

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 5, 2020



Delaware
(State or other jurisdiction of incorporation)

001-37905
(Commission File Number)

81-3846992
(IRS Employer Identification No.)

11225 North Community House Road, Charlotte, North Carolina
(Address of principal executive offices)

28277
(Zip Code)

Registrant's telephone number, including area code: **(980) 365-7100**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	BHF	The Nasdaq Stock Market LLC
Depository Shares, each representing a 1/1,000th interest in a share of 6.600% Non-Cumulative Preferred Stock, Series A	BHFAP	The Nasdaq Stock Market LLC
Depository Shares, each representing a 1/1,000th interest in a share of 6.750% Non-Cumulative Preferred Stock, Series B	BHFAO	The Nasdaq Stock Market LLC
6.250% Junior Subordinated Debentures due 2058	BHFAL	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On November 5, 2020, Brighthouse Financial, Inc. (“Brighthouse Financial” or the “Company”) issued (i) a news release announcing its results for the quarter ended September 30, 2020, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference, and (ii) a Financial Supplement for the quarter ended September 30, 2020, a copy of which is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in Items 2.02, 7.01 and Exhibits 99.1 and 99.2 listed in Item 9.01 of this Current Report on Form 8-K shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 7.01. Regulation FD Disclosure.

In connection with its earnings call for the quarter ended September 30, 2020, Brighthouse Financial has prepared a presentation for use with investors and other members of the investment community. This presentation is available on the Brighthouse Financial investor relations website at <http://investor.brighthousefinancial.com>.

Brighthouse Financial routinely uses its investor relations website to provide presentations, press releases and other information that may be deemed material to investors. Accordingly, the Company encourages investors and others interested in the Company to review the information that it shares at <http://investor.brighthousefinancial.com>.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1**</u>	<u>News release of Brighthouse Financial, Inc., dated November 5, 2020, announcing its results for the quarter ended September 30, 2020</u>
<u>99.2**</u>	<u>Financial Supplement for the quarter ended September 30, 2020</u>
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BRIGHTHOUSE FINANCIAL,
INC.

By: /s/ Lynn A. Dumais
Name: Lynn A. Dumais
Chief Accounting
Title: Officer

Date: November 5, 2020

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Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Exhibit 99.1

FOR IMMEDIATE RELEASE

Brighthouse Financial Announces Third Quarter 2020 Results

- *Third quarter 2020 net loss available to shareholders of \$3,012 million, or \$32.49 per diluted share, driven primarily by the impact from the company's annual actuarial review and net derivative mark-to-market losses*
- *Third quarter 2020 adjusted earnings, less notable items*, of \$388 million, or \$4.19 per diluted share*
- *Annuity sales increased 29 percent and life sales increased 63 percent compared with the third quarter of 2019*
- *Estimated combined risk-based capital ("RBC") ratio between 525 and 545 percent*
- *The company resumed repurchases of its common stock on August 24, 2020, and repurchased \$432 million of common stock year-to-date through November 4*

CHARLOTTE, NC, November 5, 2020 — Brighthouse Financial, Inc. ("Brighthouse Financial" or the "company") (Nasdaq: BHF) announced today its financial results for the third quarter ended September 30, 2020.

Third Quarter 2020 Results

The company reported a net loss available to shareholders of \$3,012 million in the third quarter of 2020, or \$32.49 per diluted share, compared with net income available to shareholders of \$676 million in the third quarter of 2019. The company ended the third quarter of 2020 with common stockholders' equity ("book value") of \$17.5 billion, or \$191.58 per common share, and book value, excluding accumulated other comprehensive income ("AOCI") of \$12.1 billion, or \$132.55 per common share.

In the third quarter of 2020, the company completed its annual actuarial review where it reviews long-term assumptions, including capital market returns and interest rates. In addition to other updates, the company lowered its U.S. GAAP long-term mean reversion interest rate assumption from 3.75 percent to 3.0 percent. The impact to net income from the annual actuarial review was \$2,210 million after tax. In addition, during the quarter, as a result of significantly higher equity markets, the value of our hedges, which the company uses to protect its balance sheet against adverse market conditions, decreased, as expected. Most of the corresponding liabilities are not reflected at fair value under U.S. GAAP accounting and are, therefore, less sensitive to market movements.

For the third quarter of 2020, the company reported an adjusted loss* of \$689 million, or \$7.43 per diluted share, compared with an adjusted loss of \$169 million, or \$1.52 per diluted share, in the third quarter of 2019, driven primarily by the impact from the annual actuarial review.

* Information regarding the non-GAAP and other financial measures included in this news release and a reconciliation of such non-GAAP financial measures to the most directly comparable GAAP measures are provided in the Non-GAAP and Other Financial Disclosures discussion below, as well as in the tables that accompany this news release and/or the Third Quarter 2020 Brighthouse Financial, Inc. Financial Supplement and/or the Third Quarter 2020 Brighthouse Financial, Inc. Earnings Call Presentation (which are available on the Brighthouse Financial Investor Relations web page at <http://investor.brighthousefinancial.com>). Additional information regarding notable items can be found on the last page of this news release.

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Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



The adjusted loss for the quarter reflected \$1,077 million after tax of unfavorable notable items, or \$11.62 per diluted share, including:

- \$1,062 million unfavorable impact primarily related to the annual actuarial review, and
- \$15 million for establishment costs related to planned technology and other expenses associated with the company's separation from its former parent company.

Corporate expenses in the third quarter of 2020 were \$204 million, down from \$210 million in the second quarter of 2020, both on a pre-tax basis.

Annuity sales increased 29 percent quarter-over-quarter and 27 percent sequentially. Life sales increased 63 percent quarter-over-quarter and 8 percent sequentially.

As previously announced, the company resumed repurchases of its common stock on August 24, 2020. During the third quarter of 2020, the company repurchased \$54 million of its common stock, and year-to-date through November 4, 2020, the company repurchased \$432 million of its common stock, representing approximately 16 percent of shares outstanding relative to year-end 2019. Since the announcement of the company's first stock repurchase authorization in August 2018, the company has repurchased a total of \$980 million of its common stock through November 4, 2020.

"I am pleased with the sales results we delivered in the third quarter of 2020," said Eric Steigerwalt, president and CEO, Brighthouse Financial. "As we have said, we entered the current climate from a position of strength and we continue to believe that we are well-positioned to weather this uncertain environment. We remain confident in our strategy and are focused on delivering for our partners, customers and shareholders."

Key Metrics (Unaudited, dollars in millions except share and per share amounts)

	As of or For the Three Months Ended			
	September 30, 2020		September 30, 2019	
	Total	Per share	Total	Per share
Net income (loss) available to shareholders (1)	\$(3,012)	\$(32.49)	\$676	\$6.06
Adjusted earnings (1)	\$(689)	\$(7.43)	\$(169)	\$(1.52)
Adjusted earnings, less notable items (1)	\$388	\$4.19	\$260	\$2.33
Weighted average common shares outstanding - diluted (1)	92,693,188	N/A	111,527,480	N/A
Book value	\$17,464	\$191.58	\$17,283	\$158.18
Book value, excluding AOCI	\$12,083	\$132.55	\$13,716	\$125.53
Ending common shares outstanding	91,158,927	N/A	109,264,305	N/A

(1) Per share amounts are on a diluted basis and may not recalculate due to rounding. For loss periods, dilutive shares were not included in the calculation as inclusion of such shares would have an anti-dilutive effect. See Non-GAAP and Other Financial Disclosures discussion in this news release.

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Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Results by Business Segment and Corporate & Other (Unaudited, in millions)

ADJUSTED EARNINGS	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Annuities	\$387	\$171	\$203
Life	\$76	\$48	\$73
Run-off (1)	\$(1,139)	\$(115)	\$(426)
Corporate & Other (1)	\$(13)	\$(93)	\$(19)

(1) The company uses the term "adjusted loss" throughout this news release to refer to negative adjusted earnings values.

Sales (Unaudited, in millions)

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Annuities (1)	\$2,335	\$1,838	\$1,808
Life	\$13	\$12	\$8

(1) Annuities sales include sales of a fixed indexed annuity product sold by Massachusetts Mutual Life Insurance Company, representing 90% of gross sales of that product. Sales of this product were \$234 million for the third quarter of 2020, \$309 million for the second quarter of 2020, and \$296 million for the third quarter of 2019.

Annuities

Adjusted earnings in the Annuities segment were \$387 million in the current quarter, compared with adjusted earnings of \$203 million in the third quarter of 2019 and adjusted earnings of \$171 million in the second quarter of 2020.

The current quarter included a \$102 million favorable notable item and the third quarter of 2019 included a \$30 million unfavorable notable item, both related to the annual actuarial review completed in the respective quarters. There were no notable items in the second quarter of 2020.

On a quarter-over-quarter basis, adjusted earnings reflect lower expenses, lower deferred acquisition costs ("DAC") amortization and reserves, partially offset by lower fees. On a sequential basis, adjusted earnings reflect higher net investment income and higher fees, as well as lower DAC amortization, partially offset by higher expenses.

As mentioned above, annuity sales increased 29 percent quarter-over-quarter and 27 percent sequentially.

Life

Adjusted earnings in the Life segment were \$76 million in the current quarter, compared with adjusted earnings of \$73 million in the third quarter of 2019 and adjusted earnings of \$48 million in the second quarter of 2020.

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



The current quarter included an \$11 million unfavorable notable item and the third quarter of 2019 included a \$19 million favorable notable item, both related to the annual actuarial review completed in the respective quarters. There were no notable items in the second quarter of 2020.

On a quarter-over-quarter basis, adjusted earnings reflect higher net investment income and lower DAC amortization. On a sequential basis, adjusted earnings reflect higher net investment income, partially offset by higher DAC amortization.

As mentioned above, life sales increased 63 percent quarter-over-quarter and 8 percent sequentially.

Run-off

The Run-off segment had an adjusted loss of \$1,139 million in the current quarter, compared with an adjusted loss of \$426 million in the third quarter of 2019 and an adjusted loss of \$115 million in the second quarter of 2020.

The current quarter included a \$1,172 million unfavorable notable item and the third quarter of 2019 included a \$431 million unfavorable notable item, both related to the annual actuarial review completed in the respective quarters. There were no notable items in the second quarter of 2020.

On both a quarter-over-quarter and sequential basis, adjusted earnings, less notable items, reflect higher net investment income, partially offset by a lower underwriting margin.

Corporate & Other

Corporate & Other had an adjusted loss of \$13 million in the current quarter, compared with an adjusted loss of \$19 million in the third quarter of 2019 and an adjusted loss of \$93 million in the second quarter of 2020.

The current quarter included \$4 million of net favorable notable items, as described above. The third quarter of 2019 included \$13 million of net favorable notable items and the second quarter of 2020 included a \$28 million unfavorable notable item.

On a quarter-over-quarter and sequential basis, the adjusted loss, less notable items, reflects lower expenses and lower taxes, partially offset by higher total preferred stock dividends.

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Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Net Investment Income and Adjusted Net Investment Income (Unaudited, in millions)

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Net investment income	\$996	\$652	\$928
Adjusted net investment income	\$1,001	\$656	\$928

Net Investment Income

Net investment income was \$996 million and adjusted net investment income* was \$1,001 million for the third quarter of 2020. On a quarter-over-quarter basis, adjusted net investment income increased \$73 million and increased \$345 million on a sequential basis. The quarter-over-quarter and sequential results were driven by higher alternative investment income.

The net investment income yield was 4.42 percent during the quarter.

Statutory Capital and Liquidity (Unaudited, in billions)

	As of		
	September 30, 2020 (1)	June 30, 2020	September 30, 2019
Statutory combined total adjusted capital	\$8.4	\$7.7	\$8.4

(1) Reflects preliminary statutory results as of September 30, 2020.

Capitalization

At September 30, 2020:

- Holding company liquid assets were approximately \$1.3 billion
- Statutory combined total adjusted capital on a preliminary basis increased to approximately \$8.4 billion, driven by the recovery in capital markets in the quarter and the favorable statutory impact of the annual actuarial review
- Estimated combined RBC ratio between 525 and 545 percent

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Earnings Conference Call

Brighthouse Financial will hold a conference call and audio webcast to discuss its financial results for the third quarter of 2020 at 8:00 a.m. Eastern Time on Friday, November 6, 2020. In connection with this call, the company has prepared a presentation for use with investors and other members of the investment community. This presentation is available on the Brighthouse Financial Investor Relations web page at <http://investor.brighthousefinancial.com>.

To listen to the audio webcast via the internet and to access the related presentation, please visit the Brighthouse Financial Investor Relations web page at <http://investor.brighthousefinancial.com>. To join the conference call via telephone, please dial (844) 358-9117 (+1 (209) 905-5952 from outside the U.S.) and use conference ID 3108067.

A replay of the conference call will be made available until Friday, November 27, 2020, on the Brighthouse Financial Investor Relations web page at <http://investor.brighthousefinancial.com>.

About Brighthouse Financial, Inc.

Brighthouse Financial, Inc. (Brighthouse Financial) (Nasdaq: BHF) is on a mission to help people achieve financial security. As one of the largest providers of annuities and life insurance in the U.S.,⁽¹⁾ we specialize in products designed to help people protect what they've earned and ensure it lasts. Learn more at brighthousefinancial.com.

(1) Ranked by 2019 admitted assets. Best's Review®: Top 200 U.S. Life/Health Insurers. A.M. Best, 2020.

CONTACT

FOR INVESTORS

David Rosenbaum
(980) 949-3326
david.rosenbaum@brighthousefinancial.com

FOR MEDIA

Deon Roberts
(980) 949-3071
deon.roberts@brighthousefinancial.com

PUBLIC RELATIONS

Brighthouse Financial, Inc.
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Charlotte, NC 28277



Note Regarding Forward-Looking Statements

This news release and other oral or written statements that we make from time to time may contain information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements using words such as "anticipate," "estimate," "expect," "project," "may," "will," "could," "intend," "goal," "target," "guidance," "forecast," "preliminary," "objective," "continue," "aim," "plan," "believe" and other words and terms of similar meaning, or that are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include, without limitation, statements relating to future actions, prospective services or products, financial projections, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, as well as trends in operating and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of Brighthouse Financial. These statements are based on current expectations and the current economic environment and involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others: the impact of the ongoing COVID-19 pandemic; differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models; higher risk management costs and exposure to increased market risk due to guarantees within certain of our products; the effectiveness of our variable annuity exposure risk management strategy and the impact of such strategy on volatility in our profitability measures and negative effects on our statutory capital; the reserves we are required to hold against our variable annuities as a result of actuarial guidelines; the potential material adverse effect of changes in accounting standards, practices and/or policies applicable to us, including changes in the accounting for long-duration contracts; our degree of leverage due to indebtedness; the impact of adverse capital and credit market conditions, including with respect to our ability to meet liquidity needs and access capital; the impact of changes in regulation and in supervisory and enforcement policies on our insurance business or other operations; the availability of reinsurance and the ability of the counterparties to our reinsurance or indemnification arrangements to perform their obligations thereunder; the adverse impact to liabilities for policyholder claims as a result of extreme mortality events; heightened competition, including with respect to service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition; any failure of third parties to provide services we need, any failure of the practices and procedures of such third parties and any inability to obtain information or assistance we need from third parties; the ability of our insurance subsidiaries to pay dividends to us, and our ability to pay dividends to our shareholders and repurchase our common stock; the effectiveness of our policies and procedures in managing risk; our ability to market and distribute our products through distribution channels; whether all or any portion of the tax consequences of our separation from MetLife, Inc. ("MetLife") are not as expected, leading to material additional taxes or material adverse consequences to tax attributes that impact us; the uncertainty of the outcome of any disputes with MetLife over tax-related or other matters and agreements or disagreements regarding MetLife's or our obligations under our other agreements; the potential material negative tax impact of potential future tax legislation that could make some of our products less attractive to consumers; and other factors described from time to time in documents that we file with the U.S. Securities and Exchange Commission (the "SEC").

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements included and the risks, uncertainties and other factors identified in our Annual Report on Form 10-K for the year ended December 31, 2019, particularly in the sections entitled "Risk Factors" and "Quantitative and Qualitative Disclosures About Market Risk," as well as in our other subsequent filings with the SEC. 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.

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Non-GAAP and Other Financial Disclosures

Our definitions of the non-GAAP and other financial measures may differ from those used by other companies.

Non-GAAP Financial Disclosures

We present certain measures of our performance that are not calculated in accordance with accounting principles generally accepted in the United States of America, also known as "GAAP." We believe that these non-GAAP financial measures highlight our results of operations and the underlying profitability drivers of our business, as well as enhance the understanding of our performance by the investor community.

The following non-GAAP financial measures, previously referred to as operating measures, should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

Non-GAAP financial measures:

adjusted earnings
adjusted earnings, less notable items
adjusted revenues
adjusted expenses
adjusted earnings per common share
adjusted earnings per common share, less notable items
adjusted return on common equity
adjusted return on common equity, less notable items
adjusted net investment income

Most directly comparable GAAP financial measures:

net income (loss) available to shareholders (1)
net income (loss) available to shareholders (1)
revenues
expenses
earnings per common share, diluted (1)
earnings per common share, diluted (1)
return on common equity (2)
return on common equity (2)
net investment income

(1) Brighthouse uses net income (loss) available to shareholders to refer to net income (loss) available to Brighthouse Financial, Inc.'s common shareholders, and earnings per common share, diluted to refer to net income (loss) available to shareholders per common share.

(2) Brighthouse uses return on common equity to refer to return on Brighthouse Financial, Inc.'s common stockholders' equity.

Reconciliations to the most directly comparable historical GAAP measures are included for those measures which are presented herein. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are not accessible on a forward-looking basis because we believe it is not possible without unreasonable efforts to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a material impact on net income (loss) available to shareholders.

Adjusted Earnings, Adjusted Revenues and Adjusted Expenses

Adjusted earnings, which may be positive or negative, is used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. This financial measure focuses on our primary businesses principally by excluding the impact of market volatility, which could distort trends.

Adjusted earnings reflects adjusted revenues less adjusted expenses, both net of income tax, and excludes net income (loss) attributable to noncontrolling interests and preferred stock dividends. Provided below are the adjustments to GAAP revenues and GAAP expenses used to calculate adjusted revenues and adjusted expenses, respectively.

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



The following are significant items excluded from total revenues, net of income tax, in calculating the adjusted revenues component of adjusted earnings:

- Net investment gains (losses);
- Net derivative gains (losses) ("NDGL"), except earned income and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment ("Investment Hedge Adjustments"); and
- Certain variable annuity GMIB fees ("GMIB Fees").

The following are significant items excluded from total expenses, net of income tax, in calculating the adjusted expenses component of adjusted earnings:

- Amounts associated with benefits related to GMIBs ("GMIB Costs");
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments"); and
- Amortization of DAC and value of business acquired ("VOBA") related to (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned is calculated net of the statutory tax rate, which could differ from our effective tax rate.

Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance.

Adjusted Earnings per Common Share and Adjusted Return on Common Equity

Adjusted earnings per common share and adjusted return on common equity are measures used by management to evaluate the execution of our business strategy and align such strategy with our shareholders' interests.

Adjusted earnings per common share is defined as adjusted earnings for the period divided by the weighted average number of fully diluted shares of common stock outstanding for the period. The weighted average common shares outstanding used to calculate adjusted earnings per share will differ from such shares used to calculate diluted net income (loss) available to shareholders per common share when the inclusion of dilutive shares has an anti-dilutive effect for one calculation but not for the other.

Adjusted return on common equity is defined as total annual adjusted earnings on a four quarter trailing basis, divided by the simple average of the most recent five quarters of total Brighthouse Financial, Inc.'s common stockholders' equity, excluding AOCI.

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Adjusted Net Investment Income

We present adjusted net investment income to measure our performance for management purposes, and we believe it enhances the understanding of our investment portfolio results. Adjusted net investment income represents net investment income including investment hedge adjustments.

Other Financial Disclosures

Corporate Expenses

Corporate expenses includes functional department expenses, public company expenses, certain investment expenses, retirement funding and incentive compensation; and excludes establishment costs.

Notable items

Certain of the non-GAAP measures described above may be presented further adjusted to exclude notable items. Notable items reflect the impact on our results of certain unanticipated items and events, as well as certain items and events that were anticipated, such as establishment costs. The presentation of notable items and non-GAAP measures, less notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Book Value per Common Share and Book Value per Common Share, excluding AOCI

Brighthouse uses the term "book value" to refer to "Brighthouse Financial, Inc.'s common stockholders' equity, including AOCI." Book value per common share is defined as ending Brighthouse Financial, Inc.'s common stockholders' equity, including AOCI, divided by ending common shares outstanding. Book value per common share, excluding AOCI, is defined as ending Brighthouse Financial, Inc.'s common stockholders' equity, excluding AOCI, divided by ending common shares outstanding.

CTE95

CTE95 is defined as the amount of assets required to satisfy contract holder obligations across market environments in the average of the worst five percent of a set of capital market scenarios over the life of the contracts.

CTE98

CTE98 is defined as the amount of assets required to satisfy contract holder obligations across market environments in the average of the worst two percent of a set of capital market scenarios over the life of the contracts.

Holding Company Liquid Assets

Holding company liquid assets include liquid assets in Brighthouse Financial, Inc., Brighthouse Holdings, LLC, and Brighthouse Services, LLC. Liquid assets include cash and cash equivalents, short-term investments and publicly traded securities excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with derivatives and collateral financing arrangements.

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
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Total Adjusted Capital

Total adjusted capital primarily consists of statutory capital and surplus, as well as the statutory asset valuation reserve. When referred to as “combined,” represents that of our insurance subsidiaries as a whole.

Sales

Life insurance sales consist of 100 percent of annualized new premium for term life, first-year paid premium for whole life, universal life, and variable universal life, and total paid premium for indexed universal life. We exclude company-sponsored internal exchanges, corporate-owned life insurance, bank-owned life insurance, and private placement variable universal life.

Annuity sales consist of 100 percent of direct statutory premiums, except for fixed indexed annuity sales distributed through MassMutual that consist of 90 percent of gross sales. Annuity sales exclude certain internal exchanges. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.

Net Investment Income Yield

Similar to adjusted net investment income, we present net investment income yields as a performance measure we believe enhances the understanding of our investment portfolio results. Net investment income yields are calculated on adjusted net investment income as a percent of average quarterly asset carrying values. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties. Investment fee and expense yields are calculated as investment fees and expenses as a percent of average quarterly asset estimated fair values. Asset estimated fair values exclude collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

Normalized Statutory Earnings (Loss)

Normalized statutory earnings (loss) is used by management to measure our insurance companies’ ability to pay future distributions and is reflective of whether our hedging program functions as intended. Normalized statutory earnings (loss) is calculated as statutory pre-tax net gain from operations adjusted for the favorable or unfavorable impacts of (i) net realized capital gains (losses), (ii) the change in both the reserve-based and capital methodology-based CTE95 calculation, net of the change in our variable annuity reserves, and (iii) unrealized gains (losses) associated with our variable annuities risk management strategy. Normalized statutory earnings (loss) may be further adjusted for certain unanticipated items that impacted our results in order to help management and investors better understand, evaluate and forecast those results.

Risk-Based Capital Ratio

The risk-based capital ratio is a method of measuring an insurance company’s capital, taking into consideration its relative size and risk profile, in order to ensure compliance with minimum regulatory capital requirements set by the National Association of Insurance Commissioners. When referred to as “combined,” represents that of our insurance subsidiaries as a whole. The reporting of our combined risk-based capital ratio is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities.

PUBLIC RELATIONS

Brighthouse Financial, Inc.
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Charlotte, NC 28277



Condensed Statements of Operations (Unaudited, in millions)

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Revenues			
Premiums	\$184	\$193	\$214
Universal life and investment-type product policy fees	882	827	867
Net investment income	996	652	928
Other revenues	99	93	94
Revenues before NIGL and NDGL	2,161	1,765	2,103
Net investment gains (losses)	5	(34)	27
Net derivative gains (losses)	(1,857)	(2,653)	1,057
Total revenues	\$309	\$(922)	\$3,187
Expenses			
Interest credited to policyholder account balances	\$281	\$276	\$272
Policyholder benefits and claims	3,047	839	1,319
Amortization of DAC and VOBA	244	(92)	181
Interest expense on debt	47	45	49
Other expenses	533	532	562
Total expenses	4,152	1,600	2,383
Income (loss) before provision for income tax	(3,843)	(2,522)	804
Provision for income tax expense (benefit)	(850)	(531)	119
Net income (loss)	(2,993)	(1,991)	685
Less: Net income (loss) attributable to noncontrolling interests	2	—	2
Net income (loss) attributable to Brighthouse Financial, Inc.	(2,995)	(1,991)	683
Less: Preferred stock dividends	17	7	7
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	\$(3,012)	\$(1,998)	\$676

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Condensed Balance Sheets (Unaudited, in millions)

	As of		
	September 30, 2020	June 30, 2020	September 30, 2019
ASSETS			
Investments:			
Fixed maturity securities available-for-sale	\$79,338	\$76,796	\$70,723
Equity securities	117	129	148
Mortgage loans	15,746	15,791	15,359
Policy loans	1,289	1,201	1,332
Limited partnerships and limited liability companies	2,562	2,354	2,353
Short-term investments	4,239	4,537	1,985
Other invested assets	5,038	6,364	4,734
Total investments	108,329	107,172	96,634
Cash and cash equivalents	6,189	7,325	4,289
Accrued investment income	781	664	732
Reinsurance recoverables	15,052	14,359	13,412
Premiums and other receivables	1,035	859	973
DAC and VOBA	4,664	4,856	5,317
Current income tax recoverable	—	1	14
Other assets	447	532	577
Separate account assets	103,184	99,599	103,928
Total assets	\$239,681	\$235,367	\$225,876
LIABILITIES AND EQUITY			
Liabilities			
Future policy benefits	\$44,537	\$41,841	\$39,846
Policyholder account balances	52,798	50,338	44,919
Other policy-related balances	3,088	3,152	3,079
Payables for collateral under securities loaned and other transactions	6,989	7,876	5,291
Long-term debt	3,979	3,979	4,365
Current income tax payable	72	—	—
Deferred income tax liability	1,816	2,567	1,749
Other liabilities	4,887	5,041	4,939
Separate account liabilities	103,184	99,599	103,928
Total liabilities	221,350	214,393	208,116
Equity			
Preferred stock, at par value	—	—	—
Common stock, at par value	1	1	1
Additional paid-in capital	13,314	13,307	12,897
Retained earnings (deficit)	511	3,523	1,662
Treasury stock	(941)	(887)	(432)
Accumulated other comprehensive income (loss)	5,381	4,965	3,567
Total Brighthouse Financial, Inc.'s stockholders' equity	18,266	20,909	17,695
Noncontrolling interests	65	65	65
Total equity	18,331	20,974	17,760
Total liabilities and equity	\$239,681	\$235,367	\$225,876

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Reconciliation of Net Income (Loss) Available to Shareholders to Adjusted Earnings and Adjusted Earnings, Less Notable Items, and Reconciliation of Net Income (Loss) Available to Shareholders per Common Share to Adjusted Earnings per Common Share and Adjusted Earnings, Less Notable Items per Common Share (Unaudited, in millions except per share data)

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
ADJUSTED EARNINGS, LESS NOTABLE ITEMS			
Net income (loss) available to shareholders	\$ (3,012)	\$ (1,998)	\$ 676
Less: Net investment gains (losses)	5	(34)	27
Less: Net derivative gains (losses), excluding investment hedge adjustments	(1,862)	(2,657)	1,057
Less: GMIB Fees and GMIB Costs	(957)	(125)	(4)
Less: Amortization of DAC and VOBA	(86)	249	2
Less: Market value adjustments and other	(41)	24	(14)
Less: Provision for income tax (expense) benefit on reconciling adjustments	618	534	(223)
Adjusted earnings	(689)	11	(169)
Less: Notable items	(1,077)	(28)	(429)
Adjusted earnings, less notable items	\$388	\$39	\$260
ADJUSTED EARNINGS, LESS NOTABLE ITEMS PER COMMON SHARE (1)			
Net income (loss) available to shareholders per common share	\$ (32.49)	\$ (21.10)	\$ 6.06
Less: Net investment gains (losses)	0.05	(0.36)	0.24
Less: Net derivative gains (losses), excluding investment hedge adjustments	(20.09)	(28.06)	9.48
Less: GMIB Fees and GMIB Costs	(10.32)	(1.32)	(0.04)
Less: Amortization of DAC and VOBA	(0.93)	2.63	0.02
Less: Market value adjustments and other	(0.44)	0.25	(0.13)
Less: Provision for income tax (expense) benefit on reconciling adjustments	6.67	5.64	(2.00)
Adjusted earnings per common share	(7.43)	0.11	(1.52)
Less: Notable items	(11.62)	(0.30)	(3.85)
Adjusted earnings, less notable items per common share	\$4.19	\$0.41	\$2.33

(1) Per share calculations are on a diluted basis and may not recalculate or foot due to rounding. For loss periods, dilutive shares were not included in the calculation as inclusion of such shares would have an anti-dilutive effect. See Non-GAAP and Other Financial Disclosures discussion in this news release.

PUBLIC RELATIONS

Brighthouse Financial, Inc.
11225 N. Community House Rd.
Charlotte, NC 28277



Reconciliation of Net Investment Income to Adjusted Net Investment Income (Unaudited, in millions)

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
Net investment income	\$996	\$652	\$928
Less: Investment hedge adjustments	(5)	(4)	—
Adjusted net investment income	\$1,001	\$656	\$928

Notable Items (Unaudited, in millions)

	For the Three Months Ended		
	September 30, 2020	June 30, 2020	September 30, 2019
NOTABLE ITEMS IMPACTING ADJUSTED EARNINGS			
Actuarial items and other insurance adjustments	\$1,062	\$—	\$442
Establishment costs	15	28	10
Separation-related transactions	—	—	(23)
Total notable items (1)	\$1,077	\$28	\$429
NOTABLE ITEMS BY SEGMENT AND CORPORATE & OTHER			
Annuities	\$(102)	\$—	\$30
Life	11	—	(19)
Run-off	1,172	—	431
Corporate & Other	(4)	28	(13)
Total notable items (1)	\$1,077	\$28	\$429

(1) Notable items reflect the negative (positive) after-tax impact to adjusted earnings of certain unanticipated items and events, as well as certain items and events that were anticipated, such as establishment costs. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Brighthouse Financial, Inc. Financial Supplement

Third Quarter 2020

Table of Contents

Financial Results

- 1 Key Metrics
- 2 GAAP Statements of Operations
- 3 GAAP Balance Sheets

Earnings and Select Metrics from Business Segments and Corporate & Other

- 5 Statements of Adjusted Earnings by Segment and Corporate & Other
- 7 Annuities — Statements of Adjusted Earnings
- 8 Annuities — Select Operating Metrics
- 10 Life — Statements of Adjusted Earnings
- 11 Life — Select Operating Metrics
- 13 Run-off — Statements of Adjusted Earnings
- 14 Run-off — Select Operating Metrics
- 15 Corporate & Other — Statements of Adjusted Earnings

Other Information

- 17 DAC and VOBA and Net Derivative Gains (Losses)
- 18 Notable Items
- 19 Variable Annuity Separate Account Returns and Allocations
- 20 Summary of Investments
- 21 Statutory Statement of Operations Information
- 22 Statutory Balance Sheet and Surplus Information

Appendix

- A-1 Note Regarding Forward-Looking Statements
- A-2 Non-GAAP and Other Financial Disclosures
- A-6 Acronyms
- A-7 Reconciliation of Net Income (Loss) Available to Shareholders to Adjusted Earnings and Adjusted Earnings, Less Notable Items, and Reconciliation of Net Income (Loss) Available to Shareholders per Common Share to Adjusted Earnings per Common Share and Adjusted Earnings, Less Notable Items per Common Share
- A-8 Reconciliation of Return on Common Equity to Adjusted Return on Common Equity
- A-9 Reconciliation of Total Revenues to Adjusted Revenues and Reconciliation of Total Expenses to Adjusted Expenses
- A-10 Investment Reconciliation Details

Note: See the Appendix for non-GAAP financial information, definitions and reconciliations. Financial information, unless otherwise noted, is rounded to millions. Some financial information, therefore, may not sum to the corresponding total.

As used in this financial supplement, "Brighthouse Financial," "Brighthouse," the "Company," "we," "our" and "us" refer to Brighthouse Financial, Inc.



Financial Results



Key Metrics (Unaudited, dollars in millions except per share amounts)

	As of or For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Financial Results and Metrics (1)					
Net income (loss) available to shareholders	\$(3,012)	\$(1,998)	\$4,950	\$(1,077)	\$676
Adjusted earnings	\$(689)	\$11	\$211	\$282	\$(169)
Adjusted earnings, less notable items (2)	\$388	\$39	\$273	\$265	\$260
Total corporate expenses (3)	\$204	\$210	\$214	\$283	\$248
Combined total adjusted capital (4)	\$8,400	\$7,724	\$7,217	\$9,694	\$8,406
Combined risk-based capital ratio (5)	525%-545%	515%-535%	515%-535%	552%	N/A
Stockholders' Equity					
Brighthouse Financial, Inc.'s stockholders' equity	\$18,266	\$20,909	\$20,374	\$16,172	\$17,695
Less: Preferred stock, net	802	802	412	412	412
Brighthouse Financial, Inc.'s common stockholders' equity, including AOCI	\$17,464	\$20,107	\$19,962	\$15,760	\$17,283
Less: AOCI	5,381	4,965	2,647	3,240	3,567
Brighthouse Financial, Inc.'s common stockholders' equity, excluding AOCI	\$12,083	\$15,142	\$17,315	\$12,520	\$13,716
Return on Common Equity (1)					
Return on common equity	(6.3)%	14.3%	29.5%	(4.9)%	11.7%
Return on common equity, excluding AOCI	(8.0)%	17.8%	35.4%	(5.8)%	13.4%
Adjusted return on common equity	(1.3)%	2.3%	4.2%	4.5%	3.8%
Earnings Per Common Share, Diluted (1), (6)					
Net income (loss) available to shareholders per common share	\$(32.49)	\$(21.10)	\$47.11	\$(10.02)	\$6.06
Adjusted earnings per common share	\$(7.43)	\$0.11	\$2.01	\$2.61	\$(1.52)
Adjusted earnings, less notable items per common share	\$4.19	\$0.41	\$2.60	\$2.46	\$2.33
Weighted average common shares outstanding	92,693,188	94,837,492	105,093,515	107,840,324	111,527,480
Book Value Per Common Share					
Book value per common share (1)	\$191.58	\$216.25	\$198.62	\$148.64	\$158.18
Book value per common share, excluding AOCI (1)	\$132.55	\$162.85	\$172.28	\$118.08	\$125.53
Ending common shares outstanding	91,158,927	92,979,854	100,502,488	106,027,301	109,264,305

(1) See definitions for Non-GAAP and Other Financial Disclosures in the Appendix beginning on page A-2.

(2) See additional information regarding notable items on page 18.

(3) Includes functional department expenses, public company expenses, certain investment expenses, retirement funding and incentive compensation; and excludes establishment costs.

(4) Reflects preliminary statutory results for the three months ended September 30, 2020. See additional information on page 22.

(5) The RBC ratio is reported as a preliminary range on the quarters. RBC ratios prior to the implementation of variable annuity capital reform are not presented.

(6) For loss periods, dilutive shares were not included in the calculation of net income (loss) available to shareholders per common share or adjusted earnings per common share as inclusion of such shares would have an anti-dilutive effect.

GAAP Statements of Operations (Unaudited, in millions)

	For the Three Months Ended					For the Nine Months Ended	
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Revenues							
Premiums	\$184	\$193	\$198	\$209	\$214	\$575	\$673
Universal life and investment-type product policy fees	882	827	886	950	867	2,595	2,630
Net investment income	996	652	916	898	928	2,564	2,681
Other revenues	99	93	102	107	94	294	282
Revenues before NIGL and NDGL	2,161	1,765	2,102	2,164	2,103	6,028	6,266
Net investment gains (losses)	5	(34)	(19)	33	27	(48)	79
Net derivative gains (losses)	(1,857)	(2,653)	6,902	(1,891)	1,057	2,392	(97)
Total revenues	\$309	\$(922)	\$8,985	\$306	\$3,187	\$8,372	\$6,248
Expenses							
Interest credited to policyholder account balances	\$281	\$276	\$259	\$268	\$272	\$816	\$795
Policyholder benefits and claims	3,047	839	1,187	734	1,319	5,073	2,936
Amortization of DAC and VOBA	244	(92)	770	9	181	922	373
Interest expense on debt	47	45	47	47	49	139	144
Other expenses	533	532	470	620	562	1,535	1,680
Total expenses	4,152	1,600	2,733	1,678	2,383	8,485	5,928
Income (loss) before provision for income tax	(3,843)	(2,522)	6,252	(1,372)	804	(113)	320
Provision for income tax expense (benefit)	(850)	(531)	1,293	(303)	119	(88)	(14)
Net income (loss)	(2,993)	(1,991)	4,959	(1,069)	685	(25)	334
Less: Net income (loss) attributable to noncontrolling interests	2	—	2	1	2	4	4
Net income (loss) attributable to Brighthouse Financial, Inc.	(2,995)	(1,991)	4,957	(1,070)	683	(29)	330
Less: Preferred stock dividends	17	7	7	7	7	31	14
Net income (loss) available to Brighthouse Financial, Inc.'s common shareholders	\$(3,012)	\$(1,998)	\$4,950	\$(1,077)	\$676	\$(60)	\$316

GAAP Balance Sheets (Unaudited, in millions)

	As of				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
ASSETS					
Investments:					
Fixed maturity securities available-for-sale	\$79,338	\$76,796	\$71,302	\$71,036	\$70,723
Equity securities	117	129	122	147	148
Mortgage loans	15,746	15,791	15,547	15,753	15,359
Policy loans	1,289	1,201	1,250	1,292	1,332
Limited partnerships and limited liability companies	2,562	2,354	2,505	2,380	2,353
Short-term investments	4,239	4,537	4,348	1,958	1,985
Other invested assets	5,038	6,364	9,658	3,216	4,734
Total investments	108,329	107,172	104,732	95,782	96,634
Cash and cash equivalents	6,189	7,325	8,930	2,877	4,289
Accrued investment income	781	664	868	684	732
Reinsurance recoverables	15,052	14,359	14,220	13,990	13,412
Premiums and other receivables	1,035	859	774	770	973
DAC and VOBA	4,664	4,856	4,862	5,448	5,317
Current income tax recoverable	—	1	9	17	14
Other assets	447	532	550	584	577
Separate account assets	103,184	99,599	89,008	107,107	103,928
Total assets	\$239,681	\$235,367	\$223,953	\$227,259	\$225,876
LIABILITIES AND EQUITY					
Liabilities					
Future policy benefits	\$44,537	\$41,841	\$40,653	\$39,686	\$39,846
Policyholder account balances	52,798	50,338	47,288	45,771	44,919
Other policy-related balances	3,088	3,152	3,169	3,111	3,079
Payables for collateral under securities loaned and other transactions	6,989	7,876	10,988	4,391	5,291
Long-term debt	3,979	3,979	4,365	4,365	4,365
Current income tax payable	72	—	—	—	—
Deferred income tax liability	1,816	2,567	2,482	1,355	1,749
Other liabilities	4,887	5,041	5,561	5,236	4,939
Separate account liabilities	103,184	99,599	89,008	107,107	103,928
Total liabilities	221,350	214,393	203,514	211,022	208,116
Equity					
Preferred stock, at par value	—	—	—	—	—
Common stock, at par value	1	1	1	1	1
Additional paid-in capital	13,314	13,307	12,911	12,908	12,897
Retained earnings (deficit)	511	3,523	5,521	585	1,662
Treasury stock	(941)	(887)	(706)	(562)	(432)
Accumulated other comprehensive income (loss)	5,381	4,965	2,647	3,240	3,567
Total Brighthouse Financial, Inc.'s stockholders' equity	18,266	20,909	20,374	16,172	17,695
Noncontrolling interests	65	65	65	65	65
Total equity	18,331	20,974	20,439	16,237	17,760
Total liabilities and equity	\$239,681	\$235,367	\$223,953	\$227,259	\$225,876



Earnings and Select Metrics from Business Segments and Corporate & Other

Statements of Adjusted Earnings by Segment and Corporate & Other (Unaudited, in millions)

For the Three Months Ended September 30, 2020

	Annuities	Life	Run-off	Corporate & Other	Total
Adjusted revenues					
Premiums	\$34	\$129	\$—	\$21	\$184
Universal life and investment-type product policy fees	569	83	163	—	815
Net investment income	469	131	383	18	1,001
Other revenues	85	7	7	—	99
Total adjusted revenues	\$1,157	\$350	\$553	\$39	\$2,099
Adjusted expenses					
Interest credited to policyholder account balances	\$169	\$27	\$82	\$1	\$279
Policyholder benefits and claims	9	132	1,870	10	2,021
Amortization of DAC and VOBA	127	50	—	(19)	158
Interest expense on debt	—	—	—	47	47
Other operating costs	373	47	44	32	496
Total adjusted expenses	678	256	1,996	71	3,001
Adjusted earnings before provision for income tax	479	94	(1,443)	(32)	(902)
Provision for income tax expense (benefit)	92	18	(304)	(38)	(232)
Adjusted earnings after provision for income tax	387	76	(1,139)	6	(670)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	19	19
Adjusted earnings	\$387	\$76	\$(1,139)	\$(13)	\$(689)

For the Three Months Ended September 30, 2019

	Annuities	Life	Run-off	Corporate & Other	Total
Adjusted revenues					
Premiums	\$48	\$143	\$—	\$23	\$214
Universal life and investment-type product policy fees	596	53	150	—	799
Net investment income	461	117	327	23	928
Other revenues	79	7	7	1	94
Total adjusted revenues	\$1,184	\$320	\$484	\$47	\$2,035
Adjusted expenses					
Interest credited to policyholder account balances	\$149	\$30	\$92	\$—	\$271
Policyholder benefits and claims	152	179	885	18	1,234
Amortization of DAC and VOBA	211	(31)	—	3	183
Interest expense on debt	—	—	—	49	49
Other operating costs	417	51	50	44	562
Total adjusted expenses	929	229	1,027	114	2,299
Adjusted earnings before provision for income tax	255	91	(543)	(67)	(264)
Provision for income tax expense (benefit)	52	18	(117)	(57)	(104)
Adjusted earnings after provision for income tax	203	73	(426)	(10)	(160)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	9	9
Adjusted earnings	\$203	\$73	\$(426)	\$(19)	\$(169)

Statements of Adjusted Earnings by Segment and Corporate & Other (Cont.) (Unaudited, in millions)

For the Nine Months Ended September 30, 2020

	Annuities	Life	Run-off	Corporate & Other	Total
Adjusted revenues					
Premiums	\$109	\$402	\$—	\$64	\$575
Universal life and investment-type product policy fees	1,662	253	484	—	2,399
Net investment income	1,334	316	873	54	2,577
Other revenues	255	18	21	—	294
Total adjusted revenues	\$3,360	\$989	\$1,378	\$118	\$5,845
Adjusted expenses					
Interest credited to policyholder account balances	\$486	\$79	\$247	\$2	\$814
Policyholder benefits and claims	377	517	2,673	41	3,608
Amortization of DAC and VOBA	322	104	—	(12)	414
Interest expense on debt	—	—	—	139	139
Other operating costs	1,102	122	137	137	1,498
Total adjusted expenses	2,287	822	3,057	307	6,473
Adjusted earnings before provision for income tax	1,073	167	(1,679)	(189)	(628)
Provision for income tax expense (benefit)	199	32	(355)	(72)	(196)
Adjusted earnings after provision for income tax	874	135	(1,324)	(117)	(432)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	35	35
Adjusted earnings	\$874	\$135	\$(1,324)	\$(152)	\$(467)

For the Nine Months Ended September 30, 2019

	Annuities	Life	Run-off	Corporate & Other	Total
Adjusted revenues					
Premiums	\$166	\$438	\$1	\$68	\$673
Universal life and investment-type product policy fees	1,741	170	525	(5)	2,431
Net investment income	1,352	330	942	57	2,681
Other revenues	236	15	19	12	282
Total adjusted revenues	\$3,495	\$953	\$1,487	\$132	\$6,067
Adjusted expenses					
Interest credited to policyholder account balances	\$433	\$79	\$282	\$—	\$794
Policyholder benefits and claims	475	529	1,645	45	2,694
Amortization of DAC and VOBA	421	1	—	11	433
Interest expense on debt	—	—	—	144	144
Other operating costs	1,227	150	147	156	1,680
Total adjusted expenses	2,556	759	2,074	356	5,745
Adjusted earnings before provision for income tax	939	194	(587)	(224)	322
Provision for income tax expense (benefit)	176	38	(127)	(100)	(13)
Adjusted earnings after provision for income tax	763	156	(460)	(124)	335
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	—	—	—	18	18
Adjusted earnings	\$763	\$156	\$(460)	\$(142)	\$317

Annuities — Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended				For the Nine Months Ended	
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2019
Adjusted revenues						
Premiums	\$34	\$40	\$35	\$32	\$48	\$109
Universal life and investment-type product policy fees	569	527	566	585	596	1,662
Net investment income	469	405	460	457	461	1,334
Other revenues	85	80	90	79	79	255
Total adjusted revenues	\$1,157	\$1,052	\$1,151	\$1,153	\$1,184	\$3,360
Adjusted expenses						
Interest credited to policyholder account balances	\$169	\$162	\$155	\$151	\$149	\$486
Policyholder benefits and claims	9	164	204	134	152	377
Amortization of DAC and VOBA	127	157	38	95	211	322
Interest expense on debt	—	—	—	—	—	—
Other operating costs	373	364	365	449	417	1,102
Total adjusted expenses	678	847	762	829	929	2,287
Adjusted earnings before provision for income tax	479	205	389	324	255	1,073
Provision for income tax expense (benefit)	92	34	73	59	52	199
Adjusted earnings	\$387	\$171	\$316	\$265	\$203	\$874

Annuities — Select Operating Metrics (Unaudited, in millions)

	For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
VARIABLE & SHIELD LEVEL ANNUITIES ACCOUNT VALUE (1)					
Account value, beginning of period	\$110,993	\$100,691	\$116,426	\$112,707	\$114,041
Deposits	1,428	1,319	1,607	1,608	1,490
Withdrawals, surrenders and contract benefits	(1,958)	(1,827)	(2,656)	(2,826)	(2,667)
Net flows (2)	(530)	(508)	(1,049)	(1,218)	(1,177)
Investment performance (3)	5,404	11,496	(14,066)	5,693	650
Policy charges and other	(756)	(686)	(620)	(756)	(807)
Account value, end of period	\$115,111	\$110,993	\$100,691	\$116,426	\$112,707
FIXED ANNUITIES ACCOUNT VALUE (4)					
Account value, beginning of period	\$13,660	\$13,313	\$13,113	\$13,069	\$12,900
Deposits	946	548	402	314	355
Withdrawals, surrenders and contract benefits	(242)	(291)	(272)	(332)	(250)
Net flows (2)	704	257	130	(18)	105
Interest credited	98	92	89	88	92
Other	(19)	(2)	(19)	(26)	(28)
Account value, end of period	\$14,443	\$13,660	\$13,313	\$13,113	\$13,069
INCOME ANNUITIES (1)					
Income annuity insurance liabilities	\$4,798	\$4,587	\$4,565	\$4,588	\$4,590

(1) Includes general account and separate account.

(2) Deposits and withdrawals include policy exchanges.

(3) Includes imputed interest on indexed annuities and the interest credited on the general account investment option of variable products.

(4) Includes fixed indexed annuities.

Annuities — Select Operating Metrics (Cont.) (Unaudited, in millions)

VARIABLE & SHIELD LEVEL ANNUITY SALES	For the Three Months Ended				For the Nine Months Ended		
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2019	
Shield Level Annuities (1)	\$934	\$905	\$1,140	\$1,197	\$1,137	\$2,979	\$3,262
GMWB/GMAB	350	277	322	264	223	949	648
GMDB only	87	82	87	80	72	256	230
GMIB	19	22	19	17	18	60	67
Total variable & Shield Level annuity sales	\$1,390	\$1,286	\$1,568	\$1,558	\$1,450	\$4,244	\$4,207
FIXED ANNUITY SALES							
Fixed indexed annuities (2)	\$234	\$309	\$208	\$261	\$296	\$751	\$868
Fixed deferred annuities	709	239	191	49	55	1,139	302
Single premium immediate annuities	1	4	1	3	5	6	19
Other fixed annuities	1	—	1	—	2	2	9
Total fixed annuity sales	\$945	\$552	\$401	\$313	\$358	\$1,898	\$1,198

(1) Shield Level Annuities refers to our suite of structured annuities consisting of products marketed under various names.

(2) Represents 100% of gross sales on directly written business and the proportion of assumed gross sales under reinsurance agreements.

Life — Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended					For the Nine Months Ended	
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Adjusted revenues							
Premiums	\$129	\$132	\$141	\$154	\$143	\$402	\$438
Universal life and investment-type product policy fees	83	77	93	109	53	253	170
Net investment income	131	69	116	106	117	316	330
Other revenues	7	7	4	6	7	18	15
Total adjusted revenues	\$350	\$285	\$354	\$375	\$320	\$989	\$953
Adjusted expenses							
Interest credited to policyholder account balances	\$27	\$25	\$27	\$26	\$30	\$79	\$79
Policyholder benefits and claims	132	148	237	190	179	517	529
Amortization of DAC and VOBA	50	(4)	58	4	(31)	104	1
Interest expense on debt	—	—	—	—	—	—	—
Other operating costs	47	56	19	61	51	122	150
Total adjusted expenses	256	225	341	281	229	822	759
Adjusted earnings before provision for income tax	94	60	13	94	91	167	194
Provision for income tax expense (benefit)	18	12	2	19	18	32	38
Adjusted earnings	\$76	\$48	\$11	\$75	\$73	\$135	\$156

Life — Select Operating Metrics (Unaudited, in millions)

	For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
LIFE ACCOUNT VALUE: GENERAL ACCOUNT					
Variable universal and universal life account value, beginning of period	\$2,674	\$2,691	\$2,682	\$2,699	\$2,707
Premiums and deposits (1)	65	67	74	62	62
Surrenders and contract benefits	(38)	(43)	(33)	(37)	(42)
Net flows	27	24	41	25	20
Net transfers from (to) separate account	16	11	19	12	17
Interest credited	26	25	25	26	26
Policy charges and other	(73)	(77)	(76)	(80)	(71)
Variable universal and universal life account value, end of period	\$2,670	\$2,674	\$2,691	\$2,682	\$2,699
LIFE ACCOUNT VALUE: SEPARATE ACCOUNT					
Variable universal life account value, beginning of period	\$5,261	\$4,478	\$5,493	\$5,200	\$5,269
Premiums and deposits	50	51	52	54	54
Surrenders and contract benefits	(49)	(44)	(65)	(60)	(63)
Net flows	1	7	(13)	(6)	(9)
Investment performance	390	839	(928)	366	15
Net transfers from (to) general account	(16)	(11)	(19)	(12)	(17)
Policy charges and other	(54)	(52)	(55)	(55)	(58)
Variable universal life account value, end of period	\$5,582	\$5,261	\$4,478	\$5,493	\$5,200

(1) Includes premiums and sales directed to the general account investment option of variable products.

Run-off — Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended					For the Nine Months Ended	
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Adjusted revenues							
Premiums	\$—	\$—	\$—	\$1	\$—	\$—	\$1
Universal life and investment-type product policy fees	163	159	162	191	150	484	525
Net investment income	383	166	324	323	327	873	942
Other revenues	7	7	7	7	7	21	19
Total adjusted revenues	\$553	\$332	\$493	\$522	\$484	\$1,378	\$1,487
Adjusted expenses							
Interest credited to policyholder account balances	\$82	\$88	\$77	\$91	\$92	\$247	\$282
Policyholder benefits and claims	1,870	349	454	371	885	2,673	1,645
Amortization of DAC and VOBA	—	—	—	—	—	—	—
Interest expense on debt	—	—	—	—	—	—	—
Other operating costs	44	41	52	53	50	137	147
Total adjusted expenses	1,996	478	583	515	1,027	3,057	2,074
Adjusted earnings before provision for income tax	(1,443)	(146)	(90)	7	(543)	(1,679)	(587)
Provision for income tax expense (benefit)	(304)	(31)	(20)	1	(117)	(355)	(127)
Adjusted earnings	\$(1,139)	\$(115)	\$(70)	\$6	\$(426)	\$(1,324)	\$(460)

Run-off — Select Operating Metrics (Unaudited, in millions)

UNIVERSAL LIFE WITH SECONDARY GUARANTEES ACCOUNT VALUE	For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Account value, beginning of period	\$5,930	\$5,979	\$6,018	\$6,058	\$6,084
Premiums and deposits (1)	176	181	180	186	184
Surrenders and contract benefits	(40)	(31)	(24)	(34)	(18)
Net flows	136	150	156	152	166
Interest credited	51	57	57	59	58
Policy charges and other	(252)	(256)	(252)	(251)	(250)
Account value, end of period	\$5,865	\$5,930	\$5,979	\$6,018	\$6,058

LIFE INSURANCE IN-FORCE	As of				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Universal Life with Secondary Guarantees					
Life Insurance in-force, before reinsurance	\$76,342	\$76,872	\$77,428	\$78,008	\$78,722
Life Insurance in-force, net of reinsurance	\$36,842	\$37,126	\$37,481	\$37,740	\$36,698

(1) Includes premiums and sales directed to the general account investment option of variable products.

Corporate & Other — Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended					For the Nine Months Ended	
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Adjusted revenues							
Premiums	\$21	\$21	\$22	\$22	\$23	\$64	\$68
Universal life and investment-type product policy fees	—	—	—	—	—	—	(5)
Net investment income	18	16	20	18	23	54	57
Other revenues	—	—	—	4	1	—	12
Total adjusted revenues	\$39	\$37	\$42	\$44	\$47	\$118	\$132
Adjusted expenses							
Interest credited to policyholder account balances	\$1	\$1	\$—	\$—	\$—	\$2	\$—
Policyholder benefits and claims	10	14	17	14	18	41	45
Amortization of DAC and VOBA	(19)	4	3	3	3	(12)	11
Interest expense on debt	47	45	47	47	49	139	144
Other operating costs	32	71	34	57	44	137	156
Total adjusted expenses	71	135	101	121	114	307	356
Adjusted earnings before provision for income tax	(32)	(98)	(59)	(77)	(67)	(189)	(224)
Provision for income tax expense (benefit)	(38)	(12)	(22)	(21)	(57)	(72)	(100)
Adjusted earnings after provision for income tax	6	(86)	(37)	(56)	(10)	(117)	(124)
Less: Net income (loss) attributable to noncontrolling interests and preferred stock dividends	19	7	9	8	9	35	18
Adjusted earnings	\$(13)	\$(93)	\$(46)	\$(64)	\$(19)	\$(152)	\$(142)



Other Information



Notable Items (Unaudited, in millions)

	For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
NOTABLE ITEMS IMPACTING ADJUSTED EARNINGS					
Actuarial items and other insurance adjustments	\$1,062	\$—	\$48	\$(42)	\$442
Establishment costs	15	28	14	25	10
Separation-related transactions	—	—	—	—	(23)
Total notable items (1)	\$1,077	\$28	\$62	\$(17)	\$429
NOTABLE ITEMS BY SEGMENT AND CORPORATE & OTHER					
Annuities	\$(102)	\$—	\$—	\$(42)	\$30
Life	11	—	—	—	(19)
Run-off	1,172	—	48	—	431
Corporate & Other	(4)	28	14	25	(13)
Total notable items (1)	\$1,077	\$28	\$62	\$(17)	\$429

(1) Notable items reflect the negative (positive) after-tax impact to adjusted earnings of certain unanticipated items and events, as well as certain items and events that were anticipated, such as establishment costs. The presentation of notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Variable Annuity Separate Account Returns and Allocations (Unaudited)

	For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
VARIABLE ANNUITY SEPARATE ACCOUNT RETURNS					
Total Quarterly VA separate account gross returns	6.04%	14.11%	(14.31)%	6.14%	0.83%
TOTAL VARIABLE ANNUITY SEPARATE ACCOUNT ALLOCATIONS					
Percent allocated to equity funds	26.85%	26.31%	24.11%	26.19%	25.52%
Percent allocated to bond funds/other funds	8.82%	8.73%	9.59%	8.23%	8.50%
Percent allocated to target volatility funds	22.38%	22.85%	24.41%	23.10%	23.51%
Percent allocated to balanced funds	41.95%	42.11%	41.89%	42.48%	42.47%

Summary of Investments (Unaudited, dollars in millions)

	September 30, 2020		December 31, 2019	
	Amount	% of Total	Amount	% of Total
Fixed maturity securities:				
U.S. corporate securities	\$35,906	31.35%	\$31,160	31.58%
Foreign corporate securities	10,660	9.31%	9,844	9.98%
Residential mortgage-backed securities	8,449	7.38%	9,118	9.24%
U.S. government and agency securities	8,935	7.80%	7,396	7.50%
Commercial mortgage-backed securities	6,425	5.61%	5,755	5.83%
State and political subdivision securities	4,429	3.87%	4,057	4.11%
Asset-backed securities	2,714	2.37%	1,955	1.98%
Foreign government securities	1,820	1.59%	1,751	1.78%
Total fixed maturity securities	79,338	69.28%	71,036	72.00%
Equity securities	117	0.10%	147	0.15%
Mortgage loans:				
Commercial mortgage loans	9,830	8.58%	9,721	9.85%
Agricultural mortgage loans	3,380	2.95%	3,388	3.44%
Residential mortgage loans	2,626	2.29%	2,708	2.74%
Allowance for credit losses	(90)	(0.08)%	(64)	(0.06)%
Total mortgage loans, net	15,746	13.74%	15,753	15.97%
Policy loans	1,289	1.13%	1,292	1.31%
Limited partnerships and limited liability companies	2,562	2.24%	2,380	2.41%
Cash, cash equivalents and short-term investments	10,428	9.11%	4,835	4.90%
Other invested assets:				
Derivatives:				
Interest rate	3,458	3.02%	1,778	1.80%
Equity market	891	0.78%	921	0.93%
Foreign currency exchange rate	455	0.40%	286	0.29%
Credit	27	0.02%	36	0.04%
Total derivatives	4,831	4.22%	3,021	3.06%
FHLB common stock	81	0.07%	39	0.04%
Other	126	0.11%	156	0.16%
Total other invested assets	5,038	4.40%	3,216	3.26%
Total investments and cash and cash equivalents	\$114,518	100.00%	\$98,659	100.00%

For the Three Months Ended

	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Net investment income yield (1), (2)	4.42%	2.98%	4.30%	4.32%	4.52%

(1) Yields are calculated on investment income as a percent of average quarterly asset carrying values. Investment income includes investment hedge adjustments, excludes realized gains and losses and reflects the GAAP adjustments described beginning on page A-1 of the Appendix hereto. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

(2) Investment fee and expense yields are calculated as investment fees and expenses as a percent of average quarterly asset estimated fair values. Asset estimated fair values exclude collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

Statutory Statement of Operations Information (Unaudited, in millions except Normalized Statutory Earnings (Loss))

COMBINED REVENUES AND EXPENSES (1)	For the Three Months Ended					For the Nine Months Ended	
	PRELIMINARY September 30, 2020 (2)	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	PRELIMINARY September 30, 2020 (2)	September 30, 2019
Total revenues (Line 9)	\$2,900	\$1,421	\$5,740	\$2,086	\$3,443	\$10,061	\$9,272
Total benefits and expenses before dividends to policyholders (Line 28)	\$1,400	\$(1,401)	\$13,045	\$1,008	\$3,047	\$13,044	\$8,315
COMBINED NET INCOME (LOSS) (1)							
Gain (loss) from operations net of taxes and dividends to policyholders (Line 33)	\$1,500	\$2,817	\$(7,305)	\$1,089	\$314	\$(2,988)	\$868
Net realized capital gains (losses), net of taxes and certain transfers to interest maintenance reserve (Line 34)	(1,200)	741	483	(297)	185	24	(663)
Net income (loss) (Line 35)	\$300	\$3,558	\$(6,822)	\$792	\$499	\$(2,964)	\$205
NORMALIZED STATUTORY EARNINGS (LOSS) (3), (4)							
						For the Nine Months Ended	
						PRELIMINARY September 30, 2020 (2)	September 30, 2019
						(In billions)	
Statutory net gain (loss) from operations, pre-tax						\$(2.8)	\$1.1
Add: net realized capital gains (losses)						(0.1)	(0.6)
Add: change in CTE95 capital requirements, net of the change in VA reserves						0.2	(0.1)
Add: unrealized gains (losses) on VA hedging program						2.7	0.4
Add: impact of NAIC VA capital reform and actuarial assumption update						(0.6)	0.4
Add: other adjustments, net						0.2	0.1
Normalized statutory earnings (loss)						\$(0.4)	\$1.3

(1) Combined statutory results are for Brighthouse Life Insurance Company, Brighthouse Life Insurance Company of NY and New England Life Insurance Company.

(2) Reflects preliminary statutory results for the three months and nine months ended September 30, 2020.

(3) See definitions for Non-GAAP and Other Financial Disclosures in the Appendix beginning on page A-2.

(4) Normalized statutory earnings (loss), presented in billions, is for Brighthouse Life Insurance Company and New England Life Insurance Company.

Statutory Balance Sheet and Surplus Information (Unaudited, in millions)

COMBINED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS (1)	As of				
	PRELIMINARY September 30, 2020 (2)	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Total assets (Line 28)	\$192,200	\$189,871	\$184,996	\$186,564	\$185,743
Total liabilities (Line 28)	\$184,700	\$182,938	\$178,673	\$177,702	\$178,103
Total capital and surplus (Line 38)	\$7,500	\$6,933	\$6,323	\$8,862	\$7,640
COMBINED TAC AND RBC RATIO (1), (3)					
Combined total adjusted capital	\$8,400	\$7,724	\$7,217	\$9,694	\$8,406
Combined risk-based capital ratio (4)	525%-545%	515%-535%	515%-535%	552%	N/A
COMBINED ORDINARY DIVIDEND CAPACITY (1)					
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Dividends paid to Holding Company	\$—	\$500	\$300	\$131	\$—
Remaining ordinary dividend capacity (5)	\$1,327	\$1,327	\$1,827	\$798	\$929

(1) Combined statutory results are for Brighthouse Life Insurance Company and New England Life Insurance Company.

(2) Reflects preliminary statutory results as of September 30, 2020.

(3) See definitions for Non-GAAP and Other Financial Disclosures in the Appendix beginning on page A-2.

(4) The RBC ratio is reported as a preliminary range on the quarters. RBC ratios prior to the implementation of variable annuity capital reform are not presented.

(5) Reflects remaining dividend amounts that may be paid during the respective calendar year without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during such calendar year, some or all of such dividends may require regulatory approval.



Appendix



Note Regarding Forward-Looking Statements

This financial supplement and other oral or written statements that we make from time to time may contain information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve substantial risks and uncertainties. We have tried, wherever possible, to identify such statements using words such as “anticipate,” “estimate,” “expect,” “project,” “may,” “will,” “could,” “intend,” “goal,” “target,” “guidance,” “forecast,” “preliminary,” “objective,” “continue,” “aim,” “plan,” “believe” and other words and terms of similar meaning, or that are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include, without limitation, statements relating to future actions, prospective services or products, financial projections, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, as well as trends in operating and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of Brighthouse Financial. These statements are based on current expectations and the current economic environment and involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others: the impact of the ongoing COVID-19 pandemic; differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models; higher risk management costs and exposure to increased market risk due to guarantees within certain of our products; the effectiveness of our variable annuity exposure risk management strategy and the impact of such strategy on volatility in our profitability measures and negative effects on our statutory capital; the reserves we are required to hold against our variable annuities as a result of actuarial guidelines; the potential material adverse effect of changes in accounting standards, practices and/or policies applicable to us, including changes in the accounting for long-duration contracts; our degree of leverage due to indebtedness; the impact of adverse capital and credit market conditions, including with respect to our ability to meet liquidity needs and access capital; the impact of changes in regulation and in supervisory and enforcement policies on our insurance business or other operations; the availability of reinsurance and the ability of the counterparties to our reinsurance or indemnification arrangements to perform their obligations thereunder; the adverse impact to liabilities for policyholder claims as a result of extreme mortality events; heightened competition, including with respect to service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition; any failure of third parties to provide services we need, any failure of the practices and procedures of such third parties and any inability to obtain information or assistance we need from third parties; the ability of our insurance subsidiaries to pay dividends to us, and our ability to pay dividends to our shareholders and repurchase our common stock; the effectiveness of our policies and procedures in managing risk; our ability to market and distribute our products through distribution channels; whether all or any portion of the tax consequences of our separation from MetLife, Inc. (“MetLife”) are not as expected, leading to material additional taxes or material adverse consequences to tax attributes that impact us; the uncertainty of the outcome of any disputes with MetLife over tax-related or other matters and agreements or disagreements regarding MetLife’s or our obligations under our other agreements; the potential material negative tax impact of potential future tax legislation that could make some of our products less attractive to consumers; and other factors described from time to time in documents that we file with the U.S. Securities and Exchange Commission (the “SEC”).

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements included and the risks, uncertainties and other factors identified in our Annual Report on Form 10-K for the year ended December 31, 2019, particularly in the sections entitled “Risk Factors” and “Quantitative and Qualitative Disclosures About Market Risk,” as well as in our other subsequent filings with the SEC. 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.

Non-GAAP and Other Financial Disclosures

Our definitions of the non-GAAP and other financial measures may differ from those used by other companies.

Non-GAAP Financial Disclosures

We present certain measures of our performance that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures highlight our results of operations and the underlying profitability drivers of our business, as well as enhance the understanding of our performance by the investor community.

The following non-GAAP financial measures, previously referred to as operating measures, should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

<u>Non-GAAP financial measures:</u>	<u>Most directly comparable GAAP financial measures:</u>
(i) adjusted earnings	(i) net income (loss) available to shareholders (1)
(ii) adjusted earnings, less notable items	(ii) net income (loss) available to shareholders (1)
(iii) adjusted revenues	(iii) revenues
(iv) adjusted expenses	(iv) expenses
(v) adjusted earnings per common share	(v) earnings per common share, diluted (1)
(vi) adjusted earnings per common share, less notable items	(vi) earnings per common share, diluted (1)
(vii) adjusted return on common equity	(vii) return on common equity (2)
(viii) adjusted return on common equity, less notable items	(viii) return on common equity (2)
(ix) adjusted net investment income	(ix) net investment income

(1) Brighthouse uses net income (loss) available to shareholders to refer to net income (loss) available to Brighthouse Financial, Inc.'s common shareholders, and earnings per common share, diluted to refer to net income (loss) available to shareholders per common share.

(2) Brighthouse uses return on common equity to refer to return on Brighthouse Financial, Inc.'s common stockholders' equity.

Reconciliations to the most directly comparable historical GAAP measures are included for those measures which are presented herein. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are not accessible on a forward-looking basis because we believe it is not possible without unreasonable efforts to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a material impact on net income (loss) available to shareholders.

Adjusted Earnings, Adjusted Revenues and Adjusted Expenses

Adjusted earnings, which may be positive or negative, is used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. This financial measure focuses on our primary businesses principally by excluding the impact of market volatility, which could distort trends.

Adjusted earnings reflects adjusted revenues less adjusted expenses, both net of income tax, and excludes net income (loss) attributable to noncontrolling interests and preferred stock dividends. Provided below are the adjustments to GAAP revenues and GAAP expenses used to calculate adjusted revenues and adjusted expenses, respectively.

Non-GAAP and Other Financial Disclosures (Cont.)

The following are significant items excluded from total revenues, net of income tax, in calculating the adjusted revenues component of adjusted earnings:

- Net investment gains (losses);
- Net derivative gains (losses), except earned income and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment (“Investment Hedge Adjustments”); and
- Certain variable annuity GMIB fees (“GMIB Fees”).

The following are significant items excluded from total expenses, net of income tax, in calculating the adjusted expenses component of adjusted earnings:

- Amounts associated with benefits related to GMIBs (“GMIB Costs”);
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”); and
- Amortization of DAC and VOBA related to (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments.

The tax impact of the adjustments mentioned is calculated net of the statutory tax rate, which could differ from our effective tax rate.

Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance.

Adjusted Earnings per Common Share and Adjusted Return on Common Equity

Adjusted earnings per common share and adjusted return on common equity are measures used by management to evaluate the execution of our business strategy and align such strategy with our shareholders’ interests.

Adjusted earnings per common share is defined as adjusted earnings for the period divided by the weighted average number of fully diluted shares of common stock outstanding for the period. The weighted average common shares outstanding used to calculate adjusted earnings per share will differ from such shares used to calculate diluted net income (loss) available to shareholders per common share when the inclusion of dilutive shares has an anti-dilutive effect for one calculation but not for the other.

Adjusted return on common equity is defined as total annual adjusted earnings on a four quarter trailing basis, divided by the simple average of the most recent five quarters of total Brighthouse Financial, Inc.’s common stockholders’ equity, excluding AOCI.

Adjusted Net Investment Income

We present adjusted net investment income to measure our performance for management purposes, and we believe it enhances the understanding of our investment portfolio results. Adjusted net investment income represents net investment income including investment hedge adjustments.

Non-GAAP and Other Financial Disclosures (Cont.)

Other Financial Disclosures

Corporate Expenses

Corporate expenses includes functional department expenses, public company expenses, certain investment expenses, retirement funding and incentive compensation; and excludes establishment costs.

Notable items

Certain of the non-GAAP measures described above may be presented further adjusted to exclude notable items. Notable items reflect the impact on our results of certain unanticipated items and events, as well as certain items and events that were anticipated, such as establishment costs. The presentation of notable items and non-GAAP measures, less notable items is intended to help investors better understand our results and to evaluate and forecast those results.

Book Value per Common Share and Book Value per Common Share, excluding AOCI

Brighthouse uses the term “book value” to refer to “Brighthouse Financial, Inc.’s common stockholders’ equity, including AOCI.” Book value per common share is defined as ending Brighthouse Financial, Inc.’s common stockholders’ equity, including AOCI, divided by ending common shares outstanding. Book value per common share, excluding AOCI, is defined as ending Brighthouse Financial, Inc.’s common stockholders’ equity, excluding AOCI, divided by ending common shares outstanding.

CTE95

CTE95 is defined as the amount of assets required to satisfy contract holder obligations across market environments in the average of the worst five percent of a set of capital market scenarios over the life of the contracts.

CTE98

CTE98 is defined as the amount of assets required to satisfy contract holder obligations across market environments in the average of the worst two percent of a set of capital market scenarios over the life of the contracts.

Holding Company Liquid Assets

Holding company liquid assets include liquid assets in Brighthouse Financial, Inc., Brighthouse Holdings, LLC, and Brighthouse Services, LLC. Liquid assets include cash and cash equivalents, short-term investments and publicly traded securities excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with derivatives and collateral financing arrangements.

Total Adjusted Capital

Total adjusted capital primarily consists of statutory capital and surplus, as well as the statutory asset valuation reserve. When referred to as “combined,” represents that of our insurance subsidiaries as a whole.

Non-GAAP and Other Financial Disclosures (Cont.)

Other Financial Disclosures (cont.)

Sales

Life insurance sales consist of 100 percent of annualized new premium for term life, first-year paid premium for whole life, universal life, and variable universal life, and total paid premium for indexed universal life. We exclude company-sponsored internal exchanges, corporate-owned life insurance, bank-owned life insurance, and private placement variable universal life.

Annuity sales consist of 100 percent of direct statutory premiums, except for fixed indexed annuity sales distributed through MassMutual that consist of 90 percent of gross sales. Annuity sales exclude certain internal exchanges. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.

Net Investment Income Yield

Similar to adjusted net investment income, we present net investment income yields as a performance measure we believe enhances the understanding of our investment portfolio results. Net investment income yields are calculated on adjusted net investment income as a percent of average quarterly asset carrying values. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties. Investment fee and expense yields are calculated as investment fees and expenses as a percent of average quarterly asset estimated fair values. Asset estimated fair values exclude collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

Normalized Statutory Earnings (Loss)

Normalized statutory earnings (loss) is used by management to measure our insurance companies' ability to pay future distributions and is reflective of whether our hedging program functions as intended. Normalized statutory earnings (loss) is calculated as statutory pre-tax net gain from operations adjusted for the favorable or unfavorable impacts of (i) net realized capital gains (losses), (ii) the change in both the reserve-based and capital methodology-based CTE95 calculation, net of the change in our variable annuity reserves, and (iii) unrealized gains (losses) associated with our variable annuities risk management strategy. Normalized statutory earnings (loss) may be further adjusted for certain unanticipated items that impacted our results in order to help management and investors better understand, evaluate and forecast those results.

Risk-Based Capital Ratio

The risk-based capital ratio is a method of measuring an insurance company's capital, taking into consideration its relative size and risk profile, in order to ensure compliance with minimum regulatory capital requirements set by the National Association of Insurance Commissioners. When referred to as "combined," represents that of our insurance subsidiaries as a whole. The reporting of our combined risk-based capital ratio is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities.

Acronyms

AOCI	Accumulated other comprehensive income (loss)
CTE	Conditional tail expectations
DAC	Deferred policy acquisition costs
FHLB	Federal Home Loan Bank
GAAP	Accounting principles generally accepted in the United States of America
GMAB	Guaranteed minimum accumulation benefits
GMDB	Guaranteed minimum death benefits
GMIB	Guaranteed minimum income benefits
GMWB	Guaranteed minimum withdrawal benefits
LIMRA	Life Insurance Marketing and Research Association
NDGL	Net derivative gains (losses)
NIGL	Net investment gains (losses)
RBC	Risk-based capital
TAC	Total adjusted capital
ULSG	Universal life insurance with secondary guarantees
VA	Variable annuity
VOBA	Value of business acquired

Reconciliation of Net Income (Loss) Available to Shareholders to Adjusted Earnings and Adjusted Earnings, Less Notable Items, and Reconciliation of Net Income (Loss) Available to Shareholders per Common Share to Adjusted Earnings per Common Share and Adjusted Earnings, Less Notable Items per Common Share (Unaudited, in millions except per share data)

	For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
ADJUSTED EARNINGS, LESS NOTABLE ITEMS					
Net income (loss) available to shareholders	\$(3,012)	\$(1,998)	\$4,950	\$(1,077)	\$676
Less: Net investment gains (losses)	5	(34)	(19)	33	27
Less: Net derivative gains (losses), excluding investment hedge adjustments	(1,862)	(2,657)	6,898	(1,897)	1,057
Less: GMIB Fees and GMIB Costs	(957)	(125)	(166)	34	(4)
Less: Amortization of DAC and VOBA	(86)	249	(671)	93	2
Less: Market value adjustments and other	(41)	24	(43)	17	(14)
Less: Provision for income tax (expense) benefit on reconciling adjustments	618	534	(1,260)	361	(223)
Adjusted earnings	(689)	11	211	282	(169)
Less: Notable items	(1,077)	(28)	(62)	17	(429)
Adjusted earnings, less notable items	\$388	\$39	\$273	\$265	\$260
ADJUSTED EARNINGS, LESS NOTABLE ITEMS PER COMMON SHARE (1), (2)					
Net income (loss) available to shareholders per common share	\$(32.49)	\$(21.10)	\$47.11	\$(10.02)	\$6.06
Less: Net investment gains (losses)	0.05	(0.36)	(0.18)	0.31	0.24
Less: Net derivative gains (losses), excluding investment hedge adjustments	(20.09)	(28.06)	65.64	(17.65)	9.48
Less: GMIB Fees and GMIB Costs	(10.32)	(1.32)	(1.58)	0.32	(0.04)
Less: Amortization of DAC and VOBA	(0.93)	2.63	(6.38)	0.87	0.02
Less: Market value adjustments and other	(0.44)	0.25	(0.41)	0.16	(0.13)
Less: Provision for income tax (expense) benefit on reconciling adjustments	6.67	5.64	(11.99)	3.36	(2.00)
Less: Impact of inclusion of dilutive shares	—	—	—	0.01	—
Adjusted earnings per common share	(7.43)	0.11	2.01	2.61	(1.52)
Less: Notable items	(11.62)	(0.30)	(0.59)	0.16	(3.85)
Adjusted earnings, less notable items per common share	\$4.19	\$0.41	\$2.60	\$2.46	\$2.33

(1) See definitions for Non-GAAP and Other Financial Disclosures in this Appendix.

(2) Per share calculations are on a diluted basis and may not recalculate or foot due to rounding. For loss periods, dilutive shares were not included in the calculation as inclusion of such shares would have an anti-dilutive effect.

Reconciliation of Return on Common Equity to Adjusted Return on Common Equity (Unaudited, dollars in millions)

	Four Quarters Cumulative Trailing Basis				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
ADJUSTED EARNINGS					
Net income (loss) available to shareholders	\$(1,137)	\$2,551	\$4,926	\$(761)	\$1,758
Less: Net investment gains (losses)	(15)	7	104	112	(7)
Less: Net derivative gains (losses), excluding investment hedge adjustments	482	3,401	6,207	(1,994)	1,941
Less: GMIB Fees and GMIB Costs	(1,214)	(261)	(158)	43	(128)
Less: Amortization of DAC and VOBA	(415)	(327)	(593)	153	(173)
Less: Market value adjustments and other	(43)	(16)	(56)	(36)	(54)
Less: Provision for income tax (expense) benefit on reconciling adjustments	253	(588)	(1,156)	362	(324)
Adjusted earnings	\$(185)	\$335	\$578	\$599	\$503
BRIGHTHOUSE FINANCIAL, INC.'S COMMON STOCKHOLDERS' EQUITY, EXCLUDING AOCI					
Brighthouse Financial, Inc.'s stockholders' equity	\$18,683	\$18,285	\$17,103	\$15,912	\$15,254
Less: Preferred stock, net	568	490	412	330	247
Brighthouse Financial, Inc.'s common stockholders' equity	18,115	17,795	16,691	15,582	15,007
Less: AOCI	3,960	3,424	2,765	2,379	1,841
Brighthouse Financial, Inc.'s common stockholders' equity, excluding AOCI	\$14,155	\$14,371	\$13,926	\$13,203	\$13,166
ADJUSTED RETURN ON COMMON EQUITY					
Return on common equity	(6.3)%	14.3%	29.5%	(4.9)%	11.7%
Return on AOCI	(28.7)%	74.5%	178.2%	(32.0)%	95.5%
Return on common equity, excluding AOCI	(8.0)%	17.8%	35.4%	(5.8)%	13.4%
Less: Return on net investment gains (losses)	(0.1)%	—%	0.7%	0.8%	—%
Less: Return on net derivative gains (losses), excluding investment hedge adjustments	3.4%	23.7%	44.6%	(15.1)%	14.7%
Less: Return on GMIB Fees and GMIB Costs	(8.6)%	(1.8)%	(1.1)%	0.3%	(0.9)%
Less: Return on amortization of DAC and VOBA	(2.9)%	(2.3)%	(4.3)%	1.2%	(1.3)%
Less: Return on market value adjustments and other	(0.3)%	—%	(0.4)%	(0.2)%	(0.4)%
Less: Return on provision for income tax (expense) benefit on reconciling adjustments	1.8%	(4.1)%	(8.3)%	2.7%	(2.5)%
Adjusted return on common equity	(1.3)%	2.3%	4.2%	4.5%	3.8%

Reconciliation of Total Revenues to Adjusted Revenues and Reconciliation of Total Expenses to Adjusted Expenses (Unaudited, in millions)

	For the Three Months Ended					For the Nine Months Ended	
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
Total revenues	\$309	\$(922)	\$8,985	\$306	\$3,187	\$8,372	\$6,248
Less: Net investment gains (losses)	5	(34)	(19)	33	27	(48)	79
Less: Net derivative gains (losses)	(1,857)	(2,653)	6,902	(1,891)	1,057	2,392	(97)
Less: GMIB Fees	68	63	65	66	67	196	198
Less: Investment hedge adjustments	(5)	(4)	(4)	(6)	—	(13)	—
Less: Other	(1)	—	1	10	1	—	1
Total adjusted revenues	\$2,099	\$1,706	\$2,040	\$2,094	\$2,035	\$5,845	\$6,067
Total expenses	\$4,152	\$1,600	\$2,733	\$1,678	\$2,383	\$8,485	\$5,928
Less: Amortization of DAC and VOBA	86	(249)	671	(93)	(2)	508	(60)
Less: GMIB Costs	1,025	188	231	32	71	1,444	189
Less: Other	40	(24)	44	(7)	15	60	54
Total adjusted expenses	\$3,001	\$1,685	\$1,787	\$1,746	\$2,299	\$6,473	\$5,745

Investment Reconciliation Details (Unaudited, dollars in millions)

	For the Three Months Ended					For the Nine Months Ended	
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	September 30, 2020	September 30, 2019
NET INVESTMENT GAINS (LOSSES)							
Investment portfolio gains (losses)	\$2	\$(13)	\$2	\$43	\$30	\$(9)	\$90
Investment portfolio writedowns	3	(21)	(21)	(10)	(3)	(39)	(11)
Net investment gains (losses)	\$5	\$(34)	\$(19)	\$33	\$27	\$(48)	\$79

	For the Three Months Ended				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
NET INVESTMENT INCOME YIELD					
Investment income yield (1)	4.56%	3.11%	4.44%	4.43%	4.62%
Investment fees and expenses (2)	(0.14)%	(0.13)%	(0.14)%	(0.11)%	(0.10)%
Net investment income yield	4.42%	2.98%	4.30%	4.32%	4.52%

(1) Yields are calculated on investment income as a percent of average quarterly asset carrying values. Investment income includes investment hedge adjustments, excludes realized gains and losses and reflects the GAAP adjustments described beginning on page A-1 of this Appendix. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.

(2) Investment fee and expense yields are calculated as investment fees and expenses as a percent of average quarterly asset estimated fair values. Asset estimated fair values exclude collateral received in connection with our securities lending program, freestanding derivative assets and collateral received from derivative counterparties.