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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 September 30, 2022**

**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)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **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 November 1, 2022, 370,042,369 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, catastrophic events, such as the outbreak of pandemic diseases including COVID-19, potential strategic transactions, and changes in accounting standards; (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, 2021, 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 that 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**

**September 30, 2022 (Unaudited) and December 31, 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | December 31, 2021 | | |
|  | | | **(in millions, except share data)** | | | | | | | | |
| **ASSETS** | | |  | | |  | | |  | | |
| Investments: | | |  | | |  | | |  | | |
| Fixed maturities available-for-sale, at fair value (amortized cost of $75,320 and $73,429) (allowance for credit losses of $22 and $22) | | | **$** | **64,600** |  |  | | | $ | 78,216 |  |
| Fixed maturities, at fair value using the fair value option (1) | | | **1,548** | |  |  | | | 1,641 | |  |
| Mortgage loans on real estate (net of allowance for credit losses of $83 and $62) (1) | | | **15,688** | |  |  | | | 14,033 | |  |
|  | | |  | | |  | | |  | | |
| Policy loans | | | **4,018** | |  |  | | | 4,024 | |  |
| Other equity investments (1) | | | **3,183** | |  |  | | | 2,975 | |  |
| Trading securities, at fair value | | | **631** | |  |  | | | 631 | |  |
| Other invested assets (1) | | | **2,849** | |  |  | | | 3,591 | |  |
| Total investments | | | **92,517** | |  |  | | | 105,111 | |  |
| Cash and cash equivalents (1) | | | **4,139** | |  |  | | | 5,188 | |  |
| Cash and securities segregated, at fair value | | | **1,335** | |  |  | | | 1,504 | |  |
| Broker-dealer related receivables | | | **2,539** | |  |  | | | 2,599 | |  |
| Deferred policy acquisition costs | | | **8,244** | |  |  | | | 5,491 | |  |
| Goodwill and other intangible assets, net | | | **5,635** | |  |  | | | 4,728 | |  |
| Amounts due from reinsurers (allowance for credit losses of $7 and $5) (includes amounts accounted for at fair value of $4,312 and $5,813) (3) | | | **13,378** | |  |  | | | 14,679 | |  |
|  | | |  | | |  | | |  | | |
| GMIB reinsurance contract asset, at fair value | | | **1,289** | |  |  | | | 1,848 | |  |
| Current and deferred income taxes | | | **2,222** | |  |  | | | 195 | |  |
| Other assets (1) | | | **4,680** | |  |  | | | 3,613 | |  |
|  | | |  | | |  | | |  | | |
| Separate Accounts assets | | | **109,622** | |  |  | | | 147,306 | |  |
| Total Assets | | | **$** | **245,600** |  |  | | | $ | 292,262 |  |
| **LIABILITIES** | | |  | | |  | | |  | | |
| Policyholders’ account balances | | | **$** | **79,999** |  |  | | | $ | 79,357 |  |
| Future policy benefits and other policyholders' liabilities | | | **34,225** | |  |  | | | 36,717 | |  |
| Broker-dealer related payables | | | **607** | |  |  | | | 1,283 | |  |
|  | | |  | | |  | | |  | | |
| Customer related payables | | | **3,361** | |  |  | | | 3,600 | |  |
| Amounts due to reinsurers | | | **1,348** | |  |  | | | 1,381 | |  |
| Short-term and long-term debt | | | **4,088** | |  |  | | | 3,931 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Notes issued by consolidated variable interest entities, at fair value using the fair value option (1) | | | **1,165** | |  |  | | | 1,191 | |  |
|  | | |  | | |  | | |  | | |
| Other liabilities (1) | | | **5,998** | |  |  | | | 3,933 | |  |
|  | | |  | | |  | | |  | | |
| Separate Accounts liabilities | | | **109,622** | |  |  | | | 147,306 | |  |
| Total Liabilities | | | **$** | **240,413** |  |  | | | $ | 278,699 |  |
| Redeemable noncontrolling interest (1) (2) | | | **$** | **354** |  |  | | | $ | 468 |  |
| Commitments and contingent liabilities (4) | | |  | | |  | | |  | | |
| **EQUITY** | | |  | | |  | | |  | | |
| **Equity attributable to Holdings:** | | |  | | |  | | |  | | |
| Preferred stock and additional paid-in capital, $1 par value and $25,000 liquidation preference | | | **$** | **1,562** |  |  | | | $ | 1,562 |  |
| Common stock, $0.01 par value, 2,000,000,000 shares authorized; 510,362,388 and 520,918,331 shares issued, respectively; 370,114,999 and 391,290,224 shares outstanding, respectively | | | **4** | |  |  | | | 4 | |  |
| Additional paid-in capital | | | **2,027** | |  |  | | | 1,919 | |  |
| Treasury stock, at cost, 140,247,389 and 129,628,107 shares, respectively | | | **(3,202)** | |  |  | | | (2,850) | |  |
| Retained earnings | | | **10,839** | |  |  | | | 8,880 | |  |
| Accumulated other comprehensive income (loss) | | | **(7,876)** | |  |  | | | 2,004 | |  |
| Total equity attributable to Holdings | | | **3,354** | |  |  | | | 11,519 | |  |
| Noncontrolling interest | | | **1,479** | |  |  | | | 1,576 | |  |
| Total Equity | | | **4,833** | |  |  | | | 13,095 | |  |
| **Total Liabilities, Redeemable Noncontrolling Interest and Equity** | | | **$** | **245,600** |  |  | | | $ | 292,262 |  |

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

(1) See Note 2 of the Notes to these Consolidated Financial Statements for details of balances with VIEs.

(2) See Note 11 of the Notes to these Consolidated Financial Statements for details of redeemable noncontrolling interest.

(3) Represents the fair value of the ceded reserves to Venerable. See Note 1 of the Notes to these Consolidated Financial Statements for details of the Venerable Transaction and Note 7 of the Notes to these Consolidated Financial Statements.

(4) See Note 12 of the Notes to these Consolidated Financial Statements for details of commitments and contingent liabilities.

See Notes to Consolidated Financial Statements (Unaudited).

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**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Income (Loss)**

**Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions, except per share data)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policy charges and fee income | | | **$** | **796** |  |  | | | $ | 867 |  |  | | | **$** | **2,449** |  |  | | | $ | 2,755 |  |  | | |  | | |
| Premiums | | | **259** | |  |  | | | 230 | |  |  | | | **744** | |  |  | | | 729 | |  |  | | |  | | |
| Net derivative gains (losses) | | | **68** | |  |  | | | (185) | |  |  | | | **3,118** | |  |  | | | (3,930) | |  |  | | |  | | |
| Net investment income (loss) | | | **842** | |  |  | | | 997 | |  |  | | | **2,357** | |  |  | | | 2,914 | |  |  | | |  | | |
| Investment gains (losses), net: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit and intent to sell losses on available for sale debt securities and loans | | | **(267)** | |  |  | | | (2) | |  |  | | | **(266)** | |  |  | | | 4 | |  |  | | |  | | |
| Other investment gains (losses), net | | | **(65)** | |  |  | | | 165 | |  |  | | | **(624)** | |  |  | | | 763 | |  |  | | |  | | |
| Total investment gains (losses), net | | | **(332)** | |  |  | | | 163 | |  |  | | | **(890)** | |  |  | | | 767 | |  |  | | |  | | |
| Investment management and service fees | | | **1,179** | |  |  | | | 1,323 | |  |  | | | **3,731** | |  |  | | | 3,898 | |  |  | | |  | | |
| Other income | | | **197** | |  |  | | | 220 | |  |  | | | **612** | |  |  | | | 585 | |  |  | | |  | | |
| Total revenues | | | **3,009** | |  |  | | | 3,615 | |  |  | | | **12,121** | |  |  | | | 7,718 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | | **625** | |  |  | | | 751 | |  |  | | | **2,599** | |  |  | | | 2,518 | |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | | **378** | |  |  | | | 305 | |  |  | | | **1,002** | |  |  | | | 905 | |  |  | | |  | | |
| Compensation and benefits | | | **566** | |  |  | | | 614 | |  |  | | | **1,679** | |  |  | | | 1,762 | |  |  | | |  | | |
| Commissions and distribution-related payments | | | **368** | |  |  | | | 436 | |  |  | | | **1,184** | |  |  | | | 1,215 | |  |  | | |  | | |
| Interest expense | | | **51** | |  |  | | | 59 | |  |  | | | **148** | |  |  | | | 184 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | | **105** | |  |  | | | 64 | |  |  | | | **446** | |  |  | | | 257 | |  |  | | |  | | |
| Other operating costs and expenses | | | **497** | |  |  | | | 456 | |  |  | | | **1,617** | |  |  | | | 1,511 | |  |  | | |  | | |
| Total benefits and other deductions | | | **2,590** | |  |  | | | 2,685 | |  |  | | | **8,675** | |  |  | | | 8,352 | |  |  | | |  | | |
| Income (loss) from continuing operations, before income taxes | | | **419** | |  |  | | | 930 | |  |  | | | **3,446** | |  |  | | | (634) | |  |  | | |  | | |
| Income tax (expense) benefit | | | **(92)** | |  |  | | | (165) | |  |  | | | **(707)** | |  |  | | | 222 | |  |  | | |  | | |
| Net income (loss) | | | **327** | |  |  | | | 765 | |  |  | | | **2,739** | |  |  | | | (412) | |  |  | | |  | | |
| Less: Net income (loss) attributable to the noncontrolling interest | | | **54** | |  |  | | | 93 | |  |  | | | **165** | |  |  | | | 281 | |  |  | | |  | | |
| Net income (loss) attributable to Holdings | | | **$** | **273** |  |  | | | $ | 672 |  |  | | | **$** | **2,574** |  |  | | | $ | (693) |  |  | | |  | | |
| Less: Preferred stock dividends | | | **14** | |  |  | | | 14 | |  |  | | | **54** | |  |  | | | 53 | |  |  | | |  | | |
| Net income (loss) available to Holdings’ common shareholders | | | **$** | **259** |  |  | | | $ | 658 |  |  | | | **$** | **2,520** |  |  | | | $ | (746) |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **EARNINGS PER COMMON SHARE** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) applicable to Holdings’ common shareholders per common share: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | **$** | **0.69** |  |  | | | $ | 1.60 |  |  | | | **$** | **6.62** |  |  | | | $ | (1.76) |  |  | | |  | | |
| Diluted | | | **$** | **0.69** |  |  | | | $ | 1.59 |  |  | | | **$** | **6.58** |  |  | | | $ | (1.76) |  |  | | |  | | |
| Weighted average common shares outstanding (in millions): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | **374.5** | |  |  | | | 411.3 | |  |  | | | **380.6** | |  |  | | | 423.2 | |  |  | | |  | | |
| Diluted | | | **376.8** | |  |  | | | 414.6 | |  |  | | | **382.9** | |  |  | | | 423.2 | |  |  | | |  | | |

See Notes to Consolidated Financial Statements (Unaudited).

5

**EQUITABLE HOLDINGS, INC.**

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

**Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **COMPREHENSIVE INCOME (LOSS)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | | **$** | **327** |  |  | | | $ | 765 |  |  | | | **$** | **2,739** |  |  | | | $ | (412) |  |  | | |  | | |
| Other comprehensive income (loss) net of income taxes: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Change in unrealized gains (losses), net of reclassification adjustment | | | **(2,326)** | |  |  | | | (123) | |  |  | | | **(9,894)** | |  |  | | | (2,056) | |  |  | | |  | | |
| Changes in defined benefit plan related items not yet recognized in periodic benefit cost, net of reclassification adjustment | | | **16** | |  |  | | | 22 | |  |  | | | **61** | |  |  | | | 77 | |  |  | | |  | | |
| Foreign currency translation adjustment | | | **(30)** | |  |  | | | (9) | |  |  | | | **(75)** | |  |  | | | (13) | |  |  | | |  | | |
| Total other comprehensive income (loss), net of income taxes | | | **(2,340)** | |  |  | | | (110) | |  |  | | | **(9,908)** | |  |  | | | (1,992) | |  |  | | |  | | |
| Comprehensive income (loss) | | | **(2,013)** | |  |  | | | 655 | |  |  | | | **(7,169)** | |  |  | | | (2,404) | |  |  | | |  | | |
| Less: Comprehensive income (loss) attributable to the noncontrolling interest | | | **42** | |  |  | | | 90 | |  |  | | | **137** | |  |  | | | 276 | |  |  | | |  | | |
| Comprehensive income (loss) attributable to Holdings | | | **$** | **(2,055)** |  |  | | | $ | 565 |  |  | | | **$** | **(7,306)** |  |  | | | $ | (2,680) |  |  | | |  | | |

See Notes to Consolidated Financial Statements (Unaudited).

6

**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Equity**

**For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **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)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **July 1, 2022** | | | **$** | **1,562** |  |  | | | **$** | **4** |  |  | | | **$** | **1,918** |  |  | | | **$** | **(3,065)** |  |  | | | **$** | **10,718** |  |  | | | **$** | **(5,548)** |  |  | | | **$** | **5,589** |  |  | | | **$** | **1,410** |  |  | | | **$** | **6,999** |  |
| Stock compensation | | | **—** | |  |  | | | **—** | |  |  | | | **33** | |  |  | | | **3** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **36** | |  |  | | | **9** | |  |  | | | **45** | |  |
| Purchase of treasury stock | | | **—** | |  |  | | | **—** | |  |  | | | **(1)** | |  |  | | | **(200)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(201)** | |  |  | | | **—** | |  |  | | | **(201)** | |  |
| Reissuance of treasury stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(3)** | |  |  | | | **—** | |  |  | | | **(3)** | |  |  | | | **—** | |  |  | | | **(3)** | |  |
| Retirement of common stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **60** | |  |  | | | **(60)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Repurchase of AB Holding units | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(1)** | |  |  | | | **(1)** | |  |
| Dividends paid to noncontrolling interest | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(79)** | |  |  | | | **(79)** | |  |
| Issuance of AB Units for CarVal acquisition | | | **—** | |  |  | | | **—** | |  |  | | | **55** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **55** | |  |  | | | **78** | |  |  | | | **133** | |  |
| Dividends on common stock (cash dividends declared per common share of $0.20) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(75)** | |  |  | | | **—** | |  |  | | | **(75)** | |  |  | | | **—** | |  |  | | | **(75)** | |  |
| Issuance of preferred stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Dividends on preferred stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(14)** | |  |  | | | **—** | |  |  | | | **(14)** | |  |  | | | **—** | |  |  | | | **(14)** | |  |
| Net income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **273** | |  |  | | | **—** | |  |  | | | **273** | |  |  | | | **62** | |  |  | | | **335** | |  |
| Other comprehensive income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(2,328)** | |  |  | | | **(2,328)** | |  |  | | | **(12)** | |  |  | | | **(2,340)** | |  |
| Other | | | **—** | |  |  | | | **—** | |  |  | | | **22** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **22** | |  |  | | | **12** | |  |  | | | **34** | |  |
| **September 30, 2022** | | | **$** | **1,562** |  |  | | | **$** | **4** |  |  | | | **$** | **2,027** |  |  | | | **$** | **(3,202)** |  |  | | | **$** | **10,839** |  |  | | | **$** | **(7,876)** |  |  | | | **$** | **3,354** |  |  | | | **$** | **1,479** |  |  | | | **$** | **4,833** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| July 1, 2021 | | | $ | 1,562 |  |  | | | $ | 5 |  |  | | | $ | 1,980 |  |  | | | $ | (2,537) |  |  | | | $ | 8,739 |  |  | | | $ | 1,983 |  |  | | | $ | 11,732 |  |  | | | $ | 1,572 |  |  | | | $ | 13,304 |  |
| Stock compensation | | | — | |  |  | | | — | |  |  | | | (26) | |  |  | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | (27) | |  |  | | | 27 | |  |  | | | — | |  |
| Purchase of treasury stock | | | — | |  |  | | | — | |  |  | | | 3 | |  |  | | | (462) | |  |  | | | — | |  |  | | | — | |  |  | | | (459) | |  |  | | | — | |  |  | | | (459) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Retirement of common stock | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 463 | |  |  | | | (463) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Repurchase of AB Holding units | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (95) | |  |  | | | (95) | |  |
| Dividends paid to noncontrolling interest | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (101) | |  |  | | | (101) | |  |
| Stockholder dividends (cash dividends declared per common share of $0.18) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (74) | |  |  | | | — | |  |  | | | (74) | |  |  | | | — | |  |  | | | (74) | |  |
| Dividends on preferred stock | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (14) | |  |  | | | — | |  |  | | | (14) | |  |  | | | — | |  |  | | | (14) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 672 | |  |  | | | — | |  |  | | | 672 | |  |  | | | 93 | |  |  | | | 765 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other comprehensive income (loss) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (107) | |  |  | | | (107) | |  |  | | | (3) | |  |  | | | (110) | |  |
| Other | | | — | |  |  | | | — | |  |  | | | (40) | |  |  | | | — | |  |  | | | (3) | |  |  | | | — | |  |  | | | (43) | |  |  | | | (1) | |  |  | | | (44) | |  |
| September 30, 2021 | | | $ | 1,562 |  |  | | | $ | 5 |  |  | | | $ | 1,917 |  |  | | | $ | (2,537) |  |  | | | $ | 8,857 |  |  | | | $ | 1,876 |  |  | | | $ | 11,680 |  |  | | | $ | 1,492 |  |  | | | $ | 13,172 |  |

See Notes to Consolidated Financial Statements (Unaudited).

7

**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Equity**

**For the Three and Nine Months Ended September 30, 2022 and 2021 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **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, 2022** | | | **$** | **1,562** |  |  | | | **$** | **4** |  |  | | | **$** | **1,919** |  |  | | | **$** | **(2,850)** |  |  | | | **$** | **8,880** |  |  | | | **$** | **2,004** |  |  | | | **$** | **11,519** |  |  | | | **$** | **1,576** |  |  | | | **$** | **13,095** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Stock compensation | | | **—** | |  |  | | | **—** | |  |  | | | **68** | |  |  | | | **39** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **107** | |  |  | | | **36** | |  |  | | | **143** | |  |
| Purchase of treasury stock | | | **—** | |  |  | | | **—** | |  |  | | | **(6)** | |  |  | | | **(693)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(699)** | |  |  | | | **—** | |  |  | | | **(699)** | |  |
| Reissuance of treasury stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(39)** | |  |  | | | **—** | |  |  | | | **(39)** | |  |  | | | **—** | |  |  | | | **(39)** | |  |
| Retirement of common stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **302** | |  |  | | | **(302)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Repurchase of AB Holding units | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(108)** | |  |  | | | **(108)** | |  |
| Dividends paid to noncontrolling interest | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(318)** | |  |  | | | **(318)** | |  |
| Issuance of AB Units for CarVal acquisition | | | **—** | |  |  | | | **—** | |  |  | | | **55** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **55** | |  |  | | | **78** | |  |  | | | **133** | |  |
| Dividends on common stock (cash dividends declared per common share of $0.58) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(220)** | |  |  | | | **—** | |  |  | | | **(220)** | |  |  | | | **—** | |  |  | | | **(220)** | |  |
| Dividends on preferred stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(54)** | |  |  | | | **—** | |  |  | | | **(54)** | |  |  | | | **—** | |  |  | | | **(54)** | |  |
| Issuance of preferred stock | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Net income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **2,574** | |  |  | | | **—** | |  |  | | | **2,574** | |  |  | | | **229** | |  |  | | | **2,803** | |  |
| Other comprehensive income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(9,880)** | |  |  | | | **(9,880)** | |  |  | | | **(28)** | |  |  | | | **(9,908)** | |  |
| Other | | | **—** | |  |  | | | **—** | |  |  | | | **(9)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(9)** | |  |  | | | **14** | |  |  | | | **5** | |  |
| **September 30, 2022** | | | **$** | **1,562** |  |  | | | **$** | **4** |  |  | | | **$** | **2,027** |  |  | | | **$** | **(3,202)** |  |  | | | **$** | **10,839** |  |  | | | **$** | **(7,876)** |  |  | | | **$** | **3,354** |  |  | | | **$** | **1,479** |  |  | | | **$** | **4,833** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| January 1, 2021 | | | $ | 1,269 |  |  | | | $ | 5 |  |  | | | $ | 1,985 |  |  | | | $ | (2,245) |  |  | | | $ | 10,699 |  |  | | | $ | 3,863 |  |  | | | $ | 15,576 |  |  | | | $ | 1,601 |  |  | | | $ | 17,177 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Stock compensation | | | — | |  |  | | | — | |  |  | | | 5 | |  |  | | | 46 | |  |  | | | — | |  |  | | | — | |  |  | | | 51 | |  |  | | | 38 | |  |  | | | 89 | |  |
| Purchase of treasury stock | | | — | |  |  | | | — | |  |  | | | (8) | |  |  | | | (1,160) | |  |  | | | — | |  |  | | | — | |  |  | | | (1,168) | |  |  | | | — | |  |  | | | (1,168) | |  |
| Reissuance of treasury stock | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (47) | |  |  | | | — | |  |  | | | (47) | |  |  | | | — | |  |  | | | (47) | |  |
| Retirement of common stock | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 822 | |  |  | | | (822) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Repurchase of AB Holding units | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (122) | |  |  | | | (122) | |  |
| Dividends paid to noncontrolling interest | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (296) | |  |  | | | (296) | |  |
| Dividends on common stock (cash dividends declared per common share of $0.53) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (224) | |  |  | | | — | |  |  | | | (224) | |  |  | | | — | |  |  | | | (224) | |  |
| Dividends on preferred stock | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (53) | |  |  | | | — | |  |  | | | (53) | |  |  | | | — | |  |  | | | (53) | |  |
| Issuance of preferred stock | | | 293 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 293 | |  |  | | | — | |  |  | | | 293 | |  |
| Net income (loss) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (693) | |  |  | | | — | |  |  | | | (693) | |  |  | | | 277 | |  |  | | | (416) | |  |
| Other comprehensive income (loss) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  | | |  | | | (1,987) | |  |  | | | (1,987) | |  |  | | | (5) | |  |  | | | (1,992) | |  |
| Other | | | — | |  |  | | | — | |  |  | | | (65) | |  |  | | | — | |  |  | | | (3) | |  |  | | | — | |  |  | | | (68) | |  |  | | | (1) | |  |  | | | (69) | |  |
| September 30, 2021 | | | $ | 1,562 |  |  | | | $ | 5 |  |  | | | $ | 1,917 |  |  | | | $ | (2,537) |  |  | | | $ | 8,857 |  |  | | | $ | 1,876 |  |  | | | $ | 11,680 |  |  | | | $ | 1,492 |  |  | | | $ | 13,172 |  |

See Notes to Consolidated Financial Statements (Unaudited).

8

**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Cash Flows**

**Nine Months Ended September 30, 2022 and 2021 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Cash flows from operating activities:** | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | | **$** | **2,739** |  |  | | | $ | (412) |  |  | | |  | | |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |  | | |  | | |  | | |  | | |  | | |
| Interest credited to policyholders’ account balances | | | **1,002** | |  |  | | | 905 | |  |  | | |  | | |
| Policy charges and fee income | | | **(2,449)** | |  |  | | | (2,755) | |  |  | | |  | | |
| Net derivative (gains) losses | | | **(3,118)** | |  |  | | | 3,930 | |  |  | | |  | | |
| Credit and intent to sell losses on available for sale debt securities and loans | | | **266** | |  |  | | | (4) | |  |  | | |  | | |
| Investment (gains) losses, net | | | **624** | |  |  | | | (761) | |  |  | | |  | | |
| (Gains) losses on businesses HFS | | | **—** | |  |  | | | (2) | |  |  | | |  | | |
| Realized and unrealized (gains) losses on trading securities | | | **239** | |  |  | | | 48 | |  |  | | |  | | |
| Non-cash long-term incentive compensation expense | | | **104** | |  |  | | | 34 | |  |  | | |  | | |
| Amortization and depreciation | | | **587** | |  |  | | | 336 | |  |  | | |  | | |
| Equity (income) loss from limited partnerships | | | **(128)** | |  |  | | | (431) | |  |  | | |  | | |
| Changes in: | | |  | | |  | | |  | | |  | | |  | | |
| Net broker-dealer and customer related receivables/payables | | | **(195)** | |  |  | | | (625) | |  |  | | |  | | |
| Reinsurance recoverable (1) | | | **(846)** | |  |  | | | (758) | |  |  | | |  | | |
| Segregated cash and securities, net | | | **169** | |  |  | | | 845 | |  |  | | |  | | |
| Capitalization of deferred policy acquisition costs | | | **(645)** | |  |  | | | (620) | |  |  | | |  | | |
| Future policy benefits | | | **122** | |  |  | | | (107) | |  |  | | |  | | |
| Current and deferred income taxes | | | **589** | |  |  | | | (516) | |  |  | | |  | | |
| Other, net | | | **195** | |  |  | | | 539 | |  |  | | |  | | |
| Net cash provided by (used in) operating activities | | | **$** | **(745)** |  |  | | | $ | (354) |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| **Cash flows from investing activities:** | | |  | | |  | | |  | | |  | | |  | | |
| Proceeds from the sale/maturity/prepayment of: | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, available-for-sale | | | **$** | **14,413** |  |  | | | $ | 25,911 |  |  | | |  | | |
| Fixed maturities, at fair value using the fair value option | | | **433** | |  |  | | | 610 | |  |  | | |  | | |
| Mortgage loans on real estate | | | **901** | |  |  | | | 1,417 | |  |  | | |  | | |
| Trading account securities | | | **205** | |  |  | | | 5,115 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Short term investments | | | **313** | |  |  | | | 84 | |  |  | | |  | | |
| Other | | | **454** | |  |  | | | 1,447 | |  |  | | |  | | |
| Payment for the purchase/origination of: | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, available-for-sale | | | **(17,022)** | |  |  | | | (33,276) | |  |  | | |  | | |
| Fixed maturities, at fair value using the fair value option | | | **(416)** | |  |  | | | (1,564) | |  |  | | |  | | |
| Mortgage loans on real estate | | | **(2,604)** | |  |  | | | (1,680) | |  |  | | |  | | |
| Trading account securities | | | **(185)** | |  |  | | | (178) | |  |  | | |  | | |
| Short term investments | | | **(676)** | |  |  | | | (14) | |  |  | | |  | | |
| Other | | | **(992)** | |  |  | | | (2,259) | |  |  | | |  | | |
| Purchase of business, net of cash acquired | | | **40** | |  |  | | | — | |  |  | | |  | | |
| Cash from the sale of business, net of cash sold | | | **—** | |  |  | | | 215 | |  |  | | |  | | |
| Cash settlements related to derivative instruments, net | | | **799** | |  |  | | | (6,502) | |  |  | | |  | | |
| Repayments of loans to affiliates | | | **—** | |  |  | | | — | |  |  | | |  | | |
| Investment in capitalized software, leasehold improvements and EDP equipment | | | **(102)** | |  |  | | | (93) | |  |  | | |  | | |

See Notes to Consolidated Financial Statements (Unaudited).

9

**EQUITABLE HOLDINGS, INC.**

**Consolidated Statements of Cash Flows**

**Nine Months Ended September 30, 2022 and 2021 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Other, net | | | **167** | |  |  | | | (8) | |  |  | | |  | | |
| Net cash provided by (used in) investing activities | | | **$** | **(4,272)** |  |  | | | $ | (10,775) |  |  | | |  | | |
| **Cash flows from financing activities:** | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ account balances: | | |  | | |  | | |  | | |  | | |  | | |
| Deposits | | | **$** | **11,680** |  |  | | | $ | 12,760 |  |  | | |  | | |
| Withdrawals | | | **(5,011)** | |  |  | | | (4,617) | |  |  | | |  | | |
| Transfers (to) from Separate Accounts | | | **1,148** | |  |  | | | 1,455 | |  |  | | |  | | |
| Change in short-term financings | | | **155** | |  |  | | | 1 | |  |  | | |  | | |
| Change in collateralized pledged assets | | | **37** | |  |  | | | 55 | |  |  | | |  | | |
| Change in collateralized pledged liabilities | | | **(2,472)** | |  |  | | | 1,494 | |  |  | | |  | | |
| (Decrease) increase in overdrafts payable | | | **(20)** | |  |  | | | 25 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Repayment of long-term debt | | | **—** | |  |  | | | (280) | |  |  | | |  | | |
| Repayment of acquisition-related debt obligation | | | **(43)** | |  |  | | | — | |  |  | | |  | | |
| Proceeds from notes issued by consolidated VIEs | | | **(34)** | |  |  | | | 874 | |  |  | | |  | | |
| Dividends paid on common stock | | | **(220)** | |  |  | | | (224) | |  |  | | |  | | |
| Dividends paid on preferred stock | | | **(54)** | |  |  | | | (53) | |  |  | | |  | | |
| Issuance of preferred stock | | | **—** | |  |  | | | 293 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Purchases of AB Holding Units to fund long-term incentive compensation plan awards | | | **(108)** | |  |  | | | (122) | |  |  | | |  | | |
| Purchase of treasury shares | | | **(699)** | |  |  | | | (1,169) | |  |  | | |  | | |
| Purchases (redemptions) of noncontrolling interests of consolidated company-sponsored investment funds | | | **(49)** | |  |  | | | 23 | |  |  | | |  | | |
| Distribution to noncontrolling interest of consolidated subsidiaries | | | **(318)** | |  |  | | | (296) | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Other, net | | | **65** | |  |  | | | (38) | |  |  | | |  | | |
| Net cash provided by (used in) financing activities | | | **$** | **4,058** |  |  | | | $ | 10,181 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| Effect of exchange rate changes on cash and cash equivalents | | | **$** | **(90)** |  |  | | | $ | (15) |  |  | | |  | | |
| Change in cash and cash equivalents | | | **(1,049)** | |  |  | | | (963) | |  |  | | |  | | |
| Cash and cash equivalents, beginning of year | | | **5,188** | |  |  | | | 6,179 | |  |  | | |  | | |
| Change in cash of businesses held-for-sale | | | **—** | |  |  | | | 39 | |  |  | | |  | | |
| Cash and cash equivalents, end of year | | | **$** | **4,139** |  |  | | | $ | 5,255 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
| **Non-cash transactions from investing and financing activities:** | | |  | | |  | | |  | | |  | | |  | | |
| Right-of-use assets obtained in exchange for lease obligations | | | **$** | **54** |  |  | | | $ | 93 |  |  | | |  | | |
| Transfer of assets to reinsurer | | | **$** | **—** |  |  | | | $ | (9,023) |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |

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

(1) Amount includes cash paid for Venerable Transaction of $494 million. See the Note 1 of the Notes to these Consolidated Financial Statements.

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 - 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 September 30, 2022 and December 31, 2021, the Company’s economic interest in AB was approximately 64% and 65%, respectively. The slight decrease was due to the issuance of AB Units relating to AB’s 100% acquisition of CarVal Investments L.P. (“CarVal”). On July 1, 2022, AB issued 3.2 million AB Units (with a fair value of $133 million) and recorded a $419 million liability for the issuance of additional AB Units on November 1, 2022. AB also recorded a contingent consideration payable of $227 million (to be paid predominantly in AB Units) based on CarVal achieving certain performance objectives over a six-year period ending December 31, 2027. 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 June 1, 2021, Holdings completed the sale (the “Venerable Transaction”) of CS Life, to Venerable Insurance and Annuity Company, an insurance company domiciled in Iowa (“VIAC”), pursuant to the Master Transaction Agreement, dated October 27, 2020 (the “Master Transaction Agreement”), among the Company, VIAC and, solely with respect to Article XIV thereof, Venerable Holdings, Inc., a Delaware corporation (“Venerable”).

Pursuant to the Master Transaction Agreement, immediately prior to the closing of the Venerable Transaction, CS Life effected the recapture of all of the business that was ceded to CS Life Re Company, a wholly owned subsidiary of CS Life (“Reinsurance Subsidiary”), and sold 100% of the equity of the Reinsurance Subsidiary to another wholly owned subsidiary of the Company.

VIAC paid the Company a cash purchase price of $215 million for CS Life at closing. The post-closing true-up adjustment was immaterial. VIAC also issued a surplus note in aggregate principal amount of $60 million, to Equitable Financial Life Insurance Company, a New York-domiciled life insurance company and a wholly owned subsidiary of Holdings, for cash consideration.

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**EQUITABLE HOLDINGS, INC.**

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

Immediately following the closing of the Venerable Transaction, CS Life and Equitable Financial entered into a coinsurance and modified coinsurance agreement (the “Reinsurance Agreement”), pursuant to which Equitable Financial ceded to CS Life, on a combined coinsurance and modified coinsurance basis, legacy variable annuity policies sold by Equitable Financial between 2006-2008 (the “Block”), comprised of non-New York “Accumulator” policies containing fixed rate Guaranteed Minimum Income Benefit and/or Guaranteed Minimum Death Benefit guarantees. At the closing of the Transaction, CS Life deposited assets supporting the general account liabilities relating to the Block into a trust account for the benefit of Equitable Financial, which assets will secure its obligations to Equitable Financial under the Reinsurance Agreement. At the closing of the Transaction, ABLP, entered into an investment advisory agreement with CS Life pursuant to which ABLP will serve as the preferred investment manager of the general account assets transferred to the trust account. The Company transferred assets of $9.5 billion, including primarily available for sale securities and cash, to a collateral trust account as the consideration for the reinsurance transaction. In addition, the Company recorded $9.6 billion of direct insurance liabilities ceded under the reinsurance contract, of which $5.3 billion is accounted at fair value, as the reinsurance of GMxB with no lapse guarantee riders are embedded derivatives. Additionally, $16.9 billion of Separate Account liabilities were ceded under a modified coinsurance portion of the agreement.

In addition, upon the completion of the Venerable Transaction, EIMG acquired an approximate 9.09% equity interest in Venerable’s parent holding company, VA Capital Company LLC. In connection with such investment, EIMG designated a member to the Board of Managers of VA Capital Company LLC.

**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. 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, 2021.

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 “third quarter 2022” and “third quarter 2021” refer to the three months ended September 30, 2022 and 2021, respectively. The terms “first nine months of 2022” and “first nine months of 2021” refer to the nine months ended September 30, 2022 and 2021, respectively.

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

Recent Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of Accounting Standards Updates (“ASUs”) to the FASB Accounting Standards Codification (“ASC”). The Company considers the applicability and impact of all ASUs. ASUs listed below include those that have been adopted during the current fiscal year and/or those that have been issued but not yet adopted as of September 30, 2022, and as of the date of this filing. ASUs not listed below were assessed and determined to be either not applicable or not material.

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**EQUITABLE HOLDINGS, INC.**

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

Future Adoption of New Accounting Pronouncements

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **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:  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. The ASU also prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts.  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.  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.  4. Expanded footnote disclosures. The ASU requires additional disclosures including information about significant inputs, judgements, assumptions and methods used in measurement. | | | 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.   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. | | | The Company continues to progress with implementation efforts and the evaluation of the impact that adoption of this guidance will have on the Company’s consolidated financial statements. Due to its extensive nature, the adoption of the ASU is expected to have a significant impact on the Company’s consolidated financial statements, as well as systems, processes and controls. Effective January 1, 2023, the new guidance will be adopted using the modified retrospective approach, except for MRBs which will use the full retrospective approach.  The Company has created a governance framework and implementation plan to ensure timely adoption of the guidance. In preparation for implementation, the Company continues to refine key accounting policy decisions, modernize processes and update internal controls. These changes include modifications of actuarial valuation systems, data sourcing, analytical procedures and reporting processes.  The impact on total equity of applying this ASU is estimated to be neutral to the current amount of reported total equity as of September 30, 2022. As of September 30, 2022, a positive impact to AOCI is expected due to increases in the Company’s estimate of its non-performance risk on variable annuity guarantees accounted for as MRBs for the first time under the guidance. The estimated impact to the retained earnings element of total equity as of September 30, 2022, due to accounting for variable annuity guarantees as MRBs that are not currently measured at fair value, is mitigated by the Company’s present use of a near industry low interest rate assumption of 2.25% on GMIB business. Because movements in equity markets, interest rates and credit spreads are unpredictable and at times volatile, it is possible that the estimated effects of adoption could change materially between September 30, 2022 and January 1, 2023. | | |
|  | | |  |  |  |  |  |  |
|  | | |  | | |  | | |

Securities Sold under Agreements to Repurchase

Securities sold under agreements to repurchase involve the temporary exchange of securities for cash or

other collateral of equivalent value, with agreement to redeliver a like quantity of the same or similar securities at a

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**EQUITABLE HOLDINGS, INC.**

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

future date prior to maturity at a fixed and determinable price. Securities sold under agreements to repurchase

transactions are conducted by the Company under a standardized securities industry master agreement, amended to suit

the requirements of each respective counterparty. Transfers of securities under these agreements to repurchase

are evaluated by the Company to determine whether they satisfy the criteria for accounting treatment as secured

borrowing arrangements. Agreements not meeting the criteria would require recognition of the transferred

securities as sales with related forward repurchase commitments. All of the Company’s securities repurchase transactions are accounted for as secured borrowings with the related obligations distinctly captioned in the consolidated balance sheets on a gross basis. As of September 30, 2022 and December 31, 2021, the Company had no Securities sold under agreements to repurchase outstanding. During the year ended December 31, 2021 there was no activity on Securities sold under agreements to repurchase.

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 CLOs.

As of September 30, 2022 and December 31, 2021, respectively, Equitable Financial holds $93 million and $109 million of equity interests in the CLOs. The Company consolidated the CLOs as of September 30, 2022 and December 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 CLOs loan manager. The assets of the CLOs are legally isolated from the Company’s creditors and can only be used to settle obligations of the CLOs. The liabilities of the CLOs are non-recourse to the Company and the Company has no obligation to satisfy the liabilities of the CLOs. As of September 30, 2022, Equitable Financial holds $67 million of equity interests in a SPE established to purchase loans from the market in anticipation of a new CLO transaction. The Company consolidated the SPE as of September 30, 2022 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 $1.5 billion and $1.6 billion notes issued by consolidated variable interest entities, at fair value using the fair value option with total liabilities of $1.2 billion and $1.2 billion at September 30, 2022 and December 31, 2021, respectively. The unpaid outstanding principal balance of the notes and short-term borrowing is $1.4 billion and $1.3 billion at September 30, 2022 and December 31, 2021.

Consolidated Limited Partnerships and LLCs

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**EQUITABLE HOLDINGS, INC.**

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

As of September 30, 2022 and December 31, 2021 the Company consolidated limited partnerships and LLCs for which it was identified as the primary beneficiary under the VIE model. Included in Other invested assets, Mortgage loans on real estate, Other equity investments, Trading securities, cash and other liabilities in the Company’s consolidated balance sheets at September 30, 2022 and December 31, 2021 are total net assets of $562 million and $219 million, respectively related to these VIEs.

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

Included in the Company’s consolidated balance sheet as of September 30, 2022 and December 31, 2021 are assets of $477 million and $734 million, liabilities of $26 million and $87 million, and redeemable noncontrolling interests of $310 million and $421 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 September 30, 2022 and December 31, 2021 are assets of $28 million and $0 million, liabilities of $2 million and $0 million, and redeemable noncontrolling interests of $2 million and $0 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 September 30, 2022 and December 31, 2021 respectively, the Company held approximately $2.3 billion and $2.1 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 $278.9 billion and $245.6 billion as of September 30, 2022 and December 31, 2021 respectively. The Company’s maximum exposure to loss from its direct involvement with these VIEs is the carrying value of its investment of $2.3 billion and $2.1 billion and approximately $1.3 billion and $1.2 billion of unfunded commitments as of September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, the net assets of investment products sponsored by AB that are non-consolidated VIEs are approximately $39.9 billion and $68.9 billion, respectively. The Company’s maximum exposure to loss from its direct involvement with these VIEs is its investment of $5 million and $9 million as of September 30, 2022 and December 31, 2021. The Company has no further commitments to or economic interest in these VIEs.

Assumption Updates

The Company conducts its annual review of its assumptions 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.

The net impact of assumption changes in the three and nine months ended September 30, 2022 decreased policy charges and fee income by $23 million, decreased policyholders’ benefits by $243 million, increased interest credited

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**EQUITABLE HOLDINGS, INC.**

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

to policyholder account balances by $1 million, increased net derivative losses by $80 million and decreased amortization of DAC by $43 million. This resulted in an increase in income (loss) from operations, before income taxes of $182 million and increased net income (loss) by $144 million.

The net impact of assumption changes in the three and nine months ended September 30, 2021 decreased policy charges and fee income by $28 million, decreased policyholders’ benefits by $62 million, increased net derivative gains by $200 million and decreased amortization of DAC by $58 million. This resulted in a decrease in income (loss) from operations, before income taxes of $108 million and decreased net income (loss) by $85 million. As part of this annual assumption update the reference interest rate utilized in our GAAP fair value calculations was updated from the LIBOR swap curve to the US Treasury curve due to the impending cessation of LIBOR and our GAAP fair value liability risk margins were increased, resulting in little impact to overall valuation as our view regarding market participant pricing of our guarantees has not changed at this time.

Model Changes

There were no material model changes in the first nine months of 2021 and 2022.

**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 September 30, 2022 and December 31, 2021 was $604 million and $506 million, respectively. There was no accrued interest written off for AFS fixed maturities for the three and nine months ended September 30, 2022 and 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)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **September 30, 2022** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (1) | | | **$** | **52,643** |  |  | | | **$** | **22** |  |  | | | **$** | **69** |  |  | | | **$** | **8,144** |  |  | | | **$** | **44,546** |  |
| U.S. Treasury, government and agency | | | **7,241** | |  |  | | | **—** | |  |  | | | **4** | |  |  | | | **1,215** | |  |  | | | **6,030** | |  |
| States and political subdivisions | | | **668** | |  |  | | | **—** | |  |  | | | **8** | |  |  | | | **92** | |  |  | | | **584** | |  |
| Foreign governments | | | **1,114** | |  |  | | | **—** | |  |  | | | **2** | |  |  | | | **190** | |  |  | | | **926** | |  |
| Residential mortgage-backed (2) | | | **500** | |  |  | | | **—** | |  |  | | | **1** | |  |  | | | **25** | |  |  | | | **476** | |  |
| Asset-backed (3) | | | **9,289** | |  |  | | | **—** | |  |  | | | **1** | |  |  | | | **545** | |  |  | | | **8,745** | |  |
| Commercial mortgage-backed | | | **3,824** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **574** | |  |  | | | **3,250** | |  |
| Redeemable preferred stock | | | **41** | |  |  | | | **—** | |  |  | | | **2** | |  |  | | | **—** | |  |  | | | **43** | |  |
| **Total at September 30, 2022** | | | **$** | **75,320** |  |  | | | **$** | **22** |  |  | | | **$** | **87** |  |  | | | **$** | **10,785** |  |  | | | **$** | **64,600** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| December 31, 2021: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (1) | | | $ | 50,172 |  |  | | | $ | 22 |  |  | | | $ | 2,601 |  |  | | | $ | 240 |  |  | | | $ | 52,511 |  |
| U.S. Treasury, government and agency | | | 13,056 | |  |  | | | — | |  |  | | | 2,344 | |  |  | | | 15 | |  |  | | | 15,385 | |  |
| States and political subdivisions | | | 586 | |  |  | | | — | |  |  | | | 78 | |  |  | | | 2 | |  |  | | | 662 | |  |
| Foreign governments | | | 1,124 | |  |  | | | — | |  |  | | | 42 | |  |  | | | 14 | |  |  | | | 1,152 | |  |
| Residential mortgage-backed (2) | | | 90 | |  |  | | | — | |  |  | | | 8 | |  |  | | | — | |  |  | | | 98 | |  |
| Asset-backed (3) | | | 5,933 | |  |  | | | — | |  |  | | | 21 | |  |  | | | 20 | |  |  | | | 5,934 | |  |
| Commercial mortgage-backed | | | 2,427 | |  |  | | | — | |  |  | | | 19 | |  |  | | | 25 | |  |  | | | 2,421 | |  |

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**EQUITABLE HOLDINGS, INC.**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Amortized Cost** | | |  | | | **Allowance for Credit Losses** | | |  | | | **Gross Unrealized Gains** | | |  | | | **Gross Unrealized Losses** | | |  | | | **Fair Value** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Redeemable preferred stock | | | 41 | |  |  | | | — | |  |  | | | 12 | |  |  | | | — | |  |  | | | 53 | |  |
| Total at December 31, 2021 | | | $ | 73,429 |  |  | | | $ | 22 |  |  | | | $ | 5,125 |  |  | | | $ | 316 |  |  | | | $ | 78,216 |  |

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

(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.

The contractual maturities of AFS fixed maturities as of September 30, 2022 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)** | | | | | | | | |
| **September 30, 2022** | | |  | | |  | | |  | | |
| Contractual maturities: | | |  | | |  | | |  | | |
| Due in one year or less | | | **$** | **1,419** |  |  | | | **$** | **1,397** |  |
| Due in years two through five | | | **14,893** | |  |  | | | **14,033** | |  |
| Due in years six through ten | | | **18,743** | |  |  | | | **16,531** | |  |
| Due after ten years | | | **26,589** | |  |  | | | **20,125** | |  |
| Subtotal | | | **61,644** | |  |  | | | **52,086** | |  |
| Residential mortgage-backed | | | **500** | |  |  | | | **476** | |  |
| Asset-backed | | | **9,289** | |  |  | | | **8,745** | |  |
| Commercial mortgage-backed | | | **3,824** | |  |  | | | **3,250** | |  |
| Redeemable preferred stock | | | **41** | |  |  | | | **43** | |  |
| **Total at September 30, 2022** | | | **$** | **75,298** |  |  | | | **$** | **64,600** |  |

The following table shows proceeds from sales, gross gains (losses) from sales and allowance for credit losses for AFS fixed maturities for the three and nine months ended September 30, 2022 and 2021:

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| Proceeds from sales | | | **$** | **905** |  |  | | | $ | 3,701 |  |  | | | **$** | **11,640** |  |  | | | $ | 20,776 |  |
| Gross gains on sales | | | **$** | **—** |  |  | | | $ | 171 |  |  | | | **$** | **44** |  |  | | | $ | 1,019 |  |
| Gross losses on sales | | | **$** | **(62)** |  |  | | | $ | (8) |  |  | | | **$** | **(653)** |  |  | | | $ | (162) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net change in Allowance for Credit and Intent to Sell losses | | | **$** | **(243)** |  |  | | | $ | (2) |  |  | | | **$** | **(246)** |  |  | | | $ | (14) |  |

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.

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**EQUITABLE HOLDINGS, INC.**

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

**AFS Fixed Maturities - Credit and Intent to Sell Loss Impairments**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| **Balance, beginning of period** | | | **$** | **32** |  |  | | | **$** | **42** |  |  | | | **$** | **44** |  |  | | | **$** | **32** |  |
| Previously recognized impairments on securities that matured, paid, prepaid or sold | | | (2) | |  |  | | | (1) | |  |  | | | (17) | |  |  | | | (4) | |  |
| Recognized impairments on securities impaired to fair value this period (1) (2) | | | 246 | |  |  | | | — | |  |  | | | 246 | |  |  | | | — | |  |
| Credit losses recognized this period on securities for which credit losses were not previously recognized | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | 8 | |  |
| Additional credit losses this period on securities previously impaired | | | 5 | |  |  | | | 1 | |  |  | | | 7 | |  |  | | | 6 | |  |
| 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 September 30,** | | | **$** | **280** |  |  | | | **$** | **42** |  |  | | | **$** | **280** |  |  | | | **$** | **42** |  |

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(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.

(2)Amounts reflected as of three and nine months ended September 30, 2022 represent AFS fixed maturities in an unrealized loss position, which the Company intends to sell in anticipation of the EQUI-VEST Transaction. For additional details on the EQUI-VEST Transaction, see Note 16 of the Notes to the Consolidated Financial Statements.

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

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**EQUITABLE HOLDINGS, INC.**

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

**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, July 1, 2022** | | | **$** | **(6,965)** |  |  | | | **$** | **1,180** |  |  | | | **$** | **(333)** |  |  | | | **$** | **1,285** |  |  | | | **$** | **(4,833)** |  |
| Net investment gains (losses) arising during the period | | | **(4,045)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(4,045)** | |  |
| Reclassification adjustment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Included in net income (loss) | | | **311** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **311** | |  |
| Excluded from net income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Other | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Impact of net unrealized investment gains (losses) | | | **—** | |  |  | | | **593** | |  |  | | | **3** | |  |  | | | **659** | |  |  | | | **1,255** | |  |
| Net unrealized investment gains (losses) excluding credit losses | | | **(10,699)** | |  |  | | | **1,773** | |  |  | | | **(330)** | |  |  | | | **1,944** | |  |  | | | **(7,312)** | |  |
| Net unrealized investment gains (losses) with credit losses | | | **1** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **1** | |  |
| **Balance, September 30, 2022** | | | **$** | **(10,698)** |  |  | | | **$** | **1,773** |  |  | | | **$** | **(330)** |  |  | | | **$** | **1,944** |  |  | | | **$** | **(7,311)** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, July 1, 2021 | | | **$** | **5,361** |  |  | | | **$** | **(1,165)** |  |  | | | **$** | **(414)** |  |  | | | **$** | **(794)** |  |  | | | **$** | **2,988** |  |
| Net investment gains (losses) arising during the period | | | **(395)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(395)** | |  |
| Reclassification adjustment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Included in net income (loss) | | | **(165)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(165)** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other (1) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Impact of net unrealized investment gains (losses) | | | **—** | |  |  | | | **377** | |  |  | | | **33** | |  |  | | | **31** | |  |  | | | **441** | |  |
| Net unrealized investment gains (losses) excluding credit losses | | | **4,801** | |  |  | | | **(788)** | |  |  | | | **(381)** | |  |  | | | **(763)** | |  |  | | | **2,869** | |  |
| Net unrealized investment gains (losses) with credit losses | | | **(1)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(1)** | |  |
| Balance, Balance, September 30, 2021 | | | **$** | **4,800** |  |  | | | **$** | **(788)** |  |  | | | **$** | **(381)** |  |  | | | **$** | **(763)** |  |  | | | **$** | **2,868** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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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)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Balance, January 1, 2022** | | | **$** | **4,809** |  |  | | | **$** | **(782)** |  |  | | | **$** | **(418)** |  |  | | | **$** | **(757)** |  |  | | | **$** | **2,852** |  |
| Net investment gains (losses) arising during the period | | | **(16,359)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(16,359)** | |  |
| Reclassification adjustment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Included in net income (loss) | | | **859** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **859** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Impact of net unrealized investment gains (losses) | | | **—** | |  |  | | | **2,554** | |  |  | | | **88** | |  |  | | | **2,699** | |  |  | | | **5,341** | |  |
| Net unrealized investment gains (losses) excluding credit losses | | | **(10,691)** | |  |  | | | **1,772** | |  |  | | | **(330)** | |  |  | | | **1,942** | |  |  | | | **(7,307)** | |  |

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net unrealized investment gains (losses) with credit losses | | | **(7)** | |  |  | | | **1** | |  |  | | | **—** | |  |  | | | **2** | |  |  | | | **(4)** | |  |
| **Balance, September 30, 2022** | | | **$** | **(10,698)** |  |  | | | **$** | **1,773** |  |  | | | **$** | **(330)** |  |  | | | **$** | **1,944** |  |  | | | **$** | **(7,311)** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2021 | | | $ | 8,811 |  |  | | | $ | (1,548) |  |  | | | $ | (1,065) |  |  | | | $ | (1,302) |  |  | | | $ | 4,896 |  |
| Net investment gains (losses) arising during the period | | | (3,231) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (3,231) | |  |
| Reclassification adjustment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Included in net income (loss) | | | (747) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (747) | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other (1) | | | (33) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (33) | |  |
| Impact of net unrealized investment gains (losses) | | | — | |  |  | | | 761 | |  |  | | | 685 | |  |  | | | 539 | |  |  | | | 1,985 | |  |
| Net unrealized investment gains (losses) excluding credit losses | | | 4,800 | |  |  | | | (787) | |  |  | | | (380) | |  |  | | | (763) | |  |  | | | 2,870 | |  |
| Net unrealized investment gains (losses) with credit losses | | | — | |  |  | | | (1) | |  |  | | | (1) | |  |  | | | — | |  |  | | | (2) | |  |
| Balance, September 30, 2021 | | | $ | 4,800 |  |  | | | $ | (788) |  |  | | | $ | (381) |  |  | | | $ | (763) |  |  | | | $ | 2,868 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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(1) Effective January 1, 2021, certain preferred stock have been reclassified to other equity investments.

The following tables disclose the fair values and gross unrealized losses of the 5,220 issues as of September 30, 2022 and the 2,060 issues as of December 31, 2021 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)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **September 30, 2022** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | **$** | **33,987** |  |  | | | **$** | **6,565** |  |  | | | **$** | **6,312** |  |  | | | **$** | **1,577** |  |  | | | **$** | **40,299** |  |  | | | **$** | **8,142** |  |
| U.S. Treasury, government and agency | | | **5,536** | |  |  | | | **1,196** | |  |  | | | **201** | |  |  | | | **19** | |  |  | | | **5,737** | |  |  | | | **1,215** | |  |
| States and political subdivisions | | | **339** | |  |  | | | **84** | |  |  | | | **14** | |  |  | | | **8** | |  |  | | | **353** | |  |  | | | **92** | |  |
| Foreign governments | | | **605** | |  |  | | | **138** | |  |  | | | **167** | |  |  | | | **52** | |  |  | | | **772** | |  |  | | | **190** | |  |
| Residential mortgage-backed | | | **438** | |  |  | | | **25** | |  |  | | | **1** | |  |  | | | **—** | |  |  | | | **439** | |  |  | | | **25** | |  |
| Asset-backed | | | **8,072** | |  |  | | | **503** | |  |  | | | **440** | |  |  | | | **42** | |  |  | | | **8,512** | |  |  | | | **545** | |  |
| Commercial mortgage-backed | | | **2,435** | |  |  | | | **382** | |  |  | | | **813** | |  |  | | | **192** | |  |  | | | **3,248** | |  |  | | | **574** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Total at September 30, 2022** | | | **$** | **51,412** |  |  | | | **$** | **8,893** |  |  | | | **$** | **7,948** |  |  | | | **$** | **1,890** |  |  | | | **$** | **59,360** |  |  | | | **$** | **10,783** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| December 31, 2021: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed Maturities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | $ | 10,571 |  |  | | | $ | 163 |  |  | | | $ | 1,633 |  |  | | | $ | 75 |  |  | | | $ | 12,204 |  |  | | | $ | 238 |  |
| U.S. Treasury, government and agency | | | 993 | |  |  | | | 11 | |  |  | | | 105 | |  |  | | | 4 | |  |  | | | 1,098 | |  |  | | | 15 | |  |
| States and political subdivisions | | | 120 | |  |  | | | 2 | |  |  | | | 11 | |  |  | | | — | |  |  | | | 131 | |  |  | | | 2 | |  |
| Foreign governments | | | 349 | |  |  | | | 6 | |  |  | | | 92 | |  |  | | | 8 | |  |  | | | 441 | |  |  | | | 14 | |  |
| Residential mortgage-backed | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Asset-backed | | | 3,865 | |  |  | | | 20 | |  |  | | | 38 | |  |  | | | — | |  |  | | | 3,903 | |  |  | | | 20 | |  |
| Commercial mortgage-backed | | | 1,527 | |  |  | | | 21 | |  |  | | | 96 | |  |  | | | 4 | |  |  | | | 1,623 | |  |  | | | 25 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total at December 31, 2021 | | | $ | 17,425 |  |  | | | $ | 223 |  |  | | | $ | 1,975 |  |  | | | $ | 91 |  |  | | | $ | 19,400 |  |  | | | $ | 314 |  |

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**EQUITABLE HOLDINGS, INC.**

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

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 0.6% of total corporate securities. The largest exposures to a single issuer of corporate securities held as of September 30, 2022 and December 31, 2021 were $275 million and $322 million, respectively, representing 5.7% and 2.5% of the consolidated equity of the Company.

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 September 30, 2022 and December 31, 2021, respectively, approximately $2.9 billion and $2.9 billion, or 3.9% and 3.9%, of the $75.3 billion and $73.4 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 $242 million and $18 million as of September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022 and December 31, 2021, respectively, the $1,890 million and $91 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 of the Notes to these Consolidated Financial Statements, the Company concluded that an adjustment to allowance for credit losses for these securities was not warranted at either September 30, 2022 or December 31, 2021. As of September 30, 2022 and December 31, 2021, 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 September 30, 2022, the Company determined that the unrealized loss was primarily due to increases in interest rates, credit spreads and changes in credit ratings.

Mortgage Loans on Real Estate

Accrued interest receivable on commercial and agricultural mortgage loans as of September 30, 2022 and December 31, 2021 was $63 million and $57 million, respectively. There was no accrued interest written off for commercial and agricultural mortgage loans for the nine months ended September 30, 2022 and 2021.

As of September 30, 2022, 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 nine months ended September 30, 2022 and 2021 were as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |
| **Allowance for credit losses on mortgage loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Commercial mortgages:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance, beginning of period** | | | **$** | **58** |  |  | | | $ | 59 |  |  | | | **$** | **57** |  |  | | | $ | 77 |  |  | | |
| Current-period provision for expected credit losses | | | **19** | |  |  | | | 1 | |  |  | | | **20** | |  |  | | | (17) | |  |  | | |
| Write-offs charged against the allowance | | | **—** | |  |  | | | — | |  |  | | | **—** | |  |  | | | — | |  |  | | |
| Recoveries of amounts previously written off | | | **—** | |  |  | | | — | |  |  | | | **—** | |  |  | | | — | |  |  | | |
| Net change in allowance | | | **19** | |  |  | | | 1 | |  |  | | | **20** | |  |  | | | (17) | |  |  | | |
| **Balance, end of period** | | | **$** | **77** |  |  | | | $ | 60 |  |  | | | **$** | **77** |  |  | | | $ | 60 |  |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |
| **Agricultural mortgages:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance, beginning of period** | | | **$** | **6** |  |  | | | $ | 4 |  |  | | | **$** | **5** |  |  | | | $ | 4 |  |  | | |
| Current-period provision for expected credit losses | | | **—** | |  |  | | | — | |  |  | | | **1** | |  |  | | | — | |  |  | | |
| Write-offs charged against the allowance | | | **—** | |  |  | | | — | |  |  | | | **—** | |  |  | | | — | |  |  | | |
| Recoveries of amounts previously written off | | | **—** | |  |  | | | — | |  |  | | | **—** | |  |  | | | — | |  |  | | |
| Net change in allowance | | | **—** | |  |  | | | — | |  |  | | | **1** | |  |  | | | — | |  |  | | |
| **Balance, end of period** | | | **$** | **6** |  |  | | | $ | 4 |  |  | | | **$** | **6** |  |  | | | $ | 4 |  |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Total allowance for credit losses** | | | **$** | **83** |  |  | | | $ | 64 |  |  | | | **$** | **83** |  |  | | | $ | 64 |  |  | | |

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; and

•changes in credit quality.

Credit Quality Information

The following tables summarize the Company’s mortgage loans segregated by risk rating exposure as of September 30, 2022 and December 31, 2021.

**Loan to Value (“LTV”) Ratios (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Amortized Cost Basis by Origination Year** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2019** | | |  | | | **2018** | | |  | | | **Prior** | | |  | | | **Revolving Loans Amortized Cost Basis** | | |  | | | **Revolving Loans Converted to Term Loans Amortized Cost Basis** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Mortgage loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **488** |  |  | | | **$** | **130** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **119** |  |  | | | **$** | **1,469** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **2,206** |  |
| 50% - 70% | | | **1,780** | |  |  | | | **1,857** | |  |  | | | **1,255** | |  |  | | | **275** | |  |  | | | **733** | |  |  | | | **2,597** | |  |  | | | **273** | |  |  | | | **—** | |  |  | | | **8,770** | |  |
| 70% - 90% | | | **136** | |  |  | | | **124** | |  |  | | | **115** | |  |  | | | **368** | |  |  | | | **315** | |  |  | | | **898** | |  |  | | | **—** | |  |  | | | **33** | |  |  | | | **1,989** | |  |
| 90% plus | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **35** | |  |  | | | **174** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **209** | |  |
| Total commercial | | | **$** | **2,404** |  |  | | | **$** | **2,111** |  |  | | | **$** | **1,370** |  |  | | | **$** | **643** |  |  | | | **$** | **1,202** |  |  | | | **$** | **5,138** |  |  | | | **$** | **273** |  |  | | | **$** | **33** |  |  | | | **$** | **13,174** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | **$** | **121** |  |  | | | **$** | **190** |  |  | | | **$** | **214** |  |  | | | **$** | **123** |  |  | | | **$** | **135** |  |  | | | **$** | **754** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **1,537** |  |
| 50% - 70% | | | **182** | |  |  | | | **179** | |  |  | | | **238** | |  |  | | | **86** | |  |  | | | **82** | |  |  | | | **277** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **1,044** | |  |
| 70% - 90% | | | **1** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **15** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **16** | |  |
| 90% plus | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Total agricultural | | | **$** | **304** |  |  | | | **$** | **369** |  |  | | | **$** | **452** |  |  | | | **$** | **209** |  |  | | | **$** | **217** |  |  | | | **$** | **1,046** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **2,597** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Amortized Cost Basis by Origination Year** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2019** | | |  | | | **2018** | | |  | | | **Prior** | | |  | | | **Revolving Loans Amortized Cost Basis** | | |  | | | **Revolving Loans Converted to Term Loans Amortized Cost Basis** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0% - 50% | | | **$** | **609** |  |  | | | **$** | **320** |  |  | | | **$** | **214** |  |  | | | **$** | **123** |  |  | | | **$** | **254** |  |  | | | **$** | **2,223** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **3,743** |  |
| 50% - 70% | | | **1,962** | |  |  | | | **2,036** | |  |  | | | **1,493** | |  |  | | | **361** | |  |  | | | **815** | |  |  | | | **2,874** | |  |  | | | **273** | |  |  | | | **—** | |  |  | | | **9,814** | |  |
| 70% - 90% | | | **137** | |  |  | | | **124** | |  |  | | | **115** | |  |  | | | **368** | |  |  | | | **315** | |  |  | | | **913** | |  |  | | | **—** | |  |  | | | **33** | |  |  | | | **2,005** | |  |
| 90% plus | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **35** | |  |  | | | **174** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **209** | |  |
| Total mortgage loans | | | **$** | **2,708** |  |  | | | **$** | **2,480** |  |  | | | **$** | **1,822** |  |  | | | **$** | **852** |  |  | | | **$** | **1,419** |  |  | | | **$** | **6,184** |  |  | | | **$** | **273** |  |  | | | **$** | **33** |  |  | | | **$** | **15,771** |  |

**Debt Service Coverage Ratios (“DSC”) (2**)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Amortized Cost Basis by Origination Year** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |  | | | **2020** | | |  | | | **2019** | | |  | | | **2018** | | |  | | | **Prior** | | |  | | | **Revolving Loans Amortized Cost Basis** | | |  | | | **Revolving Loans Converted to Term Loans Amortized Cost Basis** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Mortgage loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | **$** | **605** |  |  | | | **$** | **1,143** |  |  | | | **$** | **1,078** |  |  | | | **$** | **103** |  |  | | | **$** | **571** |  |  | | | **$** | **1,863** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **5,363** |  |
| 1.8x to 2.0x | | | **135** | |  |  | | | **187** | |  |  | | | **165** | |  |  | | | **216** | |  |  | | | **186** | |  |  | | | **421** | |  |  | | | **161** | |  |  | | | **—** | |  |  | | | **1,471** | |  |
| 1.5x to 1.8x | | | **413** | |  |  | | | **274** | |  |  | | | **32** | |  |  | | | **177** | |  |  | | | **250** | |  |  | | | **1,173** | |  |  | | | **75** | |  |  | | | **—** | |  |  | | | **2,394** | |  |
| 1.2x to 1.5x | | | **614** | |  |  | | | **259** | |  |  | | | **60** | |  |  | | | **92** | |  |  | | | **47** | |  |  | | | **1,376** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **2,448** | |  |
| 1.0x to 1.2x | | | **222** | |  |  | | | **248** | |  |  | | | **35** | |  |  | | | **55** | |  |  | | | **148** | |  |  | | | **234** | |  |  | | | **37** | |  |  | | | **33** | |  |  | | | **1,012** | |  |
| Less than 1.0x | | | **415** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **71** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **486** | |  |
| Total commercial | | | **$** | **2,404** |  |  | | | **$** | **2,111** |  |  | | | **$** | **1,370** |  |  | | | **$** | **643** |  |  | | | **$** | **1,202** |  |  | | | **$** | **5,138** |  |  | | | **$** | **273** |  |  | | | **$** | **33** |  |  | | | **$** | **13,174** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | **$** | **48** |  |  | | | **$** | **40** |  |  | | | **$** | **62** |  |  | | | **$** | **22** |  |  | | | **$** | **12** |  |  | | | **$** | **195** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **379** |  |
| 1.8x to 2.0x | | | **17** | |  |  | | | **58** | |  |  | | | **35** | |  |  | | | **24** | |  |  | | | **14** | |  |  | | | **63** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **211** | |  |
| 1.5x to 1.8x | | | **48** | |  |  | | | **42** | |  |  | | | **112** | |  |  | | | **28** | |  |  | | | **19** | |  |  | | | **202** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **451** | |  |
| 1.2x to 1.5x | | | **89** | |  |  | | | **154** | |  |  | | | **174** | |  |  | | | **99** | |  |  | | | **100** | |  |  | | | **313** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **929** | |  |
| 1.0x to 1.2x | | | **86** | |  |  | | | **74** | |  |  | | | **65** | |  |  | | | **30** | |  |  | | | **66** | |  |  | | | **260** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **581** | |  |
| Less than 1.0x | | | **16** | |  |  | | | **1** | |  |  | | | **4** | |  |  | | | **6** | |  |  | | | **6** | |  |  | | | **13** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **46** | |  |
| Total agricultural | | | **$** | **304** |  |  | | | **$** | **369** |  |  | | | **$** | **452** |  |  | | | **$** | **209** |  |  | | | **$** | **217** |  |  | | | **$** | **1,046** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **2,597** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | **$** | **653** |  |  | | | **$** | **1,183** |  |  | | | **$** | **1,140** |  |  | | | **$** | **125** |  |  | | | **$** | **583** |  |  | | | **$** | **2,058** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **5,742** |  |
| 1.8x to 2.0x | | | **152** | |  |  | | | **245** | |  |  | | | **200** | |  |  | | | **240** | |  |  | | | **200** | |  |  | | | **484** | |  |  | | | **161** | |  |  | | | **—** | |  |  | | | **1,682** | |  |
| 1.5x to 1.8x | | | **461** | |  |  | | | **316** | |  |  | | | **144** | |  |  | | | **205** | |  |  | | | **269** | |  |  | | | **1,375** | |  |  | | | **75** | |  |  | | | **—** | |  |  | | | **2,845** | |  |
| 1.2x to 1.5x | | | **703** | |  |  | | | **413** | |  |  | | | **234** | |  |  | | | **191** | |  |  | | | **147** | |  |  | | | **1,689** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **3,377** | |  |
| 1.0x to 1.2x | | | **308** | |  |  | | | **322** | |  |  | | | **100** | |  |  | | | **85** | |  |  | | | **214** | |  |  | | | **494** | |  |  | | | **37** | |  |  | | | **33** | |  |  | | | **1,593** | |  |

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Less than 1.0x | | | **431** | |  |  | | | **1** | |  |  | | | **4** | |  |  | | | **6** | |  |  | | | **6** | |  |  | | | **84** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **532** | |  |
| **Total mortgage loans** | | | **$** | **2,708** |  |  | | | **$** | **2,480** |  |  | | | **$** | **1,822** |  |  | | | **$** | **852** |  |  | | | **$** | **1,419** |  |  | | | **$** | **6,184** |  |  | | | **$** | **273** |  |  | | | **$** | **33** |  |  | | | **$** | **15,771** |  |

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

(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.

**LTV Ratios (1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2021** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | Amortized Cost Basis by Origination Year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | 2021 | | |  | | | 2020 | | |  | | | 2019 | | |  | | | 2018 | | |  | | | 2017 | | |  | | | Prior | | |  | | | **Revolving Loans Amortized Cost Basis** | | |  | | | **Revolving Loans Converted to Term Loans Amortized Cost Basis** | | |  | | | Total | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 184 |  |  | | | $ | 293 |  |  | | | $ | 1,009 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 1,486 |  |
| 50% - 70% | | | 1,944 | |  |  | | | 1,286 | |  |  | | | 339 | |  |  | | | 619 | |  |  | | | 491 | |  |  | | | 2,533 | |  |  | | | 139 | |  |  | | | — | |  |  | | | 7,351 | |  |
| 70% - 90% | | | 190 | |  |  | | | 236 | |  |  | | | 412 | |  |  | | | 415 | |  |  | | | 276 | |  |  | | | 972 | |  |  | | | — | |  |  | | | — | |  |  | | | 2,501 | |  |
| 90% plus | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 35 | |  |  | | | 5 | |  |  | | | 73 | |  |  | | | — | |  |  | | | — | |  |  | | | 113 | |  |
| Total commercial | | | $ | 2,134 |  |  | | | $ | 1,522 |  |  | | | $ | 751 |  |  | | | $ | 1,253 |  |  | | | $ | 1,065 |  |  | | | $ | 4,587 |  |  | | | $ | 139 |  |  | | | $ | — |  |  | | | $ | 11,451 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | 180 |  |  | | | $ | 212 |  |  | | | $ | 128 |  |  | | | $ | 129 |  |  | | | $ | 119 |  |  | | | $ | 738 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 1,506 |  |
| 50% - 70% | | | 200 | |  |  | | | 268 | |  |  | | | 102 | |  |  | | | 126 | |  |  | | | 87 | |  |  | | | 338 | |  |  | | | — | |  |  | | | — | |  |  | | | 1,121 | |  |
| 70% - 90% | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 17 | |  |  | | | — | |  |  | | | — | |  |  | | | 17 | |  |
| 90% plus | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total agricultural | | | $ | 380 |  |  | | | $ | 480 |  |  | | | $ | 230 |  |  | | | $ | 255 |  |  | | | $ | 206 |  |  | | | $ | 1,093 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,644 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 0% - 50% | | | $ | 180 |  |  | | | $ | 212 |  |  | | | $ | 128 |  |  | | | $ | 313 |  |  | | | $ | 412 |  |  | | | $ | 1,747 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,992 |  |
| 50% - 70% | | | 2,144 | |  |  | | | 1,554 | |  |  | | | 441 | |  |  | | | 745 | |  |  | | | 578 | |  |  | | | 2,871 | |  |  | | | 139 | |  |  | | | — | |  |  | | | 8,472 | |  |
| 70% - 90% | | | 190 | |  |  | | | 236 | |  |  | | | 412 | |  |  | | | 415 | |  |  | | | 276 | |  |  | | | 989 | |  |  | | | — | |  |  | | | — | |  |  | | | 2,518 | |  |
| 90% plus | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 35 | |  |  | | | 5 | |  |  | | | 73 | |  |  | | | — | |  |  | | | — | |  |  | | | 113 | |  |
| Total mortgage loans | | | $ | 2,514 |  |  | | | $ | 2,002 |  |  | | | $ | 981 |  |  | | | $ | 1,508 |  |  | | | $ | 1,271 |  |  | | | $ | 5,680 |  |  | | | $ | 139 |  |  | | | $ | — |  |  | | | $ | 14,095 |  |

**DSC Ratios (2)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **December 31, 2021** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | Amortized Cost Basis by Origination Year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | 2021 | | |  | | | 2020 | | |  | | | 2019 | | |  | | | 2018 | | |  | | | 2017 | | |  | | | Prior | | |  | | | **Revolving Loans Amortized Cost Basis** | | |  | | | **Revolving Loans Converted to Term Loans Amortized Cost Basis** | | |  | | | Total | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Greater than 2.0x | | | $ | 1,143 |  |  | | | $ | 1,243 |  |  | | | $ | 210 |  |  | | | $ | 772 |  |  | | | $ | 485 |  |  | | | $ | 2,235 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 6,088 |  |
| 1.8x to 2.0x | | | 185 | |  |  | | | 135 | |  |  | | | 182 | |  |  | | | 46 | |  |  | | | 161 | |  |  | | | 372 | |  |  | | | 68 | |  |  | | | — | |  |  | | | 1,149 | |  |
| 1.5x to 1.8x | | | 275 | |  |  | | | 49 | |  |  | | | 284 | |  |  | | | 211 | |  |  | | | 166 | |  |  | | | 919 | |  |  | | | 48 | |  |  | | | — | |  |  | | | 1,952 | |  |
| 1.2x to 1.5x | | | 264 | |  |  | | | 95 | |  |  | | | 75 | |  |  | | | 101 | |  |  | | | 253 | |  |  | | | 701 | |  |  | | | — | |  |  | | | — | |  |  | | | 1,489 | |  |
| 1.0x to 1.2x | | | 267 | |  |  | | | — | |  |  | | | — | |  |  | | | 88 | |  |  | | | — | |  |  | | | 287 | |  |  | | | 23 | |  |  | | | — | |  |  | | | 665 | |  |
| Less than 1.0x | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 35 | |  |  | | | — | |  |  | | | 73 | |  |  | | | — | |  |  | | | — | |  |  | | | 108 | |  |
| Total commercial | | | $ | 2,134 |  |  | | | $ | 1,522 |  |  | | | $ | 751 |  |  | | | $ | 1,253 |  |  | | | $ | 1,065 |  |  | | | $ | 4,587 |  |  | | | $ | 139 |  |  | | | $ | — |  |  | | | $ | 11,451 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Agricultural: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | $ | 49 |  |  | | | $ | 64 |  |  | | | $ | 25 |  |  | | | $ | 22 |  |  | | | $ | 24 |  |  | | | $ | 210 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 394 |  |
| 1.8x to 2.0x | | | 52 | |  |  | | | 37 | |  |  | | | 25 | |  |  | | | 14 | |  |  | | | 14 | |  |  | | | 70 | |  |  | | | — | |  |  | | | — | |  |  | | | 212 | |  |
| 1.5x to 1.8x | | | 43 | |  |  | | | 113 | |  |  | | | 28 | |  |  | | | 22 | |  |  | | | 41 | |  |  | | | 193 | |  |  | | | — | |  |  | | | — | |  |  | | | 440 | |  |
| 1.2x to 1.5x | | | 161 | |  |  | | | 179 | |  |  | | | 112 | |  |  | | | 116 | |  |  | | | 72 | |  |  | | | 355 | |  |  | | | — | |  |  | | | — | |  |  | | | 995 | |  |
| 1.0x to 1.2x | | | 75 | |  |  | | | 83 | |  |  | | | 31 | |  |  | | | 77 | |  |  | | | 54 | |  |  | | | 226 | |  |  | | | — | |  |  | | | — | |  |  | | | 546 | |  |
| Less than 1.0x | | | — | |  |  | | | 4 | |  |  | | | 9 | |  |  | | | 4 | |  |  | | | 1 | |  |  | | | 39 | |  |  | | | — | |  |  | | | — | |  |  | | | 57 | |  |
| Total agricultural | | | $ | 380 |  |  | | | $ | 480 |  |  | | | $ | 230 |  |  | | | $ | 255 |  |  | | | $ | 206 |  |  | | | $ | 1,093 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,644 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Greater than 2.0x | | | $ | 1,192 |  |  | | | $ | 1,307 |  |  | | | $ | 235 |  |  | | | $ | 794 |  |  | | | $ | 509 |  |  | | | $ | 2,445 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 6,482 |  |
| 1.8x to 2.0x | | | 237 | |  |  | | | 172 | |  |  | | | 207 | |  |  | | | 60 | |  |  | | | 175 | |  |  | | | 442 | |  |  | | | 68 | |  |  | | | — | |  |  | | | 1,361 | |  |
| 1.5x to 1.8x | | | 318 | |  |  | | | 162 | |  |  | | | 312 | |  |  | | | 233 | |  |  | | | 207 | |  |  | | | 1,112 | |  |  | | | 48 | |  |  | | | — | |  |  | | | 2,392 | |  |
| 1.2x to 1.5x | | | 425 | |  |  | | | 274 | |  |  | | | 187 | |  |  | | | 217 | |  |  | | | 325 | |  |  | | | 1,056 | |  |  | | | — | |  |  | | | — | |  |  | | | 2,484 | |  |
| 1.0x to 1.2x | | | 342 | |  |  | | | 83 | |  |  | | | 31 | |  |  | | | 165 | |  |  | | | 54 | |  |  | | | 513 | |  |  | | | 23 | |  |  | | | — | |  |  | | | 1,211 | |  |
| Less than 1.0x | | | — | |  |  | | | 4 | |  |  | | | 9 | |  |  | | | 39 | |  |  | | | 1 | |  |  | | | 112 | |  |  | | | — | |  |  | | | — | |  |  | | | 165 | |  |
| Total mortgage loans | | | $ | 2,514 |  |  | | | $ | 2,002 |  |  | | | $ | 981 |  |  | | | $ | 1,508 |  |  | | | $ | 1,271 |  |  | | | $ | 5,680 |  |  | | | $ | 139 |  |  | | | $ | — |  |  | | | $ | 14,095 |  |

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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.

Past-Due and Nonaccrual Mortgage Loan Status

The following table provides information relating to the aging analysis of past-due mortgage loans as of September 30, 2022 and December 31, 2021, 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)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **September 30, 2022:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **13,174** |  |  | | | **$** | **13,174** |  |  | | | **$** | **—** |  |  | | | **$** | **13,174** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |
| Agricultural | | | **12** | |  |  | | | **7** | |  |  | | | **19** | |  |  | | | **38** | |  |  | | | **2,543** | |  |  | | | **2,581** | |  |  | | | **16** | |  |  | | | **2,597** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Total | | | **$** | **12** |  |  | | | **$** | **7** |  |  | | | **$** | **19** |  |  | | | **$** | **38** |  |  | | | **$** | **15,717** |  |  | | | **$** | **15,755** |  |  | | | **$** | **16** |  |  | | | **$** | **15,771** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| December 31, 2021: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commercial | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 11,451 |  |  | | | $ | 11,451 |  |  | | | $ | — |  |  | | | $ | 11,451 |  |  | | | $ | — |  |  | | | $ | — |  |
| Agricultural | | | 1 | |  |  | | | 1 | |  |  | | | 25 | |  |  | | | 27 | |  |  | | | 2,601 | |  |  | | | 2,628 | |  |  | | | 16 | |  |  | | | 2,644 | |  |  | | | — | |  |  | | | — | |  |
| Total | | | $ | 1 |  |  | | | $ | 1 |  |  | | | $ | 25 |  |  | | | $ | 27 |  |  | | | $ | 14,052 |  |  | | | $ | 14,079 |  |  | | | $ | 16 |  |  | | | $ | 14,095 |  |  | | | $ | — |  |  | | | $ | — |  |

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(1)Amounts presented at amortized cost basis.

As of September 30, 2022 and December 31, 2021, the carrying values of problem mortgage loans that had been classified as non-accrual loans were $13 million and $14 million, respectively.

Troubled Debt Restructuring

During the three and nine months ended September 30, 2022 and 2021, the Company identified an immaterial amount of TDRs.

Equity Securities

The table below presents a breakdown of unrealized and realized gains and (losses) on equity securities during the three and nine months ended September 30, 2022 and 2021.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Net investment gains (losses) recognized during the period on securities held at the end of the period | | | **$** | **(33)** |  |  | | | $ | (48) |  | **$** | **(143)** |  |  | | | $ | (8) |  |  | | |  | | |
| Net investment gains (losses) recognized on securities sold during the period | | | **—** | |  |  | | | 43 | |  | **(11)** | |  |  | | | 47 | |  |  | | |  | | |
| Unrealized and realized gains (losses) on equity securities | | | **$** | **(33)** |  |  | | | $ | (5) |  | **$** | **(154)** |  |  | | | $ | 39 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

Trading Securities

As of September 30, 2022 and December 31, 2021, respectively, the fair value of the Company’s trading securities was $631 million and $631 million. As of September 30, 2022 and December 31, 2021, respectively, trading securities included the General Account’s investment in Separate Accounts had carrying values of $34 million and $45 million.

The table below shows a breakdown of net investment income (loss) from trading securities during the three and nine months ended September 30, 2022 and 2021.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Net investment gains (losses) recognized during the period on securities held at the end of the period | | | **$** | **(44)** |  |  | | | $ | (57) |  |  | | | **$** | **(246)** |  |  | | | $ | (303) |  |  | | |  | | |
| Net investment gains (losses) recognized on securities sold during the period | | | **—** | |  |  | | | 42 | |  |  | | | **6** | |  |  | | | 255 | |  |  | | |  | | |
| Unrealized and realized gains (losses) on trading securities | | | **(44)** | |  |  | | | (15) | |  |  | | | **(240)** | |  |  | | | (48) | |  |  | | |  | | |
| Interest and dividend income from trading securities | | | **2** | |  |  | | | 4 | |  |  | | | **20** | |  |  | | | 85 | |  |  | | |  | | |
| Net investment income (loss) from trading securities | | | **$** | **(42)** |  |  | | | $ | (11) |  |  | | | **$** | **(220)** |  |  | | | $ | 37 |  |  | | |  | | |

Fixed maturities, at fair value using the fair value option

The table below shows a breakdown of net investment income (loss) from fixed maturities, at fair value using the fair value option during the three and nine months ended September 30, 2022 and 2021.

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**Net Investment Income (Loss) from Fixed Maturities, at Fair Value using the Fair Value Option**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | **2021** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| Net investment gains (losses) recognized during the period on securities held at the end of the period | | | **$** | **(7)** |  |  | | | $ | 9 |  |  | | | **$** | **(20)** |  |  | | | $ | 7 |  |
| Net investment gains (losses) recognized on securities sold during the period | | | **(1)** | |  |  | | | 1 | |  |  | | | **5** | |  |  | | | 3 | |  |
| Unrealized and realized gains (losses) from fixed maturities | | | **(8)** | |  |  | | | 10 | |  |  | | | **(15)** | |  |  | | | 10 | |  |
| Interest and dividend income from fixed maturities | | | **1** | |  |  | | | 12 | |  |  | | | **—** | |  |  | | | 22 | |  |
| Net investment income (loss) from fixed maturities | | | **$** | **(7)** |  |  | | | $ | 22 |  |  | | | **$** | **(15)** |  |  | | | $ | 32 |  |

**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 and cash flow hedges, which are 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. In addition, on June 1, 2021, we

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**EQUITABLE HOLDINGS, INC.**

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

ceded legacy variable annuity policies sold by Equitable Financial between 2006-2008 (the “Block”), comprised of non-New York “Accumulator” policies containing fixed rate GMIB and/or GMDB guarantees to CS Life. As this contract provides full risk transfer and thus has the same risk attributes as the underlying direct contracts, the benefits of this treaty are accounted for in the same manner as the underlying gross reserves and therefore the Amounts Due from Reinsurers related to the GMIB with NLG are accounted for as an embedded derivative.

The Company has in place an economic hedge program using 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.

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 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

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**EQUITABLE HOLDINGS, INC.**

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

intended to replicate a dollar-denominated fixed-coupon cash bond with a yield higher than a term-equivalent U.S. Treasury bond.

Derivatives Utilized to Hedge Exposure to Foreign Currency Denominated Cash Flows

The Company purchases private placement debt securities and issues funding agreements in the FABN program in currencies other than its functional U.S. dollar currency. The Company enters into cross currency swaps with external counterparties to hedge the exposure of the foreign currency denominated cash flows of these instruments. The foreign currency received from or paid to the cross currency swap counterparty is exchanged for fixed U.S. dollar amounts with improved net investment yields or net product costs over equivalent U.S. dollar denominated instruments issued at that time. The transactions are accounted for as cash flow hedges when they are designated in hedging relationships and qualify for hedge accounting. The first cross currency swap hedges were designated and applied hedge accounting during the quarter ended June 30, 2021.

These cross currency swaps are for the period the foreign currency denominated private placement debt securities and funding agreement are outstanding, with the longest cross currency swap expiring in 2033. Since designation and qualification as cash flow hedges, cross currency swap interest accruals are recognized in Net investment income and in Interest credited to policyholders’ account balances.

The tables below present quantitative disclosures about the Company’s derivative instruments designated in hedging relationships and derivative instruments which have not been designated in hedging relationships, including those embedded in other contracts required to be accounted for as derivative instruments.

The following table presents the gross notional amount and estimated fair value of the Company’s derivatives:

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**EQUITABLE HOLDINGS, INC.**

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

**Derivative Instruments by Category**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |
|  | | | **September 30, 2022** | | | | | | | | | | | | | | |  | | | December 31, 2021 | | | | | | | | | | | | | | |  |  | | |
|  | | |  | | |  | | | **Fair Value** | | | | | | | | |  | | |  | | |  | | | Fair Value | | | | | | | | |  |  | | |
|  | | | **Notional Amount** | | |  | | | **Derivative Assets** | | |  | | | **Derivative Liabilities** | | |  | | | Notional Amount | | |  | | | Derivative Assets | | |  | | | Derivative Liabilities | | |  |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |
| **Derivatives: designated for hedge accounting (1)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Cash flow hedges: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Currency swaps | | | **$** | **1,267** |  |  | | | **$** | **178** |  |  | | | **$** | **118** |  |  | | | $ | 921 |  |  | | | $ | 7 |  |  | | | $ | 42 |  |  |  | | |
| Interest swaps | | | **955** | |  |  | | | **1** | |  |  | | | **252** | |  |  | | | 955 | |  |  | | | — | |  |  | | | 395 | |  |  |  | | |
| Total: designated for hedge accounting | | | **2,222** | |  |  | | | **179** | |  |  | | | **370** | |  |  | | | 1,876 | |  |  | | | 7 | |  |  | | | 437 | |  |  |  | | |
| **Derivatives: not designated for hedge accounting (1)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| **Equity contracts:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Futures | | | **4,022** | |  |  | | | **8** | |  |  | | | **—** | |  |  | | | 2,640 | |  |  | | | — | |  |  | | | 1 | |  |  |  | | |
| Swaps | | | **9,814** | |  |  | | | **28** | |  |  | | | **13** | |  |  | | | 13,378 | |  |  | | | 6 | |  |  | | | 4 | |  |  |  | | |
| Options | | | **36,788** | |  |  | | | **6,209** | |  |  | | | **3,899** | |  |  | | | 48,489 | |  |  | | | 12,024 | |  |  | | | 5,065 | |  |  |  | | |
| **Interest rate contracts:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Futures | | | **5,612** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | 12,575 | |  |  | | | — | |  |  | | | — | |  |  |  | | |
| Swaps | | | **1,134** | |  |  | | | **—** | |  |  | | | **134** | |  |  | | | 1,889 | |  |  | | | — | |  |  | | | 46 | |  |  |  | | |
| Swaptions | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  |  | | |
| **Credit contracts:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Credit default swaps | | | **315** | |  |  | | | **20** | |  |  | | | **8** | |  |  | | | 774 | |  |  | | | 9 | |  |  | | | 10 | |  |  |  | | |
| **Currency contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Currency swaps | | | **326** | |  |  | | | **24** | |  |  | | | **—** | |  |  | | | 541 | |  |  | | | 1 | |  |  | | | **—** | |  |  |  | | |
| Currency forwards | | | **60** | |  |  | | | **20** | |  |  | | | **20** | |  |  | | | 79 | |  |  | | | 8 | |  |  | | | 7 | |  |  |  | | |
| **Other freestanding contracts:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Margin | | | **—** | |  |  | | | **116** | |  |  | | | **—** | |  |  | | | — | |  |  | | | 125 | |  |  | | | — | |  |  |  | | |
| Collateral | | | **—** | |  |  | | | **140** | |  |  | | | **3,323** | |  |  | | | — | |  |  | | | 178 | |  |  | | | 6,160 | |  |  |  | | |
| Total: not designated for hedge accounting | | | **58,071** | |  |  | | | **6,565** | |  |  | | | **7,397** | |  |  | | | 80,365 | |  |  | | | 12,351 | |  |  | | | 11,293 | |  |  |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| **Embedded derivatives:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Amounts due from reinsurers (5) | | | **—** | |  |  | | | **4,312** | |  |  | | | **—** | |  |  | | | — | |  |  | | | 5,813 | |  |  | | | — | |  |  |  | | |
| GMIB reinsurance contracts (2) | | | **—** | |  |  | | | **1,289** | |  |  | | | **—** | |  |  | | | — | |  |  | | | 1,848 | |  |  | | | — | |  |  |  | | |
| GMxB derivative features liability (3) | | | **—** | |  |  | | | **—** | |  |  | | | **5,825** | |  |  | | | — | |  |  | | | — | |  |  | | | 8,525 | |  |  |  | | |
| SCS, SIO, MSO and IUL indexed features (4) | | | **—** | |  |  | | | **—** | |  |  | | | **2,086** | |  |  | | | — | |  |  | | | — | |  |  | | | 6,773 | |  |  |  | | |
| Total embedded derivatives | | | **—** | |  |  | | | **5,601** | |  |  | | | **7,911** | |  |  | | | — | |  |  | | | 7,661 | |  |  | | | 15,298 | |  |  |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| **Total derivative instruments** | | | **$** | **60,293** |  |  | | | **$** | **12,345** |  |  | | | **$** | **15,678** |  |  | | | $ | 82,241 |  |  | | | $ | 20,019 |  |  | | | $ | 27,028 |  |  |  | | |

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

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

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

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

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

(5)Represents GMIB NLG ceded related to the Venerable Transaction.

The following table presents the effects of derivative instruments on the consolidated statements of income and comprehensive income (loss).

**Derivative Instruments by Category**

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**EQUITABLE HOLDINGS, INC.**

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

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30, 2022** | | | | | | | | | | | | | | | | | |  | | | **Nine Months Ended September 30, 2022** | | | | | | | | | | | | | | | | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Net Derivatives Gain(Losses) (1)** | | |  | | | **Net Investment Income** | | | **Interest Credited To Policyholders Account Balances** | | |  | | | **AOCI** | | |  | | | **Net Derivatives Gain(Losses) (1)** | | |  | | | **Net Investment Income** | | | **Interest Credited To Policyholders Account Balances** | | |  | | | **AOCI** | | |
| **Derivatives: designated for hedge accounting** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Cash flow hedges:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Currency swaps | | | **$** | **7** |  |  | | | **$** | **5** |  | **$** | **(36)** |  |  | | | **$** | **111** |  |  | | | **$** | **21** |  |  | | | **$** | **7** |  | **$** | **(46)** |  |  | | | **$** | **116** |  |
| Interest swaps | | | **(38)** | |  |  | | | **—** | |  | **—** | |  |  | | | **94** | |  |  | | | **(79)** | |  |  | | | **—** | |  | **—** | |  |  | | | **242** | |  |
| Total: designated for hedge accounting | | | **(31)** | |  |  | | | **5** | |  | **(36)** | |  |  | | | **205** | |  |  | | | **(58)** | |  |  | | | **7** | |  | **(46)** | |  |  | | | **358** | |  |
| **Derivatives: not Designated for hedge accounting** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Equity contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Futures | | | **31** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **486** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Swaps | | | **596** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **3,374** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Options | | | **(649)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **(4,379)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| **Interest rate contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Futures | | | **(428)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **(1,486)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Swaps | | | **(125)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **(428)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Swaptions | | | **—** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| **Credit contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit default swaps | | | **(1)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **13** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| **Currency contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Currency swaps | | | **23** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **41** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Currency forwards | | | **2** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **5** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| **Other freestanding contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Margin | | | **—** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Collateral | | | **—** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Total: not designated for hedge accounting | | | **(551)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **(2,374)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Embedded derivatives** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Amounts due from reinsurers | | | **(364)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **(1,506)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| GMIB reinsurance contracts | | | **(196)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **(535)** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| GMxB derivative features liability (2) | | | **429** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **2,943** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| SCS, SIO,MSO and IUL indexed features | | | **781** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |  | | | **4,648** | |  |  | | | **—** | |  | **—** | |  |  | | | **—** | |  |
| Total embedded derivatives | | | **$** | **650** |  |  | | | **$** | **—** |  | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **5,550** |  |  | | | **$** | **—** |  | **$** | **—** |  |  | | | **$** | **—** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Total derivative instruments** | | | **$** | **68** |  |  | | | **$** | **5** |  | **$** | **(36)** |  |  | | | **$** | **205** |  |  | | | **$** | **3,118** |  |  | | | **$** | **7** |  | **$** | **(46)** |  |  | | | **$** | **358** |  |

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Three Months Ended September 30, 2021 | | | | | | | | | | | | | | | | | |  | | | Nine Months Ended September 30, 2021 | | | | | | | | | | | | | | | | | |
|  | | | (in millions) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | Net Derivatives Gain(Losses) (1) | | |  | | | Net Investment Income | | | Interest Credited To Policyholders Account Balances | | |  | | | AOCI | | |  | | | Net Derivatives Gain(Losses) (1) | | |  | | | Net Investment Income | | | Interest Credited To Policyholders Account Balances | | |  | | | AOCI | | |
| **Derivatives: designated for hedge accounting** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Cash flow hedges:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Currency/interest rate** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Currency swaps | | | $ | — |  |  | | | $ | — |  | $ | (15) |  |  | | | $ | 8 |  |  | | | $ | — |  |  | | | $ | — |  | $ | (32) |  |  | | | $ | 8 |  |
| Interest swaps | | | $ | (26) |  |  | | | $ | — |  |  | | |  | | | $ | (9) |  |  | | | $ | (54) |  |  | | | $ | — |  | $ | — |  |  | | | $ | (42) |  |
| **Total: designated for hedge accounting** | | | (26) | |  |  | | | — | |  | (15) | |  |  | | | (1) | |  |  | | | (54) | |  |  | | | — | |  | (32) | |  |  | | | (34) | |  |
| **Derivatives: not designated for hedge accounting** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Equity contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Futures | | | (2) | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | (451) | |  |  | | | — | |  | — | |  |  | | | — | |  |
| Swaps | | | (3) | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | (2,613) | |  |  | | | — | |  | — | |  |  | | | — | |  |
| Options | | | (169) | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | 2,177 | |  |  | | | — | |  | — | |  |  | | | — | |  |
| **Interest rate contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Futures | | | (93) | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | (891) | |  |  | | | — | |  | — | |  |  | | | — | |  |
| Swaps | | | 67 | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | (2,375) | |  |  | | | — | |  | — | |  |  | | | — | |  |
| Swaptions | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |
| **Credit contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit default swaps | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |
| **Currency contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Currency swaps | | | 3 | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | 3 | |  |  | | | — | |  | — | |  |  | | | — | |  |
| Currency forwards | | | 1 | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | 2 | |  |  | | | — | |  | — | |  |  | | | — | |  |
| **Other freestanding contracts** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Margin | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |
| Collateral | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  | — | |  |  | | | — | |  |
| **Total: not designated for hedge accounting** | | | (196) | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | (4,148) | |  |  | | | — | |  | — | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Embedded derivatives** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Amounts due from reinsurers | | | 344 | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | 586 | |  |  | | | — | |  | — | |  |  | | | — | |  |
| GMIB reinsurance contracts | | | (84) | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | (542) | |  |  | | | — | |  | — | |  |  | | | — | |  |
| GMxB derivative features liability (2) | | | (395) | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | 2,340 | |  |  | | | — | |  | — | |  |  | | | — | |  |
| SCS, SIO,MSO and IUL indexed features | | | 172 | |  |  | | | — | |  | — | |  |  | | | — | |  |  | | | (2,157) | |  |  | | | — | |  | — | |  |  | | | — | |  |
| **Total embedded derivatives** | | | $ | 37 |  |  | | | $ | — |  | $ | — |  |  | | | $ | — |  |  | | | $ | 227 |  |  | | | $ | — |  | $ | — |  |  | | | $ | — |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Total derivative instruments** | | | $ | (185) |  |  | | | $ | — |  | $ | (15) |  |  | | | $ | (1) |  |  | | | $ | (3,975) |  |  | | | $ | — |  | $ | (32) |  |  | | | $ | (34) |  |

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

(2)Excludes settlement fees of $45 million on CS Life reinsurance contract for the nine months ended September 30, 2021.

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The following table presents a roll-forward of cash flow hedges recognized in AOCI.

**Roll-forward of Cash flow hedges in AOCI**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Balance, beginning of period** | | | **$** | **(55)** |  |  | | | $ | (158) |  |  | | | **$** | **(208)** |  |  | | | $ | (126) |  |  | | |  | | |
| Amount recorded in AOCI | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Currency swaps | | | **77** | |  |  | | | 7 | |  |  | | | **77** | |  |  | | | 7 | |  |  | | |  | | |
| Interest swaps | | | **51** | |  |  | | | (40) | |  |  | | | **149** | |  |  | | | (118) | |  |  | | |  | | |
| **Total amount recorded in AOCI** | | | **128** | |  |  | | | (33) | |  |  | | | **226** | |  |  | | | (111) | |  |  | | |  | | |
| Amount reclassified from AOCI to income | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Currency swaps | | | **34** | |  |  | | | — | |  |  | | | **39** | |  |  | | | — | |  |  | | |  | | |
| Interest swaps | | | **43** | |  |  | | | 31 | |  |  | | | **93** | |  |  | | | 77 | |  |  | | |  | | |
| **Total amount reclassified from AOCI to income** | | | **77** | |  |  | | | 31 | |  |  | | | **132** | |  |  | | | 77 | |  |  | | |  | | |
| **Balance, end of period (1)** | | | **$** | **150** |  |  | | | $ | (160) |  |  | | | **$** | **150** |  |  | | | $ | (160) |  |  | | |  | | |

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

(1) The Company does not estimate the amount of the deferred losses in AOCI at three and nine months ended September 30, 2022 and 2021 which will be released and reclassified into Net income (loss) over the next 12 months as the amounts cannot be reasonably estimated.

Equity-Based and Treasury Futures Contracts Margin

All outstanding equity-based and treasury futures contracts as of September 30, 2022 and December 31, 2021 are exchange-traded and net settled daily in cash. As of September 30, 2022 and December 31, 2021, 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 $187 million and $109 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 $63 million and $200 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 $14 million and $16 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 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 September 30, 2022 and December 31, 2021, respectively, the Company held $3.3 billion and $6.2 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 $140 million and $178 million as of September 30, 2022 and December 31, 2021, respectively, in the normal operation of its collateral arrangements. The Company is exposed to losses in the event of non-performance by counterparties to financial derivative transactions with a positive fair value. The Company manages credit risk by: (i) entering into derivative transactions with highly rated major international financial institutions and other creditworthy counterparties governed by master netting agreements, as applicable; (ii) trading through central clearing and OTC parties; (iii) obtaining collateral, such as cash and securities, when appropriate; and (iv) setting limits on single party credit exposures which are subject to periodic management review.

Substantially all of the Company’s derivative agreements have zero thresholds which require daily full collateralization by the party in a liability position. In addition, certain of the Company’s derivative agreements contain credit-risk related contingent features; if the credit rating of one of the parties to the derivative agreement is to fall below a certain level, the party with positive fair value could request termination at the then fair value or demand immediate full collateralization from the party whose credit rating fell and is in a net liability position.

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**EQUITABLE HOLDINGS, INC.**

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

As of September 30, 2022 and December 31, 2021, there were no net liability derivative positions with counterparties with credit risk-related contingent features whose credit rating has fallen. All derivatives have been appropriately collateralized by the Company or the counterparty in accordance with the terms of the derivative agreements.

The following tables presents information about the Company’s offsetting of financial assets and liabilities and derivative instruments as of September 30, 2022 and December 31, 2021:

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

**As of September 30, 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **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) | | | **$** | **6,745** |  |  | | | **$** | **6,012** |  |  | | | **$** | **733** |  |  | | | **$** | **(596)** |  |  | | | **$** | **137** |  |
| Other financial assets | | | **2,116** | |  |  | | | **—** | |  |  | | | **2,116** | |  |  | | | **—** | |  |  | | | **2,116** | |  |
| Other invested assets | | | **$** | **8,861** |  |  | | | **$** | **6,012** |  |  | | | **$** | **2,849** |  |  | | | **$** | **(596)** |  |  | | | **$** | **2,253** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative liabilities (2) | | | **$** | **7,172** |  |  | | | **$** | **6,012** |  |  | | | **$** | **1,160** |  |  | | | **$** | **—** |  |  | | | **$** | **1,160** |  |
| Other financial liabilities | | | **4,838** | |  |  | | | **—** | |  |  | | | **4,838** | |  |  | | | **—** | |  |  | | | **4,838** | |  |
| Other liabilities | | | **$** | **12,010** |  |  | | | **$** | **6,012** |  |  | | | **$** | **5,998** |  |  | | | **$** | **—** |  |  | | | **$** | **5,998** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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

(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/Collateral sent (held).

As of December 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) | | | $ | 12,358 |  |  | | | $ | 10,756 |  |  | | | $ | 1,602 |  |  | | | $ | (961) |  |  | | | $ | 641 |  |  |  |
| Other financial assets | | | 1,989 | |  |  | | | — | |  |  | | | 1,989 | |  |  | | | — | |  |  | | | 1,989 | |  |  |  |
| Other invested assets | | | $ | 14,347 |  |  | | | $ | 10,756 |  |  | | | $ | 3,591 |  |  | | | $ | (961) |  |  | | | $ | 2,630 |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |
| Derivative liabilities (2) | | | $ | 10,770 |  |  | | | $ | 10,756 |  |  | | | $ | 14 |  |  | | | $ | — |  |  | | | $ | 14 |  |  |  |
| Other financial liabilities | | | 3,919 | |  |  | | | — | |  |  | | | 3,919 | |  |  | | | — | |  |  | | | 3,919 | |  |  |  |
| Other liabilities | | | $ | 14,689 |  |  | | | $ | 10,756 |  |  | | | $ | 3,933 |  |  | | | $ | — |  |  | | | $ | 3,933 |  |  |  |

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

(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**

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**EQUITABLE HOLDINGS, INC.**

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

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.

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, 2021.

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | December 31, 2021 | | |
|  | | | **(in millions)** | | | | | | | | |
| **Closed Block Liabilities:** | | |  | | |  | | |  | | |
| Future policy benefits, policyholders’ account balances and other | | | **$** | **5,750** |  |  | | | $ | 5,928 |  |
| Policyholder dividend obligation | | | **—** | |  |  | | | — | |  |
| Other liabilities | | | **74** | |  |  | | | 39 | |  |
| Total Closed Block liabilities | | | **5,824** | |  |  | | | 5,967 | |  |
|  | | |  | | |  | | |  | | |
| **Assets Designated to the Closed Block:** | | |  | | |  | | |  | | |
| Fixed maturities AFS, at fair value (amortized cost of $3,190 and $3,185) (allowance for credit losses of $0 and $0) | | | **2,932** | |  |  | | | 3,390 | |  |
| Mortgage loans on real estate (net of allowance for credit losses of $4 and $4) | | | **1,687** | |  |  | | | 1,771 | |  |
| Policy loans | | | **575** | |  |  | | | 602 | |  |
| Cash and other invested assets | | | **—** | |  |  | | | 63 | |  |
| Other assets | | | **154** | |  |  | | | 90 | |  |
| Total assets designated to the Closed Block | | | **5,348** | |  |  | | | 5,916 | |  |
|  | | |  | | |  | | |  | | |
| Excess of Closed Block liabilities over assets designated to the Closed Block | | | **476** | |  |  | | | 51 | |  |
| Amounts included in AOCI: | | |  | | |  | | |  | | |
| Net unrealized investment gains (losses), net of policyholders’ dividend obligation: $0 and $0; and net of income tax: $54 and $(43) | | | **(193)** | |  |  | | | 172 | |  |
| **Maximum future earnings to be recognized from Closed Block assets and liabilities** | | | **$** | **283** |  |  | | | $ | 223 |  |

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**EQUITABLE HOLDINGS, INC.**

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

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | |  | | | **Nine Months Ended September 30,** | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | |  | 2021 | | |  | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Revenues:** | | |  | | |  |  | | |  |  | | |  | | |  | | |  | | |  | | |
| Premiums and other income | | | **$** | **29** |  |  | $ | 33 |  |  | **$** | **93** |  |  | | | $ | 109 |  |  | | |  | | |
| Net investment income (loss) | | | **52** | |  |  | 59 | |  |  | **164** | |  |  | | | 179 | |  |  | | |  | | |
| Investment gains (losses), net | | | **(1)** | |  |  | — | |  |  | **(2)** | |  |  | | | 2 | |  |  | | |  | | |
| Total revenues | | | **80** | |  |  | 92 | |  |  | **255** | |  |  | | | 290 | |  |  | | |  | | |
|  | | |  | | |  |  | | |  |  | | |  | | |  | | |  | | |  | | |
| **Benefits and Other Deductions:** | | |  | | |  |  | | |  |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits and dividends | | | **92** | |  |  | 108 | |  |  | **248** | |  |  | | | 304 | |  |  | | |  | | |
| Other operating costs and expenses | | | **—** | |  |  | 2 | |  |  | **—** | |  |  | | | 3 | |  |  | | |  | | |
| Total benefits and other deductions | | | **92** | |  |  | 110 | |  |  | **248** | |  |  | | | 307 | |  |  | | |  | | |
| Net income (loss), before income taxes | | | **(12)** | |  |  | (18) | |  |  | **7** | |  |  | | | (17) | |  |  | | |  | | |
| Income tax (expense) benefit | | | **(5)** | |  |  | (2) | |  |  | **(1)** | |  |  | | | (3) | |  |  | | |  | | |
| **Net income (loss)** | | | **$** | **(17)** |  |  | $ | (20) |  |  | **$** | **6** |  |  | | | $ | (20) |  |  | | |  | | |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | |  | | | **Nine Months Ended September 30,** | | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | |  | 2021 | | |  | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Beginning balance | | | **$** | **—** |  |  | $ | 72 |  |  | **$** | **—** |  |  | | | $ | 160 |  |  | | |  | | |
| Unrealized investment gains (losses) | | | **—** | |  |  | (47) | |  |  | **—** | |  |  | | | (135) | |  |  | | |  | | |
| Ending balance | | | **$** | **—** |  |  | $ | 25 |  |  | **$** | **—** |  |  | | | $ | 25 |  |  | | |  | | |
|  | | |  | | |  |  | | |  |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  |  | | |  |  | | |  | | |  | | |  | | |  | | |

**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.

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**EQUITABLE HOLDINGS, INC.**

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

The amounts for the ceded contracts are reflected in the consolidated balance sheets in amounts due from reinsurers. The amounts for the ceded GMIB that are reflected in the consolidated balance sheets in GMIB reinsurance contract asset are at fair value.

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

**Three and Nine Months Ended September 30, 2022 and 2021**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **GMDB** | | | | | | | | | | | | | | |  | | | **GMIB** | | | | | | | | | | | | | | |
|  | | | **Direct** | | |  | | | **Assumed (1) (2)** | | |  | | | **Ceded** | | |  | | | **Direct** | | |  | | | **Assumed (1) (2)** | | |  | | | **Ceded** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance, July 1, 2022 | | | **$** | **5,096** |  |  | | | **$** | **—** |  |  | | | **$** | **(2,276)** |  |  | | | **$** | **6,165** |  |  | | | **$** | **—** |  |  | | | **$** | **(3,707)** |  |
| Paid guarantee benefits | | | **(152)** | |  |  | | | **—** | |  |  | | | **63** | |  |  | | | **(171)** | |  |  | | | **—** | |  |  | | | **46** | |  |
| Other changes in reserve | | | **379** | |  |  | | | **—** | |  |  | | | **(147)** | |  |  | | | **(312)** | |  |  | | | **—** | |  |  | | | **341** | |  |
| **Balance, September 30, 2022** | | | **$** | **5,323** |  |  | | | **$** | **—** |  |  | | | **$** | **(2,360)** |  |  | | | **$** | **5,682** |  |  | | | **$** | **—** |  |  | | | **$** | **(3,320)** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, July 1, 2021 | | | $ | 5,091 |  |  | | | $ | — |  |  | | | $ | (2,262) |  |  | | | $ | 5,905 |  |  | | | $ | — |  |  | | | $ | (4,168) |  |
| Paid guarantee benefits | | | (103) | |  |  | | | — | |  |  | | | 41 | |  |  | | | (87) | |  |  | | | — | |  |  | | | 16 | |  |
| Other changes in reserve | | | (6) | |  |  | | | — | |  |  | | | 2 | |  |  | | | 131 | |  |  | | | — | |  |  | | | 89 | |  |
| Impact of the Venerable Transaction | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Balance, September 30, 2021 | | | $ | 4,982 |  |  | | | $ | — |  |  | | | $ | (2,219) |  |  | | | $ | 5,949 |  |  | | | $ | — |  |  | | | $ | (4,063) |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **GMDB** | | | | | | | | | | | | | | |  | | | **GMIB** | | | | | | | | | | | | | | |
|  | | | **Direct** | | |  | | | **Assumed (1) (2)** | | |  | | | **Ceded** | | |  | | | **Direct** | | |  | | | **Assumed (1) (2)** | | |  | | | **Ceded** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2022 | | | **$** | **4,951** |  |  | | | **$** | **—** |  |  | | | **$** | **(2,216)** |  |  | | | **$** | **5,892** |  |  | | | **$** | **—** |  |  | | | **$** | **(3,968)** |  |
| Paid guarantee benefits | | | **(433)** | |  |  | | | **—** | |  |  | | | **180** | |  |  | | | **(437)** | |  |  | | | **—** | |  |  | | | **53** | |  |
| Other changes in reserve | | | **805** | |  |  | | | **—** | |  |  | | | **(324)** | |  |  | | | **227** | |  |  | | | **—** | |  |  | | | **595** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance, September 30, 2022** | | | **$** | **5,323** |  |  | | | **$** | **—** |  |  | | | **$** | **(2,360)** |  |  | | | **$** | **5,682** |  |  | | | **$** | **—** |  |  | | | **$** | **(3,320)** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2021 | | | $ | 5,097 |  |  | | | $ | 72 |  |  | | | $ | (88) |  |  | | | $ | 6,026 |  |  | | | $ | 196 |  |  | | | $ | (2,488) |  |
| Paid guarantee benefits | | | (350) | |  |  | | | (12) | |  |  | | | 64 | |  |  | | | (271) | |  |  | | | (49) | |  |  | | | 41 | |  |
| Other changes in reserve | | | 235 | |  |  | | | 14 | |  |  | | | (19) | |  |  | | | 194 | |  |  | | | (7) | |  |  | | | 525 | |  |
| Impact of the Venerable Transaction | | | — | |  |  | | | (74) | |  |  | | | (2,176) | |  |  | | | — | |  |  | | | (140) | |  |  | | | (2,141) | |  |
| Balance, September 30, 2021 | | | $ | 4,982 |  |  | | | $ | — |  |  | | | $ | (2,219) |  |  | | | $ | 5,949 |  |  | | | $ | — |  |  | | | $ | (4,063) |  |

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

(1)Change in Assumed is driven by the sale of CSLRC to Venerable.

(2)Includes the impact as of June 1, 2021 on the ceded reserves to Venerable. See Note 1 of the Notes to these Consolidated Financial Statements for details of the Venerable Transaction.

***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 and amounts due from reinsurers related to GMIB NLG product features (GMIB NLG Reinsurance) 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 of the Notes to these Consolidated Financial Statements.

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

Account Values and NAR for direct variable annuity contracts in force with GMDB and GMIB features as of September 30, 2022 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

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**EQUITABLE HOLDINGS, INC.**

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

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.

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

**as of September 30, 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **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 | | | **$** | **16,657** | |  | | | **$** | **94** | |  | | | **$** | **48** | |  | | | **$** | **148** | |  | | | **$** | **16,947** | |
| Separate Accounts | | | **44,879** | | |  | | | **7,213** | | |  | | | **2,384** | | |  | | | **24,547** | | |  | | | **79,023** | | |
| Total Account Values | | | **$** | **61,536** | |  | | | **$** | **7,307** | |  | | | **$** | **2,432** | |  | | | **$** | **24,695** | |  | | | **$** | **95,970** | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| NAR, gross | | | **$** | **1,176** |  |  | | | **$** | **1,802** |  |  | | | **$** | **1,975** | |  | | | **$** | **24,164** | |  | | | **$** | **29,117** | |
| NAR, net of amounts reinsured | | | **$** | **1,164** |  |  | | | **$** | **1,630** |  |  | | | **$** | **1,439** | |  | | | **$** | **13,074** | |  | | | **$** | **17,307** | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Average attained age of policyholders (in years) | | | **51.6** | |  |  | | | **69.6** | |  |  | | | **76.0** | |  |  | | | **71.6** | |  |  | | | **55.4** | |  |
| Percentage of policyholders over age 70 | | | **12.1** | | **%** |  | | | **52.1** | | **%** |  | | | **74.2** | | **%** |  | | | **60.0** | | **%** |  | | | **21.1** | | **%** |
| 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 | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **14** | |  | | | **$** | **193** | |  | | | **$** | **207** | |
| Separate Accounts | | | **—** | |  |  | | | **—** | |  |  | | | **20,235** | | |  | | | **25,771** | | |  | | | **46,006** | | |
| Total Account Values | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **20,249** | |  | | | **$** | **25,964** | |  | | | **$** | **46,213** | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| NAR, gross | | | **$** | **—** | |  | | | **$** | **—** | |  | | | **$** | **546** | |  | | | **$** | **8,237** | |  | | | **$** | **8,783** | |
| NAR, net of amounts reinsured | | | **$** | **—** | |  | | | **$** | **—** | |  | | | **$** | **176** | |  | | | **$** | **3,377** | |  | | | **$** | **3,553** | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Average attained age of policyholders (in years) | | | **N/A** | | |  | | | **N/A** | | |  | | | **65.6** | |  |  | | | **71.3** | |  |  | | | **69.1** | |  |
| Weighted average years remaining until annuitization | | | **N/A** | | |  | | | **N/A** | | |  | | | **5.6** | |  |  | | | **0.5** | |  |  | | | **2.4** | |  |
| Range of contractually specified interest rates | | | **N/A** | | |  | | | **N/A** | | |  | | | **3% - 6%** | | |  | | | **3% - 6.5%** | | |  | | | **3% - 6.5%** | | |

For more information about the reinsurance programs of the Company’s GMDB and GMIB exposure, see “Reinsurance” in Note 11 of the Notes to the Consolidated Financial Statements 2021 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.

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**EQUITABLE HOLDINGS, INC.**

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

**Investment in Variable Insurance Trust Mutual Funds**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | |  | | | December 31, 2021 | | | | | | | | |
| **Mutual Fund Type** | | | **GMDB** | | |  | | | **GMIB** | | |  | | | GMDB | | |  | | | GMIB | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| Equity | | | **$** | **37,285** |  |  | | | **$** | **13,460** |  |  | | | $ | 52,771 |  |  | | | $ | 20,015 |  |
| Fixed income | | | **4,474** | |  |  | | | **2,028** | |  |  | | | 5,391 | |  |  | | | 2,507 | |  |
| Balanced | | | **36,134** | |  |  | | | **30,264** | |  |  | | | 48,390 | |  |  | | | 40,491 | |  |
| Other | | | **1,130** | |  |  | | | **254** | |  |  | | | 1,025 | |  |  | | | 263 | |  |
| Total | | | **$** | **79,023** |  |  | | | **$** | **46,006** |  |  | | | $ | 107,577 |  |  | | | $ | 63,276 |  |

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.

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 September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Beginning balance | | | **$** | **1,134** |  |  | | | $ | 1,070 |  |  | | | **$** | **1,096** |  |  | | | $ | 1,022 |  |  | | |  | | |
| Paid guarantee benefits | | | **(46)** | |  |  | | | (24) | |  |  | | | **(62)** | |  |  | | | (52) | |  |  | | |  | | |
| Other changes in reserves | | | **74** | |  |  | | | 38 | |  |  | | | **128** | |  |  | | | 114 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Ending balance | | | **$** | **1,162** |  |  | | | $ | 1,084 |  |  | | | **$** | **1,162** |  |  | | | $ | 1,084 |  |  | | |  | | |

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

(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.

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**EQUITABLE HOLDINGS, INC.**

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

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, 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 September 30, 2022 and December 31, 2021, no assets or liabilities were required to be measured at fair value on a non-recurring basis.

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.

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**EQUITABLE HOLDINGS, INC.**

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

**Fair Value Measurements as of September 30, 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Level 1** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| **Assets** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (1) | | | **$** | **—** |  |  | | | **$** | **42,635** |  |  | | | **$** | **1,911** |  |  | | | **$** | **44,546** |  |
| U.S. Treasury, government and agency | | | **—** | |  |  | | | **6,030** | |  |  | | | **—** | |  |  | | | **6,030** | |  |
| States and political subdivisions | | | **—** | |  |  | | | **555** | |  |  | | | **29** | |  |  | | | **584** | |  |
| Foreign governments | | | **—** | |  |  | | | **926** | |  |  | | | **—** | |  |  | | | **926** | |  |
| Residential mortgage-backed (2) | | | **—** | |  |  | | | **476** | |  |  | | | **—** | |  |  | | | **476** | |  |
| Asset-backed (3) | | | **—** | |  |  | | | **8,735** | |  |  | | | **10** | |  |  | | | **8,745** | |  |
| Commercial mortgage-backed | | | **—** | |  |  | | | **3,218** | |  |  | | | **32** | |  |  | | | **3,250** | |  |
| Redeemable preferred stock | | | **—** | |  |  | | | **43** | |  |  | | | **—** | |  |  | | | **43** | |  |
| Total fixed maturities, AFS | | | **—** | |  |  | | | **62,618** | |  |  | | | **1,982** | |  |  | | | **64,600** | |  |
| Fixed maturities, at fair value using the fair value option | | | **—** | |  |  | | | **1,174** | |  |  | | | **374** | |  |  | | | **1,548** | |  |
| Other equity investments (7) | | | **270** | |  |  | | | **487** | |  |  | | | **12** | |  |  | | | **769** | |  |
| Trading securities | | | **276** | |  |  | | | **303** | |  |  | | | **52** | |  |  | | | **631** | |  |
| Other invested assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Short-term investments | | | **—** | |  |  | | | **374** | |  |  | | | **—** | |  |  | | | **374** | |  |
| Assets of consolidated VIEs/VOEs | | | **86** | |  |  | | | **390** | |  |  | | | **5** | |  |  | | | **481** | |  |
| Swaps | | | **—** | |  |  | | | **(286)** | |  |  | | | **—** | |  |  | | | **(286)** | |  |
| Credit default swaps | | | **—** | |  |  | | | **12** | |  |  | | | **—** | |  |  | | | **12** | |  |
| Futures | | | **8** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **8** | |  |
| Options | | | **—** | |  |  | | | **2,310** | |  |  | | | **—** | |  |  | | | **2,310** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total other invested assets | | | **94** | |  |  | | | **2,800** | |  |  | | | **5** | |  |  | | | **2,899** | |  |
| Cash equivalents | | | **2,199** | |  |  | | | **561** | |  |  | | | **—** | |  |  | | | **2,760** | |  |
| Segregated securities | | | **—** | |  |  | | | **1,335** | |  |  | | | **—** | |  |  | | | **1,335** | |  |
| Amounts due from reinsurer (6) | | | **—** | |  |  | | | **—** | |  |  | | | **4,312** | |  |  | | | **4,312** | |  |
| GMIB reinsurance contracts asset | | | **—** | |  |  | | | **—** | |  |  | | | **1,289** | |  |  | | | **1,289** | |  |
| Separate Accounts assets (4) | | | **106,565** | |  |  | | | **2,374** | |  |  | | | **1** | |  |  | | | **108,940** | |  |
| Total Assets | | | **$** | **109,404** |  |  | | | **$** | **71,652** |  |  | | | **$** | **8,027** |  |  | | | **$** | **189,083** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Liabilities** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Notes issued by consolidated VIE’s, at fair value using the fair value option (5) | | | **$** | **—** |  |  | | | **$** | **1,398** |  |  | | | **$** | **—** |  |  | | | **$** | **1,398** |  |
| GMxB derivative features’ liability | | | **—** | |  |  | | | **—** | |  |  | | | **5,825** | |  |  | | | **5,825** | |  |
| SCS, SIO, MSO and IUL indexed features’ liability | | | **—** | |  |  | | | **2,086** | |  |  | | | **—** | |  |  | | | **2,086** | |  |
| Liabilities of consolidated VIEs and VOEs | | | **17** | |  |  | | | **5** | |  |  | | | **—** | |  |  | | | **22** | |  |
| Contingent payment arrangements | | | **—** | |  |  | | | **—** | |  |  | | | **273** | |  |  | | | **273** | |  |
| Total Liabilities | | | **$** | **17** |  |  | | | **$** | **3,489** |  |  | | | **$** | **6,098** |  |  | | | **$** | **9,604** |  |

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(1)Corporate fixed maturities includes 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)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 September 30, 2022, the fair value of such investments was $452 million.

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**EQUITABLE HOLDINGS, INC.**

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

(5)Includes CLO short-term debt of $248 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 $15 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.

(6)This represents GMIB NLG ceded reserves related to the Venerable Transaction. See Note 1 of the Notes to these Consolidated Financial Statements for details of the Venerable Transaction.

(7)Includes short position equity securities of $23 million that are reported in other liabilities.

Fair Value Measurements as of December 31, 2021

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Level 1 | | |  | | | Level 2 | | |  | | | Level 3 | | |  | | | Total | | |
|  | | | (in millions) | | | | | | | | | | | | | | | | | | | | |
| Assets | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate (1) | | | $ | — |  |  | | | $ | 51,007 |  |  | | | $ | 1,504 |  |  | | | $ | 52,511 |  |
| U.S. Treasury, government and agency | | | — | |  |  | | | 15,385 | |  |  | | | — | |  |  | | | 15,385 | |  |
| States and political subdivisions | | | — | |  |  | | | 627 | |  |  | | | 35 | |  |  | | | 662 | |  |
| Foreign governments | | | — | |  |  | | | 1,152 | |  |  | | | — | |  |  | | | 1,152 | |  |
| Residential mortgage-backed (2) | | | — | |  |  | | | 98 | |  |  | | | — | |  |  | | | 98 | |  |
| Asset-backed (3) | | | — | |  |  | | | 5,926 | |  |  | | | 8 | |  |  | | | 5,934 | |  |
| Commercial mortgage-backed (2) | | | — | |  |  | | | 2,401 | |  |  | | | 20 | |  |  | | | 2,421 | |  |
| Redeemable preferred stock | | | — | |  |  | | | 53 | |  |  | | | — | |  |  | | | 53 | |  |
| Total fixed maturities, AFS | | | — | |  |  | | | 76,649 | |  |  | | | 1,567 | |  |  | | | 78,216 | |  |
| Fixed maturities, at fair value using the fair value option | | |  | | |  | | | 1,440 | |  |  | | | 201 | |  |  | | | 1,641 | |  |
| Other equity investments | | | 322 | |  |  | | | 457 | |  |  | | | 5 | |  |  | | | 784 | |  |
| Trading securities | | | 340 | |  |  | | | 226 | |  |  | | | 65 | |  |  | | | 631 | |  |
| Other invested assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Short-term investments | | | — | |  |  | | | 30 | |  |  | | | — | |  |  | | | 30 | |  |
| Assets of consolidated VIEs/VOEs | | | 166 | |  |  | | | 450 | |  |  | | | 11 | |  |  | | | 627 | |  |
| Swaps | | | — | |  |  | | | (473) | |  |  | | | — | |  |  | | | (473) | |  |
| Credit default swaps | | | — | |  |  | | | (1) | |  |  | | | — | |  |  | | | (1) | |  |
| Futures | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | (1) | |  |
| Options | | | — | |  |  | | | 6,959 | |  |  | | | — | |  |  | | | 6,959 | |  |
| Swaptions | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total other invested assets | | | 165 | |  |  | | | 6,965 | |  |  | | | 11 | |  |  | | | 7,141 | |  |
| Cash equivalents | | | 3,275 | |  |  | | | 293 | |  |  | | | — | |  |  | | | 3,568 | |  |
| Segregated securities | | | — | |  |  | | | 1,504 | |  |  | | | — | |  |  | | | 1,504 | |  |
| Amounts due from reinsurer | | | — | |  |  | | | — | |  |  | | | 5,813 | |  |  | | | 5,813 | |  |
| GMIB reinsurance contracts asset | | | — | |  |  | | | — | |  |  | | | 1,848 | |  |  | | | 1,848 | |  |
| Separate Accounts assets (4) | | | 144,124 | |  |  | | | 2,572 | |  |  | | | 1 | |  |  | | | 146,697 | |  |
| Total Assets | | | $ | 148,226 |  |  | | | $ | 90,106 |  |  | | | $ | 9,511 |  |  | | | $ | 247,843 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Liabilities | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Notes issued by consolidated VIE’s, at fair value using the fair value option (5) | | | $ | — |  |  | | | $ | 1,277 |  |  | | | $ | — |  |  | | | $ | 1,277 |  |
| GMxB derivative features’ liability | | | — | |  |  | | | — | |  |  | | | 8,525 | |  |  | | | 8,525 | |  |
| SCS, SIO, MSO and IUL indexed features’ liability | | | — | |  |  | | | 6,773 | |  |  | | | — | |  |  | | | 6,773 | |  |
| Liabilities of consolidated VIEs and VOEs | | | 16 | |  |  | | | 2 | |  |  | | | — | |  |  | | | 18 | |  |
| Contingent payment arrangements | | | — | |  |  | | | — | |  |  | | | 38 | |  |  | | | 38 | |  |
| Total Liabilities | | | $ | 16 |  |  | | | $ | 8,052 |  |  | | | $ | 8,563 |  |  | | | $ | 16,631 |  |

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**EQUITABLE HOLDINGS, INC.**

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

(1)Corporate fixed maturities includes 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 and other asset types and credit tenant loans.

(4)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, 2021, the fair value of such investments was $404 million.

(5)Includes CLO short-term debt of $92 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 $6 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.

***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 of the Notes to these Consolidated Financial Statements 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

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**EQUITABLE HOLDINGS, INC.**

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

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 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 classified 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 GMIB NLG 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

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**EQUITABLE HOLDINGS, INC.**

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

nonperformance risk, attributable to GMxB derivative features’ liability over a range of market-consistent economic scenarios.

Also included are the Amounts due from Reinsurers related to the GMIB NLG product features (GMIB NLG Reinsurance). The fair value reflects the present value of reinsurance premiums, net of recoveries, adjusted for risk margins and nonperformance risk over a range of market consistent economic scenarios.

The valuations of the GMIB reinsurance contract asset, GMIB NLG Reinsurance and GMxB derivative features liability incorporate significant non-observable assumptions related to policyholder behavior, risk margins and equity projections of Separate Account funds. The credit risks of the counterparty and of the Company are considered in determining the fair values of its GMIB reinsurance contract asset, GMIB NLG Reinsurance and GMxB derivative features liability positions, respectively, after taking into account the effects of collateral arrangements. Incremental adjustment to the U.S. Treasury curve for non-performance risk is made to the fair values of the GMIB reinsurance contract asset, GMIB NLG Reinsurance and GMIB NLG feature to reflect the claims-paying ratings of counterparties and the Company. Due to the unique, long duration of the GMIB NLG feature and GMIB NLG Reinsurance, risk margins were applied to the non-capital markets inputs to the GMIB NLG valuations.

After giving consideration to collateral arrangements, the impact to the fair value of its GMIB reinsurance contract asset was a decrease of $112 million and $107 million as of September 30, 2022 and December 31, 2021, respectively, to recognize incremental counterparty non-performance risk.

After giving consideration to collateral arrangements, the impact to the fair value of its Amounts due from Reinsurers was a decrease of $199 million and $210 million at September 30, 2022 and December 31, 2021 to recognize incremental counterparty 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 nine months ended September 30, 2022, fixed maturities with fair values of $150 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, fixed maturities with fair value of $191 million were transferred from Level 2 into the Level 3 classification. These transfers in the aggregate represent approximately 7.1% of total equity as of September 30, 2022.

During the nine months ended September 30, 2021, fixed maturities with fair values of $782 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, fixed maturities with fair value of $1 million were transferred from Level 2 into the Level 3 classification. These transfers in the aggregate represent approximately 5.9% of total equity as of September 30, 2021.

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**EQUITABLE HOLDINGS, INC.**

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

The tables below present reconciliations for all Level 3 assets and liabilities and changes in unrealized gains (losses) for the three and nine months ended September 30, 2022 and 2021, respectively.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
|  | | | **Corporate** | | |  | | | **State and Political Subdivisions** | | |  | | | **Asset-backed** | | |  | | | **CMBS** | | |  | | | **Trading Securities, at Fair Value** | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **Fixed maturities, at FVO** |
|  | | |  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, July 1, 2022** | | | **$** | **1,767** |  |  | | | **$** | **30** |  |  | | | **$** | **18** |  |  | | | **$** | **25** |  |  | | | **$** | **52** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$423** |
| Total gains and (losses), realized and unrealized, included in: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net investment income (loss) | | | **1** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **(20)** |
| Investment gains (losses), net | | | **(3)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **—** |
| Subtotal | | | **(2)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **(20)** |
| Other comprehensive income (loss) | | | **(71)** | |  |  | | | **(1)** | |  |  | | | **1** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **—** |
| Purchases | | | **218** | |  |  | | | — | |  |  | | | **(3)** | |  |  | | | **7** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **6** |
| Sales | | | **(34)** | |  |  | | | — | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **17** |
| Activity related to consolidated VIEs/VOEs | | | — | |  |  | | | — | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **—** |
| Transfers into Level 3 (1) | | | **25** | |  |  | | | — | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **(84)** |
| Transfers out of Level 3 (1) | | | **8** | |  |  | | | — | |  |  | | | **(6)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **32** |
| **Balance, September 30, 2022** | | | **$** | **1,911** |  |  | | | **$** | **29** |  |  | | | **$** | **10** |  |  | | | **$** | **32** |  |  | | | **$** | **52** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$374** |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (2) | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$(20)** |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (2) | | | **$** | **(70)** |  |  | | | **$** | **(1)** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$—** |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Balance, July 1, 2021 | | | $ | 1,261 |  |  | | | $ | 37 |  |  | | | $ | 128 |  |  | | | $ | 10 |  |  | | | $ | 39 |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $148 |
| Total gains and (losses), realized and unrealized, included in: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net investment income (loss) | | | 1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | (7) |
| Investment gains (losses), net | | | (2) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | — |
| Subtotal | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | (7) |
| Other comprehensive income (loss) | | | 4 | |  |  | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | — |
| Purchases | | | 262 | |  |  | | | — | |  |  | | | (121) | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | 62 |
| Sales | | | (71) | |  |  | | | — | |  |  | | | (2) | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | (17) |
| Activity related to consolidated VIEs/VOEs | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | — |
| Transfers into Level 3 (1) | | | (2) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | (14) |
| Transfers out of Level 3 (1) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | 10 |
| Balance, September 30, 2021 | | | $ | 1,453 |  |  | | | $ | 36 |  |  | | | $ | 5 |  |  | | | $ | 10 |  |  | | | $ | 39 |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $182 |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (2) | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $9 |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (2) | | | $ | 4 |  |  | | | $ | (1) |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $— |

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**EQUITABLE HOLDINGS, INC.**

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

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
|  | | | **Corporate** | | |  | | | **State and Political Subdivisions** | | |  | | | **Asset-backed** | | |  | | | **CMBS** | | |  | | | **Trading Securities, at Fair Value** | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **Fixed maturities, at FVO** |
|  | | |  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, January 1, 2022** | | | **$** | **1,504** |  |  | | | **$** | **35** |  |  | | | **$** | **8** |  |  | | | **$** | **20** |  |  | | | **$** | **65** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$201** |
| Total gains and (losses), realized and unrealized, included in: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net investment income (loss) | | | **3** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **(20)** |
| Investment gains (losses), net | | | **(3)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(13)** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **—** |
| Subtotal | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(13)** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **(20)** |
| Other comprehensive income (loss) | | | **(152)** | |  |  | | | **(5)** | |  |  | | | **—** | |  |  | | | **(2)** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **—** |
| Purchases | | | **777** | |  |  | | | — | |  |  | | | **9** | |  |  | | | **14** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **159** |
| Sales | | | **(195)** | |  |  | | | (1) | |  |  | | | **(1)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **(36)** |
| Activity related to consolidated VIEs/VOEs | | | — | |  |  | | | — | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **—** |
| Transfers into Level 3 (1) | | | **90** | |  |  | | | — | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **101** |
| Transfers out of Level 3 (1) | | | **(113)** | |  |  | | | — | |  |  | | | **(6)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **(31)** |
| **Balance, September 30, 2022** | | | **$** | **1,911** |  |  | | | **$** | **29** |  |  | | | **$** | **10** |  |  | | | **$** | **32** |  |  | | | **$** | **52** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$374** |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (2) | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **(13)** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$(9)** |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (2) | | | **$** | **(149)** |  |  | | | **$** | **(5)** |  |  | | | **$** | **—** |  |  | | | **$** | **(2)** |  |  | | | **$** | **—** |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | **$—** |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Balance, January 1, 2021 | | | $ | 1,702 |  |  | | | $ | 39 |  |  | | | $ | 20 |  |  | | | $ | — |  |  | | | $ | 39 |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $80 |
| Total gains and (losses), realized and unrealized, included in: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | |  |
| Net investment income (loss) | | | 4 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | 4 |
| Investment gains (losses), net | | | (14) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | — |
| Subtotal | | | (10) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | 4 |
| Other comprehensive income (loss) | | | 30 | |  |  | | | (2) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | — |
| Purchases | | | 721 | |  |  | | | — | |  |  | | | 3 | |  |  | | | 10 | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | 192 |
| Sales | | | (277) | |  |  | | | (1) | |  |  | | | (18) | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | (26) |
| Activity related to consolidated VIEs/VOEs | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | — |
| Transfers into Level 3 (1) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | 1 |
| Transfers out of Level 3 (1) | | | (713) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | (69) |
| Balance, September 30, 2021 | | | $ | 1,453 |  |  | | | $ | 36 |  |  | | | $ | 5 |  |  | | | $ | 10 |  |  | | | $ | 39 |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $182 |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (2) | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $4 |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (2) | | | $ | 30 |  |  | | | $ | (2) |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | $— |

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

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

(2)For instruments held as of September 30, 2022 or September 30, 2021, amounts are included in net investment income or net derivative gains (losses) in the consolidated statements of income (loss) or unrealized gains (losses) on investments in the consolidated statements of comprehensive income.

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | | **Other Equity Investments (7)** | | |  | | | **GMIB Reinsurance Contract Asset** | | |  | | | **Amounts Due from Reinsurers** | | |  | | | **Separate Accounts Assets** | | |  | | | **GMxB Derivative Features Liability** | | |  | | | **Contingent Payment Arrangement** | | |
|  | | |  | | |  | | |  | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Balance, July 1, 2022** | | | **$** | **67** |  |  | | | **$** | **1,498** |  |  | | | **$** | **4,681** |  |  | | | **$** | **1** |  |  | | | **$** | **(6,180)** |  |  | | | **$** | **(42)** |  |
| Realized and unrealized gains (losses), included in Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment gains (losses), reported in net investment income | | | **(1)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Net derivative gains (losses) (1) | | | **—** | |  |  | | | **(196)** | |  |  | | | **(364)** | |  |  | | | **—** | |  |  | | | **429** | |  |  | | | **—** | |  |
| Total realized and unrealized gains (losses) | | | **(1)** | |  |  | | | **(196)** | |  |  | | | **(364)** | |  |  | | | **—** | |  |  | | | **429** | |  |  | | | **—** | |  |
| Other comprehensive income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Purchases (2) | | | **(49)** | |  |  | | | **10** | |  |  | | | **28** | |  |  | | | **—** | |  |  | | | **(111)** | |  |  | | | **(228)** | |  |
| Sales (3) | | | **—** | |  |  | | | **(23)** | |  |  | | | **(33)** | |  |  | | | **—** | |  |  | | | **37** | |  |  | | | **—** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Activity related to consolidated VIEs/VOEs | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(3)** | |  |
| Transfers into Level 3 (4) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Transfers out of Level 3 (4) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| **Balance, September 30, 2022** | | | **$** | **17** |  |  | | | **$** | **1,289** |  |  | | | **$** | **4,312** |  |  | | | **$** | **1** |  |  | | | **$** | **(5,825)** |  |  | | | **$** | **(273)** |  |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (6) | | | **$** | **(1)** |  |  | | | **$** | **(196)** |  |  | | | **$** | **(364)** |  |  | | | **$** | **—** |  |  | | | **$** | **428** |  |  | | | **$** | **—** |  |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (6) | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, July 1, 2021 | | | $ | 103 |  |  | | | $ | 2,026 |  |  | | | $ | 5,510 |  |  | | | $ | 1 |  |  | | | $ | (8,455) |  |  | | | $ | (38) |  |
| Realized and unrealized gains (losses), included in Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment gains (losses), reported in net investment income | | | 1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Net derivative gains (losses) (1) (5) | | | — | |  |  | | | (84) | |  |  | | | 344 | |  |  | | | — | |  |  | | | (395) | |  |  | | | — | |  |
| Total realized and unrealized gains (losses) | | | 1 | |  |  | | | (84) | |  |  | | | 344 | |  |  | | | — | |  |  | | | (395) | |  |  | | | — | |  |
| Other comprehensive income (loss) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Purchases (2) | | | 1 | |  |  | | | 11 | |  |  | | | 31 | |  |  | | | (1) | |  |  | | | (108) | |  |  | | | 1 | |  |
| Sales (3) | | | (91) | |  |  | | | (16) | |  |  | | | (16) | |  |  | | | — | |  |  | | | 20 | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Activity related to consolidated VIEs/VOEs | | | 1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (1) | |  |
| Transfers into Level 3 (4) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Transfers out of Level 3 (4) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Balance, September 30, 2021 | | | $ | 15 |  |  | | | $ | 1,937 |  |  | | | $ | 5,869 |  |  | | | $ | — |  |  | | | $ | (8,938) |  |  | | | $ | (38) |  |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (6) | | | $ | 1 |  |  | | | $ | (84) |  |  | | | $ | 344 |  |  | | | $ | — |  |  | | | $ | (395) |  |  | | | $ | — |  |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (6) | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Other Equity Investments (7)** | | |  | | | **GMIB Reinsurance Contract Asset** | | |  | | | **Amounts Due from Reinsurers** | | |  | | | **Separate Accounts Assets** | | |  | | | **GMxB Derivative Features Liability** | | |  | | | **Contingent Payment Arrangement** | | |
|  | | |  | | |  | | |  | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Balance, January 1, 2022** | | | **$** | **16** |  |  | | | **$** | **1,848** |  |  | | | **$** | **5,815** |  |  | | | **$** | **1** |  |  | | | **$** | **(8,525)** |  |  | | | **$** | **(38)** |  |
| Realized and unrealized gains (losses), included in Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment gains (losses), reported in net investment income | | | **(1)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Net derivative gains (losses) (1) | | | **—** | |  |  | | | **(535)** | |  |  | | | **(1,506)** | |  |  | | | **—** | |  |  | | | **2,943** | |  |  | | | **—** | |  |
| Total realized and unrealized gains (losses) | | | **(1)** | |  |  | | | **(535)** | |  |  | | | **(1,506)** | |  |  | | | **—** | |  |  | | | **2,943** | |  |  | | | **—** | |  |
| Other comprehensive income (loss) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Purchases (2) | | | **8** | |  |  | | | **31** | |  |  | | | **89** | |  |  | | | **—** | |  |  | | | **(347)** | |  |  | | | **(230)** | |  |
| Sales (3) | | | **—** | |  |  | | | **(55)** | |  |  | | | **(86)** | |  |  | | | **—** | |  |  | | | **104** | |  |  | | | **—** | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Activity related to consolidated VIEs/VOEs | | | **(3)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(5)** | |  |
| Transfers into Level 3 (4) | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| Transfers out of Level 3 (4) | | | **(3)** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
| **Balance, September 30, 2022** | | | **$** | **17** |  |  | | | **$** | **1,289** |  |  | | | **$** | **4,312** |  |  | | | **$** | **1** |  |  | | | **$** | **(5,825)** |  |  | | | **$** | **(273)** |  |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (6) | | | **$** | **(1)** |  |  | | | **$** | **(535)** |  |  | | | **$** | **(1,506)** |  |  | | | **$** | **—** |  |  | | | **$** | **2,943** |  |  | | | **$** | **—** |  |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (6) | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, January 1, 2021 | | | $ | 84 |  |  | | | $ | 2,488 |  |  | | | $ | — |  |  | | | $ | 1 |  |  | | | $ | (11,131) |  |  | | | $ | (28) |  |
| Realized and unrealized gains (losses), included in Net income (loss) as: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment gains (losses), reported in net investment income | | | 20 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Net derivative gains (losses) (1) (5) | | | — | |  |  | | | (542) | |  |  | | | 586 | |  |  | | | — | |  |  | | | 2,340 | |  |  | | | — | |  |
| Total realized and unrealized gains (losses) | | | 20 | |  |  | | | (542) | |  |  | | | 586 | |  |  | | | — | |  |  | | | 2,340 | |  |  | | | — | |  |
| Other comprehensive income (loss) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Purchases (2) | | | 4 | |  |  | | | 32 | |  |  | | | 41 | |  |  | | | — | |  |  | | | (348) | |  |  | | | (7) | |  |
| Sales (3) | | | (92) | |  |  | | | (41) | |  |  | | | (17) | |  |  | | | — | |  |  | | | 61 | |  |  | | | — | |  |
| Other | | | — | |  |  | | | — | |  |  | | | 5,259 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Activity related to consolidated VIEs/VOEs | | | (1) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (3) | |  |
| Transfers into Level 3 (4) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Transfers out of Level 3 (4) | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (1) | |  |  | | | 140 | |  |  | | | — | |  |
| Balance, September 30, 2021 | | | $ | 15 |  |  | | | $ | 1,937 |  |  | | | $ | 5,869 |  |  | | | $ | — |  |  | | | $ | (8,938) |  |  | | | $ | (38) |  |
| Change in unrealized gains or losses for the period included in earnings for instruments held at the end of the reporting period (6) | | | $ | 2 |  |  | | | $ | (542) |  |  | | | $ | 586 |  |  | | | $ | — |  |  | | | $ | 2,340 |  |  | | | $ | — |  |
| Change in unrealized gains or losses for the period included in other comprehensive income for instruments held at the end of the reporting period (6) | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | — |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
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(1)For the three and nine months ended September 30, 2022 and 2021, the Company’s non-performance risk impact of $(41) million , $(92) million, $837 million and $(72) million for the GMxB Derivative Features Liability, $8 million ,$5 million, $(66) million and $6 million for the GMIB Reinsurance Contract Asset, and $(16) million, $(19) million, $(93) million and $(7) million for the Amounts due from Reinsurers is recorded through Net derivative gains (losses), respectively.

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**EQUITABLE HOLDINGS, INC.**

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

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

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

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

(5)For the nine months ended September 30, 2021, GMxB Derivative Features Liability excludes settlement fees on CS Life reinsurance contract of $45 million.

(6)For instruments held as of September 30, 2022 or September 30, 2021, amounts are included in net investment income or net derivative gains (losses) in the consolidated statements of income (loss) or unrealized gains (losses) on investments in the consolidated statements of comprehensive income.

(7)Other Equity Investments include other invested assets.

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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 September 30, 2022 and December 31, 2021, respectively.

**Quantitative Information about Level 3 Fair Value Measurements as of September 30, 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Fair**  **Value** | | |  | | | **Valuation**  **Technique** | | |  | | | **Significant**  **Unobservable Input** | | |  | | | **Range** | | |  | | | **Weighted Average (2)** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| **Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | **$** | **241** |  |  | | | Matrix pricing model | | |  | | | Spread over Benchmark | | |  | | | **20 bps - 797 bps** | | |  | | | **174 bps** | | |
|  | | | **917** | |  |  | | | Market comparable  companies | | |  | | | EBITDA multiples  Discount rate  Cash flow multiples  Loan to value | | |  | | | **5.7x - 38.5x**  **5.5% - 41.5%**  **0.5x - 12.0x**  **0.0% - 46.7%** | | |  | | | **14.1x**  **8.3%**  **6.4x**  **26.3%** | | |
| Trading Securities, at Fair Value | | | **52** | |  |  | | | Discounted Cash Flow | | |  | | | Earnings multiple  Discount factor  Discount years | | |  | | | **7.3x**  **10.0%**  **11** | | |  | | |  | | |
| Other equity investments | | | **4** | |  |  | | | Market comparable companies | | |  | | | Revenue multiple | | |  | | | **0.5x - 9.9x** | | |  | | | **2.8x** | | |
| GMIB reinsurance contract asset | | | **1,289** | |  |  | | | 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 | | |  | | | **0.38%-22.66%**  **0.14%-10.02%**  **0.04%-60.54%**  **101 bps - 167 bps**  **14%-35%**  **0.01%-0.17%**  **0.06%-0.52%**  **0.32%-40.00%** | | |  | | | **2.92%**  **1.02%**  **5.61%**  **103 bps**  **25%**  **3.09%**  **(same for all ages)**  **(same for all ages)** | | |
| Amount Due from Reinsurers | | | **4,312** | |  |  | | | Discounted Cash Flow | | |  | | | Lapse rates  Withdrawal Rates  GMIB Utilization Rates  Non-performance risk (bps)  Volatility rates - Equity  Mortality: Ages 0-40  Ages 41-60  Ages 61-115 | | |  | | | **0.38%-22.66%**  **0.14%-10.02%**  **0.04%-60.54%**  **63 bps**  **14%-35%**  **0.01%-0.17%**  **0.06%-0.52%**  **0.32%-40.00%** | | |  | | | **1.93%**  **1.38%**  **8.27%**  **63 bps**  **25%**  **2.28%**  **(same for all ages)**  **(same for all ages)** | | |
| **Liabilities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Fair**  **Value** | | |  | | | **Valuation**  **Technique** | | |  | | | **Significant**  **Unobservable Input** | | |  | | | **Range** | | |  | | | **Weighted Average (2)** | | |
| AB Contingent Consideration Payable | | | **273** | |  |  | | | Discounted cash flow | | |  | | | Expected revenue growth rates  Discount rate | | |  | | | **2.0% - 83.9%**  **1.9% - 10.4%** | | |  | | | **11.5%**  **4.5%** | | |
| GMIB NLG | | | **5,817** | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk  Lapse rates  Withdrawal rates  Annuitization rates  Mortality rates (1):  Ages 0 - 40  Ages 41-60  Ages 61-115 | | |  | | | **186 bps**  **0.38%-28.79%**  **0.14%-10.02%**  **0.04%-100.00%**  **0.01%-0.18%**  **0.07%-0.56%**  **0.44%-43.60%** | | |  | | | **186 bps**  **4.23%**  **1.27%**  **6.10%**  **1.71%**  **(same for all ages)**  **(same for all ages)** | | |
| GWBL/GMWB | | | **73** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates  Withdrawal Rates  Utilization Rates  Volatility rates - Equity  Non-performance risk(bps) | | |  | | | **0.50%-22.66%**  **0.00%-8.00%**  **100% once starting**  **14%-35%**  **186 bps** | | |  | | | **2.92%**  **1.02%**  **25%** | | |
| GIB | | | **(64)** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates  Withdrawal Rates  Utilization Rates  Volatility rates - Equity  Non-performance risk(bps) | | |  | | | **0.50%-22.66%**  **0.26%-2.10%**  **0.04%-100.00%**  **14% - 35%**  **186 bps** | | |  | | | **2.92%**  **1.02%**  **5.61%**  **25%** | | |
| GMAB | | | **(1)** | |  |  | | | Discounted cash flow | | |  | | | Lapse rates  Volatility rates - Equity  Non-performance risk(bps) | | |  | | | **0.50%-22.66%**  **14%-35%**  **186 bps** | | |  | | | **2.92%**  **25%** | | |

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(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, 2021

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Fair Value | | |  | | | Valuation Technique | | |  | | | Significant Unobservable Input | | |  | | | Range | | |  | | | Weighted Average (2) | | |
|  | | | (in millions) | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| Assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Fixed maturities, AFS: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | $ | 258 |  |  | | | Matrix pricing model | | |  | | | Spread over benchmark | | |  | | | 20 bps - 270 bps | | |  | | | 144 bps | | |
|  | | | 888 | |  |  | | | Market comparable companies | | |  | | | EBITDA multiples   Discount rate   Cash flow multiples  Loan to value | | |  | | | 4.9x - 62.3x  6.2% - 21.5%  0.5x-10.0x  3.1%-63.4% | | |  | | | 13.0x  9.1%  5.5x  30.8% | | |
| Trading Securities, at Fair Value | | | 65 | |  |  | | | Discounted cash flow | | |  | | | Earnings multiple  Discounts factor  Discount years | | |  | | | 7.3x  10.00%  11 | | |  | | |  | | |
| Other equity investments | | | 4 | |  |  | | | Market comparable companies | | |  | | | Revenue multiple | | |  | | | 7.8x - 10.3x | | |  | | | 9.5x | | |

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | Fair Value | | |  | | | Valuation Technique | | |  | | | Significant Unobservable Input | | |  | | | Range | | |  | | | Weighted Average (2) | | |
|  | | | (in millions) | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| GMIB reinsurance contract asset | | | 1,848 | |  |  | | | 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 | | |  | | | 57 bps - 93 bps  0.45% - 20.86%  0.27% - 8.66%  0.04% - 60.44%  11% - 31%  0.01% - 0.17%  0.06% - 0.53%  0.31% - 40.00% | | |  | | | 60 bps  2.65%  0.93%  5.27%  24%  2.79%  (same for all ages)  (same for all ages) | | |
| Amount Due from Reinsurers | | | 5,813 | |  |  | | | Discounted Cash Flow | | |  | | | Lapse rates  Withdrawal Rates  GMIB Utilization Rates  Non-performance risk (bps)  Volatility rates - Equity  Mortality: Ages 0-40  Ages 41-60  Ages 61-115 | | |  | | | 0.45%-20.86%  0.27%-8.66%  0.04%-60.44%  37 bps  11%-31%  0.01%-0.17%  0.06%-0.53%  0.31%-40.00% | | |  | | | 1.70%  1.18%  7.20%  37 bps  24%  2.17%  (same for all ages)  (same for all ages) | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| AB Contingent Consideration Payable | | | 38 | |  |  | | | Discounted cash flow | | |  | | | Expected revenue growth rates  Discount rate | | |  | | | 2.0% - 83.9%  1.9% - 10.4% | | |  | | | 11.9%  7.0% | | |
| GMIB NLG | | | 8,503 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk  Lapse rates  Withdrawal rates  Annuitization rates  Mortality rates (1):  Ages 0 - 40  Ages 41 - 60  Ages 60 - 115 | | |  | | | 111 bps  1.04% - 23.57%  0.27% - 8.66%  0.03% -100.00%  0.01% - 0.19%  0.07% - 0.57%  0.44% - 43.60% | | |  | | | 111 bps  3.55%  1.04%  5.24%  1.62%  (same for all ages)  (same for all ages) | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| GWBL/GMWB | | | 99 | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk  Lapse rates  Withdrawal rates  Utilization rates  Volatility rates - Equity | | |  | | | 111 bps  0.60%-20.86%  0.00%-8.00%  100% once starting  11%-31% | | |  | | | 2.65%  0.93%  24% | | |
| GIB | | | (75) | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk  Lapse rates  Withdrawal rates  Utilization rates  Volatility rates - Equity | | |  | | | 111 bps  0.60%-20.86%  0.13%-8.66%  0.04%-100.00%  11%-31% | | |  | | | 2.65%  0.93%  5.27%  24% | | |
| GMAB | | | (3) | |  |  | | | Discounted cash flow | | |  | | | Non-performance risk  Lapse rates  Volatility rates - Equity | | |  | | | 111 bps  0.60%-20.86%  11%-31% | | |  | | | 2.65%  24% | | |

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(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.

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**EQUITABLE HOLDINGS, INC.**

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

***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 September 30, 2022 and December 31, 2021, respectively, are approximately $1.2 billion and $635 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 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 September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, 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, Amounts Due from Reinsurers and GMxB Derivative Features

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, GMIB NLG Reinsurance 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 GMIB NLG liability and GMIB NLG Reinsurance 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-

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**EQUITABLE HOLDINGS, INC.**

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

performance risk and GMIB utilization rates would tend to increase the GMIB NLG liability and GMIB NLG Reinsurance, while decreases in withdrawal rates and volatility rates would tend to decrease the GMIB NLG liability and GMIB NLG Reinsurance.

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 of the Notes to these Consolidated Financial Statements

The carrying values and fair values as of September 30, 2022 and December 31, 2021 for financial instruments not otherwise disclosed in Note 3 and Note 4 of the Notes to these Consolidated Financial Statements are presented in the table below.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Carrying Value** | | |  | | | **Fair Value** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Level 1** | | |  | | | **Level 2** | | |  | | | **Level 3** | | |  | | | **Total** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **September 30, 2022:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans on real estate | | | **$** | **15,688** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **13,946** |  |  | | | **$** | **13,946** |  |
| Policy loans | | | **$** | **4,018** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **4,963** |  |  | | | **$** | **4,963** |  |
| Policyholders’ liabilities: Investment contracts | | | **$** | **2,023** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **1,838** |  |  | | | **$** | **1,838** |  |
| FHLB funding agreements | | | **$** | **7,830** |  |  | | | **$** | **—** |  |  | | | **$** | **7,709** |  |  | | | **$** | **—** |  |  | | | **$** | **7,709** |  |
| FABN funding agreements | | | **$** | **6,613** |  |  | | | **$** | **—** |  |  | | | **$** | **5,914** |  |  | | | **$** | **—** |  |  | | | **$** | **5,914** |  |
| Short-term and long-term debt (1) | | | **$** | **3,840** |  |  | | | **$** | **—** |  |  | | | **$** | **3,559** |  |  | | | **$** | **—** |  |  | | | **$** | **3,559** |  |
| Separate Accounts liabilities | | | **$** | **9,806** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **9,806** |  |  | | | **$** | **9,806** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| December 31, 2021: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Mortgage loans on real estate | | | $ | 14,033 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 14,308 |  |  | | | $ | 14,308 |  |
| Policy loans | | | $ | 4,024 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 5,050 |  |  | | | $ | 5,050 |  |
| Policyholders’ liabilities: Investment contracts | | | $ | 2,035 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 2,103 |  |  | | | $ | 2,103 |  |
| FHLB funding agreements | | | $ | 6,647 |  |  | | | $ | — |  |  | | | $ | 6,679 |  |  | | | $ | — |  |  | | | $ | 6,679 |  |
| FABN funding agreements | | | $ | 6,689 |  |  | | | $ | — |  |  | | | $ | 6,626 |  |  | | | $ | — |  |  | | | $ | 6,626 |  |
| Short-term and long-term debt (1) | | | $ | 3,839 |  |  | | | $ | — |  |  | | | $ | 4,544 |  |  | | | $ | — |  |  | | | $ | 4,544 |  |
| Separate Accounts liabilities | | | $ | 11,620 |  |  | | | $ | — |  |  | | | $ | — |  |  | | | $ | 11,620 |  |  | | | $ | 11,620 |  |

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

(1)As of September 30, 2022 and December 31, 2021 excludes CLO short-term debt of $248 million and $92 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.

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**EQUITABLE HOLDINGS, INC.**

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

***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.

***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 of the Notes to these Consolidated Financial Statements 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 would recognize such liability in the event Holdings does not perform.

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**EQUITABLE HOLDINGS, INC.**

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

***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. Service and compensation after December 31, 2008 are not taken into account in determining participants’ retirement benefits.

***Net Periodic Pension Expense***

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  |  |  |  |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  | | |  | | |
| Service cost | | | **$** | **2** |  |  | | | $ | 2 |  |  | | | **$** | **6** |  |  | | | $ | 7 |  |  |  |  |  |  | | |  | | |
| Interest cost | | | **21** | |  |  | | | 13 | |  |  | | | **49** | |  |  | | | 40 | |  |  |  |  |  |  | | |  | | |
| Expected return on assets | | | **(40)** | |  |  | | | (40) | |  |  | | | **(119)** | |  |  | | | (116) | |  |  |  |  |  |  | | |  | | |
| Prior Period Svc Cost Amortization | | | **(1)** | |  |  | | | 1 | |  |  | | | **(2)** | |  |  | | | — | |  |  |  |  |  |  | | |  | | |
| Actuarial (gain) loss | | | **—** | |  |  | | | — | |  |  | | | **1** | |  |  | | | 1 | |  |  |  |  |  |  | | |  | | |
| Net amortization | | | **15** | |  |  | | | 23 | |  |  | | | **55** | |  |  | | | 81 | |  |  |  |  |  |  | | |  | | |
| Impact of settlement | | | **—** | |  |  | | | 2 | |  |  | | | **—** | |  |  | | | 2 | |  |  |  |  |  |  | | |  | | |
| Net Periodic Pension Expense | | | **$** | **(3)** |  |  | | | $ | 1 |  |  | | | **$** | **(10)** |  |  | | | $ | 15 |  |  |  |  |  |  | | |  | | |

**9)    INCOME TAXES**

Income tax expense for the three and nine months ended September 30, 2022 and 2021 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:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **September 30, 2022** | | | | | | | | | | | | | | |  | | | December 31, 2021 | | | | | | | | | | | | | | |
| 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** | |  |  | | | 12,000 | |  |  | | | 12,000 | |  |  | | | 12,000 | |  |
| Total | | |  | | | **64,000** | |  |  | | | **64,000** | |  |  | | | **64,000** | |  |  | | | 64,000 | |  |  | | | 64,000 | |  |  | | | 64,000 | |  |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
| Series A dividends declared | | | **$** | **328** |  |  | | | $ | 328 |  |  | | | **$** | **984** |  |  | | | $ | 984 |  |  | | |  | | |
| Series B dividends declared | | | **$** | **—** |  |  | | | $ | — |  |  | | | **$** | **619** |  |  | | | $ | 619 |  |  | | |  | | |
| Series C dividends declared | | | **$** | **269** |  |  | | | $ | 269 |  |  | | | **$** | **806** |  |  | | | $ | 738 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

Common Stock

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

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**EQUITABLE HOLDINGS, INC.**

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

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
| Dividends declared | | | $ | 0.20 |  |  | | | $ | 0.18 |  |  | | | **$** | **0.58** |  |  | | | $ | 0.53 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

***Share Repurchase***

On February 9, 2022, the Company’s Board of Directors authorized a new $1.2 billion share repurchase program. Under this program, the Company may, from time to time purchase shares of its common stock through various means. The Company may choose to suspend or discontinue the repurchase program at any time. The repurchase program does not obligate the Company to purchase any particular number of shares. As of September 30, 2022, Holdings had authorized capacity of approximately $578 million remaining in its share repurchase program.

Holdings repurchased a total of 7.0 million, 15.6 million, 23.2 million and 38.2 million shares of its common stock at an average price of $28.67, $29.50, $30.17, and $30.56 per share, respectively through open market repurchases, ASRs and privately negotiated transactions during the three and nine months ended September 30, 2022 and 2021.

Holdings purchased 4.7 million and 0 shares of its common stock through open market purchases in the three months ended September 30, 2022 and 2021. During the nine months ended September 30, 2022 and 2021, Holdings repurchased 12.6 million and 3.2 million shares of its common stock through open market repurchases.

In April 2022, Holdings entered into an ASR with a third-party financial institution to repurchase an aggregate of $100 million of Holdings’ common stock. Pursuant to the ASR, Holdings made a prepayment of $100 million and initially received 2.6 million shares. The ASR terminated during April 2022, at which time 684,700 additional shares of common stock were received.

In May 2022, Holdings entered into an ASR with a third-party financial institution to repurchase an aggregate of $150 million of Holdings’ common stock. Pursuant to the ASR, Holdings made a prepayment of $150 million and initially received 4.3 million shares. The ASR terminated during July 2022, at which time 1.2 million additional shares of common stock were received.

In September 2022, Holdings entered into an ASR contract with a third-party financial institution to repurchase an aggregate of $37.5 million of Holdings’ common stock. Pursuant to the ASR, Holdings made a prepayment of $37.5 million and received initial delivery of 1.1 million shares. The ASR is scheduled to terminate on November 4, 2022, 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 September 30, 2022 and December 31, 2021 follow:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **September 30,** | | |  | | | December 31, | | |  | | |  | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| Unrealized gains (losses) on investments | | | **$** | **(7,210)** |  |  | | | $ | 2,684 |  |  | | |  | | |
| Defined benefit pension plans | | | **(608)** | |  |  | | | (669) | |  |  | | |  | | |
| Foreign currency translation adjustments | | | **(120)** | |  |  | | | (45) | |  |  | | |  | | |
| Total accumulated other comprehensive income (loss) | | | **(7,938)** | |  |  | | | 1,970 | |  |  | | |  | | |
| Less: Accumulated other comprehensive income (loss) attributable to noncontrolling interest | | | **(62)** | |  |  | | | (34) | |  |  | | |  | | |
| Accumulated other comprehensive income (loss) attributable to Holdings | | | **$** | **(7,876)** |  |  | | | $ | 2,004 |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

The components of OCI, net of taxes for the three and nine months ended September 30, 2022 and 2021 follow:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Change in net unrealized gains (losses) on investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net unrealized gains (losses) arising during the period | | | **$** | **(3,195)** |  |  | | | $ | (310) |  |  | | | **$** | **(12,929)** |  |  | | | $ | (2,547) |  |  | | |  | | |
| (Gains) losses reclassified into net income (loss) during the period (1) | | | **245** | |  |  | | | (131) | |  |  | | | **678** | |  |  | | | (617) | |  |  | | |  | | |
| Net unrealized gains (losses) on investments | | | **(2,950)** | |  |  | | | (441) | |  |  | | | **(12,251)** | |  |  | | | (3,164) | |  |  | | |  | | |
| Adjustments for policyholders’ liabilities, DAC, insurance liability loss recognition and other | | | **624** | |  |  | | | 318 | |  |  | | | **2,357** | |  |  | | | 1,108 | |  |  | | |  | | |
| Change in unrealized gains (losses), net of adjustments (net of deferred income tax expense (benefit) of $(619), $(32), $(2,630) and $(546)) | | | **(2,326)** | |  |  | | | (123) | |  |  | | | **(9,894)** | |  |  | | | (2,056) | |  |  | | |  | | |
| Change in defined benefit plans: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Reclassification to Net income (loss) of amortization of net prior service credit included in net periodic cost | | | **16** | |  |  | | | 22 | |  |  | | | **61** | |  |  | | | 77 | |  |  | | |  | | |
| Change in defined benefit plans (net of deferred income tax expense (benefit) of $(4), $6, $(13), and $20) | | | **16** | |  |  | | | 22 | |  |  | | | **61** | |  |  | | | 77 | |  |  | | |  | | |
| Foreign currency translation adjustments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency translation gains (losses) arising during the period | | | **(30)** | |  |  | | | (9) | |  |  | | | **(75)** | |  |  | | | (13) | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Foreign currency translation adjustment | | | **(30)** | |  |  | | | (9) | |  |  | | | **(75)** | |  |  | | | (13) | |  |  | | |  | | |
| Total other comprehensive income (loss), net of income taxes | | | **(2,340)** | |  |  | | | (110) | |  |  | | | **(9,908)** | |  |  | | | (1,992) | |  |  | | |  | | |
| Less: Other comprehensive income (loss) attributable to noncontrolling interest | | | **(12)** | |  |  | | | (3) | |  |  | | | **(28)** | |  |  | | | (5) | |  |  | | |  | | |
| Other comprehensive income (loss) attributable to Holdings | | | **$** | **(2,328)** |  |  | | | $ | (107) |  |  | | | **$** | **(9,880)** |  |  | | | $ | (1,987) |  |  | | |  | | |

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

(1)See “Reclassification adjustment” in Note 3 of the Notes to these Consolidated Financial Statements. Reclassification amounts presented net of income tax expense (benefit) of $(65) million, $35 million, $(180) million, and $164 million for the three and nine months ended September 30, 2022 and 2021, 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 September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |  |  |  |  |  |  |  |  |  |
| **Balance, beginning of period** | | | **$** | **348** |  |  | | | $ | 42 |  |  | | | **$** | **468** |  |  | | | $ | 143 |  |  | | |  | | |  | | |  | | |  | | |
| Net earnings (loss) attributable to redeemable noncontrolling interests | | | **(9)** | |  |  | | | — | |  |  | | | **(65)** | |  |  | | | 4 | |  |  | | |  | | |  | | |  | | |  | | |
| Purchase/change of redeemable noncontrolling interests | | | **15** | |  |  | | | 101 | |  |  | | | **(49)** | |  |  | | | (4) | |  |  | | |  | | |  | | |  | | |  | | |
| **Balance, end of period** | | | **$** | **354** |  |  | | | $ | 143 |  |  | | | **$** | **354** |  |  | | | $ | 143 |  |  | | |  | | |  | | |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

**12)    COMMITMENTS AND CONTINGENT LIABILITIES**

Litigation and Regulatory Matters

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.

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 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 September 30, 2022, 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 $250 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 entitled Richard T. O’Donnell, on behalf of himself and all others similarly situated v. AXA Equitable Life Insurance Company. This lawsuit was a putative class action on behalf of all persons who purchased variable annuities from Equitable Financial, in which the volatility management tool was subsequently implemented and who claimed to have suffered injury as a result thereof. Plaintiff asserted a claim for breach of contract alleging that Equitable Financial implemented the volatility management strategy in violation of applicable law. In September 2022, this lawsuit was withdrawn with prejudice.

In February 2016, a lawsuit was filed in 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 2008, 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 the District of Arizona in 2017 and consolidated with the Brach matter in federal court in New York. The consolidated amended class action complaint

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**EQUITABLE HOLDINGS, INC.**

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

alleges the following claims: breach of contract; misrepresentations 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 certifying nationwide breach of contract and Section 4226 classes, and a New York State Section 349 class. Owners of a substantial number of policies opted out of the Brach class action. Most opt-out policies are not yet the subject of litigation. Others filed suit previously including three federal actions that have been coordinated with the Brach action and contain similar allegations along with additional allegations for violations of state consumer protection statutes and common law fraud. In March 2022, the federal district court issued a summary judgment decision, denying in significant part but granting in part Equitable Financial’s motion and denying the motion filed by plaintiffs in the coordinated actions. In July 2022, the federal district court granted Equitable Financial’s motion to reconsider its summary judgment decision in part and granted summary judgment as to a portion of the Section 4226 class. The federal district court also agreed to consider whether it should decertify the Section 4226 class and set a briefing schedule. Equitable Financial has commenced settlement discussions with the Brach class action plaintiffs and plaintiffs in the coordinated actions. No assurances can be given about the outcome of those settlement discussions. Equitable Financial has settled actual and threatened litigations challenging the COI increase by individual policyowners and one entity that invested in numerous policies purchased in the life settlement market. Two actions are also pending against Equitable Financial in New York state court. In July 2022, the trial court in one of the New York state court actions, Hobish v. AXA Equitable Life Insurance Company, granted in significant part Equitable Financial’s motion for summary judgment and denied plaintiff’s cross motion. That plaintiff filed a notice of appeal and Equitable filed a notice of cross-appeal. Equitable Financial is vigorously defending each of these matters.

As with other financial services companies, Equitable Financial 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. In July 2022, the SEC issued an order with findings that daily separate account and portfolio operating expenses disclosed in customer prospectuses for the EQUI-VEST variable annuity product and incorporated in the calculation of net investment portfolio results in EQUI-VEST quarterly account statements were not properly presented or referenced in those account statements. The Company neither admitted nor denied the findings but agreed to prospectively modify the relevant account statements and cross-reference the relevant prospectus disclosures, and pay a civil monetary penalty of $50 million, to be distributed to plan participants. The Company has fully accrued for the cost of the settlement and its implementation.

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 these 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 (“FHLB”)***

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 $364 million and pledged collateral with a carrying value of $11.0 billion as of September 30, 2022.

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 of the Notes to these Consolidated Financial Statements. The table below summarizes the Company’s activity of funding agreements with the FHLB.

**Change in FHLB Funding Agreements during the Nine Months Ended September 30, 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Outstanding Balance at December 31, 2021** | | |  | | | **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 September 30, 2022** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Short-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in one year or less | | | $ | 5,353 |  |  | | | **$** | **40,964** |  |  | | | **$** | **(41,132)** |  |  | | | **$** | **153** |  |  | | | **$** | **—** |  |  | | | **$** | **5,338** |  |
| Long-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in years two through five | | | 1,290 | |  |  | | | **647** | |  |  | | | **—** | |  |  | | | **(153)** | |  |  | | | **—** | |  |  | | | **1,784** | |  |
| Due in more than five years | | | — | |  |  | | | **705** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **705** | |  |
| Total long-term funding agreements | | | 1,290 | |  |  | | | **1,352** | |  |  | | | **—** | |  |  | | | **(153)** | |  |  | | | **—** | |  |  | | | **2,489** | |  |
| Total funding agreements (1) | | | $ | 6,643 |  |  | | | **$** | **42,316** |  |  | | | **$** | **(41,132)** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **7,827** |  |
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(1)The $4 million and $4 million difference between the funding agreements carrying value shown in fair value table for September 30, 2022 and December 31, 2021, respectively, reflects the remaining amortization of a hedge implemented and closed, which locked in the funding agreements borrowing rates.

***Funding Agreement-Backed Notes Program (“FABN”)***

Under the FABN program, Equitable Financial may issue funding agreements in U.S. dollar or other foreign currencies 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, maturity and currency payment terms to the applicable Trust Notes. The Company hedges the foreign currency exposure of foreign currency denominated funding agreements using cross currency swaps as discussed in Note 4 of the Notes to these Consolidated Financial Statements. As of September 30, 2022, the maximum aggregate principal amount of Trust Notes permitted to be outstanding at any one time is $10 billion. Funding agreements issued to the Trust, including any foreign currency transaction adjustments, are reported in policyholders’ account balances in the consolidated balance sheets. Foreign currency transaction adjustments to policyholder’s account balances are recognized in net income (loss) as an adjustment to interest credited to policyholders’ account balances and are offset in interest credited to policyholders’ account balances by a release of AOCI from deferred changes in fair value of designated and qualifying cross currency swap cash flow hedges. The table below summarizes Equitable Financial’s activity of funding agreements under the FABN program.

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**EQUITABLE HOLDINGS, INC.**

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

**Change in FABN Funding Agreements during the Nine Months Ended September 30, 2022**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Outstanding Balance at December 31, 2021** | | |  | | | **Issued During the Period** | | |  | | | **Repaid During the Period** | | |  | | | **Long-term Agreements Maturing Within One Year** | | |  | | | **Long-term Agreements Maturing Within Five Years** | | |  | | |  | | |  | | | **Foreign Currency Transaction Adjustment** | | |  | | | **Outstanding Balance at September 30, 2022** | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Short-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in one year or less | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **1,000** |  |  | | | **$** | **—** |  |  | | |  | | |  | | | **$** | **—** |  |  | | | **$** | **1,000** |  |
| Long-term funding agreements: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Due in years two through five | | | 4,600 | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(1,000)** | |  |  | | | **500** | |  |  | | |  | | |  | | | **—** | |  |  | | | **4,100** | |  |
| Due in more than five years | | | 2,119 | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(500)** | |  |  | | |  | | |  | | | **(79)** | |  |  | | | **1,540** | |  |
| Total long-term funding agreements | | | 6,719 | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **(1,000)** | |  |  | | | **—** | |  |  | | |  | | |  | | | **(79)** | |  |  | | | **5,640** | |  |
| Total funding agreements (1) | | | $ | 6,719 |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | | **$** | **—** |  |  | | |  | | |  | | | **$** | **(79)** |  |  | | | **$** | **6,640** |  |
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(1)The $28 million and $70 million difference between the funding agreements notional value shown and carrying value table as of September 30, 2022 and December 31, 2021, respectively, reflects the remaining amortization of the issuance cost of the funding agreements and the foreign currency transaction adjustment.

***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. In June 2021, Holdings entered into an amended and restated revolving credit agreement, which lowered the facility amount to $1.5 billion and extended the maturity date to June 24, 2026, among other changes. 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. As of September 30, 2022, the Company had $210 million undrawn letters of credit issued out of the $1.5 billion sub-limit for Equitable Financial as beneficiary.

***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. In June 2021, Holdings entered into amendments with each of the issuers of its bilateral letter of credit facilities to effect changes similar to those effected in the amended and restated revolving credit agreement. The respective facility limits of the bilateral letter of credit facilities remained unchanged. These facilities support the life insurance business reinsured by EQ AZ Life Re. The HSBC facility matures on February 16, 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 September 30, 2022, these arrangements include commitments by the Company to provide equity financing of $1.3 billion 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 September 30, 2022. The Company had $880 million of commitments under existing mortgage loan agreements as of September 30, 2022.

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.

**13)    INSURANCE GROUP STATUTORY FINANCIAL INFORMATION**

Prescribed and Permitted Accounting Practices

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**EQUITABLE HOLDINGS, INC.**

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

As of September 30, 2022, the following three prescribed and permitted practices resulted in net income (loss) and capital and surplus that is different from the statutory surplus that would have been reported had NAIC statutory accounting practices been applied.

Equitable Financial was granted a permitted practice by the NYDFS to apply SSAP 108, Derivatives Hedging Variable Annuity Guarantees on a retroactive basis from January 1, 2021 through June 30, 2021, after reflecting the impacts of our reinsurance transaction with Venerable. The permitted practice was amended to also permit Equitable Financial to adopt SSAP 108 prospectively as of July 1, 2021 and to consider the impact of both the interest rate derivatives and the general account assets used to fully hedge the interest rate risk inherent in its variable annuity guarantees when determining the amount of the deferred asset or liability under SSAP 108. Application of the permitted practice partially mitigates the New York Insurance Regulation 213 (“Reg 213”) impact of the Venerable Transaction on Equitable Financial’s statutory capital and surplus and enables Equitable Financial to more effectively neutralize the impact of interest rates on its statutory surplus and to better align with our economic hedging program. The impact of applying this permitted practice relative to SSAP 108 as written was an increase of approximately $128 million in statutory special surplus funds and a decrease of $332 million and $1.2 billion in statutory net income as of and for the three and nine months ended September 30, 2022, respectively, which will be amortized over five years for each of the retrospective and prospective components. The permitted practice also reset Equitable Financial’s unassigned surplus to zero as of June 30, 2021 to reflect the transformative nature of the Venerable Transaction.

The NAIC Accounting Practices and Procedures manual (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the State of New York. However, Reg 213 adopted in May of 2019 and as amended in February 2020 and March 2021, differs from the NAIC variable annuity reserve and capital framework. Reg 213 requires 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 in current market conditions imposes more conservative reserving requirements for variable annuity contracts than the NAIC standard.

The impact of the application of Reg 213 was a decrease of approximately $2.2 billion in statutory surplus as of September 30, 2022 compared to statutory surplus under the NAIC variable annuity framework. Our hedging program is designed to hedge the economics of our insurance liabilities and largely offsets Reg 213 and NAIC framework reserve movements due to interest rates and equities. The NYDFS allows domestic insurance companies a five year phase-in provision for Reg 213 reserves. As of September 30, 2022, Equitable Financial’s Reg 213 reserves are 100% phased-in. As of September 30, 2022, given the prevailing market conditions and business mix, there are no Reg 213 redundant reserves over the US RBC CTE 98 total asset requirement (“TAR”). Finally, the continued application of Reg 213 resulted in a corresponding increase of $0.8 billion and a decrease of $0.9 billion in statutory net income for the three and nine months ended September 30, 2022, which was largely offset by net income gains on our hedging program during the same period as noted.

During the fourth quarter 2020, Equitable Financial received approval from NYDFS for its proposed amended Plan of Operation for Separate Account No. 68 (“SA 68”) for our Structured Capital Strategies product and Separate Account No. 69 (“SA 69”) for our Equi-Vest product Structured Investment Option, to change the accounting basis of these two non-insulated Separate Accounts from fair value to book value in accordance with Section 1414 of the Insurance Law to align with how we manage and measure our overall general account asset portfolio. In order to facilitate this change and comply with Section 4240(a)(10), the Company also sought approval to amend the Plans to remove the requirement to comply with Section 4240(a)(5)(iii) and substitute it with a commitment to comply with Section 4240(a)(5)(i). Similarly, the Company updated the reserves section of each Plan to reflect the fact that Regulation 128 would no longer be applicable upon the change in accounting basis. We applied this change effective January 1, 2021. The impact of the application is an increase of approximately $2.3 billion in statutory surplus and an increase in statutory net income as of and for the three and nine months ended September 30, 2022 of $426 million and $2.4 billion, respectively.

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**EQUITABLE HOLDINGS, INC.**

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

**14)    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 - 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, including extraordinary economic conditions or events such as COVID-19; (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; and (iv) DAC amortization for the SCS variable annuity product arising from near-term fluctuations in index segment returns;

•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, certain legal accruals; and a bespoke deal to repurchase UL policies from one entity that had invested in numerous policies purchased in the life settlement market, which disposed of the risk of additional COI litigation by that entity related to those UL policies; 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.

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**EQUITABLE HOLDINGS, INC.**

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

In the first quarter 2022, the Company updated its Operating earnings measure to exclude the DAC amortization impact of near-term fluctuations in indexed segment returns on the SCS variable annuity product to reflect the impact of market fluctuations consistently with the long term duration of the product. Operating earnings was favorably impacted by this change in the amount of $24 million and $94 million for the three and nine months ended September 30, 2022, respectively. The presentation of Operating earnings in prior periods was not revised to reflect this modification, however, the Company estimated that had the treatment in the Company’s Operating earnings measure of the Amortization of DAC for SCS been modified in 2020, the pre-tax impact on Operating earnings of excluding the SCS-related DAC amortization from Operating earnings would have been an increase of $7 million for the three months ended September 30, 2021, and a decrease of $7 million, $16 million and $34 million for the nine months ended September 30, 2021, and years ended December 31, 2021 and 2020, respectively.

The General Account investment portfolio is used to support the insurance and annuity liabilities of our Individual Retirement, Group Retirement and Protection Solutions businesses segments. In the first quarter 2022, the Company changed its methodology for allocating its General Account investment portfolio, which resulted in a change in the asset and net investment income allocation amongst the Company’s business segments. Following this change the segmentation of the general account investments is now more closely aligned with the liability characteristics of the product groups. Management determined that the change in the allocation methodology allows for improved flexibility and infuses an active asset liability management practice into the segmentation process. Additionally, the Company also changed its basis for allocating the spread earned from our FHLB investment borrowing and FABN programs. The spread earned from our FHLB investment borrowing and FABN programs includes the investment income on the assets less interest credited on the funding agreements. The net spread as reflected in net investment income is allocated to the segments based on the percentage of the individual segment insurance liabilities over the combined segments insurance liabilities.

This change in measurement only impacts our segment disclosures, and thus it has no impact on our overall consolidated financial statements. Historical segment operating income (loss), revenues and assets have not been recast in the tables as the impact was immaterial.

Revenues derived from any customer did not exceed 10% of revenues for the three and nine months ended September 30, 2022 and 2021.

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 and nine months ended September 30, 2022 and 2021, respectively:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Net income (loss) attributable to Holdings | | | **$** | **273** |  |  | | | $ | 672 |  |  | | | **$** | **2,574** |  |  | | | $ | (693) |  |  | | |  | | |
| Adjustments related to: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Variable annuity product features | | | **(114)** | |  |  | | | 172 | |  |  | | | **(2,639)** | |  |  | | | 3,632 | |  |  | | |  | | |
| Investment (gains) losses | | | **333** | |  |  | | | (164) | |  |  | | | **890** | |  |  | | | (767) | |  |  | | |  | | |
| Net actuarial (gains) losses related to pension and other postretirement benefit obligations | | | **19** | |  |  | | | 27 | |  |  | | | **57** | |  |  | | | 87 | |  |  | | |  | | |
| Other adjustments (1) (2) (3) | | | **39** | |  |  | | | 141 | |  |  | | | **407** | |  |  | | | 672 | |  |  | | |  | | |
| Income tax expense (benefit) related to above adjustments | | | **(59)** | |  |  | | | (35) | |  |  | | | **270** | |  |  | | | (761) | |  |  | | |  | | |
| Non-recurring tax items | | | **7** | |  |  | | | 5 | |  |  | | | **13** | |  |  | | | 6 | |  |  | | |  | | |
| Non-GAAP Operating Earnings | | | **$** | **498** |  |  | | | $ | 818 |  |  | | | **$** | **1,572** |  |  | | | $ | 2,176 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Operating earnings (loss) by segment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement | | | **$** | **270** |  |  | | | $ | 316 |  |  | | | **$** | **837** |  |  | | | $ | 1,093 |  |  | | |  | | |
| Group Retirement | | | **$** | **134** |  |  | | | $ | 192 |  |  | | | **$** | **415** |  |  | | | $ | 514 |  |  | | |  | | |
| Investment Management and Research | | | **$** | **94** |  |  | | | $ | 134 |  |  | | | **$** | **330** |  |  | | | $ | 381 |  |  | | |  | | |
| Protection Solutions | | | **$** | **72** |  |  | | | $ | 160 |  |  | | | **$** | **208** |  |  | | | $ | 264 |  |  | | |  | | |
| Corporate and Other (4) | | | **$** | **(72)** |  |  | | | $ | 16 |  |  | | | **$** | **(218)** |  |  | | | $ | (76) |  |  | | |  | | |

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**EQUITABLE HOLDINGS, INC.**

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

(1)Includes separation costs of $25 million and $62 million for the three and nine months ended September 30, 2021, respectively. Separation costs were completed during 2021.

(2)Includes certain gross legal expenses related to the COI litigation of $2 million, $0 million, $168 million and $180 million for the three and nine months ended September 30, 2022 and 2021, respectively. Includes policyholder benefit costs of $0 million and $75 million for the three and nine months ended September 30, 2022 stemming from a deal to repurchase UL policies from one entity that had invested in numerous policies purchased in the life settlement market.

(3)Includes Non-GMxB related derivative hedge gains and losses of ($28) million, ($4) million, ($68) million and $140 million for the three and nine months ended September 30, 2022 and 2021, respectively.

(4)Includes interest expense and financing fees of $51 million, $65 million, $156 million and $180 million for the three and nine months ended September 30, 2022 and 2021, 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.

The table below presents segment revenues for the three and nine months ended September 30, 2022 and 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Segment revenues: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement (1) | | | **$** | **1,017** |  |  | | | $ | 998 |  |  | | | **$** | **3,061** |  |  | | | $ | 2,957 |  |  | | |  | | |
| Group Retirement (1) | | | **289** | |  |  | | | 343 | |  |  | | | **924** | |  |  | | | 1,018 | |  |  | | |  | | |
| Investment Management and Research (2) | | | **996** | |  |  | | | 1,093 | |  |  | | | **3,134** | |  |  | | | 3,169 | |  |  | | |  | | |
| Protection Solutions (1) | | | **791** | |  |  | | | 838 | |  |  | | | **2,478** | |  |  | | | 2,496 | |  |  | | |  | | |
| Corporate and Other (1) | | | **363** | |  |  | | | 479 | |  |  | | | **1,087** | |  |  | | | 1,199 | |  |  | | |  | | |
| Adjustments related to: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Variable annuity product features | | | **(107)** | |  |  | | | (256) | |  |  | | | **2,468** | |  |  | | | (3,750) | |  |  | | |  | | |
| Investment gains (losses), net | | | **(333)** | |  |  | | | 164 | |  |  | | | **(890)** | |  |  | | | 767 | |  |  | | |  | | |
| Other adjustments to segment revenues | | | **(7)** | |  |  | | | (44) | |  |  | | | **(141)** | |  |  | | | (138) | |  |  | | |  | | |
| Total revenues | | | **$** | **3,009** |  |  | | | $ | 3,615 |  |  | | | **$** | **12,121** |  |  | | | $ | 7,718 |  |  | | |  | | |

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(1)Includes investment expenses charged by AB of $33 million, $20 million, $77 million and $59 million for the three and nine months ended September 30, 2022 and 2021, respectively, for services provided to the Company.

(2)Inter-segment investment management and other fees of $41 million $32 million, $101 million and $94 million for the three and nine months ended September 30, 2022 and 2021, respectively, are included in segment revenues of the Investment Management and Research segment.

The table below presents total assets by segment as of September 30, 2022 and 2021:

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**EQUITABLE HOLDINGS, INC.**

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

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | December 31, 2021 | | |
|  | | | **(in millions)** | | | | | | | | |
| Total assets by segment: | | |  | | |  | | |  | | |
| Individual Retirement | | | **$** | **119,883** |  |  | | | $ | 143,663 |  |
| Group Retirement | | | **38,908** | |  |  | | | 55,368 | |  |
| Investment Management and Research | | | **12,370** | |  |  | | | 11,602 | |  |
| Protection Solutions | | | **36,998** | |  |  | | | 50,686 | |  |
| Corporate and Other | | | **37,441** | |  |  | | | 30,943 | |  |
| Total assets | | | **$** | **245,600** |  |  | | | $ | 292,262 |  |

**15)    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:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Weighted-average common shares outstanding: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Weighted-average common shares outstanding — basic | | | **374.5** | |  |  | | | 411.3 | |  |  | | | **380.6** | |  |  | | | 423.2 | |  |  | | |  | | |
| Effect of dilutive potential common shares: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Employee share awards (1) | | | **2.3** | |  |  | | | 3.3 | |  |  | | | **2.3** | |  |  | | | — | |  |  | | |  | | |
| Weighted-average common shares outstanding — diluted (2) | | | **376.8** | |  |  | | | 414.6 | |  |  | | | **382.9** | |  |  | | | 423.2 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) | | | **$** | **327** |  |  | | | $ | 765 |  |  | | | **$** | **2,739** |  |  | | | $ | (412) |  |  | | |  | | |
| Less: Net income (loss) attributable to the noncontrolling interest | | | **54** | |  |  | | | 93 | |  |  | | | **165** | |  |  | | | 281 | |  |  | | |  | | |
| Net income (loss) attributable to Holdings | | | **273** | |  |  | | | 672 | |  |  | | | **2,574** | |  |  | | | (693) | |  |  | | |  | | |
| Less: Preferred stock dividends | | | **14** | |  |  | | | 14 | |  |  | | | **54** | |  |  | | | 53 | |  |  | | |  | | |
| Net income (loss) available to Holdings’ common shareholders | | | **$** | **259** |  |  | | | $ | 658 |  |  | | | **$** | **2,520** |  |  | | | $ | (746) |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Earnings per common share: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | **$** | **0.69** |  |  | | | $ | 1.60 |  |  | | | **$** | **6.62** |  |  | | | $ | (1.76) |  |  | | |  | | |
| Diluted | | | **$** | **0.69** |  |  | | | $ | 1.59 |  |  | | | **$** | **6.58** |  |  | | | $ | (1.76) |  |  | | |  | | |

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(1)Calculated using the treasury stock method.

(2)Due to net loss for the nine months ended September 30, 2021 approximately 3.7 million share awards were excluded from the diluted EPS calculation.

For the three and nine months ended September 30, 2022 and 2021, 2.9 million, 4.5 million, 3.5 million and 8.3 million of outstanding stock awards, respectively, were not included in the computation of diluted earnings per share because their effect was anti-dilutive.

**16)     SUBSEQUENT EVENTS**

***EQUI-VEST Reinsurance Transaction***

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On October 3, 2022, Equitable Financial completed the transactions (the “EQUI-VEST Transaction”) contemplated by the previously announced Master Transaction Agreement, dated August 16, 2022, by and between Equitable Financial and First Allmerica Financial Life Insurance Company, a Massachusetts-domiciled insurance company (the “Reinsurer”), a wholly owned subsidiary of Global Atlantic Financial Group.

At the closing of the EQUI-VEST Transaction, Equitable Financial and the Reinsurer entered into a Coinsurance and Modified Coinsurance Agreement (the “EQUI-VEST Reinsurance Agreement”), pursuant to which Equitable Financial ceded to the Reinsurer, on a combined coinsurance and modified coinsurance basis, a 50% quota share of approximately 360,000 legacy Group EQUI-VEST deferred variable annuity contracts issued by Equitable Financial between 1980 and 2008, which predominately include Equitable Financial’s highest guaranteed general account crediting rates of 3%, supported by general account assets of approximately $4 billion and $5 billion of separate account value (the “Reinsured Contracts”).

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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*](#i91a10deab42d4ca59e2a2b17dc17e22e_19)*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, 2021 (“2021 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*](#i91a10deab42d4ca59e2a2b17dc17e22e_463)*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 14 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.

***EQUI-VEST Reinsurance Transaction***

On October 3, 2022, Equitable Financial completed the transactions (the “EQUI-VEST Transaction”) contemplated by the previously announced Master Transaction Agreement, dated August 16, 2022, by and between Equitable Financial and First Allmerica Financial Life Insurance Company, a Massachusetts-domiciled insurance company (the “Reinsurer”), a wholly owned subsidiary of Global Atlantic Financial Group.

At the closing of the EQUI-VEST Transaction, Equitable Financial and the Reinsurer entered into a Coinsurance and Modified Coinsurance Agreement (the “EQUI-VEST Reinsurance Agreement”), pursuant to which Equitable Financial ceded to the Reinsurer, on a combined coinsurance and modified coinsurance basis, a 50% quota share of approximately 360,000 legacy Group EQUI-VEST deferred variable annuity contracts issued by Equitable Financial between 1980 and 2008 supported by general account assets of approximately $4 billion and $5 billion of separate account value (the “Reinsured Contracts”). The Reinsured Contracts predominately include certain of Equitable Financial’s contracts that offer the highest guaranteed general account crediting rates of 3%. At the closing of the EQUI-VEST Transaction, Reinsurer deposited assets supporting the general account liabilities relating to the Reinsured Contracts into a trust account for the benefit of Equitable Financial, which assets will secure its obligations to Equitable Financial under the EQUI-VEST Reinsurance Agreement. Equitable Financial reinsured the separate accounts relating to the Reinsured Contracts on a modified coinsurance basis. Commonwealth Annuity and Life Insurance Company, an insurance company domiciled in the Commonwealth of Massachusetts and affiliate of Reinsurer (“Commonwealth”), provided a guarantee of Reinsurer’s payment obligation to Equitable Financial under the EQUI-VEST Reinsurance Agreement. In addition, the investment of assets in the trust account is subject to investment guidelines, and the EQUI-VEST Reinsurance Agreement requires enhanced funding upon certain capital adequacy related triggers. The EQUI-VEST Reinsurance Agreement also contains additional counterparty risk management and mitigation provisions. At the closing of the EQUI-VEST Transaction, ABLP entered into an investment advisory agreement with Reinsurer pursuant to which ABLP will serve as the preferred investment manager of certain general account assets transferred to the trust account. Equitable Financial will continue to administer the Reinsured Contracts.

***Revenues***

Our revenues come from three principal sources:

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•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 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 GMxB 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. ”

***COVID-19 Impact***

COVID-19 continues to evolve. We continue to closely monitor COVID-19 developments and the impact on our business, operations and investment portfolio. Any future impact of COVID-19 depends on many unknown factors and is highly uncertain, including as to the emergence and spread of COVID-19 variants, the availability, adoption and efficacy of COVID-19 treatments and vaccines, and future actions taken by governmental authorities, central banks and other parties in

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response to COVID-19. Further, as COVID-19 has not yet subsided, it is not possible to predict or estimate the longer-term effects of COVID-19 on the broad economy or on our business, results of operations and financial condition, including the impact on our investment portfolio and the possible need for us revisit or revise targets and/or aspects of our business model previously provided to the markets. For additional information regarding the actual and potential impacts of COVID-19 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 2021 Form 10-K.

**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 GMxB 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.

•*GMxB 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. In addition, on June 1, 2021, we ceded legacy variable annuity policies sold by Equitable Financial between 2006-2008 (the “Block”), comprised of non-New York “Accumulator” policies containing fixed rate GMIB and/or GMDB guarantees. As this contract provides full risk transfer and thus has the same risk attributes as the underlying direct contracts, the benefits of this treaty are accounted for in the same manner as the underlying gross reserves.

***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

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revenues and assets for DAC and DSI. The valuation of these assets and liabilities (other than deposits) is 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 of the Notes to the Consolidated Financial Statements and “—Summary of Critical Accounting Estimates—Liability for Future Policy Benefits” included in the 2021 Form 10-K.

***Assumption Updates***

We conduct our annual review of our assumptions 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 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 September 30, 2022 and 2021 to our income (loss) from continuing operations, before income taxes and net income (loss).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended September 30, (1)** | | | | | | | | |  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Impact of assumption update on Net income (loss):** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Variable annuity product features related assumption update | | | **$** | **175** |  |  | | | $ | (91) |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Assumption updates for other business | | | **7** | |  |  | | | (17) | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Impact of assumption updates on Income (loss) from continuing operations, before income tax | | | **182** | |  |  | | | (108) | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Income tax benefit on assumption update | | | **(38)** | |  |  | | | 23 | |  |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) impact of assumption update | | | **$** | **144** |  |  | | | $ | (85) |  |  | | |  | | |  | | |  | | |  | | |  | | |

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(1)The amounts for the three months and the nine months ended September 30 of each year represented the same amounts.

**2022 Assumption Updates**

The impact of the assumption update in the third quarter 2022 was an increase of $182 million to income (loss) from continuing operations, before income taxes and an increase to net income (loss) of $144 million.

The net impact of this assumption update on income (loss) from continuing operations, before income taxes of $182 million consisted of a decrease in policy charges and fee income of $23 million, a decrease in policyholders’ benefits of $243 million, an increase in interest credited to policyholder account balances of $1 million, an increase in net derivative losses of $80 million and a decrease in the amortization of DAC of $43 million.

**2021 Assumption Updates**

The impact of the economic assumption update in the third quarter 2021 was a decrease of $108 million to income (loss) from continuing operations, before income taxes and a decrease to net income (loss) of $85 million. As part of this annual update the reference interest rate utilized in our GAAP fair value calculations was updated from the LIBOR swap curve to the US Treasury curve to the US Treasury curve due to the impending cessation of LIBOR and our GAAP fair value liability risk margins were increased, resulting in little impact to overall valuation as our view regarding market participant pricing of our guarantees has not changed at this time.

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The net impact of this assumption update on income (loss) from operations, before income taxes of $108 million consisted of a decrease in policy charges and fee income of $28 million, a decrease in policyholders’ benefits of $62 million, an increase in net derivative gains (losses) of $200 million and a decrease in amortization of DAC of $58 million.

*Impact of Assumption Updates on Pre-tax Non-GAAP Operating Earnings*

The table below presents the impact on pre-tax Non-GAAP Operating Earnings of our actuarial assumption updates during the three months ended September 30, 2022 and 2021 by segment and Corporate and Other.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30, (1)** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | **2021** | | |  | | |  | | |
|  | | | **(in million)** | | | | | | | | |  |  |  |  |  |  |
| **Impact of assumption updates by segment:** | | |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement | | | **$** | **(13)** |  |  | | | $ | (47) |  |  | | |  | | |
| Group Retirement | | | **34** | |  |  | | | 35 | |  |  | | |  | | |
| Protection Solutions | | | **7** | |  |  | | | 20 | |  |  | | |  | | |
| Impact of assumption updates on Corporate and Other | | | **—** | |  |  | | | — | |  |  | | |  | | |
| Total impact on pre-tax Non-GAAP Operating Earnings | | | **$** | **28** |  |  | | | $ | 8 |  |  | | |  | | |

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(1)The amounts for the three months and the nine months ended September 30 of each year represented the same amounts.

**2022 Assumption Updates**

The impact of our 2022 annual review on Non-GAAP Operating Earnings was favorable by $28 million before taking into consideration the tax impacts or $22 million after tax. For Individual Retirement segment, the impacts primarily reflect updated mortality on our older payout business. For Group Retirement segment, the impacts reflect updated economic assumptions. The annual update for Protection Solutions segment reflects favorable economic conditions and surrenders primarily on the VUL line. This, in turn, creates future profits and lowers the accrual on our PFBL reserve.

The net impact of assumption changes on Non-GAAP Operating Earnings in the third quarter 2022 decreased policy charges and fee income by $23 million, decreased policyholders’ benefits by $9 million, increased interest credited to policyholder account balances by $1 million and decreased amortization of DAC by $43 million. Non-GAAP Operating Earnings excludes items related to Variable annuity product features, such as changes in the fair value of the embedded derivatives associated with the GMIBNLG liability and the effect of benefit ratio unlock adjustments.

**2021 Assumption Updates**

The impact of our 2021 annual review on Non-GAAP Operating Earnings was favorable by $8 million before taking into consideration the tax impacts or $6 million after tax. For the Individual Retirement segment, the impacts primarily reflect updated mortality on our older payout business. For Group Retirement segment, the impacts reflect updated economic assumptions. The annual update for Protection Solutions segment reflects favorable economic conditions and surrenders primarily on the VUL line. This, in turn, creates future profits and lowers the accrual on our PFBL reserve.

The net impact of assumption changes on Non-GAAP Operating Earnings in the third quarter 2021 decreased Policy charges and fee income by $28 million, increased Policyholders’ benefits by $22 million and decreased Amortization of DAC by $58 million. Non-GAAP Operating Earnings excludes items related to Variable annuity product features, such as changes in the fair value of the embedded derivatives associated with the GMIBNLG liability and the effect of benefit ratio unlock adjustments.

**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 financial and economic conditions. These factors include, among others, increased volatility in the capital markets, equity market declines, rising interest rates, inflationary pressures, plateauing or decreasing economic growth, high fuel and energy costs, changes in fiscal or monetary policy and geopolitical tensions. The

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invasion of Ukraine by Russia and the sanctions and other measures imposed in response to this conflict significantly increased the level of volatility in the financial markets and have increased the level of economic and political uncertainty.

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. In addition, our insurance liabilities and derivatives are sensitive to changing market factors, including equity market performance and interest rates. During the third quarter 2022, equity markets continued their decline, while interest rates continued to rise, and are anticipated to continue to rise throughout the year based on statements of members of the Board of Governors of the Federal Reserve System. 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 remaining below historical averages despite recent increases, 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 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. For additional information on regulatory developments and the risks we face, see “Business—Regulation” and “Risk Factors—Legal and Regulatory Risks.” in the 2021 Form 10-K.

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*Inflation Reduction Act.* On August 16, 2022, President Biden signed the Inflation Reduction Act into law which introduces a 15% minimum tax based on financial statement income as well as a 1% excise tax on share buybacks, effective for tax years beginning in 2023. While neither the minimum tax nor the excise tax on share buybacks are currently expected to have a significant impact on the Company, we continue to monitor developments and regulations associated with the Inflation Reduction Act for any potential future impacts on our business, results of operations and financial condition.

*Climate Risks.* In March 2022, the SEC released proposed rule changes on climate-related disclosure. The proposed rule changes would require companies to include certain climate-related disclosures including information about climate-related risks that have had or reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to the audited financial statements. Among other things, the required information about climate-related risks also would include disclosure of a company’s greenhouse gas emissions, information about climate-related targets and goals, and if a transition plan, has been adopted as part of climate-related risk management strategy, and requires extensive attestation requirements. If adopted as proposed, the rule changes are expected to result in additional compliance and reporting costs.

*Privacy and Security of Customer Information and Cybersecurity Regulation*. In March 2022, the SEC released proposed rules enhancing cybersecurity risk and management disclosure requirements for companies. If enacted, the proposed rules would, among other things, require disclosure of any material cybersecurity incident on its Form 8-K within four business days of determining that the incident it has experienced is material. They would also require periodic disclosures of, among other things, (i) details on the company’s cybersecurity policies and procedures, (ii) cybersecurity governance, oversight policies and risk management policies, including the board of directors’ oversight of cybersecurity risks, (iii) the relevant expertise of members of the board of directors with respect to cybersecurity issues and (iv) details of any cybersecurity incident that was previously disclosed on Form 8-K, as well as any undisclosed incidents that were non-material, but have become material in the aggregate.

In July 2022, the NYDFS proposed amendments to the New York Cybersecurity Requirements for Financial Services Companies promulgated by the NYDFS in March 2017. The amendments, if adopted, would require new reporting, governance and oversight measures be implemented, enhance certain cybersecurity safeguards (e.g., annual audits, vulnerability assessments, and password controls and monitoring), and mandate notifications in the event that a covered entity makes a cyber-ransom payment. The pre-proposal comment period on these draft amendments ended in August 2022, and an additional comment period is expected in the future.

*Fiduciary Rules / “Best Interest” Standards of Conduct.* The NYDFS’ amendments to Regulation 187 - Suitability and Best Interests in Life Insurance and Annuity Transactions (“Regulation 187”) incorporate the “best interest” standard for annuity transactions and they expand the scope of the regulation to include sales of life insurance policies to consumers. In April 2021, the Appellate Division of the New York Supreme Court overturned Regulation 187 for being unconstitutionally vague, although the New York State Court of Appeals reversed this ruling on October 20, 2022. We cannot predict whether any rules or rule amendments will be adopted by either the SEC or NYDFS, what form any such final rules may take, or what effect adoption of such rules or amendments would have on our business or compliance costs.

**Productivity Strategies**

*Retirement and Protection Businesses*

As part of our continuing efforts to drive productivity improvements, in January 2021, we began a new program expected to achieve $80 million of targeted run-rate expense savings by 2023, of which $43 million has been achieved as of September 30, 2022. We expect to achieve these savings by shifting our workforce into an agile working model, leveraging technology-enabled capabilities, optimizing our real estate footprint, and continuing to realize a portion of COVID-19 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, 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, including extraordinary economic conditions or events such as COVID-19; (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; and (iv) DAC amortization for the SCS variable annuity product arising from near-term fluctuations in index segment returns;

•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, certain legal accruals; and a bespoke deal to repurchase UL policies from one entity that had invested in numerous policies purchased in the life settlement market, which disposed of the risk of additional COI litigation by that entity related to those UL policies; 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.

In the first quarter 2022, the Company updated its Non-GAAP Operating Earnings measure to exclude the DAC amortization impact of near-term fluctuations in indexed segment returns on the SCS variable annuity product to reflect the impact of market fluctuations consistently with the long term duration of the product. For the three and nine months ended September 30, 2022, Non-GAAP Operating Earnings was favorably impacted by this change in the amount of $24 million and $94 million for the three and nine months ended September 30, 2022, respectively. The presentation of Non-GAAP Operating Earnings in prior periods was not revised to reflect this modification, however, the Company estimated that had the treatment in

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the Company’s Non-GAAP Operating Earnings measure of the Amortization of DAC for SCS been modified in 2020, the pre-tax impact on Non-GAAP Operating Earnings of excluding the SCS-related DAC amortization from Non-GAAP Operating Earnings would have been an increase of $7 million for the three months ended September 30, 2021, and a decrease of $7 million, $16 million and $34 million for the nine months ended September 30, 2021, and years ended December 31, 2021 and 2020, respectively.

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.

The table below presents a reconciliation of net income (loss) attributable to Holdings to Non-GAAP Operating Earnings for the three and nine months ended September 30, 2022 and 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | |  | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |
|  | | |  | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| Net income (loss) attributable to Holdings | | |  | **$** | **273** |  |  | | | $ | 672 |  |  | | | **$** | **2,574** |  |  | | | $ | (693) |  |
| Adjustments related to: | | |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Variable annuity product features | | |  | **(114)** | |  |  | | | 172 | |  |  | | | **(2,639)** | |  |  | | | 3,632 | |  |
| Investment (gains) losses | | |  | **333** | |  |  | | | (164) | |  |  | | | **890** | |  |  | | | (767) | |  |
| Net actuarial (gains) losses related to pension and other postretirement benefit obligations | | |  | **19** | |  |  | | | 27 | |  |  | | | **57** | |  |  | | | 87 | |  |
| Other adjustments (1) (2) (3) | | |  | **39** | |  |  | | | 141 | |  |  | | | **407** | |  |  | | | 672 | |  |
| Income tax expense (benefit) related to above adjustments | | |  | **(59)** | |  |  | | | (35) | |  |  | | | **270** | |  |  | | | (761) | |  |
| Non-recurring tax items | | |  | **7** | |  |  | | | 5 | |  |  | | | **13** | |  |  | | | 6 | |  |
| Non-GAAP Operating Earnings | | |  | **$** | **498** |  |  | | | $ | 818 |  |  | | | **$** | **1,572** |  |  | | | $ | 2,176 |  |

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(1)Includes Separation Costs of $25 million and $62 million for the three months and nine months ended September 30, 2021, respectively. Separation costs were completed during 2021.

(2)Includes certain gross legal expenses related to the cost of insurance litigation of $2 million and $0 million, $168 million and $180 million for the three and nine months ended September 30, 2022 and 2021, respectively. Includes policyholder benefit costs of $0 million and $75 million for the three and nine months ended September 30, 2022 stemming from a deal to repurchase UL policies from one entity that had invested in numerous policies purchased in the life settlement market.

(3)Includes Non-GMxB related derivative hedge losses of ($28) million, ($4) million, ($68) million and $140 million for the three and nine months ended September 30, 2022 and 2021, respectively.

***Non-GAAP Operating ROE***

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. 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.

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 September 30, 2022.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | **Trailing Twelve Months Ended September 30, 2022** | | |
|  | | | **(in millions)** | | |
| Net income (loss) available to Holdings’ common shareholders | | | **$** | **2,748** |  |
| Average equity attributable to Holdings’ common shareholders, excluding AOCI | | | **$** | **8,844** |  |

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | **Trailing Twelve Months Ended September 30, 2022** | | |
|  | | | **(in millions)** | | |
| Return on average equity attributable to Holdings’ common shareholders, excluding AOCI | | | **31.1** | | **%** |
|  | | |  | | |
| Non-GAAP Operating Earnings available to Holdings’ common shareholders | | | **$** | **2,141** |  |
| Average equity attributable to Holdings’ common shareholders, excluding AOCI | | | **$** | **8,844** |  |
| Non-GAAP Operating ROE | | | **24.2** | | **%** |

***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 and nine months ended September 30, 2022 and 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  |  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |  |  | | | **2022** | | |  | | | 2021 | | |
|  | | | **(per share amounts)** | | | | | | | | | | | | | | | | | | |  |  |  |
| Net income (loss) attributable to Holdings (1) | | | **$** | **0.72** |  |  | | | $ | 1.62 |  |  |  | | | **$** | **6.72** |  |  | | | $ | (1.64) |  |
| Less: Preferred stock dividends | | | **0.03** | |  |  | | | 0.03 | |  |  |  | | | **0.14** | |  |  | | | 0.12 | |  |
| Net income (loss) available to Holdings’ common shareholders | | | **0.69** | |  |  | | | 1.59 | |  |  |  | | | **6.58** | |  |  | | | (1.76) | |  |
| Adjustments related to: | | |  | | |  | | |  | | |  |  | | |  | | |  | | |  | | |
| Variable annuity product features | | | **(0.31)** | |  |  | | | 0.41 | |  |  |  | | | **(6.89)** | |  |  | | | 8.58 | |  |
| Investment (gains) losses | | | **0.87** | |  |  | | | (0.41) | |  |  |  | | | **2.32** | |  |  | | | (1.81) | |  |
| Net actuarial (gains) losses related to pension and other postretirement benefit obligations | | | **0.05** | |  |  | | | 0.07 | |  |  |  | | | **0.15** | |  |  | | | 0.21 | |  |
| Other adjustments (2) (3) (4) | | | **0.12** | |  |  | | | 0.35 | |  |  |  | | | **1.06** | |  |  | | | 1.59 | |  |
| Income tax expense (benefit) related to above adjustments | | | **(0.16)** | |  |  | | | (0.08) | |  |  |  | | | **0.71** | |  |  | | | (1.80) | |  |
| Non-recurring tax items | | | **0.02** | |  |  | | | 0.01 | |  |  |  | | | **0.03** | |  |  | | | 0.01 | |  |
| Non-GAAP operating common EPS | | | **$** | **1.28** |  |  | | | $ | 1.94 |  |  |  | | | **$** | **3.96** |  |  | | | $ | 5.02 |  |

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(1)For periods presented with a net loss, basic shares are used for EPS .

(2)Includes separation costs of $0.06 and $0.15 for the three months and nine months ended September 30, 2021, respectively.

(3)Includes certain gross legal expenses related to the cost of insurance litigation of $0.01, $0.00, $0.44 and $0.43 for the three and nine months ended September 30, 2022 and2021, respectively. Includes policyholder benefit costs of $0.00 and $0.20 for the three and nine months ended September 30, 2022 stemming from a deal to repurchase UL policies from one entity that had invested in numerous policies purchased in the life settlement market.

(4)Includes Non-GMxB related derivative hedge losses of ($0.07), ($0.01), ($0.18) and $0.31 for the three and nine months ended September 30, 2022 and 2021, respectively.

***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.

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***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% during the three months ended September 30, 2022 and 2021, and approximately 65% during the nine months ended September 30, 2022 and 2021. The slight decrease in economic interest was due to the issuance of AB Units relating to AB’s 100% acquisition of CarVal. On July 1, 2022, AB issued 3.2 million AB Units (with a fair value of $133 million) and recorded a $419 million liability for the issuance of additional AB Units on November 1, 2022. AB also recorded a contingent consideration payable of $227 million (to be paid predominantly in AB Units) based on CarVal achieving certain performance objectives over a six-year period ending December 31, 2027. The issuance of the AB Units is not expected to have a significant impact on Non-GAAP Operating Earnings and Net Income.

***Consolidated Results of Operations***

The following table summarizes our consolidated statements of income (loss) for the three and nine months ended September 30, 2022 and 2021:

**Consolidated Statement of Income (Loss)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions, except per share data)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policy charges and fee income | | | **$** | **796** |  |  | | | $ | 867 |  |  | | | **$** | **2,449** |  |  | | | $ | 2,755 |  |  | | |  | | |
| Premiums | | | **259** | |  |  | | | 230 | |  |  | | | **744** | |  |  | | | 729 | |  |  | | |  | | |
| Net derivative gains (losses) | | | **68** | |  |  | | | (185) | |  |  | | | **3,118** | |  |  | | | (3,930) | |  |  | | |  | | |
| Net investment income (loss) | | | **842** | |  |  | | | 997 | |  |  | | | **2,357** | |  |  | | | 2,914 | |  |  | | |  | | |
| Investment gains (losses), net: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Credit losses on available-for-sale debt securities and loans | | | **(267)** | |  |  | | | (2) | |  |  | | | **(266)** | |  |  | | | 4 | |  |  | | |  | | |
| Other investment gains (losses), net | | | **(65)** | |  |  | | | 165 | |  |  | | | **(624)** | |  |  | | | 763 | |  |  | | |  | | |
| Total investment gains (losses), net | | | **(332)** | |  |  | | | 163 | |  |  | | | **(890)** | |  |  | | | 767 | |  |  | | |  | | |
| Investment management and service fees | | | **1,179** | |  |  | | | 1,323 | |  |  | | | **3,731** | |  |  | | | 3,898 | |  |  | | |  | | |
| Other income | | | **197** | |  |  | | | 220 | |  |  | | | **612** | |  |  | | | 585 | |  |  | | |  | | |
| Total revenues | | | **3,009** | |  |  | | | 3,615 | |  |  | | | **12,121** | |  |  | | | 7,718 | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions, except per share data)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | | **625** | |  |  | | | 751 | |  |  | | | **2,599** | |  |  | | | 2,518 | |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | | **378** | |  |  | | | 305 | |  |  | | | **1,002** | |  |  | | | 905 | |  |  | | |  | | |
| Compensation and benefits | | | **566** | |  |  | | | 614 | |  |  | | | **1,679** | |  |  | | | 1,762 | |  |  | | |  | | |
| Commissions and distribution-related payments | | | **368** | |  |  | | | 436 | |  |  | | | **1,184** | |  |  | | | 1,215 | |  |  | | |  | | |
| Interest expense | | | **51** | |  |  | | | 59 | |  |  | | | **148** | |  |  | | | 184 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | | **105** | |  |  | | | 64 | |  |  | | | **446** | |  |  | | | 257 | |  |  | | |  | | |
| Other operating costs and expenses | | | **497** | |  |  | | | 456 | |  |  | | | **1,617** | |  |  | | | 1,511 | |  |  | | |  | | |
| Total benefits and other deductions | | | **2,590** | |  |  | | | 2,685 | |  |  | | | **8,675** | |  |  | | | 8,352 | |  |  | | |  | | |
| Income (loss) from continuing operations, before income taxes | | | **419** | |  |  | | | 930 | |  |  | | | **3,446** | |  |  | | | (634) | |  |  | | |  | | |
| Income tax (expense) benefit | | | **(92)** | |  |  | | | (165) | |  |  | | | **(707)** | |  |  | | | 222 | |  |  | | |  | | |
| Net income (loss) | | | **327** | |  |  | | | 765 | |  |  | | | **2,739** | |  |  | | | (412) | |  |  | | |  | | |
| Less: Net income (loss) attributable to the noncontrolling interest | | | **54** | |  |  | | | 93 | |  |  | | | **165** | |  |  | | | 281 | |  |  | | |  | | |
| Net income (loss) attributable to Holdings | | | **273** | |  |  | | | 672 | |  |  | | | **2,574** | |  |  | | | (693) | |  |  | | |  | | |
| Less: Preferred stock dividends | | | **14** | |  |  | | | 14 | |  |  | | | **54** | |  |  | | | 53 | |  |  | | |  | | |
| Net income (loss) available to Holdings’ common shareholders | | | **$** | **259** |  |  | | | $ | 658 |  |  | | | **$** | **2,520** |  |  | | | $ | (746) |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **EARNINGS PER COMMON SHARE** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net income (loss) applicable to Holdings’ common shareholders per common share: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | **$** | **0.69** |  |  | | | $ | 1.60 |  |  | | | **$** | **6.62** |  |  | | | $ | (1.76) |  |  | | |  | | |
| Diluted | | | **$** | **0.69** |  |  | | | $ | 1.59 |  |  | | | **$** | **6.58** |  |  | | | $ | (1.76) |  |  | | |  | | |
| Weighted average common shares outstanding (in millions): | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | **374.5** | |  |  | | | 411.3 | |  |  | | | **380.6** | |  |  | | | 423.2 | |  |  | | |  | | |
| Diluted | | | **376.8** | |  |  | | | 414.6 | |  |  | | | **382.9** | |  |  | | | 423.2 | |  |  | | |  | | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Non-GAAP Operating Earnings | | | **$** | **498** |  |  | | | $ | 818 |  | **$** | **1,572** |  |  | | | $ | 2,176 |  |  | | |  | | |

The following table summarizes our Non-GAAP Operating Earnings per common share for the three and nine months ended September 30, 2022 and 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | |  | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Non-GAAP operating earnings per common share: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | **$** | **1.29** |  |  | | | $ | 1.95 |  | **$** | **3.99** |  |  | | | $ | 5.02 |  |  | | |  | | |
| Diluted | | | **$** | **1.28** |  |  | | | $ | 1.94 |  | **$** | **3.96** |  |  | | | $ | 5.02 |  |  | | |  | | |

**Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021**

***Net Income Attributable to Holdings***

Net income attributable to Holdings decreased by $399 million, to a net income of $273 million for the three months ended September 30, 2022 from a net income of $672 million in the three months ended September 30, 2021. The following notable items were the primary drivers for the change in net income (loss):

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Unfavorable items included:

•Investment gains decreased by $495 million mainly due to AFS fixed maturities in an unrealized loss position in anticipation of the EQUI-VEST Transaction and rebalancing program to reduce duration during 2022.

•Fee-type revenue decreased by $209 million mainly driven by lower average Separate Accounts AV within our Individual and Group Retirement segments as a result of lower equity markets, and lower advisory base fees, Bernstein Research Services revenues and distribution revenues in our Investment Management and Research segment primarily resulting from lower average AUM due to market depreciation.

•Net investment income decreased by $155 million mainly due to lower alternative investment income, lower prepayments, and lower income from seed capital investments (offset by hedging gains in derivatives), partially offset by higher income from floating rate securities, higher asset balances and GA optimization.

•Interest credited to policyholders’ account balances increased by $73 million mainly due to growth of SCS AV and increase in interest rates and average outstanding amounts of funding agreements during third quarter of 2022 compared to the third quarter 2021.

•Amortization of DAC increased by $41 million mainly due to equity market depreciation and less favorable assumption updates during the third quarter 2022 compared to the third quarter 2021.

These were partially offset by the following favorable items:

•Net derivative gains increased by $253 million from a $185 million loss from prior period due to equity market depreciation and more favorable assumption updates in the third quarter 2022 versus the prior period quarter partially offset by impacts from rising interest rate increases.

•Policyholders’ benefits decreased by $126 million mainly due to more favorable assumption updates in third quarter 2022 compared to third quarter 2021 partially offset by equity market depreciation during the third quarter 2022 compared to equity market appreciation during the third quarter 2021 (offset in Net Derivative gains) and higher benefits due to strong growth in Employee Benefits.

•Commissions and distribution-related payments decreased by $68 million mainly due to lower payments to financial intermediaries for the distribution of AB mutual funds in our Investment Management and Research segment and lower AV in our Individual Retirement segment related to equity market depreciation.

•Net income attributable to noncontrolling interest decreased by $39 million mainly due to lower AB pre-tax income and consolidated VIE losses during the third quarter 2022.

•Income tax expense decreased by $73 million mainly due to a decrease in pre-tax income in the third quarter 2022, partially offset by a higher effective tax rate.

***Non-GAAP Operating Earnings***

Non-GAAP Operating Earnings decreased by $319 million to $498 million for the three months ended September 30, 2022 from $818 million in the three months ended September 30, 2021. The following notable items were the primary drivers for the change in Non-GAAP Operating Earnings:

Unfavorable items included:

•Fee-type revenue decreased by $214 million mainly due to lower average Separate Accounts AV within our Individual and Group Retirement segments as a result of lower equity markets, and lower advisory base fees, Bernstein Research Services revenues and distribution revenues in our Investment Management and Research segment primarily resulting from lower average AUM due to market depreciation.

•Net investment income decreased by $163 million mainly due to lower alternative investment income, lower prepayments and lower income from seed capital investments (offset by hedging gains in derivatives), partially offset by higher income from floating rate securities and higher income from new investment yields.

•Interest credited to policyholders’ account balances increased by $73 million mainly due to growth of SCS AV and increase in interest rates and average outstanding amounts of funding agreements during third quarter 2022 compared to the third quarter 2021.

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•Policyholders’ benefits increased by $46 million mainly due to equity market depreciation during the third quarter 2022 compared to equity market appreciation during the third quarter 2021 (offset in Net Derivative gains), higher benefits due to strong growth in Employee Benefits partially offset by more favorable assumption updates in third quarter 2022 compared to third quarter 2021.

•Amortization of DAC increased by $30 million mainly due to equity market depreciation and less favorable assumption updates during the third quarter 2022 compared to the third quarter 2021.

•Compensation, benefits and other operating costs and expenses increased by $24 million mainly due to unfavorable COLI impacts.

These were partially offset by the following favorable items:

•Net derivative gains increased by $82 million from a $64 million gain in the prior period mainly due to equity market depreciation (offset in Policyholder’s benefits) during third quarter 2022 partially offset by inflation related hedging losses on TIPS.

•Commissions and distribution-related payments decreased by $68 million mainly due to lower AV in our Individual Retirement segment related to equity market depreciation and lower payments to financial intermediaries for the distribution of AB mutual funds within our Investment Management and Research segment,

•Earnings attributable to the noncontrolling interest decreased by $24 million mainly due to lower Operating earnings in our Investment Management and Research segment.

•Income tax expense decreased by $48 million driven by lower pre-tax earnings,

**Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021**

***Net Income Attributable to Holdings***

Net loss attributable to Holdings increased by $3.3 billion to a net income of $2.6 billion for the nine months ended September 30, 2022 from a net loss of $693 million for the nine months ended September 30, 2021. The following notable items were the primary drivers for the change in net income (loss):

Favorable items included:

•Net derivative gains increased $7.0 billion from a $3.9 billion loss in prior period driven by reduced interest rate derivative positions and equity market depreciation during 2022 as compared to 2021.

•Commissions and distribution-related payments decreased by $31 million mainly due to lower AV in our Individual Retirement segment related to equity market depreciation and lower payments to financial intermediaries for the distribution of AB mutual funds within our Investment Management and Research segment, partially offset by growth in broker dealer sales and higher sales of Employee Benefits products in our Protection Solutions segment.

•Net income attributable to noncontrolling interest decreased by $116 million mainly due to losses from AB’s consolidated VIEs and lower AB pre-tax income.

These were partially offset by the following unfavorable items:

•Investment gains decreased by $1.7 billion mainly due to AFS fixed maturities in an unrealized loss position in anticipation of the EQUI-VEST Transaction and prior year rebalancing in the General Account portfolio associated with the Venerable Transaction and the rebalancing program to reduce duration during 2022.

•Net investment income decreased by $557 million mainly due to lower alternative investment income, lower prepayments, lower assets due to the prior year Venerable Transaction, and lower income from seed capital investments (offset by hedging gains in derivatives), partially offset by higher income from floating rate securities, higher income from TIPS (offset in inflation related hedging losses) and GA optimization.

•Fee-type revenue decreased by $431 million mainly driven by lower fees in our Individual Retirement segment as a result of lower equity markets and fee-income ceded to Venerable partially offset by higher premiums due to growth in Employee Benefits (offset in Policyholder’s benefits).

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•Amortization of DAC increased by $189 million mainly due to equity market depreciation and less favorable assumption updates during 2022 compared to 2021.

•Interest credited to policyholders’ account balances increased by $97 million mainly due to growth of SCS AV and increase in interest rates and average outstanding amounts of funding agreements during 2022.

•Policyholders’ benefits increased by $81 million mainly due to the equity market depreciation during 2022 compared to equity market appreciation during 2021 (offset in Net Derivative gains), higher claims in Individual Retirement segment partially offset by more favorable assumption updates during 2022 and impact of the Venerable Transaction on GMxB reserve accrual.

•Compensation, benefits and other operating expenses increased by $23 million mainly due to higher general and administrative expenses in our Investment Management and Research segment, unfavorable COLI impacts related to 2022 equity markets and higher consulting expenses partially offset by lower fund expenses from lower average assets due to the Venerable Transactions and lower separation expenses and legal reserve accruals.

•Income tax expense increased by $929 million primarily due to pre-tax income in the nine months ended 2022 compared to a pre-tax loss in the nine months ended 2021, partially offset by higher effective tax rate.

See “—Significant Factors Impacting Our Results—Effect of Assumption Updates on Operating Results” for more information regarding assumption updates.

***Non-GAAP Operating Earnings***

Non-GAAP Operating Earnings decreased by $604 million to $1.6 billion for the nine months ended September 30, 2022 from $2.2 billion in the nine months ended September 30, 2021. The following notable items were the primary drivers for the change in Non-GAAP Operating Earnings.

Unfavorable items included:

•Fee-type revenue decreased by $432 million mainly due to lower fees in our Individual Retirement segment as a result of lower equity markets and fee-income ceded to Venerable partially offset by higher premiums due to growth in Employee Benefits (offset in Policyholder’s benefits).

•Net investment income decreased by $415 million mainly due to lower alternative investment income, lower prepayments, lower assets due to the prior year Venerable Transaction, and lower income from seed capital investments (offset by hedging gains in derivatives) partially offset by higher income from floating rate securities and TIPS (offset in inflation related hedging losses) and GA optimization.

•Policyholders’ benefits increased by $318 million mainly due to the equity market depreciation during 2022 compared to equity market appreciation during 2021 (offset in Net Derivative gains) and higher claims in Individual Retirement segment partially offset by the impact of the Venerable Transaction on GMxB reserve accrual and lower mortality and lower accrual of PFBL reserves in our Protection Solutions segment.

•Compensation, benefits and other operating costs and expenses increased by $127 million mainly due to higher general and administrative expenses in our Investment Management and Research segment, unfavorable COLI impacts related to 2022 equity market depreciation and higher consulting expenses partially offset by lower fund expenses from lower average assets due to the Venerable Transaction.

•Interest credited to policyholders’ account balances increased by $97 million mainly due to an increase in interest rates and average outstanding amounts of funding agreements and the growth of SCS AV during 2022.

•Amortization of DAC increased by $99 million mainly due to equity market depreciation and less favorable assumption updates during 2022 compared to 2021.

These were partially offset by the following favorable items:

•Net derivative gains increased $692 million from a $114 million loss in the prior period mainly due to equity markets depreciation (offset in Policyholders’ benefits) during 2022.

•Earnings attributable to the noncontrolling interest decreased by $43 million mainly due to lower Operating earnings in our Investment Management and Research segment.

•Commissions and distribution-related payments decreased by $31 million mainly due to lower AV in our Individual Retirement segment related to equity market depreciation and lower payments to financial intermediaries for the

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distribution of AB mutual funds within our Investment Management and Research segment, partially offset by growth in broker dealer sales and higher sales of Employee Benefits products in our Protection Solutions segment.

•Income tax expense decreased by $103 million mainly driven by lower pre-tax earnings, partially offset by higher 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 14 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 and nine months ended September 30, 2022 and 2021:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| Operating earnings (loss) by segment: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Individual Retirement | | | **$** | **270** |  |  | | | $ | 316 |  |  | | | **$** | **837** |  |  | | | $ | 1,093 |  |  | | |  | | |
| Group Retirement | | | **134** | |  |  | | | 192 | |  |  | | | **415** | |  |  | | | 514 | |  |  | | |  | | |
| Investment Management and Research | | | **94** | |  |  | | | 134 | |  |  | | | **330** | |  |  | | | 381 | |  |  | | |  | | |
| Protection Solutions | | | **72** | |  |  | | | 160 | |  |  | | | **208** | |  |  | | | 264 | |  |  | | |  | | |
| Corporate and Other | | | **(72)** | |  |  | | | 16 | |  |  | | | **(218)** | |  |  | | | (76) | |  |  | | |  | | |
| Non-GAAP Operating Earnings | | | **$** | **498** |  |  | | | $ | 818 |  |  | | | **$** | **1,572** |  |  | | | $ | 2,176 |  |  | | |  | | |

***Effective Tax Rates by Segment***

Income tax expense is calculated using the ETR and then allocated to our business segments using an 19% 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 September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings** | | | **$** | **270** |  |  | | | $ | 316 |  | **$** | **837** |  |  | | | $ | 1,093 |  |  | | |  | | |

Key components of operating earnings are:

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policy charges, fee income and premiums | | | **$** | **385** |  |  | | | $ | 439 |  |  | | | **$** | **1,152** |  |  | | | $ | 1,457 |  |  | | |  | | |
| Net investment income | | | **348** | |  |  | | | 296 | |  |  | | | **933** | |  |  | | | 972 | |  |  | | |  | | |
| Net derivative gains (losses) | | | **140** | |  |  | | | 77 | |  |  | | | **514** | |  |  | | | (51) | |  |  | | |  | | |
| Investment management, service fees and other income | | | **144** | |  |  | | | 186 | |  |  | | | **462** | |  |  | | | 579 | |  |  | | |  | | |
| **Segment revenues** | | | **$** | **1,017** |  |  | | | $ | 998 |  |  | | | **$** | **3,061** |  |  | | | $ | 2,957 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | | **$** | **300** |  |  | | | $ | 272 |  |  | | | **$** | **998** |  |  | | | $ | 641 |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | | **101** | |  |  | | | 70 | |  |  | | | **255** | |  |  | | | 205 | |  |  | | |  | | |
| Commissions and distribution-related payments | | | **61** | |  |  | | | 89 | |  |  | | | **208** | |  |  | | | 245 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | | **109** | |  |  | | | 88 | |  |  | | | **292** | |  |  | | | 239 | |  |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | | **105** | |  |  | | | 96 | |  |  | | | **272** | |  |  | | | 307 | |  |  | | |  | | |
| Interest expense | | | **—** | |  |  | | | — | |  |  | | | **—** | |  |  | | | — | |  |  | | |  | | |
| **Segment benefits and other deductions** | | | **$** | **676** |  |  | | | $ | 615 |  |  | | | **$** | **2,025** |  |  | | | $ | 1,637 |  |  | | |  | | |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | December 31, 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **AV (1)** | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **35,509** |  |  | | | $ | 37,698 |  |  | | |  | | |
| Separate Accounts | | | **55,013** | |  |  | | | 74,206 | |  |  | | |  | | |
| **Total AV** | | | **$** | **90,522** |  |  | | | $ | 111,904 |  |  | | |  | | |

(1)AV presented are net of reinsurance.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Balance as of beginning of period** | | | **$** | **94,263** |  |  | | | $ | 108,435 |  |  | | | **$** | **111,904** |  |  | | | $ | 117,390 |  |  | | |  | | |
| Gross premiums | | | **3,083** | |  |  | | | 2,848 | |  |  | | | **9,065** | |  |  | | | 8,138 | |  |  | | |  | | |
| Surrenders, withdrawals and benefits | | | **(2,318)** | |  |  | | | (2,835) | |  |  | | | **(7,614)** | |  |  | | | (8,819) | |  |  | | |  | | |
| Net flows (1) | | | **765** | |  |  | | | 13 | |  |  | | | **1,451** | |  |  | | | (681) | |  |  | | |  | | |
| Investment performance, interest credited and policy charges | | | **(4,506)** | |  |  | | | (697) | |  |  | | | **(22,833)** | |  |  | | | 7,912 | |  |  | | |  | | |
| Ceded to Venerable (2) | | | **—** | |  |  | | | — | |  |  | | | **—** | |  |  | | | (16,927) | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Other (3) (4) | | | **—** | |  |  | | | (38) | |  |  | | | **—** | |  |  | | | 19 | |  |  | | |  | | |
| **Balance as of end of period** | | | **$** | **90,522** |  |  | | | $ | 107,713 |  |  | | | **$** | **90,522** |  |  | | | $ | 107,713 |  |  | | |  | | |

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

(1)For the three and nine months ended September 30, 2022 and 2021, net flows of $(258) million, $(322) million, $(840) million and $(442) million and investment performance, interest credited and policy charges of $(721) million, $(273) million, $(4,108) million and $(125) million, respectively, are excluded as these amounts are related to ceded AV to Venerable.

(2)Effective June 1, 2021, AV excludes activity related to ceded AV to Venerable. In addition, roll-forward reflects the AV ceded to Venerable as of the transaction date. For additional information on the Venerable Transaction see Note 1 of the Notes to Consolidated Financial Statements.

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(3)For the three months and nine months ended September 30, 2021 amounts reflect $(38) million transfer of policyholders account balances to future policyholder benefits and other policyholders liabilities related to structured settlement contracts.

(4)For the nine months ended September 30, 2021, amounts reflect $57 million of AV transfer of a closed block of GMxB business from GR to IR.

**Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021 for the Individual Retirement Segment**

***Operating earnings***

Operating earnings decreased $46 million to $270 million during the three months ended September 30, 2022 from $316 million in the three months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Fee-type revenue decreased by $90 million due to lower average Separate Accounts AV as result of equity market depreciation.

•Interest credited to policyholders’ account balances increased by $31 million mainly due to the growth of SCS AV during third quarter 2022.

•Amortization of DAC increased by $21 million mainly driven by equity market depreciation during the third quarter 2022.

•Compensation, benefits and other operating costs and expenses increased by $9 million primarily due to higher performance shares driven by higher equity and restricted stock expense.

•Income tax expense increased by $4 million mainly driven by a higher effective tax rate.

These were partially offset by the following favorable items:

•Net investment income increased by $52 million mainly due to higher income primarily from floating rate securities, higher SCS asset balances and GA optimization, partially offset by lower income from alternative investments and lower prepayments.

•Non-GMxB related Policyholders’ benefits decreased by $39 million due to the non-repeat of Q3 2021 payout assumption update.

•Commissions and distribution-related payments decreased by $28 million mainly due to lower average asset balances as result of equity market performance.

***Net Flows and AV***

• Total AV as of September 30, 2022 was $90.5 billion, down $3.7 billion, compared to June 30, 2022. The decline in AV was primarily due to a $4.5 billion decrease in equity markets, partially offset by $765 million in net inflows.

•Net inflows of $765 million were $752 million higher than in the three months ended September 30, 2021, mainly driven by $1.3 billion of inflows on our newer, less capital-intensive products, partially offset by $498 million of outflows on our older fixed-rate GMxB block.

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**Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021 for the Individual Retirement Segment**

***Operating earnings***

Operating earnings decreased $256 million to $837 million during the nine months ended September 30, 2022 from $1.1 billion in the nine months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Fee-type revenue decreased by $336 million mainly due to lower average Separate Accounts AV as result of lower equity markets and the impact of AV ceded to Venerable, partially offset by commission reimbursements in Other Income.

•Amortization of DAC increased by $53 million mainly due to equity market depreciation during 2022 compared to 2021.

•Interest credited to policyholders’ account balances increased by $50 million mainly due to the growth of SCS AV during 2022.

•Net investment income decreased by $39 million mainly due to lower alternative investment income, lower prepayments and lower assets due to the Venerable transaction partially offset by higher income from floating rate securities, TIPS, higher SCS asset balances and GA optimization.

These were partially offset by the following favorable items:

•Net GMxB results increased $89 million primarily due to improved GMxB margin from the Venerable Transaction, which mitigated the higher claims in 2022. GMxB results are included in policy charges and fee income, net derivative gains (losses), and policyholders’ benefits.

•Commissions and distribution-related payments decreased by $37 million mainly due to lower AV due to equity market depreciation during 2022.

◦Compensation, benefits and other operating costs and expenses decreased by $35 million primarily due to lower allocated compensation related expenses, primarily associated with lower headcount, and lower subadvisory fees.

•Income tax expense decreased by $28 million mainly driven by lower pre-tax earnings partially offset by a higher effective tax rate in 2022.

***Net Flows and AV***

•The decline in AV of $21.4 billion in the nine months ended September 30, 2022 was driven by a decrease in investments performance and interest credited to account balances, net of policy charges of $22.8 billion as a result of equity market depreciation in 2022, partially offset by net inflows of $1.5 billion.

•Net inflows of $1.5 billion were $2.1 billion higher than in the nine months ended September 30, 2021, mainly driven by $3.1 billion of inflows on our newer, less capital-intensive products, partially offset by $1.6 billion of outflows on our older fixed-rate GMxB block.

**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.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings** | | | **$** | **134** |  |  | | | $ | 192 |  | **$** | **415** |  |  | | | $ | 514 |  |  | | |  | | |

Key components of operating earnings are:

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policy charges, fee income and premiums | | | **$** | **80** |  |  | | | $ | 96 |  | **$** | **257** |  |  | | | $ | 273 |  |  | | |  | | |
| Net investment income | | | **160** | |  |  | | | 189 | |  | **503** | |  |  | | | 564 | |  |  | | |  | | |
| Net derivative (losses) gains | | | **(11)** | |  |  | | | (11) | |  | **(23)** | |  |  | | | (16) | |  |  | | |  | | |
| Investment management, service fees and other income | | | **60** | |  |  | | | 69 | |  | **187** | |  |  | | | 197 | |  |  | | |  | | |
| **Segment revenues** | | | **$** | **289** |  |  | | | $ | 343 |  | **$** | **924** |  |  | | | $ | 1,018 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | | **$** | **—** |  |  | | | $ | — |  | **$** | **—** |  |  | | | $ | — |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | | **79** | |  |  | | | 77 | |  | **229** | |  |  | | | 227 | |  |  | | |  | | |
| Commissions and distribution-related payments | | | **12** | |  |  | | | 12 | |  | **43** | |  |  | | | 41 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | | **(20)** | |  |  | | | (24) | |  | **3** | |  |  | | | (11) | |  |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | | **47** | |  |  | | | 45 | |  | **134** | |  |  | | | 140 | |  |  | | |  | | |
| Interest expense | | | **1** | |  |  | | | — | |  | **1** | |  |  | | | — | |  |  | | |  | | |
| **Segment benefits and other deductions** | | | **$** | **119** |  |  | | | $ | 110 |  | **$** | **410** |  |  | | | $ | 397 |  |  | | |  | | |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | December 31, 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| AV and AUA | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **13,234** |  |  | | | $ | 13,046 |  |  | | |  | | |
| Separate Accounts and Mutual Funds (1) | | | **26,476** | |  |  | | | 34,763 | |  |  | | |  | | |
| Total AV and AUA | | | **$** | **39,710** |  |  | | | $ | 47,809 |  |  | | |  | | |

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(1) Prior period amounts related to Separate Account AV and Mutual Funds AUA were revised to include Mutual Fund AUA. The impact of the revision to December 31, 2021 total AV and AUA was $457 million.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 (1) | | |  | | | **2022** | | |  | | | 2021 (1) | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Balance as of beginning of period** | | | **$** | **41,167** |  |  | | | $ | 46,299 |  |  | | | **$** | **47,809** |  |  | | | $ | 42,756 |  |  | | |  | | |
| Gross premiums | | | **861** | |  |  | | | 849 | |  |  | | | **3,496** | |  |  | | | 2,761 | |  |  | | |  | | |
| Surrenders, withdrawals and benefits | | | **(918)** | |  |  | | | (984) | |  |  | | | **(2,886)** | |  |  | | | (2,831) | |  |  | | |  | | |
| Net flows | | | **(57)** | |  |  | | | (135) | |  |  | | | **610** | |  |  | | | (70) | |  |  | | |  | | |
| Investment performance, interest credited and policy charges | | | **(1,400)** | |  |  | | | (247) | |  |  | | | **(8,709)** | |  |  | | | 3,288 | |  |  | | |  | | |
| Other (2) | | | **—** | |  |  | | | — | |  |  | | | **—** | |  |  | | | (57) | |  |  | | |  | | |
| **Balance as of end of period** | | | **$** | **39,710** |  |  | | | $ | 45,917 |  |  | | | **$** | **39,710** |  |  | | | $ | 45,917 |  |  | | |  | | |

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(1)Prior period amounts related to the AV and AUA roll-forward were updated to include Mutual Fund AUA. The impact of the revision to the beginning balance of the three months and nine months ended September 30, 2021 were $376 million and $297 million, respectively. Net Flows revision impact for the three months and nine months ended September 30, 2021 were $0 million and $48 million. Investment performance, interest credited and policy charges revision impact for the three months and nine months ended September 30, 2021 were $3 million and $28 million, respectively.

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(2)For the three months and nine months ended September 30, 2021, amounts reflect AV transfer of GMxB closed block business from GR to IR.

**Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021 for the Group Retirement Segment**

***Operating earnings***

Operating earnings decreased by $58 million to $134 million during the three months ended September 30, 2022 from $192 million in the three months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Net investment income decreased by $29 million due to lower alternative investment income and lower prepayments, partially offset by higher income primarily from floating rate securities, higher asset balances and General Account optimization.

•Fee-type revenue decreased by $25 million due to lower average Separate Account AV from lower equity market performance.

These were partially offset by the following favorable items:

•Amortization of DAC increased by $4 million mainly due to more favorable assumption updates in 2022 compared to 2021.

•Income tax expense decreased by $5 million mainly driven by lower pre-tax earnings, partially offset by a higher effective tax rate in 2022.

See “—Significant Factors Impacting Our Results—Effect of Assumption Updates on Operating Results” for more information regarding assumption updates.

***Net Flows and AV***

•The decrease in AV of $1.5 billion in the three months ended September 30, 2022 was driven by equity market performance and net outflows of $57 million.

•Net outflows of $57 million improved by $78 million due to higher gross premiums and lower outflows.

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**Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021 for the Group Retirement Segment**

***Operating earnings***

Operating earnings decreased by $99 million to $415 million during the nine months ended September 30, 2022 from $514 million during the nine months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Net investment income decreased by $61 million primarily due to lower alternative investment income and lower prepayments partially offset by higher income from floating rate securities, TIPS and General Account optimization.

•Fee-type revenue decreased by $26 million due to lower average Separate Account AV from lower equity market performance.

•Net derivative losses increased by $7 million due to inflation related hedging loss offset on TIPS in the General Account.

These were partially offset by the following favorable items:

•Income tax expense decreased by $8 million primarily driven by lower pre-tax earnings partially offset by a higher effective tax rate in 2022.

***Net Flows and AV***

•The decrease in AV of 6.2 billion in the nine months ended September 30, 2022 was primarily due to market depreciation, partially offset by net inflows of $610 million.

•Net inflows of $610 million increased by $680 million compared to 2021, driven by strong gross premiums reflecting strong sales and client engagement, partially offset by higher outflows.

**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 the three months ended September 30, 2022 and 2021, and approximately 65% during the nine months ended September 30, 2022 and 2021.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings** | | | **$** | **94** |  |  | | | $ | 134 |  |  | | | **$** | **330** |  |  | | | $ | 381 |  |  | | |  | | |

Key components of operating earnings are:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net investment income | | | **$** | **(9)** |  |  | | | $ | (2) |  |  | | | **$** | **(58)** |  |  | | | $ | 10 |  |  | | |  | | |
| Net derivative gains (losses) | | | **15** | |  |  | | | 2 | |  |  | | | **57** | |  |  | | | (7) | |  |  | | |  | | |
| Investment management, service fees and other income | | | **990** | |  |  | | | 1,093 | |  |  | | | **3,135** | |  |  | | | 3,166 | |  |  | | |  | | |
| **Segment revenues** | | | **$** | **996** |  |  | | | $ | 1,093 |  |  | | | **$** | **3,134** |  |  | | | $ | 3,169 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Commissions and distribution related payments | | | **$** | **152** |  |  | | | $ | 187 |  |  | | | **$** | **487** |  |  | | | $ | 517 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | | **636** | |  |  | | | 622 | |  |  | | | **1,930** | |  |  | | | 1,831 | |  |  | | |  | | |
| Interest expense | | | **5** | |  |  | | | — | |  |  | | | **9** | |  |  | | | 1 | |  |  | | |  | | |
| **Segment benefits and other deductions** | | | **$** | **793** |  |  | | | $ | 809 |  |  | | | **$** | **2,426** |  |  | | | $ | 2,349 |  |  | | |  | | |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in billions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Balance as of beginning of period** | | | **$** | **646.8** |  |  | | | $ | 738.4 |  |  | | | **$** | **778.6** |  |  | | | $ | 685.9 |  |  | | |  | | |
| Long-term flows | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Sales/new accounts | | | **19.8** | |  |  | | | 32.3 | |  |  | | | **84.6** | |  |  | | | 110.6 | |  |  | | |  | | |
| Redemptions/terminations | | | **(24.9)** | |  |  | | | (21.5) | |  |  | | | **(72.2)** | |  |  | | | (78.1) | |  |  | | |  | | |
| Cash flow/unreinvested dividends | | | **(5.4)** | |  |  | | | (3.6) | |  |  | | | **(14.2)** | |  |  | | | (13.8) | |  |  | | |  | | |
| Net long-term inflows (outflows) (2) | | | **(10.5)** | |  |  | | | 7.2 | |  |  | | | **(1.8)** | |  |  | | | 18.7 | |  |  | | |  | | |
| Adjustments (1) | | | **—** | |  |  | | | — | |  |  | | | **(0.4)** | |  |  | | | — | |  |  | | |  | | |
| Acquisition (3) | | | **12.2** | |  |  | | | — | |  |  | | | **12.2** | |  |  | | | — | |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Market appreciation (depreciation) | | | **(35.8)** | |  |  | | | (3.4) | |  |  | | | **(175.9)** | |  |  | | | 37.6 | |  |  | | |  | | |
| Net change | | | **(34.1)** | |  |  | | | 3.8 | |  |  | | | **(165.9)** | |  |  | | | 56.3 | |  |  | | |  | | |
| **Balance as of end of period** | | | **$** | **612.7** |  |  | | | $ | 742.2 |  |  | | | **$** | **612.7** |  |  | | | $ | 742.2 |  |  | | |  | | |

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(1)Approximately $0.4 billion of Institutional AUM was removed from AB total assets under management during the second quarter 2022 due to a change in the fee structure.

(2)Institutional net flows include $3.9 billion and $4.5 billion of AXA's redemptions of certain low-fee fixed income mandates for the three and nine months ended September 30, 2022, respectively.

(3)The CarVal acquisition added approximately $12.2 billion of Institutional AUM in the third quarter 2022.

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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 September 30,** | | | | | | | | |  | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | |  | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in billions)** | | | | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| ***Distribution Channel:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Institutions | | | **$** | **297.0** |  |  | | | $ | 331.1 |  |  | | | **$** | **312.8** |  |  | | | $ | 323.3 |  |  | | |  | | |
| Retail | | | **250.9** | |  |  | | | 299.5 | |  |  | | | **274.9** | |  |  | | | 284.1 | |  |  | | |  | | |
| Private Wealth | | | **106.0** | |  |  | | | 116.8 | |  |  | | | **111.6** | |  |  | | | 112.4 | |  |  | | |  | | |
| **Total** | | | **$** | **653.9** |  |  | | | $ | 747.4 |  |  | | | **$** | **699.3** |  |  | | | $ | 719.8 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| ***Investment Service:*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Equity Actively Managed | | | **$** | **222.8** |  |  | | | $ | 262.8 |  |  | | | **$** | **245.7** |  |  | | | $ | 244.2 |  |  | | |  | | |
| Equity Passively Managed (1) | | | **56.7** | |  |  | | | 70.4 | |  |  | | | **61.8** | |  |  | | | 67.8 | |  |  | | |  | | |
| Fixed Income Actively Managed – Taxable | | | **198.9** | |  |  | | | 252.5 | |  |  | | | **216.4** | |  |  | | | 254.8 | |  |  | | |  | | |
| Fixed Income Actively Managed – Tax-exempt | | | **53.7** | |  |  | | | 54.9 | |  |  | | | **54.7** | |  |  | | | 53.0 | |  |  | | |  | | |
| Fixed Income Passively Managed (1) | | | **11.3** | |  |  | | | 9.4 | |  |  | | | **12.1** | |  |  | | | 8.8 | |  |  | | |  | | |
| Alternatives/Multi-Asset Solutions (2) | | | **110.5** | |  |  | | | 97.4 | |  |  | | | **108.6** | |  |  | | | 91.2 | |  |  | | |  | | |
| **Total** | | | **$** | **653.9** |  |  | | | $ | 747.4 |  |  | | | **$** | **699.3** |  |  | | | $ | 719.8 |  |  | | |  | | |

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(1)Includes index and enhanced index services.

(2)Includes certain multi-asset solutions and services not included in equity of fixed income services.

**Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021 for the Investment Management and Research Segment**

***Operating earnings***

Operating earnings decreased $40 million to $94 million during the three months ended September 30, 2022 from $134 million during the three months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Fee-type revenue decreased by $103 million primarily due to lower investment advisory base fees, distribution revenues, and Bernstein Research Services revenues. Lower investment advisory base fees and distribution revenues were driven by lower average AUM. Lower Bernstein Research Services revenues were primarily driven by significantly lower customer trading activity in Europe and Asia due to the prevailing macro-economic environment.

•Compensation, benefits, interest expense and other operating costs increased by $19 million mainly due to higher general and administrative costs.

These were partially offset by the following favorable items:

•Commissions and distribution-related payments decreased by $35 million mainly due to lower payments to financial intermediaries for the distribution of AB mutual funds.

•Net derivative gains, net of net investment income, was favorable by $6 million. Net derivative gains increased $13 million mainly due to gains from economically hedging seed capital investments, partially offset by a decrease in Net investment income of $7 million mainly due to losses on the seed capital investments subject to market risk.

•Earnings attributable to noncontrolling interest decreased by $26 million due to lower pre-tax earnings.

•Income tax expense decreased by $14 million primarily due to lower pre-tax earnings.

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

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•Total AUM as of September 30, 2022 was $612.7 billion, down $34.1 billion, or 5.3%, compared to June 30, 2022. During the third quarter 2022, AUM decreased primarily as a result of market depreciation of $35.8 billion and net outflows of $10.5 billion, partially offset by the addition of $12.2 billion due to the acquisition of CarVal. Net outflows were due to Institution net outflows of $6.3 billion and Retail net outflows of $5.0 billion partially offset by Private Wealth net inflows of $0.8 billion. Excluding AXA redemptions of low-fee fixed income mandates of $3.9 billion, AB generated net outflows of $6.6 billion in the third quarter 2022.

**Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021 for the Investment Management and Research Segment**

***Operating earnings***

Operating earnings decreased $51 million to $330 million during the nine months ended September 30, 2022 from $381 million in the nine months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Compensation, benefits, interest expense and other operating costs increased by $107 million mainly due to higher general and administrative costs, primarily relating to higher portfolio servicing fees, professional fees and technology fees.

•Net investment income, net of derivative gains, was unfavorable by $4 million. Net investment income decreased by $68 million mainly due to higher losses on the seed capital investments subject to market risk, offset by an increase in Net derivative gains of $64 million mainly due to higher gains from economically hedging the seed capital investments.

•Fee-type revenue decreased by $31 million primarily due to lower investment advisory base fees and Bernstein Research Services revenues, offset by higher performance based fees. The decrease in investment advisory base fees was primarily driven by lower average AUM. The decrease in Bernstein Research Services revenues were primarily driven by significantly lower customer trading activity in Europe and Asia due to the prevailing macro-economic environment. The increase in performance based fees was primarily due to higher performance fees earned on AB’s U.S. Real Estate Funds, partially offset by lower performance fees earned on AB’s U.S. Select Equity Long/Short and Private Credit Fund.

These were partially offset by the following favorable items:

•Commissions and distribution-related payments decreased by $30 million mainly due to lower payments to financial intermediaries for the distribution of AB mutual funds.

•Earnings attributable to noncontrolling interest decreased by $40 million due to lower pre-tax earnings.

•Income tax expense decreased by $21 million due to lower pre-tax earnings.

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

•Total AUM as of September 30, 2022 was $612.7 billion, down $165.9 billion, or 21.3%, compared to December 31, 2021, and down $129.5 billion, or 17.5%, compared to September 30, 2021. During the nine months ended September 30, 2022, AUM decreased primarily as a result of market depreciation of $175.9 billion partially offset by the addition of $12.2 billion due to the acquisition of CarVal. During the twelve months ended September 30, 2022, AUM decreased primarily as a result of market depreciation of $147.0 billion partially offset by net inflows of $5.7 billion and the addition of $12.2 billion due to the acquisition of CarVal. Excluding AXA redemptions of low-fee fixed income mandates of $4.5 billion, AB generated net inflows of $2.7 billion and $10.2 billion during the nine and twelve month periods ended September 30, 2022.

•During the nine months ended September 30, 2022, Retail net outflows of $8.2 billion were offset by Institutional and Private Wealth net inflows of $4.6 billion and $1.8 billion, respectively. During the twelve months ended September 30, 2022, Institutional and Private Wealth net inflows were $5.0 billion and $2.6 billion, respectively, offset by Retail net outflows of $1.9 billion.

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**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. 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:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings (loss)** | | | **$** | **72** |  |  | | | $ | 160 |  | **$** | **208** |  |  | | | $ | 264 |  |  | | |  | | |

Key components of operating earnings (loss) are:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | | **Three Months Ended September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | **2021** | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **REVENUES** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policy charges, fee income and premiums | | | **$** | **505** |  |  | | | $ | 482 |  | **$** | **1,544** |  |  | | | $ | 1,493 |  |  | | |  | | |
| Net investment income | | | **236** | |  |  | | | 294 | |  | **760** | |  |  | | | 827 | |  |  | | |  | | |
| Net derivative (losses) gains | | | **(13)** | |  |  | | | (7) | |  | **(18)** | |  |  | | | (18) | |  |  | | |  | | |
| Investment management, service fees and other income | | | **63** | |  |  | | | 69 | |  | **192** | |  |  | | | 194 | |  |  | | |  | | |
| **Segment revenues** | | | **$** | **791** |  |  | | | $ | 838 |  | **$** | **2,478** |  |  | | | $ | 2,496 |  |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **BENEFITS AND OTHER DEDUCTIONS** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Policyholders’ benefits | | | **$** | **414** |  |  | | | $ | 392 |  | **$** | **1,364** |  |  | | | $ | 1,370 |  |  | | |  | | |
| Interest credited to policyholders’ account balances | | | **130** | |  |  | | | 126 | |  | **380** | |  |  | | | 383 | |  |  | | |  | | |
| Commissions and distribution related payments | | | **46** | |  |  | | | 44 | |  | **132** | |  |  | | | 120 | |  |  | | |  | | |
| Amortization of deferred policy acquisition costs | | | **14** | |  |  | | | 4 | |  | **78** | |  |  | | | 63 | |  |  | | |  | | |
| Compensation, benefits and other operating costs and expenses | | | **96** | |  |  | | | 78 | |  | **266** | |  |  | | | 241 | |  |  | | |  | | |
| Interest expense | | | **—** | |  |  | | | — | |  | **—** | |  |  | | | — | |  |  | | |  | | |
| **Segment benefits and other deductions** | | | **$** | **700** |  |  | | | $ | 644 |  | **$** | **2,220** |  |  | | | $ | 2,177 |  |  | | |  | | |

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | December 31, 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | |  |  |  |  |  |  |
| **Protection Solutions Reserves (1)** | | |  | | |  | | |  | | |  | | |  | | |
| General Account | | | **$** | **18,243** |  |  | | | $ | 18,625 |  |  | | |  | | |
| Separate Accounts | | | **12,783** | |  |  | | | 17,012 | |  |  | | |  | | |
| **Total Protection Solutions Reserves** | | | **$** | **31,026** |  |  | | | $ | 35,637 |  |  | | |  | | |

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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.

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  | | |  | | |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | |  | | | December 31, 2021 | | |  | | |  | | |
|  | | | **(in billions)** | | | | | | | | |  |  |  |  |  |  |
| **In-force face amount by product: (1)** | | |  | | |  | | |  | | |  | | |  | | |
| Universal Life (2) | | | **$** | **43.7** |  |  | | | $ | 45.9 |  |  | | |  | | |
| Indexed Universal Life | | | **27.6** | |  |  | | | 27.9 | |  |  | | |  | | |
| Variable Universal Life (3) | | | **132.8** | |  |  | | | 132.8 | |  |  | | |  | | |
| Term | | | **213.0** | |  |  | | | 215.4 | |  |  | | |  | | |
| Whole Life | | | **1.2** | |  |  | | | 1.2 | |  |  | | |  | | |
| **Total in-force face amount** | | | **$** | **418.3** |  |  | | | $ | 423.2 |  |  | | |  | | |

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

(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.

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**Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021 for the Protection Solutions Segment**

***Operating earnings (loss)***

Operating earnings decreased by $88 million to $72 million during the three months ended September 30, 2022 from $160 million in the three months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Net investment income decreased by $58 million mainly due to lower alternative investment income and lower prepayments partially offset by higher income from floating rate securities, higher asset balances and GA optimization.

•Policyholders’ benefits increased by $22 million mainly due to less favorable assumption updates in 2022 compared to 2021 and higher benefits due to strong growth in Employee Benefits, partially offset by lower Term mortality in 2022 compared to 2021 and lower accrual for PFBL reserves.

•Compensation, benefits and other operating costs and expenses increased by $18 million mainly due to higher performance share expense due to equity returns, and restricted stock expense.

•Amortization of DAC increased by $10 million mainly due to less favorable assumption update in 2022 compared to 2021.

These were partially offset by the following favorable items:

•Fee-type revenue increased by $17 million mainly driven by higher premiums due to growth in Employee Benefits (offset in Policyholder’s benefits).

•Income tax expense decreased by $15 million primarily due to lower pre-tax earnings, partially offset by a higher effective tax rate in 2022.

**Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021 for the Protection Solutions Segment**

***Operating earnings***

Operating earnings decreased $56 million to $208 million during the nine months ended September 30, 2022 from $264 million in the nine months ended September 30, 2021. The following notable items were the primary drivers of the change in operating earnings:

Unfavorable items included:

•Net investment income decreased by $67 million mainly due to lower alternative investment income and lower prepayments partially offset by higher income from floating rate securities, TIPS and GA optimization

•Compensation, benefits and other operating costs and expenses increased by $25 million mainly due to higher performance share expense due to equity returns, and an increase in subadvisory fees and consulting expenses.

•Amortization of DAC increased by $15 million mainly due to less favorable assumption updates in 2022 compared to 2021.

•Commissions and distribution-related payments increased by $12 million mainly due to higher sales of Employee Benefits products.

These were partially offset by the following favorable items:

•Fee-type revenue increased by $49 million mainly driven by higher premiums due to growth in Employee Benefits (offset in Policyholder’s benefits).

•Policyholders’ benefits decreased by $6 million mainly due to lower mortality in 2022 compared to 2021 and lower PFBL reserves, partially offset by a higher increase in EB reserves.

•Income tax expense decreased by $5 million primarily due to lower pre-tax earnings, partially offset by a higher effective tax rate in 2022.

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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 September 30,** | | | | | | | | | **Nine Months Ended September 30,** | | | | | | | | |  |  |  |  |  |  |
|  | | | **2022** | | |  | | | 2021 | | | **2022** | | |  | | | 2021 | | |  | | |  | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | |  |  |  |  |  |  |
| **Operating earnings (loss)** | | | **$** | **(72)** |  |  | | | $ | 16 |  | **$** | **(218)** |  |  | | | $ | (76) |  |  | | |  | | |

**General Account Investment Portfolio**

The General Account investment portfolio is used to support the insurance and annuity liabilities of our Individual Retirement, Group Retirement and Protection Solutions businesses segments. In the first quarter 2022, the Company changed its methodology for allocating its General Account investment portfolio, which resulted in a change in the asset and net investment income allocation amongst the Company’s business segments. Following this change, the segmentation of the general account investments is now more closely aligned with the liability characteristics of the product groups. Management determined that the change in the allocation methodology allows for improved flexibility and infuses an active asset liability management practice into the segmentation process. Additionally, the Company also changed its basis for allocating the spread earned from our FHLB investment borrowing and FABN programs. The spread earned from our FHLB investment borrowing and FABN programs includes the investment income on the assets less interest credited on the funding agreements. The net spread as reflected in net investment income is allocated to the segments based on the percentage of the individual segment insurance liabilities over the combined segments insurance liabilities.

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. Significant interest rate increases and market volatility in 2022 have reduced the fair value of fixed maturities from a net unrealized gain position to a net unrealized loss. These effects apply across the portfolio and are being assessed within the aggregate asset and liability management strategies. As a part of asset and liability management, 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.

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, foreign currency and credit spreads. As part of a yield enhancement strategy, the General Account has diversified into more asset and sub-asset classes including higher yielding commercial mortgage investments.

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.

Our investment philosophy is driven by our long-term commitments to clients, robust risk management and strategic asset allocation. In executing the activities of our General Account investment portfolio, we incorporate ESG factors into the investment processes for a significant portion of our portfolio. As investors with a long-term horizon, we believe that

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companies with sustainable practices are better positioned to deliver value to stakeholders over an extended period, thereby enhancing the quality of our portfolio. These companies are more likely to increase sales through sustainable products, reduce energy costs and attract and retain talent. This belief underpins our approach to sustainable investing, where we seek to enhance the sustainability of our investment portfolio by integrating ESG factors into our investment decision process.

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.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |
|  | | | **2022** | | | | | | | | |  | | | 2021 | | | | | | | | |
|  | | | **Yield** | | |  | | | **Amount (2)** | | |  | | | Yield | | |  | | | Amount (2) | | |
|  | | | **(Dollars in millions)** | | | | | | | | | | | | | | | | | | | | |
| **Fixed Maturities: (5)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **3.77** | | **%** |  | | | **$** | **699** |  |  | | | 3.42 | | % |  | | | $ | 602 |  |
| Ending assets | | |  | | |  | | | **74,565** | |  |  | | |  | | |  | | | 71,216 | |  |
| **Mortgages:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **3.92** | | **%** |  | | | **148** | |  |  | | | 3.99 | | % |  | | | 134 | |  |
| Ending assets | | |  | | |  | | | **15,688** | |  |  | | |  | | |  | | | 13,448 | |  |
| **Other Equity Investments: (1)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **2.95** | | **%** |  | | | **26** | |  |  | | | 31.06 | | % |  | | | 213 | |  |
| Ending assets | | |  | | |  | | | **3,468** | |  |  | | |  | | |  | | | 2,903 | |  |
| **Policy Loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **4.90** | | **%** |  | | | **49** | |  |  | | | 5.11 | | % |  | | | 52 | |  |
| Ending assets | | |  | | |  | | | **4,018** | |  |  | | |  | | |  | | | 4,027 | |  |
| **Cash and Short-term Investments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **(2.51)** | | **%** |  | | | **(8)** | |  |  | | | (0.05) | | % |  | | | — | |  |
| Ending assets | | |  | | |  | | | **563** | |  |  | | |  | | |  | | | 1,215 | |  |
| **Repurchase and funding agreements:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest expense and other | | |  | | |  | | | **(47)** | |  |  | | |  | | |  | | | (13) | |  |
| Ending assets (liabilities) | | |  | | |  | | | **(7,830)** | |  |  | | |  | | |  | | | (6,807) | |  |
| **Total Invested Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **3.83** | | **%** |  | | | **867** | |  |  | | | 4.68 | | % |  | | | 988 | |  |
| Ending Assets | | |  | | |  | | | **90,472** | |  |  | | |  | | |  | | | 86,002 | |  |
| **Short Duration Fixed Maturities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Income (loss) | | | **3.41** | | **%** |  | | | **1** | |  |  | | | 3.39 | | % |  | | | 3 | |  |
| Ending assets | | |  | | |  | | | **117** | |  |  | | |  | | |  | | | 142 | |  |
| **Total:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Investment income (loss) | | | **3.83** | | **%** |  | | | **868** | |  |  | | | 4.67 | | % |  | | | 991 | |  |
| Less: investment fees (3) | | | **(0.17)** | | **%** |  | | | **(38)** | |  |  | | | (0.13) | | % |  | | | (28) | |  |
| Investment Income, Net | | | **3.66** | | **%** |  | | | **830** | |  |  | | | 4.54 | | % |  | | | 963 | |  |
| **Ending Net Assets** | | |  | | |  | | | **$** | **90,589** |  |  | | |  | | |  | | | $ | 86,144 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |  | | | **Year Ended December 31** | | | | | | | | |  |  |  |  |
|  | | | **2022** | | | | | | | | |  | | | 2021 | | | | | | | | |  | | | 2021 | | | | | | | | |  |  |  |  |
|  | | | **Yield** | | |  | | | **Amount (2)** | | |  | | | Yield | | |  | | | Amount (2) | | |  | | | Yield | | |  | | | Amount (2) | | |  |  |  |  |
|  | | | **(Dollars in millions)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |  |  |  |
| **Fixed Maturities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Income (loss) | | | **3.52** | | **%** |  | | | **$** | **1,935** |  |  | | | 3.41 | | % |  | | | $ | 1,822 |  |  | | | 3.40 | | % |  | | | $ | 2,429 |  |  |  |  |  |
| Ending assets | | |  | | |  | | | **74,565** | |  |  | | |  | | |  | | | 71,216 | |  |  | | |  | | |  | | | 72,545 | |  |  |  |  |  |
| **Mortgages:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Income (loss) | | | **3.87** | | **%** |  | | | **424** | |  |  | | | 4.07 | | % |  | | | 407 | |  |  | | | 4.08 | | % |  | | | 547 | |  |  |  |  |  |
| Ending assets | | |  | | |  | | | **15,688** | |  |  | | |  | | |  | | | 13,448 | |  |  | | |  | | |  | | | 14,033 | |  |  |  |  |  |
| **Other Equity Investments: (1)** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Income (loss) | | | **7.80** | | **%** |  | | | **188** | |  |  | | | 22.97 | | % |  | | | 433 | |  |  | | | 20.45 | | % |  | | | 534 | |  |  |  |  |  |
| Ending assets | | |  | | |  | | | **3,468** | |  |  | | |  | | |  | | | 2,903 | |  |  | | |  | | |  | | | 2,901 | |  |  |  |  |  |
| **Policy Loans:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Income (loss) | | | **5.30** | | **%** |  | | | **160** | |  |  | | | 5.28 | | % |  | | | 161 | |  |  | | | 5.01 | | % |  | | | 203 | |  |  |  |  |  |
| Ending assets | | |  | | |  | | | **4,018** | |  |  | | |  | | |  | | | 4,027 | |  |  | | |  | | |  | | | 4,024 | |  |  |  |  |  |
| **Cash and Short-term Investments:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Income (loss) | | | **(0.83)** | | **%** |  | | | **(12)** | |  |  | | | (0.05) | | % |  | | | (1) | |  |  | | | (0.13) | | % |  | | | (2) | |  |  |  |  |  |
| Ending assets | | |  | | |  | | | **563** | |  |  | | |  | | |  | | | 1,215 | |  |  | | |  | | |  | | | 1,662 | |  |  |  |  |  |
| **Funding agreements:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Interest expense and other | | |  | | |  | | | **(82)** | |  |  | | |  | | |  | | | (44) | |  |  | | |  | | |  | | | (56) | |  |  |  |  |  |
| Ending assets (liabilities) | | |  | | |  | | | **(7,830)** | |  |  | | |  | | |  | | | (6,807) | |  |  | | |  | | |  | | | (6,647) | |  |  |  |  |  |
| **Total Invested Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Income (loss) | | | **3.86** | | **%** |  | | | **2,613** | |  |  | | | 4.37 | | % |  | | | 2,778 | |  |  | | | 4.28 | | % |  | | | 3,655 | |  |  |  |  |  |
| Ending Assets | | |  | | |  | | | **90,472** | |  |  | | |  | | |  | | | 86,002 | |  |  | | |  | | |  | | | 88,518 | |  |  |  |  |  |
| **Short Duration Fixed Maturities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Income (loss) | | | **3.53** | | **%** |  | | | **4** | |  |  | | | 3.38 | | % |  | | | 77 | |  |  | | | 4.48 | | % |  | | | 78 | |  |  |  |  |  |
| Ending assets | | |  | | |  | | | **117** | |  |  | | |  | | |  | | | 142 | |  |  | | |  | | |  | | | 142 | |  |  |  |  |  |
| **Total:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
| Investment income (loss) | | | **3.86** | | **%** |  | | | **2,617** | |  |  | | | 4.34 | | % |  | | | 2,855 | |  |  | | | 4.28 | | % |  | | | 3,733 | |  |  |  |  |  |
| Less: investment fees (3) | | | **(0.15)** | | **%** |  | | | **(101)** | |  |  | | | (0.13) | | % |  | | | (82) | |  |  | | | (0.14) | | % |  | | | (118) | |  |  |  |  |  |
| Investment Income, Net | | | **3.71** | | **%** |  | | | **2,516** | |  |  | | | 4.25 | | % |  | | | 2,773 | |  |  | | | 4.15 | | % |  | | | 3,615 | |  |  |  |  |  |
| **Ending Net Assets** | | |  | | |  | | | **$** | **90,589** |  |  | | |  | | |  | | | $ | 86,144 |  |  | | |  | | |  | | | $ | 88,660 |  |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  |  |  |  |

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

(1)Includes, as of September 30, 2022, September 30, 2021 and December 31, 2021 respectively, $370 million, $328 million and $319 million of other invested assets.

(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.

***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 below investment grade securities in the General Account investment portfolio consist of loans to middle market companies, public high yield securities, bank loans, as well as “fallen angels,” originally purchased as investment grade investments.

***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.

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**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 September 30, 2022** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate Securities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Finance | | | **$** | **14,195** |  |  | | | **$** | **—** |  |  | | | **$** | **10** |  |  | | | **$** | **1,909** |  |  | | | **$** | **12,296** |  |  | | | **19** | | **%** |
| Manufacturing | | | **12,421** | |  |  | | | **1** | |  |  | | | **11** | |  |  | | | **2,044** | |  |  | | | **10,387** | |  |  | | | **16** | | **%** |
| Utilities | | | **7,015** | |  |  | | | **—** | |  |  | | | **10** | |  |  | | | **1,190** | |  |  | | | **5,835** | |  |  | | | **9** | | **%** |
| Services | | | **8,320** | |  |  | | | **21** | |  |  | | | **9** | |  |  | | | **1,365** | |  |  | | | **6,943** | |  |  | | | **11** | | **%** |
| Energy | | | **3,901** | |  |  | | | **—** | |  |  | | | **9** | |  |  | | | **652** | |  |  | | | **3,258** | |  |  | | | **5** | | **%** |
| Retail and wholesale | | | **3,508** | |  |  | | | **—** | |  |  | | | **12** | |  |  | | | **487** | |  |  | | | **3,033** | |  |  | | | **5** | | **%** |
| Transportation | | | **2,409** | |  |  | | | **—** | |  |  | | | **8** | |  |  | | | **430** | |  |  | | | **1,987** | |  |  | | | **3** | | **%** |
| Other | | | **119** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **17** | |  |  | | | **102** | |  |  | | | **—** | | **%** |
| Total corporate securities | | | **51,888** | |  |  | | | **22** | |  |  | | | **69** | |  |  | | | **8,094** | |  |  | | | **43,841** | |  |  | | | **68** | | **%** |
| U.S. government | | | **7,241** | |  |  | | | **—** | |  |  | | | **4** | |  |  | | | **1,215** | |  |  | | | **6,030** | |  |  | | | **10** | | **%** |
| Residential mortgage-backed (2) | | | **500** | |  |  | | | **—** | |  |  | | | **1** | |  |  | | | **25** | |  |  | | | **476** | |  |  | | | **1** | | **%** |
| Preferred stock | | | **41** | |  |  | | | **—** | |  |  | | | **2** | |  |  | | | **—** | |  |  | | | **43** | |  |  | | | **—** | | **%** |
| State & political | | | **668** | |  |  | | | **—** | |  |  | | | **8** | |  |  | | | **92** | |  |  | | | **584** | |  |  | | | **1** | | **%** |
| Foreign governments | | | **1,114** | |  |  | | | **—** | |  |  | | | **2** | |  |  | | | **190** | |  |  | | | **926** | |  |  | | | **1** | | **%** |
| Commercial mortgage-backed | | | **3,824** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **574** | |  |  | | | **3,250** | |  |  | | | **5** | | **%** |
| Asset-backed securities | | | **9,289** | |  |  | | | **—** | |  |  | | | **1** | |  |  | | | **545** | |  |  | | | **8,745** | |  |  | | | **14** | | **%** |
| Total | | | **$** | **74,565** |  |  | | | **$** | **22** |  |  | | | **$** | **87** |  |  | | | **$** | **10,735** |  |  | | | **$** | **63,895** |  |  | | | **100** | | **%** |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| As of December 31, 2021 | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate Securities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Finance | | | $ | 12,954 |  |  | | | $ | — |  |  | | | $ | 545 |  |  | | | $ | 59 |  |  | | | $ | 13,440 |  |  | | | 17 | | % |
| Manufacturing | | | 12,212 | |  |  | | | 1 | |  |  | | | 775 | |  |  | | | 39 | |  |  | | | 12,947 | |  |  | | | 17 | | % |
| Utilities | | | 6,446 | |  |  | | | — | |  |  | | | 351 | |  |  | | | 36 | |  |  | | | 6,761 | |  |  | | | 9 | | % |
| Services | | | 8,191 | |  |  | | | 21 | |  |  | | | 380 | |  |  | | | 50 | |  |  | | | 8,500 | |  |  | | | 11 | | % |
| Energy | | | 3,854 | |  |  | | | — | |  |  | | | 174 | |  |  | | | 17 | |  |  | | | 4,011 | |  |  | | | 5 | | % |
| Retail and wholesale | | | 3,390 | |  |  | | | — | |  |  | | | 218 | |  |  | | | 18 | |  |  | | | 3,590 | |  |  | | | 5 | | % |
| Transportation | | | 2,181 | |  |  | | | — | |  |  | | | 156 | |  |  | | | 10 | |  |  | | | 2,327 | |  |  | | | 3 | | % |
| Other | | | 60 | |  |  | | | — | |  |  | | | 2 | |  |  | | | — | |  |  | | | 62 | |  |  | | | — | | % |
| Total corporate securities | | | 49,288 | |  |  | | | 22 | |  |  | | | 2,601 | |  |  | | | 229 | |  |  | | | 51,638 | |  |  | | | 67 | | % |
| U.S. government | | | 13,056 | |  |  | | | — | |  |  | | | 2,344 | |  |  | | | 15 | |  |  | | | 15,385 | |  |  | | | 20 | | % |
| Residential mortgage-backed (2) | | | 90 | |  |  | | | — | |  |  | | | 8 | |  |  | | | — | |  |  | | | 98 | |  |  | | | — | | % |
| Preferred stock | | | 41 | |  |  | | | — | |  |  | | | 12 | |  |  | | | — | |  |  | | | 53 | |  |  | | | — | | % |
| State & political | | | 586 | |  |  | | | — | |  |  | | | 78 | |  |  | | | 3 | |  |  | | | 661 | |  |  | | | 1 | | % |
| Foreign governments | | | 1,124 | |  |  | | | — | |  |  | | | 42 | |  |  | | | 14 | |  |  | | | 1,152 | |  |  | | | 1 | | % |
| Commercial mortgage-backed | | | 2,427 | |  |  | | | — | |  |  | | | 19 | |  |  | | | 25 | |  |  | | | 2,421 | |  |  | | | 3 | | % |
| Asset-backed securities | | | 5,933 | |  |  | | | — | |  |  | | | 21 | |  |  | | | 20 | |  |  | | | 5,934 | |  |  | | | 8 | | % |
| Total | | | $ | 72,545 |  |  | | | $ | 22 |  |  | | | $ | 5,125 |  |  | | | $ | 306 |  |  | | | $ | 77,342 |  |  | | | 100 | | % |

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

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

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

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***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 September 30, 2022** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 1................................ | | |  | | | Aaa, Aa, A | | |  | | | **$** | **45,386** |  |  | | | **$** | **—** |  |  | | | **$** | **52** |  |  | | | **$** | **6,043** |  |  | | | **$** | **39,395** |  |
| 2................................ | | |  | | | Baa | | |  | | | **26,373** | |  |  | | | **—** | |  |  | | | **31** | |  |  | | | **4,448** | |  |  | | | **21,956** | |  |
|  | | |  | | | Investment grade | | |  | | | **71,759** | |  |  | | | **—** | |  |  | | | **83** | |  |  | | | **10,491** | |  |  | | | **61,351** | |  |
| 3................................ | | |  | | | Ba | | |  | | | **1,648** | |  |  | | | **1** | |  |  | | | **2** | |  |  | | | **172** | |  |  | | | **1,477** | |  |
| 4................................ | | |  | | | B | | |  | | | **1,113** | |  |  | | | **19** | |  |  | | | **2** | |  |  | | | **70** | |  |  | | | **1,026** | |  |
| 5................................ | | |  | | | Caa | | |  | | | **45** | |  |  | | | **2** | |  |  | | | **—** | |  |  | | | **2** | |  |  | | | **41** | |  |
| 6................................ | | |  | | | Ca, C | | |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |  | | | **—** | |  |
|  | | |  | | | Below investment grade | | |  | | | **2,806** | |  |  | | | **22** | |  |  | | | **4** | |  |  | | | **244** | |  |  | | | **2,544** | |  |
| Total Fixed Maturities | | | | | | | | |  | | | **$** | **74,565** |  |  | | | **$** | **22** |  |  | | | **$** | **87** |  |  | | | **$** | **10,735** |  |  | | | **$** | **63,895** |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| As of December 31, 2021: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 1................................ | | |  | | | Aaa, Aa, A | | |  | | | $ | 44,653 |  |  | | | $ | — |  |  | | | $ | 3,734 |  |  | | | $ | 158 |  |  | | | $ | 48,229 |  |
| 2................................ | | |  | | | Baa | | |  | | | 25,141 | |  |  | | | — | |  |  | | | 1,357 | |  |  | | | 127 | |  |  | | | 26,371 | |  |
|  | | |  | | | Investment grade | | |  | | | 69,794 | |  |  | | | — | |  |  | | | 5,091 | |  |  | | | 285 | |  |  | | | 74,600 | |  |
| 3................................ | | |  | | | Ba | | |  | | | 1,601 | |  |  | | | 1 | |  |  | | | 22 | |  |  | | | 14 | |  |  | | | 1,608 | |  |
| 4................................ | | |  | | | B | | |  | | | 992 | |  |  | | | 19 | |  |  | | | 8 | |  |  | | | 5 | |  |  | | | 976 | |  |
| 5................................ | | |  | | | Caa | | |  | | | 130 | |  |  | | | 2 | |  |  | | | 4 | |  |  | | | 1 | |  |  | | | 131 | |  |
| 6................................ | | |  | | | Ca, C | | |  | | | 28 | |  |  | | | — | |  |  | | | — | |  |  | | | 1 | |  |  | | | 27 | |  |
|  | | |  | | | Below investment grade | | |  | | | 2,751 | |  |  | | | 22 | |  |  | | | 34 | |  |  | | | 21 | |  |  | | | 2,742 | |  |
| Total Fixed Maturities | | |  | | |  | | |  | | | $ | 72,545 |  |  | | | $ | 22 |  |  | | | $ | 5,125 |  |  | | | $ | 306 |  |  | | | $ | 77,342 |  |

***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.

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**Mortgage Loans by Region and Property Type**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30, 2022** | | | | | | | | |  | | | December 31, 2021 | | | | | | | | |
|  | | | **Amortized**  **Cost** | | |  | | | **% of Total** | | |  | | | Amortized  Cost | | |  | | | % of Total | | |
|  | | | **(in millions)** | | | | | | | | | | | | | | | | | | | | |
| **By Region:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| U.S. Regions: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Pacific | | | **$** | **4,659** |  |  | | | **30** | | **%** |  | | | $ | 4,297 |  |  | | | 30 | | % |
| Middle Atlantic | | | **3,574** | |  |  | | | **23** | |  |  | | | 3,441 | |  |  | | | 24 | |  |
| South Atlantic | | | **2,038** | |  |  | | | **13** | |  |  | | | 1,982 | |  |  | | | 14 | |  |
| East North Central | | | **1,009** | |  |  | | | **6** | |  |  | | | 1,103 | |  |  | | | 8 | |  |
| Mountain | | | **1,374** | |  |  | | | **9** | |  |  | | | 978 | |  |  | | | 7 | |  |
| West North Central | | | **841** | |  |  | | | **5** | |  |  | | | 834 | |  |  | | | 6 | |  |
| West South Central | | | **968** | |  |  | | | **6** | |  |  | | | 609 | |  |  | | | 5 | |  |
| New England | | | **726** | |  |  | | | **5** | |  |  | | | 579 | |  |  | | | 4 | |  |
| East South Central | | | **249** | |  |  | | | **2** | |  |  | | | 146 | |  |  | | | 1 | |  |
| Total U.S. | | | **$** | **15,438** |  |  | | | **98** | | **%** |  | | | $ | 13,969 |  |  | | | 99 | | % |
| **Other Regions:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Europe | | | **$** | **333** |  |  | | | **2** | | **%** |  | | | $ | 126 |  |  | | | 1 | | % |
| Total Other | | | **$** | **333** |  |  | | | **2** | |  |  | | | **$** | **126** |  |  | | | 1 | |  |
| Total Mortgage Loans | | | **$** | **15,771** |  |  | | | **100** | | **%** |  | | | $ | 14,095 |  |  | | | 100 | | % |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **By Property Type:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Office | | | **$** | **4,511** |  |  | | | **29** | | **%** |  | | | $ | 3,944 |  |  | | | 28 | | % |
| Multifamily | | | **5,417** | |  |  | | | **34** | |  |  | | | 4,694 | |  |  | | | 33 | |  |
| Agricultural loans | | | **2,597** | |  |  | | | **16** | |  |  | | | 2,644 | |  |  | | | 19 | |  |
| Retail | | | **328** | |  |  | | | **2** | |  |  | | | 728 | |  |  | | | 5 | |  |
| Industrial | | | **1,837** | |  |  | | | **12** | |  |  | | | 1,204 | |  |  | | | 9 | |  |
| Hospitality | | | **406** | |  |  | | | **3** | |  |  | | | 410 | |  |  | | | 3 | |  |
| Other | | | **675** | |  |  | | | **4** | |  |  | | | 471 | |  |  | | | 3 | |  |
| Total Mortgage Loans | | | **$** | **15,771** |  |  | | | **100** | | **%** |  | | | $ | 14,095 |  |  | | | 100 | | % |

**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 2022.

*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, 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

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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.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended September 30,** | | | | | | | | |
|  | | | **2022** | | |  | | | 2021 | | |
|  | | | **(in millions)** | | | | | | | | |
| **Highly Liquid Assets, beginning of period** | | | **$** | **1,742** |  |  | | | $ | 3,088 |  |
| Dividends from subsidiaries | | | **1,574** | |  |  | | | 545 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Capital contributions to subsidiaries | | | **(150)** | |  |  | | | (760) | |  |
| M&A Activity | | | **—** | |  |  | | | 215 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| **Total Business Capital Activity** | | | **1,424** | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |
| Purchase of treasury shares | | | **(699)** | |  |  | | | (1,169) | |  |
|  | | |  | | |  | | |  | | |
| Shareholder dividends paid | | | **(220)** | |  |  | | | (224) | |  |
| **Total Share Repurchases, Dividends and Acquisition Activity** | | | **(919)** | |  |  | | | (1,393) | |  |
| Issuance of preferred stock | | | **—** | |  |  | | | 293 | |  |
| Preferred stock dividend | | | **(54)** | |  |  | | | (53) | |  |
| **Total Preferred Stock Activity** | | | **(54)** | |  |  | | | 240 | |  |
|  | | |  | | |  | | |  | | |
| Issuance of long-term debt | | | **—** | |  |  | | | — | |  |
| Repayment of long-term debt | | | — | |  |  | | | (280) | |  |
| **Total External Debt Activity** | | | **—** | |  |  | | | (280) | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Proceeds from loans from affiliates | | | **—** | |  |  | | | 1,000 | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Net decrease (increase) in existing facilities to affiliates (1) | | | **65** | |  |  | | | 285 | |  |
| **Total Affiliated Debt Activity** | | | **65** | |  |  | | | 1,285 | |  |
|  | | |  | | |  | | |  | | |
| Interest paid on external debt and P-Caps | | | **(116)** | |  |  | | | (140) | |  |
| Others, net | | | **89** | |  |  | | | (278) | |  |
| **Total Other Activity** | | | **(27)** | |  |  | | | (418) | |  |
|  | | |  | | |  | | |  | | |
| **Net increase (decrease) in highly liquid assets** | | | **489** | |  |  | | | (566) | |  |
| **Highly Liquid Assets, end of period** | | | **$** | **2,231** |  |  | | | $ | 2,522 |  |
|  | | |  | | |  | | |  | | |

(1) Represents net activity of draws and repayments of existing credit facilities between Holdings and affiliates.

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*Capital Contribution to Our Subsidiaries*

During the nine months ended September 30, 2022, Holdings made cash capital contributions of $150 million.

*Loans from Our Subsidiaries*

There were no loans from our subsidiaries during the nine months ended September 30, 2022.

*Cash Distributions from Our Subsidiaries*

During the nine months ended September 30, 2022, Holdings and certain of its subsidiaries received pretax cash distributions from AB of $481 million and post-tax distributions from Equitable Financial of $930 million and EIM of $164 million.

*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 laws, which are applicable to Equitable Financial, a domestic stock life insurer may not, without prior approval of the NYDFS, pay an ordinary dividend to its stockholders exceeding an amount calculated based on a statutory formula (“Ordinary Dividend”). Dividends in excess of this amount require the insurer to file a notice of its intent to declare the dividends with the NYDFS and obtain prior approval or non-disapproval from the NYDFS with respect to such dividends (“Extraordinary Dividends”). Due to a permitted statutory accounting practice agreed to with the NYDFS, Equitable Financial will need the prior approval of the NYDFS to pay the portion, if any, of any Ordinary Dividend that exceeds the Ordinary Dividend that Equitable Financial would be permitted to pay under New York insurance law absent the application of such permitted practice (such excess, the “Permitted Practice Ordinary Dividend”). Applying the formula above, Equitable Financial could pay an Ordinary Dividend of up to approximately $0.9 billion in 2022 without the prior approval of the NYDFS. Holdings received a dividend distribution from Equitable Financial of $0.9 billion during July 2022.

*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.

As of September 30, 2022, Holdings and its non-insurance company subsidiaries hold approximately 170.1 million AB Units, 4.1 million AB Holding Units and the 1% General Partnership interest in ABLP.

As of September 30, 2022, the ownership structure of ABLP, including AB Units outstanding as well as the general partner’s 1% interest, was as follows:

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **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 September 30, 2022. The issuance of AB Units relating to the CarVal acquisition is not expected to have a significant impact on the Company’s cash flows.

*Holdings Credit Facilities*

On June 24, 2021, Holdings entered into the Amended and Restated Revolving Credit Agreement with respect to a five-year senior unsecured revolving credit facility (the “Credit Facility”), which lowered the facility amount to $1.5 billion and extended the maturity date to June 24, 2026, among other changes. The Amended and Restated Revolving Credit Agreement amends the Revolving Credit Agreement entered into by Holdings on February 16, 2018, as amended on March 22, 2021.

The Credit Facility 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. In June 2021, Holdings entered into amendments with each of the issuers of its bilateral letter of credit facilities to effect changes similar to those effected in the amended and restated revolving credit agreement. The respective facility limits of the bilateral letter of credit facilities remained unchanged.

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 September 30, 2022, we were in compliance with these covenants.

*Contingent Funding Arrangements*

For information regarding activity pertaining to our contingent funding arrangements and other off-balance sheet commitments, see “Commitments and Contingent Liabilities” in Note 12 of the Notes to the 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 Preferred Stock, Series B Preferred Stock 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 Preferred Stock, Series B Preferred Stock 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 the 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 in both the short-term (the next 12 months) and long-term (beyond the next 12 months). 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 the 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 and Equitable America are members of the FHLB, which provides access to collateralized borrowings and other FHLB products.

See Note 12 of the Notes to the Consolidated Financial Statements for further description of our FHLB program.

*FABN*

Under the FABN program, Equitable Financial may issue funding agreements in U.S. dollar or other foreign currencies.

See Note 12 of the Notes to the Consolidated Financial Statements for further description of our FABN program.

**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 Commercial Paper*

As of September 30, 2022 and December 31, 2021, 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 during the first nine months of 2022 and full year 2021 were $202 million and $157 million, respectively, with weighted average interest rates of approximately 0.9% and 0.2%, respectively.

*AB Revolver Credit Facility*

AB had a $200 million committed, unsecured senior revolving credit facility (the "AB Revolver") with a leading international bank, which matured on November 16, 2021. Average daily borrowings for the full year 2021 were $13 million with a weighted average interest rate of 1.1%.

***AB Credit Facility***

AB has an $800 million committed, unsecured senior revolving credit facility (the “AB Credit Facility”) with a group of commercial banks and other lenders which matures on October 13, 2026. 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 September 30, 2022, 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 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

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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 September 30, 2022 and December 31, 2021, AB had no amounts outstanding under the AB Credit Facility. During the first nine months of 2022 and the full year 2021, AB and SCB LLC did not draw upon the AB Credit Facility.

In addition, SCB LLC currently has five uncommitted lines of credit with five financial institutions. Four of these lines of credit permit borrowing up to an aggregate of approximately $315 million, with AB named as an additional borrower, while the other line has no stated limit. As of September 30, 2022 and December 31, 2021, SCB LLC had no outstanding balance on these lines of credit. Average daily borrowings during the first nine months of 2022 and the full year 2021 were $1.2 million and $47 thousand with weighted average interest rates of approximately 1.9% and 0.9%, respectively.

***EQH Facility***

AB has 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 September 30, 2022 and December 31, 2021, AB had $690 million and $755 million outstanding under the EQH Facility, with interest rates of approximately 3.0% and 0.2%, respectively. Average daily borrowing of the EQH Facility during the first nine months of 2022 and the full year 2021 were $654 million and $405 million, respectively, with a weighted average interest rates of approximately 1.0% and 0.2%, respectively.

***EQH Uncommitted Facility***

In addition to the EQH Facility, AB entered into a $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 business purposes. Borrowings under the EQH Uncommitted Facility bear generally interest at a rate per annum based on prevailing overnight commercial paper rates. The EQH Uncommitted Facility contains affirmative, negative and financial covenants, which are substantially similar to those in the EQH Facility.

As of September 30, 2022 and December 31, 2021, AB had no outstanding balance on the EQH Uncommitted Facility and has not drawn upon the facility since its inception.

**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.

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See 13 of the Notes to the Consolidated Financial Statements for additional information relating to Prescribed and Permitted Statutory Accounting practices and its impact on our statutory surplus.

**Captive Reinsurance Company**

We use a captive reinsurance company to more effectively manage our reserves and capital on an economic basis and to enable the aggregation and transfer of risks. Our captive reinsurance company assumes business from affiliates only and is closed to new business. Our captive reinsurance company is a wholly-owned subsidiary located in the United States. In addition to state insurance regulation, our captive is subject to internal policies governing its activities. We continue to analyze the use of our existing captive reinsurance structure, 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:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **September 30,** | | |  | | | **December 31,** | | |
|  | | | **2022** | | |  | | | 2021 | | |
|  | | | **(in millions)** | | | | | | | | |
| **Short-term debt:** | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| CLO Warehousing Debt | | | **$** | **248** |  |  | | | $ | 92 |  |
| Senior Notes (3.9%, due 2023) | | | **519** | |  |  | | | 519 | |  |
| Total short-term debt | | | **767** | |  |  | | | 611 | |  |
|  | | |  | | |  | | |  | | |
| **Long-term debt:** | | |  | | |  | | |  | | |
| Senior Notes (5.0%, due 2048) | | | **1,480** | |  |  | | | 1,481 | |  |
| Senior Notes (4.35%, due 2028) | | | **1,491** | |  |  | | | 1,490 | |  |
|  | | |  | | |  | | |  | | |
| Senior Debentures, (7.0%, due 2028) | | | **350** | |  |  | | | 349 | |  |
| Total long-term debt | | | **3,321** | |  |  | | | 3,320 | |  |
| Total short-term and long-term debt | | | **$** | **4,088** |  |  | | | $ | 3,931 |  |

*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 September 30, 2022, 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, S&P and Moody’s have a stable outlook.

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **AM Best** | | |  | | | **S&P** | | |  | | | **Moody’s** | | |
| **Last review date** | | | Jan '22 | | |  | | | Jun '22 | | |  | | | Jul '22 | | |
| ***Financial Strength Ratings:*** | | |  | | |  | | |  | | |  | | |  | | |
| Equitable Financial Life Insurance Company | | | A | | |  | | | A+ | | |  | | | A1 | | |
| Equitable Financial Life Insurance Company of America | | | A | | |  | | | A+ | | |  | | | A1 | | |
| ***Credit Ratings:*** | | |  | | |  | | |  | | |  | | |  | | |
| Equitable Holdings, Inc. | | |  | | |  | | | BBB+ | | |  | | | Baa1 | | |
| **Last review date** | | |  | | |  | | | Sep '22 | | |  | | | Jul '22 | | |
| AllianceBernstein L.P. | | |  | | |  | | | A | | |  | | | A2 | | |

**Material Cash Requirement**

Our material cash requirements include policyholder obligations, long-term debt, commercial paper, employee benefits, operating leases and various funding commitments. See “Material Cash Requirement” 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, 2021 for additional information.

**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 2021 Form 10-K. The most critical estimates include those used in determining:

•liabilities for future policy benefits;

•accounting for reinsurance;

•capitalization and amortization of DAC;

•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, 2021 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 September 30, 2022, the Company’s disclosure controls and procedures were effective.

During the first quarter 2022, we implemented a new accounting and financial reporting system, including the general ledger. We have modified our existing controls infrastructure, as well as added other processes and internal controls, to adapt to our new general ledger. There are no other changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the nine months ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, our 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 these Consolidated Financial Statements (unaudited) in this Form 10-Q. Also see “Risk Factors—Legal and Regulatory Risks—Legal and regulatory actions” included in our Annual Report on Form 10-K for the year ended December 31, 2021.

**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, 2021. Risks to which we are subject also 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.

**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 September 30, 2022, 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** | | |
| 7/1/22 through 7/31/22 | | | 1,167,227 | |  |  | | | $ | 25.70 |  |  | | | 1,167,227 | |  |  | | | $ | 674,529,426 |  |
| 8/1/22 through 8/31/22 | | | 1,943,449 | |  |  | | | $ | 30.60 |  |  | | | 1,943,449 | |  |  | | | $ | 615,054,615 |  |
| 9/1/22 through 9/30/22 | | | 3,869,178 | |  |  | | | $ | 28.60 |  |  | | | 3,869,178 | |  |  | | | $ | 577,554,615 |  |
| **Total** | | | **6,979,854** | |  |  | | | $ | 28.67 |  |  | | | **6,979,854** | |  |  | | | **$** | **577,554,615** |  |

See Note 10 to the Notes to Consolidated Financial Statements for ASR transaction detail during the three months ended September 30, 2022.

**Item 3.     Defaults Upon Senior Securities**

None.

**Item 4.     Mine Safety Disclosures**

Not applicable.

**Item 5.      Other Information**

None.

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**Item 6.     Exhibits**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |
| **Number** | | |  | | | **Description and Method of Filing** | | |  |
| [10.1](eqh-93022exhibit101.htm) | | | # | | | Master Transaction Agreement, dated as of August 16, 2022 among Equitable Financial Life Insurance Company and First Allmerica Financial Life Insurance Company (redacted) | | |  |
| [10.2](eqh93022-exhibit102.htm) | | | # | | | Coinsurance and Modified Coinsurance Agreement, dated as of October 3, 2023, between Equitable Financial Life Insurance Company and First Allmerica Financial Life Insurance Company (redacted) | | |  |
| [31.1](eqh-093022exhibit311.htm) | | | # | | | Certification of the Registrant’s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | |  |
| [31.2](eqh-093022exhibit312.htm) | | | # | | | Certification of the Registrant’s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | |  |
| [32.1](eqh-093022exhibit321.htm) | | | # | | | Certification of the Registrant’s Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | |  |
| [32.2](eqh-093022exhibit322.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). | | |  |

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

#    Filed herewith.

**GLOSSARY**

**Selected Financial Terms**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 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. | | |
|  | | |  | | |

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| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 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 | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 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. | | |
|  | | |  | | |
| 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. | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 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. | | |
|  | | |  | | |

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 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. | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| 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. | | |
|  | | |  | | |
| 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. | | |
|  | | |  | | |

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|  |  |  |  |  |  |
| 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

•“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

•“EB” means Employee Benefits

•“EFS” means Equitable Financial Services, LLC, a Delaware corporation and a wholly-owned direct subsidiary of Holdings

•“EPS” means earnings per share

•“EIMG” means Equitable Investment Management Group, LLC, a Delaware limited liability company and a wholly-owned indirect subsidiary of Holdings.

•“EIM” means Equitable Investment Management, LLC, a Delaware limited liability company and wholly-owned indirect subsidiary of Holdings.

•“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

•“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

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•“ISDA Master Agreement” means International Swaps and Derivatives Association Master Agreement

•“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

•“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.

•“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: November 3, 2022 | | | EQUITABLE HOLDINGS, INC. | | | | | | | | |
|  | | |  | | |  | | | | | |
|  | | | By: | | | /s/ Robin M. Raju | | | | | |
|  | | |  | | | Name: | | | Robin M. Raju | | |
|  | | |  | | | Title: | | | Chief Financial Officer (Principal Financial Officer) | | |
|  | | |  | | |  | | |  | | |
| Date: November 3, 2022 | | |  | | | /s/ William Eckert | | | | | |
|  | | |  | | | Name: | | | William Eckert | | |
|  | | |  | | | Title: | | | Chief Accounting Officer (Principal Accounting Officer) | | |