the event of annuitization, being higher than what accumulated policyholders’ account balances would support, taking into account the relationship between current annuity purchase rates and the GMIB guaranteed annuity purchase rates. The risk associated with products that have a GMxB derivative features liability is that under-performance of the financial markets could result in the GMxB derivative features’ benefits being higher than what accumulated policyholders’ account balances would support.

For GMxB features, the Company retains certain risks including basis, credit spread and some volatility risk and risk associated with actual experience versus expected actuarial assumptions for mortality, lapse and surrender, withdrawal and policyholder election rates, among other things. The derivative contracts are managed to correlate with changes in the value of the GMxB features that result from financial markets movements. A portion of exposure to realized equity volatility is hedged using equity options and variance swaps and a portion of exposure to credit risk is hedged using total return swaps on fixed income indices. Additionally, the Company is party to total return swaps for which the reference U.S. Treasury securities are contemporaneously purchased from the market and sold to the swap counterparty. As these transactions result in a transfer of control of the U.S. Treasury securities to the swap counterparty, the Company derecognizes these securities with consequent gain or loss from the sale. The Company has also purchased reinsurance contracts to mitigate the risks associated with GMDB features and the impact of potential market fluctuations on future policyholder elections of GMIB features contained in certain annuity contracts issued by the Company. The reinsurance of the GMIB features is accounted for as a derivative.

The Company has in place an economic hedge program using interest rate swaps and U.S. Treasury futures to partially protect the overall profitability of future variable annuity sales against declining interest rates.

Derivatives Utilized to Hedge Crediting Rate Exposure on SCS, SIO, MSO and IUL Products/Investment Options

The Company hedges crediting rates in the SCS variable annuity, SIO in the EQUI-VEST variable annuity series, MSO in the variable life insurance products and IUL insurance products. These products permit the contract owner to participate in the performance of an index, ETF or commodity price movement up to a cap for a set period of time. They also contain a protection feature, in which the Company will absorb, up to a certain percentage, the loss of value in an index, ETF or commodity price, which varies by product segment.

In order to support the returns associated with these features, the Company enters into derivative contracts whose payouts, in combination with fixed income investments, emulate those of the index, ETF or commodity price, subject to caps and buffers, thereby substantially reducing any exposure to market-related earnings volatility.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

Derivatives Used to Hedge Equity Market Risks Associated with the General Account’s Seed Money Investments in Retail Mutual Funds

The Company’s General Account seed money investments in retail mutual funds expose us to market risk, including equity market risk which is partially hedged through equity-index futures contracts to minimize such risk.

Derivatives Used to Hedge ULSG Policy

The Company implemented a hedge program using fixed income total return swaps to mitigate the interest rate exposure in the ULSG policy statutory liability.

Derivatives Used for General Account Investment Portfolio

The Company maintains a strategy in its General Account investment portfolio to replicate the credit exposure of fixed maturity securities otherwise permissible for investment under its investment guidelines through the sale of CDS. Under the terms of these swaps, the Company receives quarterly fixed premiums that, together with any initial amount paid or received at trade inception, replicate the credit spread otherwise currently obtainable by purchasing the referenced entity’s bonds of similar maturity. These credit derivatives generally have remaining terms of five years or less and are recorded at fair value with changes in fair value, including the yield component that emerges from initial amounts paid or received, reported in net derivative gains (losses).

The Company manages its credit exposure taking into consideration both cash and derivatives based positions and selects the reference entities in its replicated credit exposures in a manner consistent with its selection of fixed maturities. In addition, the Company generally transacts the sale of CDS in single name reference entities of investment grade credit quality and with counterparties subject to collateral posting requirements. If there is an event of default by the reference entity or other such credit event as defined under the terms of the swap contract, the Company is obligated to perform under the credit derivative and, at its option, either pay the referenced amount of the contract less an auction-determined recovery amount or pay the referenced amount of the contract and receive in return the defaulted or similar security of the reference entity for recovery by sale at the contract settlement auction. The Company purchased CDS to mitigate its exposure to a reference entity through cash positions. These positions do not replicate credit spreads.

To date, there have been no events of default or circumstances indicative of a deterioration in the credit quality of the named referenced entities to require or suggest that the Company will have to perform under the CDS that it sold. The maximum potential amount of future payments the Company could be required to make under the credit derivatives sold is limited to the par value of the referenced securities which is the dollar or euro-equivalent of the derivative’s notional amount. The Standard North American CDS Contract or Standard European Corporate Contract under which the Company executes these CDS sales transactions does not contain recourse provisions for recovery of amounts paid under the credit derivative.

The Company purchased 30-year TIPS and other sovereign bonds, both inflation linked and non-inflation linked, as General Account investments and enters into asset or cross-currency basis swaps, to result in payment of the given bond’s coupons and principal at maturity in the bond’s specified currency to the swap counterparty in return for fixed dollar amounts. These swaps, when considered in combination with the bonds, together result in a net position that is intended to replicate a dollar-denominated fixed-coupon cash bond with a yield higher than a term-equivalent U.S. Treasury bond.

The tables below present quantitative disclosures about the Company’s derivative instruments, including those embedded in other contracts required to be accounted for as derivative instruments.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Derivative Instruments by Category**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | | | | | | | | | | | | | |  | | | **Three Months Ended March 31, 2021** | | |
|  | | |  | | |  | | | **Fair Value** | | | | | | | | |  | | |
|  | | | **Notional Amount** | | |  | | | **Derivative Assets** | | |  | | | **Derivative Liabilities** | | |  | | | **Net Derivative Gains (Losses) (2)** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| **Derivative instruments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Freestanding derivatives (1): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Futures | | | **$** | **5,397** |  |  | | | **$** | **2** |  |  | | | **$** | **1** |  |  | | | **$** | **(288)** |  |
| Swaps | | | **19,308** | |  |  | | | **5** | |  |  | | | **3** | |  |  | | | **(1,271)** | |  |
| Options | | | **43,207** | |  |  | | | **9,764** | |  |  | | | **4,246** | |  |  | | | **1,145** | |  |
| Interest rate contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Swaps | | | **13,980** | |  |  | | | **3** | |  |  | | | **2,144** | |  |  | | | **(2,915)** | |  |
| Futures | | | **15,096** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(949)** | |  |
| Swaptions | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Credit contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit default swaps | | | **1,129** | |  |  | | | **18** | |  |  | | | **12** | |  |  | | | **—** | |  |
| Other freestanding contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency contracts | | | **576** | |  |  | | | **9** | |  |  | | | **9** | |  |  | | | **1** | |  |
| Margin | | | **—** | |  |  | | | **58** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Collateral | | | **—** | |  |  | | | **1,605** | |  |  | | | **3,882** | |  |  | | | **—** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Embedded derivatives: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| GMIB reinsurance contracts (3) | | | **—** | |  |  | | | **1,907** | |  |  | | | **—** | |  |  | | | **(578)** | |  |
| GMxB derivative features liability (4) (6) (7) | | | **—** | |  |  | | | **—** | |  |  | | | **7,824** | |  |  | | | **3,408** | |  |
| SCS, SIO, MSO and IUL indexed features (5) | | | **—** | |  |  | | | **—** | |  |  | | | **5,297** | |  |  | | | **(1,145)** | |  |
| **Total derivative instruments** | | | **$** | **98,693** |  |  | | | **$** | **13,371** |  |  | | | **$** | **23,418** |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net derivative gains (losses)** | | |  | | |  | | |  | | |  | | |  | | |  | | | **$** | **(2,592)** |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Reported in other invested assets in the consolidated balance sheets.

(2)Reported in net derivative gains (losses) in the consolidated statements of income (loss).

(3)Reported in GMIB reinsurance contract asset in the consolidated balance sheets.

(4)Reported in future policy benefits and other policyholders’ liabilities in the consolidated balance sheets.

(5)Reported in policyholders’ account balances in the consolidated balance sheets.

(6)Includes amounts reclassified as HFS.

(7)Excludes a $46 million settlement fee on CS Life reinsurance contract.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Derivative Instruments by Category**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | December 31, 2020 | | | | | | | | | | | | | | |  | | | Three Months Ended March 31, 2020 | | |
|  | | |  | | |  | | | Fair Value | | | | | | | | |  | | |
|  | | | Notional Amount | | |  | | | Derivative Assets | | |  | | | Derivative Liabilities | | |  | | | Net Derivative Gains (Losses) (2) | | |
|  | | | (in millions) | | | | | | | | | | | | | | | | | | | | |
| Derivative instruments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Freestanding derivatives (1): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Futures | | | $ | 4,881 |  |  | | | $ | — |  |  | | | $ | 2 |  |  | | | $ | 220 |  |
| Swaps | | | 22,456 | |  |  | | | 6 | |  |  | | | 2 | |  |  | | | 3,778 | |  |
| Options | | | 35,848 | |  |  | | | 8,396 | |  |  | | | 3,726 | |  |  | | | (3,851) | |  |
| Interest rate contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Swaps | | | 23,834 | |  |  | | | 553 | |  |  | | | 656 | |  |  | | | 3,578 | |  |
| Futures | | | 18,571 | |  |  | | | — | |  |  | | | — | |  |  | | | 1,988 | |  |
| Swaptions | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 9 | |  |
| Credit contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit default swaps | | | 1,087 | |  |  | | | 19 | |  |  | | | 14 | |  |  | | | (1) | |  |
| Other freestanding contracts: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency contracts | | | 411 | |  |  | | | 9 | |  |  | | | 9 | |  |  | | | (2) | |  |
| Margin | | | — | |  |  | | | 49 | |  |  | | | 66 | |  |  | | | — | |  |
| Collateral | | | — | |  |  | | | 212 | |  |  | | | 3,839 | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Embedded derivatives: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| GMIB reinsurance contracts (3) | | | — | |  |  | | | 2,488 | |  |  | | | — | |  |  | | | 726 | |  |
| GMxB derivative features liability (4) (6) | | | — | |  |  | | | — | |  |  | | | 11,131 | |  |  | | | (1,199) | |  |
| SCS, SIO, MSO and IUL indexed features (5) | | | — | |  |  | | | — | |  |  | | | 4,509 | |  |  | | | 4,154 | |  |
| Total derivative instruments | | | $ | 107,088 |  |  | | | $ | 11,732 |  |  | | | $ | 23,954 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net derivative gains (losses) | | |  | | |  | | |  | | |  | | |  | | |  | | | $ | 9,400 |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Reported in other invested assets in the consolidated balance sheets.

(2)Reported in net derivative gains (losses) in the consolidated statements of income (loss).

(3)Reported in GMIB reinsurance contract asset in the consolidated balance sheets.

(4)Reported in future policy benefits and other policyholders’ liabilities in the consolidated balance sheets.

(5)Reported in policyholders’ account balances in the consolidated balance sheets.

(6)Includes amounts reclassified as HFS.

Equity-Based and Treasury Futures Contracts Margin

All outstanding equity-based and treasury futures contracts as of March 31, 2021 and December 31, 2020 are exchange-traded and net settled daily in cash. As of March 31, 2021 and December 31, 2020, respectively, the Company had open exchange-traded futures positions on: (i) the S&P 500, Nasdaq, Russell 2000 and Emerging Market indices, having initial margin requirements of $248 million and $307 million, (ii) the 2-year, 5-year and 10-year U.S. Treasury Notes on U.S. Treasury bonds and ultra-long bonds, having initial margin requirements of $125 million and $264 million, and (iii) the Euro Stoxx, FTSE 100, Topix, ASX 200 and EAFE indices as well as corresponding currency futures on the Euro/U.S. dollar, Pound/U.S. dollar, Australian dollar/U.S. dollar, and Yen/U.S. dollar, having initial margin requirements of $29 million and $35 million.

Collateral Arrangements

The Company generally has executed a CSA under the ISDA Master Agreement it maintains with each of its OTC derivative counterparties that requires both posting and accepting collateral either in the form of cash or high-quality securities, such as U.S. Treasury securities, U.S. government and government agency securities and investment grade

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

corporate bonds. The Company nets the fair value of all derivative financial instruments with counterparties for which an ISDA Master Agreement and related CSA have been executed. As of March 31, 2021 and December 31, 2020, respectively, the Company held $3.9 billion and $3.8 billion in cash and securities collateral delivered by trade counterparties, representing the fair value of the related derivative agreements. The unrestricted cash collateral is reported in other invested assets. The Company posted collateral of $1.6 billion and $212 million as of March 31, 2021 and December 31, 2020, respectively, in the normal operation of its collateral arrangements.

The following tables presents information about the Company’s offsetting of financial assets and liabilities and derivative instruments as of March 31, 2021 and December 31, 2020:

**Offsetting of Financial Assets and Liabilities and Derivative Instruments**

**As of March 31, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Gross Amount Recognized** | | |  | | | **Gross Amount Offset in the Balance Sheets** | | |  | | | **Net Amount Presented in the Balance Sheets** | | |  | | | **Gross Amount not Offset in the Balance Sheets (3)** | | |  | | | **Net Amount** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative assets (1) | | | **$** | **11,463** |  |  | | | **$** | **10,272** |  |  | | | **$** | **1,191** |  |  | | | **$** | **—** |  |  | | | **$** | **1,191** |  |
| Other financial assets | | | **1,722** | |  |  | | | **—** | |  |  | | | **1,722** | |  |  | | | **—** | |  |  | | | **1,722** | |  |
| Other invested assets | | | **$** | **13,185** |  |  | | | **$** | **10,272** |  |  | | | **$** | **2,913** |  |  | | | **$** | **—** |  |  | | | **$** | **2,913** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Liabilities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative liabilities (2) | | | **$** | **10,296** |  |  | | | **$** | **10,272** |  |  | | | **$** | **24** |  |  | | | **$** | **—** |  |  | | | **$** | **24** |  |
| Other financial liabilities | | | **3,966** | |  |  | | | **—** | |  |  | | | **3,966** | |  |  | | | **—** | |  |  | | | **3,966** | |  |
| Other liabilities | | | **$** | **14,262** |  |  | | | **$** | **10,272** |  |  | | | **$** | **3,990** |  |  | | | **$** | **—** |  |  | | | **$** | **3,990** |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Excludes Investment Management and Research segment’s derivative assets of consolidated VIEs/VOEs.

(2)Excludes Investment Management and Research segment’s derivative liabilities of consolidated VIEs/VOEs.

(3)Financial instruments sent (held).

**As of December 31, 2020**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Gross Amount Recognized** | | |  | | | **Gross Amount Offset in the Balance Sheets** | | |  | | | **Net Amount Presented in the Balance Sheets** | | |  | | | **Gross Amount not Offset in the Balance Sheets (3)** | | |  | | | **Net Amount** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative assets (1) | | | $ | 9,244 |  |  | | | $ | 8,249 |  |  | | | $ | 995 |  |  | | | $ | (53) |  |  | | | $ | 942 |  |
| Other financial instruments | | | 1,733 | |  |  | | | — | |  |  | | | 1,733 | |  |  | | | — | |  |  | | | 1,733 | |  |
| Other invested assets | | | $ | 10,977 |  |  | | | $ | 8,249 |  |  | | | $ | 2,728 |  |  | | | $ | (53) |  |  | | | $ | 2,675 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative liabilities (2) | | | $ | 8,261 |  |  | | | $ | 8,249 |  |  | | | $ | 12 |  |  | | | $ | — |  |  | | | $ | 12 |  |
| Other financial liabilities | | | 3,674 | |  |  | | | — | |  |  | | | 3,674 | |  |  | | | — | |  |  | | | 3,674 | |  |
| Other liabilities | | | $ | 11,935 |  |  | | | $ | 8,249 |  |  | | | $ | 3,686 |  |  | | | $ | — |  |  | | | $ | 3,686 |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Excludes Investment Management and Research segment’s derivative assets of consolidated VIEs/VOEs.

(2)Excludes Investment Management and Research segment’s derivative liabilities of consolidated VIEs/VOEs.

(3)Financial instruments sent (held).

**5)    CLOSED BLOCK**

As a result of demutualization, the Company’s Closed Block was established in 1992 for the benefit of certain individual participating policies that were in force on that date. Assets, liabilities and earnings of the Closed Block are specifically identified to support its participating policyholders.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

Assets allocated to the Closed Block inure solely to the benefit of the Closed Block policyholders and will not revert to the benefit of the Company. No reallocation, transfer, borrowing or lending of assets can be made between the Closed Block and other portions of the Company’s General Account, any of its Separate Accounts or any affiliate of the Company without the approval of the New York State Department of Financial Services (the “NYDFS”). Closed Block assets and liabilities are carried on the same basis as similar assets and liabilities held in the General Account. For more information on the Closed Block, see Note 6 to the Company’s consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2020.

Summarized financial information for the Company’s Closed Block is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | |  | | | December 31, 2020 | | |
|  | | | **(in millions)** | | | | | | | | |
| **Closed Block Liabilities:** | | |  | | |  | | |  | | |
| Future policy benefits, policyholders’ account balances and other | | | **$** | **6,133** |  |  | | | $ | 6,201 |  |
| Policyholder dividend obligation | | | **28** | |  |  | | | 160 | |  |
| Other liabilities | | | **63** | |  |  | | | 39 | |  |
| Total Closed Block liabilities | | | **6,224** | |  |  | | | 6,400 | |  |
|  | | |  | | |  | | |  | | |
| **Assets Designated to the Closed Block:** | | |  | | |  | | |  | | |
| Fixed maturities AFS, at fair value (amortized cost of $3,381 and $3,359) (allowance for credit losses of $0) | | | **3,623** | |  |  | | | 3,718 | |  |
| Mortgage loans on real estate (net of allowance for credit losses of $6 and $6) | | | **1,761** | |  |  | | | 1,773 | |  |
| Policy loans | | | **636** | |  |  | | | 648 | |  |
| Cash and other invested assets | | | **19** | |  |  | | | 28 | |  |
| Other assets | | | **128** | |  |  | | | 169 | |  |
| Total assets designated to the Closed Block | | | **6,167** | |  |  | | | 6,336 | |  |
|  | | |  | | |  | | |  | | |
| Excess of Closed Block liabilities over assets designated to the Closed Block | | | **57** | |  |  | | | 64 | |  |
| Amounts included in AOCI: | | |  | | |  | | |  | | |
| Net unrealized investment gains (losses), net of policyholders’ dividend obligation: $28 and $160; and net of income tax: $(45) and $(42) | | | **179** | |  |  | | | 167 | |  |
| **Maximum future earnings to be recognized from Closed Block assets and liabilities** | | | **$** | **236** |  |  | | | $ | 231 |  |

The Company’s Closed Block revenues and expenses were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Revenues:** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Premiums and other income | | |  |  |  | **$** | **39** |  |  | | | $ | 42 |  |  | | |  | | |
| Net investment income (loss) | | |  |  |  | **60** | |  |  | | | 66 | |  |  | | |  | | |
| Investment gains (losses), net | | |  |  |  | **—** | |  |  | | | — | |  |  | | |  | | |
| Total revenues | | |  |  |  | **99** | |  |  | | | 108 | |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| **Benefits and Other Deductions:** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits and dividends | | |  |  |  | **106** | |  |  | | | 103 | |  |  | | |  | | |
| Other operating costs and expenses | | |  |  |  | **1** | |  |  | | | — | |  |  | | |  | | |
| Total benefits and other deductions | | |  |  |  | **107** | |  |  | | | 103 | |  |  | | |  | | |
| Net income (loss), before income taxes | | |  |  |  | **(8)** | |  |  | | | 5 | |  |  | | |  | | |
| Income tax (expense) benefit | | |  |  |  | **(1)** | |  |  | | | — | |  |  | | |  | | |
| **Net income (loss)** | | |  |  |  | **$** | **(9)** |  |  | | | $ | 5 |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

A reconciliation of the Company’s policyholder dividend obligation follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  | | |  | **2021** | | |  | | | 2020 | | |  |  |  |  |  | | |  | | |
|  | | |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
| Balance, beginning of year | | |  | **$** | **160** |  |  | | | $ | 2 |  |  |  |  |  |  | | |  | | |
| Unrealized investment gains (losses) | | |  | **(132)** | |  |  | | | — | |  |  |  |  |  |  | | |  | | |
| Balance, end of year | | |  | **$** | **28** |  |  | | | $ | 2 |  |  |  |  |  |  | | |  | | |
|  | | |  |  | | |  | | |  | | |  |  |  |  |  | | |  | | |
|  | | |  |  | | |  | | |  | | |  |  |  |  |  | | |  | | |

**6)    INSURANCE LIABILITIES**

Variable Annuity Contracts – GMDB, GMIB, GIB and GWBL and Other Features

The Company has certain variable annuity contracts with GMDB, GMIB, GIB and GWBL and other features in-force that guarantee one of the following:

•Return of Premium: the benefit is the greater of current account value or premiums paid (adjusted for withdrawals);

•Ratchet: the benefit is the greatest of current account value, premiums paid (adjusted for withdrawals), or the highest account value on any anniversary up to contractually specified ages (adjusted for withdrawals);

•Roll-Up: the benefit is the greater of current account value or premiums paid (adjusted for withdrawals) accumulated at contractually specified interest rates up to specified ages;

•Combo: the benefit is the greater of the ratchet benefit or the roll-up benefit, which may include either a five year or an annual reset; or

•Withdrawal: the withdrawal is guaranteed up to a maximum amount per year for life.

***Liabilities for Variable Annuity Contracts with GMDB and GMIB Features without NLG Rider Feature***

The change in the liabilities for variable annuity contracts with GMDB and GMIB features and without a NLG feature are summarized in the tables below. The amounts for the direct contracts (before reinsurance ceded) and assumed contracts are reflected in the consolidated balance sheets in future policy benefits and other policyholders’ liabilities. The amounts for the ceded contracts are reflected in the consolidated balance sheets in amounts due from reinsurers.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

The amounts for the ceded IB are reflected in the consolidated balance sheets in GMIB reinsurance contract asset, at fair value.

**Change in Liability for Variable Annuity Contracts with GMDB and GMIB Features and No NLG Feature**

**Three Months Ended March 31, 2021 and 2020**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **GMDB** | | | | | | | | | | | | | | |  | | | **GMIB** | | | | | | | | | | | | | | |
|  | | | **Direct** | | |  | | | **Assumed** | | |  | | | **Ceded** | | |  | | | **Direct** | | |  | | | **Assumed** | | |  | | | **Ceded** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2021 | | | **$** | **5,097** |  |  | | | **$** | **72** |  |  | | | **$** | **(88)** |  |  | | | **$** | **6,026** |  |  | | | **$** | **196** |  |  | | | **$** | **(2,488)** |  |
| Paid guarantee benefits | | | **(133)** | |  |  | | | **(6)** | |  |  | | | **3** | |  |  | | | **(92)** | |  |  | | | **(52)** | |  |  | | | **14** | |  |
| Other changes in reserve | | | **122** | |  |  | | | **6** | |  |  | | | **1** | |  |  | | | **32** | |  |  | | | **—** | |  |  | | | **567** | |  |
| **Balance, March 31, 2021** | | | **$** | **5,086** |  |  | | | **$** | **72** |  |  | | | **$** | **(84)** |  |  | | | **$** | **5,966** |  |  | | | **$** | **144** |  |  | | | **$** | **(1,907)** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2020 | | | $ | 4,780 |  |  | | | $ | 76 |  |  | | | $ | (104) |  |  | | | $ | 4,673 |  |  | | | $ | 187 |  |  | | | $ | (2,139) |  |
| Paid guarantee benefits | | | (111) | |  |  | | | (6) | |  |  | | | 5 | |  |  | | | (74) | |  |  | | | (1) | |  |  | | | 20 | |  |
| Other changes in reserve | | | 377 | |  |  | | | 2 | |  |  | | | (11) | |  |  | | | 1,675 | |  |  | | | 33 | |  |  | | | (706) | |  |
| Balance, March 31, 2020 | | | $ | 5,046 |  |  | | | $ | 72 |  |  | | | $ | (110) |  |  | | | $ | 6,274 |  |  | | | $ | 219 |  |  | | | $ | (2,825) |  |

***Liabilities for Embedded and Freestanding Insurance Related Derivatives***

The liability for the GMxB derivative features, the liability for SCS, SIO, MSO and IUL indexed features and the asset and liability for the GMIB reinsurance contracts are considered embedded or freestanding insurance derivatives and are reported at fair value. For the fair value of the assets and liabilities associated with these embedded or freestanding insurance derivatives, see Note 7 Fair Value Disclosures.

***Account Values and Net Amount at Risk***

Account Values and NAR for direct and assumed variable annuity contracts in force with GMDB and GMIB features as of March 31, 2021 are presented in the following tables by guarantee type. For contracts with the GMDB feature, the NAR in the event of death is the amount by which the GMDB feature exceeds the related Account Values. For contracts with the GMIB feature, the NAR in the event of annuitization is the amount by which the present value of the GMIB benefits exceed the related Account Values, taking into account the relationship between current annuity purchase rates and the GMIB guaranteed annuity purchase rates. Since variable annuity contracts with GMDB features may also offer GMIB guarantees in the same contract, the GMDB and GMIB amounts listed are not mutually exclusive.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Direct Variable Annuity Contracts with GMDB and GMIB Features**

**as of March 31, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Guarantee Type** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Return of Premium** | | |  | | | **Ratchet** | | |  | | | **Roll-Up** | | |  | | | **Combo** | | |  | | | **Total** | | |
|  | | | **(in millions, except age and interest rate)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variable annuity contracts with GMDB features | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Account Values invested in: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **15,647** |  |  | | | **$** | **86** |  |  | | | **$** | **53** |  |  | | | **$** | **164** |  |  | | | **$** | **15,950** |  |
| Separate Accounts | | | **55,738** | |  |  | | | **9,713** | |  |  | | | **3,350** | |  |  | | | **34,329** | |  |  | | | **103,130** | |  |
| Total Account Values | | | **$** | **71,385** |  |  | | | **$** | **9,799** |  |  | | | **$** | **3,403** |  |  | | | **$** | **34,493** |  |  | | | **$** | **119,080** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| NAR, gross | | | **$** | **96** |  |  | | | **$** | **35** |  |  | | | **$** | **1,509** |  |  | | | **$** | **16,402** |  |  | | | **$** | **18,042** |  |
| NAR, net of amounts reinsured | | | **$** | **96** |  |  | | | **$** | **33** |  |  | | | **$** | **1,057** |  |  | | | **$** | **16,402** |  |  | | | **$** | **17,588** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Average attained age of policyholders (in years) | | | **51.4** | |  |  | | | **68.5** | |  |  | | | **75.0** | |  |  | | | **70.4** | |  |  | | | **55.3** | |  |
| Percentage of policyholders over age 70 | | | **11.4** | | **%** |  | | | **49.1** | | **%** |  | | | **70.8** | | **%** |  | | | **55.0** | | **%** |  | | | **20.4** | | **%** |
| Range of contractually specified interest rates | | | **N/A** | | |  | | | **N/A** | | |  | | | **3% - 6%** | | |  | | | **3% - 6.5%** | | |  | | | **3% - 6.5%** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Variable annuity contracts with GMIB features | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Account Values invested in: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **16** |  |  | | | **$** | **212** |  |  | | | **$** | **228** |  |
| Separate Accounts | | | **—** | |  |  | | | **—** | |  |  | | | **25,457** | |  |  | | | **36,802** | |  |  | | | **62,259** | |  |
| Total Account Values | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **25,473** |  |  | | | **$** | **37,014** |  |  | | | **$** | **62,487** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| NAR, gross | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **680** |  |  | | | **$** | **8,598** |  |  | | | **$** | **9,278** |  |
| NAR, net of amounts reinsured | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **219** |  |  | | | **$** | **7,835** |  |  | | | **$** | **8,054** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Average attained age of policyholders (in years) | | | **N/A** | | |  | | | **N/A** | | |  | | | **64.4** | |  |  | | | **70.3** | |  |  | | | **68.1** | |  |
| Weighted average years remaining until annuitization | | | **N/A** | | |  | | | **N/A** | | |  | | | **5.6** | |  |  | | | **0.6** | |  |  | | | **2.4** | |  |
| Range of contractually specified interest rates | | | **N/A** | | |  | | | **N/A** | | |  | | | **3% - 6%** | | |  | | | **3% - 6.5%** | | |  | | | **3% - 6.5%** | | |

**Assumed Variable Annuity Contracts with GMDB and GMIB Features**

**as of March 31, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Guarantee Type** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Return of Premium** | | |  | | | **Ratchet** | | |  | | | **Roll-Up** | | |  | | | **Combo** | | |  | | | **Total** | | |
|  | | | **(in millions, except age and interest rates)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variable annuity contracts with GMDB features | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Reinsured Account Values | | | **$** | **975** |  |  | | | **$** | **5,294** |  |  | | | **$** | **261** |  |  | | | **$** | **1,164** |  |  | | | **$** | **7,694** |  |
| Net Amount at Risk assumed | | | **$** | **3** |  |  | | | **$** | **202** |  |  | | | **$** | **12** |  |  | | | **$** | **103** |  |  | | | **$** | **320** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Average attained age of policyholders (in years) | | | **68** | |  |  | | | **73** | |  |  | | | **78** | |  |  | | | **76** | |  |  | | | **73** | |  |
| Percentage of policyholders over age 70 | | | **45.7** | | **%** |  | | | **66.0** | | **%** |  | | | **80.4** | | **%** |  | | | **77.2** | | **%** |  | | | **65.6** | | **%** |
| Range of contractually specified interest rates (1) | | | **N/A** | | |  | | | **N/A** | | |  | | | **3%-10%** | | |  | | | **5%-10%** | | |  | | | **3%-10%** | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Guarantee Type** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Return of Premium** | | |  | | | **Ratchet** | | |  | | | **Roll-Up** | | |  | | | **Combo** | | |  | | | **Total** | | |
|  | | | **(in millions, except age and interest rates)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Variable annuity contracts with GMIB features | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Reinsured Account Values | | | **$** | **966** |  |  | | | **$** | **45** |  |  | | | **$** | **229** |  |  | | | **$** | **1,198** |  |  | | | **$** | **2,438** |  |
| Net Amount at Risk assumed | | | **$** | **1** |  |  | | | **$** | **—** |  |  | | | **$** | **19** |  |  | | | **$** | **222** |  |  | | | **$** | **242** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Average attained age of policyholders (in years) | | | **72** | |  |  | | | **75** | |  |  | | | **72** | |  |  | | | **70** | |  |  | | | **71** | |  |
| Percentage of policyholders over age 70 | | | **65.0** | | **%** |  | | | **63.5** | | **%** |  | | | **61.3** | | **%** |  | | | **55.0** | | **%** |  | | | **59.7** | | **%** |
| Range of contractually specified interest rates | | | **N/A** | | |  | | | **N/A** | | |  | | | **3.3%-6.5%** | | |  | | | **6%-6%** | | |  | | | **3.3%-6.5%** | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)In general, for policies with the highest contractual interest rate shown (10%), the rate applied only for the first 10 years after issue, which has now elapsed.

For more information about the reinsurance programs of the Company’s GMDB and GMIB exposure, see “Reinsurance” in Note 11 of the 2020 Form 10-K.

Separate Accounts Investments by Investment Category Underlying Variable Annuity Contracts with GMDB and GMIB Features

The total Account Values of variable annuity contracts with GMDB and GMIB features include amounts allocated to the guaranteed interest option, which is part of the General Account and variable investment options that invest through Separate Accounts in variable insurance trusts. The following table presents the aggregate fair value of assets, by major investment category, held by Separate Accounts that support variable annuity contracts with GMDB and GMIB features. The investment performance of the assets impacts the related Account Values and, consequently, the NAR associated with the GMDB and GMIB benefits and guarantees. Because the Company’s variable annuity contracts offer both GMDB and GMIB features, GMDB and GMIB amounts are not mutually exclusive.

**Investment in Variable Insurance Trust Mutual Funds**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | | | | | | | |  | | | December 31, 2020 | | | | | | | | |
| **Mutual Fund Type** | | | **GMDB** | | |  | | | **GMIB** | | |  | | | GMDB | | |  | | | GMIB | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| Equity | | | **$** | **48,656** |  |  | | | **$** | **19,246** |  |  | | | $ | 46,850 |  |  | | | $ | 18,771 |  |
| Fixed income | | | **5,362** | |  |  | | | **2,584** | |  |  | | | 5,506 | |  |  | | | 2,701 | |  |
| Balanced | | | **48,016** | |  |  | | | **40,157** | |  |  | | | 47,053 | |  |  | | | 39,439 | |  |
| Other | | | **1,096** | |  |  | | | **272** | |  |  | | | 1,111 | |  |  | | | 275 | |  |
| Total | | | **$** | **103,130** |  |  | | | **$** | **62,259** |  |  | | | $ | 100,520 |  |  | | | $ | 61,186 |  |

Hedging Programs for GMDB, GMIB, GIB and Other Features

The Company has a program intended to hedge certain risks associated first with the GMDB feature and with the GMIB feature of the Accumulator series of variable annuity products. The program has also been extended to cover other guaranteed benefits as they have been made available. This program utilizes derivative contracts, such as exchange-traded equity, currency and interest rate futures contracts, total return and/or equity swaps, interest rate swap and floor contracts, swaptions, variance swaps as well as equity options, that collectively are managed in an effort to reduce the economic impact of unfavorable changes in guaranteed benefits’ exposures attributable to movements in the capital markets. At the present time, this program hedges certain economic risks on products sold from 2001 forward, to the extent such risks are not externally reinsured.

These programs do not qualify for hedge accounting treatment. Therefore, gains (losses) on the derivatives contracts used in these programs, including current period changes in fair value, are recognized in net derivative gains (losses) in the period in which they occur, and may contribute to income (loss) volatility.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

Variable and Interest-Sensitive Life Insurance Policies – NLG

The NLG feature contained in variable and interest-sensitive life insurance policies keeps them in force in situations where the policy value is not sufficient to cover monthly charges then due. The NLG remains in effect so long as the policy meets a contractually specified premium funding test and certain other requirements.

The change in the NLG liabilities, reflected in future policy benefits and other policyholders’ liabilities in the consolidated balance sheets, is summarized in the table below.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  |  |  | **Direct Liability (1)** | | | | | | | | |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Beginning balance | | |  |  |  |  | **$** | **1,022** |  |  | | | $ | 898 |  |  | | |  | | |
| Paid guarantee benefits | | |  |  |  |  | **(15)** | |  |  | | | (13) | |  |  | | |  | | |
| Other changes in reserves | | |  |  |  |  | **43** | |  |  | | | 39 | |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Ending balance | | |  |  |  |  | **$** | **1,050** |  |  | | | $ | 924 |  |  | | |  | | |

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(1)There were no amounts of reinsurance ceded in any period presented.

**7)    FAIR VALUE DISCLOSURES**

U.S. GAAP establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and identifies three levels of inputs that may be used to measure fair value:

Level 1    Unadjusted quoted prices for identical instruments in active markets. Level 1 fair values generally are supported by market transactions that occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2    Observable inputs other than Level 1 prices, such as quoted prices for similar instruments, quoted prices in markets that are not active, and inputs to model-derived valuations that are directly observable or can be corroborated by observable market data.

Level 3    Unobservable inputs supported by little or no market activity and often requiring significant management judgment or estimation, such as an entity’s own assumptions about the cash flows or other significant components of value that market participants would use in pricing the asset or liability.

The Company uses unadjusted quoted market prices to measure fair value for those instruments that are actively traded in financial markets. In cases where quoted market prices are not available, fair values are measured using present value or other valuation techniques. The fair value determinations are made at a specific point in time, based on available market information and judgments about the financial instrument, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such adjustments do not reflect any premium or discount that could result from offering for sale at one time the Company’s entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value cannot be substantiated by direct comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instrument.

Management is responsible for the determination of the value of investments carried at fair value and the supporting methodologies and assumptions. Under the terms of various service agreements, the Company often utilizes independent valuation service providers to gather, analyze, and interpret market information and derive fair values based upon relevant methodologies and assumptions for individual securities. These independent valuation service providers typically obtain data about market transactions and other key valuation model inputs from multiple sources and, through the use of widely accepted valuation models, provide a single fair value measurement for individual securities for which a fair value has been requested. As further described below with respect to specific asset classes, these inputs include, but are not limited to, market prices for recent trades and transactions in comparable securities, benchmark yields, interest rate yield curves, credit spreads, quoted prices for similar securities, and other market-observable information, as applicable. Specific attributes of the security being valued also are considered, including its term, interest rate, credit rating, industry sector, and when applicable, collateral quality and other security- or issuer-specific information. When insufficient market observable information is available upon which to measure fair value,

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

the Company either will request brokers knowledgeable about these securities to provide a non-binding quote or will employ internal valuation models. Fair values received from independent valuation service providers and brokers and those internally modeled or otherwise estimated are assessed for reasonableness.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Fair value measurements are required on a non-recurring basis for certain assets only when an impairment or other events occur. As of March 31, 2021 and December 31, 2020, the Company recognized impairment adjustments and impairment losses, respectively, to adjust the carrying value of held-for-sale asset and liabilities to their fair value less cost to sell. The value is measured on a nonrecurring basis and categorized within Level 3 of the fair value hierarchy. The fair value was determined using a market approach, estimated based on the negotiated value of the asset and liabilities. See Note 15 of the Notes to Consolidated Financial Statements for additional details of the Held-for-Sale assets and liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below.

**Fair Value Measurements as of March 31, 2021 (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Level 1** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| **Assets** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (2) | | | **$** | **—** |  |  | | | **$** | **51,837** |  |  | | | **$** | **1,255** |  |  | | | **$** | **53,092** |  |
| U.S. Treasury, government and agency | | | **—** | |  |  | | | **16,004** | |  |  | | | **—** | |  |  | | | **16,004** | |  |
| States and political subdivisions | | | **—** | |  |  | | | **602** | |  |  | | | **38** | |  |  | | | **640** | |  |
| Foreign governments | | | **—** | |  |  | | | **1,074** | |  |  | | | **—** | |  |  | | | **1,074** | |  |
| Residential mortgage-backed (3) | | | **—** | |  |  | | | **130** | |  |  | | | **—** | |  |  | | | **130** | |  |
| Asset-backed (4) | | | **—** | |  |  | | | **4,614** | |  |  | | | **65** | |  |  | | | **4,679** | |  |
| Commercial mortgage-backed | | | **—** | |  |  | | | **1,486** | |  |  | | | **4** | |  |  | | | **1,490** | |  |
| Redeemable preferred stock | | | **—** | |  |  | | | **52** | |  |  | | | **—** | |  |  | | | **52** | |  |
| Total fixed maturities, AFS | | | **—** | |  |  | | | **75,799** | |  |  | | | **1,362** | |  |  | | | **77,161** | |  |
| Fixed maturities, at fair value using the fair value option | | | **—** | |  |  | | | **703** | |  |  | | | **141** | |  |  | | | **844** | |  |
| Other equity investments | | | **402** | |  |  | | | **394** | |  |  | | | **74** | |  |  | | | **870** | |  |
| Trading securities | | | **300** | |  |  | | | **4,482** | |  |  | | | **39** | |  |  | | | **4,821** | |  |
| Other invested assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Short-term investments | | | **—** | |  |  | | | **87** | |  |  | | | **—** | |  |  | | | **87** | |  |
| Assets of consolidated VIEs/VOEs | | | **53** | |  |  | | | **260** | |  |  | | | **11** | |  |  | | | **324** | |  |
| Swaps | | | **—** | |  |  | | | **(2,139)** | |  |  | | | **—** | |  |  | | | **(2,139)** | |  |
| Credit default swaps | | | **—** | |  |  | | | **6** | |  |  | | | **—** | |  |  | | | **6** | |  |
| Futures | | | **1** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **1** | |  |
| Options | | | **—** | |  |  | | | **5,518** | |  |  | | | **—** | |  |  | | | **5,518** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total other invested assets | | | **54** | |  |  | | | **3,732** | |  |  | | | **11** | |  |  | | | **3,797** | |  |
| Cash equivalents | | | **4,308** | |  |  | | | **1,054** | |  |  | | | **—** | |  |  | | | **5,362** | |  |
| Segregated securities | | | **—** | |  |  | | | **1,413** | |  |  | | | **—** | |  |  | | | **1,413** | |  |
| GMIB reinsurance contracts asset | | | **—** | |  |  | | | **—** | |  |  | | | **1,907** | |  |  | | | **1,907** | |  |
| Separate Accounts assets (5) | | | **136,830** | |  |  | | | **2,398** | |  |  | | | **—** | |  |  | | | **139,228** | |  |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Level 1** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| Total Assets | | | **$** | **141,894** |  |  | | | **$** | **89,975** |  |  | | | **$** | **3,534** |  |  | | | **$** | **235,403** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Liabilities** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Notes issued by consolidated VIE’s, at fair value using the fair value option (6) | | | **$** | **—** |  |  | | | **$** | **506** |  |  | | | **$** | **—** |  |  | | | **$** | **506** |  |
| GMxB derivative features’ liability | | | **—** | |  |  | | | **—** | |  |  | | | **7,824** | |  |  | | | **7,824** | |  |
| SCS, SIO, MSO and IUL indexed features’ liability | | | **—** | |  |  | | | **5,297** | |  |  | | | **—** | |  |  | | | **5,297** | |  |
| Liabilities of consolidated VIEs and VOEs | | | **14** | |  |  | | | **6** | |  |  | | | **—** | |  |  | | | **20** | |  |
| Contingent payment arrangements | | | **—** | |  |  | | | **—** | |  |  | | | **36** | |  |  | | | **36** | |  |
| Total Liabilities | | | **$** | **14** |  |  | | | **$** | **5,809** |  |  | | | **$** | **7,860** |  |  | | | **$** | **13,683** |  |

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(1)Excludes amounts reclassified as HFS except GMxB derivative features’ liability, which is inclusive of amounts reclassified as HFS.

(2)Corporate fixed maturities includes both public and private issues.

(3)Includes publicly traded agency pass-through securities and collateralized obligations.

(4)Includes credit-tranched securities collateralized by sub-prime mortgages, credit risk transfer securities and other asset types.

(5)Separate Accounts assets included in the fair value hierarchy exclude investments in entities that calculate NAV per share (or its equivalent) as a practical expedient. Such investments excluded from the fair value hierarchy include investments in real estate. As of March 31, 2021, the fair value of such investments was $365 million.

(6)Includes CLO short-term debt of $185 million, which is inclusive as fair valued within Notes issued by consolidated VIE’s, at fair value using the fair value option Accrued interest payable of $2 million is reported in Notes issued by consolidated VIE’s, at fair value using the fair value option in the consolidated balance sheets, which is not required to be measured at fair value on a recurring basis.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Fair Value Measurements as of December 31, 2020 (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Level 1 | | |  | | | Level 2 | | |  | | | Level 3 | | |  | | | Total | | |
|  | | | (in millions) | | | | | | | | | | | | | | | | | | | | |
| Assets | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (2) | | | $ | — |  |  | | | $ | 56,457 |  |  | | | $ | 1,702 |  |  | | | $ | 58,159 |  |
| U.S. Treasury, government and agency | | | — | |  |  | | | 16,118 | |  |  | | | — | |  |  | | | 16,118 | |  |
| States and political subdivisions | | | — | |  |  | | | 596 | |  |  | | | 39 | |  |  | | | 635 | |  |
| Foreign governments | | | — | |  |  | | | 1,103 | |  |  | | | — | |  |  | | | 1,103 | |  |
| Residential mortgage-backed (3) | | | — | |  |  | | | 143 | |  |  | | | — | |  |  | | | 143 | |  |
| Asset-backed (4) | | | — | |  |  | | | 3,591 | |  |  | | | 20 | |  |  | | | 3,611 | |  |
| Commercial mortgage-backed (3) | | | — | |  |  | | | 1,203 | |  |  | | | — | |  |  | | | 1,203 | |  |
| Redeemable preferred stock | | | 404 | |  |  | | | 262 | |  |  | | | — | |  |  | | | 666 | |  |
| Total fixed maturities, AFS | | | 404 | |  |  | | | 79,473 | |  |  | | | 1,761 | |  |  | | | 81,638 | |  |
| Fixed maturities, at fair value using the fair value option | | | — | |  |  | | | 309 | |  |  | | | 80 | |  |  | | | 389 | |  |
| Other equity investments | | | 13 | |  |  | | | — | |  |  | | | 71 | |  |  | | | 84 | |  |
| Trading securities | | | 441 | |  |  | | | 5,073 | |  |  | | | 39 | |  |  | | | 5,553 | |  |
| Other invested assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Short-term investments | | | — | |  |  | | | 101 | |  |  | | | 1 | |  |  | | | 102 | |  |
| Assets of consolidated VIEs/VOEs | | | 74 | |  |  | | | 231 | |  |  | | | 13 | |  |  | | | 318 | |  |
| Swaps | | | — | |  |  | | | (99) | |  |  | | | — | |  |  | | | (99) | |  |
| Credit default swaps | | | — | |  |  | | | 5 | |  |  | | | — | |  |  | | | 5 | |  |
| Futures | | | (2) | |  |  | | | — | |  |  | | | — | |  |  | | | (2) | |  |
| Options | | | — | |  |  | | | 4,670 | |  |  | | | — | |  |  | | | 4,670 | |  |
| Swaptions | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total other invested assets | | | 72 | |  |  | | | 4,908 | |  |  | | | 14 | |  |  | | | 4,994 | |  |
| Cash equivalents | | | 4,309 | |  |  | | | 297 | |  |  | | | — | |  |  | | | 4,606 | |  |
| Segregated securities | | | — | |  |  | | | 1,753 | |  |  | | | — | |  |  | | | 1,753 | |  |
| GMIB reinsurance contracts asset | | | — | |  |  | | | — | |  |  | | | 2,488 | |  |  | | | 2,488 | |  |
| Separate Accounts assets (5) | | | 132,698 | |  |  | | | 2,674 | |  |  | | | 1 | |  |  | | | 135,373 | |  |
| Total Assets | | | $ | 137,937 |  |  | | | $ | 94,487 |  |  | | | $ | 4,454 |  |  | | | $ | 236,878 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Liabilities | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Notes issued by consolidated VIE’s, at fair value using the fair value option (6) | | | $ | — |  |  | | | $ | 312 |  |  | | | $ | — |  |  | | | $ | 312 |  |
| GMxB derivative features’ liability | | | — | |  |  | | | — | |  |  | | | 11,131 | |  |  | | | 11,131 | |  |
| SCS, SIO, MSO and IUL indexed features’ liability | | | — | |  |  | | | 4,509 | |  |  | | | — | |  |  | | | 4,509 | |  |
| Liabilities of consolidated VIEs and VOEs | | | 2 | |  |  | | | 6 | |  |  | | | — | |  |  | | | 8 | |  |
| Contingent payment arrangements | | | — | |  |  | | | — | |  |  | | | 28 | |  |  | | | 28 | |  |
| Total Liabilities | | | $ | 2 |  |  | | | $ | 4,827 |  |  | | | $ | 11,159 |  |  | | | $ | 15,988 |  |

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(1)Excludes amounts reclassified as HFS.

(2)Corporate fixed maturities includes both public and private issues.

(3)Includes publicly traded agency pass-through securities and collateralized obligations.

(4)Includes credit-tranched securities collateralized by sub-prime mortgages and other asset types and credit tenant loans.

(5)Separate Accounts assets included in the fair value hierarchy exclude investments in entities that calculate NAV per share (or its equivalent) as a practical expedient. Such investments excluded from the fair value hierarchy include investments in real estate and commercial mortgages. As of December 31, 2020, the fair value of such investments was $356 million.

(6)Accrued interest payable of $1 million is reported in Notes issued by consolidated VIE’s, at fair value using the fair value option in the consolidated balance sheets, which is not required to be measured at fair value on a recurring basis.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

***Public Fixed Maturities***

The fair values of the Company’s public fixed maturities, including those accounted for using the fair value option are generally based on prices obtained from independent valuation service providers and for which the Company maintains a vendor hierarchy by asset type based on historical pricing experience and vendor expertise. Although each security generally is priced by multiple independent valuation service providers, the Company ultimately uses the price received from the independent valuation service provider highest in the vendor hierarchy based on the respective asset type, with limited exception. To validate reasonableness, prices also are internally reviewed by those with relevant expertise through comparison with directly observed recent market trades. Consistent with the fair value hierarchy, public fixed maturities validated in this manner generally are reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs.

***Private Fixed Maturities***

The fair values of the Company’s private fixed maturities, including those accounted for using the fair value option are determined from prices obtained from independent valuation service providers. Prices not obtained from an independent valuation service provider are determined by using a discounted cash flow model or a market comparable company valuation technique. In certain cases, these models use observable inputs with a discount rate based upon the average of spread surveys collected from private market intermediaries who are active in both primary and secondary transactions, taking into account, among other factors, the credit quality and industry sector of the issuer and the reduced liquidity associated with private placements. Generally, these securities have been reflected within Level 2. For certain private fixed maturities, the discounted cash flow model or a market comparable company valuation technique may also incorporate unobservable inputs, which reflect the Company’s own assumptions about the inputs market participants would use in pricing the asset. To the extent management determines that such unobservable inputs are significant to the fair value measurement of a security, a Level 3 classification generally is made.

***Notes issued by consolidated VIE’s, at fair value using the fair value option***

These notes are based on the fair values of corresponding fixed maturity collateral. The CLO liabilities are also reduced by the fair value of the beneficial interests the Company retains in the CLO and the carrying value of any beneficial interests that represent compensation for services. As the notes are valued based on the reference collateral, they are classified as Level 2 or 3. See “Fair Value Option” below for additional information.

***Freestanding Derivative Positions***

The net fair value of the Company’s freestanding derivative positions as disclosed in Note 4 are generally based on prices obtained either from independent valuation service providers or derived by applying market inputs from recognized vendors into industry standard pricing models. The majority of these derivative contracts are traded in the OTC derivative market and are classified in Level 2. The fair values of derivative assets and liabilities traded in the OTC market are determined using quantitative models that require use of the contractual terms of the derivative instruments and multiple market inputs, including interest rates, prices, and indices to generate continuous yield or pricing curves, including overnight index swap curves, and volatility factors, which then are applied to value the positions. The predominance of market inputs is actively quoted and can be validated through external sources or reliably interpolated if less observable.

Level Classifications of the Company’s Financial Instruments

***Financial Instruments Classified as Level 1***

Investments classified as Level 1 primarily include redeemable preferred stock, trading securities, cash equivalents and Separate Accounts assets. Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturities, equity securities and derivative contracts, and net asset values for transacting subscriptions and redemptions of mutual fund shares held by Separate Accounts. Cash equivalents classified as Level 1 include money market accounts, overnight commercial paper and highly liquid debt instruments purchased with an original maturity of three months or less and are carried at cost as a proxy for fair value measurement due to their short-term nature.

***Financial Instruments Classified as Level 2***

Investments classified as Level 2 are measured at fair value on a recurring basis and primarily include U.S. government and agency securities, certain corporate debt securities and financial assets and liabilities accounted for

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

using the fair value option, such as public and private fixed maturities. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined utilizing relevant information generated by market transactions involving comparable securities and often are based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security’s duration, also taking into consideration issuer-specific credit quality and liquidity. Segregated securities classified as Level 2 are U.S. Treasury bills segregated by AB in a special reserve bank custody account for the exclusive benefit of brokerage customers, as required by Rule 15c3-3 of the Exchange Act and for which fair values are based on quoted yields in secondary markets.

Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, issuer spreads, benchmark securities and other reference data. Additional observable inputs are used when available, and as may be appropriate, for certain security types, such as prepayment, default, and collateral information for the purpose of measuring the fair value of mortgage- and asset-backed securities. The Company’s AAA-rated mortgage- and asset-backed securities are classified as Level 2 for which the observability of market inputs to their pricing models is supported by sufficient, albeit more recently contracted, market activity in these sectors.

Certain Company products, such as the SCS, EQUI-VEST variable annuity products, IUL and the MSO fund available in some life contracts, offer investment options which permit the contract owner to participate in the performance of an index, ETF or commodity price. These investment options, which depending on the product and on the index selected, can currently have one, three, five or six year terms, provide for participation in the performance of specified indices, ETF or commodity price movement up to a segment-specific declared maximum rate. Under certain conditions that vary by product, e.g., holding these segments for the full term, these segments also shield policyholders from some or all negative investment performance associated with these indices, ETF or commodity prices. These investment options have defined formulaic liability amounts, and the current values of the option component of these segment reserves are accounted for as Level 2 embedded derivatives. The fair values of these embedded derivatives are based on data obtained from independent valuation service providers.

***Financial Instruments Classified as Level 3***

The Company’s investments classified as Level 3 primarily include corporate debt securities and financial assets and liabilities accounted for using the fair value option, such as private fixed maturities and asset-backed securities. Determinations to classify fair value measures within Level 3 of the valuation hierarchy generally are based upon the significance of the unobservable factors to the overall fair value measurement. Included in the Level 3 classification are fixed maturities with indicative pricing obtained from brokers that otherwise could not be corroborated to market observable data.

The Company also issues certain benefits on its variable annuity products that are accounted for as derivatives and are also considered Level 3. The GMIBNLG feature allows the policyholder to receive guaranteed minimum lifetime annuity payments based on predetermined annuity purchase rates applied to the contract’s benefit base if and when the contract account value is depleted and the NLG feature is activated. The GMWB feature allows the policyholder to withdraw at minimum, over the life of the contract, an amount based on the contract’s benefit base. The GWBL feature allows the policyholder to withdraw, each year for the life of the contract, a specified annual percentage of an amount based on the contract’s benefit base. The GMAB feature increases the contract account value at the end of a specified period to a GMAB base. The GIB feature provides a lifetime annuity based on predetermined annuity purchase rates if and when the contract account value is depleted. This lifetime annuity is based on predetermined annuity purchase rates applied to a GIB base.

Level 3 also includes the GMIB reinsurance contract assets, which are accounted for as derivative contracts. The GMIB reinsurance contract asset and liabilities’ fair value reflects the present value of reinsurance premiums, net of recoveries, and risk margins over a range of market consistent economic scenarios while GMxB derivative features liability reflects the present value of expected future payments (benefits) less fees, adjusted for risk margins and nonperformance risk, attributable to GMxB derivative features’ liability over a range of market-consistent economic scenarios.

The valuations of the GMIB reinsurance contract asset and GMxB derivative features liability incorporate significant non-observable assumptions related to policyholder behavior, risk margins and projections of equity Separate Accounts funds. The credit risks of the counterparty and of the Company are considered in determining the fair values of its GMIB reinsurance contract asset and GMxB derivative features liability positions, respectively, after taking into account the effects of collateral arrangements. Incremental adjustment to the swap curve for non-

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

performance risk is made to the fair values of the GMIB reinsurance contract asset and liabilities and GMIBNLG feature to reflect the claims-paying ratings of counterparties and the Company. Equity and fixed income volatilities were modeled to reflect current market volatilities. Due to the unique, long duration of the GMIBNLG feature, adjustments were made to the equity volatilities to remove the illiquidity bias associated with the longer tenors and risk margins were applied to the non-capital markets inputs to the GMIBNLG valuations.

After giving consideration to collateral arrangements, the Company reduced the fair value of its GMIB reinsurance contract asset by $91 million and $102 million as of March 31, 2021 and December 31, 2020, respectively, to recognize incremental counterparty non-performance risk and reduced the fair value of its GMIB reinsurance contract liabilities by $15 million and $19 million as of March 31, 2021 and December 31, 2020, respectively, to recognize its own incremental non-performance risk.

Lapse rates are adjusted at the contract level based on a comparison of the actuarial calculated guaranteed values and the current policyholder account value, which include other factors such as considering surrender charges. Generally, lapse rates are assumed to be lower in periods when a surrender charge applies. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in-the-money contracts are less likely to lapse. For valuing the embedded derivative, lapse rates vary throughout the period over which cash flows are projected.

The Company’s Level 3 liabilities include contingent payment arrangements associated with acquisitions in 2016 and 2019 by AB. At each reporting date, AB estimates the fair values of the contingent consideration expected to be paid based upon revenue and discount rate projections, using unobservable market data inputs, which are included in Level 3 of the valuation hierarchy. The Company’s consolidated VIEs/VOEs hold investments that are classified as Level 3, primarily corporate bonds that are vendor priced with no ratings available, bank loans, non-agency collateralized mortgage obligations and asset-backed securities.

Transfers of Financial Instruments Between Levels 2 and 3

During the three months ended March 31, 2021, AFS fixed maturities with fair values of $549 million were transferred out of Level 3 and into Level 2 principally due to the availability of trading activity and/or market observable inputs to measure and validate their fair values. In addition, AFS fixed maturities with fair value of $2 million were transferred from Level 2 into the Level 3 classification. These transfers in the aggregate represent approximately 4.5% of total equity as of March 31, 2021.

During the three months ended March 31, 2020, AFS fixed maturities with fair values of $126 million were transferred out of Level 3 and into Level 2 principally due to the availability of trading activity and/or market observable inputs to measure and validate their fair values. In addition, AFS fixed maturities with fair value of $0 million were transferred from Level 2 into the Level 3 classification. These transfers in the aggregate represent approximately 0.6% of total equity as of March 31, 2020.

The tables below present reconciliations for all Level 3 assets and liabilities for the three months ended March 31, 2021 and 2020, respectively.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Level 3 Instruments - Fair Value Measurements**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Corporate** | | |  | | | **State and Political Subdivisions** | | |  | | |  |  |  |  | **Asset-backed** | | |  | | | **Redeemable Preferred Stock** | | |  | | | **CMBS** | | |  | | | **Fixed maturities, at FVO (2)** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | |  |  | | |  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, January 1, 2021** | | | **$** | **1,702** |  |  | | | **$** | **39** |  |  | | |  |  |  |  | **$** | **20** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **80** |  |
| Total gains and (losses), realized and unrealized, included in: | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) as: | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net investment income (loss) | | | **1** | |  |  | | | **—** | |  |  | | |  |  |  |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **3** | |  |
| Investment gains (losses), net | | | **(6)** | |  |  | | | **—** | |  |  | | |  |  |  |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Subtotal | | | **(5)** | |  |  | | | **—** | |  |  | | |  |  |  |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **3** | |  |
| Other comprehensive income (loss) | | | **9** | |  |  | | | **(1)** | |  |  | | |  |  |  |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  | | |
| Purchases | | | **165** | |  |  | | | **—** | |  |  | | |  |  |  |  | **50** | |  |  | | | **—** | |  |  | | | **4** | |  |  | | | **88** | |  |
| Sales | | | **(69)** | |  |  | | | **—** | |  |  | | |  |  |  |  | **(5)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(8)** | |  |
| Transfers into Level 3 (1) | | | **2** | |  |  | | | **—** | |  |  | | |  |  |  |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **7** | |  |
| Transfers out of Level 3 (1) | | | **(549)** | |  |  | | | **—** | |  |  | | |  |  |  |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(28)** | |  |
| **Balance, March 31, 2021** | | | **$** | **1,255** |  |  | | | **$** | **38** |  |  | | |  |  |  |  | **$** | **65** |  |  | | | **$** | **—** |  |  | | | **$** | **4** |  |  | | | **$** | **142** |  |
|  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2020 | | | $ | 1,257 |  |  | | | $ | 39 |  |  | | |  |  |  |  | $ | 100 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |
| Total gains and (losses), realized and unrealized, included in: | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) as: | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net investment income (loss) | | | 1 | |  |  | | | — | |  |  | | |  |  |  |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Investment gains (losses), net | | | (2) | |  |  | | | — | |  |  | | |  |  |  |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Subtotal | | | (1) | |  |  | | | — | |  |  | | |  |  |  |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Other comprehensive income (loss) | | | (61) | |  |  | | | (3) | |  |  | | |  |  |  |  | (8) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Purchases | | | 61 | |  |  | | | — | |  |  | | |  |  |  |  | 48 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Sales | | | (45) | |  |  | | | — | |  |  | | |  |  |  |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Transfers into Level 3 (1) | | | — | |  |  | | | — | |  |  | | |  |  |  |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Transfers out of Level 3 (1) | | | (26) | |  |  | | | — | |  |  | | |  |  |  |  | (100) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Balance, March 31, 2020 | | | $ | 1,185 |  |  | | | $ | 36 |  |  | | |  |  |  |  | $ | 40 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |
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(1)Transfers into/out of the Level 3 classification are reflected at beginning-of-period fair values.

(2) Fixed maturities, at fair value using the fair value option.

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**EQUITABLE HOLDINGS, INC.**

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|  | | | **Other Equity Investments** | | |  | | | **GMIB Reinsurance   Contract Asset** | | |  | | | **Separate Accounts Assets** | | |  | | | **GMxB Derivative Features Liability** | | |  | | | **Contingent Payment Arrangement** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Balance, January 1, 2021** | | | **$** | **124** |  |  | | | **$** | **2,488** |  |  | | | **$** | **1** |  |  | | | **$** | **(11,131)** |  |  | | | **$** | **(28)** |  |
| Realized and unrealized gains (losses), included in Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment gains (losses), net | | | **1** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Net derivative gains (losses) (1) (7) | | | **—** | |  |  | | | **(578)** | |  |  | | | **—** | |  |  | | | **3,408** | |  |  | | | **—** | |  |
| Total realized and unrealized gains (losses) | | | **1** | |  |  | | | **(578)** | |  |  | | | **—** | |  |  | | | **3,408** | |  |  | | | **—** | |  |
| Other comprehensive income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Purchases (2) | | | **2** | |  |  | | | **11** | |  |  | | | **—** | |  |  | | | **(119)** | |  |  | | | **(7)** | |  |
| Sales (3) | | | **(2)** | |  |  | | | **(14)** | |  |  | | | **—** | |  |  | | | **18** | |  |  | | | **—** | |  |
| Settlements (4) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Change in estimate (5) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Activity related to consolidated VIEs/VOEs | | | **(2)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(1)** | |  |
| Transfers into Level 3 (6) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Transfers out of Level 3 (6) | | | **—** | |  |  | | | **—** | |  |  | | | **(1)** | |  |  | | | **—** | |  |  | | | **—** | |  |
| **Balance, March 31, 2021** | | | **$** | **123** |  |  | | | **$** | **1,907** |  |  | | | **$** | **—** |  |  | | | **$** | **(7,824)** |  |  | | | **$** | **(36)** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2020 | | | $ | 150 |  |  | | | $ | 2,139 |  |  | | | $ | — |  |  | | | $ | (8,502) |  |  | | | $ | (23) |  |
| Realized and unrealized gains (losses), included in Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment gains (losses), net | | | 7 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Net derivative gains (losses) | | | — | |  |  | | | 726 | |  |  | | | — | |  |  | | | (1,199) | |  |  | | | — | |  |
| Total realized and unrealized gains (losses) | | | 7 | |  |  | | | 726 | |  |  | | | — | |  |  | | | (1,199) | |  |  | | | — | |  |
| Other comprehensive income (loss) | | | (7) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Purchases (2) | | | 2 | |  |  | | | 10 | |  |  | | | — | |  |  | | | (111) | |  |  | | | — | |  |
| Sales (3) | | | (11) | |  |  | | | (20) | |  |  | | | — | |  |  | | | 14 | |  |  | | | — | |  |
| Settlements (4) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Change in estimate | | | — | |  |  | | | (32) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Activity related to consolidated VIEs/VOEs | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (1) | |  |
| Transfers into Level 3 (6) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Transfers out of Level 3 (6) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Balance, March 31, 2020 | | | $ | 140 |  |  | | | $ | 2,823 |  |  | | | $ | — |  |  | | | $ | (9,798) |  |  | | | $ | (24) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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(1)The Company’s non-performance risk impact of $79 million for the GMxB Derivative Features Liability and $(15) million for the GMIB Reinsurance Contract Asset during the three months ended March 31, 2021, respectively, is recorded through Net derivative gains (losses).

(2)For the GMIB reinsurance contract asset, and GMxB derivative features liability, represents attributed fee.

(3)For the GMIB reinsurance contract asset, represents recoveries from reinsurers and for GMxB derivative features liability represents benefits paid.

(4)For contingent payment arrangements, it represents payments under the arrangement.

(5)For the GMIB reinsurance contract asset, represents a transfer from amounts due from reinsurers.

(6)Transfers into/out of the Level 3 classification are reflected at beginning-of-period fair values.

(7)GMxB Derivative Features Liability excludes a $46 million settlement fee on CS Life reinsurance contract.

The table below details changes in unrealized gains (losses) for the three months ended March 31, 2021 and 2020 by category for Level 3 assets and liabilities still held as of March 31, 2021 and 2020, respectively.

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**EQUITABLE HOLDINGS, INC.**

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**Change in Unrealized Gains (Losses) for Level 3 Instruments**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Net Income (Loss)** | | |  | | |  | | |
|  | | |  |  | **Net Derivative Gains (Losses)** | | |  | | | **OCI** | | |
|  | | |  |  | **(in millions)** | | | | | | | | |
| **Held at March 31, 2021:** | | |  |  |  | | |  | | |  | | |
| Change in unrealized gains (losses): | | |  |  |  | | |  | | |  | | |
| Fixed maturities, AFS | | |  |  |  | | |  | | |  | | |
| Corporate | | |  |  | **$** | **—** |  |  | | | **$** | **9** |  |
| State and political subdivisions | | |  |  | **—** | |  |  | | | **(1)** | |  |
| Asset-backed | | |  |  | **—** | |  |  | | | **—** | |  |
| Total fixed maturities, AFS | | |  |  | — | |  |  | | | **8** | |  |
| GMIB reinsurance contracts | | |  |  | **(578)** | |  |  | | | **—** | |  |
| Separate Account assets | | |  |  | **—** | |  |  | | | **—** | |  |
| GMxB derivative features liability | | |  |  | **3,408** | |  |  | | | **—** | |  |
| Total | | |  |  | **$** | **2,830** |  |  | | | **$** | **8** |  |
|  | | |  |  |  | | |  | | |  | | |
| Held at March 31, 2020: | | |  |  |  | | |  | | |  | | |
| Change in unrealized gains (losses): | | |  |  |  | | |  | | |  | | |
| Fixed maturities, AFS | | |  |  |  | | |  | | |  | | |
| Corporate | | |  |  | $ | — |  |  | | | $ | (61) |  |
| State and political subdivisions | | |  |  | — | |  |  | | | (2) | |  |
|  | | |  |  |  | | |  | | |  | | |
| Asset-backed | | |  |  | — | |  |  | | | (8) | |  |
| Total fixed maturities, AFS | | |  |  | — | |  |  | | | (71) | |  |
| GMIB reinsurance contracts | | |  |  | 726 | |  |  | | | — | |  |
| Separate Account assets | | |  |  | — | |  |  | | | — | |  |
| GMxB derivative features liability | | |  |  | (1,199) | |  |  | | | — | |  |
| Total | | |  |  | $ | (473) |  |  | | | $ | (71) |  |
|  | | |  |  |  | | |  | | |  | | |
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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

Quantitative and Qualitative Information about Level 3 Fair Value Measurements

The following tables disclose quantitative information about Level 3 fair value measurements by category for assets and liabilities as of March 31, 2021 and December 31, 2020, respectively.

**Quantitative Information about Level 3 Fair Value Measurements as of March 31, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Fair**  **Value** | | |  | | | **Valuation**  **Technique** | | |  | | | **Significant**  **Unobservable Input** | | |  | | | **Range** | | |  | | | **Weighted Average (2)** | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  | | |
| **Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | **$** | **40** |  |  | | | Matrix pricing model | | |  | | | Spread over Benchmark | | |  | | | **20 - 245 bps** | | |  | | | **150 bps** | | |  | | |
|  | | | **771** | |  |  | | | Market comparable  companies | | |  | | | EBITDA multiples Discount rate  Cash flow multiples | | |  | | | **4.0x - 32.3x 6.0% - 16.7% 1.6x -25.0x** | | |  | | | **11.4x 8.5% 6.7x** | | |  | | |
| Other equity investments | | | **2** | |  |  | | | Market comparable companies | | |  | | | Revenue multiple | | |  | | | **9.6x - 17.2x** | | |  | | | **16.0x** | | |  | | |
|  | | | **39** | |  |  | | | Discounted Cash Flow | | |  | | | Earnings multiple Discount factor Discount years | | |  | | | **8.2x 10.0% 11** | | |  | | |  | | |  | | |
| GMIB reinsurance contract asset | | | **1,907** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates Withdrawal Rates GMIB Utilization Rates Non-performance risk Volatility rates - Equity Mortality: Ages 0-40 Ages 41-60 Ages 61-115 | | |  | | | **0.6%-16% 0%-2% 0%-61% 52 - 88 bps 11%-28% 0.01%-0.18% 0.07%-0.54% 0.42%-42.20%** | | |  | | | **1.93% 0.89% 5.27% 56 bps 23.8% 2.94% (same for all ages) (same for all ages)** | | |  | | |
| **Liabilities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| AB Contingent Consideration Payable | | | **36** | |  |  | | | Discounted cash flow | | |  | | | Expected revenue growth rates Discount rate | | |  | | | **2.0 % - 135.6 % 1.9 % - 20.0 %** | | |  | | | **9.0 %  10.8 %** | | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Fair**  **Value** | | |  | | | **Valuation**  **Technique** | | |  | | | **Significant**  **Unobservable Input** | | |  | | | **Range** | | |  | | | **Weighted Average (2)** | | |  | | |
| GMIBNLG | | | **7,625** | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk Lapse rates Withdrawal rates Annuitization rates Mortality rates (1): Ages 0 - 40 Ages 41 - 60 Ages 61 - 115 | | |  | | | **102.0 bps 1.1%-25.7% 0.4%-2% 0%-100%  0.01%-0.19% 0.06%-0.53% 0.41%-41.39%** | | |  | | | **3.44% 0.95% 5.18%  1.66% (same for all ages) (same for all ages)** | | |  | | |
| Assumed GMIB Reinsurance Contracts | | | **143** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates Withdrawal Rates (Age 0-85) Withdrawal Rates (Age 86+) GMIB Utilization Rates Non-performance risk (bps) Volatility rates - Equity | | |  | | | **1.1% - 11.1% 0.6% - 22.2% 1.1% - 100% 0% - 30% 66 - 129 11%-28%** | | |  | | | **1.93% 0.89% (same for all ages) 5.27% 99 bps 24%** | | |  | | |
| GWBL/GMWB | | | **134** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates Withdrawal Rates Utilization Rates  Volatility rates - Equity Non-performance risk | | |  | | | **0.8%-16% 0%-8% 100% once starting 11%-28% 102.0 bps** | | |  | | | **1.93% 0.89%   24%** | | |  | | |
| GIB | | | **(76)** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates Withdrawal Rates Utilization Rates Volatility rates - Equity Non-performance risk | | |  | | | **0.8%-15.6% 0%-2% 0%-100% 11%-28% 102.0 bps** | | |  | | | **1.93% 0.89% 5.27% 24%** | | |  | | |
| GMAB | | | **(2)** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates Volatility rates - Equity Non-performance risk | | |  | | | **0.8%-16% 11%-28% 102.0 bps** | | |  | | | **1.93% 24%** | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Mortality rates vary by age and demographic characteristic such as gender. Mortality rate assumptions are based on a combination of company and industry experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuating the embedded derivatives.

(2)For lapses, withdrawals, and utilizations the rates were weighted by counts; for mortality weighted average rates are shown for all ages combined; and for withdrawals the weighted averages were based on an estimated split of partial withdrawal and dollar-for-dollar withdrawals.

**Quantitative Information about Level 3 Fair Value Measurements as of December 31, 2020**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Fair Value | | |  | | | Valuation Technique | | |  | | | Significant Unobservable Input | | |  | | | Range | | |  | | | Weighted Average | | |
|  | | | (in millions) | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| Assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | $ | 34 |  |  | | | Matrix pricing model | | |  | | | Spread over benchmark | | |  | | | 45 - 195 bps | | |  | | | 160 bps | | |
|  | | | 1,148 | |  |  | | | Market comparable companies | | |  | | | EBITDA multiples Discount rate Cash flow multiples | | |  | | | 3.5x - 33.1x 5.6% - 28.4% 1.9x -25.0x | | |  | | | 10.8x 8.6% 6.8x | | |
| Other equity investments | | | 2 | |  |  | | | Market comparable companies | | |  | | | Revenue multiple | | |  | | | 9.7x - 26.4x | | |  | | | 18.5x | | |
|  | | | 39 | |  |  | | | Discounted cash flow | | |  | | | Earnings multiple Discounts factor Discount years | | |  | | | 8.2x 10.0% 11 | | |  | | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Fair Value | | |  | | | Valuation Technique | | |  | | | Significant Unobservable Input | | |  | | | Range | | |  | | | Weighted Average | | |
| GMIB reinsurance contract asset | | | 2,488 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk Lapse rates Withdrawal rates Utilization rates Volatility rates - Equity Mortality rates (1): Ages 0 - 40  Ages 41 - 60  Ages 60 - 115 | | |  | | | 43 - 85 bps 0.6%-16% 0%-2% 0%-61% 7%-32%  0.01%-0.18% 0.07%-0.54% 0.42%-42.20% | | |  | | | 50 bps 1.69% 0.91% 5.82% 24%  2.80% (same for all ages) (same for all ages) | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| AB Contingent Consideration Payable | | | 28 | |  |  | | | Discounted cash flow | | |  | | | Expected revenue growth rates Discount rate | | |  | | | 0.7 % - 50.0 % 1.9 % - 10.4 % | | |  | | | 4.9 %   8.0 % | | |
| GMIBNLG | | | 10,713 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk Lapse rates Withdrawal rates Annuitization rates Mortality rates (1): Ages 0 - 40  Ages 41 - 60  Ages 60 - 115 | | |  | | | 96.0 bps 1.1%-25.7% 0.4%-2% 0%-100%  0.01%-0.19% 0.06%-0.53% 0.41%-41.39% | | |  | | | 3.19% 0.93% 5.51%  1.56% (same for all ages) (same for all ages) | | |
| Assumed GMIB Reinsurance Contracts | | | 195 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk Lapse rates Withdrawal rates (Age 0 - 85) Withdrawal rates (Age 86+) Utilization rates Volatility rates - Equity | | |  | | | 60 - 133 1.1% - 11.1% 0.6% - 22.2% 1.1% - 100% 0% - 30% 7%-32% | | |  | | | 99 bps 1.69% 0.91% (same for all ages) 5.82% 24% | | |
| GWBL/GMWB | | | 190 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk Lapse rates Withdrawal rates Utilization rates  Volatility rates - Equity | | |  | | | 96.0 bps 0.8%-16% 0%-8% 100% once starting 7%-32% | | |  | | | 1.69% 0.91%  24% | | |
| GIB | | | 31 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk Lapse rates Withdrawal rates Utilization rates Volatility rates - Equity | | |  | | | 96.0 bps 0.8%-15.6% 0%-2% 0%-100% 7%-32% | | |  | | | 1.69% 0.91% 5.82% 24% | | |
| GMAB | | | 2 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk Lapse rates Volatility rates - Equity | | |  | | | 96.0 bps 0.8%-16% 7%-32% | | |  | | | 1.69% 24% | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Mortality rates vary by age and demographic characteristic such as gender. Mortality rate assumptions are based on a combination of company and industry experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuating the embedded derivatives.

***Level 3 Financial Instruments for which Quantitative Inputs are Not Available***

Certain Privately Placed Debt Securities with Limited Trading Activity

Excluded from the tables above as of March 31, 2021 and December 31, 2020, respectively, are approximately $774 million and $743 million of Level 3 fair value measurements of investments for which the underlying quantitative inputs are not developed by the Company and are not readily available. These investments primarily consist of certain privately placed debt securities with limited trading activity, including residential mortgage- and asset-backed instruments, and their fair values generally reflect unadjusted prices obtained from independent valuation service providers and indicative, non-binding quotes obtained from third-party broker-dealers recognized as market participants. Significant increases or decreases in the fair value amounts received from these pricing sources may result in the Company’s reporting significantly higher or lower fair value measurements for these Level 3 investments.

•The fair value of private placement securities is determined by application of a matrix pricing model or a market comparable company value technique. The significant unobservable input to the matrix pricing model valuation technique is the spread over the industry-specific benchmark yield curve. Generally, an increase or decrease in spreads would lead to directionally inverse movement in the fair value measurements of these securities. The significant unobservable input to the market comparable company valuation technique is the

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

discount rate. Generally, a significant increase (decrease) in the discount rate would result in significantly lower (higher) fair value measurements of these securities.

•Residential mortgage-backed securities classified as Level 3 primarily consist of non-agency paper with low trading activity. Included in the tables above as of March 31, 2021 and December 31, 2020, there were no Level 3 securities that were determined by application of a matrix pricing model and for which the spread over the U.S. Treasury curve is the most significant unobservable input to the pricing result. Generally, a change in spreads would lead to directionally inverse movement in the fair value measurements of these securities.

•Asset-backed securities classified as Level 3 primarily consist of non-agency mortgage loan trust certificates, including subprime and Alt-A paper, credit risk transfer securities, and equipment financings. Included in the tables above as of March 31, 2021 and December 31, 2020, there were no securities that were determined by the application of matrix-pricing for which the spread over the U.S. Treasury curve is the most significant unobservable input to the pricing result. Significant increases (decreases) in spreads would have resulted in significantly lower (higher) fair value measurements.

Other Equity Investments

Included in other equity investments classified as Level 3 are venture capital securities in the Technology, Media and Telecommunications industries. The fair value measurements of these securities include significant unobservable inputs including an enterprise value to revenue multiples and a discount rate to account for liquidity and various risk factors. Significant increases (decreases) in the enterprise value to revenue multiple inputs in isolation would have resulted in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the discount rate would have resulted in a significantly lower (higher) fair value measurement.

GMIB Reinsurance Contract Asset and GMxB Derivative Features Liability

Significant unobservable inputs with respect to the fair value measurement of the Level 3 GMIB reinsurance contract asset and the Level 3 liabilities identified in the table above are developed using Company data.

The significant unobservable inputs used in the fair value measurement of the Company’s GMIB reinsurance contract asset are lapse rates, withdrawal rates, and GMIB utilization rates. Significant increases in GMIB utilization rates or decreases in lapse or withdrawal rates in isolation would tend to increase the GMIB reinsurance contract asset.

Fair value measurement of the GMIB reinsurance contract asset and liabilities includes dynamic lapse and GMIB utilization assumptions whereby projected contractual lapses and GMIB utilization reflect the projected net amount of risks of the contract. As the net amount of risk of a contract increases, the assumed lapse rate decreases and the GMIB utilization increases. Increases in volatility would increase the asset and liabilities.

The significant unobservable inputs used in the fair value measurement of the Company’s GMIBNLG liability are lapse rates, withdrawal rates, GMIB utilization rates, adjustment for non-performance risk and NLG forfeiture rates. NLG forfeiture rates are caused by excess withdrawals above the annual GMIB accrual rate that cause the NLG to expire. Significant decreases in lapse rates, NLG forfeiture rates, adjustment for non-performance risk and GMIB utilization rates would tend to increase the GMIBNLG liability, while decreases in withdrawal rates and volatility rates would tend to decrease the GMIBNLG liability.

The significant unobservable inputs used in the fair value measurement of the Company’s GMWB and GWBL liability are lapse rates and withdrawal rates. Significant increases in withdrawal rates or decreases in lapse rates in isolation would tend to increase these liabilities. Increases in volatility would increase these liabilities.

Carrying Value of Financial Instruments Not Otherwise Disclosed in Note 3 and Note 4

The carrying values and fair values as of March 31, 2021 and December 31, 2020 for financial instruments not otherwise disclosed in Note 3 and Note 4 are presented in the table below.

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**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Carrying Values and Fair Values for Financial Instruments Not Otherwise Disclosed**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Carrying Value** | | |  | | | **Fair Value** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Level 1** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **March 31, 2021:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans on real estate | | | **$** | **13,280** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **13,532** |  |  | | | **$** | **13,532** |  |
| Policy loans (1) | | | **$** | **4,091** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **5,117** |  |  | | | **$** | **5,117** |  |
| Policyholders’ liabilities: Investment contracts (1) | | | **$** | **2,160** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **2,280** |  |  | | | **$** | **2,280** |  |
| FHLB funding agreements | | | **$** | **10,223** |  |  | | | **$** | **—** |  |  | | | **$** | **10,284** |  |  | | | **$** | **—** |  |  | | | **$** | **10,284** |  |
| FABN funding agreements | | | **$** | **3,132** |  |  | | | **$** | **—** |  |  | | | **$** | **3,087** |  |  | | | **$** | **—** |  |  | | | **$** | **3,087** |  |
| Short-term and long-term debt (2) | | | **$** | **3,837** |  |  | | | **$** | **—** |  |  | | | **$** | **4,493** |  |  | | | **$** | **—** |  |  | | | **$** | **4,493** |  |
| Separate Accounts liabilities | | | **$** | **10,658** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **10,658** |  |  | | | **$** | **10,658** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| December 31, 2020: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans on real estate | | | $ | 13,159 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 13,491 |  |  | | | $ | 13,491 |  |
| Policy loans (1) | | | $ | 4,118 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 5,352 |  |  | | | $ | 5,352 |  |
| Policyholders’ liabilities: Investment contracts (1) | | | $ | 2,198 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,416 |  |  | | | $ | 2,416 |  |
| FHLB funding agreements | | | $ | 6,897 |  |  | | | $ | — |  |  | | | $ | 6,990 |  |  | | | $ | — |  |  | | | $ | 6,990 |  |
| FABN funding agreements | | | $ | 1,939 |  |  | | | $ | — |  |  | | | $ | 1,971 |  |  | | | $ | — |  |  | | | $ | 1,971 |  |
| Short-term and long-term debt | | | $ | 4,115 |  |  | | | $ | — |  |  | | | $ | 5,065 |  |  | | | $ | — |  |  | | | $ | 5,065 |  |
| Separate Accounts liabilities | | | $ | 10,081 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 10,081 |  |  | | | $ | 10,081 |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Excludes amounts reclassified as HFS.

(2)Excludes CLO short-term debt of $185 million, which is inclusive as fair valued within Notes issued by consolidated VIE’s, at fair value using the fair value option.

***Mortgage Loans on Real Estate***

Fair values for commercial and agricultural mortgage loans on real estate are measured by discounting future contractual cash flows to be received on the mortgage loan using interest rates at which loans with similar characteristics and credit quality would be made. The discount rate is derived based on the appropriate U.S. Treasury rate with a like term to the remaining term of the loan to which a spread reflective of the risk premium associated with the specific loan is added. Fair values for mortgage loans anticipated to be foreclosed and problem mortgage loans are limited to the fair value of the underlying collateral, if lower.

***Policy Loans***

The fair value of policy loans is calculated by discounting expected cash flows based upon the U.S. Treasury yield curve and historical loan repayment patterns.

***Short-term and Long-term Debt***

The Company’s short-term debt primarily includes commercial paper with short-term maturities and carrying value approximates fair value. The fair values for the Company’s long-term debt are determined by Bloomberg’s evaluated pricing service, which uses direct observations or observed comparables.

***FHLB Funding Agreements***

The fair values of the Company’s FHLB funding agreements are determined by discounted cash flow analysis based on the indicative funding agreement rates published by the FHLB.

***FABN Funding Agreements***

The fair values of Equitable Financial’s FABN funding agreements are determined by Bloomberg’s evaluated pricing service, which uses direct observations or observed comparables.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

***Policyholder Liabilities - Investment Contracts and Separate Accounts Liabilities***

The fair values for deferred annuities and certain annuities, which are included in Policyholders’ account balances, and liabilities for investment contracts with fund investments in Separate Accounts, are estimated using projected cash flows discounted at rates reflecting current market rates. Significant unobservable inputs reflected in the cash flows include lapse rates and withdrawal rates. Incremental adjustments may be made to the fair value to reflect non-performance risk. Certain other products such as the Company’s association plans contracts, supplementary contracts not involving life contingencies, Access Accounts and Escrow Shield Plus product reserves are held at book value.

Financial Instruments Exempt from Fair Value Disclosure or Otherwise Not Required to be Disclosed

***Exempt from Fair Value Disclosure Requirements***

Certain financial instruments are exempt from the requirements for fair value disclosure, such as insurance liabilities other than financial guarantees and investment contracts, limited partnerships accounted for under the equity method and pension and other postretirement obligations.

***Otherwise Not Required to be Included in the Table Above***

The Company’s investment in COLI policies are recorded at their cash surrender value and are therefore not required to be included in the table above. See Note 2 for further description of the Company’s accounting policy related to its investment in COLI policies.

**8)    EMPLOYEE BENEFIT PLANS**

Pension Plans

***Holdings and Equitable Financial Retirement Plans***

Holdings sponsors the MONY Life Retirement Income Security Plan for Employees and Equitable Financial sponsors the Equitable Retirement Plan (the “Equitable Financial QP”), both of which are frozen qualified defined benefit plans covering eligible employees and financial professionals. These pension plans are non-contributory, and their benefits are generally based on a cash balance formula and/or, for certain participants, years of service and average earnings over a specified period. Holdings and Equitable Financial also sponsor certain nonqualified defined benefit plans, including the Equitable Excess Retirement Plan, that provide retirement benefits in excess of the amount permitted under the tax law for the qualified plans. Holdings has assumed primary liability for both plans. Equitable Financial remains secondarily liable for its obligations under the Equitable Financial QP and and would recognize such liability in the event Holdings does not perform.

***AB Retirement Plans***

AB maintains a qualified, non-contributory, defined benefit retirement plan covering current and former employees who were employed by AB in the United States prior to October 2, 2000 (the “AB Plan”). Benefits under the AB Plan are based on years of credited service, average final base salary, and primary Social Security benefits.

***Net Periodic Pension Expense***

Components of net periodic pension expense for the Company’s plans were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  | | |  | | |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Service cost | | |  |  |  |  | **$** | **2** |  |  | | | $ | 2 |  |  | | |  | | |
| Interest cost | | |  |  |  |  | **14** | |  |  | | | 23 | |  |  | | |  | | |
| Expected return on assets | | |  |  |  |  | **(38)** | |  |  | | | (37) | |  |  | | |  | | |
| Prior Period Svc Cost Amortization | | |  |  |  |  | **(1)** | |  |  | | | — | |  |  | | |  | | |
| Actuarial (gain) loss | | |  |  |  |  | **1** | |  |  | | | — | |  |  | | |  | | |
| Net amortization | | |  |  |  |  | **29** | |  |  | | | 27 | |  |  | | |  | | |
| Impact of settlement | | |  |  |  |  | **—** | |  |  | | | — | |  |  | | |  | | |
| Net Periodic Pension Expense | | |  |  |  |  | **$** | **7** |  |  | | | $ | 15 |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**9)    INCOME TAXES**

Income tax expense for the three months ended March 31, 2021 and 2020 was computed using an estimated annual effective tax rate (“ETR”), with discrete items recognized in the period in which they occur. The estimated ETR is revised, as necessary, at the end of successive interim reporting periods.

**10)    EQUITY**

Preferred Stock

Preferred stock authorized, issued and outstanding was as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **March 31, 2021** | | | | | | | | | | | | | | |  | | | December 31, 2020 | | | | | | | | | | | | | | |
| Series | | |  | | | **Shares Authorized** | | |  | | | **Shares  Issued** | | |  | | | **Shares Outstanding** | | |  | | | Shares Authorized | | |  | | | Shares  Issued | | |  | | | Shares Outstanding | | |
| Series A | | |  | | | **32,000** | |  |  | | | **32,000** | |  |  | | | **32,000** | |  |  | | | 32,000 | |  |  | | | 32,000 | |  |  | | | 32,000 | |  |
| Series B | | |  | | | **20,000** | |  |  | | | **20,000** | |  |  | | | **20,000** | |  |  | | | 20,000 | |  |  | | | 20,000 | |  |  | | | 20,000 | |  |
| Series C | | |  | | | **12,000** | |  |  | | | **12,000** | |  |  | | | **12,000** | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total | | |  | | | **64,000** | |  |  | | | **64,000** | |  |  | | | **64,000** | |  |  | | | 52,000 | |  |  | | | 52,000 | |  |  | | | 52,000 | |  |

Series C Fixed Rate Reset Noncumulative Perpetual Preferred Stock

On January 8, 2021, Holdings issued 12,000,000 depositary shares, each representing a 1/1,000th interest in a share of the Company’s Series C Fixed Rate Noncumulative Perpetual Preferred Stock (“Series C Preferred Stock”), $1.00 par value per share and liquidation preference of $25,000 per share, for aggregate net cash proceeds of $293 million ($300 million gross). The Series C Preferred Stock ranks senior to Holdings’ common stock and on parity with Holdings’ Series A Preferred Stock and Series B Preferred Stock with respect to the payment of dividends and liquidation. Holdings will pay dividends on the Series C Preferred Stock on a noncumulative basis only when, as and if declared by the Company’s Board of Directors (or a duly authorized committee of the Board) and will be payable quarterly in arrears, at an annual rate equal to the fixed rate of 4.3%.

***Dividends to Shareholders***

Dividends declared per share were as follows for the periods indicated:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three months ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
| Series A dividends declared | | |  |  |  |  | **$** | **328** |  |  | | | $ | 394 |  |  | | |  | | |
| Series B dividends declared | | |  |  |  |  | **$** | **—** |  |  | | | $ | — |  |  | | |  | | |
| Series C dividends declared | | |  |  |  |  | **$** | **200** |  |  | | | $ | — |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |

Common Stock

Dividends declared per share of common stock were as follows for the periods indicated:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
| Dividends declared | | |  |  |  |  | **$** | **0.17** |  |  | | | $ | 0.15 |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |

***Share Repurchase***

On November 6, 2019, Holdings’ Board of Directors authorized a $400 million share repurchase program with an expiration date of December 31, 2020. On February 26, 2020, Holdings’ Board of Directors authorized an increase of $600 million to the capacity of this program as well as the extension of the term of the program until March 31, 2021. This program was exhausted in January 2021. On October 23, 2020, Holdings’ Board of Directors authorized an incremental $500 million of share repurchase in 2021, subject to the close of the Venerable Transaction. In addition, on February 17, 2021 Holdings announced that its Board of Directors had authorized a $1.0 billion share repurchase program. Under this program, Holdings may, from time to time, purchase up to $1.0 billion of its common stock but it is not obligated to purchase any particular number of shares. Repurchases may be effected in the open market, through

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**Notes to Consolidated Financial Statements (Unaudited), Continued**

derivative, accelerated repurchase and other negotiated transactions and through prearranged trading plans complying with Rule 10b5-1(c) under the Exchange Act. As of March 31, 2021, Holdings had authorized capacity of approximately $701 million remaining in its share repurchase program, which is exclusive of the $500 million related to the Venerable Transaction.

Holdings repurchased a total of 14.5 million shares of its common stock at an average price of $29.71 per share through both open market repurchases and an ASR during the three months ended March 31, 2021.

During the three months ended March 31, 2021, Holdings repurchased 3.2 million shares of its common stock through open market repurchases.

In January 2021, Holdings entered into an ASR with a third-party financial institution to repurchase an aggregate of $170 million of Holdings’ common stock. The ASR terminated during the first quarter of 2021, for a total of 6.3 million shares delivered. Shares repurchased under the ASR were retired upon receipt resulting in a reduction of Holdings’ total issued shares as of March 31, 2021.

In March 2021, Holdings entered into an ASR with a third-party financial institution to repurchase an aggregate of $200 million of Holdings’ common stock. Pursuant to the ASR, Holdings made a prepayment of $200 million and received initial delivery of 4.9 million shares. The ASR is scheduled to terminate during the second quarter of 2021, at which time additional shares may be delivered or returned depending on the daily volume-weighted average

price of Holdings’ common stock.

Accumulated Other Comprehensive Income (Loss)

AOCI represents cumulative gains (losses) on items that are not reflected in net income (loss). The balances as of March 31, 2021 and December 31, 2020 follow:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **March 31,** | | |  | | | **December 31,** | | |  | | |  | | |
|  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Unrealized gains (losses) on investments | | | **$** | **1,644** |  |  | | | $ | 4,797 |  |  | | |  | | |
| Defined benefit pension plans | | | **(902)** | |  |  | | | (935) | |  |  | | |  | | |
| Foreign currency translation adjustments | | | **(40)** | |  |  | | | (34) | |  |  | | |  | | |
| Total accumulated other comprehensive income (loss) | | | **702** | |  |  | | | 3,828 | |  |  | | |  | | |
| Less: Accumulated other comprehensive income (loss) attributable to noncontrolling interest | | | **(38)** | |  |  | | | (35) | |  |  | | |  | | |
| Accumulated other comprehensive income (loss) attributable to Holdings | | | **$** | **740** |  |  | | | $ | 3,863 |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

The components of OCI, net of taxes for the three months ended March 31, 2021 and 2020 follow:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Change in net unrealized gains (losses) on investments: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Net unrealized gains (losses) arising during the period | | |  |  |  |  | **$** | **(4,059)** |  |  | | | $ | 1,513 |  |  | | |  | | |
| (Gains) losses reclassified into net income (loss) during the period (1) | | |  |  |  |  | **(164)** | |  |  | | | (47) | |  |  | | |  | | |
| Net unrealized gains (losses) on investments | | |  |  |  |  | **(4,223)** | |  |  | | | 1,466 | |  |  | | |  | | |
| Adjustments for policyholders’ liabilities, DAC, insurance liability loss recognition and other | | |  |  |  |  | **1,070** | |  |  | | | (36) | |  |  | | |  | | |
| Change in unrealized gains (losses), net of adjustments (net of deferred income tax expense (benefit) of $838 and $380) | | |  |  |  |  | **(3,153)** | |  |  | | | 1,430 | |  |  | | |  | | |
| Change in defined benefit plans: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Reclassification to Net income (loss) of amortization of net prior service credit included in net periodic cost | | |  |  |  |  | **33** | |  |  | | | 28 | |  |  | | |  | | |
| Change in defined benefit plans (net of deferred income tax expense (benefit) of $9 and $7) | | |  |  |  |  | **33** | |  |  | | | 28 | |  |  | | |  | | |
| Foreign currency translation adjustments: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Foreign currency translation gains (losses) arising during the period | | |  |  |  |  | **(6)** | |  |  | | | (21) | |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Foreign currency translation adjustment | | |  |  |  |  | **(6)** | |  |  | | | (21) | |  |  | | |  | | |
| Total other comprehensive income (loss), net of income taxes | | |  |  |  |  | **(3,126)** | |  |  | | | 1,437 | |  |  | | |  | | |
| Less: Other comprehensive income (loss) attributable to noncontrolling interest | | |  |  |  |  | **(3)** | |  |  | | | (8) | |  |  | | |  | | |
| Other comprehensive income (loss) attributable to Holdings | | |  |  |  |  | **$** | **(3,123)** |  |  | | | $ | 1,445 |  |  | | |  | | |

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(1)See “Reclassification adjustments” in Note 3. Reclassification amounts presented net of income tax expense (benefit) of $44 million, and $12 million for the three months ended March 31, 2021 and 2020, respectively

Investment gains and losses reclassified from AOCI to net income (loss) primarily consist of realized gains (losses) on sales and credit losses of AFS securities and are included in total investment gains (losses), net on the consolidated statements of income (loss). Amounts reclassified from AOCI to net income (loss) as related to defined benefit plans primarily consist of amortization of net (gains) losses and net prior service cost (credit) recognized as a component of net periodic cost and reported in compensation and benefits in the consolidated statements of income (loss). Amounts presented in the table above are net of tax.

**11)    REDEEMABLE NONCONTROLLING INTEREST**

The changes in the components of redeemable noncontrolling interests are presented in the table that follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Balance, beginning of period** | | |  |  |  |  | **$** | **143** |  |  | | | $ | 365 |  |  | | |  | | |
| Net earnings (loss) attributable to redeemable noncontrolling interests | | |  |  |  |  | **—** | |  |  | | | (30) | |  |  | | |  | | |
| Purchase/change of redeemable noncontrolling interests | | |  |  |  |  | **(6)** | |  |  | | | (78) | |  |  | | |  | | |
| **Balance, end of period** | | |  |  |  |  | **$** | **137** |  |  | | | $ | 257 |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**12)    COMMITMENTS AND CONTINGENT LIABILITIES**

Litigation

Litigation, regulatory and other loss contingencies arise in the ordinary course of the Company’s activities as a diversified financial services firm. The Company is a defendant in a number of litigation matters arising from the conduct of its business. In some of these matters, claimants seek to recover very large or indeterminate amounts, including compensatory, punitive, treble and exemplary damages. Modern pleading practice permits considerable variation in the assertion of monetary damages and other relief. Claimants are not always required to specify the monetary damages they seek, or they may be required only to state an amount sufficient to meet a court’s jurisdictional requirements. Moreover, some jurisdictions allow claimants to allege monetary damages that far exceed any reasonably possible verdict. The variability in pleading requirements and past experience demonstrates that the monetary and other relief that may be requested in a lawsuit or claim often bears little relevance to the merits or potential value of a claim. Litigation against the Company includes a variety of claims including, among other things, insurers’ sales practices, alleged agent misconduct, alleged failure to properly supervise agents, contract administration, product design, features and accompanying disclosure, cost of insurance increases, payments of death benefits and the reporting and escheatment of unclaimed property, alleged breach of fiduciary duties, alleged mismanagement of client funds and other matters.

As with other financial services companies, the Company periodically receives informal and formal requests for information from various state and federal governmental agencies and self-regulatory organizations in connection with inquiries and investigations of the products and practices of the Company or the financial services industry. It is the practice of the Company to cooperate fully in these matters.

The outcome of a litigation or regulatory matter is difficult to predict, and the amount or range of potential losses associated with these or other loss contingencies requires significant management judgment. It is not possible to predict the ultimate outcome or to provide reasonably possible losses or ranges of losses for all pending regulatory matters, litigation and other loss contingencies. While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company’s financial position, based on information currently known, management believes that neither the outcome of pending litigation and regulatory matters, nor potential liabilities associated with other loss contingencies, are likely to have such an effect. However, given the large and indeterminate amounts sought in certain litigation and the inherent unpredictability of all such matters, it is possible that an adverse outcome in certain of the Company’s litigation or regulatory matters, or liabilities arising from other loss contingencies, could, from time to time, have a material adverse effect upon the Company’s results of operations or cash flows in a particular quarterly or annual period.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of March 31, 2021, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately $150 million.

For other matters, the Company is currently not able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from plaintiffs and other parties, investigation of factual allegations, rulings by a court on motions or appeals, analysis by experts and the progress of settlement discussions. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and regulatory contingencies and updates the Company’s accruals, disclosures and reasonably possible losses or ranges of loss based on such reviews.

In August 2015, a lawsuit was filed in Connecticut Superior Court, Judicial Division of New Haven entitled Richard T. O’Donnell, on behalf of himself and all others similarly situated v. AXA Equitable Life Insurance Company. This lawsuit is a putative class action on behalf of all persons who purchased variable annuities from Equitable Financial, which were subsequently subjected to the volatility management strategy and who suffered injury as a result thereof. Plaintiff asserts a claim for breach of contract alleging that Equitable Financial implemented the volatility management strategy in violation of applicable law. Plaintiff seeks an award of damages individually and on a classwide basis, and costs and disbursements, including attorneys’ fees, expert witness fees and other costs. In November 2015, the Connecticut Federal District Court transferred this action to the United States District Court for the Southern District

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

of New York. In March 2017, the Southern District of New York granted Equitable Financial’s motion to dismiss the complaint. In April 2017, the plaintiff filed a notice of appeal. In April 2018, the United States Court of Appeals for the Second Circuit reversed the trial court’s decision with instructions to remand the case to Connecticut state court. In September 2018, the Second Circuit issued its mandate, following Equitable Financial’s notification to the court that it would not file a petition for writ of certiorari. The case was transferred in December 2018 to the Connecticut Superior Court, Judicial District of Stamford. In December 2018, Equitable Financial sought dismissal of the complaint by filing a motion to strike, which the court granted in August 2019. Plaintiff filed an Amended Class Action Complaint in September 2019. Equitable Financial filed a motion for entry of judgment in October 2019. On August 3, 2020, the court granted Equitable Financial’s motion for entry of judgment. In August 2020, Plaintiff filed a notice of appeal. We are vigorously defending this matter.

In February 2016, a lawsuit was filed in the United States District Court for the Southern District of New York entitled Brach Family Foundation, Inc. v. AXA Equitable Life Insurance Company. This lawsuit is a putative class action brought on behalf of all owners of UL policies subject to Equitable Financial’s COI rate increase. In early 2016, Equitable Financial raised COI rates for certain UL policies issued between 2004 and 2007, which had both issue ages 70 and above and a current face value amount of $1 million and above. A second putative class action was filed in Arizona in 2017 and consolidated with the Brach matter. The current consolidated amended class action complaint alleges the following claims: breach of contract; misrepresentations by Equitable Financial in violation of Section 4226 of the New York Insurance Law; violations of New York General Business Law Section 349; and violations of the California Unfair Competition Law, and the California Elder Abuse Statute. Plaintiffs seek: (a) compensatory damages, costs, and, pre- and post-judgment interest; (b) with respect to their claim concerning Section 4226, a penalty in the amount of premiums paid by the plaintiffs and the putative class; and (c) injunctive relief and attorneys’ fees in connection with their statutory claims. In August 2020, the federal district court issued a decision granting in part Brach Plaintiffs’ motion for class certification. The court certified nationwide breach of contract and Section 4226 classes, and a New York State Section 349 class. Equitable Financial has commenced settlement discussions with the Brach class action plaintiffs through a non-binding mediation process. No assurances can be given about the outcome of that mediation process. Separately, a substantial number of policy owners have opted out of the Brach class action and are not participating in that mediation process. Most have not yet filed suit. Others filed suit previously. They include five other federal actions challenging the COI rate increase that are also pending against Equitable Financial and have been coordinated with the Brach action for the purposes of pre-trial activities. They contain allegations similar to those in the Brach action as well as additional allegations for violations of various states’ consumer protection statutes and common law fraud. Two actions are also pending against Equitable Financial in New York state court. Equitable Financial is vigorously defending each of these matters.

Obligations under Funding Agreements

***Pre-Capitalized Trust Securities (“P-Caps”)***

In April 2019, pursuant to separate Purchase Agreements among Holdings, Credit Suisse Securities (USA) LLC, as representative of the several initial purchasers, and the Trusts (as defined below), Pine Street Trust I, a Delaware statutory trust (the “2029 Trust”), completed the issuance and sale of 600,000 of its Pre-Capitalized Trust Securities redeemable February 15, 2029 (the “2029 P-Caps”) for an aggregate purchase price of $600 million and Pine Street Trust II, a Delaware statutory trust (the “2049 Trust” and, together with the 2029 Trust, the “Trusts”), completed the issuance and sale of 400,000 of its Pre-Capitalized Trust Securities redeemable February 15, 2049 (the “2049 P-Caps” and, together with the 2029 P-Caps, the “P-Caps”) for an aggregate purchase price of $400 million in each case to qualified institutional buyers in reliance on Rule 144A that are also “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended.

The P-Caps are an off-balance sheet contingent funding arrangement that, upon Holdings’ election, gives Holdings the right over a ten-year period (in the case of the 2029 Trust) or over a thirty-year period (in the case of the 2049 Trust) to issue senior notes to the Trusts. The Trusts each invested the proceeds from the sale of their P-Caps in separate portfolios of principal and/or interest strips of U.S. Treasury securities. In return, Holdings will pay a semi-annual facility fee to the 2029 Trust and 2049 Trust calculated at a rate of 2.125% and 2.715% per annum, respectively, which will be applied to the unexercised portion of the contingent funding arrangement and Holdings will reimburse the Trusts for certain expenses. The facility fees are recorded in Other operating costs and expenses in the Consolidated Statements of Income (Loss).

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

***Federal Home Loan Bank***

As a member of the FHLB, Equitable Financial has access to collateralized borrowings. It also may issue funding agreements to the FHLB. Both the collateralized borrowings and funding agreements would require Equitable Financial to pledge qualified mortgage-backed assets and/or government securities as collateral. Equitable Financial issues short-term funding agreements to the FHLB and uses the funds for asset, liability, and cash management purposes. Equitable Financial issues long-term funding agreements to the FHLB and uses the funds for spread lending purposes.

Entering into FHLB membership, borrowings and funding agreements requires the ownership of FHLB stock and the pledge of assets as collateral. Equitable Financial has purchased FHLB stock of $472 million and pledged collateral with a carrying value of $6.7 billion as of March 31, 2021.

Funding agreements are reported in policyholders’ account balances in the consolidated balance sheets. For other instruments used for asset/liability and cash management purposes, see “Derivative and offsetting assets and liabilities” included in Note 4. The table below summarizes the Company’s activity of funding agreements with the FHLB.

**Change in FHLB Funding Agreements during the Three Months Ended March 31, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Outstanding Balance at December 31, 2020** | | |  | | | **Issued During the Period** | | |  | | | **Repaid During the Period** | | |  | | | **Long-term Agreements Maturing Within One Year** | | |  | | | **Long-term Agreements Maturing Within Five Years** | | |  | | | **Outstanding Balance at March 31, 2021** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Short-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in one year or less | | | $ | 5,634 |  |  | | | **$** | **16,050** |  |  | | | **$** | **12,724** |  |  | | | **$** | **173** |  |  | | | **$** | **—** |  |  | | | **$** | **9,133** |  |
| Long-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in years two through five | | | 722 | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(173)** | |  |  | | | **—** | |  |  | | | **549** | |  |
| Due in more than five years | | | 534 | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **534** | |  |
| Total long-term funding agreements | | | 1,256 | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(173)** | |  |  | | | **—** | |  |  | | | **1,083** | |  |
| Total funding agreements (1) | | | $ | 6,890 |  |  | | | **$** | **16,050** |  |  | | | **$** | **12,724** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **10,216** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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(1)The $6 million and $7 million difference between the funding agreements carrying value shown in fair value table for March 31, 2021 and December 31, 2020, respectively, reflects the remaining amortization of a hedge implemented and closed, which locked in the funding agreements borrowing rates.

***Funding Agreement-Backed Notes Program***

Under the FABN, Equitable Financial may issue funding agreements to a Delaware special purpose statutory trust (the “Trust”) in exchange for the proceeds from issuances of fixed and floating rate medium-term marketable notes issued by the Trust from time to time (the “Trust notes”). The funding agreements have matching interest and maturity payment terms to the applicable Trust notes. The maximum aggregate principal amount of Trust notes permitted to be outstanding at any one time is $5 billion. Funding agreements issued to the Trust are reported in policyholders’ account balances in the consolidated balance sheets. The table below summarizes the Equitable Financial’s activity of funding agreements under the FABN.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**Change in FABN Funding Agreements during the Three Months Ended March 31, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Outstanding Balance at December 31, 2020** | | |  | | | **Issued During the Period** | | |  | | | **Repaid During the Period** | | |  | | | **Long-term Agreements Maturing Within One Year** | | |  | | | **Long-term Agreements Maturing Within Five Years** | | |  | | | **Outstanding Balance at March 31, 2021** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Short-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in one year or less | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |
| Long-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in years two through five | | | 1,150 | |  |  | | | **450** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **1,600** | |  |
| Due in more than five years | | | 800 | |  |  | | | **750** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **1,550** | |  |
| Total long-term funding agreements | | | 1,950 | |  |  | | | **1,200** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **3,150** | |  |
| Total funding agreements (1) | | | $ | 1,950 |  |  | | | **$** | **1,200** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **3,150** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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(1)The $18 million and $11 million difference between the funding agreements notional value shown and carrying value table as of March 31, 2021 and December 31, 2020, respectively, reflects the remaining amortization of the issuance cost of the funding agreements.

Credit Facilities

***Holdings Revolving Credit Facility***

In February 2018, Holdings entered into a $2.5 billion five-year senior unsecured revolving credit facility with a syndicate of banks. The revolving credit facility has a sub-limit of $1.5 billion for the issuance of letters of credit to support the life insurance business reinsured by EQ AZ Life Re and the third-party GMxB variable annuity business retroceded to CS Life RE. As of March 31, 2021, the Company had $150 million and $205 million of undrawn letters of credit issued out of the $1.5 billion sub-limit for CS Life and Equitable Financial, respectively, as beneficiaries.

***Bilateral Letter of Credit Facilities***

In February 2018, the Company entered into bilateral letter of credit facilities, each guaranteed by Holdings, with an aggregate principal amount of approximately $1.9 billion, with multiple counterparties. These facilities support the life insurance business reinsured by EQ AZ Life Re. While the facilities with JP Morgan Chase Bank, N.A. and Citibank Europe PLC mature on February 16, 2023, the one with HSBC matures on February 2024 and the rest of the facilities mature on February 16, 2026.

Guarantees and Other Commitments

The Company provides certain guarantees or commitments to affiliates and others. As of March 31, 2021, these arrangements include commitments by the Company to provide equity financing of $1.3 billion (including $193 million with affiliates) to certain limited partnerships and real estate joint ventures under certain conditions. Management believes the Company will not incur material losses as a result of these commitments.

The Company had $17 million of undrawn letters of credit related to reinsurance as of March 31, 2021. The Company had $456 million of commitments under existing mortgage loan agreements as of March 31, 2021.

The Company is the obligor under certain structured settlement agreements it had entered into with unaffiliated insurance companies and beneficiaries. To satisfy its obligations under these agreements, the Company owns single premium annuities issued by previously wholly-owned life insurance subsidiaries. The Company has directed payment under these annuities to be made directly to the beneficiaries under the structured settlement agreements. A contingent liability exists with respect to these agreements should the previously wholly-owned subsidiaries be unable to meet their obligations. Management believes the need for the Company to satisfy those obligations is remote.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

**13)    BUSINESS SEGMENT INFORMATION**

The Company has four reportable segments: Individual Retirement, Group Retirement, Investment Management and Research and Protection Solutions.

These segments reflect the manner by which the Company’s chief operating decision maker views and manages the business. A brief description of these segments follows:

•The Individual Retirement segment offers a diverse suite of variable annuity products which are primarily sold to affluent and high net worth individuals saving for retirement or seeking retirement income.

•The Group Retirement segment offers tax-deferred investment and retirement services or products to plans sponsored by educational entities, municipalities and not-for-profit entities, as well as small and medium-sized businesses.

•The Investment Management and Research segment provides diversified investment management, research and related solutions globally to a broad range of clients through three main client channels - Institutional, Retail and Private Wealth Management - and distributes its institutional research products and solutions through Bernstein Research Services.

•The Protection Solutions segment includes our life insurance and group employee benefits businesses. Our life insurance business offers a variety of VUL, UL and term life products to help affluent and high net worth individuals, as well as small and medium-sized business owners, with their wealth protection, wealth transfer and corporate needs. Our group employee benefits business offers a suite of dental, vision, life, and short- and long-term disability and other insurance products to small and medium-size businesses across the United States.

Measurement

Operating earnings (loss) is the financial measure which primarily focuses on the Company’s segments’ results of operations as well as the underlying profitability of the Company’s core business. By excluding items that can be distortive and unpredictable such as investment gains (losses) and investment income (loss) from derivative instruments, the Company believes operating earnings (loss) by segment enhances the understanding of the Company’s underlying drivers of profitability and trends in the Company’s segments.

Operating earnings is calculated by adjusting each segment’s net income (loss) attributable to Holdings for the following items:

•Items related to variable annuity product features, which include: (i) certain changes in the fair value of the derivatives and other securities we use to hedge these features; (ii) the effect of benefit ratio unlock adjustments related to extraordinary economic conditions or events such as COVID-19; and (iii) changes in the fair value of the embedded derivatives reflected within variable annuity products’ net derivative results and the impact of these items on DAC amortization on our SCS product;

•Investment (gains) losses, which includes credit loss impairments of securities/investments, sales or disposals of securities/investments, realized capital gains/losses and valuation allowances;

•Net actuarial (gains) losses, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period related to pension, other postretirement benefit obligations, and the one-time impact of the settlement of the defined benefit obligation;

•Other adjustments, which primarily include restructuring costs related to severance and separation, COVID-19 related impacts, net derivative gains (losses) on certain Non-GMxB derivatives, net investment income from certain items including consolidated VIE investments, seed capital mark-to-market adjustments, unrealized gain/losses associated with equity securities and certain legal accruals; and

•Income tax expense (benefit) related to the above items and non-recurring tax items, which includes the effect of uncertain tax positions for a given audit period.

Revenues derived from any customer did not exceed 10% of revenues for the three months ended March 31, 2021 and 2020.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

The table below presents operating earnings (loss) by segment and Corporate and Other and a reconciliation to net income (loss) attributable to Holdings for the three months ended March 31, 2021 and 2020, respectively:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Net income (loss) attributable to Holdings | | |  |  |  |  | **$** | **(1,488)** |  |  | | | $ | 5,388 |  |  | | |  | | |
| Adjustments related to: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Variable annuity product features (1) | | |  |  |  |  | **2,267** | |  |  | | | (6,869) | |  |  | | |  | | |
| Investment (gains) losses | | |  |  |  |  | **(183)** | |  |  | | | (4) | |  |  | | |  | | |
| Net actuarial (gains) losses related to pension and other postretirement benefit obligations | | |  |  |  |  | **34** | |  |  | | | 27 | |  |  | | |  | | |
| Other adjustments (2) (3) (4) | | |  |  |  |  | **524** | |  |  | | | 695 | |  |  | | |  | | |
| Income tax expense (benefit) related to above adjustments (5) | | |  |  |  |  | **(555)** | |  |  | | | 1,292 | |  |  | | |  | | |
| Non-recurring tax items | | |  |  |  |  | **1** | |  |  | | | 6 | |  |  | | |  | | |
| Non-GAAP operating earnings | | |  |  |  |  | **$** | **600** |  |  | | | $ | 535 |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Operating earnings (loss) by segment: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement | | |  |  |  |  | **$** | **363** |  |  | | | $ | 373 |  |  | | |  | | |
| Group Retirement | | |  |  |  |  | **$** | **151** |  |  | | | $ | 106 |  |  | | |  | | |
| Investment Management and Research | | |  |  |  |  | **$** | **121** |  |  | | | $ | 95 |  |  | | |  | | |
| Protection Solutions | | |  |  |  |  | **$** | **41** |  |  | | | $ | 49 |  |  | | |  | | |
| Corporate and Other (6) | | |  |  |  |  | **$** | **(76)** |  |  | | | $ | (88) |  |  | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Includes COVID-19 impact on variable annuity product features due to an assumption update of $1.5 billion and other COVID-19 related impacts of $35 million for the three months ended March 31, 2020.

(2)Includes COVID-19 impact on other adjustments due to a first quarter 2020 assumption update of $1.0 billion and other COVID-19 related impacts of $51 million for the three months ended March 31, 2020.

(3)Include separation costs of $21 million and $32 million for the three months ended March 31, 2021 and 2020, respectively.

(4)Includes certain legal accruals related to the COI litigation of $180 million for the three months ended March 31, 2021. No adjustments were made to prior period operating earnings as the impact was immaterial.

(5)Includes income taxes of $547 million for the above COVID-19 items for the three months ended March 31, 2020.

(6)Includes interest expense and financing fees of $58 million and $56 million for the three months ended March 31, 2021 and 2020, respectively.

Segment revenues is a measure of the Company’s revenue by segment as adjusted to exclude certain items. The following table reconciles segment revenues to total revenues by excluding the following items:

•Items related to variable annuity product features, which include certain changes in the fair value of the derivatives and other securities we use to hedge these features and changes in the fair value of the embedded derivatives reflected within the net derivative results of variable annuity product features;

•Investment (gains) losses, which includes credit loss impairments of securities/investments, sales or disposals of securities/investments, realized capital gains/losses and valuation allowances;

•Other adjustments, which primarily includes net derivative gains (losses) on certain Non-GMxB derivatives and net investment income from certain items including consolidated VIE investments, seed capital mark-to-market adjustments and unrealized gain/losses associated with equity securities.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

The table below presents segment revenues for the three months ended March 31, 2021 and 2020.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Segment revenues: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement (1) | | |  |  |  |  | **$** | **980** |  |  | | | $ | 1,473 |  |  | | |  | | |
| Group Retirement (1) | | |  |  |  |  | **329** | |  |  | | | 282 | |  |  | | |  | | |
| Investment Management and Research (2) | | |  |  |  |  | **1,004** | |  |  | | | 907 | |  |  | | |  | | |
| Protection Solutions (1) | | |  |  |  |  | **826** | |  |  | | | 865 | |  |  | | |  | | |
| Corporate and Other (1) | | |  |  |  |  | **334** | |  |  | | | 311 | |  |  | | |  | | |
| Adjustments related to: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Variable annuity product features | | |  |  |  |  | **(2,282)** | |  |  | | | 8,345 | |  |  | | |  | | |
| Investment gains (losses), net | | |  |  |  |  | **183** | |  |  | | | 4 | |  |  | | |  | | |
| Other adjustments to segment revenues (3) | | |  |  |  |  | **(221)** | |  |  | | | 422 | |  |  | | |  | | |
| Total revenues | | |  |  |  |  | **$** | **1,153** |  |  | | | $ | 12,609 |  |  | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Includes investment expenses charged by AB of $19 million and $18 million for the three months ended March 31, 2021 and 2020, respectively, for services provided to the Company.

(2)Inter-segment investment management and other fees of $30 million and $27 million for the three months ended March 31, 2021 and 2020, respectively, are included in segment revenues of the Investment Management and Research segment.

(3)Includes COVID-19 impact on other adjustments due to an assumption update of $46 million & other COVID-19 related impacts of $(51) million for the three months ended March 31, 2020.

The table below presents total assets by segment as of March 31, 2021 and 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | |  | | | December 31, 2020 | | |
|  | | | **(in millions)** | | | | | | | | |
| Total assets by segment: | | |  | | |  | | |  | | |
| Individual Retirement | | | **$** | **135,009** |  |  | | | $ | 135,764 |  |
| Group Retirement | | | **53,050** | |  |  | | | 51,466 | |  |
| Investment Management and Research | | | **10,688** | |  |  | | | 11,179 | |  |
| Protection Solutions | | | **49,246** | |  |  | | | 48,568 | |  |
| Corporate and Other | | | **28,839** | |  |  | | | 28,420 | |  |
| Total assets | | | **$** | **276,832** |  |  | | | $ | 275,397 |  |

**14)    EARNINGS PER COMMON SHARE**

The following table presents a reconciliation of Net income (loss) and Weighted-average common shares used in calculating basic and diluted Earnings per common share for the periods indicated:

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Weighted-average common shares outstanding: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Weighted-average common shares outstanding — basic | | |  |  |  |  | **434.2** | |  |  | | | 461.0 | |  |  | | |  | | |
| Effect of dilutive potential common shares: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Employee share awards (1) | | |  |  |  |  | **—** | |  |  | | | 2.5 | |  |  | | |  | | |
| Weighted-average common shares outstanding — diluted (2) | | |  |  |  |  | **434.2** | |  |  | | | 463.5 | |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Net income (loss): | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | |  |  |  |  | **$** | **(1,400)** |  |  | | | $ | 5,425 |  |  | | |  | | |
| Less: Net income (loss) attributable to the noncontrolling interest | | |  |  |  |  | **88** | |  |  | | | 37 | |  |  | | |  | | |
| Net income (loss) attributable to Holdings | | |  |  |  |  | **(1,488)** | |  |  | | | 5,388 | |  |  | | |  | | |
| Less: Preferred stock dividends | | |  |  |  |  | **13** | |  |  | | | 13 | |  |  | | |  | | |
| Net income (loss) available to Holdings’ common shareholders | | |  |  |  |  | **$** | **(1,501)** |  |  | | | $ | 5,375 |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Earnings per common share: | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  |  |  |  | **$** | **(3.46)** |  |  | | | $ | 11.66 |  |  | | |  | | |
| Diluted | | |  |  |  |  | **$** | **(3.46)** |  |  | | | $ | 11.60 |  |  | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)Calculated using the treasury stock method.

(2)Due to net loss for the three months ended March 31, 2021 , approximately 4.3 million share awards were excluded from the diluted EPS calculation.

For the three months ended March 31, 2021 and 2020, 9.1 million and 6.0 million of outstanding stock awards, respectively, were not included in the computation of diluted earnings per share because their effect was anti-dilutive.

**15)     HELD-FOR-SALE:**

Assets and liabilities related to the business classified as HFS are separately reported in the Consolidated Balance Sheets beginning in the period in which the business is classified as HFS.

***Corporate Solutions Life Reinsurance Company***

On October 27, 2020, Holdings entered into a Master Transaction Agreement with VIAC, pursuant to which, among other things, VIAC will acquire all of the shares of the capital stock of CS Life. Immediately following the sale of CS Life, Equitable Financial will enter into a coinsurance and modified coinsurance agreement, pursuant to which Equitable Financial will cede to CS Life, on a combined coinsurance and modified coinsurance basis, legacy variable annuity policies sold by Equitable Financial in 2006-2008 supported by general account assets (the “Block”). The Block comprised of non-New York “Accumulator” policies containing fixed rate GMIB and/or GMDB guarantees.

As a result of the agreement, an estimated impairment loss of $15 million, net of income tax, was recorded for the year ended December 31, 2020 and is included in investment gains (losses), net in the consolidated statements of income (loss). During the quarter ended March 31, 2021, the Company adjusted favorably the estimated impairment for $1 million to reflect an estimated impairment loss of $14 million, net of income tax.

The transaction is expected to close in second quarter of 2021 and is subject to regulatory approval and satisfaction of other closing conditions. As of March 31, 2021 and December 31, 2020, respectively, assets of CS Life and CS Life Re to be sold, net of the estimated impairment loss accrual, were $483 million and $470 million which is reported in assets HFS and total liabilities of $270 million and $322 million were reported in liabilities HFS. The assets and liabilities HFS are reported in the Corporate and Other segment.

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**EQUITABLE HOLDINGS, INC.**

**Notes to Consolidated Financial Statements (Unaudited), Continued**

The following table summarizes the components of assets and liabilities HFS on the Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31,** | | |  | | | **December 31,** | | |  |  |  |
|  | | | **2021** | | |  | | | 2020 | | |  |  |  |
|  | | | **(in millions)** | | | | | | | | |  |  |  |
| **Assets:** | | |  | | |  | | |  | | |  |  |  |
| Fixed maturity securities | | | **$** | **226** |  |  | | | 235 | |  |  |  |  |
| Trading securities, at fair value | | | **156** | |  |  | | | 189 | |  |  |  |  |
|  | | |  | | |  | | |  | | |  |  |  |
| Other invested assets | | | **1** | |  |  | | | 1 | |  |  |  |  |
| Cash and cash equivalents | | | **92** | |  |  | | | 39 | |  |  |  |  |
|  | | |  | | |  | | |  | | |  |  |  |
|  | | |  | | |  | | |  | | |  |  |  |
| Other assets | | | **26** | |  |  | | | 25 | |  |  |  |  |
| Assets held-for-sale | | | **501** | |  |  | | | 489 | |  |  |  |  |
| Less: Loss accrual | | | (18) | |  |  | | | (19) | |  |  |  |  |
| **Total assets held-for-sale** | | | **$** | **483** |  |  | | | $ | 470 |  |  |  |  |
|  | | |  | | |  | | |  | | |  |  |  |
| **Liabilities:** | | |  | | |  | | |  | | |  |  |  |
|  | | |  | | |  | | |  | | |  |  |  |
| Future policy benefits and other policyholder's liabilities: | | | **$** | **267** |  |  | | | $ | 320 |  |  |  |  |
| Broker-dealer related payables | | | **1** | |  |  | | | — | |  |  |  |  |
| Other liabilities | | | **2** | |  |  | | | 2 | |  |  |  |  |
| **Total liabilities held-for-sale** | | | **$** | **270** |  |  | | | $ | 322 |  |  |  |  |

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**16)    REVISION OF PRIOR PERIOD FINANCIAL STATEMENTS**

The Company identified certain errors primarily related to the calculation of actuarially determined insurance contract assets and liabilities that impacted previously issued consolidated financial statements. Management evaluated these adjustments and concluded they were not material to any previously reported quarterly or annual financial statements. In order to improve the consistency and comparability of the financial statements, management revised the financial statements and related disclosures to correct these errors as shown below.

Management assessed the materiality of this change within prior period financial statements based upon SEC Staff Accounting Bulletin Number 99, Materiality, which is since codified in ASC 250, Accounting Changes and Error Corrections. The prior period comparative financial statements that are presented herein have been revised.

The following tables present line items for prior period financial statements that have been affected by the revision. For these line items, the tables detail the amounts as previously reported, the impact upon those line items due to the revision, and the amounts as currently revised within the financial statements.

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**EQUITABLE HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2020** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **As Previously  Reported** | | |  | | |  |  |  |  | | | **Impact of Revisions** | | |  | | | **As Revised** | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **Consolidated Balance Sheets:** | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Assets:** | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Investments: | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Other invested assets | | | 2,112 | |  |  | | |  |  |  |  | | | 12 | |  |  | | | 2,124 | |  |
| Total investments | | | 96,216 | |  |  | | |  |  |  |  | | | 12 | |  |  | | | 96,228 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Deferred policy acquisition costs | | | 4,809 | |  |  | | |  |  |  |  | | | (112) | |  |  | | | 4,697 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Total Assets** | | | $ | 240,781 |  |  | | |  |  |  |  | | | $ | (100) |  |  | | | $ | 240,681 |  |
| **Liabilities:** | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Future policy benefits and other policyholders’ liabilities | | | 37,968 | |  |  | | |  |  |  |  | | | 33 | |  |  | | | 38,001 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Current and deferred income taxes | | | 2,355 | |  |  | | |  |  |  |  | | | (28) | |  |  | | | 2,327 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Total Liabilities** | | | $ | 218,884 |  |  | | |  |  |  |  | | | $ | 5 |  |  | | | $ | 218,889 |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **EQUITY** | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Retained earnings | | | 17,112 | |  |  | | |  |  |  |  | | | (105) | |  |  | | | 17,007 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Total equity attributable to Holdings** | | | 20,086 | |  |  | | |  |  |  |  | | | (105) | |  |  | | | 19,981 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Total Equity** | | | 21,640 | |  |  | | |  |  |  |  | | | (105) | |  |  | | | 21,535 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Total Liabilities, Redeemable Noncontrolling Interest and Equity** | | | $ | 240,781 |  |  | | |  |  |  |  | | | $ | (100) |  |  | | | $ | 240,681 |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |

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|  | | |  | | | **Three Months Ended March 31, 2020** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As Previously  Reported** | | |  | | |  |  |  |  | | | **Impact of Revisions** | | |  | | | **As Revised** | | |
|  | | |  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **Consolidated Statements of Income (Loss)** | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **REVENUES** | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Policy charges and fee income | | |  | | | $ | 991 |  |  | | |  |  |  |  | | | $ | 5 |  |  | | | $ | 996 |  |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Net derivative gains (losses) | | |  | | | 9,401 | |  |  | | |  |  |  |  | | | (1) | |  |  | | | 9,400 | |  |
| Net investment income (loss) | | |  | | | 616 | |  |  | | |  |  |  |  | | | 13 | |  |  | | | 629 | |  |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Other Income | | |  | | | 156 | |  |  | | |  |  |  |  | | | (1) | |  |  | | | 155 | |  |
| **Total revenues** | | |  | | | 12,593 | |  |  | | |  |  |  |  | | | 16 | |  |  | | | 12,609 | |  |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Policyholders' benefits | | |  | | | 2,788 | |  |  | | |  |  |  |  | | | (12) | |  |  | | | 2,776 | |  |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Amortization of deferred policy acquisition costs | | |  | | | 1,248 | |  |  | | |  |  |  |  | | | 55 | |  |  | | | 1,303 | |  |
| Other operating costs and expenses | | |  | | | 437 | |  |  | | |  |  |  |  | | | 1 | |  |  | | | 438 | |  |
| **Total benefits and other deductions** | | |  | | | 5,706 | |  |  | | |  |  |  |  | | | 44 | |  |  | | | 5,750 | |  |
| Income (loss) from continuing operations, before income taxes | | |  | | | 6,887 | |  |  | | |  |  |  |  | | | (28) | |  |  | | | 6,859 | |  |
| Income tax (expense) benefit | | |  | | | (1,440) | |  |  | | |  |  |  |  | | | 6 | |  |  | | | (1,434) | |  |
| **Net income (loss)** | | |  | | | 5,447 | |  |  | | |  |  |  |  | | | (22) | |  |  | | | 5,425 | |  |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Net income (loss) attributable to Holdings** | | |  | | | $ | 5,410 |  |  | | |  |  |  |  | | | $ | (22) |  |  | | | $ | 5,388 |  |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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| **EARNINGS PER COMMON SHARE** | | |  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Basic | | |  | | | $ | 11.71 |  |  | | |  |  |  |  | | | $ | (0.05) |  |  | | | $ | 11.66 |  |
| Diluted | | |  | | | $ | 11.65 |  |  | | |  |  |  |  | | | $ | (0.05) |  |  | | | $ | 11.60 |  |

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|  | | |  | | | **Three Months Ended March 31, 2020** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As Previously  Reported** | | |  |  |  |  |  | | | **Impact of Revisions** | | |  | | | **As Revised** | | |
|  | | |  | | | **(in millions)** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **Consolidated Statements of Comprehensive Income (Loss)** | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Net income (loss) | | |  | | | $ | 5,447 |  |  |  |  |  |  | | | $ | (22) |  |  | | | $ | 5,425 |  |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Change in unrealized gains (losses), net of reclassification adjustment | | |  | | | 1,434 | |  |  |  |  |  |  | | | (4) | |  |  | | | 1,430 | |  |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Other comprehensive income | | |  | | | 1,441 | |  |  |  |  |  |  | | | (4) | |  |  | | | 1,437 | |  |
| **Comprehensive income (loss)** | | |  | | | 6,888 | |  |  |  |  |  |  | | | (26) | |  |  | | | 6,862 | |  |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Comprehensive income (loss) attributable to Holdings | | |  | | | $ | 6,859 |  |  |  |  |  |  | | | $ | (26) |  |  | | | $ | 6,833 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | | **Three Months Ended March 31, 2020** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **As Previously  Reported** | | |  |  |  |  |  | | | **Impact of Revisions** | | |  | | | **As Revised** | | |
|  | | |  | | | **(in millions)** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **Consolidated Statement of Equity:** | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Retained earnings, beginning of year | | |  | | | $ | 11,827 |  |  |  |  |  |  | | | $ | (83) |  |  | | | $ | 11,744 |  |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Net income (loss) attributable to Holdings | | |  | | | 5,410 | |  |  |  |  |  |  | | | (22) | |  |  | | | 5,388 | |  |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Retained earnings, end of period | | |  | | | $ | 17,112 |  |  |  |  |  |  | | | $ | (105) |  |  | | | $ | 17,007 |  |
| Accumulated other comprehensive income (loss), beginning of year | | |  | | | $ | 840 |  |  |  |  |  |  | | | $ | 4 |  |  | | | $ | 844 |  |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| Other comprehensive income (loss) | | |  | | | 1,449 | |  |  |  |  |  |  | | | (4) | |  |  | | | 1,445 | |  |
| Accumulated other comprehensive income (loss), end of period | | |  | | | $ | 2,289 |  |  |  |  |  |  | | | $ | — |  |  | | | $ | 2,289 |  |
| **Total Holdings’ equity, end of period** | | |  | | | $ | 20,086 |  |  |  |  |  |  | | | $ | (105) |  |  | | | $ | 19,981 |  |
|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |
| **Total equity, end of period** | | |  | | | $ | 21,640 |  |  |  |  |  |  | | | $ | (105) |  |  | | | $ | 21,535 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | | **Three Months Ended March 31, 2020** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **As Previously  Reported** | | |  | | |  |  |  |  | | | **Impact of Revisions** | | |  | | | **As Revised** | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **Consolidated Statement of Cash Flows:** | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| **Cash flows from operating activities:** | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Net income (loss) | | | $ | 5,447 |  |  | | |  |  |  |  | | | $ | (22) |  |  | | | $ | 5,425 |  |
| Adjustments to reconcile Net income (loss) to Net cash provided by (used in) operating activities: | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Policy charges and fee income | | | (991) | |  |  | | |  |  |  |  | | | (5) | |  |  | | | (996) | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Net derivative (gains) losses | | | (9,401) | |  |  | | |  |  |  |  | | | 1 | |  |  | | | (9,400) | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Amortization and depreciation | | | 1,275 | |  |  | | |  |  |  |  | | | 55 | |  |  | | | 1,330 | |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
| Future policy benefits | | | 1,936 | |  |  | | |  |  |  |  | | | (11) | |  |  | | | 1,925 | |  |
| Current and deferred income taxes | | | 1,425 | |  |  | | |  |  |  |  | | | (5) | |  |  | | | 1,420 | |  |
| Other, net | | | (448) | |  |  | | |  |  |  |  | | | (1) | |  |  | | | (449) | |  |
| **Net cash provided by (used in) operating activities** | | | $ | (582) |  |  | | |  |  |  |  | | | $ | 12 |  |  | | | $ | (570) |  |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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| **Cash flows from financing activities:** | | |  | | |  | | |  |  |  |  | | |  | | |  | | |  | | |
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| Change in collateralized pledged assets | | | 44 | |  |  | | |  |  |  |  | | | (1) | |  |  | | | 43 | |  |
| Change in collateralized pledged liabilities | | | 657 | |  |  | | |  |  |  |  | | | (11) | |  |  | | | 646 | |  |
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| **Net cash provided by (used in) financing activities** | | | $ | 2,334 |  |  | | |  |  |  |  | | | $ | (12) |  |  | | | $ | 2,322 |  |
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| **Cash and cash equivalents, end of period** | | | $ | 10,315 |  |  | | |  |  |  |  | | | $ | — |  |  | | | $ | 10,315 |  |
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**17)     SUBSEQUENT EVENTS**

**Funding Agreement-Backed Notes**

Pursuant to the FABN program discussed in Note 12, in April 2021, Equitable Financial issued a $350 million funding agreement to the Trust with a fixed interest rate of 0.50% per annum and a maturity date of April 6, 2023. In addition, on the same date Equitable Financial issued a $650 million funding agreement to the Trust with a floating interest rate equal to the compounded Secured Overnight Financing Rate (“SOFR”) plus 39 basis points per annum which matures

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**EQUITABLE HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

on April 6, 2023. Funding agreements issued to the Trust will be reported in Policyholders' account balances in the consolidated balance sheets in subsequent periods.

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**Item 2.     Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations should be read in its entirety and in conjunction with the consolidated financial statements and related notes contained in* [*Part I, Item 1*](#i9940a9afef294691957921e28f84af51_829)*of this Quarterly Report on Form 10-Q, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section contained in our*[*Annual Report on Form 10-K*](https://www.sec.gov/Archives/edgar/data/1333986/000133398620000015/eqh201910-k.htm)*for the year ended December 31, 2020 (“2020 Form 10-K”).*

*In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors. See the Note Regarding Forward-Looking Statements and Information. Investors are directed to consider the risks and uncertainties discussed in* [*Part II, Item 1A*](#i9940a9afef294691957921e28f84af51_916)*of this Quarterly Report on Form 10-Q, as well as in other documents we have filed with the SEC.*

**Executive Summary**

***Overview***

We are one of America’s leading financial services companies, providing: (i) advice and solutions for helping Americans set and meet their retirement goals and protect and transfer their wealth across generations; and (ii) a wide range of investment management insights, expertise and innovations to drive better investment decisions and outcomes for clients worldwide.

We manage our business through four segments: Individual Retirement, Group Retirement, Investment Management and Research, and Protection Solutions. We report certain activities and items that are not included in these segments in Corporate and Other. See Note 13 of the Notes to the Consolidated Financial Statements for further information on our segments.

We benefit from our complementary mix of businesses. This business mix provides diversity in our earnings sources, which helps offset fluctuations in market conditions and variability in business results, while offering growth opportunities.

***Reinsurance of Legacy Variable Annuity Block and Sale of Runoff Variable Annuity Reinsurance Entity***

On October 27, 2020, Holdings entered into an MTA with VIAC pursuant to which, among other things, VIAC will acquire all of the shares of the capital stock of CS Life. Prior to the closing, CS Life will affect the recapture of all of the business that is currently ceded to CS Life RE and sell 100% of the common stock of CS Life RE to an affiliate.

Immediately following the sale of CS Life, CS Life and Equitable Financial will enter into a coinsurance and modified coinsurance agreement (the “Reinsurance Agreement”), pursuant to which Equitable Financial will cede to CS Life, on a combined coinsurance and modified coinsurance basis, legacy variable annuity policies sold by Equitable Financial in 2006-2008 (the “Block”). The Block is comprised of non-New York “Accumulator” policies containing fixed rate GMIB and/or GMDB guarantees. CS Life will deposit assets supporting the General Account liabilities relating to the Block into a trust account for the benefit of Equitable Financial to secure its obligations to Equitable Financial under the Reinsurance Agreement. Equitable Financial will reinsure the separate accounts relating to the Block on a modified coinsurance basis. At closing, VIAC will contribute additional assets to the trust such that trust assets will exceed the liabilities they secure. Venerable Holdings Inc. (“VHI”) will provide a parental guarantee of CS Life’s obligation to Equitable Financial under the Reinsurance Agreement. In addition, the investment of assets in the trust account will be subject to investment guidelines and the requirements of the trust will be strengthened upon certain triggers related to capital adequacy. The Reinsurance Agreement also contains additional counterparty risk management and mitigation provisions.

As part of the transaction, the Company is in discussions to acquire a 9.1% equity interest in Venerable’s parent holding company, VA Capital Company LLC, which may include a board seat, subject to reaching an agreement on the terms of the investment.

Based on estimates as of June 30, 2020, the Company expects to realize approximately $1.2 billion in value from the transaction, which includes an anticipated capital release of approximately $800 million, a positive ceding commission in respect of the Block reinsurance transaction and consideration payable by VIAC for the acquisition of CS Life totaling approximately $300 million, subject to adjustment, and approximately $100 million in tax benefits. Equitable Financial will also acquire a surplus note in aggregate principal amount of $50 million issued by VIAC.

Under the terms of the MTA, at closing of the transactions, ABLP will enter into an investment advisory agreement with CS Life pursuant to which ABLP will serve as the preferred investment manager for the majority of the general account assets

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transferred to the trust account for, subject to certain provisions, a minimum of five years. Equitable Financial will continue to administer the Block.

The transaction is expected to close in the second quarter of 2021. The consummation of the closing under the MTA is subject to the satisfaction or waiver of customary closing conditions specified in the MTA, including, among other things, (i) the receipt of required regulatory approvals, without imposing a burdensome condition, (ii) the expiration or termination of the applicable waiting period (or extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (iii) absence of a material adverse effect on VHI (in the case of the Company) or CS Life (in the case of VHI and VIAC), in each case subject to certain exceptions and qualifications.

**COVID-19 Impact**

We continue to closely monitor developments related to the COVID-19 pandemic. The extent of the COVID-19 pandemic’s impact on us will depend on future developments that are highly uncertain, including the severity and duration of the pandemic, actions taken by governments and other third parties in response to the pandemic and the availability and efficacy of vaccines against COVID-19 including against variant strains of the virus. It is not possible to predict or estimate the longer-term effects of the pandemic, or any additional actions taken to contain or address the pandemic, on the economy and on our business, results of operations, and financial condition, including the impact on our investment portfolio or the need for us to revisit or revise targets previously provided to the markets and/or aspects of our business model. For additional information regarding the potential impacts of the COVID-19 pandemic and action we have taken to mitigate certain impacts, see “Risk Factors—Risks Relating to Conditions in the Financial Markets and Economy—The coronavirus (COVID-19) pandemic”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Executive Summary—COVID-19 Impact” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—General Account Investment Portfolio” in the 2020 Form 10-K.

**Revenues**

Our revenues come from three principal sources:

•    fee income derived from our retirement and protection products and our investment management and research services;

•    premiums from our traditional life insurance and annuity products; and

•    investment income from our General Account investment portfolio.

Our fee income varies directly in relation to the amount of the underlying AV or benefit base of our retirement and protection products and the amount of AUM of our Investment Management and Research business. AV and AUM, each as defined in “Key Operating Measures,” are influenced by changes in economic conditions, primarily equity market returns, as well as net flows. Our premium income is driven by the growth in new policies written and the persistency of our in-force policies, both of which are influenced by a combination of factors, including our efforts to attract and retain customers and market conditions that influence demand for our products. Our investment income is driven by the yield on our General Account investment portfolio and is impacted by the prevailing level of interest rates as we reinvest cash associated with maturing investments and net flows to the portfolio.

**Benefits and Other Deductions**

Our primary expenses are:

•    policyholders’ benefits and interest credited to policyholders’ account balances;

•    sales commissions and compensation paid to intermediaries and advisors that distribute our products and services; and

•    compensation and benefits provided to our employees and other operating expenses.

Policyholders’ benefits are driven primarily by mortality, customer withdrawals, and benefits which change in response to changes in capital market conditions. In addition, some of our policyholders’ benefits are directly tied to the AV and benefit base of our variable annuity products. Interest credited to policyholders varies in relation to the amount of the underlying AV or benefit base. Sales commissions and compensation paid to intermediaries and advisors vary in relation to premium and fee income generated from these sources, whereas compensation and benefits to our employees are more constant and impacted by

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market wages and decline with increases in efficiency. Our ability to manage these expenses across various economic cycles and products is critical to the profitability of our company.

**Net Income Volatility**

We have offered and continue to offer variable annuity products with GMxB features. The future claims exposure on these features is sensitive to movements in the equity markets and interest rates. Accordingly, we have implemented hedging and reinsurance programs designed to mitigate the economic exposure to us from these features due to equity market and interest rate movements. Changes in the values of the derivatives associated with these programs due to equity market and interest rate movements are recognized in the periods in which they occur while corresponding changes in offsetting liabilities not measured at fair value are recognized over time. This results in net income volatility as further described below. See “—Significant Factors Impacting Our Results—Impact of Hedging and GMIB Reinsurance on Results.”

In addition to our dynamic hedging strategy, we have static hedge positions designed to mitigate the adverse impact of changing market conditions on our statutory capital. We believe this program will continue to preserve the economic value of our variable annuity contracts and better protect our target variable annuity asset level. However, these static hedge positions increase the size of our derivative positions and may result in higher net income volatility on a period-over-period basis.

Due to the impacts on our net income of equity market and interest rate movements and other items that are not part of the underlying profitability drivers of our business, we evaluate and manage our business performance using Non-GAAP operating earnings, a non-GAAP financial measure that is intended to remove these impacts from our results. See “—Key Operating Measures—Non-GAAP Operating Earnings.

**Significant Factors Impacting Our Results**

The following significant factors have impacted, and may in the future impact, our financial condition, results of operations or cash flows.

***Impact of Hedging and GMIB Reinsurance on Results***

We have offered and continue to offer variable annuity products with GMxB features. The future claims exposure on these features is sensitive to movements in the equity markets and interest rates. Accordingly, we have implemented hedging and reinsurance programs designed to mitigate the economic exposure to us from these features due to equity market and interest rate movements. These programs include:

•*Variable annuity hedging programs.* We use a dynamic hedging program (within this program, generally, we reevaluate our economic exposure at least daily and rebalance our hedge positions accordingly) to mitigate certain risks associated with the GMxB features that are embedded in our liabilities for our variable annuity products. This program utilizes various derivative instruments that are managed in an effort to reduce the economic impact of unfavorable changes in GMxB features’ exposures attributable to movements in the equity markets and interest rates. Although this program is designed to provide a measure of economic protection against the impact of adverse market conditions, it does not qualify for hedge accounting treatment. Accordingly, changes in value of the derivatives will be recognized in the period in which they occur with offsetting changes in reserves partially recognized in the current period, resulting in net income volatility. In addition to our dynamic hedging program, we have a hedging program using static hedge positions (derivative positions intended to be HTM with less frequent re-balancing) to protect our statutory capital against stress scenarios. This program in addition to our dynamic hedge program has increased the size of our derivative positions, resulting in an increase in net income volatility. The impacts are most pronounced for variable annuity products in our Individual Retirement segment.

•*GMIB reinsurance contracts.* Historically, GMIB reinsurance contracts were used to cede to non-affiliated reinsurers a portion of our exposure to variable annuity products that offer a GMIB feature. We account for the GMIB reinsurance contracts as derivatives and report them at fair value. Gross GMIB reserves are calculated on the basis of assumptions related to projected benefits and related contract charges over the lives of the contracts. Accordingly, our gross reserves will not immediately reflect the offsetting impact on future claims exposure resulting from the same capital market or interest rate fluctuations that cause gains or losses on the fair value of the GMIB reinsurance contracts. Because changes in the fair value of the GMIB reinsurance contracts are recorded in the period in which they occur and a majority of the changes in gross reserves for GMIB are recognized over time, net income will be more volatile.

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***Effect of Assumption Updates on Operating Results***

During the third quarter of each year, we conduct our annual review of the assumptions underlying the valuation of DAC, deferred sales inducement assets, unearned revenue liabilities, liabilities for future policyholder benefits and embedded derivatives for our Individual Retirement, Group Retirement, and Protection Solution segments (assumption reviews are not relevant for the Investment Management and Research segment). Assumptions are based on a combination of Company experience, industry experience, management actions and expert judgment and reflect our best estimate as of the date of the applicable financial statements.

Most of the variable annuity products, variable universal life insurance and universal life insurance products we offer maintain policyholder deposits that are reported as liabilities and classified within either Separate Accounts liabilities or policyholder account balances. Our products and riders also impact liabilities for future policyholder benefits and unearned revenues and assets for DAC and DSI. The valuation of these assets and liabilities (other than deposits) are based on differing accounting methods depending on the product, each of which requires numerous assumptions and considerable judgment. The accounting guidance applied in the valuation of these assets and liabilities includes, but is not limited to, the following: (i) traditional life insurance products for which assumptions are locked in at inception; (ii) universal life insurance and variable life insurance secondary guarantees for which benefit liabilities are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments; (iii) certain product guarantees for which benefit liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments; and (iv) certain product guarantees reported as embedded derivatives at fair value.

For further details of our accounting policies and related judgments pertaining to assumption updates, see Note 2  to the Notes to the Company’s consolidated financial statements and “—Summary of Critical Accounting Estimates—Liability for Future Policy Benefits” included in the 2020 Form 10-K.

***Assumption Updates and Model Changes***

We conduct our annual review of our assumptions and models during the third quarter of each year. We also update our assumptions as needed in the event we become aware of economic conditions or events that could require a change in our assumptions that we believe may have a significant impact to the carrying value of product liabilities and assets and consequently materially impact our earnings in the period of the change.

*Impact of Assumption Updates and Model Changes on Income from Continuing Operations before income taxes and Net income (loss)*

The table below presents the impact of our actuarial assumption update during the three months ended March 31,2020 to our Income (loss) from continuing operations, before income taxes and Net income (loss). There was no assumption update for the three months ended March 31, 2021.

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|  | | |  |  |  |  | **Three Months Ended March 31, 2020 (1)** |  |  |  |  |  |  |
|  | | |  |  |  |  |  |  | | |  | | |
|  | | |  |  |  |  |  |  | | | **(in millions)** | | |
| **Impact of assumption update on Net income (loss):** | | |  |  |  |  |  |  | | |  | | |
| Variable annuity product features related assumption update | | |  |  |  |  |  |  | | | $ | (1,468) |  |
| Assumption updates for other business | | |  |  |  |  |  |  | | | (1,049) | |  |
| Impact of assumption updates on Income (loss) from continuing operations, before income tax | | |  |  |  |  |  |  | | | (2,517) | |  |
| Income tax benefit on assumption update | | |  |  |  |  |  |  | | | 529 | |  |
| Net income (loss) impact of assumption update | | |  |  |  |  |  |  | | | $ | (1,988) |  |

(1) During the first quarter of 2020, we updated interest rate assumption and the impact was a decrease to Net income (loss) of $2.0 billion. See Note 2 of the Notes to the Consolidated Financial Statements in this Form 10-Q.

**2020 Assumption Updates**

Due to the extraordinary economic conditions driven by the COVID-19 pandemic in the first quarter of 2020, we updated our interest rate assumption to grade from the current spot interest rate to an ultimate five-year historical average over a 10-year period. As such, the 10-year U.S. Treasury yield grades from the current level to an ultimate 5-year average of 2.25%.

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The low interest rate environment and update to the interest rate assumption caused a loss recognition event for our life interest-sensitive products, as well as to certain run-off business included in Corporate and Other. This loss recognition event caused an acceleration of DAC amortization on our life interest-sensitive products and an increase in the premium deficiency reserve on the run-off business in the first quarter of 2020.

The impact of the economic assumption update in the first quarter of 2020 was a decrease of $2.5 billion to income (loss) from continuing operations, before income taxes and a decrease to net income (loss) of $2.0 billion.

The net impact of this assumption update on income (loss) from continuing operations, before income taxes of $2.5 billion consisted of an increase in policy charges and fee income of $46 million, an increase in policyholders’ benefits of $1.4 billion, a decrease in interest credited to policyholders’ account balances of $6 million and an increase in the amortization of DAC of $1.1 billion.

**Model Changes**

In the first quarter of 2020, we adopted a new economic scenario generator to calculate the fair value of the GMIB reinsurance contract asset and GMxB derivative features liability, eliminating reliance on AXA Group for scenario production. The new economic scenario generator allows for a tighter calibration of U.S. indices, better reflecting our actual portfolio.

*Impact of the First Quarter 2020 Assumption Update, and COVID-19 Impacts on Pre-tax Non-GAAP Operating Earnings Adjustments*

The unprecedented and rapid spread of COVID-19 and the related restrictions and social distancing measures implemented throughout the world have caused severe, lasting turmoil in the financial markets during the first three months of 2020.

The Company’s accounting policy governing its Non-GAAP Operating Earnings measure permits adjustments to Non-GAAP Operating Earnings if certain criteria are met, which include if the proposed adjustment relates to a non-recurring event or transaction. Management concluded that all impacts on the Company from the COVID-19 pandemic and its effects on the economy meet the indicators of a non-recurring event. Therefore, management has determined that the items set forth in the table below should be included as adjustments to the Non-GAAP Operating Earnings measure so that investors can more clearly see the delineation between the operating results of the Company’s core operations and the impact of the items specific to the current COVID-19 pandemic crisis.

The table below presents the COVID-19 pandemic related impacts on Income (loss) from continuing operations, before income taxes which all occurred during the first three months of 2020 by segment and Corporate and Other, and the COVID-19 pandemic related adjustments included in the reconciliation of Net Income (loss) attributable to Holdings to Non-GAAP Operating Earnings:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Three Months Ended March 31, 2020** | | | | | | | | | | | | | | |
|  | | | **COVID-19 Impacts** | | | | | | | | | | | | | | |
|  | | | **Interest Rate Assumption Update** | | |  | | | **Impacts other than Interest Rate Assumption Update (1)** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | |
| Net income (loss) from continuing operations, before income taxes by Segment and Corporate and Other: | | |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement | | | $ | (1,417) |  |  | | | $ | (44) |  |  | | | $ | (1,461) |  |
| Group Retirement | | | (51) | |  |  | | | 3 | |  |  | | | (48) | |  |
| Protection Solutions | | | (1,016) | |  |  | | | (32) | |  |  | | | (1,048) | |  |
| Corporate and Other | | | (33) | |  |  | | | (13) | |  |  | | | (46) | |  |
| Net income (loss) from continuing operations, before income taxes | | | $ | (2,517) |  |  | | | $ | (86) |  |  | | | $ | (2,603) |  |

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|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended March 31, 2020** | | | | | | | | | | | | | | |
|  | | | **COVID-19 Impacts** | | | | | | | | | | | | | | |
|  | | | **Interest Rate Assumption Update** | | |  | | | **Impacts other than Interest Rate Assumption Update (1)** | | |  | | | **Total** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| COVID-19-related adjustments included in Reconciliation of Net income (loss) attributable to Holdings to Non-GAAP Operating Earnings: | | |  | | |  | | |  | | |  | | |  | | |
| Variable annuities product features | | | $ | (1,468) |  |  | | | $ | (35) |  |  | | | $ | (1,503) |  |
| Other adjustments | | | (1,049) | |  |  | | | (51) | |  |  | | | (1,100) | |  |
| Net income (loss) from continuing operations, before income taxes | | | $ | (2,517) |  |  | | | $ | (86) |  |  | | | $ | (2,603) |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) Includes adjustments to Non-GAAP Operating Earnings primarily due to non-variable annuity hedging impacts resulting from unprecedented volatility in equity markets

Adjustments related to the Individual Retirement and Group Retirement segments are primarily included in the “Variable annuities product features” in the reconciliation of Net income (loss) attributable to Holdings to Non-GAAP Operating Earnings. All other adjustments are included in “Other”. This impact has been more than offset by hedging gains.

**Macroeconomic and Industry Trends**

Our business and consolidated results of operations are significantly affected by economic conditions and consumer confidence, conditions in the global capital markets and the interest rate environment.

***Financial and Economic Environment***

A wide variety of factors continue to impact global financial and economic conditions. These factors include, among others, significant volatility in financial markets and continued high unemployment levels as a result of the COVID-19 pandemic, concerns over economic growth in the United States and continued low interest rates.

Stressed conditions, volatility and disruptions in the capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities and derivatives are sensitive to changing market factors. An increase in market volatility could continue to affect our business, including through effects on the yields we earn on invested assets, changes in required reserves and capital and fluctuations in the value of our AUM, AV or AUA from which we derive our fee income. These effects could be exacerbated by uncertainty about future fiscal policy, changes in tax policy, the scope of potential deregulation and levels of global trade.

The potential for increased volatility, coupled with prevailing interest rates falling and/or remaining below historical averages, could pressure sales and reduce demand for our products as consumers consider purchasing alternative products to meet their objectives. In addition, this environment could make it difficult to consistently develop products that are attractive to customers. Financial performance can be adversely affected by market volatility and equity market declines as fees driven by AV and AUM fluctuate, hedging costs increase and revenues decline due to reduced sales and increased outflows.

We monitor the behavior of our customers and other factors, including mortality rates, morbidity rates, annuitization rates and lapse and surrender rates, which change in response to changes in capital market conditions, to ensure that our products and solutions remain attractive and profitable. For additional information on our sensitivity to interest rates and capital market prices, see “Quantitative and Qualitative Disclosures About Market Risk.”

***Interest Rate Environment***

We believe the interest rate environment will continue to impact our business and financial performance in the future for several reasons, including the following:

•Certain of our variable annuity and life insurance products pay guaranteed minimum interest crediting rates. We are required to pay these guaranteed minimum rates even if earnings on our investment portfolio decline, with the resulting investment margin compression negatively impacting earnings. In addition, we expect more policyholders to

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hold policies with comparatively high guaranteed rates longer (lower lapse rates) in a low interest rate environment. Conversely, a rise in average yield on our investment portfolio should positively impact earnings. Similarly, we expect policyholders would be less likely to hold policies with existing guaranteed rates (higher lapse rates) as interest rates rise.

•A prolonged low interest rate environment also may subject us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for GMxB features, lowering their statutory surplus, which would adversely affect their ability to pay dividends to us. In addition, it may also increase the perceived value of GMxB features to our policyholders, which in turn may lead to a higher rate of annuitization and higher persistency of those products over time. Finally, low interest rates may continue to cause an acceleration of DAC amortization or reserve increase due to loss recognition for interest sensitive products, primarily for our Protection Solutions segment.

For a discussion on derivatives we used to hedge interest rates, see Note 4 of the Notes to the Consolidated Financial Statements in this Form 10-Q.

***Regulatory Developments***

Our life insurance subsidiaries are regulated primarily at the state level, with some policies and products also subject to federal regulation. In addition, Holdings and its insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. Furthermore, on an ongoing basis, regulators refine capital requirements and introduce new reserving standards. Regulations recently adopted or currently under review can potentially impact our statutory reserve, capital requirements and profitability of the industry and result in increased regulation and oversight for the industry. The following discussion on regulatory developments should be read in conjunction with “Business—Regulation” and “Risk Factors—Legal and Regulatory Risks” in the 2020 Form 10-K, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Macroeconomic and Industry Trends—Regulatory Developments.”

*Regulation 213.* In New York, Regulation 213, adopted in May of 2019 and as amended on February 26, 2020 and March 31, 2021, differs from the NAIC variable annuity reserve and capital framework. The February 2020 and March 2021 amendments will not materially affect Holdings’ GAAP financial condition, results of operations or stockholders’ equity. However, Regulation 213, as amended, absent management action, will require Holdings’ principal insurance subsidiary, Equitable Financial, to carry statutory basis reserves for its variable annuity contract obligations equal to the greater of those required under (i) the NAIC standard or (ii) a revised version of the NYDFS requirement in effect prior to the adoption of the first amendment for contracts issued prior to January 1, 2020, and for policies issued after that date a new standard that we believe is more conservative than the NAIC standard. Absent management action, we believe that Regulation 213 could (i) negatively impact Equitable Financial’s surplus level and RBC ratio and (ii) materially and adversely affect Equitable Financial’s dividend capacity from 2021 and moving forward. These impacts would be more adverse in periods of rising equity and/or interest rate markets, particularly following the equity market appreciation in the second half of 2020 and the first quarter of 2021, and will be exacerbated upon closing of the Venerable Transaction. As a holding company, Holdings relies on dividends and other payments from its subsidiaries and, accordingly, any material limitation on Equitable Financial’s dividend capacity could materially affect Holdings’ ability to return capital to stockholders through dividends and stock repurchases. The Company is considering management actions to mitigate the impact of Regulation 213. These actions could include seeking further amendment of Regulation 213 or exemptive relief therefrom to make the regulation’s application to Equitable Financial more consistent with the NAIC reserve and capital framework, as well as changing the Company’s underwriting practices to emphasize issuing variable annuity products out of affiliates which are not domiciled in New York, increasing the use of reinsurance and other corporate transactions intended to reduce the impact of the regulation. There can be no assurance that any management action individually or collectively will fully mitigate the impact of Regulation 213. Other state insurance regulators may also propose and adopt standards that differ from the NAIC framework.

*Fiduciary Rules / “Best Interest” Standards of Conduct*

In the wake of the March 2018 federal appeals court decision to vacate the 2016 DOL Fiduciary Rule, the DOL announced its intention to issue revised fiduciary investment advice regulations. In December 2020, the DOL finalized a “best interest” prohibited transaction exemption (“PTE 2020-02”) for investment advice fiduciaries under ERISA, with an enforcement date of December 20, 2021. The new rule restores the five-part test for determining fiduciary status that was in effect prior to the 2016 DOL Fiduciary Rule, although the scope of the PTE now extends to rollover transactions if they constitute “investment advice” under the five-part test. If fiduciary status is triggered, PTE 2020-02 prescribes a set of impartial conduct standards and disclosure obligations that are intended to be consistent with the SEC’s Regulation Best Interest. We are currently devoting

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significant time and resources towards coming into compliance with PTE 2020-02 but do not expect the new rules to have a material impact on our business. However, in April 2021, the DOL published a set of Frequently Asked Questions document in which they indicated they are likely to further amend their fiduciary regulations, including PTE 2020-02, and we are closely monitoring for any such developments.

On April 29, 2021, the Appellate Division of the NYS Supreme Court, Third Department, overturned NY Department of Financial Services Regulation 187 — Suitability and Best Interests in Life Insurance and Annuity Transactions (“Regulation 187”) for being unconstitutionally vague. The NYDFS has thirty days to file their appeal. It is anticipated that the state will file for and the court will automatically grant a stay, which means that Regulation 187 will stay in effect until the high court determines a final resolution.

*Climate Risks*. In September 2020, the NYDFS announced that it expects insurers to integrate financial risks from climate change into their governance frameworks, risk management processes, and business strategies, and that it will integrate questions on this topic into their examinations in 2021. On March 25, 2021, the NYDFS issued for public comment proposed guidance for New York domestic insurers, such as Equitable Financial, which states that insurers are expected to take a proportionate approach to managing climate risks that reflects its exposure to climate risks. For example, an insurer should integrate the evaluation of climate risks into its governance structure and use scenario analysis to guide risk assessment. We are reviewing the NYDFS’ proposed guidance.

*NYDFS Guidance on Diversity and Corporate Governanc*e. On March 16, 2021, the NYDFS issued a circular letter which states that the NYDFS expects the insurers that it regulates to make diversity of their leadership a business priority and a key element of their corporate governance. The NYDFS intends to collect data regarding the diversity of corporate boards and management, and it will include diversity-related questions in its examination process starting in 2022. We are considering the NYDFS’ guidance as part of our commitment to diversity and inclusion.

**Separation Costs**

In connection with our separation from AXA, we have incurred and expect to continue to incur one-time and recurring expenses. These expenses primarily relate to information technology, compliance, internal audit, finance, risk management, procurement, client service, human resources, rebranding and other support services. The process of replicating and replacing functions, systems and infrastructure provided by AXA or certain of its affiliates in order to operate on a stand-alone basis is currently underway. These expenses, any recurring expenses, including under the Transitional Services Agreement, and any additional one-time expenses we may incur may be material. See “Risk Factors” in the 2020 Form 10-K for additional information.

We estimate that the aggregate amount of the one-time expenses described above will be approximately $700 million. Through March 31, 2021, a total of $661 million has been incurred, of which $21 million and $32 million was incurred in the three months ended March 31, 2021 and 2020, respectively.

**Productivity Strategies**

*Retirement and Protection Businesses*

We continue to build upon our productivity improvements. Our productivity strategy includes several initiatives, including relocating some of our real estate footprint away from the New York metropolitan area, replacing or updating less efficient legacy technology infrastructure and expanding existing outsourcing arrangements, which we believe will reduce costs and improve productivity. We anticipate that the savings from these initiatives will offset any incremental ongoing expenses that we incur as a standalone company, and we expect these initiatives to improve our operating leverage. During 2020 we achieved our run rate productivity expense target of $75 million pre-tax per annum net of reinvestment in the business announced at the time of our IPO.

*Investment Management and Research Business*

AB has announced that it will establish its corporate headquarters in and relocate approximately 1,250 jobs located in the New York metro area to Nashville, Tennessee. Beginning in 2025, AB estimates ongoing annual expense savings at the higher end of the range of $75 million to $80 million which will result from a combination of occupancy and compensation-related savings.

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**Key Operating Measures**

In addition to our results presented in accordance with U.S. GAAP, we report Non-GAAP operating earnings, Non-GAAP Operating ROE, Non-GAAP Operating ROC by segment for our Individual Retirement, Group Retirement and Protection Solutions segments, and Non-GAAP operating common EPS, each of which is a measure that is not determined in accordance with U.S. GAAP. Management principally uses these non-GAAP financial measures in evaluating performance because they present a clearer picture of our operating performance and they allow management to allocate resources. Similarly, management believes that the use of these Non-GAAP financial measures, together with relevant U.S. GAAP measures, provide investors with a better understanding of our results of operations and the underlying profitability drivers and trends of our business. These non-GAAP financial measures are intended to remove from our results of operations the impact of market changes (where there is mismatch in the valuation of assets and liabilities) as well as certain other expenses which are not part of our underlying profitability drivers or likely to re-occur in the foreseeable future, as such items fluctuate from period-to-period in a manner inconsistent with these drivers. These measures should be considered supplementary to our results that are presented in accordance with U.S. GAAP and should not be viewed as a substitute for the U.S. GAAP measures. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate such measures. Consequently, our non-GAAP financial measures may not be comparable to similar measures used by other companies.

We also discuss certain operating measures, including AUM, AUA, AV, Protection Solutions Reserves and certain other operating measures, which management believes provide useful information about our businesses and the operational factors underlying our financial performance.

***Non-GAAP Operating Earnings***

Non-GAAP operating earnings is an after-tax non-GAAP financial measure used to evaluate our financial performance on a consolidated basis that is determined by making certain adjustments to our consolidated after-tax net income attributable to Holdings. The most significant of such adjustments relates to our derivative positions, which protect economic value and statutory capital, and are more sensitive to changes in market conditions than the variable annuity product liabilities as valued under U.S. GAAP. This is a large source of volatility in net income.

Non-GAAP operating earnings equals our consolidated after-tax net income attributable to Holdings adjusted to eliminate the impact of the following items:

•Items related to variable annuity product features, which include: (i) certain changes in the fair value of the derivatives and other securities we use to hedge these features; (ii) the effect of benefit ratio unlock adjustments related to extraordinary economic conditions or events such as COVID-19; and (iii) changes in the fair value of the embedded derivatives reflected within variable annuity products’ net derivative results and the impact of these items on DAC amortization on our SCS product;

•Investment (gains) losses, which includes credit loss impairments of securities/investments, sales or disposals of securities/investments, realized capital gains/losses and valuation allowances;

•Net actuarial (gains) losses, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during a given period related to pension, other postretirement benefit obligations, and the one-time impact of the settlement of the defined benefit obligation;

•Other adjustments, which primarily include restructuring costs related to severance and separation, COVID-19 related impacts, net derivative gains (losses) on certain Non-GMxB derivatives, net investment income from certain items including consolidated VIE investments, seed capital mark-to-market adjustments, unrealized gain/losses associated with equity securities and certain legal accruals; and

•Income tax expense (benefit) related to the above items and non-recurring tax items, which includes the effect of uncertain tax positions for a given audit period.

Because Non-GAAP operating earnings excludes the foregoing items that can be distortive or unpredictable, management believes that this measure enhances the understanding of the Company’s underlying drivers of profitability and trends in our business, thereby allowing management to make decisions that will positively impact our business.

We use the prevailing corporate federal income tax rate of 21% while taking into account any non-recurring differences for events recognized differently in our financial statements and federal income tax returns as well as partnership income taxed at lower rates when reconciling Net income (loss) attributable to Holdings to Non-GAAP operating earnings.

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The table below presents a reconciliation of net income (loss) attributable to Holdings to Non-GAAP operating earnings for the three months ended March 31, 2021 and 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |
| Net income (loss) attributable to Holdings | | |  |  |  |  | **$** | **(1,488)** |  |  | | | $ | 5,388 |  |
| Adjustments related to: | | |  |  |  |  |  | | |  | | |  | | |
| Variable annuity product features (1) | | |  |  |  |  | **2,267** | |  |  | | | (6,869) | |  |
| Investment (gains) losses | | |  |  |  |  | **(183)** | |  |  | | | (4) | |  |
| Net actuarial (gains) losses related to pension and other postretirement benefit obligations | | |  |  |  |  | **34** | |  |  | | | 27 | |  |
| Other adjustments (2) (3) (4) | | |  |  |  |  | **524** | |  |  | | | 695 | |  |
| Income tax expense (benefit) related to above adjustments (5) | | |  |  |  |  | **(555)** | |  |  | | | 1,292 | |  |
| Non-recurring tax items | | |  |  |  |  | **1** | |  |  | | | 6 | |  |
| Non-GAAP operating earnings | | |  |  |  |  | **$** | **600** |  |  | | | $ | 535 |  |

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(1)Includes COVID-19 impact on Variable annuity product features due to an assumption update of $1.5 billion and other COVID-19 related impacts of $35 million for the three months ended March 31, 2020.

(2)Includes assumption update due to COVID-19 of $1.0 billion and other COVID-19 related impacts of $51 million for the three months ended March 31, 2020.

(3)Includes separation costs of $21 million and $32 million for the three months ended March 31, 2021 and 2020, respectively.

(4)Includes certain legal accruals related to the COI litigation of $180 million for the three months ended March 31, 2021. No adjustments were made to prior period non-GAAP operating earnings as the impact was immaterial.

(5)Includes income taxes of $(547) million for the above related COVID-19 items for the three months ended March 31, 2020.

***Non-GAAP Operating ROE and Non-GAAP Operating ROC by Segment***

We report Non-GAAP Operating ROE and Non-GAAP Operating ROC by segment for our Individual Retirement, Group Retirement and Protection Solutions segments, each of which is a Non-GAAP financial measure used to evaluate our profitability on a consolidated basis and by segment, respectively.

We calculate Non-GAAP Operating ROE by dividing Non-GAAP operating earnings for the previous twelve calendar months by consolidated average equity attributable to Holdings’ common shareholders, excluding AOCI. We calculate Non-GAAP Operating ROC by segment by dividing Operating earnings (loss) on a segment basis for the previous twelve calendar months by average capital on a segment basis, excluding AOCI, as described below. AOCI fluctuates period-to-period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with our AFS securities.

Therefore, we believe excluding AOCI is more effective for analyzing the trends of our operations. We do not calculate Non-GAAP Operating ROC by segment for our Investment Management and Research segment because we do not manage that segment from a return of capital perspective. Instead, we use metrics more directly applicable to an asset management business, such as AUM, to evaluate and manage that segment.

For Non-GAAP Operating ROC by segment, capital components pertaining directly to specific segments such as DAC along with targeted capital are directly attributed to these segments. Targeted capital for each segment is established using assumptions supporting statutory capital adequacy levels, reflecting the NAIC RBC framework adopted as of year-end 2019. To enhance the ability to analyze these measures across periods, interim periods are annualized. Non-GAAP Operating ROE and Non-GAAP Operating ROC by segment should not be used as substitutes for ROE.

The following table presents return on average equity attributable to Holdings’ common shareholders, excluding AOCI and Non-GAAP Operating ROE for the trailing twelve months ended March 31, 2021.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | **Trailing Twelve Months Ended March 31, 2021** | | |
|  | | | **(in millions)** | | |
| Net income (loss) available to Holdings’ common shareholders | | | **$** | **(7,577)** |  |
| Average equity attributable to Holdings’ common shareholders, excluding AOCI | | | **$** | **10,868** |  |

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | **Trailing Twelve Months Ended March 31, 2021** | | |
|  | | | **(in millions)** | | |
| Return on average equity attributable to Holdings’ common shareholders, excluding AOCI | | | **(69.7)** | | **%** |
|  | | |  | | |
| Non-GAAP operating earnings available to Holdings’ common shareholders | | | **$** | **2,314** |  |
| Average equity attributable to Holdings’ common shareholders, excluding AOCI | | | **$** | **10,868** |  |
| Non-GAAP Operating ROE | | | **21.3** | | **%** |

The following table presents Non-GAAP Operating ROC by segment for our Individual Retirement, Group Retirement and Protection Solutions segments for the trailing twelve months ended March 31, 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Trailing Twelve Months Ended March 31, 2021** | | | | | | | | | | | | | | |
|  | | | **Individual Retirement** | | |  | | | **Group Retirement** | | |  | | | **Protection Solutions** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | |
| Operating earnings | | | **$** | **1,526** |  |  | | | **$** | **536** |  |  | | | **$** | **138** |  |
| Average capital | | | **$** | **6,248** |  |  | | | **$** | **1,090** |  |  | | | **$** | **2,145** |  |
| Non-GAAP Operating ROC | | | **24.4** | | **%** |  | | | **49.1** | | **%** |  | | | **6.5** | | **%** |

***Non-GAAP Operating Common EPS***

Non-GAAP operating common EPS is calculated by dividing Non-GAAP operating earnings by diluted common shares outstanding. The following table sets forth Non-GAAP operating common EPS for the three months ended March 31, 2021 and 2020.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **Three Months Ended March 31,** | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  |  |  |  |  | | | **2021** | | |  | | | 2020 | | |
|  | | |  |  |  |  |  |  |  |  | | | **(per share amounts)** | | | | | | | | |
| Net income (loss) attributable to Holdings (1) | | |  |  |  |  |  |  |  |  | | | **$** | **(3.43)** |  |  | | | $ | 11.62 |  |
| Less: Preferred stock dividends | | |  |  |  |  |  |  |  |  | | | **0.03** | |  |  | | | 0.02 | |  |
| Net income (loss) available to Holdings’ common shareholders | | |  |  |  |  |  |  |  |  | | | **(3.46)** | |  |  | | | 11.60 | |  |
| Adjustments related to: | | |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |
| Variable annuity product features (2) | | |  |  |  |  |  |  |  |  | | | **5.22** | |  |  | | | (14.82) | |  |
| Investment (gains) losses | | |  |  |  |  |  |  |  |  | | | **(0.42)** | |  |  | | | (0.01) | |  |
| Net actuarial (gains) losses related to pension and other postretirement benefit obligations | | |  |  |  |  |  |  |  |  | | | **0.08** | |  |  | | | 0.06 | |  |
| Other adjustments (3) (4) (5) | | |  |  |  |  |  |  |  |  | | | **1.21** | |  |  | | | 1.50 | |  |
| Income tax expense (benefit) related to above adjustments (6) | | |  |  |  |  |  |  |  |  | | | **(1.28)** | |  |  | | | 2.79 | |  |
| Non-recurring tax items | | |  |  |  |  |  |  |  |  | | | **—** | |  |  | | | 0.01 | |  |
| Non-GAAP operating common EPS | | |  |  |  |  |  |  |  |  | | | **$** | **1.35** |  |  | | | $ | 1.13 |  |

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(1)Due to reporting a net loss for the three months ended March 31, 2021, basic shares was used in the diluted earnings per common share calculation as the use of diluted shares would have resulted in a lower loss per share.

(2)Includes COVID-19 impact on Variable annuity product features due to an assumption update of $3.17 and other COVID-19 related impacts of $0.08 for the three months ended March 31, 2020.

(3)Includes assumption update due to COVID-19 of $2.26 and other COVID-19 related impacts of $0.11 for the three months ended March 31, 2020.

(4)Includes separation costs of $0.05 and $0.07 for the three months ended March 31, 2021 and 2020, respectively.

(5)Includes certain legal accruals related to the COI litigation of $0.41 for the three months ended March 31, 2021. No adjustments were made to prior period non-GAAP operating EPS as the impact was immaterial.

(6)Includes income taxes of $(1.18) for the above related COVID-19 items for the three months ended March 31, 2020.

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***Assets Under Management***

AUM means investment assets that are managed by one of our subsidiaries and includes: (i) assets managed by AB; (ii) the assets in our General Account investment portfolio; and (iii) the Separate Accounts assets of our Individual Retirement, Group Retirement and Protection Solutions businesses. Total AUM reflects exclusions between segments to avoid double counting.

***Assets Under Administration***

AUA includes non-insurance client assets that are invested in our savings and investment products or serviced by our Equitable Advisors platform. We provide administrative services for these assets and generally record the revenues received as distribution fees.

***Account Value***

AV generally equals the aggregate policy account value of our retirement products. General Account AV refers to account balances in investment options that are backed by the General Account while Separate Accounts AV refers to Separate Accounts investment assets.

***Protection Solutions Reserves***

Protection Solutions Reserves equals the aggregate value of policyholders’ account balances and future policy benefits for policies in our Protection Solutions segment.

**Consolidated Results of Operations**

Our consolidated results of operations are significantly affected by conditions in the capital markets and the economy because we offer market sensitive products. These products have been a significant driver of our results of operations. Because the future claims exposure on these products is sensitive to movements in the equity markets and interest rates, we have in place various hedging and reinsurance programs that are designed to mitigate the economic risk of movements in the equity markets and interest rates. The volatility in net income attributable to Holdings for the periods presented below results from the mismatch between: (i) the change in carrying value of the reserves for GMDB and certain GMIB features that do not fully and immediately reflect the impact of equity and interest market fluctuations; (ii) the change in fair value of products with the GMIB feature that have a no-lapse guarantee; and (iii) our hedging and reinsurance programs.

***Ownership and Consolidation of AllianceBernstein***

Our indirect, wholly-owned subsidiary, AllianceBernstein Corporation, is the General Partner of AB. Accordingly, AB’s results are fully reflected in our consolidated financial statements.

Our economic interest in AB was approximately 64% and 65% for the three months ended March 31, 2021 and 2020, respectively.

***Effective Tax Rates***

For interim reporting periods, we calculate income tax expense using an estimated annual ETR, with discrete items recognized in the period in which they occur.

***Consolidated Results of Operations***

The following table summarizes our consolidated statements of income (loss) for the three months ended March 31, 2021 and 2020:

**Consolidated Statement of Income (Loss)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions, except per share data)** | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Policy charges and fee income | | |  |  |  |  | | | **$** | **949** |  |  | | | $ | 996 |  |  | | |  | | |
| Premiums | | |  |  |  |  | | | **258** | |  |  | | | 289 | |  |  | | |  | | |
| Net derivative gains (losses) | | |  |  |  |  | | | **(2,546)** | |  |  | | | 9,400 | |  |  | | |  | | |
| Net investment income (loss) | | |  |  |  |  | | | **884** | |  |  | | | 629 | |  |  | | |  | | |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions, except per share data)** | | | | | | | | | | | |  |  |  |  |  |  |
| Investment gains (losses), net: | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit losses on Available for Sale debt securities and loans | | |  |  |  |  | | | **1** | |  |  | | | (12) | |  |  | | |  | | |
| Other investment gains (losses), net | | |  |  |  |  | | | **183** | |  |  | | | 16 | |  |  | | |  | | |
| Total investment gains (losses), net | | |  |  |  |  | | | **184** | |  |  | | | 4 | |  |  | | |  | | |
| Investment management and service fees | | |  |  |  |  | | | **1,257** | |  |  | | | 1,136 | |  |  | | |  | | |
| Other income | | |  |  |  |  | | | **167** | |  |  | | | 155 | |  |  | | |  | | |
| Total revenues | | |  |  |  |  | | | **1,153** | |  |  | | | 12,609 | |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | |  |  |  |  | | | **939** | |  |  | | | 2,776 | |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | |  |  |  |  | | | **291** | |  |  | | | 317 | |  |  | | |  | | |
| Compensation and benefits | | |  |  |  |  | | | **580** | |  |  | | | 526 | |  |  | | |  | | |
| Commissions and distribution-related payments | | |  |  |  |  | | | **382** | |  |  | | | 338 | |  |  | | |  | | |
| Interest expense | | |  |  |  |  | | | **74** | |  |  | | | 52 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | |  |  |  |  | | | **87** | |  |  | | | 1,303 | |  |  | | |  | | |
| Other operating costs and expenses | | |  |  |  |  | | | **608** | |  |  | | | 438 | |  |  | | |  | | |
| Total benefits and other deductions | | |  |  |  |  | | | **2,961** | |  |  | | | 5,750 | |  |  | | |  | | |
| Income (loss) from continuing operations, before income taxes | | |  |  |  |  | | | **(1,808)** | |  |  | | | 6,859 | |  |  | | |  | | |
| Income tax (expense) benefit | | |  |  |  |  | | | **408** | |  |  | | | (1,434) | |  |  | | |  | | |
| Net income (loss) | | |  |  |  |  | | | **(1,400)** | |  |  | | | 5,425 | |  |  | | |  | | |
| Less: Net income (loss) attributable to the noncontrolling interest | | |  |  |  |  | | | **88** | |  |  | | | 37 | |  |  | | |  | | |
| Net income (loss) attributable to Holdings | | |  |  |  |  | | | **$** | **(1,488)** |  |  | | | $ | 5,388 |  |  | | |  | | |
| Less: Preferred stock dividends | | |  |  |  |  | | | **13** | |  |  | | | 13 | |  |  | | |  | | |
| Net income (loss) available to Holdings’ common shareholders | | |  |  |  |  | | | **$** | **(1,501)** |  |  | | | $ | 5,375 |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| **EARNINGS PER COMMON SHARE** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) applicable to Holdings’ common shareholders per common share: | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  |  |  |  | | | **$** | **(3.46)** |  |  | | | $ | 11.66 |  |  | | |  | | |
| Diluted | | |  |  |  |  | | | **$** | **(3.46)** |  |  | | | $ | 11.60 |  |  | | |  | | |
| Weighted average common shares outstanding (in millions): | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  |  |  |  | | | **434.2** | |  |  | | | 461.0 | |  |  | | |  | | |
| Diluted | | |  |  |  |  | | | **434.2** | |  |  | | | 463.5 | |  |  | | |  | | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Non-GAAP operating earnings | | |  |  |  | **$** | **600** |  |  | | | $ | 535 |  |  | | |  | | |

The following table summarizes our Non-GAAP operating earnings per common share for the three months ended March 31, 2021 and 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | | | | | | | | |  |  |  |  |  |  |
| Non-GAAP operating earnings per common share: | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Basic | | |  |  |  | **$** | **1.35** |  |  | | | $ | 1.13 |  |  | | |  | | |
| Diluted | | |  |  |  | **$** | **1.35** |  |  | | | $ | 1.13 |  |  | | |  | | |

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**Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020**

***Net Income Attributable to Holdings***

Net income (loss) attributable to Holdings decreased by $6.9 billion to a net loss of $1.5 billion for the three months ended March 31, 2021 from a net income of $5.4 billion for the three months ended March 31, 2020. The following notable items were the primary drivers for the change in net income (loss):

Unfavorable items included:

•Net derivative gains decreased by $11.9 billion mainly driven by an increase in interest rates and equity market appreciation in the first quarter of 2021 compared to decreases in interest rates and equity market depreciation in the first quarter of 2020, as well as the positive impacts from non-performance risk and credit spreads widening in the first quarter of 2020.

•Compensation, benefits and other operating expenses increased by $224 million mainly due to higher litigation reserve accruals, including the COI litigation. In addition, employee compensation in our Investment Management and Research segment increased due to higher revenues.

•Net income attributable to noncontrolling interest increased by $51 million mainly due to higher consolidated VIE income and higher AB pre-tax income.

•Commissions and distribution-related payments increased by $44 million mainly due to higher distribution-related payments in our Investment Management and Research segment, as well as the growth in broker dealer sales.

These were partially offset by the following favorable items:

•Policyholders’ benefits decreased by $1.8 billion mainly due to our Individual Retirement segment reflecting the non-recurrence of the interest rate assumption update in the first quarter of 2020 and equity markets appreciation in the first quarter of 2021 compared to equity market depreciation in the first quarter of 2020.

•Amortization of DAC decreased by $1.2 billion mainly due to the interest rate assumption update in the first quarter of 2020 as a result of the extraordinary economic conditions driven by COVID-19. As a result of the lower interest rate assumption, Protection Solutions entered into loss recognition resulting in an acceleration of DAC amortization in the first quarter of 2020.

•Net investment income increased by $255 million mainly due to higher income from alternative and seed capital investments.

•Investment gains increased by $180 million mainly due to rebalancing in the General Account associated with the Venerable transaction.

•Fee-type revenue increased by $55 million mainly driven by higher base fees and distribution revenues in our Investment Management & Research segment as a result of higher average AUM revenues and higher fees in our Individual and Group Retirement segments as a result of higher average Separate Accounts AV. The increase was partially offset by a decrease in our Protection Solutions segment due to lower amortization of the initial fee liability from the non-recurrence of the first quarter 2020 interest rate assumption update, lower premiums resulting from the sale of USFL/MLICA and higher ceded premiums due to a new Term reinsurance treaty entered into in April 2020.

•Interest credited to policyholders’ account balances decreased by $26 million mainly due to a shift in portfolio mix and lower funding agreement costs due to lower interest rates.

•Income tax expense decreased by $1.8 billion mainly due to a pre-tax loss in the first quarter of 2021 compared to a pre-tax income in the first quarter of 2020.

See “—Significant Factors Impacting Our Results—Assumption Updates and Model Changes” for more information regarding assumption updates.

***Non-GAAP Operating Earnings***

Non-GAAP operating earnings increased by $65 million to $600 million for the three months ended March 31, 2021 from $535 million in the three months ended March 31, 2020. The following notable items were the primary drivers for the change in Non-GAAP operating earnings.

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Favorable items included:

•Policyholders’ benefits decreased by $464 million mainly due to equity market appreciation, which is offset in the Net Derivative gains.

•Net investment income increased by $108 million mainly due to higher income from alternative and seed capital investments.

•Fee-type revenue increased by $100 million mainly due to higher base fees and distribution revenues in our Investment Management & Research segment as a result of higher average AUM revenues and higher fees in our Individual and Group Retirement segments as a result of higher average Separate Accounts AV. The increase was partially offset by a decrease in our Protection Solutions segment due to lower premiums resulting from the sale of USFL/MLICA, higher ceded premiums due to a new Term reinsurance treaty entered into in April 2020, lower amortization of the initial fee liability related to adverse mortality experience in the first quarter of 2021 and a first quarter 2020 one-time refinement.

•Amortization of DAC decreased by $48 million mainly in our Protection Solutions segment reflecting lower VISL baseline amortization in the first quarter of 2021as a result of the first quarter of 2020 acceleration of DAC amortization from the interest rate assumption update, and from lower unfavorable mortality in the first quarter of 2021.

•Interest credited to policyholders’ account balances decreased by $32 million mainly due to a shift in portfolio mix and lower funding agreements costs due to lower interest rates.

These were partially offset by the following unfavorable items:

•Net derivative gains decreased by $573 million mainly due to equity market appreciation, which is offset in Policyholder’s benefits.

•Commissions and distribution-related payments increased by $44 million mainly due to higher distribution-related payments in our Investment Management and Research segment, as well as the growth in broker dealer sales.

•Compensation, benefits and other operating costs and expenses increased by $35 million mainly due to employee compensation in our Investment Management and Research segment due to higher revenues.

•Earnings attributable to the noncontrolling interest increased by $28 million mainly due to our Investment Management and Research segment due to higher AB Operating earnings.

•Income tax expense increased by $6 million driven by higher pre-tax earnings, partially offset by a lower effective tax rate.

**Results of Operations by Segment**

We manage our business through the following four segments: Individual Retirement, Group Retirement, Investment Management and Research, and Protection Solutions. We report certain activities and items that are not included in our four segments in Corporate and Other. The following section presents our discussion of operating earnings (loss) by segment and AUM, AV and Protection Solutions Reserves by segment, as applicable. Consistent with U.S. GAAP guidance for segment reporting, operating earnings (loss) is our U.S. GAAP measure of segment performance. See Note 13 of the Notes to the Consolidated Financial Statements for further information on our segments.

The following table summarizes operating earnings (loss) on our segments and Corporate and Other for the three months ended March 31, 2021 and 2020:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | | | | |  |  |  |  |  |  |
| Operating earnings (loss) by segment: | | |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement | | |  |  |  |  | | | **$** | **363** |  |  | | | $ | 373 |  |  | | |  | | |
| Group Retirement | | |  |  |  |  | | | **151** | |  |  | | | 106 | |  |  | | |  | | |
| Investment Management and Research | | |  |  |  |  | | | **121** | |  |  | | | 95 | |  |  | | |  | | |
| Protection Solutions | | |  |  |  |  | | | **41** | |  |  | | | 49 | |  |  | | |  | | |
| Corporate and Other | | |  |  |  |  | | | **(76)** | |  |  | | | (88) | |  |  | | |  | | |
| Non-GAAP operating earnings | | |  |  |  |  | | | **$** | **600** |  |  | | | $ | 535 |  |  | | |  | | |

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***Effective Tax Rates by Segment***

Income tax expense is calculated using the ETR and then allocated to our business segments using an 17% ETR for our retirement and protection businesses (Individual Retirement, Group Retirement, and Protection Solutions) and a 27% ETR for Investment Management and Research.

**Individual Retirement**

The Individual Retirement segment includes our variable annuity products which primarily meet the needs of individuals saving for retirement or seeking retirement income.

The following table summarizes operating earnings of our Individual Retirement segment for the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |
| **Operating earnings** | | |  |  |  | **$** | **363** |  |  | | | $ | 373 |  |  | | |  | | |  | | |

Key components of operating earnings are:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Policy charges, fee income and premiums | | |  |  |  |  | **$** | **522** |  |  | | | $ | 501 |  |  | | |  | | |
| Net investment income | | |  |  |  |  | **325** | |  |  | | | 316 | |  |  | | |  | | |
| Net derivative gains (losses) | | |  |  |  |  | **(59)** | |  |  | | | 479 | |  |  | | |  | | |
| Investment management, service fees and other income | | |  |  |  |  | **192** | |  |  | | | 177 | |  |  | | |  | | |
| **Segment revenues** | | |  |  |  |  | **$** | **980** |  |  | | | $ | 1,473 |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | |  |  |  |  | **$** | **206** |  |  | | | $ | 672 |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | |  |  |  |  | **68** | |  |  | | | 82 | |  |  | | |  | | |
| Commissions and distribution-related payments | | |  |  |  |  | **81** | |  |  | | | 72 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | |  |  |  |  | **78** | |  |  | | | 87 | |  |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | |  |  |  |  | **112** | |  |  | | | 106 | |  |  | | |  | | |
| Interest expense | | |  |  |  |  | **—** | |  |  | | | — | |  |  | | |  | | |
| **Segment benefits and other deductions** | | |  |  |  |  | **$** | **545** |  |  | | | $ | 1,019 |  |  | | |  | | |

The following table summarizes AV for our Individual Retirement segment as of the dates indicated:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | |  | | | December 31, 2020 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **AV** | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **32,259** |  |  | | | $ | 30,783 |  |  | | |  | | |
| Separate Accounts | | | **88,521** | |  |  | | | 86,607 | |  |  | | |  | | |
| **Total AV** | | | **$** | **120,780** |  |  | | | $ | 117,390 |  |  | | |  | | |

The following table summarizes a roll-forward of AV for our Individual Retirement segment for the periods presented:

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Balance as of beginning of period** | | |  |  |  |  | **$** | **117,390** |  |  | | | $ | 108,922 |  |  | | |  | | |
| Gross premiums | | |  |  |  |  | **2,469** | |  |  | | | 1,990 | |  |  | | |  | | |
| Surrenders, withdrawals and benefits | | |  |  |  |  | **(2,985)** | |  |  | | | (2,310) | |  |  | | |  | | |
| Net flows | | |  |  |  |  | **(516)** | |  |  | | | (320) | |  |  | | |  | | |
| Investment performance, interest credited and policy charges | | |  |  |  |  | **3,906** | |  |  | | | (15,004) | |  |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Reclassified to Liabilities held for sale | | |  |  |  |  | **—** | |  |  | | | (3) | |  |  | | |  | | |
| Other (1) | | |  |  |  |  | **—** | |  |  | | | (6) | |  |  | | |  | | |
| **Balance as of end of period** | | |  |  |  |  | **$** | **120,780** |  |  | | | $ | 93,589 |  |  | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(1) Amounts are primarily related to our fixed income annuity (“FIA”) contracts which were previously reported as Policyholders’ account balances in the consolidated balance sheets and therefore included in our definition of “Account Value”. Effective January 1, 2020, FIAs are reported as future policy benefits and other policyholders’ liabilities in the consolidated balance sheets and accordingly were excluded from Account Value.

**Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020 for the Individual Retirement Segment**

***Operating earnings***

Operating earnings decreased $10 million to $363 million during the three months ended March 31, 2021 from $373 million in the three months ended March 31, 2020. The following notable items were the primary drivers of the change in operating earnings.

Unfavorable items included:

•Net GMxB results decreased by $81 million primarily due to higher ongoing reserves resulting from assumption updates in 2020 and higher death claims. GMxB results are included in policy charges and fee income, net derivative gains (losses), and policyholders’ benefits.

•Commissions and distribution-related payments increased by $9 million mainly due to higher average asset balances.

These were partially offset by the following favorable items:

•Fee-type revenue increased by $39 million mainly due to higher average Separate Accounts AV as a result of equity market appreciation since the market lows in the first quarter of 2020 and inflows from our current product offering.

•Interest credited to policyholders’ account balances decreased by $14 million mainly due to shifts in portfolio mix.

•Amortization of DAC decreased by $9 million mainly due to favorable market impacts in the first quarter of 2021.

•Net investment income increased by $9 million mainly due to higher income from our alternative investment portfolio.

•Income tax expense decreased by $9 million mainly driven by lower pre-tax earnings and a lower effective tax rate.

***Net Flows and AV***

•The increase in AV of $3.4 billion in the three months ended March 31, 2021 was driven by an increase in investments performance and interest credited to account balances, net of policy charges of $3.9 billion as a result of equity market appreciation during the first quarter of 2021, partially offset by net outflows of $516 million.

•Net outflows of $516 million were $196 million higher than in the three months ended March 31, 2020, mainly driven by $1.1 billion of outflows on our older fixed-rate GMxB block, partially offset by $559 million of inflows on our newer, less capital-intensive products.

**Group Retirement**

The Group Retirement segment offers tax-deferred investment and retirement services or products to plans sponsored by educational entities, municipalities and not-for-profit entities, as well as small and medium-sized businesses.

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The following table summarizes operating earnings of our Group Retirement segment for the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings** | | |  |  |  | **$** | **151** |  |  | | | $ | 106 |  |  | | |  | | |

Key components of operating earnings are:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Policy charges, fee income and premiums | | |  |  |  | **$** | **86** |  |  | | | $ | 71 |  |  | | |  | | |
| Net investment income | | |  |  |  | **180** | |  |  | | | 159 | |  |  | | |  | | |
| Net derivative gains (losses) | | |  |  |  | **—** | |  |  | | | — | |  |  | | |  | | |
| Investment management, service fees and other income | | |  |  |  | **63** | |  |  | | | 52 | |  |  | | |  | | |
| **Segment revenues** | | |  |  |  | **$** | **329** |  |  | | | $ | 282 |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | |  |  |  | **$** | **—** |  |  | | | $ | — |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | |  |  |  | **75** | |  |  | | | 76 | |  |  | | |  | | |
| Commissions and distribution-related payments | | |  |  |  | **13** | |  |  | | | 11 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | |  |  |  | **5** | |  |  | | | 12 | |  |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | |  |  |  | **55** | |  |  | | | 54 | |  |  | | |  | | |
| Interest expense | | |  |  |  | **—** | |  |  | | | — | |  |  | | |  | | |
| **Segment benefits and other deductions** | | |  |  |  | **$** | **148** |  |  | | | $ | 153 |  |  | | |  | | |

The following table summarizes AV for our Group Retirement segment as of the dates indicated:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | |  | | | December 31, 2020 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **AV** | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **12,924** |  |  | | | $ | 12,826 |  |  | | |  | | |
| Separate Accounts | | | **31,026** | |  |  | | | 29,633 | |  |  | | |  | | |
| **Total AV** | | | **$** | **43,950** |  |  | | | $ | 42,459 |  |  | | |  | | |

The following table summarizes a roll-forward of AV for our Group Retirement segment for the periods indicated:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Balance as of beginning of period** | | |  |  |  | **$** | **42,459** |  |  | | | $ | 37,880 |  |  | | |  | | |
| Gross premiums | | |  |  |  | **905** | |  |  | | | 925 | |  |  | | |  | | |
| Surrenders, withdrawals and benefits | | |  |  |  | **(956)** | |  |  | | | (797) | |  |  | | |  | | |
| Net flows | | |  |  |  | **(51)** | |  |  | | | 128 | |  |  | | |  | | |
| Investment performance, interest credited and policy charges | | |  |  |  | **1,542** | |  |  | | | (4,860) | |  |  | | |  | | |
| **Balance as of end of period** | | |  |  |  | **$** | **43,950** |  |  | | | $ | 33,148 |  |  | | |  | | |

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**Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020 for the Group Retirement Segment**

***Operating earnings***

Operating earnings increased $45 million to $151 million during the three months ended March 31, 2021 from $106 million during the three months ended March 31, 2020. The following notable items were the primary drivers of the change in operating earnings.

Favorable items included:

•Fee-type revenue increased by $26 million due to higher average Separate Accounts AV, driven by equity market appreciation.

•Net investment income increased by $21 million due to higher income from our alternative investment portfolio.

***Net Flows and AV***

•The increase in AV of $1.5 billion in the three months ended March 31, 2021 was primarily due to equity market appreciation of $1.5 billion, partially offset by net outflows of $51 million.

•Net outflows of $51 million increased $179 million in the three months ended March 31, 2021. Despite positive net flows in the 403b market, COVID-19 impacts continued with lower first year premiums and unfavorable surrender experience, partially offset by higher renewal premiums.

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**Investment Management and Research**

The Investment Management and Research segment provides diversified investment management, research and related services to a broad range of clients around the world. Operating earnings (loss), net of tax, presented here represents our economic interest in AB of approximately 64% and 65% during three months ended March 31, 2021 and 2020 respectively.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings** | | |  |  |  | **$** | **121** |  |  | | | $ | 95 |  |  | | |  | | |

Key components of operating earnings are:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Net investment income | | |  |  |  | **$** | **—** |  |  | | | $ | (33) |  |  | | |  | | |
| Net derivative gains (losses) | | |  |  |  | **2** | |  |  | | | 30 | |  |  | | |  | | |
| Investment management, service fees and other income | | |  |  |  | **1,002** | |  |  | | | 910 | |  |  | | |  | | |
| **Segment revenues** | | |  |  |  | **$** | **1,004** |  |  | | | $ | 907 |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Commissions and distribution related payments | | |  |  |  | **$** | **162** |  |  | | | $ | 140 |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | |  |  |  | **580** | |  |  | | | 558 | |  |  | | |  | | |
| Interest expense | | |  |  |  | **1** | |  |  | | | 2 | |  |  | | |  | | |
| **Segment benefits and other deductions** | | |  |  |  | **$** | **743** |  |  | | | $ | 700 |  |  | | |  | | |

Changes in AUM in the Investment Management and Research segment for the periods presented were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended March 31,** | | | | | | | | |  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **(in billions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance as of beginning of period** | | | **$** | **685.9** |  |  | | | $ | 622.9 |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Long-term flows | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Sales/new accounts | | | **33.3** | |  |  | | | 31.6 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Redemptions/terminations | | | **(24.2)** | |  |  | | | (32.7) | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Cash flow/unreinvested dividends | | | **(3.9)** | |  |  | | | (4.5) | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Net long-term inflows (outflows) | | | **5.2** | |  |  | | | (5.6) | |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Acquisition | | | **—** | |  |  | | | 0.2 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Market appreciation (depreciation) | | | **6.1** | |  |  | | | (75.7) | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Net change | | | **11.3** | |  |  | | | (81.1) | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance as of end of period** | | | **$** | **697.2** |  |  | | | $ | 541.8 |  |  | | |  | | |  | | |  | | |  | | |  | | |

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Average AUM in the Investment Management and Research segment for the periods presented by distribution channel and investment services were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended March 31,** | | | | | | | | |  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2021** | | |  | | | 2020 | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **(in billions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***Distribution Channel:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Institutions | | | **$** | **313.4** |  |  | | | $ | 276.6 |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Retail | | | **268.0** | |  |  | | | 229.0 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Private Wealth Management | | | **107.1** | |  |  | | | 96.4 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| **Total** | | | **$** | **688.5** |  |  | | | $ | 602.0 |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| ***Investment Service:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity Actively Managed | | | **$** | **223.4** |  |  | | | $ | 164.8 |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity Passively Managed (1) | | | **64.6** | |  |  | | | 55.4 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Income Actively Managed – Taxable | | | **257.3** | |  |  | | | 256.7 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Income Actively Managed – Tax-exempt | | | **51.2** | |  |  | | | 47.7 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Income Passively Managed (1) | | | **8.4** | |  |  | | | 9.7 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Alternatives/Multi-Asset Solutions (2) | | | **83.6** | |  |  | | | 67.7 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| **Total** | | | **$** | **688.5** |  |  | | | $ | 602.0 |  |  | | |  | | |  | | |  | | |  | | |  | | |

\_\_\_\_\_\_\_\_\_\_\_\_

(1)Includes index and enhanced index services.

(2)Includes multi-asset solutions and services not included in equity or fixed income services. Prior to December 31, 2020, this investment service line was disclosed as “Other.” In order to reflect the increasing significance of our Alternatives and Multi-Asset Solutions services, we updated the investment service line to “Alternatives and Multi-Asset Solutions."

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**Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020 for the Investment Management and Research Segment**

***Operating earnings***

Operating earnings increased $26 million to $121 million during the three months ended March 31, 2021 from $95 million in three months ended March 31, 2020. The following notable items were the primary drivers of the change in operating earnings:

Favorable items included:

•Fee-type revenue increased by $92 million primarily due to higher base fees and distribution revenues, driven by higher average AUM due to market appreciation and net inflows, partially offset by lower Bernstein Research Services revenues due to reduced customer trading activity relative to the COVID-related surge in trading volume experienced during the three months ended March 31, 2020.

•Net investment income increased by $33 million mainly due to lower losses on the seed capital investments subject to market risk, offset in Net derivative gains.

These were partially offset by the following unfavorable items:

•Net derivative gains decreased by $28 million mainly due to lower gains from economically hedging the seed capital investments, offset in Net investment income.

•Commissions and distribution-related payments increased by $22 million mainly due to higher payments to financial intermediaries for the distribution of AB mutual funds, primarily resulting from increased average AUM of these mutual funds.

•Earnings attributable to noncontrolling interest increased by $21 million due to higher pre-tax earnings.

•Compensation, benefits and other operating costs and expenses increased by $22 million primarily due to higher employee compensation attributed to higher revenues.

•Income tax expense increased by $7 million primarily due to higher pre-tax earnings partially offset by a lower effective tax rate.

***Long-Term Net Flows and AUM***

•Total AUM as of March 31, 2021 was $697.2 billion, up $11.3 billion, or 1.6%, compared to December 31, 2020, and up $155.4 billion, or 28.7%, compared to March 31, 2020. During the quarter ended March 31, 2021, AUM increased as a result of market appreciation of $6.1 billion and net inflows of $5.2 billion. During the twelve months ended March 31, 2021, AUM increased as a result of market appreciation of $147.2 billion and net inflows of $8.2 billion.

•During the quarter ended March 31, 2021, Retail, Institutional, and Private Wealth Management net inflows were $2.7 billion, $0.8 billion, and $1.7 billion, respectively. During the twelve months ended March 31, 2021, Retail, Institutional and Private Wealth Management net inflows were $6.5 billion, $1.4 billion and $0.3 billion respectively.

•Excluding AXA’s redemption of low-fee fixed income mandates of $10.8 billion, AB generated net inflows of $19.0 billion during the twelve months ended March 31, 2021 There were no outflows resulting from AXA’s ongoing redemption during the three months ended March 31, 2021.

**Protection Solutions**

The Protection Solutions segment includes our life insurance and employee benefits businesses. We provide a targeted range of products aimed at serving the financial needs of our clients throughout their lives, including VUL, IUL and term life products. In 2015, we entered the employee benefits market and currently offer a suite of dental, vision, life, as well as short- and long-term disability insurance products to small and medium-size businesses.

In recent years, we have refocused our product offering and distribution towards less capital intensive, higher return accumulation and protection products. For example, in January 2021, we discontinued offering our most interest sensitive IUL product (“IUL Protect”). We plan to improve our operating earnings over time through earnings generated from sales of our repositioned product portfolio and by proactively managing and optimizing our in-force book.

The following table summarizes operating earnings (loss) of our Protection Solutions segment for the periods presented:

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings (loss)** | | |  |  |  | **$** | **41** |  |  | | | $ | 49 |  |  | | |  | | |

Key components of operating earnings (loss) are:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Policy charges, fee income and premiums | | |  |  |  | **$** | **504** |  |  | | | $ | 562 |  |  | | |  | | |
| Net investment income | | |  |  |  | **262** | |  |  | | | 244 | |  |  | | |  | | |
| Net derivative gains (losses) | | |  |  |  | **(1)** | |  |  | | | 2 | |  |  | | |  | | |
| Investment management, service fees and other income | | |  |  |  | **61** | |  |  | | | 57 | |  |  | | |  | | |
| **Segment revenues** | | |  |  |  | **$** | **826** |  |  | | | $ | 865 |  |  | | |  | | |
|  | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  |  |  |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | |  |  |  | **$** | **509** |  |  | | | $ | 500 |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | |  |  |  | **123** | |  |  | | | 127 | |  |  | | |  | | |
| Commissions and distribution related payments | | |  |  |  | **34** | |  |  | | | 40 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | |  |  |  | **26** | |  |  | | | 50 | |  |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | |  |  |  | **85** | |  |  | | | 88 | |  |  | | |  | | |
| Interest expense | | |  |  |  | **—** | |  |  | | | — | |  |  | | |  | | |
| **Segment benefits and other deductions** | | |  |  |  | **$** | **777** |  |  | | | $ | 805 |  |  | | |  | | |

The following table summarizes Protection Solutions Reserves for our Protection Solutions segment as of the dates presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | |  | | | December 31, 2020 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Protection Solutions Reserves (1)** | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **18,401** |  |  | | | $ | 18,905 |  |  | | |  | | |
| Separate Accounts | | | **15,387** | |  |  | | | 14,771 | |  |  | | |  | | |
| **Total Protection Solutions Reserves** | | | **$** | **33,788** |  |  | | | $ | 33,676 |  |  | | |  | | |

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(1)Does not include Protection Solutions Reserves for our employee benefits business as it is a start-up business and therefore has immaterial in-force policies.

The following table presents our in-force face amounts for the periods indicated, respectively, for our individual life insurance products:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | |  | | | December 31, 2020 | | |  | | |  | | |
|  | | | **(in billions)** | | | | | | | | |  |  |  |  |  |  |
| **In-force face amount by product: (1)** | | |  | | |  | | |  | | |  | | |  | | |
| Universal Life (2) | | | **$** | **48.0** |  |  | | | $ | 48.7 |  |  | | |  | | |
| Indexed Universal Life | | | **28.0** | |  |  | | | 27.7 | |  |  | | |  | | |
| Variable Universal Life (3) | | | **128.5** | |  |  | | | 127.7 | |  |  | | |  | | |
| Term | | | **215.5** | |  |  | | | 215.2 | |  |  | | |  | | |
| Whole Life | | | **1.3** | |  |  | | | 1.3 | |  |  | | |  | | |
| **Total in-force face amount** | | | **$** | **421.3** |  |  | | | $ | 420.6 |  |  | | |  | | |

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(1)Includes individual life insurance and does not include employee benefits as it is a start-up business and therefore has immaterial in-force policies.

(2)UL includes GUL.

(3)VUL includes VL and COLI.

**Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020 for the Protection Solutions Segment**

***Operating earnings***

Operating earnings decreased $8 million to $41 million during the three months ended March 31, 2021 from $49 million in the three months ended March 31, 2020. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Fee-type revenue decreased by $54 million mainly driven by lower premiums resulting from the sale of USFL/MLICA, higher ceded premiums due to a new Term reinsurance treaty entered into in April 2020, lower amortization of the initial fee liability related to the first quarter of 2021 adverse mortality experience and a first quarter of 2020 one-time refinement.

•Policyholders’ benefits increased by $9 million mainly due to large VISL claims including those related to COVID-19 in the first quarter of 2021, which were partially offset by the release of the PFBL reserves. Claims on traditional products were lower in the first quarter of 2021 compared to the first quarter of 2020 due to lower term claims and the sale of the USFL and MLICA blocks in April 2020.

These were partially offset by the following favorable items:

•Amortization of DAC decreased by $24 million mainly due to lower VISL baseline amortization in the first quarter of 2021as a result of the first quarter of 2020 acceleration of DAC amortization from the interest rate assumption update, and from lower unfavorable mortality in the first quarter of 2021.

•Net investment income increased by $18 million mainly due to higher income from our alternative investment portfolio. This was partially offset by the impact of lower assets relating to the sale of USFL and MLICA.

•Commissions and distribution-related payments decreased by $6 million mainly due to lower renewal commissions.

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**Corporate and Other**

Corporate and Other includes some of our financing and investment expenses. It also includes: Equitable Advisors broker-dealer business, the Closed Block, run-off variable annuity reinsurance business, run-off group pension business, run-off health business, benefit plans for our employees, certain strategic investments and certain unallocated items, including capital and related investments, interest expense and financing fees and corporate expense. AB’s results of operations are reflected in the Investment Management and Research segment. Accordingly, Corporate and Other does not include any items applicable to AB.

The following table summarizes operating earnings (loss) of Corporate and Other for the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  | **2021** | | |  | | | 2020 | | |  | | |  | | |
|  | | |  |  |  | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings (loss)** | | |  |  |  | **$** | **(76)** |  |  | | | $ | (88) |  |  | | |  | | |

**General Account Investment Portfolio**

The General Account investment portfolio supports the insurance and annuity liabilities of our Individual Retirement, Group Retirement and Protection Solutions businesses. Our General Account investment portfolio investment strategy seeks to achieve sustainable risk-adjusted returns by focusing on principal preservation, investment return, duration and liquidity requirements by product class and the diversification of risks. Investment activities are undertaken according to investment policy statements that contain internally established guidelines and are required to comply with applicable laws and insurance regulations. Risk tolerances are established for credit risk, market risk, liquidity risk and concentration risk across types of issuers and asset classes that seek to mitigate the impact of cash flow variability arising from these risks. The impact of COVID-19 continues to be assessed for potential negative impacts to the performance of mortgage loans and fixed maturities.

The General Account investment portfolio consists largely of investment grade fixed maturities, short-term investments, commercial and agricultural mortgage loans, alternative investments and other financial instruments. Fixed maturities include publicly issued corporate bonds, government bonds, privately placed notes and bonds, bonds issued by states and municipalities, mortgage-backed securities and asset-backed securities. The General Account investment portfolio also includes credit derivatives to replicate exposure to individual securities or pools of securities as a means of achieving credit exposure similar to bonds of the underlying issuer(s) more efficiently. In addition, from time to time we use derivatives for hedging purposes to reduce our exposure to equity markets, interest rates and credit spreads. The General Account as part of a yield enhancement strategy has further diversification within the existing Commercial Mortgage Loan portfolio and extension into higher-yielding commercial mortgage investments; selectively expanding into a private European Commercial Real Estate Debt platform.

As part of our asset and liability management strategies, we maintain a weighted average duration for our General Account investment portfolio that is within an acceptable range of the estimated duration of our liabilities given our risk appetite and hedging programs. Our asset and liability management strategies are applied to portfolio duration groups within the General Account investment portfolio. For example, we maintain a “short duration” group comprised primarily of investment grade fixed maturity securities that are aligned with the duration of product liabilities with an average duration of less than six years (e.g., our SCS product). As of March 31, 2021 and December 31, 2020, 60% and 60% of the fixed maturities in the short duration group were rated NAIC 1, and 40% and 40% were rated NAIC 2, respectively. During the first quarter of 2021, purchases from both new money flows and portfolio rebalancing activity were designated as AFS fixed maturities. The remaining trading securities in the short duration VA portfolio will be opportunistically rebalanced to AFS and shown with fixed maturities, which is consistent with other portfolios in our General Account. New AFS assets included in fixed maturities had an amortized cost of $17.1 billion as of March 31, 2021.

The General Account invests in commercial and agricultural mortgage loans, included in the balance sheet as mortgage loans on real estate, and privately negotiated fixed maturities, included in the balance sheet as fixed maturities AFS. Under certain circumstances, modifications are granted to these contracts. These modifications were determined not to be TDRs. As of March 31, 2021 and December 31, 2020, the General Account had twenty-one and twenty commercial mortgage loans with a carrying value of $939 million and $838 million in which short term modifications were granted. Forbearance agreements reduced mortgage payments for a set time period. The commercial mortgage modifications were a result of the COVID-19 pandemic’s impact on the underlying real estate operations. The General Account did not have any agricultural mortgage loans for which modifications were granted as of March 31, 2021 and December 31, 2020. As of March 31, 2021 and December 31, 2020, the General Account had seven privately negotiated fixed maturity modifications with a book value of $74 million. The modifications to privately negotiated fixed maturities were to allow for the postponement or reduction in interest or principal

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payments for a defined period. The modifications were agreed upon to support several investments that had operations decline primarily due to the COVID-19 pandemic. The commercial mortgage loans and privately negotiated fixed maturities modifications are 1% of the General Account’s total invested assets.

Investment portfolios are primarily managed by legal entity with dedicated portfolios for certain blocks of business. For portfolios that back multiple product groups, investment results are allocated to business segments.

In executing the activities of our General Account investment portfolio, we incorporate environmental, social and governance factors into the investment processes for a significant portion of our portfolio and will look to expand our ESG investing initiatives in the future.

The General Account investment portfolio reflects certain differences from the presentation of the U.S. GAAP Consolidated Financial Statements. This presentation is consistent with how we manage the General Account investment portfolio. For further investment information, please refer to Note 3 and Note 4 of the Notes to the Consolidated Financial Statements.

***Investment Results of the General Account Investment Portfolio***

The following table summarizes the General Account investment portfolio results with Non-GAAP operating earnings adjustments by asset category for the periods indicated. This presentation is consistent with how we measure investment performance for management purposes.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Three Months Ended March 31,** | | | | | | | | | | | | | | | | | | | | |  | | | Year Ended December 31 | | |
|  | | | **2021** | | | | | | | | |  | | | 2020 | | | | | | | | |  | | | 2020 | | |
|  | | | **Yield** | | |  | | | **Amount (2)** | | |  | | | Yield | | |  | | | Amount (2) | | |  | | | Amount (2) | | |
|  | | | **(Dollars in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Fixed Maturities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **3.19** | | **%** |  | | | **$** | **577** |  |  | | | 3.59 | | % |  | | | $ | 573 |  |  | | | $ | 2,318 |  |
| Ending assets | | |  | | |  | | | **72,679** | |  |  | | |  | | |  | | | 64,815 | |  |  | | | 71,738 | |  |
| **Mortgages:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **4.01** | | **%** |  | | | **132** | |  |  | | | 4.22 | | % |  | | | 128 | |  |  | | | 517 | |  |
| Ending assets | | |  | | |  | | | **13,280** | |  |  | | |  | | |  | | | 12,123 | |  |  | | | 13,159 | |  |
| **Other Equity Investments (1) (4):** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **19.76** | | **%** |  | | | **107** | |  |  | | | 7.42 | | % |  | | | 28 | |  |  | | | 95 | |  |
| Ending assets | | |  | | |  | | | **2,679** | |  |  | | |  | | |  | | | 1,556 | |  |  | | | 1,621 | |  |
| **Policy Loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **5.54** | | **%** |  | | | **57** | |  |  | | | 5.57 | | % |  | | | 52 | |  |  | | | 204 | |  |
| Ending assets | | |  | | |  | | | **4,091** | |  |  | | |  | | |  | | | 3,720 | |  |  | | | 4,118 | |  |
| **Cash and Short-term Investments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **(0.04)** | | **%** |  | | | **—** | |  |  | | | (1.35) | | % |  | | | (16) | |  |  | | | 1 | |  |
| Ending assets | | |  | | |  | | | **2,919** | |  |  | | |  | | |  | | | 7,552 | |  |  | | | 2,095 | |  |
| **Funding agreements:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest expense and other | | |  | | |  | | | **(14)** | |  |  | | |  | | |  | | | (29) | |  |  | | | (75) | |  |
| Ending assets (liabilities) | | |  | | |  | | | **(10,223)** | |  |  | | |  | | |  | | | (6,759) | |  |  | | | (6,897) | |  |
| **Total Invested Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **4.01** | | **%** |  | | | **859** | |  |  | | | 3.73 | | % |  | | | 736 | |  |  | | | 3,060 | |  |
| Ending Assets | | |  | | |  | | | **85,425** | |  |  | | |  | | |  | | | 83,007 | |  |  | | | 85,834 | |  |
| **Short Duration Fixed Maturities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **3.13** | | **%** |  | | | **35** | |  |  | | | 3.60 | | % |  | | | 52 | |  |  | | | 184 | |  |
| Ending assets | | |  | | |  | | | **4,154** | |  |  | | |  | | |  | | | 5,729 | |  |  | | | 4,704 | |  |
| **Total:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment income (loss) | | | **3.97** | | **%** |  | | | **894** | |  |  | | | 3.72 | | % |  | | | 788 | |  |  | | | 3,244 | |  |
| Less: investment fees (3) | | | **(0.13)** | | **%** |  | | | **(28)** | |  |  | | | (0.12) | | % |  | | | (25) | |  |  | | | (107) | |  |
| Investment Income, Net | | | **3.84** | | **%** |  | | | **866** | |  |  | | | 3.60 | | % |  | | | 763 | |  |  | | | 3,137 | |  |
| **Ending Net Assets** | | |  | | |  | | | **$** | **89,579** |  |  | | |  | | |  | | | $ | 88,736 |  |  | | | $ | 90,538 |  |

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(1)Includes, as of March 31, 2021, March 31, 2020 and December 31, 2020 respectively, $480 million, $357 million and $333 million of other invested assets. Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments (see Note 2 Significant Accounting Policies – Investments).

(2)Amount for fixed maturities and mortgages represents original cost, reduced by repayments, write-downs, adjusted amortization of premiums, accretion of discount and allowances. Cost for equity securities represents original cost reduced by write-downs; cost for other limited partnership interests represents original cost adjusted for equity in earnings and reduced by distributions.

(3)Investment fees are inclusive of investment management fees paid to AB.

(4)Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments (see Note 2 Significant Accounting Policies – Investments).

***Fixed Maturities***

The fixed maturity portfolio consists largely of investment grade corporate debt securities and includes significant amounts of U.S. government and agency obligations. The limited below investment grade securities in the General Account investment portfolio consist of “fallen angels,” originally purchased as investment grade, as well as short duration public high yield securities and loans to middle market companies.

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***Fixed Maturities by Industry***

The following table sets forth these fixed maturities by industry category as of the dates indicated along with their associated gross unrealized gains and losses.

**Fixed Maturities by Industry (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Amortized Cost** | | |  | | | **Allowance for Credit Losses** | | |  | | | **Gross Unrealized Gains** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Fair Value** | | |  | | | **Percentage of Total (%)** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| **As of March 31, 2021 (3)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate Securities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Finance | | | **$** | **13,484** |  |  | | | **$** | **—** |  |  | | | **$** | **634** |  |  | | | **$** | **131** |  |  | | | **$** | **13,987** |  |  | | | **19** | | **%** |
| Manufacturing | | | **12,394** | |  |  | | | **1** | |  |  | | | **816** | |  |  | | | **131** | |  |  | | | **13,078** | |  |  | | | **17** | | **%** |
| Utilities | | | **6,088** | |  |  | | | **—** | |  |  | | | **354** | |  |  | | | **78** | |  |  | | | **6,364** | |  |  | | | **8** | | **%** |
| Services | | | **7,885** | |  |  | | | **18** | |  |  | | | **402** | |  |  | | | **144** | |  |  | | | **8,125** | |  |  | | | **11** | | **%** |
| Energy | | | **3,985** | |  |  | | | **—** | |  |  | | | **169** | |  |  | | | **69** | |  |  | | | **4,085** | |  |  | | | **5** | | **%** |
| Retail and wholesale | | | **3,660** | |  |  | | | **—** | |  |  | | | **251** | |  |  | | | **47** | |  |  | | | **3,864** | |  |  | | | **5** | | **%** |
| Transportation | | | **2,244** | |  |  | | | **—** | |  |  | | | **142** | |  |  | | | **37** | |  |  | | | **2,349** | |  |  | | | **3** | | **%** |
| Other | | | **201** | |  |  | | | **—** | |  |  | | | **8** | |  |  | | | **8** | |  |  | | | **201** | |  |  | | | **—** | | **%** |
| Total corporate securities | | | **49,941** | |  |  | | | **19** | |  |  | | | **2,776** | |  |  | | | **645** | |  |  | | | **52,053** | |  |  | | | **68** | | **%** |
| U.S. government | | | **14,809** | |  |  | | | **—** | |  |  | | | **1,362** | |  |  | | | **175** | |  |  | | | **15,996** | |  |  | | | **22** | | **%** |
| Residential mortgage-backed (2) | | | **119** | |  |  | | | **—** | |  |  | | | **11** | |  |  | | | **—** | |  |  | | | **130** | |  |  | | | **—** | | **%** |
| Preferred stock (4) | | | **41** | |  |  | | | **—** | |  |  | | | **11** | |  |  | | | **—** | |  |  | | | **52** | |  |  | | | **—** | | **%** |
| State & political | | | **569** | |  |  | | | **—** | |  |  | | | **78** | |  |  | | | **7** | |  |  | | | **640** | |  |  | | | **1** | | **%** |
| Foreign governments | | | **1,065** | |  |  | | | **—** | |  |  | | | **46** | |  |  | | | **38** | |  |  | | | **1,073** | |  |  | | | **1** | | **%** |
| Commercial mortgage-backed | | | **1,482** | |  |  | | | **—** | |  |  | | | **26** | |  |  | | | **18** | |  |  | | | **1,490** | |  |  | | | **2** | | **%** |
| Asset-backed securities | | | **4,653** | |  |  | | | **—** | |  |  | | | **28** | |  |  | | | **3** | |  |  | | | **4,678** | |  |  | | | **6** | | **%** |
| Total | | | **$** | **72,679** |  |  | | | **$** | **19** |  |  | | | **$** | **4,338** |  |  | | | **$** | **886** |  |  | | | **$** | **76,112** |  |  | | | **100** | | **%** |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| As of December 31, 2020 (3) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate Securities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Finance | | | $ | 14,411 |  |  | | | $ | — |  |  | | | $ | 1,112 |  |  | | | $ | 9 |  |  | | | $ | 15,514 |  |  | | | 19 | | % |
| Manufacturing | | | 13,040 | |  |  | | | — | |  |  | | | 1,520 | |  |  | | | 18 | |  |  | | | 14,542 | |  |  | | | 18 | | % |
| Utilities | | | 6,352 | |  |  | | | — | |  |  | | | 681 | |  |  | | | 6 | |  |  | | | 7,027 | |  |  | | | 9 | | % |
| Services | | | 7,830 | |  |  | | | 13 | |  |  | | | 680 | |  |  | | | 27 | |  |  | | | 8,470 | |  |  | | | 11 | | % |
| Energy | | | 4,084 | |  |  | | | — | |  |  | | | 364 | |  |  | | | 23 | |  |  | | | 4,425 | |  |  | | | 6 | | % |
| Retail and wholesale | | | 3,747 | |  |  | | | — | |  |  | | | 435 | |  |  | | | 3 | |  |  | | | 4,179 | |  |  | | | 5 | | % |
| Transportation | | | 2,424 | |  |  | | | — | |  |  | | | 301 | |  |  | | | 4 | |  |  | | | 2,721 | |  |  | | | 3 | | % |
| Other | | | 157 | |  |  | | | — | |  |  | | | 7 | |  |  | | | 2 | |  |  | | | 162 | |  |  | | | — | | % |
| Total corporate securities | | | 52,045 | |  |  | | | 13 | |  |  | | | 5,100 | |  |  | | | 92 | |  |  | | | 57,040 | |  |  | | | 71 | | % |
| U.S. government | | | 12,660 | |  |  | | | — | |  |  | | | 3,448 | |  |  | | | 5 | |  |  | | | 16,103 | |  |  | | | 20 | | % |
| Residential mortgage-backed (2) | | | 130 | |  |  | | | — | |  |  | | | 13 | |  |  | | | — | |  |  | | | 143 | |  |  | | | — | | % |
| Preferred stock | | | 621 | |  |  | | | — | |  |  | | | 48 | |  |  | | | 3 | |  |  | | | 666 | |  |  | | | 1 | | % |
| State & political | | | 536 | |  |  | | | — | |  |  | | | 100 | |  |  | | | — | |  |  | | | 636 | |  |  | | | 1 | | % |
| Foreign governments | | | 1,011 | |  |  | | | — | |  |  | | | 98 | |  |  | | | 6 | |  |  | | | 1,103 | |  |  | | | 1 | | % |
| Commercial mortgage-backed | | | 1,148 | |  |  | | | — | |  |  | | | 55 | |  |  | | | — | |  |  | | | 1,203 | |  |  | | | 2 | | % |
| Asset-backed securities | | | 3,587 | |  |  | | | — | |  |  | | | 29 | |  |  | | | 5 | |  |  | | | 3,611 | |  |  | | | 4 | | % |
| Total | | | $ | 71,738 |  |  | | | $ | 13 |  |  | | | $ | 8,891 |  |  | | | $ | 111 |  |  | | | $ | 80,505 |  |  | | | 100 | | % |

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(1)Investment data has been classified based on standard industry categorizations for domestic public holdings and similar classifications by industry for all other holdings.

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(2)Includes publicly traded agency pass-through securities and collateralized obligations.

(3)Excludes amounts reclassified as HFS.

(4)Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments (see Note 2 Significant Accounting Policies – Investments).

***Fixed Maturities Credit Quality***

The SVO of the NAIC evaluates the investments of insurers for regulatory reporting purposes and assigns fixed maturities to one of six categories (“NAIC Designations”). NAIC Designations of “1” or “2” include fixed maturities considered investment grade, which include securities rated Baa3 or higher by Moody’s or BBB- or higher by Standard & Poor’s. NAIC Designations of “3” through “6” are referred to as below investment grade, which include securities rated Ba1 or lower by Moody’s and BB+ or lower by Standard & Poor’s. As a result of time lags between the funding of investments and the completion of the SVO filing process, the fixed maturity portfolio typically includes securities that have not yet been rated by the SVO as of each balance sheet date. Pending receipt of SVO ratings, the categorization of these securities by NAIC designation is based on the expected ratings indicated by internal analysis.

The following table sets forth the General Account’s fixed maturities portfolio by NAIC rating at the dates indicated.

**Fixed Maturities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **NAIC Designation** | | |  | | | **Rating Agency Equivalent** | | |  | | | **Amortized**  **Cost** | | |  | | | **Allowance for Credit Losses** | | |  | | | **Gross**  **Unrealized**  **Gains** | | |  | | | **Gross**  **Unrealized**  **Losses** | | |  | | | **Fair Value** | | |
|  | | |  | | |  | | |  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **As of March 31, 2021 (1)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 1................................ | | |  | | | Aaa, Aa, A | | |  | | | **$** | **44,588** |  |  | | | **$** | **—** |  |  | | | **$** | **2,790** |  |  | | | **$** | **451** |  |  | | | **$** | **46,927** |  |
| 2................................ | | |  | | | Baa | | |  | | | **25,532** | |  |  | | | **—** | |  |  | | | **1,517** | |  |  | | | **383** | |  |  | | | **26,666** | |  |
|  | | |  | | | Investment grade | | |  | | | **70,120** | |  |  | | | **—** | |  |  | | | **4,307** | |  |  | | | **834** | |  |  | | | **73,593** | |  |
| 3................................ | | |  | | | Ba | | |  | | | **1,560** | |  |  | | | **—** | |  |  | | | **23** | |  |  | | | **25** | |  |  | | | **1,558** | |  |
| 4................................ | | |  | | | B | | |  | | | **906** | |  |  | | | **19** | |  |  | | | **6** | |  |  | | | **23** | |  |  | | | **870** | |  |
| 5................................ | | |  | | | Caa | | |  | | | **82** | |  |  | | | **—** | |  |  | | | **2** | |  |  | | | **3** | |  |  | | | **81** | |  |
| 6................................ | | |  | | | Ca, C | | |  | | | **11** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **1** | |  |  | | | **10** | |  |
|  | | |  | | | Below investment grade | | |  | | | **2,559** | |  |  | | | **19** | |  |  | | | **31** | |  |  | | | **52** | |  |  | | | **2,519** | |  |
| Total Fixed Maturities | | | | | | | | |  | | | **$** | **72,679** |  |  | | | **$** | **19** |  |  | | | **$** | **4,338** |  |  | | | **$** | **886** |  |  | | | **$** | **76,112** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| As of December 31, 2020 (1) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 1................................ | | |  | | | Aaa, Aa, A | | |  | | | $ | 44,146 |  |  | | | $ | — |  |  | | | $ | 6,227 |  |  | | | $ | 32 |  |  | | | $ | 50,341 |  |
| 2................................ | | |  | | | Baa | | |  | | | 25,285 | |  |  | | | — | |  |  | | | 2,621 | |  |  | | | 26 | |  |  | | | 27,880 | |  |
|  | | |  | | | Investment grade | | |  | | | 69,431 | |  |  | | | — | |  |  | | | 8,848 | |  |  | | | 58 | |  |  | | | 78,221 | |  |
| 3................................ | | |  | | | Ba | | |  | | | 1,436 | |  |  | | | — | |  |  | | | 33 | |  |  | | | 19 | |  |  | | | 1,450 | |  |
| 4................................ | | |  | | | B | | |  | | | 769 | |  |  | | | 13 | |  |  | | | 7 | |  |  | | | 28 | |  |  | | | 735 | |  |
| 5................................ | | |  | | | Caa | | |  | | | 92 | |  |  | | | — | |  |  | | | 3 | |  |  | | | 5 | |  |  | | | 90 | |  |
| 6................................ | | |  | | | Ca, C | | |  | | | 10 | |  |  | | | — | |  |  | | | — | |  |  | | | 1 | |  |  | | | 9 | |  |
|  | | |  | | | Below investment grade | | |  | | | 2,307 | |  |  | | | 13 | |  |  | | | 43 | |  |  | | | 53 | |  |  | | | 2,284 | |  |
| Total Fixed Maturities | | | | | | | | |  | | | $ | 71,738 |  |  | | | $ | 13 |  |  | | | $ | 8,891 |  |  | | | $ | 111 |  |  | | | $ | 80,505 |  |

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(1)Excludes amounts reclassified as HFS.

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***Mortgage Loans***

The mortgage portfolio primarily consists of commercial and agricultural mortgage loans. The investment strategy for the mortgage loan portfolio emphasizes diversification by property type and geographic location with a primary focus on asset quality. The tables below show the breakdown of the amortized cost of the General Account’s investments in mortgage loans by geographic region and property type as of the dates indicated.

**Mortgage Loans by Region and Property Type**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2021** | | | | | | | | |  | | | December 31, 2020 | | | | | | | | |
|  | | | **Amortized**  **Cost** | | |  | | | **% of Total** | | |  | | | Amortized  Cost | | |  | | | % of Total | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| **By Region:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| U.S. Regions: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pacific | | | **$** | **3,856** |  |  | | | **29** | | **%** |  | | | $ | 3,912 |  |  | | | 30 | | % |
| Middle Atlantic | | | **3,639** | |  |  | | | **27** | |  |  | | | 3,662 | |  |  | | | 28 | |  |
| South Atlantic | | | **1,290** | |  |  | | | **10** | |  |  | | | 1,290 | |  |  | | | 10 | |  |
| East North Central | | | **1,124** | |  |  | | | **8** | |  |  | | | 1,122 | |  |  | | | 8 | |  |
| Mountain | | | **1,032** | |  |  | | | **8** | |  |  | | | 1,026 | |  |  | | | 8 | |  |
| West North Central | | | **865** | |  |  | | | **6** | |  |  | | | 875 | |  |  | | | 7 | |  |
| West South Central | | | **689** | |  |  | | | **5** | |  |  | | | 690 | |  |  | | | 5 | |  |
| New England | | | **626** | |  |  | | | **5** | |  |  | | | 511 | |  |  | | | 3 | |  |
| East South Central | | | **146** | |  |  | | | **1** | |  |  | | | 152 | |  |  | | | 1 | |  |
| Total U.S. | | | **$** | **13,267** |  |  | | | **99** | | **%** |  | | | $ | 13,240 |  |  | | | 100 | | % |
| **Other Regions:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Europe | | | **$** | **87** |  |  | | | **1** | | **%** |  | | | $ | — |  |  | | | — | | % |
| Total Other | | | **$** | **87** |  |  | | | **1** | |  |  | | | **$** | **—** |  |  | | | — | |  |
| Total Mortgage Loans | | | **$** | **13,354** |  |  | | | **100** | | **%** |  | | | $ | 13,240 |  |  | | | 100 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **By Property Type:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Office | | | **$** | **4,054** |  |  | | | **30** | | **%** |  | | | $ | 4,131 |  |  | | | 31 | | % |
| Multifamily | | | **4,062** | |  |  | | | **31** | |  |  | | | 4,027 | |  |  | | | 30 | |  |
| Agricultural loans | | | **2,705** | |  |  | | | **20** | |  |  | | | 2,732 | |  |  | | | 21 | |  |
| Retail | | | **837** | |  |  | | | **6** | |  |  | | | 742 | |  |  | | | 6 | |  |
| Industrial | | | **787** | |  |  | | | **6** | |  |  | | | 787 | |  |  | | | 6 | |  |
| Hospitality | | | **477** | |  |  | | | **4** | |  |  | | | 477 | |  |  | | | 4 | |  |
| Other | | | **432** | |  |  | | | **3** | |  |  | | | 344 | |  |  | | | 2 | |  |
| Total Mortgage Loans | | | **$** | **13,354** |  |  | | | **100** | | **%** |  | | | $ | 13,240 |  |  | | | 100 | | % |

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**Liquidity and Capital Resources**

Liquidity refers to our ability to generate adequate amounts of cash from our operating, investment and financing activities to meet our cash requirements with a prudent margin of safety. Capital refers to our long-term financial resources available to support business operations and future growth. Our ability to generate and maintain sufficient liquidity and capital is dependent on the profitability of our businesses, timing of cash flows related to our investments and products, our ability to access the capital markets, general economic conditions and the alternative sources of liquidity and capital described herein. When considering our liquidity and cash flows, we distinguish between the needs of Holdings and the needs of our insurance and non-insurance subsidiaries. We also distinguish and separately manage the liquidity and capital resources of our retirement and protection businesses ( our Individual Retirement, Group Retirement and Protection Solutions segments) and our Investment Management and Research segment.

***Sources and Uses of Liquidity***

The Company has sufficient cash flows from operations to satisfy liquidity requirements in 2021.

*Cash Flows of Holdings*

As a holding company with no business operations of its own, Holdings primarily derives cash flows from dividends from its subsidiaries and distributions related to its economic interest in AB, nearly all of which is currently held outside our insurance company subsidiaries. These principal sources of liquidity are augmented by cash and short-term investments held by Holdings and access to bank lines of credit and the capital markets. The main uses of liquidity for Holdings are interest payments and debt repayment, payment of dividends and other distributions to stockholders (which may include stock repurchases) loans and capital contributions, if needed, to our insurance subsidiaries. Our principal sources of liquidity and our capital position are described in the following paragraphs.

**Sources and Uses of Holding Company Highly Liquid Assets**

The following table sets forth Holdings’ principal sources and uses of highly liquid assets for the periods indicated.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended March 31,** | | | | | | | | |
|  | | | **2021** | | |  | | | 2020 | | |
|  | | | **(in millions)** | | | | | | | | |
| **Highly Liquid Assets, beginning of period** | | | **$** | **3,088** |  |  | | | 1,589 | |  |
| Dividends from subsidiaries | | | **234** | |  |  | | | 263 | |  |
| Repayment of surplus note including interest | | | **—** | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Capital contributions to subsidiaries | | | **(5)** | |  |  | | | (135) | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| **Total Business Capital Activity** | | | **229** | |  |  | | | 128 | |  |
|  | | |  | | |  | | |  | | |
| Purchase of treasury shares | | | **(430)** | |  |  | | | (205) | |  |
|  | | |  | | |  | | |  | | |
| Shareholder dividends paid | | | **(74)** | |  |  | | | (69) | |  |
| **Total Share Repurchases, Dividends and Acquisition Activity** | | | **(504)** | |  |  | | | (274) | |  |
| Issuance of preferred stock | | | **293** | |  |  | | | — | |  |
| Preferred stock dividend | | | **(13)** | |  |  | | | **(13)** | |  |
| **Total Preferred Stock Activity** | | | **280** | |  |  | | | (13) | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Repayment of long-term debt | | | (280) | |  |  | | | — | |  |
| **Total External Debt Activity** | | | **(280)** | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |
| Repayments of loans from affiliates | | | **—** | |  |  | | | — | |  |
| Proceeds from loans from affiliates | | | **—** | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |
| Issuance of loans to affiliates | | | **—** | |  |  | | | — | |  |
| Net decrease (increase) in loans to affiliates | | | **50** | |  |  | | | (270) | |  |
| **Total Affiliated Debt Activity** | | | **50** | |  |  | | | (270) | |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended March 31,** | | | | | | | | |
|  | | | **2021** | | |  | | | 2020 | | |
|  | | | **(in millions)** | | | | | | | | |
|  | | |  | | |  | | |  | | |
| Interest paid on external debt and P-Caps | | | **(36)** | |  |  | | | (12) | |  |
| Others, net | | | **(100)** | |  |  | | | (25) | |  |
| **Total Other Activity** | | | **(136)** | |  |  | | | (37) | |  |
|  | | |  | | |  | | |  | | |
| **Net increase (decrease) in highly liquid assets** | | | **(360)** | |  |  | | | (466) | |  |
| **Highly Liquid Assets, end of period** | | | **$** | **2,728** |  |  | | | $ | 1,123 |  |

During the three months ended March 31, 2021, Holdings’ liquid assets decreased by $360 million. The decreases are primarily due to $504 million in shareholders return including share repurchases and dividends and $280 million of debt repayments related to a partial redemption of our 2023 Senior Unsecured Notes. The decreases were partially offset by increases related to $234 million of dividends from our subsidiaries and $293 million in Preferred Stock issuance.

*Cash Distributions from Our Subsidiaries*

In 2021, Holdings and certain of its subsidiaries received cash distributions from AB of $183 million and $65 million in dividends from Equitable Advisors.

*Distributions from Insurance Subsidiaries*

Our insurance companies are subject to limitations on the payment of dividends and other transfers of funds to Holdings and other affiliates under applicable insurance law and regulation. Also, more generally, the ability of our insurance subsidiaries to pay dividends can be affected by market conditions and other factors beyond our control.

Under New York insurance law applicable to Equitable Financial, a domestic stock life insurer may not, without prior approval of the NYDFS, pay a dividend to its stockholders exceeding an amount calculated based on a statutory formula. Due to the formula not fully reflecting hedging benefits, in 2021 the formula does not permit Equitable Financial to pay shareholder dividends without the prior approval or non-disapproval from the NYDFS. Equitable Financial’s 2020 dividend capacity of $2.1 billion was approximately double the annual cash distribution in the past few years. In anticipation of such outcome, Equitable Financial distributed the remaining 2020 capacity of $0.9 billion to Holdings in December 2020, having already distributed $1.2 billion in May 2020. Holdings’ current cash and liquid assets will adequately support its 2021 capital management program.

*Distributions from AllianceBernstein*

ABLP is required to distribute all of its Available Cash Flow, as defined in the Amended and Restated Partnership Agreement of ABLP, to the holders of AB Units and to the General Partner. Available Cash Flow is defined as the cash flow received by ABLP from operations minus such amounts as the General Partner determines, in its sole discretion, should be retained by ABLP for use in its business, or plus such amounts as the General Partner determines, in its sole discretion, should be released from previously retained cash flow. Distributions by ABLP are made 1% to the General Partner and 99% among the limited partners.

Typically, Available Cash Flow has been the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management of AB anticipates that Available Cash Flow will be based on adjusted diluted net income per unit, unless management of AB determines, with the concurrence of the Board of Directors of AB, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation.

AB Holding is required to distribute all of its Available Cash Flow, as defined in the Amended and Restated Agreement of Limited Partnership of AB Holding, to holders of AB Holding Units pro rata in accordance with their percentage interest in AB Holding. Available Cash Flow is defined as the cash distributions AB Holding receives from ABLP minus such amounts as the General Partner determines, in its sole discretion, should be retained by AB Holding for use in its business (such as the payment of taxes) or plus such amounts as the General Partner determines, in its sole discretion, should be released from previously retained cash flow. AB Holding is dependent on the quarterly cash distributions it receives from ABLP, which is subject to the performance of capital markets and other factors beyond our control. Distributions from AB Holding are made pro rata based on the holder’s percentage ownership interest in AB Holding.

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As of March 31, 2021, Holdings and its non-insurance company subsidiaries hold approximately 167.5 million AB Units, 4.1 million AB Holding Units and the 1% General Partnership interest in ABLP, while 2.6 million AB Units continue to be held by Equitable America. Because Equitable America is subject to regulatory restrictions on the amount of dividends it may pay, distributions it receives from AB may not be distributable to Holdings.

As of March 31, 2021, the ownership structure of ABLP, including AB Units outstanding as well as the general partner’s 1% interest, was as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Owner** | | | **Percentage Ownership** | | |
| EQH and its subsidiaries | | | 62.8 | | % |
| AB Holding | | | 36.5 | | % |
| Unaffiliated holders | | | 0.7 | | % |
| Total | | | 100.0 | | % |

Including both the general partnership and limited partnership interests in AB Holding and ABLP, Holdings and its subsidiaries had an approximate 64% economic interest in AB as of March 31, 2021.

*Holdings Credit Facilities*

We have a $2.5 billion five-year senior unsecured revolving credit facility (the “Credit Facility”), which may provide significant support to our liquidity position when alternative sources of credit are limited. In addition to the Credit Facility, we have letter of credit facilities with an aggregate principal amount of approximately $1.9 billion (the “LOC Facilities”), primarily to be used to support our life insurance business reinsured to EQ AZ Life Re in April 2018.

The Credit Facility and LOC Facilities contain certain administrative, reporting, legal and financial covenants, including requirements to maintain a specified minimum consolidated net worth and to maintain a ratio of indebtedness to total capitalization not in excess of a specified percentage, and limitations on the dollar amount of indebtedness that may be incurred by our subsidiaries and the dollar amount of secured indebtedness that may be incurred by us, which could restrict our operations and use of funds. The right to borrow funds under the Credit Facility and LOC Facilities is subject to the fulfillment of certain conditions, including compliance with all covenants, and the ability to borrow thereunder is also subject to the continued ability of the lenders that are or will be parties to the facilities to provide funds. As of March 31, 2021, we were in compliance with these covenants”.

*Contingent Funding Arrangements*

For information regarding activity pertaining to our contingent funding arrangements, see “Commitments and Contingent Liabilities” Note 12 of the Notes to Consolidated Financial Statements in this Form 10-Q.

*Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock*

For information pertaining to our Series A, Series B and Series C Preferred Stock see Note 10 of the Notes to the Consolidated Financial Statements.

***Capital Position of Holdings***

We manage our capital position to maintain financial strength and credit ratings that facilitate the distribution of our products and provide our desired level of access to the bank and capital markets. Our capital position is supported by the ability of our subsidiaries to generate cash flows and distribute cash to us and our ability to effectively manage the risk of our businesses and to borrow funds and raise capital to meet our operating and growth needs.

Our Board and senior management are directly involved in the development of our capital management policies. Accordingly, capital actions, including proposed changes to the annual capital plan, capital targets and capital policies, are approved by the Board.

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*Dividends Declared and Paid*

The declaration and payment of future dividends is subject to the discretion of our Board of Directors and depends on our financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by Holdings’ insurance subsidiaries and other factors deemed relevant by the Board.

The payment of dividends will be substantially restricted in the event that we do not declare and pay (or set aside) dividends on the Series A, Series B and Series C Preferred Stock for the last proceeding dividend period. For additional information on our preferred stock, see “—Series A, Series B and Series C Preferred Stock”.

For information regarding activity pertaining to common and preferred dividends declared and paid, see Note 10 of the Notes to the Consolidated Financial Statements.

*Share Repurchase Programs*

For information regarding activity pertaining to share repurchase programs, see Note 10 of the Notes to Consolidated Financial Statements.

***Sources and Uses of Liquidity of Our Insurance Subsidiaries***

The principal sources of liquidity for our insurance subsidiaries are premiums, investment and fee income, deposits associated with our insurance and annuity operations, cash and invested assets, as well as internal borrowings. The principal uses of that liquidity include benefits, claims and dividends paid to policyholders and payments to policyholders in connection with surrenders and withdrawals. Other uses of liquidity include commissions, general and administrative expenses, purchases of investments, the payment of dividends to Holdings and hedging activity. Certain of our insurance subsidiaries’ principal sources and uses of liquidity are described in the paragraphs that follow.

We manage the liquidity of our insurance subsidiaries with the objective of ensuring that they can meet payment obligations linked to our Individual Retirement, Group Retirement and Protection Solutions businesses and to their outstanding debt and derivative positions, including in our hedging programs, without support from Holdings. We employ an asset/liability management approach specific to the requirements of each of our insurance businesses. We measure liquidity against internally-developed benchmarks that consider the characteristics of our asset portfolio and the liabilities that it supports. We consider attributes of the various categories of our liquid assets (for example, type of asset and credit quality) in calculating internal liquidity indicators for our insurance and reinsurance operations. Our liquidity benchmarks are established for various stress scenarios and durations, including company-specific and market-wide events. The scenarios we use to evaluate the liquidity of our subsidiaries are defined to allow operating entities to operate without support from Holdings.

*Liquid Assets*

The investment portfolios of our insurance subsidiaries are a significant component of our overall liquidity. Liquid assets include cash and cash equivalents, short-term investments, U.S. Treasury fixed maturities, fixed maturities that are not designated as HTM and public equity securities. We believe that our business operations and the liquidity profile of our assets provide sufficient liquidity under reasonably foreseeable stress scenarios for each of our insurance subsidiaries.

See “—General Account Investment Portfolio” and Note 3 and Note 4 of the Notes to Consolidated Financial Statements for a description of our retirement and protection businesses’ portfolio of liquid assets.

*Hedging Activities*

Because the future claims exposure on our insurance products, and in particular our variable annuity products with GMxB features, is sensitive to movements in the equity markets and interest rates, we have in place various hedging and reinsurance programs that are designed to mitigate the economic risks of movements in the equity markets and interest rates. We use derivatives as part of our overall asset/liability risk management program primarily to reduce exposures to equity market and interest rate risks. In addition, we use credit derivatives to replicate exposure to individual securities or pools of securities as a means of achieving credit exposure similar to bonds of the underlying issuer(s) more efficiently. The derivative contracts are an integral part of our risk management program, especially for the management of our variable annuities program, and are collectively managed to reduce the economic impact of unfavorable movements in capital markets. These derivative transactions require liquidity to meet payment obligations such as payments for periodic settlements, purchases, maturities and terminations as well as liquid assets pledged as collateral related to any decline in the net estimated fair value. Collateral calls

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represent one of our biggest drivers for liquidity needs for our insurance subsidiaries. Our derivatives contracts reside primarily within Equitable Financial, which has a significantly large investment portfolio.

*FHLB Membership*

Equitable Financial is a member of the FHLB, which provides Equitable Financial with access to collateralized borrowings and other FHLB products. As of March 31, 2021, we had $9.1 billion of short-term outstanding funding agreements and $1.1 billion of long-term outstanding funding agreements issued to the FHLB and had posted $6.7 billion securities as collateral for funding agreements. In addition, Equitable Financial implemented a hedge to lock in the funding agreements borrowing rate, and $6 million of hedge impact was reported as funding agreement carrying value.

Equitable America is a member of the FHLB of San Francisco.

**Sources and Uses of Liquidity of our Investment Management and Research Segment**

The principal sources of liquidity for our Investment Management and Research business include investment management fees and borrowings under its credit facilities and commercial paper program. The principal uses of liquidity include general and administrative expenses, business financing and distributions to holders of AB Units and AB Holding Units plus interest and debt service. The primary liquidity risk for our fee-based Investment Management and Research business is its profitability, which is impacted by market conditions and our investment management performance.

***AB Short-term Debt***

*AB Commercial Paper*

As of March 31, 2021 and December 31, 2020, AB had no commercial paper outstanding. The commercial paper is short term in nature, and as such, recorded value is estimated to approximate fair value (and considered a Level 2 security in the fair value hierarchy). Average daily borrowings for the commercial paper outstanding in 2021 was $120 million with a weighted average interest rate of 0.2%. Average daily borrowings for the commercial paper in 2020 was $83 million with a weighted average interest rate of 0.4%.

*AB Revolver Credit Facility*

AB has a $200 million committed, unsecured senior revolving credit facility (the "AB Revolver") with a leading international bank, which matures on November 16, 2021. The Revolver is available for AB's and SCB LLC's business purposes,including the provision of additional liquidity to meet funding requirements primarily related to SCB LLC's operations. Both AB and SCB LLC can draw directly under the Revolver and management expects to draw on the Revolver from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Revolver. The Revolver contains affirmative, negative and financial covenants that are identical to those of the Credit Facility. Borrowings under the Revolver bear interest at a rate per annum, which will be, at AB's option, a rate equal to an applicable margin, which is subject to adjustment based on the credit ratings of AB, plus one of the following indices: London Interbank Offered Rate; a floating base rate; or the Federal Funds rate. As of March 31, 2021 and December 31, 2020, AB had no amounts outstanding under the AB Revolver. Average daily borrowings for 2021 and 2020 were $26 million and $17 million, respectively, with weighted average interest rates of 1.1% and 1.6%, respectively.

***AB Credit Facility***

AB has a $800 million committed, unsecured senior revolving credit facility (the “AB Credit Facility”) with a group of commercial banks and other lenders which matures on September 27, 2023.

The credit facility provides for possible increases in the principal amount by up to an aggregate incremental amount of $200 million. Any such increase is subject to the consent of the affected lenders. The AB Credit Facility is available for AB and SCB LLC for business purposes, including the support of AB’s commercial paper program. Both AB and SCB LLC can draw directly under the AB Credit Facility and AB management expects to draw on the AB Credit Facility from time to time. AB has agreed to guarantee the obligations of SCB LLC under the AB Credit Facility.

The AB Credit Facility contains affirmative, negative and financial covenants, which are customary for facilities of this type, including, among other things, restrictions on dispositions of assets, restrictions on liens, a minimum interest coverage ratio and a maximum leverage ratio. As of March 31, 2021, AB was in compliance with these covenants. The AB Credit Facility also includes customary events of default (with customary grace periods, as applicable), including provisions under

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which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or lender’s commitments may be terminated. Also, under such provisions, upon the occurrence of certain insolvency- or bankruptcy-related events of default, all amounts payable under the AB Credit Facility would automatically become immediately due and payable, and the lender’s commitments would automatically terminate.

Amounts under the Credit Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. Voluntary prepayments and commitment reductions requested by AB are permitted at any time without a fee (other than customary breakage costs relating to the prepayment of any drawn loans) upon proper notice and subject to a minimum dollar requirement. Borrowings under the AB Credit Facility bear interest at a rate per annum, which will be, at AB’s option, a rate equal to an applicable margin, which is subject to adjustment based on the credit ratings of AB, plus one of the following indices: LIBOR; a floating base rate; or the Federal Funds rate.

As of March 31, 2021 and December 31, 2020, AB had no amounts outstanding under the AB Credit Facility. During the periods ended March 31, 2021 and December 31, 2020, AB and SCB LLC did not draw upon the AB Credit Facility.

In addition, SCB LLC currently has three uncommitted lines of credit with three financial institutions. Two of these lines of credit permit borrowing up to an aggregate of approximately $165 million, with AB named as an additional borrower, while the other line has no stated limit. As of March 31, 2021 and December 31, 2020, SCB LLC had no outstanding balance on these lines of credit. SCB LLC did not draw on these lines of credit during the first three months of 2021. Average daily borrowings during the full year 2020 were $1 million with a weighted average interest rate of approximately 1.6%.

***EQH Facility***

On November 4, 2019, Holdings made available to AB a $900 million committed, unsecured senior credit facility (the “EQH Facility”). The EQH Facility matures on November 4, 2024 and is available for AB’s general business purposes. Borrowings under the EQH Facility generally bear interest at a rate per annum based on prevailing overnight commercial paper rates.

The EQH Facility contains affirmative, negative and financial covenants which are substantially similar to those in AB’s committed bank facilities. The EQH Facility also includes customary events of default substantially similar to those in AB’s committed bank facilities, including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or the lender’s commitment may be terminated.

Amounts under the EQH Facility may be borrowed, repaid and re-borrowed by AB from time to time until the maturity of the facility. AB or Holdings may reduce or terminate the commitment at any time without penalty upon proper notice. Holdings also may terminate the facility immediately upon a change of control of AB’s general partner.

As of March 31, 2021 and December 31, 2020, AB had $625 million and $675 million, respectively, outstanding under the EQH Facility with interest rates of approximately 0.2% and 0.2%, respectively. Average daily borrowing of the EQH Facility during 2021 and 2020 were $622 million and $471 million, respectively, with a weighted average interest rate of approximately 0.2% and 0.5% respectively.

***EQH Uncommitted Facility***

In addition to the EQH Facility, on September 1, 2020, AB established a new $300 million uncommitted, unsecured senior credit facility (the “EQH Uncommitted Facility”) with EQH. The EQH Uncommitted Facility matures on September 1, 2024 and is available for AB’s general purposes. Borrowings under the EQH Uncommitted Facility bear interest at a rate per annum based on prevailing overnight commercial paper rates. The EQH Uncommitted Facility contains affirmative, negative and financial covenants, customary events of defaults and other terms and conditions which are substantially similar to those in the EQH Facility.

As of March 31, 2021 and December 31, 2020, AB had no outstanding balance on the EQH Uncommitted Facility. During the periods ended March 31, 2021 and December 31, 2020, AB did not draw upon the EQH Uncommitted Facility

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**Statutory Capital of Our Insurance Subsidiaries**

Our capital management framework for our insurance subsidiaries is primarily based on statutory RBC standards and the CTE asset standard for our variable annuity business.

RBC requirements are used as minimum capital requirements by the NAIC and the state insurance departments to evaluate the capital condition of regulated insurance companies. RBC is based on a formula calculated by applying factors to various asset, premium, claim, expense and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market risk and business risk and is calculated on a quarterly basis and made public on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. These rules apply to our insurance company subsidiaries and not to Holdings. State insurance laws provide insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. At the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of these insurance company subsidiaries subject to these requirements was in excess of each of those RBC levels.

CTE is a statistical measure of tail risk which quantifies the total asset requirement to sustain a loss if an event outside a given probability level has occurred. In the case of our analysis of variable annuity guarantees, CTE98 denotes the financial resources a company would need to cover the average of the worst 2% of scenarios.

Following our early adoption of the NAIC’s variable annuity framework for the year ended December 31, 2019, we manage our capital on a consolidated basis. Post-NAIC reform, CTE98 translates to 400% RBC. This combined with our target RBC ratio of 350%-400% for non-VAs, translates to a new target minimum consolidated RBC ratio of 375% - 400%.

**Captive Reinsurance Companies**

We use captive reinsurance companies to more effectively manage our reserves and capital on an economic basis and to enable the aggregation and transfer of risks. Our captive reinsurance companies assume business from affiliates only and are closed to new business. All of our captive reinsurance companies are wholly-owned subsidiaries and are located in the United States. In addition to state insurance regulation, our captives are subject to internal policies governing their activities. We continue to analyze the use of our existing captive reinsurance structures, as well as additional third-party reinsurance arrangements.

**Borrowings**

Our financial strategy going forward will remain subject to market conditions and other factors. For example, we may from time to time enter into additional bank or other financing arrangements, including public or private debt, structured facilities and contingent capital arrangements, under which we could incur additional indebtedness.

The following table sets forth the Company’s total consolidated borrowings. Short-term and long-term debt consists of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31,** | | |  | | | **December 31,** | | |
|  | | | **2021** | | |  | | | 2020 | | |
|  | | | **(in millions)** | | | | | | | | |
| **Short-term debt:** | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| CLO Warehousing Debt | | | **$** | **185** |  |  | | | $ | — |  |
| Total short-term debt | | | **185** | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |
| **Long-term debt:** | | |  | | |  | | |  | | |
| Senior Notes (5.0%, due 2048) | | | **1,481** | |  |  | | | 1,481 | |  |
| Senior Notes (4.35%, due 2028) | | | **1,489** | |  |  | | | 1,489 | |  |
| Senior Notes (3.9%, due 2023) (1) | | | **518** | |  |  | | | 796 | |  |
|  | | |  | | |  | | |  | | |
| Senior Debentures, (7.0%, due 2028) | | | **349** | |  |  | | | 349 | |  |
| Total long-term debt | | | **3,837** | |  |  | | | 4,115 | |  |
| Total short-term and long-term debt | | | **$** | **4,022** |  |  | | | $ | 4,115 |  |

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(1)During February 2021 the Company partially redeemed approximately $280 million of the aggregate principal amount of the 2023 Senior Unsecured Notes. As a result of the partial debt redemption, the Company recorded interest expense of $22 million.

*Notes and Debentures*

The Senior Notes and Senior Debentures contain customary affirmative and negative covenants, including a limitation on certain liens and a limit on the Company’s ability to consolidate, merge or sell or otherwise dispose of all or substantially all of its assets. The Senior Notes and Senior Debentures also include customary events of default (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all outstanding Senior Notes and Senior Debentures may be accelerated. As of March 31, 2021, the Company is in compliance with all debt covenants.

**Ratings**

Financial strength ratings (which are sometimes referred to as “claims-paying” ratings) and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. Our credit ratings are also important for our ability to raise capital through the issuance of debt and for the cost of such financing.

Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity’s ability to repay its indebtedness. The following table summarizes the ratings for Holdings and certain of its subsidiaries. AM Best and S&P have a stable outlook while Moody’s has a positive outlook.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **AM Best** | | |  | | | **S&P** | | |  | | | **Moody’s** | | |
| **Last review date** | | | Jan '21 | | |  | | | Oct '20 | | |  | | | Oct '20 | | |
| ***Financial Strength Ratings:*** | | |  | | |  | | |  | | |  | | |  | | |
| Equitable Financial Life Insurance Company | | | A | | |  | | | A+ | | |  | | | A2 | | |
| Equitable Financial Life Insurance Company of America | | | A | | |  | | | A+ | | |  | | | A2 | | |
| ***Credit Ratings:*** | | |  | | |  | | |  | | |  | | |  | | |
| Equitable Holdings, Inc. | | |  | | |  | | | BBB+ | | |  | | | Baa2 | | |
| **Last review date** | | |  | | |  | | | Sept '20 | | |  | | | Oct '20 | | |
| AllianceBernstein L.P. | | |  | | |  | | | A | | |  | | | A2 | | |

**SUPPLEMENTARY INFORMATION**

We are involved in a number of ventures and transactions with AXA and certain of its affiliates. See Note 12 in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2020.

**Contractual Obligations**

Our consolidated contractual agreements include policyholder obligations, long-term debt, commercial paper, employee benefits, operating leases and various funding commitments. See “Supplementary Information – Contractual Obligations” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Annual Report on Form 10-K for the year ended December 31, 2020 for additional information.

**Off-Balance Sheet Arrangements**

As of March 31, 2021, we were not a party to any off-balance sheet transactions other than those Guarantees and Commitments described in Note 12 of the Notes to the Consolidated Financial Statements.

**Summary of Critical Accounting Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in our consolidated financial statements included elsewhere herein. For a discussion of our significant accounting policies, see Note 2 to the Company’s consolidated financial statements included in our 2020 Form 10-K. The most critical estimates include those used in determining:

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•liabilities for future policy benefits;

•accounting for reinsurance;

•capitalization and amortization of DAC and policyholder bonus interest credits;

•estimated fair values of investments in the absence of quoted market values and investment impairments;

•estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;

•goodwill and related impairment;

•measurement of income taxes and the valuation of deferred tax assets; and

•liabilities for litigation and regulatory matters.

In applying our accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries while others are specific to our business and operations. Actual results could differ from these estimates.

**Item 3.      Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to the quantitative and qualitative disclosures about market risk described in the Annual Report on Form 10-K for the year ended December 31, 2020 in "Quantitative and Qualitative Disclosures About Market Risk".

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**Item 4.     Controls and Procedures**

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2021, the Company’s disclosure controls and procedures were effective.

No change in the Company’s internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), occurred during the three months ended March 31, 2021, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

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**PART II. OTHER INFORMATION**

**Item 1.     Legal Proceedings**

For information regarding certain legal proceedings pending against us, see Note 12 of the Notes to the Consolidated Financial Statements (unaudited) in this Form 10-Q. See “Risk Factors—Legal proceedings and Regulatory Risks—Legal and regulatory actions in our Form 10-K for the year ended December 31, 2020.

**Item 1A. Risk Factors**

You should carefully consider the risks described in the “Risk Factors” section included in our Annual Report on Form 10-K for the year ended December 31, 2020. Risks to which we are subject include, but are not limited to, the factors mentioned under “Note Regarding Forward-Looking Statements and Information” above and the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q. The following should be read in conjunction with and supplements and amends the section titled “Risk Factors” in our Annual Report on Form 10-K.

***Potential strategic transactions***

We may consider potential strategic transactions, including acquisitions, dispositions, mergers, joint ventures and similar transactions. These transactions may not be effective and could result in decreased earnings and harm to our competitive position. In addition, these transactions, if undertaken, may involve a number of risks and present financial, managerial and operational challenges. Furthermore, strategic transactions may require us to increase our leverage or, if we issue shares to fund an acquisition, would dilute the holdings of the existing stockholders. Any of the above could cause us to fail to realize the benefits anticipated from any such transaction.

On October 27, 2020, Holdings entered into a Master Transaction Agreement with Venerable Insurance and Annuity Company and Venerable Holdings, Inc. The closing of the transaction is subject to conditions, including the receipt of required regulatory approvals. No assurance can be given as to whether and when such conditions will be satisfied. A delay in the closing of the transaction may negatively impact the expected results from the transaction. In addition, if the transaction is completed, the actual financial results of the transaction could differ materially from our expectations and may be impacted by items not taken into account in our forecasts and calculations. For example, with the continued rise in interest rates and equity markets, and reserve reduction following the Venerable transaction, Equitable Financial’s statutory reserve post-transaction could be floored at the aggregate cash surrender value of its variable annuity contracts. This would require Equitable Financial to hold statutory reserves in excess of what would otherwise be required. Equitable Financial hedges to its economic liabilities which are valued on a fair-value basis. Due to the statutory accounting treatment, the changes in the value of the derivatives are recognized in the period in which they occur while the offsetting changes in the reserves are recognized over time. As a result of this uneconomic statutory accounting asymmetry, Equitable Financial’s statutory RBC ratio and dividend capacity could be adversely impacted. The Company is considering management actions including corporate transactions to mitigate this impact. For more information on the Venerable transaction, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Executive Summary—Reinsurance of Legacy Variable Annuity Block and Sale of Runoff Variable Annuity Reinsurance Entity.”

**Item 2.     Unregistered Sales of Equity Securities and Use of Proceeds**

The following table provides information about purchases by Holdings during the three months ended March 31, 2021, of its common stock:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Period** | | | **Total Number of Shares Purchased** | | |  | | | **Average Price Paid per Share** | | |  | | | **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | | |  | | | **Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)** | | |
| 1/1/21 through 1/31/21 | | | 5,501,618 | |  |  | | | $ | 24.72 |  |  | | | 5,501,618 | |  |  | | | $ | 438,612 |  |
| 2/1/21 through 2/28/21 | | | 1,165,903 | |  |  | | | $ | 38.15 |  |  | | | 1,165,903 | |  |  | | | $ | 989,957,971 |  |
| 3/1/21 through 3/31/21 | | | 7,803,893 | |  |  | | | $ | 31.97 |  |  | | | 7,803,893 | |  |  | | | $ | 700,503,365 |  |
| **Total** | | | **14,471,414** | |  |  | | | **$** | **29.71** |  |  | | | **14,471,414** | |  |  | | | **$** | **700,503,365** |  |

\_\_\_\_\_\_\_\_\_\_\_\_\_

(1)On February 17, 2021, Holdings’ Board of Directors authorized a new $1 billion share repurchase program.

See Note 10 to the Notes to Consolidated Financial Statements for ASR transaction detail during the three months ended March 31, 2021.

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**Item 3.     Defaults Upon Senior Securities**

None.

**Item 4.     Mine Safety Disclosures**

Not applicable.

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**Item 5.      Other Information**

None.

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**Item 6.     Exhibits**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
| **Number** | | |  | | | **Description and Method of Filing** | | |  |
| [3.1](https://www.sec.gov/Archives/edgar/data/1333986/000119312520216340/d64111dex31.htm) | | |  | | | Certificate of Designations with respect to the Series C Preferred Stock of the Company, dated January 6, 2021 (incorporated by reference to Exhibit 3.1 to our Form 8-K filed on January 6, 2021). | | |  |
| [3.2](https://www.sec.gov/Archives/edgar/data/1333986/000156459020044388/eqh-ex31_16.htm) | | |  | | | Fourth Amended and Restated By-laws of Equitable Holdings, Inc. (incorporated by reference to Exhibit 3.1 to our Form 8-K filed on February 17, 2021). | | |  |
| [10.1](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex101_6.htm) | | |  | | | Amendment No.1 to Revolving Credit Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the Banks (as defined therein) party thereto (incorporated by reference to Exhibit 10.1 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.2](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex102_26.htm) | | |  | | | Amendment No. 1 to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and Natixis, New York Branch (incorporated by reference to Exhibit 10.2 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.3](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex103_25.htm) | | |  | | | Amendment No. 1 to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and HSBC Bank USA, National Association (incorporated by reference to Exhibit 10.3 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.4](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex104_24.htm) | | |  | | | Amendment No. 1 to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and Citibank Europe PLC (incorporated by reference to Exhibit 10.4 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.5](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex105_23.htm) | | |  | | | Amendment No. 1 to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and Credit Agricole Corporate and Investment Bank (incorporated by reference to Exhibit 10.5 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.6](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex106_22.htm) | | |  | | | Amendment No. 1 to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and Barclays Bank PLC (incorporated by reference to Exhibit 10.6 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.7](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex107_21.htm) | | |  | | | Amendment No. 1 to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and JPMorgan Chase Bank, N.A (incorporated by reference to Exhibit 10.7 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.8](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex108_20.htm) | | |  | | | Second Amendment to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (incorporated by reference to Exhibit 10.8 to our Form 8-K filed on March 26, 2021). | | |  |
| [10.9](https://www.sec.gov/Archives/edgar/data/1333986/000156459021015823/eqh-ex109_19.htm) | | |  | | | Amendment No. 1 to Reimbursement Agreement by and among Equitable Holdings, Inc., the Subsidiary Account Parties (as defined therein) party thereto and Commerzbank AG, New York Branch (incorporated by reference to Exhibit 10.9 to our Form 8-K filed on March 26, 2021). | | |  |
| [31.1](eqh-033121exhibit311.htm) | | | # | | | Certification of the Registrant’s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | |  |
| [31.2](eqh-033121exhibit312.htm) | | | # | | | Certification of the Registrant’s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | |  |
| [32.1](eqh-033121exhibit321.htm) | | | # | | | Certification of the Registrant’s Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | |  |
| [32.2](eqh-033121exhibit322.htm) | | | # | | | Certification of the Registrant’s Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | |  |
| 101.INS | | |  | | | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | |  |
| 101.SCH | | |  | | | Inline XBRL Taxonomy Extension Schema Document | | |  |
| 101.CAL | | |  | | | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | |  |
| 101.LAB | | |  | | | Inline XBRL Taxonomy Extension Label Linkbase Document | | |  |
| 101.PRE | | |  | | | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | |  |
| 101.DEF | | |  | | | Inline XBRL Taxonomy Extension Definition Linkbase Document | | |  |
| 104 | | |  | | | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibits 101). | | |  |

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#    Filed herewith.

**GLOSSARY**

**Selected Financial Terms**

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Account Value (“AV”) | | | Generally equals the aggregate policy account value of our retirement and protection products. General Account AV refers to account balances in investment options that are backed by the General Account while Separate Accounts AV refers to Separate Accounts investment assets. | | |
|  | | |  | | |
| Alternative investments | | | Investments in real estate and real estate joint ventures and other limited partnerships. | | |
|  | | |  | | |
| Assets under administration (“AUA”) | | | Includes non-insurance client assets that are invested in our savings and investment products or serviced by our Equitable Advisors platform. We provide administrative services for these assets and generally record the revenues received as distribution fees. | | |
|  | | |  | | |
| Assets under management (“AUM”) | | | Investment assets that are managed by one of our subsidiaries and includes: (i) assets managed by AB, (ii) the assets in our GAIA portfolio and (iii) the Separate Account assets of our retirement and protection businesses. Total AUM reflects exclusions between segments to avoid double counting. | | |
|  | | |  | | |
| Combined RBC Ratio | | | Calculated as the overall aggregate RBC ratio for the Company’s insurance subsidiaries including capital held for its life insurance and variable annuity liabilities and non-variable annuity insurance liabilities. | | |
|  | | |  | | |
| Conditional tail expectation (“CTE”) | | | Calculated as the average amount of total assets required to satisfy obligations over the life of the contract or policy in the worst x% of scenarios. Represented as CTE (100 *less* x). Example: CTE95 represents the worst five percent of scenarios. | | |
|  | | |  | | |
| Deferred policy acquisition cost (“DAC”) | | | Represents the incremental costs related directly to the successful acquisition of new and certain renewal insurance policies and annuity contracts and which have been deferred on the balance sheet as an asset. | | |
|  | | |  | | |
| Deferred sales inducements (“DSI”) | | | Represent amounts that are credited to a policyholder’s account balance that are higher than the expected crediting rates on similar contracts without such an inducement and that are an incentive to purchase a contract and also meet the accounting criteria to be deferred as an asset that is amortized over the life of the contract. | | |
|  | | |  | | |
| Dividends Received Deduction (“DRD”) | | | A tax deduction under U.S. federal income tax law received by a corporation on the dividends it receives from other corporations in which it has an ownership stake. | | |
|  | | |  | | |
| Fee-Type Revenue | | | Revenue from fees and related items, including policy charges and fee income, premiums, investment management and service fees, and other income. | | |
|  | | |  | | |
| Gross Premiums | | | FYP and Renewal premium and deposits. | | |

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| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Invested assets | | | Includes fixed maturity securities, equity securities, mortgage loans, policy loans, alternative investments and short-term investments. | | |
|  | | |  | | |
| Protection Solutions Reserves | | | Equals the aggregate value of Policyholders’ account balances and Future policy benefits for policies in our Protection Solutions segment. | | |
|  | | |  | | |
| Reinsurance | | | Insurance policies purchased by insurers to limit the total loss they would experience from an insurance claim. | | |
|  | | |  | | |
| Renewal premium and deposits | | | Premiums and deposits after the first twelve months of the policy or contract. | | |
|  | | |  | | |
| Risk-based capital (“RBC”) | | | Rules to determine insurance company statutory capital requirements. It is based on rules published by the National Association of Insurance Commissioners (“NAIC”). | | |
|  | | |  | | |
| Total adjusted capital (“TAC”) | | | Primarily consists of capital and surplus, and the asset valuation reserve. | | |
|  | | |  | | |
| **Product Terms** | | |  | | |
|  | | |  | | |
| 401(k) | | | A tax-deferred retirement savings plan sponsored by an employer. 401(k) refers to the section of the Internal Revenue Code of 1986, as amended (the “Code”) pursuant to which these plans are established. | | |
|  | | |  | | |
| 403(b) | | | A tax-deferred retirement savings plan available to certain employees of public schools and certain tax-exempt organizations. 403(b) refers to the section of the Code pursuant to which these plans are established. | | |
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|  |  |  |  |  |  |
| Affluent | | | Refers to individuals with $250,000 to $999,999 of investable assets. | | |
|  | | |  | | |
| Annuitant | | | The person who receives annuity payments or the person whose life expectancy determines the amount of variable annuity payments upon annuitization of an annuity to be paid for life. | | |
|  | | |  | | |
| Annuitization | | | The process of converting an annuity investment into a series of periodic income payments, generally for life. | | |

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| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Benefit base | | | A notional amount (not actual cash value) used to calculate the owner’s guaranteed benefits within an annuity contract. The death benefit and living benefit within the same contract may not have the same benefit base. | | |
|  | | |  | | |
| Cash surrender value | | | The amount an insurance company pays (minus any surrender charge) to the policyholder when the contract or policy is voluntarily terminated prematurely. | | |
|  | | |  | | |
| Dollar-for-dollar withdrawal | | | A method of calculating the reduction of a variable annuity benefit base after a withdrawal in which the benefit is reduced by one dollar for every dollar withdrawn. | | |
|  | | |  | | |
| Future policy benefits | | | Future policy benefits for the annuities business are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.  Future policy benefits for the life business are comprised mainly of liabilities for traditional life and certain liabilities for universal and variable life insurance contracts (other than the Policyholders’ account balance). | | |
|  | | |  | | |
| General Account Investment Portfolio | | | The invested assets held in the General Account. | | |
|  | | |  | | |
| General Account | | | The assets held in the general accounts of our insurance companies as well as assets held in our separate accounts on which we bear the investment risk. | | |
|  | | |  | | |
| GMxB | | | A general reference to all forms of variable annuity guaranteed benefits, including guaranteed minimum living benefits, or GMLBs (such as GMIBs, GMWBs and GMABs), and guaranteed minimum death benefits, or GMDBs (inclusive of return of premium death benefit guarantees). | | |
|  | | |  | | |
| Guaranteed income benefit (“GIB”) | | | An optional benefit which provides the policyholder with a guaranteed lifetime annuity based on predetermined annuity purchase rates applied to a GIB benefit base, with annuitization automatically triggered if and when the contract AV falls to zero. | | |

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| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Guaranteed minimum accumulation benefits (“GMAB”) | | | An optional benefit (available for an additional cost) which entitles an annuitant to a minimum payment, typically in lump-sum, after a set period of time, typically referred to as the accumulation period. The minimum payment is based on the benefit base, which could be greater than the underlying AV. | | |
|  | | |  | | |
| Guaranteed minimum death  benefits (“GMDB”) | | | An optional benefit (available for an additional cost) that guarantees an annuitant’s beneficiaries are entitled to a minimum payment based on the benefit base, which could be greater than the underlying AV, upon the death of the annuitant. | | |
|  | | |  | | |
| Guaranteed minimum income benefits (“GMIB”) | | | An optional benefit (available for an additional cost) where an annuitant is entitled to annuitize the policy and receive a minimum payment stream based on the benefit base, which could be greater than the underlying AV. | | |
|  | | |  | | |
| Guaranteed minimum living  benefits (“GMLB”) | | | A reference to all forms of guaranteed minimum living benefits, including GMIBs, GMWBs and GMABs (does not include GMDBs). | | |
|  | | |  | | |
| Guaranteed minimum withdrawal benefits (“GMWB”) | | | An optional benefit (available for an additional cost) where an annuitant is entitled to withdraw a maximum amount of their benefit base each year, for which cumulative payments to the annuitant could be greater than the underlying AV. | | |
|  | | |  | | |
| Guaranteed Universal Life (“GUL”) | | | A universal life insurance offering with a lifetime no lapse guarantee rider, otherwise known as a guaranteed UL policy. With a GUL policy, the premiums are guaranteed to last the life of the policy. | | |
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| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Guaranteed withdrawal benefit for life (“GWBL”) | | | An optional benefit (available for an additional cost) where an annuitant is entitled to withdraw a maximum amount of their benefit base each year, for the duration of the policyholder’s life, regardless of account performance. | | |
|  | | |  | | |
| High net worth | | | Refers to individuals with $1,000,000 or more of investable assets. | | |
|  | | |  | | |
| Indexed Universal Life (“IUL”) | | | A permanent life insurance offering built on a universal life insurance framework that uses an equity-linked approach for generating policy investment returns. | | |
|  | | |  | | |
| Living benefits | | | Optional benefits (available at an additional cost) that guarantee that the policyholder will get back at least his original investment when the money is withdrawn. | | |
|  | | |  | | |
| Mortality and expense risk fee (“M&E fee”) | | | A fee charged by insurance companies to compensate for the risk they take by issuing life insurance and variable annuity contracts. | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Net flows | | | Net change in customer account balances in a period including, but not limited to, gross premiums, surrenders, withdrawals and benefits. It excludes investment performance, interest credited to customer accounts and policy charges. | | |
|  | | |  | | |
| Policyholder account balances | | | *Annuities*. Policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities and non-life contingent income annuities. Interest is credited to the policyholder’s account at interest rates we determine which are influenced by current market rates, subject to specified minimums.    *Life Insurance Policies*. Policyholder account balances are held for retained asset accounts, universal life policies and the fixed account of universal variable life insurance policies. Interest is credited to the policyholder’s account at interest rates we determine which are influenced by current market rates, subject to specified minimums. | | |
|  | | |  | | |
| Return of premium (“ROP”) death benefit | | | This death benefit pays the greater of the account value at the time of a claim following the owner’s death or the total contributions to the contract (subject to adjustment for withdrawals). The charge for this benefit is usually included in the M&E fee that is deducted daily from the net assets in each variable investment option. We also refer to this death benefit as the Return of Principal death benefit. | | |
|  | | |  | | |
| Rider | | | An optional feature or benefit that a policyholder can purchase at an additional cost. | | |
|  | | |  | | |
| Separate Account | | | Refers to the separate account investment assets of our insurance subsidiaries excluding the assets held in those separate accounts on which we bear the investment risk. | | |
|  | | |  | | |
| Surrender charge | | | A fee paid by a contract owner for the early withdrawal of an amount that exceeds a specific percentage or for cancellation of the contract within a specified amount of time after purchase. | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| Surrender rate | | | Represents annualized surrenders and withdrawals as a percentage of average AV. | | |
|  | | |  | | |
| Universal life (“UL”) products | | | Life insurance products that provide a death benefit in return for payment of specified annual policy charges that are generally related to specific costs, which may change over time. To the extent that the policyholder chooses to pay more than the charges required in any given year to keep the policy in-force, the excess premium will be placed into the AV of the policy and credited with a stated interest rate on a monthly basis. | | |
|  | | |  | | |
| Variable annuity | | | A type of annuity that offers guaranteed periodic payments for a defined period of time or for life and gives purchasers the ability to invest in various markets though the underlying investment options, which may result in potentially higher, but variable, returns. | | |
|  | | |  | | |
| Variable Universal Life (“VUL”) | | | Universal life products where the excess amount paid over policy charges can be directed by the policyholder into a variety of Separate Account investment options. In the Separate Account investment options, the policyholder bears the entire risk and returns of the investment results. | | |
|  | | |  | | |
| Whole Life (“WL”) | | | A life insurance policy that is guaranteed to remain in-force for the policyholder’s lifetime, provided the required premiums are paid. | | |

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**ACRONYMS**

•“AB” or “AllianceBernstein” means AB Holding and ABLP.

•“AB Holding” means AllianceBernstein Holding L.P., a Delaware limited partnership.

•“AB Holding Units” means units representing assignments of beneficial ownership of limited partnership interests in AB Holding.

•“AB Units” means units of limited partnership interests in ABLP.

•“ABLP” means AllianceBernstein L.P., a Delaware limited partnership and the operating partnership for the AB business.

•“AFS” means available-for-sale

•“AOCI” means accumulated other comprehensive income

•“ASC” means Accounting Standards Codification

•“ASR” means accelerated share repurchase

•“ASU” means Accounting Standards Update

•“AUM” means assets under management

•“AUA” means assets under administration

•“AV” means Account Value

•“AXA” means AXA S.A., a société anonyme organized under the laws of France, and formerly our controlling stockholder.

•“AXA Financial” means AXA Financial, Inc., a Delaware corporation and a former wholly-owned direct subsidiary of Holdings. On October 1, 2018, AXA Financial merged with and into Holdings, with Holdings assuming the obligations of AXA Financial.

•“BPs” means basis points

•“CDS” means credit default swaps

•“CLO” means collateralized loan obligation

•“COI” means cost of insurance

•“COLI” means corporate owned life insurance

•“Company” means Equitable Holdings, Inc. with its consolidated subsidiaries

•“CS Life” means Corporate Solutions Life Reinsurance Company, a Delaware corporation and a wholly-owned direct subsidiary of Holdings.

•“CS Life RE” means CS Life RE Company, an Arizona corporation and a wholly-owned indirect subsidiary of Holdings.

•“CSA” means credit support annex

•“CTE” means conditional tail expectation

•“DAC” means deferred policy acquisition costs

•“DI” means disability income

•“DOL” means U.S. Department of Labor

•“DSC” means debt service coverage

•“DSI” means deferred sales inducement

•“EAFE” means European, Australasia, and Far East

•“EFS” means Equitable Financial Services, LLC, a Delaware corporation and a wholly-owned direct subsidiary of Holdings

•“EPS” means earnings per share

•“Equitable Advisors” means Equitable Advisors, LLC, a Delaware limited liability company, our retail broker/dealer for our retirement and protection businesses and a wholly-owned indirect subsidiary of Holdings.

•“Equitable America” means Equitable Financial Life Insurance Company of America (f/k/a MONY Life Insurance Company of America), an Arizona corporation and a wholly-owned indirect subsidiary of Holdings.

•“Equitable Financial” means Equitable Financial Life Insurance Company, a New York corporation, a life insurance company and a wholly-owned subsidiary of EFS.

•“EQ AZ Life Re” means EQ AZ Life Re Company, an Arizona corporation and a wholly-owned indirect subsidiary of Holdings.

•“ERISA” means Employee Retirement Income Security Act of 1974

•“ESG” means environmental,social and governance

•“ETF” means exchange traded funds

•“ETR” means effective tax rate

•“Exchange Act” means Securities Exchange Act of 1934, as amended

•“FABN” means Funding Agreement Backed Notes Program

•“FASB” means Financial Accounting Standards Board

•“FHLB” means Federal Home Loan Bank

•“FYP” means first year premium and deposits

•The “General Partner” means AllianceBernstein Corporation, a Delaware corporation and the general partner of AB Holding and ABLP.

•“GUL” means guaranteed universal life

•“HFS” means held-for-sale

•“Holdings” means Equitable Holdings, Inc.

•“HTM” means held-to-maturity

•“IPO” means initial public offering

•“ISDA Master Agreement” means International Swaps and Derivatives Association Master Agreement

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•“IUL” means indexed universal life

•“IUS” means Investments Under Surveillance

•“LIBOR” means London Interbank Offered Rate

•“LTV” means loan-to-value

•“MD&A” means Management’s Discussion and Analysis of Financial Condition and Results of Operations

•“MLICA” means MONY Life Insurance Company of the Americas, Ltd

•“MRBs” means market risk benefits

•“MSO” meansMarket Stabilizer Option

•“MTA” means Master Transaction Agreement

•“NAIC” means National Association of Insurance Commissioners

•“NAR” means net amount at risk

•“NAV” means net asset value

•“NLG” means no-lapse guarantee

•“NYDFS” means New York State Department of Financial Services

•“OCI” means other comprehensive income

•“OTC” means over-the-counter

•“PFBL” means profits followed by losses

•“REIT” means real estate investment trusts

•“SCB LLC” means Sanford C. Bernstein & Co., LLC, a registered investment adviser and broker-dealer.

•“SCS” means Structured Capital Strategies

•“SEC” means U.S. Securities and Exchange Commission

•“Series A Preferred Stock” means Holdings’ Series A Fixed Rate Noncumulative Perpetual Preferred Stock

•“Series B Preferred Stock” means Holdings’ Series B Fixed Rate Reset Noncumulative Perpetual Preferred Stock

•“Series C Preferred Stock” means Holdings’ Series C Fixed Rate Reset Noncumulative Perpetual Preferred Stock

•“SIO” means structured investment option

•“SPE” means special purpose entity

•“SVO” means Securities Valuation Office

•“TDRs” means troubled debt restructurings

•“TIPS” means treasury inflation-protected securities

•“U.S. GAAP” means accounting principles generally accepted in the United States of America

•“UL” means universal life

•“ULSG” means universal life products with secondary guarantee

•“USFL” means U.S. Financial Life Insurance Company

•“Venerable” means Venerable Holdings, Inc., a Delaware corporation

•“VIAC” means Venerable Insurance and Annuity Company

•“VIE” means variable interest entity

•“VISL” means variable interest-sensitive life

•“VOE” means voting interest entity

•“VUL” means variable universal life

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Equitable Holdings, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Date: May 6, 2021 | | | EQUITABLE HOLDINGS, INC. | | | | | | | | |
|  | | |  | | |  | | | | | |
|  | | | By: | | | /s/ Robin M. Raju | | | | | |
|  | | |  | | | Name: | | | Robin M. Raju | | |
|  | | |  | | | Title: | | | Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer) | | |
|  | | |  | | |  | | |  | | |
| Date: May 6, 2021 | | |  | | | /s/ William Eckert | | | | | |
|  | | |  | | | Name: | | | William Eckert | | |
|  | | |  | | | Title: | | | Senior Vice President and Chief Accounting Officer (Principal Accounting Officer) | | |

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