



Symetra Financial Corporation

Condensed Consolidated Financial Statements

June 30, 2017



**SYMETRA FINANCIAL CORPORATION
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Table of Contents

| | <u>Page</u> |
|---|-------------------|
| Consolidated Balance Sheets | 3 |
| Consolidated Statements of Income (Loss)..... | 4 |
| Consolidated Statements of Comprehensive Income..... | 5 |
| Consolidated Statements of Changes in Stockholder's Equity..... | 6 |
| Consolidated Statements of Cash Flows | 7 |
| Condensed Notes to Consolidated Financial Statements | 8 |

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)

| | As of June 30, 2017 (Unaudited) | As of December 31, 2016 |
|--|---------------------------------------|----------------------------|
| ASSETS | | |
| Investments: | | |
| Available-for-sale securities: | | |
| Fixed maturities, at fair value (amortized cost: \$29,434.0 and \$28,396.5, respectively)..... | \$ 30,081.5 | \$ 28,614.6 |
| Marketable equity securities, at fair value (cost: \$600.4 and \$642.7, respectively)..... | 696.0 | 717.4 |
| Mortgage loans, net | 5,898.7 | 5,692.2 |
| Policy loans | 55.4 | 57.0 |
| Investments in limited partnerships (includes \$53.2 and \$53.8 at fair value, respectively) | 230.3 | 249.1 |
| Derivatives and other invested assets (includes \$314.9 and \$309.8 at fair value, respectively) | 318.4 | 313.3 |
| Total investments | 37,280.3 | 35,643.6 |
| Cash and cash equivalents..... | 426.0 | 390.1 |
| Accrued investment income..... | 335.9 | 329.1 |
| Reinsurance recoverables..... | 300.8 | 298.8 |
| DAC and VOBA | 616.3 | 596.7 |
| Receivables and other assets | 207.7 | 216.1 |
| Other intangible assets, net..... | 1,318.5 | 1,362.0 |
| Goodwill..... | 563.0 | 563.0 |
| Separate account assets | 935.5 | 911.4 |
| Total assets | <u>\$ 41,984.0</u> | <u>\$ 40,310.8</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Funds held under deposit contracts..... | \$ 34,682.4 | \$ 33,350.3 |
| Future policy benefits..... | 486.2 | 473.7 |
| Policy and contract claims | 215.9 | 152.8 |
| Other policyholders' funds | 117.0 | 118.1 |
| Notes payable..... | 707.2 | 707.5 |
| Deferred income tax liabilities, net..... | 312.1 | 210.8 |
| Other liabilities..... | 576.7 | 548.0 |
| Separate account liabilities..... | 935.5 | 911.4 |
| Total liabilities..... | 38,033.0 | 36,472.6 |
| Commitments and contingencies (Note 10) | | |
| Common stock, \$0.01 par value; 1,000 shares authorized; 100 issued and outstanding | — | — |
| Additional paid-in capital..... | 3,516.7 | 3,677.7 |
| Retained earnings..... | 41.6 | 17.0 |
| Accumulated other comprehensive income, net of taxes..... | 392.7 | 143.5 |
| Total stockholder's equity..... | 3,951.0 | 3,838.2 |
| Total liabilities and stockholder's equity | <u>\$ 41,984.0</u> | <u>\$ 40,310.8</u> |

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In millions)
(Unaudited)

| | Successor Company | | | | Predecessor Company |
|--|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Revenues: | | | | | |
| Premiums..... | \$ 225.6 | \$ 183.0 | \$ 441.7 | \$ 305.0 | \$ 61.2 |
| Net investment income..... | 329.4 | 289.1 | 644.1 | 480.1 | 110.4 |
| Policy fees, contract charges, and other | 71.3 | 64.0 | 140.4 | 104.4 | 19.8 |
| Net realized gains (losses): | | | | | |
| Total other-than-temporary impairment losses on securities..... | (2.0) | (2.2) | (2.0) | (5.3) | (3.8) |
| Less: portion recognized in other comprehensive income..... | — | 0.2 | — | 0.2 | — |
| Net impairment losses on securities recognized in earnings | (2.0) | (2.0) | (2.0) | (5.1) | (3.8) |
| Other net realized gains (losses)..... | (1.3) | (7.3) | (1.4) | (25.0) | (23.2) |
| Net realized gains (losses)..... | (3.3) | (9.3) | (3.4) | (30.1) | (27.0) |
| Total revenues..... | 623.0 | 526.8 | 1,222.8 | 859.4 | 164.4 |
| Benefits and expenses: | | | | | |
| Policyholder benefits and claims..... | 197.2 | 138.5 | 377.9 | 239.6 | 48.4 |
| Interest credited..... | 236.0 | 235.9 | 477.7 | 381.1 | 84.4 |
| Other underwriting and operating expenses.... | 113.0 | 111.7 | 230.7 | 201.3 | 35.9 |
| Interest expense..... | 7.4 | 6.8 | 14.9 | 11.5 | 3.8 |
| Amortization of DAC and VOBA..... | 21.6 | 14.2 | 40.7 | 23.5 | 8.6 |
| Amortization of intangible assets..... | 21.8 | 21.7 | 43.5 | 36.2 | 0.2 |
| Total benefits and expenses..... | 597.0 | 528.8 | 1,185.4 | 893.2 | 181.3 |
| Income (loss) from operations before income taxes..... | 26.0 | (2.0) | 37.4 | (33.8) | (16.9) |
| Total provision (benefit) for income taxes..... | 0.6 | (16.6) | (6.2) | (35.7) | (10.4) |
| Net income (loss) | \$ 25.4 | \$ 14.6 | \$ 43.6 | \$ 1.9 | \$ (6.5) |

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

| | Successor Company | | | | Predecessor Company |
|---|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Net income (loss) | \$ 25.4 | \$ 14.6 | \$ 43.6 | \$ 1.9 | \$ (6.5) |
| Other comprehensive income (loss), net of taxes and reclassification adjustments: | | | | | |
| Changes in unrealized gains (losses) on available-for-sale securities (net of taxes of: 2017 \$109.7 and \$170.0; 2016 Successor \$202.3 and 379.0; 2016 Predecessor \$61.7) .. | 203.8 | 375.7 | 315.7 | 703.9 | 114.5 |
| Other-than-temporary impairments on fixed maturities not related to credit losses (net of taxes of: 2017 \$0.0 and \$0.0; 2016 Successor \$(0.1) and \$(0.1); 2016 Predecessor \$0.0) | — | (0.1) | — | (0.1) | — |
| Impact of net unrealized (gains) losses on DAC and VOBA (net of taxes of: 2017 \$(18.1) and \$(28.4); 2016 Successor \$(34.5) and \$(64.1); 2016 Predecessor \$(13.1)) | (33.6) | (64.0) | (52.8) | (119.0) | (24.4) |
| Impact of cash flow hedges (net of taxes of: 2017 \$(3.3) and \$(7.4); 2016 Successor \$17.5 and \$13.7; 2016 Predecessor \$13.6) | (6.0) | 32.4 | (13.7) | 25.4 | 25.2 |
| Other comprehensive income | 164.2 | 344.0 | 249.2 | 610.2 | 115.3 |
| Total comprehensive income | <u>\$ 189.6</u> | <u>\$ 358.6</u> | <u>\$ 292.8</u> | <u>\$ 612.1</u> | <u>\$ 108.8</u> |

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(In millions)
(Unaudited)

| | Common Stock | Additional Paid-in Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income | Total Stockholder's Equity |
|---------------------------------------|-----------------|----------------------------------|-------------------|----------------------|---|----------------------------------|
| Predecessor Company | | | | | | |
| January 1, 2016 | \$ 1.2 | \$ 1,476.0 | \$ (134.6) | \$ 1,070.8 | \$ 515.4 | \$ 2,928.8 |
| Net loss..... | — | — | — | (6.5) | — | (6.5) |
| Other comprehensive income | — | — | — | — | 115.3 | 115.3 |
| Stock-based compensation..... | — | 0.3 | — | — | — | 0.3 |
| Balances as of January 31, 2016 | <u>\$ 1.2</u> | <u>\$ 1,476.3</u> | <u>\$ (134.6)</u> | <u>\$ 1,064.3</u> | <u>\$ 630.7</u> | <u>\$ 3,037.9</u> |

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total Stockholder's Equity |
|-----------------------------------|-----------------|----------------------------------|----------------------|---|----------------------------------|
| Successor Company | | | | | |
| February 1, 2016..... | \$ — | \$ 3,677.7 | \$ — | \$ — | \$ 3,677.7 |
| Net income | — | — | 1.9 | — | 1.9 |
| Other comprehensive income..... | — | — | — | 610.2 | 610.2 |
| Balances as of June 30, 2016..... | <u>\$ —</u> | <u>\$ 3,677.7</u> | <u>\$ 1.9</u> | <u>\$ 610.2</u> | <u>\$ 4,289.8</u> |

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total Stockholder's Equity |
|-----------------------------------|-----------------|----------------------------------|----------------------|---|----------------------------------|
| Successor Company | | | | | |
| January 1, 2017..... | \$ — | \$ 3,677.7 | \$ 17.0 | \$ 143.5 | \$ 3,838.2 |
| Net income | — | — | 43.6 | — | 43.6 |
| Other comprehensive income..... | — | — | — | 249.2 | 249.2 |
| Dividends declared..... | — | (161.0) | (19.0) | — | (180.0) |
| Balances as of June 30, 2017..... | <u>\$ —</u> | <u>\$ 3,516.7</u> | <u>\$ 41.6</u> | <u>\$ 392.7</u> | <u>\$ 3,951.0</u> |

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

| | Successor Company | | Predecessor Company |
|--|--|--------------------------------|----------------------------------|
| | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Cash flows from operating activities | | | |
| Net income (loss)..... | \$ 43.6 | \$ 1.9 | \$ (6.5) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Net realized (gains) losses..... | 3.4 | 30.1 | 27.0 |
| Accretion and amortization of invested assets, net..... | 144.9 | 136.7 | 8.4 |
| Amortization of intangible assets..... | 43.5 | 36.2 | 0.2 |
| Other amortization (accretion) and depreciation..... | (17.6) | (26.0) | 1.6 |
| Deferred income tax provision (benefit)..... | (32.9) | (43.1) | 13.7 |
| Interest credited on deposit contracts..... | 477.7 | 381.1 | 84.4 |
| Mortality and expense charges and administrative fees..... | (106.7) | (77.2) | (13.6) |
| Other changes in: | | | |
| Accrued investment income..... | (7.4) | 8.3 | (8.5) |
| DAC and VOBA..... | (93.7) | (84.7) | (11.0) |
| Future policy benefits..... | 9.6 | 11.4 | (2.7) |
| Policy and contract claims..... | 63.1 | 20.7 | (6.1) |
| Other assets and liabilities..... | 26.0 | (10.2) | (44.7) |
| Other, net..... | 2.7 | 2.8 | 1.0 |
| Total adjustments..... | 512.6 | 386.1 | 49.7 |
| Net cash provided by (used in) operating activities..... | 556.2 | 388.0 | 43.2 |
| Cash flows from investing activities | | | |
| Purchases of: | | | |
| Fixed maturities and marketable equity securities..... | (3,476.5) | (2,575.1) | (448.7) |
| Derivatives and other investments..... | (84.8) | (65.9) | (5.7) |
| Issuances of mortgage loans..... | (468.5) | (359.4) | (45.4) |
| Maturities, calls, paydowns, and other repayments..... | 1,086.9 | 641.9 | 129.8 |
| Sales of fixed maturities and marketable equity securities..... | 1,354.0 | 776.9 | 202.6 |
| Proceeds from sales and settlements of derivatives and other investments..... | 109.4 | 0.8 | 0.3 |
| Cash paid for settlements of derivatives..... | (18.6) | — | — |
| Repayments of mortgage loans..... | 238.8 | 183.1 | 33.9 |
| Cash received (pledged or returned) as collateral, net..... | 30.5 | 105.4 | (19.7) |
| Other, net..... | (2.0) | 25.7 | 20.6 |
| Net cash provided by (used in) investing activities..... | (1,230.8) | (1,266.6) | (132.3) |
| Cash flows from financing activities | | | |
| Policyholder account balances: | | | |
| Deposits..... | 2,181.3 | 2,043.9 | 365.4 |
| Withdrawals..... | (1,290.8) | (1,040.9) | (168.6) |
| Net proceeds from borrowings..... | — | 300.0 | — |
| Repayment of senior notes..... | — | (300.0) | — |
| Cash dividends paid on common stock..... | (180.0) | — | — |
| Other, net..... | — | — | (1.2) |
| Net cash provided by (used in) financing activities..... | 710.5 | 1,003.0 | 195.6 |
| Net increase (decrease) in cash and cash equivalents..... | 35.9 | 124.4 | 106.5 |
| Cash and cash equivalents at beginning of period..... | 390.1 | 278.7 | 172.2 |
| Cash and cash equivalents at end of period..... | \$ 426.0 | \$ 403.1 | \$ 278.7 |
| Supplemental disclosures of cash flow information | | | |
| Non-cash transactions during the period: | | | |
| Fixed maturities exchanges..... | \$ 350.5 | \$ 32.0 | \$ 11.1 |

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

1. Description of Business

Symetra Financial Corporation (the Company) is a Delaware corporation that, through its subsidiaries, offers products and services that serve the retirement, employment-based benefits, and life insurance markets. These products and services are marketed through financial institutions, broker-dealers, benefits consultants, and independent agents and advisors in all 50 states and the District of Columbia. The Company's principal products include fixed and fixed indexed deferred annuities, single premium immediate annuities (SPIA), medical stop-loss insurance, group life and disability income (DI) insurance, limited benefit medical insurance, individual life insurance, and institutional life insurance including bank-owned life insurance (BOLI) and variable corporate owned life insurance (COLI). The Company also services its blocks of structured settlement and variable annuities.

Sumitomo Life Merger

On February 1, 2016, the Company became a wholly owned subsidiary of Sumitomo Life Insurance Company, a mutual company (sougo kaisha) organized under the laws of Japan (Sumitomo Life), in accordance with the terms of the Agreement and Plan of Merger (the Merger), dated August 11, 2015. The aggregate cash consideration paid in connection with the Merger for all of the Company's outstanding shares of common stock was \$3.7 billion.

The Merger was accounted for under the acquisition method of accounting (purchase accounting, or PGAAP). Subsequent to the Merger, the Company applied "pushdown" accounting by applying the guidance allowed by Accounting Standards Codification (ASC) 805, *Business Combinations*, including the initial recognition of most of the Company's assets and liabilities at fair value as of the acquisition date, and the recognition of goodwill calculated based on the terms of the transaction and the new basis of net assets of the Company. As part of the application of this standard, certain balances were reset to zero. The new basis of accounting is the basis of the accounting records used in the preparation of financial statements and related disclosures for periods following the Merger. Prior period data has not been restated.

These financial statements include information as of June 30, 2017 and December 31, 2016, for the three and six months ended June 30, 2017, for the three months ended June 30, 2016, and for the period February 1 to June 30, 2016 that relates to the Successor Company, following completion of the Merger. Information for the period January 1 to January 31, 2016 relates to the Predecessor Company. Amounts are generally not comparable between the Successor Company and Predecessor Company due to the application of purchase accounting. Refer to Note 3, as well as the December 31, 2016 audited consolidated financial statements, for further discussion.

2. Summary of Significant Accounting Policies

The interim condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that may affect the amounts reported in the interim condensed consolidated financial statements and accompanying notes. These interim condensed consolidated financial statements are unaudited and in management's opinion include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation. All significant intercompany transactions and balances have been eliminated. Certain reclassifications have been made to prior year financial information for it to conform to the current period presentation. Management has assessed subsequent events through August 25, 2017, the date the financial statements were available to be issued.

The interim condensed consolidated financial statements should be read in conjunction with the December 31, 2016 audited consolidated financial statements. Financial results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the twelve months ended December 31, 2017. The Company's effective tax rate differs from the U.S. federal income tax rate of 35%, primarily due to benefits from the Company's tax credit investments relative to the forecasted taxable income for the twelve months ended December 31, 2017.

A full description of the Company's significant accounting policies is included in the December 31, 2016 audited consolidated financial statements, available on the Company's website.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

Accounting Pronouncements

| Standard | Description | Required date of adoption | Effect on the financial statements or other significant matters |
|---|---|--|---|
| <i>Accounting Pronouncements Newly Adopted</i> | | | |
| Update No. 2015-07, <i>Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)</i> | This standard amends disclosure requirements for companies that use the practical expedient to measure the fair value of certain investments using the net asset value per share. Under the standard, companies are no longer required to categorize fair value measurements for these investments in the fair value hierarchy. | January 1, 2017 | The Company adopted the guidance retrospectively, which is reflected in disclosures in Note 7 Fair Value of Financial Instruments. The adoption did not result in changes to fair value measurements. |
| <i>Accounting Pronouncements Not Yet Adopted</i> | | | |
| Update No. 2015-09, <i>Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts</i> | This standard amends disclosure requirements for the liability for unpaid claims and claim adjustment expenses on short-duration contracts for insurance entities. Under the standard, companies must include certain additional quantitative and qualitative information about these liabilities in their financial statements. | December 31, 2017 for annual reporting disclosures and January 1, 2018 for interim reporting period disclosures. | Upon adoption, the Company will retrospectively apply the new disclosure requirements to its short-duration contracts, which are primarily insurance policies in the Benefits segment. These disclosures will be included in the December 31, 2017 annual audited consolidated financial statements. |
| Update No. 2016-01, <i>Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Financial Liabilities</i> | This standard amends recognition and disclosure requirements primarily for equity investments carried at fair value. Under the standard, changes in fair value will be recorded in income. In addition, the requirement to disclose the fair value of financial instruments held at amortized cost has been eliminated for nonpublic companies. | January 1, 2019 | <p>The Company holds equity investments classified as available-for-sale securities that will be impacted by the standard (see Note 4 for details regarding these holdings).</p> <p>Upon adoption, the unrealized gains (losses) of these securities will be reclassified from accumulated other comprehensive income to retained earnings. Subsequent to adoption, the Company expects increased volatility in net income, as fluctuations in fair value of these securities will be recorded through realized gains (losses) on the consolidated statements of income.</p> <p>The Company expects to early adopt the standard on January 1, 2018 using a modified retrospective approach.</p> |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

Accounting Pronouncements Not Yet Adopted (cont.)

| | | | |
|--|---|-----------------|---|
| Update No. 2016-02, <i>Leases (Topic 842)</i> | This standard amends the recognition requirements for all leases with a term greater than 12 months and provides new guidelines for the identification of a lease within a contract. Under the standard, companies must measure and recognize a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the lease term. In addition, the standard requires expanded quantitative and qualitative disclosures. | January 1, 2020 | The Company is in the early stages of evaluating the potential impact of the standard on its financial statements. The majority of the Company's leases are currently accounted for as operating leases. Upon adoption, the Company will apply the standard using a modified retrospective approach and apply the requirements to all existing leases. The Company is considering whether to early adopt. |
| Update No. 2017-08, <i>Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities</i> | This standard amends the guidance for amortization of premiums on purchased callable debt securities. Under the standard, premiums on these securities will be amortized to the earliest call date, rather than final maturity of the security. The guidance applies only to bonds for which the call date and price is fixed. Further, the amortization period for debt securities carried at a discount will not be impacted. | January 1, 2020 | The Company is in the early stages of evaluating the potential impact of the standard on its financial statements. Upon adoption, the Company will apply the standard using a modified retrospective approach. The Company is considering whether to early adopt. |
| Update No. 2016-13, <i>Financial Instruments - Credit Losses (Topic 326)</i> | This standard amends the credit loss measurement guidance for available-for-sale securities. Credit losses will be recognized in a credit allowance account rather than as reductions in the amortized cost of the securities. Further, entities are no longer allowed to consider length of time a security has been underwater as a factor when evaluating credit losses. This standard also amends existing guidance on the impairment of certain financial instruments by adding an impairment model that reflects expected credit losses. This requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. | January 1, 2021 | The Company is in the early stages of evaluating the potential impact of the standard on its financial statements. Upon adoption, the Company will apply the standard using a modified retrospective approach. The Company is considering whether to early adopt. |
| Update No. 2017-04, <i>Intangibles - Goodwill and Other (Topic 350)</i> | This standard removes the requirement to calculate the implied fair value of goodwill (Step 2 of the goodwill impairment test) to measure a goodwill impairment charge. A goodwill impairment charge will now be measured as the amount by which a reporting unit's carrying value exceeds its fair value determined in Step 1 of the goodwill impairment test. This impairment test will be applied to goodwill assigned to all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill assigned to reporting units with zero or negative carrying amounts. | January 1, 2022 | The Company is monitoring the potential impact of the standard on its annual goodwill impairment assessment. Upon adoption, the Company will apply the standard prospectively. The Company is considering whether to early adopt. |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

3. Sumitomo Life Merger

On February 1, 2016, the Company became a wholly owned subsidiary of Sumitomo Life Insurance Company. Refer to Note 1, as well as the December 31, 2016 audited consolidated financial statements, for further details on this transaction.

Other Intangible Assets

In conjunction with the Merger, a portion of the purchase price was allocated to specifically identifiable intangible assets. Intangible assets with finite lives are amortized on a straight-line basis over the estimated useful life of the assets. Amortizable intangible assets consist of value of distribution acquired (VODA), value of customer relationships acquired (VOCRA), trade names and technology.

Identified intangible assets recognized by the Company included the following as of June 30, 2017:

| | Estimated Fair Value on Acquisition Date | Accumulated Amortization | Net Intangible Assets |
|--|--|-----------------------------|-----------------------|
| VODA..... | \$ 782.0 | \$ (32.2) | \$ 749.8 |
| VOCRA..... | 386.7 | (54.8) | 331.9 |
| Trade names..... | 190.0 | (15.8) | 174.2 |
| Technology..... | 72.0 | (20.4) | 51.6 |
| Total intangible assets subject to amortization..... | 1,430.7 | (123.2) | 1,307.5 |
| Insurance licenses..... | 11.0 | — | 11.0 |
| Total intangible assets..... | \$ 1,441.7 | \$ (123.2) | \$ 1,318.5 |

The following table sets forth the estimated future aggregate amortization expense for the next 5 years:

| Year | Amount |
|-----------------------|---------|
| 2017 (remaining)..... | \$ 43.5 |
| 2018..... | 87.0 |
| 2019..... | 87.0 |
| 2020..... | 87.0 |
| 2021..... | 73.4 |

4. Investments

The Company's investment portfolio primarily consists of fixed maturities and commercial mortgage loans, as well as a smaller allocation of marketable equity securities, investments in limited partnerships, derivatives, and other investments. Marketable equity securities primarily consist of common stock and exchange-traded funds (ETFs) in support of long-duration insurance contracts in the Income Annuities segment.

The following tables summarize the Company's available-for-sale fixed maturities and marketable equity securities:

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| | As of June 30, 2017 | | | |
|--|------------------------|------------------------|-------------------------|--------------------|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Fixed maturities: | | | | |
| U.S. government and agencies | \$ 468.2 | \$ 0.8 | \$ (3.4) | \$ 465.6 |
| State and political subdivisions | 901.1 | 3.8 | (6.3) | 898.6 |
| Corporate securities | 22,826.8 | 707.4 | (57.6) | 23,476.6 |
| Residential mortgage-backed securities | 2,597.4 | 7.1 | (33.7) | 2,570.8 |
| Commercial mortgage-backed securities | 814.3 | 6.4 | (2.1) | 818.6 |
| Collateralized loan obligations | 1,263.9 | 22.0 | (0.3) | 1,285.6 |
| Other debt obligations | 562.3 | 5.9 | (2.5) | 565.7 |
| Total fixed maturities | 29,434.0 | 753.4 | (105.9) | 30,081.5 |
| Marketable equity securities | 600.4 | 100.8 | (5.2) | 696.0 |
| Total | <u>\$ 30,034.4</u> | <u>\$ 854.2</u> | <u>\$ (111.1)</u> | <u>\$ 30,777.5</u> |

| | As of December 31, 2016 | | | |
|--|-------------------------|------------------------|-------------------------|--------------------|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Fixed maturities: | | | | |
| U.S. government and agencies | \$ 397.3 | \$ 0.4 | \$ (5.6) | \$ 392.1 |
| State and political subdivisions | 943.0 | 1.3 | (13.5) | 930.8 |
| Corporate securities | 21,761.2 | 428.2 | (152.5) | 22,036.9 |
| Residential mortgage-backed securities | 2,657.7 | 3.7 | (52.5) | 2,608.9 |
| Commercial mortgage-backed securities | 930.9 | 2.7 | (6.4) | 927.2 |
| Collateralized loan obligations | 1,198.7 | 18.7 | (3.8) | 1,213.6 |
| Other debt obligations | 507.7 | 4.2 | (6.8) | 505.1 |
| Total fixed maturities | 28,396.5 | 459.2 | (241.1) | 28,614.6 |
| Marketable equity securities | 642.7 | 81.9 | (7.2) | 717.4 |
| Total | <u>\$ 29,039.2</u> | <u>\$ 541.1</u> | <u>\$ (248.3)</u> | <u>\$ 29,332.0</u> |

The Company maintains a diversified portfolio of corporate fixed maturity securities across industries. The following table presents the composition of the Company's corporate securities portfolio by sector:

| | As of June 30, 2017 | | As of December 31, 2016 | |
|------------------------------|---------------------|---------------|-------------------------|---------------|
| | Fair Value | % of Total | Fair Value | % of Total |
| Industrial | \$ 4,230.5 | 18.0% | \$ 4,077.7 | 18.5% |
| Consumer discretionary | 3,377.9 | 14.4 | 3,023.3 | 13.7 |
| Utilities | 2,969.3 | 12.6 | 2,485.4 | 11.3 |
| Consumer staples | 2,775.3 | 11.8 | 2,824.6 | 12.8 |
| Health care | 2,733.0 | 11.6 | 2,879.6 | 13.1 |
| Financial | 2,717.9 | 11.6 | 2,281.4 | 10.3 |
| Other | 4,672.7 | 20.0 | 4,464.9 | 20.3 |
| Total | <u>\$ 23,476.6</u> | <u>100.0%</u> | <u>\$ 22,036.9</u> | <u>100.0%</u> |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following tables summarize gross unrealized losses and fair values of the Company's available-for-sale investments. The tables are aggregated by investment category and present separately those securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more.

| | As of June 30, 2017 | | | | | |
|--|---------------------|-------------------------|-----------------|-------------------|-------------------------|-----------------|
| | Less Than 12 Months | | | 12 Months or More | | |
| | Fair Value | Gross Unrealized Losses | # of Securities | Fair Value | Gross Unrealized Losses | # of Securities |
| Fixed maturities: | | | | | | |
| U.S. government and agencies | \$ 274.6 | \$ (3.4) | 37 | \$ — | \$ — | — |
| State and political subdivisions | 528.1 | (6.0) | 85 | 8.2 | (0.3) | 2 |
| Corporate securities | 4,350.4 | (53.6) | 334 | 46.1 | (4.0) | 17 |
| Residential mortgage-backed securities | 2,102.5 | (32.4) | 438 | 78.6 | (1.3) | 39 |
| Commercial mortgage-backed securities | 198.0 | (2.0) | 38 | 2.1 | (0.1) | 3 |
| Collateralized loan obligations | 124.9 | (0.3) | 11 | 18.5 | — | 2 |
| Other debt obligations | 236.3 | (2.2) | 31 | 4.9 | (0.3) | 1 |
| Total fixed maturities | 7,814.8 | (99.9) | 974 | 158.4 | (6.0) | 64 |
| Marketable equity securities | 64.8 | (2.3) | 157 | 19.5 | (2.9) | 9 |
| Total | <u>\$ 7,879.6</u> | <u>\$ (102.2)</u> | <u>1,131</u> | <u>\$ 177.9</u> | <u>\$ (8.9)</u> | <u>73</u> |

| | As of December 31, 2016 | | | | | |
|--|-------------------------|-------------------------|-----------------|-------------------|-------------------------|-----------------|
| | Less Than 12 Months | | | 12 Months or More | | |
| | Fair Value | Gross Unrealized Losses | # of Securities | Fair Value | Gross Unrealized Losses | # of Securities |
| Fixed maturities: | | | | | | |
| U.S. government and agencies | \$ 273.4 | \$ (5.6) | 41 | \$ — | \$ — | — |
| State and political subdivisions | 758.8 | (13.5) | 118 | — | — | — |
| Corporate securities | 8,380.4 | (152.5) | 546 | — | — | — |
| Residential mortgage-backed securities | 2,382.4 | (52.5) | 468 | — | — | — |
| Commercial mortgage-backed securities | 449.6 | (6.4) | 54 | — | — | — |
| Collateralized loan obligations | 384.2 | (3.8) | 27 | — | — | — |
| Other debt obligations | 388.6 | (6.8) | 48 | — | — | — |
| Total fixed maturities | 13,017.4 | (241.1) | 1,302 | — | — | — |
| Marketable equity securities | 95.0 | (7.2) | 36 | — | — | — |
| Total | <u>\$ 13,112.4</u> | <u>\$ (248.3)</u> | <u>1,338</u> | <u>\$ —</u> | <u>\$ —</u> | <u>—</u> |

Based on National Association of Insurance Commissioners (NAIC) ratings as of June 30, 2017 and December 31, 2016, the Company held below-investment-grade fixed maturities with fair values of \$1,232.2 and \$1,303.5, respectively, and amortized costs of \$1,142.4 and \$1,227.4, respectively. These holdings amounted to 4.1% and 4.6% of the Company's investments in fixed maturities at fair value as of June 30, 2017 and December 31, 2016, respectively.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following table summarizes the amortized cost and fair value of fixed maturities as of June 30, 2017, by contractual years to maturity. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

| | Amortized Cost | Fair Value |
|--|--------------------|--------------------|
| One year or less..... | \$ 1,123.1 | \$ 1,125.6 |
| Over one year through five years..... | 7,953.0 | 8,072.0 |
| Over five years through ten years..... | 10,114.0 | 10,360.8 |
| Over ten years..... | 5,108.9 | 5,385.4 |
| Total fixed maturities with contractual maturity dates..... | 24,299.0 | 24,943.8 |
| Residential mortgage-backed securities..... | 2,597.4 | 2,570.8 |
| Commercial mortgage-backed securities..... | 814.3 | 818.6 |
| Collateralized loan obligations..... | 1,263.9 | 1,285.6 |
| Other asset-backed securities..... | 459.4 | 462.7 |
| Total fixed maturities..... | \$ 29,434.0 | \$ 30,081.5 |

The following table summarizes the Company's net investment income:

| | Successor Company | | | | Predecessor Company |
|---|--|--|--|--------------------------------|-------------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Fixed maturities..... | \$ 271.8 | \$ 239.9 | \$ 533.2 | \$ 398.0 | \$ 96.3 |
| Marketable equity securities..... | 4.0 | 4.2 | 8.1 | 9.0 | 0.3 |
| Mortgage loans..... | 60.6 | 52.0 | 117.4 | 85.0 | 21.3 |
| Investments in limited partnerships (1):..... | — | — | — | — | (4.4) |
| Other..... | 2.7 | 2.0 | 4.7 | 3.2 | 0.2 |
| Total investment income..... | 339.1 | 298.1 | 663.4 | 495.2 | 113.7 |
| Investment expenses..... | (9.7) | (9.0) | (19.3) | (15.1) | (3.3) |
| Net investment income..... | \$ 329.4 | \$ 289.1 | \$ 644.1 | \$ 480.1 | \$ 110.4 |

- (1) Predecessor Company income includes net gains (losses) on changes in the fair value of alternative investments held as of period end for which the Company elected the fair value option, totaling \$(0.8) for the one month ended January 31, 2016.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following table summarizes the Company's net realized gains (losses):

| | Successor Company | | | | Predecessor Company |
|--|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Fixed maturities: | | | | | |
| Gross gains on sales | \$ 7.2 | \$ 12.3 | \$ 12.1 | \$ 12.7 | \$ 2.4 |
| Gross losses on sales | (1.1) | (2.2) | (5.1) | (4.6) | (1.2) |
| Net impairment losses | (2.0) | (2.0) | (2.0) | (5.1) | (3.8) |
| Marketable equity securities, available-for-sale: | | | | | |
| Gross gains on sales | 13.9 | 2.8 | 26.5 | 1.5 | — |
| Gross losses on sales | (0.7) | (2.3) | (2.1) | (1.2) | — |
| Investments in limited partnerships (1): | | | | | |
| Alternative investments..... | (0.1) | 6.1 | 1.3 | 4.7 | — |
| Tax credit investments..... | (8.4) | (15.6) | (16.8) | (21.9) | (0.6) |
| Other (2) | (13.3) | (9.0) | (16.2) | (20.9) | (0.8) |
| DAC and VOBA adjustment | 1.2 | 0.6 | (1.1) | 4.7 | (0.5) |
| Marketable equity securities, trading (3)..... | — | — | — | — | (22.5) |
| Net realized gains (losses)..... | <u>\$ (3.3)</u> | <u>\$ (9.3)</u> | <u>\$ (3.4)</u> | <u>\$ (30.1)</u> | <u>\$ (27.0)</u> |

- (1) Successor Company results reflect losses related to tax credit investments and changes in the fair value of alternative investments. Prior to the Merger, changes in the fair value of alternative investments and amortization of tax credit investments were recorded in net investment income. Historical periods have not been adjusted.
- (2) This includes net gains (losses) on calls and redemptions, net gains (losses) on derivatives not designated for hedge accounting and other instruments, including embedded derivatives related to the Company's fixed indexed annuity (FIA) products, and gains (losses) on commercial mortgage loans. For more information on net gain (losses) on derivatives not designated as hedges, refer to Note 6.
- (3) Predecessor Company results include net gains (losses) on changes in the fair value of trading securities held as of period end totaling \$(22.7) for the one month ended January 31, 2016.

Other-Than-Temporary Impairments (OTTI)

The Company's review of available-for-sale investment securities for OTTI includes both quantitative and qualitative criteria. Quantitative criteria include the length of time and amount that each security is in an unrealized loss position (i.e., is underwater) and, for fixed maturities, whether expected future cash flows indicate that a credit loss exists.

While all securities are monitored for impairment, the Company's experience indicates that, under normal market conditions, securities for which the cost or amortized cost exceeds fair value by less than 20% do not typically represent a significant risk of impairment and, often, fair values recover over time as the factors that caused the declines improve. If the estimated fair value has declined and remained below cost or amortized cost by 20% or more for at least six months, the Company further analyzes the decrease in fair value to determine whether it is an other-than-temporary decline. To make this determination for each security, the Company considers, among other factors:

- Extent and duration of the decline in fair value below cost or amortized cost;
- Financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations, earnings potential or compliance with terms and covenants of the security;
- Changes in the financial condition of the security's underlying collateral;
- Any downgrades of the security by a rating agency;
- Nonpayment of scheduled interest, or the reduction or elimination of dividends; and
- Other indications that a credit loss has occurred.

Fixed Maturities

For fixed maturities, the Company concludes an OTTI has occurred if a security is underwater and there is an intent to sell the security, or it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

cost, considering any regulatory developments, prepayment or call notifications and the Company's liquidity needs. If there is an intent or requirement to sell the security, the entire unrealized loss is recognized as an OTTI in net realized gains (losses).

An OTTI has also occurred if the present value of expected cash flows is less than the amortized cost of the security (i.e., a credit loss exists). In such cases, the Company isolates the portion of the total unrealized loss related to the credit loss, which is recognized in realized gains (losses) on the consolidated statements of income (loss), and the remainder is recorded as a non-credit OTTI through other comprehensive income.

To determine the amount of a credit loss, the Company calculates the recovery value by discounting its estimate of future cash flows from the security. The discount rate is the original effective yield for corporate securities, which reflects book value adjustments made at PGAAP, or current effective yield for mortgage-backed and other structured securities. The amount of the credit loss equals the difference between the carrying value and recovery value of the security.

Determination of Credit-Related OTTI on Corporate Securities

To determine the recovery value for a corporate security, the Company performs an analysis including, but not limited to, the following:

- Expected cash flows of the issuer;
- Fundamentals of the industry in which the issuer operates;
- Fundamentals of the issuer to determine what the Company would recover if the issuer were to file for bankruptcy or restructure its debt outside of bankruptcy;
- Expectations regarding defaults and recovery rates;
- Changes to the rating of the security by a rating agency;
- Third-party guarantees; and
- Additional available market information.

Determination of Credit-Related OTTI on Structured Securities

To determine the recovery value for a structured security, including residential mortgage-, commercial mortgage- and other asset-backed securities, the Company performs an analysis including, but not limited to, the following:

- Expected cash flows from the security;
- Creditworthiness;
- Delinquency, debt-service coverage, and loan-to-value ratios on the underlying collateral;
- Underlying collateral values, vintage year and level of subordination;
- Geographic concentrations; and
- Susceptibility to prepayment due to changes in the interest rate environment.

Marketable Equity Securities

For equity securities, the Company concludes an OTTI has occurred if it does not have the intent or ability to hold the security until recovery, or if qualitative factors otherwise indicate that the security's cost will not be recovered. If an OTTI exists, the entire unrealized loss is recognized as an OTTI in net realized gains (losses).

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following table presents the severity and duration of the gross unrealized losses on the Company's underwater available-for-sale fixed maturities, after the recognition of OTTI:

| | As of June 30, 2017 | | | As of December 31, 2016 | | |
|---|---------------------|-------------------------|-----------------|-------------------------|-------------------------|-----------------|
| | Fair Value | Gross Unrealized Losses | # of Securities | Fair Value | Gross Unrealized Losses | # of Securities |
| Fixed maturities: | | | | | | |
| Underwater by 20% or more: | | | | | | |
| Less than 6 consecutive months | \$ 0.3 | \$ (0.3) | 4 | \$ 1.9 | \$ (0.6) | 2 |
| 6 consecutive months or more | 0.1 | (0.2) | 4 | 0.1 | (0.3) | 5 |
| Total underwater by 20% or more | 0.4 | (0.5) | 8 | 2.0 | (0.9) | 7 |
| All other underwater fixed maturities | 7,972.8 | (105.4) | 1,024 | 13,015.4 | (240.2) | 1,295 |
| Total underwater fixed maturities | \$ 7,973.2 | \$ (105.9) | 1,032 | \$ 13,017.4 | \$ (241.1) | 1,302 |

The Company reviewed its available-for-sale securities with unrealized losses as of June 30, 2017 in accordance with its impairment policy and determined, after the recognition of OTTI, that the declines in fair value were temporary. For fixed maturities, the Company did not intend to sell its underwater securities, and it was not more likely than not that the Company will be required to sell the securities before recovery of cost or amortized cost, which may be maturity. This conclusion is supported by the Company's spread analyses, cash flow modeling and expected continuation of contractually required principal and interest payments.

Changes in the amount of credit-related OTTI recognized in net income where the portion related to other factors was recognized in other comprehensive income (OCI) were as follows:

| | Successor Company | | | | Predecessor Company |
|---|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Balance, beginning of period | \$ 4.3 | \$ 2.8 | \$ 4.4 | \$ — | \$ 27.7 |
| Increases recognized in the current period: | | | | | |
| For which an OTTI was not previously recognized | — | 1.8 | — | 4.6 | — |
| Decreases attributable to: | | | | | |
| Securities sold or paid down during the period | (0.5) | (0.2) | (0.6) | (0.2) | (0.4) |
| Balance, end of period | \$ 3.8 | \$ 4.4 | \$ 3.8 | \$ 4.4 | \$ 27.3 |

Investments in Limited Partnerships — Affordable Housing Project Investments

The Company invests in limited partnerships that are established to fund low-income housing and other qualifying purposes, where the primary return on investment is in the form of income tax credits. These are collectively referred to as "tax credit investments." The majority of the Company's tax credit investments relate to affordable housing project investments. As of June 30, 2017 and December 31, 2016, the Company's tax credit investments had carrying values of \$177.1 and \$195.2, respectively, of which \$170.4 and \$186.0 related to affordable housing project investments, respectively.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following table sets forth the impact of affordable housing project investments on net income. These amounts do not include the impacts of the Company's holdings in other types of tax credit investments.

| | Successor Company | | | | Predecessor Company |
|--|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Amortization..... | \$ (7.0) | \$ (5.7) | \$ (13.4) | \$ (9.5) | \$ (2.1) |
| Write downs..... | (0.9) | (0.7) | (2.0) | (0.7) | (0.5) |
| Tax benefit from amortization and write downs... | 2.8 | 2.2 | 5.4 | 3.6 | 0.9 |
| Tax credits, net..... | 7.9 | 9.7 | 15.9 | 16.1 | 3.1 |
| Impact to net income..... | <u>\$ 2.8</u> | <u>\$ 5.5</u> | <u>\$ 5.9</u> | <u>\$ 9.5</u> | <u>\$ 1.4</u> |

5. Mortgage Loans

The Company originates and manages a portfolio of mortgage loans, which are secured by first-mortgage liens on income-producing commercial real estate, primarily in the retail, industrial and office building sectors.

The Company's mortgage loan portfolio is diversified by geographic region, loan size and scheduled maturity. As of June 30, 2017, the three states with the largest concentrations of the Company's commercial mortgage loans were California, Texas and Washington representing 27.6%, 10.9%, and 7.4% of total outstanding principal, respectively. Of the loans in California, 42.8% related to properties located in the Los Angeles area.

As of the Merger date, all outstanding mortgage loans were measured at fair value, which resulted in the establishment of a net premium for the portfolio. As of June 30, 2017 and December 31, 2016, the unamortized premium balance was \$201.2 and \$228.4, respectively. The premium is amortized into net investment income for each loan based on its expected maturity, using the effective interest rate method.

Allowance for Mortgage Loans

The allowance for losses on mortgage loans provides for the risk of credit loss inherent in the lending process. The allowance consists of a portfolio reserve for probable losses incurred but not specifically identified and, as needed, specific reserves for impaired loans. The allowance for losses on mortgage loans is evaluated at each reporting period and adjustments are recorded when appropriate. Loans are specifically evaluated for impairment if the Company considers it probable that amounts due according to the terms of the loan agreement will not be collected, or the loan is modified in a troubled debt restructuring. The Company establishes specific reserves for these loans when the fair value is less than the carrying value.

To assist in its evaluation of the allowance for loan losses, the Company utilizes the following credit quality indicators to categorize its loans as lower, medium or higher risk:

- *Lower Risk Loans* – Loans with an LTV ratio of less than 65%, and a DSCR of greater than 1.50.
- *Medium Risk Loans* – Loans that have an LTV ratio of less than 65% but a DSCR below 1.50, or loans with an LTV ratio between 65% and 80% and a DSCR of greater than 1.50.
- *Higher Risk Loans* – Loans with an LTV ratio greater than 80%, or loans which have an LTV ratio between 65% and 80% and a DSCR of less than 1.50.

Loans held as of February 1, 2016 (referred to as PGAAP loans) were adjusted to fair value, which incorporated expectations for credit losses at that time, and the allowance was set to zero. The Company separately monitors these loans for deterioration in credit quality or other indicators that a loss has incurred. Any allowance related to these PGAAP loans reflects losses incurred subsequent to the Merger.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following table sets forth the Company's mortgage loans by risk category:

| | As of June 30, 2017 | | As of December 31, 2016 | |
|--|---------------------|---------------|-------------------------|--------|
| | Balance | % | Balance | % |
| Lower risk..... | \$ 1,087.5 | 70.9% | \$ 760.4 | 70.3% |
| Medium risk | 335.2 | 21.9 | 261.9 | 24.2 |
| Higher risk..... | 110.2 | 7.2 | 59.2 | 5.5 |
| Subtotal, excluding certain PGAAP loans..... | 1,532.9 | 100.0 | 1,081.5 | 100.0 |
| Lower risk..... | 2,937.8 | 67.3 | 3,097.6 | 67.2 |
| Medium risk | 1,054.2 | 24.2 | 1,071.3 | 23.2 |
| Higher risk..... | 370.4 | 8.5 | 441.3 | 9.6 |
| Subtotal, certain PGAAP loans (1)..... | 4,362.4 | 100.0% | 4,610.2 | 100.0% |
| Loans specifically evaluated for impairment (2)..... | 2.2 | | — | |
| Other (3)..... | 1.2 | | 0.5 | |
| Total..... | \$ 5,898.7 | | \$ 5,692.2 | |

- (1) Represents loans set to fair value on February 1, 2016 for which there are no indications of subsequent credit deterioration.
(2) As of both June 30, 2017 and December 31, 2016, no reserve amounts were held for loans specifically evaluated for impairment.
(3) Includes allowance for loan losses and deferred fees and costs.

In developing the portfolio reserve for incurred but not specifically identified losses, the Company evaluates loans by risk category. The Company considers past loan experience, commercial real estate market conditions, third-party data for expected losses on loans with similar LTV ratios and DSCRs, personal guarantees, and other relevant factors when determining whether an allowance is needed for loans categorized as medium or higher risk. In developing the provision for specifically identified loans, a market valuation on the collateral is performed to determine if a reserve is necessary.

As of both June 30, 2017 and December 31, 2016, the balance of the Company's allowance for mortgage loan losses was \$0.7. For the three and six months ended June 30, 2017 and for the periods February 1 to June 30, 2016 and January 1 to January 31, 2016, no additional provisions or charge-offs were recorded.

Non-performing loans, defined generally as those in default, close to being in default or more than 90 days past due, are placed on non-accrual status. As of June 30, 2017, one loan with an outstanding balance of \$0.9 was considered non-performing. There were no such loans as of December 31, 2016.

6. Derivative Instruments

The following table sets forth the fair value of the Company's derivative instruments, including embedded derivatives that primarily relate to the Company's FIA products. In the consolidated balance sheets, derivative contracts in an asset position are included in derivatives and other invested assets, derivative contracts in a liability position are included in other liabilities, and embedded derivative liabilities are included in funds held under deposit contracts.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| | As of June 30, 2017 | | | As of December 31, 2016 | | |
|---|---------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|
| | Notional Amount | Fair Value | | Notional Amount | Fair Value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| Derivatives designated as hedges: | | | | | | |
| Cash flow hedges: | | | | | | |
| Interest rate swaps..... | \$ 996.3 | \$ — | \$ 2.3 | \$ 719.8 | \$ 3.3 | \$ 16.3 |
| Foreign currency swaps..... | 700.0 | 111.8 | 1.9 | 701.1 | 141.9 | — |
| Total derivatives designated as hedges..... | <u>\$ 1,696.3</u> | <u>\$ 111.8</u> | <u>\$ 4.2</u> | <u>\$ 1,420.9</u> | <u>\$ 145.2</u> | <u>\$ 16.3</u> |
| Derivatives not designated as hedges: | | | | | | |
| Index options..... | \$ 6,036.3 | \$ 200.6 | \$ 0.8 | \$ 5,116.4 | \$ 161.7 | \$ 1.7 |
| Total return swaps..... | — | — | — | 384.0 | — | 22.8 |
| Embedded derivatives..... | — | — | 696.1 | — | — | 532.4 |
| Other derivatives..... | 147.3 | 0.1 | 0.1 | 166.3 | 0.5 | 0.5 |
| Total derivatives not designated as hedges..... | <u>6,183.6</u> | <u>200.7</u> | <u>697.0</u> | <u>5,666.7</u> | <u>162.2</u> | <u>557.4</u> |
| Total derivatives..... | <u>\$ 7,879.9</u> | <u>\$ 312.5</u> | <u>\$ 701.2</u> | <u>\$ 7,087.6</u> | <u>\$ 307.4</u> | <u>\$ 573.7</u> |

Collateral Arrangements and Offsetting of Financial Instruments

The Company's derivative contracts are typically governed by an International Swaps and Derivatives Association (ISDA) Master Agreement. For each ISDA, the Company and the counterparty have also entered into a credit support annex (CSA) to reduce the risk of counterparty default in derivative transactions by requiring the posting of cash collateral or other financial assets. The CSA requires either party to post collateral when net exposures from all derivative contracts between the parties exceed pre-determined contractual thresholds, which vary by counterparty. The amount of net exposure is the difference between the derivative contract's fair value and the fair value of the collateral held for such agreements with each counterparty. Collateral amounts required to be posted or received are determined daily based on the net exposure with each counterparty under a master netting agreement.

The Company does not offset recognized collateral amounts pledged or received against the fair value amounts recognized for derivative contracts. For certain centrally-cleared instruments, the Company is required to post initial margin, which is determined at contract inception, as well as variation margin, which is based on the fair value of the derivative contracts and generally determined on a daily basis. As of June 30, 2017 and December 31, 2016, the Company posted initial margin of \$28.3 and \$30.0, respectively, related to its centrally-cleared derivatives. These amounts are not reflected in collateral presented in the tables below.

Certain exchanges made adjustments to their rulebooks effective in 2017, resulting in the legal characterization of variation margin payments as settlements as opposed to collateral for its centrally cleared derivatives. As a result, the variation margin for these securities is now settled daily, which reduces the fair value of the derivative recorded in the consolidated balance sheets.

In the consolidated balance sheets, the Company recognizes cash collateral received in cash and cash equivalents, and the obligation to return cash collateral in other liabilities. Non-cash collateral received is not recognized in the consolidated balance sheets. In the event of default, the counterparty relinquishes claim to the assets pledged as collateral, and the Company recognizes the collateral as its own asset recorded at fair value, or, in the case of cash collateral, derecognizes its obligation to return collateral.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following tables present the potential effect of netting arrangements by counterparty on the Company's consolidated balance sheets:

| Counterparty: | As of June 30, 2017 | | | |
|------------------------------|--|--|-----------------------------|---------------|
| | Fair Value Presented in the Balance Sheets | Gross Amounts not Offset in the Consolidated Balance Sheets | | Net Amount |
| | | Financial Instruments (1) | Cash Collateral Received | |
| <i>Assets:</i> | | | | |
| A..... | \$ 29.4 | \$ (1.2) | \$ (28.2) | \$ — |
| B..... | 78.2 | (2.4) | (75.8) | — |
| C..... | 17.9 | — | (17.9) | — |
| E..... | 29.1 | — | (29.1) | — |
| F..... | 20.3 | (0.8) | (19.5) | — |
| G..... | 26.6 | — | (26.6) | — |
| H..... | 30.5 | (0.3) | (30.2) | — |
| I..... | 28.0 | — | (26.2) | 1.8 |
| J..... | 46.5 | — | (46.5) | — |
| Other..... | 6.0 | (0.4) | (5.6) | — |
| Total derivative assets..... | <u>\$ 312.5</u> | <u>\$ (5.1)</u> | <u>\$ (305.6)</u> | <u>\$ 1.8</u> |

- (1) Represents amount of offsetting derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative assets for presentation on the consolidated balance sheets.

| Counterparty: | As of June 30, 2017 | | | |
|---------------------------------------|--|--|---------------------------|-------------|
| | Fair Value Presented in the Balance Sheets | Gross Amounts not Offset in the Consolidated Balance Sheets | | Net Amount |
| | | Financial Instruments (1) | Cash Collateral Posted | |
| <i>Liabilities:</i> | | | | |
| A..... | \$ 1.2 | \$ (1.2) | \$ — | \$ — |
| B..... | 2.4 | (2.4) | — | — |
| Other..... | 1.5 | (1.5) | — | — |
| Total derivative liabilities (2)..... | <u>\$ 5.1</u> | <u>\$ (5.1)</u> | <u>\$ —</u> | <u>\$ —</u> |

- (1) Represents amount of offsetting derivative assets that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative liabilities for presentation on the consolidated balance sheets.
- (2) Excludes embedded derivatives of \$696.1 which have no counterparty.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| As of December 31, 2016 | | | | |
|---|--|---------------------------|--------------------------|---------------|
| Gross Amounts not Offset in the Consolidated Balance Sheets | | | | |
| Counterparty: | Fair Value Presented in the Balance Sheets | Financial Instruments (1) | Cash Collateral Received | Net Amount |
| <i>Assets:</i> | | | | |
| A..... | \$ 25.9 | \$ (14.9) | \$ (10.5) | \$ 0.5 |
| B..... | 95.2 | (17.2) | (78.0) | — |
| C..... | 25.6 | — | (25.6) | — |
| E..... | 25.1 | — | (25.1) | — |
| G..... | 30.4 | (0.7) | (29.7) | — |
| H..... | 18.3 | — | (18.3) | — |
| I..... | 32.9 | (8.0) | (24.9) | — |
| J..... | 32.5 | — | (32.5) | — |
| Other | 21.5 | (0.5) | (20.3) | 0.7 |
| Total derivative assets..... | \$ 307.4 | \$ (41.3) | \$ (264.9) | \$ 1.2 |

- (1) Represents amount of offsetting derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative assets for presentation on the consolidated balance sheets.

| As of December 31, 2016 | | | | |
|---|--|---------------------------|------------------------|-------------|
| Gross Amounts not Offset in the Consolidated Balance Sheets | | | | |
| Counterparty: | Fair Value Presented in the Balance Sheets | Financial Instruments (1) | Cash Collateral Posted | Net Amount |
| <i>Liabilities:</i> | | | | |
| A..... | \$ 14.9 | \$ (14.9) | \$ — | \$ — |
| B..... | 17.2 | (17.2) | — | — |
| I..... | 8.0 | (8.0) | — | — |
| Other | 1.2 | (1.2) | — | — |
| Total derivative liabilities (2)..... | \$ 41.3 | \$ (41.3) | \$ — | \$ — |

- (1) Represents amount of offsetting derivative assets that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative liabilities for presentation on the consolidated balance sheets.
- (2) Excludes embedded derivatives of \$532.4 which have no counterparty.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

Derivatives Designated as Hedges

The following table presents the amount of gain (loss) recognized in OCI on derivatives qualifying and designated as cash flow hedges:

| | Successor Company | | | | Predecessor Company |
|-----------------------------|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Interest rate swaps..... | \$ 6.0 | \$ 11.0 | \$ 5.1 | \$ 15.8 | \$ 11.3 |
| Foreign currency swaps..... | (20.4) | 47.5 | (27.7) | 34.0 | 29.1 |
| Total..... | \$ (14.4) | \$ 58.5 | \$ (22.6) | \$ 49.8 | \$ 40.4 |

See Note 9 for amounts reclassified out of accumulated other comprehensive income (AOCI) into net income. The Company expects to reclassify net gains of \$14.1 from AOCI into net income in the next 12 months. Actual amounts may vary from this estimate as a result of market conditions.

As of June 30, 2017, the maximum term over which the Company is hedging its exposure to the variability in future cash flows is approximately 23 years. For the three and six months ended June 30, 2017, a realized loss of \$3.2 and \$3.8, respectively, was recognized related to hedging ineffectiveness, while for the three months ended June 30, 2016 and the period February 1 to June 30, 2016, a gain of \$1.6 and \$1.5, respectively was recorded. For the period January 1 to January 31, 2016, no material hedge ineffectiveness was recorded.

Derivatives Not Designated as Hedges

The following table shows the effect of derivatives not designated as hedges in the consolidated statements of income (loss), which is recorded in net realized gains (losses):

| | Successor Company | | | | Predecessor Company |
|---------------------------|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Index options..... | \$ 26.0 | \$ 10.0 | \$ 65.4 | \$ 35.7 | \$ (33.2) |
| Embedded derivatives..... | (32.0) | (21.1) | (65.1) | (57.0) | 29.4 |
| Total return swaps..... | — | — | (4.3) | — | — |
| Other derivatives..... | 0.3 | (0.1) | 1.7 | 1.1 | 3.8 |
| Total..... | \$ (5.7) | \$ (11.2) | \$ (2.3) | \$ (20.2) | \$ — |

7. Fair Value of Financial Instruments

The Company determines the fair value of its financial instruments based on the fair value hierarchy, which favors the use of observable inputs over the use of unobservable inputs when measuring fair value. The Company has categorized its financial instruments into the three-level hierarchy, which gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The level assigned to a fair value measurement is based on the lowest-level input that is significant to the measurement. The fair value measurements for the Company's financial instruments are categorized as follows:

- *Level 1* — Unadjusted quoted prices in active markets for identical instruments.
- *Level 2* — Quoted prices for similar instruments in active markets and model-derived valuations whose inputs are observable. This category includes those financial instruments that are valued using industry-standard pricing methodologies or models. All significant inputs are observable or derived from observable information in the marketplace.
- *Level 3* — Fair value estimates whose significant inputs are unobservable. This includes financial instruments for which fair value is estimated based on industry-standard pricing methodologies and internally developed models utilizing significant inputs not based on or corroborated by readily available market information. In limited circumstances, this may also utilize estimates based on non-binding broker quotes.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following tables present the fair value of the Company's financial instruments classified by the valuation hierarchy described above.

| | As of June 30, 2017 | | | | |
|--|---------------------|-------------|------------|-------------|----------|
| | Carrying Amount | Fair Value | Level 1 | Level 2 | Level 3 |
| Measured at fair value on a recurring basis: | | | | | |
| <i>Financial assets:</i> | | | | | |
| Fixed maturities, available-for-sale: | | | | | |
| U.S. government and agencies | \$ 465.6 | \$ 465.6 | \$ — | \$ 465.6 | \$ — |
| State and political subdivisions | 898.6 | 898.6 | — | 898.6 | — |
| Corporate securities | 23,476.6 | 23,476.6 | — | 23,396.5 | 80.1 |
| Residential mortgage-backed securities | 2,570.8 | 2,570.8 | — | 2,570.8 | — |
| Commercial mortgage-backed securities | 818.6 | 818.6 | — | 817.9 | 0.7 |
| Collateralized loan obligations | 1,285.6 | 1,285.6 | — | 1,285.6 | — |
| Other debt obligations | 565.7 | 565.7 | — | 527.9 | 37.8 |
| Total fixed maturities, available-for-sale | 30,081.5 | 30,081.5 | — | 29,962.9 | 118.6 |
| Marketable equity securities, available-for-sale | 696.0 | 696.0 | 662.6 | 27.4 | 6.0 |
| Derivatives and other invested assets: | | | | | |
| Index options | 200.6 | 200.6 | — | 186.0 | 14.6 |
| Foreign currency swaps | 111.8 | 111.8 | — | 111.8 | — |
| Other | 2.5 | 2.5 | 0.6 | — | 1.9 |
| Total derivatives and other invested assets | 314.9 | 314.9 | 0.6 | 297.8 | 16.5 |
| Total investments carried at fair value | 31,092.4 | 31,092.4 | 663.2 | 30,288.1 | 141.1 |
| Separate account assets | 935.5 | 935.5 | 935.5 | — | — |
| Total assets at fair value (1) | \$ 32,027.9 | \$ 32,027.9 | \$ 1,598.7 | \$ 30,288.1 | \$ 141.1 |
| <i>Financial liabilities:</i> | | | | | |
| Embedded derivatives | \$ 696.1 | \$ 696.1 | \$ — | \$ — | \$ 696.1 |

(1) Does not include amounts related to limited partnerships that are measured using the net asset value (NAV) practical expedient. See "Investments in Limited Partnerships" below for more information.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

As of December 31, 2016

| | Carrying Amount | Fair Value | Level 1 | Level 2 | Level 3 |
|--|--------------------|--------------------|-------------------|--------------------|----------------|
| Measured at fair value on a recurring basis: | | | | | |
| <i>Financial assets:</i> | | | | | |
| Fixed maturities, available-for-sale: | | | | | |
| U.S. government and agencies..... | \$ 392.1 | \$ 392.1 | \$ — | \$ 392.1 | \$ — |
| State and political subdivisions | 930.8 | 930.8 | — | 930.8 | — |
| Corporate securities | 22,036.9 | 22,036.9 | — | 21,979.9 | 57.0 |
| Residential mortgage-backed securities | 2,608.9 | 2,608.9 | — | 2,608.9 | — |
| Commercial mortgage-backed securities..... | 927.2 | 927.2 | — | 926.3 | 0.9 |
| Collateralized loan obligations | 1,213.6 | 1,213.6 | — | 1,213.6 | — |
| Other debt obligations..... | 505.1 | 505.1 | — | 497.5 | 7.6 |
| Total fixed maturities, available-for-sale..... | 28,614.6 | 28,614.6 | — | 28,549.1 | 65.5 |
| Marketable equity securities, available-for-sale | 717.4 | 717.4 | 684.6 | 26.9 | 5.9 |
| Derivatives and other invested assets: | | | | | |
| Index options | 161.7 | 161.7 | — | 154.6 | 7.1 |
| Foreign currency swaps..... | 141.9 | 141.9 | — | 141.9 | — |
| Other..... | 6.2 | 6.2 | 0.6 | 3.9 | 1.7 |
| Total derivatives and other invested assets | 309.8 | 309.8 | 0.6 | 300.4 | 8.8 |
| Total investments carried at fair value | 29,641.8 | 29,641.8 | 685.2 | 28,876.4 | 80.2 |
| Separate account assets | 911.4 | 911.4 | 911.4 | — | — |
| Total assets at fair value (1)..... | <u>\$ 30,553.2</u> | <u>\$ 30,553.2</u> | <u>\$ 1,596.6</u> | <u>\$ 28,876.4</u> | <u>\$ 80.2</u> |
| <i>Financial liabilities:</i> | | | | | |
| Embedded derivatives..... | \$ 532.4 | \$ 532.4 | \$ — | \$ — | \$ 532.4 |

(1) Does not include amounts related to limited partnerships that are measured using the net asset value (NAV) practical expedient. See "Investments in Limited Partnerships" below for more information.

Financial Instruments Measured at Fair Value on a Recurring Basis

Fixed Maturities

The vast majority of the Company's fixed maturities have been classified as Level 2 measurements. To make this assessment, the Company determines whether the market for a security is active and if significant pricing inputs are observable. The Company predominantly utilizes third-party independent pricing services to assist management in determining the fair value of its fixed maturity securities. As of both June 30, 2017 and December 31, 2016, pricing services provided prices for 94.8% of the Company's fixed maturities.

As of June 30, 2017, the Company had \$1,389.4, or 4.6%, of its fixed maturities invested in private placement securities. The use of significant observable inputs in determining the fair value of the Company's investments in private placement securities resulted in the classification of \$1,307.6, or 94.1%, as Level 2 measurements as of June 30, 2017. As of December 31, 2016, the Company had \$1,362.5, or 4.8%, of its fixed maturities invested in private placement securities, of which \$1,318.3, or 96.8%, were classified as Level 2 measurements.

Corporate Securities

The majority of corporate securities classified as Level 2 measurements are priced by independent pricing services utilizing evaluated pricing models. Because many corporate securities do not trade on a daily basis, evaluated pricing models apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare valuations. The significant inputs for security evaluations include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and other reference data, including market research publications.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

As of June 30, 2017 and December 31, 2016, \$1,260.3, or 5.4%, and \$1,228.4, or 5.6%, respectively, of Level 2 corporate securities were privately placed. These securities were generally valued using a matrix pricing approach. The significant inputs to the measurement are the base credit spread, treasury yield and expected future cash flows of the security, which are all observable inputs. The base spread is determined based on trades of similar publicly-traded securities, and the expected future cash flows are based on the contractual terms of the security. This approach also incorporates an illiquidity spread, determined based on premiums demanded by investors for privately placed securities. The illiquidity spread is an unobservable input, which ranges from 0 to 40 basis points and is based on the credit quality of the security. The illiquidity spread does not significantly impact the resulting valuation and thus management does not believe it prohibits Level 2 classification.

Residential Mortgage-backed Securities

The Company's residential mortgage-backed securities (RMBS) classified as Level 2 measurements are priced by pricing services that utilize evaluated pricing models. Because many RMBS do not trade on a daily basis, evaluated pricing models apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations. The significant observable inputs for security evaluations include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and other reference data, including market research publications. In addition, the pricing services use models and processes to develop prepayment and interest rate scenarios. The pricing services monitor market indicators, industry and economic events, and their models take into account market convention.

Marketable Equity Securities

Marketable equity securities are investments in common stock (mainly in publicly traded companies), ETFs, and certain nonredeemable preferred stocks. When the fair values of the Company's marketable equity securities are based on quoted market prices in active markets for identical assets, they are classified as Level 1 measurements. The fair values of nonredeemable preferred stocks are determined by pricing services utilizing evaluated pricing models and are classified as a Level 2 measurement. These valuations are created based on benchmark curves using industry standard inputs and exchange prices of underlying securities and common stock of the same issuer.

Investments in Limited Partnerships

Investments in limited partnerships recorded at fair value relate to the Company's alternative investments, primarily private equity and hedge funds. As of June 30, 2017 and December 31, 2016, the fair value of these investments was \$53.2 and \$53.8, respectively. The Company utilizes the fair value option for these investments, regardless of ownership percentage, to standardize the related accounting and reporting. The fair value is determined using the practical expedient based on the Company's proportionate interest in the underlying partnership or fund's net asset values (NAV).

Index Options

Index options consist primarily of Standard & Poor's 500 Index[®] (S&P 500) options. The fair values of these index options were determined using option pricing models. Significant inputs include index implied volatilities, index dividend yields, index prices, a risk-free rate, option term and option strike price. As these inputs are observable, most index options are classified as a Level 2 measurement.

Foreign Currency Swaps

Foreign currency swaps are valued using an income approach. These swaps are priced utilizing a discounted cash flow model. The significant inputs include the projected cash flows, currency spot rates, swap yield curve and cross currency basis curve. As these inputs are observable, the foreign currency swaps are classified as a Level 2 measurement.

Separate Accounts

Separate account assets are primarily invested in mutual funds with published NAVs, which are classified as a Level 1 measurement.

Embedded Derivatives

Embedded derivatives relate to the Company's FIA product, which credits interest to the policyholder's account balance based on increases in selected indices, primarily the S&P 500. The fair value of the embedded derivative reflects the excess of

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

the projected benefits based on the indexed fund value over the projected benefits based on the guaranteed fund value. The excess benefits are projected using best estimates for surrenders, mortality and indexed fund interest, and discounted at a risk-free rate plus a spread for nonperformance and policyholder behavior risk. Because the estimates utilize significant unobservable inputs, the Company classifies the embedded derivatives as a Level 3 measurement.

Rollforward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following tables present additional information about financial instruments measured at fair value on a recurring basis and for which the Company has utilized significant unobservable inputs (Level 3) to determine fair value for the three and six months ended June 30, 2017 (Successor Company):

| | Balance as of April 1, 2017 | Purchases and Issues(1) | Sales and Settlements(1) | Transfers In and/or (Out) of Level 3(2) | Other(3) | Unrealized Gains (Losses) Included in: | | Realized Gains (Losses)(4) | Balance as of June 30, 2017 | |
|---|-----------------------------|-------------------------|--------------------------|---|----------|--|--------------------------------|----------------------------|-----------------------------|--|
| | | | | | | Net Income(4) | Other Comprehensive Income (5) | | | |
| Financial Assets: | | | | | | | | | | |
| Fixed maturities, available-for-sale: | | | | | | | | | | |
| Corporate securities | \$ 73.7 | \$ 8.5 | \$ — | \$ (1.0) | \$ (0.8) | \$ — | \$ (0.3) | \$ — | \$ 80.1 | |
| Commercial mortgage-backed securities | 0.8 | — | — | — | (0.1) | — | — | — | 0.7 | |
| Other debt obligations | 36.3 | — | — | — | 0.2 | — | 1.3 | — | 37.8 | |
| Total fixed maturities, available-for-sale | 110.8 | 8.5 | — | (1.0) | (0.7) | — | 1.0 | — | 118.6 | |
| Marketable equity securities, available-for-sale | | | | | | | | | | |
| | 6.0 | — | — | — | — | — | — | — | 6.0 | |
| Derivatives and other invested assets: | | | | | | | | | | |
| Index options | 9.8 | 5.2 | — | — | (0.8) | 2.1 | — | (1.7) | 14.6 | |
| Other | 1.8 | 0.2 | — | — | (0.3) | — | — | 0.2 | 1.9 | |
| Total derivatives and other invested assets | 11.6 | 5.4 | — | — | (1.1) | 2.1 | — | (1.5) | 16.5 | |
| Total Level 3 assets | \$ 128.4 | \$ 13.9 | \$ — | \$ (1.0) | \$ (1.8) | \$ 2.1 | \$ 1.0 | \$ (1.5) | \$ 141.1 | |
| Financial Liabilities: | | | | | | | | | | |
| Embedded derivatives | \$ 621.9 | \$ 44.6 | \$ (2.4) | \$ — | \$ — | \$ 32.0 | \$ — | \$ — | \$ 696.1 | |

| | Balance as of January 1, 2017 | Purchases and Issues(1) | Sales and Settlements(1) | Transfers In and/or (Out) of Level 3(2) | Other(3) | Unrealized Gains (Losses) Included in: | | Realized Gains (Losses)(4) | Balance as of June 30, 2017 | |
|---|-------------------------------|-------------------------|--------------------------|---|----------|--|--------------------------------|----------------------------|-----------------------------|--|
| | | | | | | Net Income(4) | Other Comprehensive Income (5) | | | |
| Financial Assets: | | | | | | | | | | |
| Fixed maturities, available-for-sale: | | | | | | | | | | |
| Corporate securities | \$ 57.0 | \$ 21.6 | \$ — | \$ — | \$ (1.0) | \$ — | \$ 2.5 | \$ — | \$ 80.1 | |
| Commercial mortgage-backed securities | 0.9 | — | — | — | (0.2) | — | — | — | 0.7 | |
| Other debt obligations | 7.6 | — | — | 28.7 | 0.4 | — | 1.1 | — | 37.8 | |
| Total fixed maturities, available-for-sale | 65.5 | 21.6 | — | 28.7 | (0.8) | — | 3.6 | — | 118.6 | |
| Marketable equity securities, available-for-sale | | | | | | | | | | |
| | 5.9 | — | — | — | — | — | 0.1 | — | 6.0 | |
| Derivatives and other invested assets: | | | | | | | | | | |
| Index options | 7.1 | 9.9 | — | — | (2.8) | 3.0 | — | (2.6) | 14.6 | |
| Other | 1.7 | 0.7 | — | — | (0.3) | (0.1) | — | (0.1) | 1.9 | |
| Total derivatives and other invested assets | 8.8 | 10.6 | — | — | (3.1) | 2.9 | — | (2.7) | 16.5 | |
| Total Level 3 assets | \$ 80.2 | \$ 32.2 | \$ — | \$ 28.7 | \$ (3.9) | \$ 2.9 | \$ 3.7 | \$ (2.7) | \$ 141.1 | |
| Financial Liabilities: | | | | | | | | | | |
| Embedded derivatives | \$ 532.4 | \$ 102.6 | \$ (4.0) | \$ — | \$ — | \$ 65.1 | \$ — | \$ — | \$ 696.1 | |

- (1) Issues and settlements are related to the Company's embedded derivative liabilities.
- (2) Transfers into and/or out of Level 3 are reported at the value as of the beginning of the period in which the transfer occurs. Gross transfers into Level 3 were \$0.0 and \$28.7 for the three and six months ended June 30, 2017, respectively. Gross transfers out of Level 3 were \$1.0 and \$0.0 for the three and six months ended June 30, 2017, respectively.
- (3) Other is comprised of transactions such as pay downs, calls, amortization, and redemptions.
- (4) Amounts are included in net realized gains (losses) on the consolidated statements of income (loss). Amounts shown for financial liabilities are (gains) losses in net income.
- (5) Amounts are generally included in changes in unrealized gains (losses) on available-for-sale securities on the consolidated statements of comprehensive income.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following tables present additional information about financial instruments measured at fair value on a recurring basis and for which the Company has utilized significant unobservable inputs (Level 3) to determine fair value for the three months ended June 30, 2016 and the period February 1 through June 30, 2016 (Successor Company):

| | Balance as of April 1, 2016 | Purchases and Issues(1) | Sales and Settlements(1) | Transfers In and/or (Out) of Level 3(2) | Other(3) | Unrealized Gains (Losses) Included in: | | Realized Gains (Losses)(4) | Balance as of June 30, 2016 |
|---|-----------------------------------|-------------------------------|--------------------------------|---|----------|---|--------------------------------------|----------------------------------|-----------------------------------|
| | | | | | | Net Income(4) | Other Comprehensive Income (5) | | |
| Financial Assets: | | | | | | | | | |
| Fixed maturities, available-for-sale: | | | | | | | | | |
| Corporate securities | \$ 54.2 | \$ 5.2 | \$ — | \$ (0.4) | \$ (0.2) | \$ — | \$ 2.1 | \$ — | \$ 60.9 |
| Commercial mortgage-backed securities | 1.1 | — | — | — | (0.1) | — | — | — | 1.0 |
| Collateralized loan obligations | 15.0 | 39.7 | — | (15.0) | — | — | — | — | 39.7 |
| Other debt obligations | 43.3 | — | — | — | (0.2) | — | 1.1 | — | 44.2 |
| Total fixed maturities, available-for-sale | 113.6 | 44.9 | — | (15.4) | (0.5) | — | 3.2 | — | 145.8 |
| Marketable equity securities, available-for-sale | 5.9 | — | — | — | 0.3 | — | 0.2 | — | 6.4 |
| Derivatives and other invested assets: | | | | | | | | | |
| Index options | 5.8 | 2.5 | — | — | — | 6.2 | — | (1.1) | 13.4 |
| Other | 1.6 | 0.4 | — | — | — | — | — | (0.2) | 1.8 |
| Total derivatives and other invested assets | 7.4 | 2.9 | — | — | — | 6.2 | — | (1.3) | 15.2 |
| Total Level 3 assets | \$ 126.9 | \$ 47.8 | \$ — | \$ (15.4) | \$ (0.2) | \$ 6.2 | \$ 3.4 | \$ (1.3) | \$ 167.4 |

| | | | | | | | | | |
|-------------------------------|----------|---------|----------|------|------|---------|------|------|----------|
| Financial Liabilities: | | | | | | | | | |
| Embedded derivatives | \$ 402.3 | \$ 34.4 | \$ (1.1) | \$ — | \$ — | \$ 21.1 | \$ — | \$ — | \$ 456.7 |

| | Balance as of February 1, 2016 | Purchases and Issues(1) | Sales and Settlements(1) | Transfers In and/or (Out) of Level 3(2) | Other(3) | Unrealized Gains (Losses) Included in: | | Realized Gains (Losses)(4) | Balance as of June 30, 2016 |
|---|--------------------------------------|-------------------------------|--------------------------------|---|----------|---|--------------------------------------|----------------------------------|-----------------------------------|
| | | | | | | Net Income(4) | Other Comprehensive Income (5) | | |
| Financial Assets: | | | | | | | | | |
| Fixed maturities, available-for-sale: | | | | | | | | | |
| Corporate securities | \$ 50.0 | \$ 13.0 | \$ — | \$ 2.6 | \$ (8.3) | \$ — | \$ 3.0 | \$ 0.6 | \$ 60.9 |
| Commercial mortgage-backed securities | 1.2 | — | — | — | (0.2) | — | — | — | 1.0 |
| Collateralized loan obligations | 10.0 | 39.7 | — | (10.0) | — | — | — | — | 39.7 |
| Other debt obligations | 43.4 | — | — | — | (0.4) | — | 1.2 | — | 44.2 |
| Total fixed maturities, available-for-sale | 104.6 | 52.7 | — | (7.4) | (8.9) | — | 4.2 | 0.6 | 145.8 |
| Marketable equity securities, available-for-sale | 6.1 | — | — | — | 0.3 | — | — | — | 6.4 |
| Derivatives and other invested assets: | | | | | | | | | |
| Index options | 3.3 | 3.7 | — | — | — | 8.9 | — | (2.5) | 13.4 |
| Other | 1.6 | 0.4 | — | — | — | — | — | (0.2) | 1.8 |
| Total derivatives and other invested assets | 4.9 | 4.1 | — | — | — | 8.9 | — | (2.7) | 15.2 |
| Total Level 3 assets | \$ 115.6 | \$ 56.8 | \$ — | \$ (7.4) | \$ (8.6) | \$ 8.9 | \$ 4.2 | \$ (2.1) | \$ 167.4 |

| | | | | | | | | | |
|-------------------------------|----------|---------|----------|------|------|---------|------|------|----------|
| Financial Liabilities: | | | | | | | | | |
| Embedded derivatives | \$ 334.9 | \$ 66.5 | \$ (1.7) | \$ — | \$ — | \$ 57.0 | \$ — | \$ — | \$ 456.7 |

- (1) Issues and settlements are related to the Company's embedded derivative liabilities.
- (2) Transfers into and/or out of Level 3 are reported at the value as of the beginning of the period in which the transfer occurs. Gross transfers into Level 3 were \$0.0 and \$11.0 for the three months ended June 30, 2016 and the period February 1 through June 30, 2016, respectively. Gross transfers out of Level 3 were \$15.4 and \$18.4 for the three months ended June 30, 2016 and the period February 1 through June 30, 2016, of which most were related to fixed maturities for which observable inputs became available.
- (3) Other is comprised of transactions such as pay downs, calls, amortization and redemptions.
- (4) Amounts are included in net realized gains (losses) on the consolidated statements of income (loss). Amounts shown for financial liabilities are (gains) losses in net income.
- (5) Amounts are generally included in changes in unrealized gains (losses) on available-for-sale securities on the consolidated statements of comprehensive income.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following table presents additional information about financial instruments measured at fair value on a recurring basis and for which the Company has utilized significant unobservable inputs (Level 3) to determine fair value for the period January 1 to January 31, 2016 (Predecessor Company):

| | Balance as of January 1, 2016 | Purchases and Issues(1) | Sales and Settlements(1) | Transfers In and/or (Out) of Level 3(2) | Other (3) | Unrealized Gains (Losses) Included in: | | Realized Gains (Losses)(4) | Balance as of January 31, 2016 |
|---|-------------------------------|-------------------------|--------------------------|---|-----------------|--|--------------------------------|----------------------------|--------------------------------|
| | | | | | | Net Income(4) | Other Comprehensive Income (5) | | |
| Financial Assets: | | | | | | | | | |
| Fixed maturities, available-for-sale: | | | | | | | | | |
| Corporate securities | \$ 34.1 | \$ 8.1 | \$ — | \$ 8.6 | \$ — | \$ — | \$ (0.8) | \$ — | \$ 50.0 |
| Commercial mortgage-backed securities | 1.2 | — | — | — | — | — | — | — | 1.2 |
| Collateralized loan obligations | 89.6 | 10.0 | — | (89.6) | — | — | — | — | 10.0 |
| Other debt obligations | 42.5 | — | — | — | — | — | 0.9 | — | 43.4 |
| Total fixed maturities, available-for-sale..... | 167.4 | 18.1 | — | (81.0) | — | — | 0.1 | — | 104.6 |
| Marketable equity securities, available-for-sale | 5.9 | — | — | — | — | — | — | — | 5.9 |
| Marketable equity securities, trading | 0.2 | — | — | — | — | — | — | — | 0.2 |
| Derivatives and other invested assets: | | | | | | | | | |
| Index options | 3.7 | 0.4 | — | — | — | (0.7) | — | (0.1) | 3.3 |
| Other | 1.6 | — | — | — | (1.1) | 0.2 | — | 0.9 | 1.6 |
| Total derivatives and other invested assets..... | 5.3 | 0.4 | — | — | (1.1) | (0.5) | — | 0.8 | 4.9 |
| Total Level 3 assets..... | \$ 178.8 | \$ 18.5 | \$ — | \$ (81.0) | \$ (1.1) | \$ (0.5) | \$ 0.1 | \$ 0.8 | \$ 115.6 |
| Financial Liabilities: | | | | | | | | | |
| Embedded derivatives | \$ 385.7 | \$ 16.2 | \$ (1.0) | \$ — | \$ — | \$ (29.4) | \$ — | \$ — | \$ 371.5 |

- (1) Issues and settlements are related to the Company's embedded derivative liabilities.
- (2) Transfers into and/or out of Level 3 are reported at the value as of the beginning of the period in which the transfer occurs. Gross transfers into Level 3 were \$13.7 for the period January 1 to January 31, 2016. Gross transfers out of Level 3 were \$94.7 for the period January 1 to January 31, 2016, which related to fixed maturities for which observable inputs became available.
- (3) Other is comprised of transactions such as pay downs, calls, amortization and redemptions.
- (4) Amounts are included in net realized gains (losses) on the consolidated statements of income (loss). Amounts shown for financial liabilities are (gains) losses in net income.
- (5) Amounts are generally included in changes in unrealized gains (losses) on available-for-sale securities on the consolidated statements of comprehensive income.

8. Deferred Policy Acquisition Costs (DAC) and Value of Business Acquired (VOBA)

The following table provides a reconciliation of the beginning and ending balance for DAC:

| | Successor Company | | | | Predecessor Company |
|--|--|--|--|-----------------------------|-------------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 | January 1 to January 31, 2016 |
| Unamortized balance at beginning of period | \$ 265.9 | \$ 41.9 | \$ 202.8 | \$ — | \$ 677.5 |
| Deferral of acquisition costs | 63.6 | 65.9 | 134.4 | 108.2 | 19.6 |
| Adjustments for realized (gains) losses | 0.8 | 0.6 | (0.9) | 0.3 | (0.4) |
| Amortization — excluding unlocking | (7.5) | (2.1) | (13.1) | (2.2) | (8.4) |
| Amortization — impact of unlocking (1) | (0.8) | — | (1.2) | — | (0.2) |
| Unamortized balance at end of period | 322.0 | 106.3 | 322.0 | 106.3 | 688.1 |
| Accumulated effect of net unrealized gains..... | (21.7) | (15.9) | (21.7) | (15.9) | (41.0) |
| Balance at end of period..... | \$ 300.3 | \$ 90.4 | \$ 300.3 | \$ 90.4 | \$ 647.1 |

- (1) Includes the impact of assumption and experience unlocking related to quarterly investment prepayment activity.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following table provides a reconciliation of the beginning and ending balance for VOBA:

| | Successor Company | | | |
|--|--|--|--|-----------------------------|
| | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | February 1 to June 30, 2016 |
| Unamortized balance at beginning of period | \$ 399.7 | \$ 452.7 | \$ 413.4 | \$ 457.6 |
| Adjustments related to realized (gains) losses | 0.4 | 0.2 | (0.2) | 4.5 |
| Amortization — excluding unlocking | (10.8) | (11.6) | (22.3) | (19.9) |
| Amortization — impact of unlocking (1) | (2.5) | (0.5) | (4.1) | (1.4) |
| Unamortized balance at end of period..... | <u>386.8</u> | <u>440.8</u> | <u>386.8</u> | <u>440.8</u> |
| Accumulated effect of net unrealized gains..... | (70.8) | (155.4) | (70.8) | (155.4) |
| Balance at end of period..... | <u>\$ 316.0</u> | <u>\$ 285.4</u> | <u>\$ 316.0</u> | <u>\$ 285.4</u> |

(1) Includes the impact of assumption and experience unlocking related to quarterly investment prepayment activity.

9. Stockholder's Equity

The following tables summarize the components of AOCI and the adjustments to OCI for amounts reclassified from AOCI into net income for the three and six months ended June 30, 2017 (Successor Company):

| | Net Unrealized Gains (Losses) on Available-for-sale Securities | OTTI on Fixed Maturities not related to Credit Losses (2) | Adjustment for DAC and VOBA | Net Gains (Losses) on Cash Flow Hedges | Accumulated Other Comprehensive Income |
|--|--|---|-----------------------------|--|--|
| Balance as of April 1, 2017 | \$ 251.9 | \$ (0.2) | \$ (33.2) | \$ 10.0 | \$ 228.5 |
| Other comprehensive income (loss) before reclassifications, net of taxes (1) | 217.2 | — | (32.8) | (9.3) | 175.1 |
| Reclassifications recorded in: | | | | | |
| Net investment income: | | | | | |
| Interest rate swaps | — | — | — | (1.5) | (1.5) |
| Foreign currency swaps | — | — | — | (2.1) | (2.1) |
| Net realized (gains) losses..... | (20.7) | — | (1.2) | 8.7 | (13.2) |
| Total provision (benefit) for income taxes | 7.3 | — | 0.4 | (1.8) | 5.9 |
| Total reclassifications from AOCI, net of taxes | <u>(13.4)</u> | <u>—</u> | <u>(0.8)</u> | <u>3.3</u> | <u>(10.9)</u> |
| Other comprehensive income (loss) after reclassifications | 203.8 | — | (33.6) | (6.0) | 164.2 |
| Balance as of June 30, 2017 | <u>\$ 455.7</u> | <u>\$ (0.2)</u> | <u>\$ (66.8)</u> | <u>\$ 4.0</u> | <u>\$ 392.7</u> |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| | Net Unrealized Gains (Losses) on Available-for- sale Securities | OTTI on Fixed Maturities not related to Credit Losses (2) | Adjustment for DAC and VOBA | Net Gains (Losses) on Cash Flow Hedges | Accumulated Other Comprehensive Income |
|--|--|--|-----------------------------------|---|---|
| Balance as of January 1, 2017 | \$ 140.0 | \$ (0.2) | \$ (14.0) | \$ 17.7 | \$ 143.5 |
| Other comprehensive income (loss) before reclassifications, net of taxes (1) | 337.0 | — | (53.5) | (14.7) | 268.8 |
| Reclassifications recorded in: | | | | | |
| Net investment income: | | | | | |
| Interest rate swaps | — | — | — | (3.2) | (3.2) |
| Foreign currency swaps | — | — | — | (4.7) | (4.7) |
| Net realized (gains) losses | (32.8) | — | 1.1 | 9.4 | (22.3) |
| Total provision (benefit) for income taxes | 11.5 | — | (0.4) | (0.5) | 10.6 |
| Total reclassifications from AOCI, net of taxes | (21.3) | — | 0.7 | 1.0 | (19.6) |
| Other comprehensive income (loss) after reclassifications | 315.7 | — | (52.8) | (13.7) | 249.2 |
| Balance as of June 30, 2017 | \$ 455.7 | \$ (0.2) | \$ (66.8) | \$ 4.0 | \$ 392.7 |

- (1) Other comprehensive income (loss) before reclassifications is net of taxes of \$117.0, \$0.0, \$(17.7), \$(5.1), and \$94.2, respectively, for the three months ended June 30, 2017, and net of taxes of \$181.5, \$0.0, \$(28.8), \$(7.9), and \$144.8, respectively, for the six months ended June 30, 2017.
- (2) Reclassification adjustments of OTTI on fixed maturities not related to credit losses are included in changes in unrealized gains and losses on available-for-sale securities within the consolidated statements of comprehensive income.

The following tables summarize the components of AOCI and the adjustments to OCI for amounts reclassified from AOCI into net income for the three months ended June 30, 2016 and for the period February 1 to June 30, 2016 (Successor Company):

| | Net Unrealized Gains (Losses) on Available-for- sale Securities | OTTI on Fixed Maturities not related to Credit Losses (2) | Adjustment for DAC and VOBA | Net Gains (Losses) on Cash Flow Hedges | Accumulated Other Comprehensive Income |
|--|--|--|-----------------------------------|---|---|
| Balance as of April 1, 2016 | \$ 328.2 | \$ — | \$ (55.0) | \$ (7.0) | \$ 266.2 |
| Other comprehensive income (loss) before reclassifications, net of taxes (1) | 382.7 | (0.1) | (63.6) | 38.0 | 357.0 |
| Reclassifications recorded in: | | | | | |
| Net investment income: | | | | | |
| Interest rate swaps | — | — | — | (1.9) | (1.9) |
| Foreign currency swaps | — | — | — | (2.4) | (2.4) |
| Net realized (gains) losses | (10.8) | — | (0.6) | (4.3) | (15.7) |
| Total provision (benefit) for income taxes | 3.8 | — | 0.2 | 3.0 | 7.0 |
| Total reclassifications from AOCI, net of taxes | (7.0) | — | (0.4) | (5.6) | (13.0) |
| Other comprehensive income (loss) after reclassifications | 375.7 | (0.1) | (64.0) | 32.4 | 344.0 |
| Balance as of June 30, 2016 | \$ 703.9 | \$ (0.1) | \$ (119.0) | \$ 25.4 | \$ 610.2 |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| | Net Unrealized Gains (Losses) on Available-for- sale Securities | OTTI on Fixed Maturities not related to Credit Losses (2) | Adjustment for DAC and VOBA | Net Gains (Losses) on Cash Flow Hedges | Accumulated Other Comprehensive Income |
|---|--|--|-----------------------------------|---|---|
| Balance as of February 1, 2016 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Other comprehensive income (loss) before reclassifications, net of taxes (1) | 707.9 | (0.1) | (115.9) | 32.4 | 624.3 |
| Reclassifications recorded in: | | | | | |
| Net investment income: | | | | | |
| Interest rate swaps | — | — | — | (3.1) | (3.1) |
| Foreign currency swaps | — | — | — | (3.4) | (3.4) |
| Net realized (gains) losses | (6.2) | — | (4.7) | (4.2) | (15.1) |
| Total provision (benefit) for income taxes | 2.2 | — | 1.6 | 3.7 | 7.5 |
| Total reclassifications from AOCI, net of taxes | (4.0) | — | (3.1) | (7.0) | (14.1) |
| Other comprehensive income (loss) after reclassifications | 703.9 | (0.1) | (119.0) | 25.4 | 610.2 |
| Balance as of June 30, 2016 | \$ 703.9 | \$ (0.1) | \$ (119.0) | \$ 25.4 | \$ 610.2 |

- (1) Other comprehensive income (loss) before reclassifications is net of taxes of \$206.1, \$(0.1), \$(34.3), \$20.5, and \$192.2, respectively, for the three months ended June 30, 2016, and net of taxes of \$381.2, \$(0.1), \$(62.5), \$17.4, and \$336.0, respectively, for the period February 1 to June 30, 2016.
- (2) Reclassification adjustments of OTTI on fixed maturities not related to credit losses are included in changes in unrealized gains and losses on available-for-sale securities within the consolidated statements of comprehensive income.

The following table summarizes the components of AOCI and the adjustments to OCI for amounts reclassified from AOCI into net income for the period January 1 to January 31, 2016 (Predecessor Company):

| | Net Unrealized Gains (Losses) on Available-for- sale Securities | OTTI on Fixed Maturities not related to Credit Losses (2) | Adjustment for DAC | Net Gains (Losses) on Cash Flow Hedges | Accumulated Other Comprehensive Income |
|---|--|--|-----------------------|---|---|
| Balance as of January 1, 2016 | \$ 520.0 | \$ (17.7) | \$ (28.1) | \$ 41.2 | \$ 515.4 |
| Other comprehensive income (loss) before reclassifications, net of taxes (1) | 112.7 | — | (24.7) | 26.2 | 114.2 |
| Reclassifications recorded in: | | | | | |
| Net investment income: | | | | | |
| Interest rate swaps | — | — | — | (0.6) | (0.6) |
| Foreign currency swaps | — | — | — | (1.0) | (1.0) |
| Net realized (gains) losses | 2.8 | — | 0.5 | — | 3.3 |
| Total provision (benefit) for income taxes | (1.0) | — | (0.2) | 0.6 | (0.6) |
| Total reclassifications from AOCI, net of taxes | 1.8 | — | 0.3 | (1.0) | 1.1 |
| Other comprehensive income (loss) after reclassifications | 114.5 | — | (24.4) | 25.2 | 115.3 |
| Balance as of January 31, 2016 | \$ 634.5 | \$ (17.7) | \$ (52.5) | \$ 66.4 | \$ 630.7 |

- (1) Other comprehensive income (loss) before reclassifications is net of taxes of \$60.7, \$0.0, \$(13.3), \$14.2, and \$61.6, respectively, for the period January 1 to January 31, 2016.
- (2) Reclassification adjustments of OTTI on fixed maturities not related to credit losses are included in changes in unrealized gains and losses on available-for-sale securities within the consolidated statements of comprehensive income.

Dividends

Dividends declared are deducted from retained earnings until the balance is reduced zero, and any remaining amount is recorded as a return of capital and deducted from additional paid-in capital. On February 8, 2017, the Company declared a \$180.0 cash dividend payment to its parent company, Sumitomo Life, of which \$161.0 was recorded as a return of capital. The dividend was paid on February 9, 2017.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

10. Commitments and Contingencies

Litigation

Because of the nature of its business, the Company is subject to legal actions filed or threatened in the ordinary course of its business operations. The Company establishes liabilities for litigation and regulatory actions when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no liability is established. For such matters, the Company may provide an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company reviews relevant information with respect to litigation and regulatory matters on a quarterly and annual basis and updates its established liabilities, disclosures and estimates of reasonably possible losses or range of loss based on such reviews.

Although the Company cannot predict the outcome of any litigation or regulatory action, the Company does not believe that any such matters will have an impact on its financial condition or results of operations that differs materially from the Company's established liabilities. Given the inherent difficulty in predicting the outcome of such matters, however, it is possible that an adverse outcome in certain such matters could be material to the Company's financial condition or results of operations for any particular reporting period.

11. Segment Information

The Company offers a broad range of products and services that include retirement, group health and employee benefits, and life insurance products. These operations are managed separately as three divisions consisting of four business segments based on product groupings, and a fifth reportable segment consisting primarily of unallocated corporate items and surplus investment income. The five segments are Benefits, Deferred Annuities, Income Annuities, Individual Life and Other. Results for the Successor Company reflect the application of pushdown accounting, and Predecessor Company results were not adjusted.

The primary profitability measure that management uses to manage business segment results is pre-tax adjusted operating income (loss). For the Successor Company, pre-tax adjusted operating income was defined as income from operations, excluding intangible asset amortization and most net realized gains (losses). Excluded gains (losses) are associated with:

- investment sales or disposals,
- investment impairments,
- changes in the fair value of mark-to-market investments and derivative investments (except for certain index options discussed below),
- changes in the fair value of embedded derivatives related to the Company's FIA products, and
- the amortization and write-downs associated with tax credit investments.

Prior to 2017, pre-tax adjusted operating income excluded only certain intangible asset amortization related to VODA and trade names. Effective in the first quarter of 2017, pre-tax adjusted operating income excludes all intangible asset amortization. Prior period results for the Successor Company have been adjusted to reflect this change.

In the Deferred Annuities segment, net gains (losses) on certain index options purchased to economically hedge exposure from FIA products sold in the late 1990s are included in pre-tax adjusted operating income.

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

The following tables present selected financial information by segment and reconcile segment pre-tax adjusted operating income (loss) to amounts reported in the consolidated statements of income (loss):

| | For the Three Months Ended June 30, 2017 (Successor Company) | | | | | |
|---|---|--------------------|------------------|-----------------|------------------|----------------|
| | Benefits | Deferred Annuities | Income Annuities | Individual Life | Other | Total |
| Operating revenues: | | | | | | |
| Premiums | \$ 217.3 | \$ — | \$ — | \$ 8.3 | \$ — | \$ 225.6 |
| Net investment income | 6.2 | 178.1 | 76.5 | 61.9 | 6.7 | 329.4 |
| Policy fees, contract charges, and other | 4.6 | 6.6 | 0.2 | 59.6 | 0.3 | 71.3 |
| Certain realized gains (losses) | — | 0.1 | — | — | — | 0.1 |
| Total operating revenues | 228.1 | 184.8 | 76.7 | 129.8 | 7.0 | 626.4 |
| Benefits and expenses: | | | | | | |
| Policyholder benefits and claims | 172.8 | 1.0 | — | 23.4 | — | 197.2 |
| Interest credited | — | 105.4 | 64.0 | 67.0 | (0.4) | 236.0 |
| Other underwriting and operating expenses | 55.0 | 28.6 | 4.3 | 24.1 | 1.0 | 113.0 |
| Interest expense | — | — | — | 0.1 | 7.3 | 7.4 |
| Amortization of DAC and VOBA | 0.6 | 17.2 | 0.4 | 3.4 | — | 21.6 |
| Total benefits and expenses | 228.4 | 152.2 | 68.7 | 118.0 | 7.9 | 575.2 |
| Segment pre-tax adjusted operating income (loss) | <u>\$ (0.3)</u> | <u>\$ 32.6</u> | <u>\$ 8.0</u> | <u>\$ 11.8</u> | <u>\$ (0.9)</u> | <u>\$ 51.2</u> |
| Total operating revenues | \$ 228.1 | \$ 184.8 | \$ 76.7 | \$ 129.8 | \$ 7.0 | \$ 626.4 |
| Add: Excluded realized gains (losses) | — | (8.9) | 17.2 | (2.6) | (9.1) | (3.4) |
| Total revenues | 228.1 | 175.9 | 93.9 | 127.2 | (2.1) | 623.0 |
| Total segment benefits and expenses | 228.4 | 152.2 | 68.7 | 118.0 | 7.9 | 575.2 |
| Add: Excluded amortization of intangible assets | 14.0 | 6.5 | 0.9 | 0.4 | — | 21.8 |
| Total benefits and expenses | 242.4 | 158.7 | 69.6 | 118.4 | 7.9 | 597.0 |
| Income (loss) from operations before income taxes | <u>\$ (14.3)</u> | <u>\$ 17.2</u> | <u>\$ 24.3</u> | <u>\$ 8.8</u> | <u>\$ (10.0)</u> | <u>\$ 26.0</u> |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

For the Three Months Ended June 30, 2016

(Successor Company)

| | Benefits | Deferred Annuities | Income Annuities | Individual Life | Other | Total |
|--|-----------------|--------------------|------------------|-----------------|------------------|-----------------|
| Operating revenues: | | | | | | |
| Premiums | \$ 174.7 | \$ — | \$ — | \$ 8.3 | \$ — | \$ 183.0 |
| Net investment income | 5.1 | 148.5 | 78.4 | 51.6 | 5.5 | 289.1 |
| Policy fees, contract charges, and other | 5.7 | 5.7 | 0.3 | 51.8 | 0.5 | 64.0 |
| Certain realized gains (losses) | — | (0.1) | — | — | — | (0.1) |
| Total operating revenues | 185.5 | 154.1 | 78.7 | 111.7 | 6.0 | 536.0 |
| Benefits and expenses: | | | | | | |
| Policyholder benefits and claims | 123.6 | 0.3 | — | 14.6 | — | 138.5 |
| Interest credited | — | 94.3 | 74.8 | 67.1 | (0.3) | 235.9 |
| Other underwriting and operating expenses | 51.3 | 27.1 | 5.3 | 24.4 | 3.6 | 111.7 |
| Interest expense | — | — | — | 0.1 | 6.7 | 6.8 |
| Amortization of DAC and VOBA | 0.1 | 13.6 | 0.1 | 0.4 | — | 14.2 |
| Total benefits and expenses | 175.0 | 135.3 | 80.2 | 106.6 | 10.0 | 507.1 |
| Segment pre-tax adjusted operating income (loss) | \$ 10.5 | \$ 18.8 | \$ (1.5) | \$ 5.1 | \$ (4.0) | \$ 28.9 |
| Total operating revenues | \$ 185.5 | \$ 154.1 | \$ 78.7 | \$ 111.7 | \$ 6.0 | \$ 536.0 |
| Add: Excluded realized gains (losses) | (0.1) | 0.6 | 1.7 | 0.4 | (11.8) | (9.2) |
| Total revenues | 185.4 | 154.7 | 80.4 | 112.1 | (5.8) | 526.8 |
| Total segment benefits and expenses | 175.0 | 135.3 | 80.2 | 106.6 | 10.0 | 507.1 |
| Add: Excluded amortization of intangible assets | 13.9 | 6.5 | 0.9 | 0.4 | — | 21.7 |
| Total benefits and expenses | 188.9 | 141.8 | 81.1 | 107.0 | 10.0 | 528.8 |
| Income (loss) from operations before income taxes | \$ (3.5) | \$ 12.9 | \$ (0.7) | \$ 5.1 | \$ (15.8) | \$ (2.0) |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

For the Six Months Ended June 30, 2017

(Successor Company)

| | Benefits | Deferred Annuities | Income Annuities | Individual Life | Other | Total |
|--|------------------|--------------------|------------------|-----------------|------------------|-------------------|
| Operating revenues: | | | | | | |
| Premiums | \$ 425.0 | \$ — | \$ — | \$ 16.7 | \$ — | \$ 441.7 |
| Net investment income | 11.7 | 349.3 | 152.1 | 119.8 | 11.2 | 644.1 |
| Policy fees, contract charges, and other | 9.2 | 12.9 | 0.4 | 117.3 | 0.6 | 140.4 |
| Certain realized gains (losses) | — | 0.3 | — | — | — | 0.3 |
| Total operating revenues | 445.9 | 362.5 | 152.5 | 253.8 | 11.8 | 1,226.5 |
| Benefits and expenses: | | | | | | |
| Policyholder benefits and claims | 330.0 | 2.4 | — | 45.5 | — | 377.9 |
| Interest credited | — | 206.9 | 135.3 | 136.1 | (0.6) | 477.7 |
| Other underwriting and operating expenses | 113.2 | 58.3 | 8.5 | 48.5 | 2.2 | 230.7 |
| Interest expense | — | — | — | 0.2 | 14.7 | 14.9 |
| Amortization of DAC and VOBA | 1.1 | 34.2 | 0.8 | 4.6 | — | 40.7 |
| Total benefits and expenses | 444.3 | 301.8 | 144.6 | 234.9 | 16.3 | 1,141.9 |
| Segment pre-tax adjusted operating income (loss) | \$ 1.6 | \$ 60.7 | \$ 7.9 | \$ 18.9 | \$ (4.5) | \$ 84.6 |
| Total operating revenues | \$ 445.9 | \$ 362.5 | \$ 152.5 | \$ 253.8 | \$ 11.8 | \$ 1,226.5 |
| Add: Excluded realized gains (losses) | 0.5 | (10.4) | 25.6 | (3.7) | (15.7) | (3.7) |
| Total revenues | 446.4 | 352.1 | 178.1 | 250.1 | (3.9) | 1,222.8 |
| Total segment benefits and expenses | 444.3 | 301.8 | 144.6 | 234.9 | 16.3 | 1,141.9 |
| Add: Excluded amortization of intangible assets | 28.0 | 13.0 | 1.7 | 0.8 | — | 43.5 |
| Total benefits and expenses | 472.3 | 314.8 | 146.3 | 235.7 | 16.3 | 1,185.4 |
| Income (loss) from operations before income taxes | \$ (25.9) | \$ 37.3 | \$ 31.8 | \$ 14.4 | \$ (20.2) | \$ 37.4 |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| | February 1 to June 30, 2016 (Successor Company) | | | | | |
|--|--|--------------------|------------------|-----------------|------------------|------------------|
| | Benefits | Deferred Annuities | Income Annuities | Individual Life | Other | Total |
| Operating revenues: | | | | | | |
| Premiums | \$ 291.3 | \$ — | \$ — | \$ 13.7 | \$ — | \$ 305.0 |
| Net investment income | 8.3 | 245.0 | 131.2 | 87.8 | 7.8 | 480.1 |
| Policy fees, contract charges, and other | 9.0 | 9.4 | 0.4 | 84.8 | 0.8 | 104.4 |
| Certain realized gains (losses) | — | — | — | — | — | — |
| Total operating revenues | 308.6 | 254.4 | 131.6 | 186.3 | 8.6 | 889.5 |
| Benefits and expenses: | | | | | | |
| Policyholder benefits and claims | 206.3 | 0.4 | — | 32.9 | — | 239.6 |
| Interest credited | — | 154.5 | 120.2 | 106.8 | (0.4) | 381.1 |
| Other underwriting and operating expenses | 83.9 | 45.5 | 8.8 | 39.9 | 23.2 | 201.3 |
| Interest expense | — | — | — | 0.2 | 11.3 | 11.5 |
| Amortization of DAC and VOBA | 0.2 | 23.1 | 0.1 | 0.1 | — | 23.5 |
| Total benefits and expenses | 290.4 | 223.5 | 129.1 | 179.9 | 34.1 | 857.0 |
| Segment pre-tax adjusted operating income (loss) | \$ 18.2 | \$ 30.9 | \$ 2.5 | \$ 6.4 | \$ (25.5) | \$ 32.5 |
| Total operating revenues | \$ 308.6 | \$ 254.4 | \$ 131.6 | \$ 186.3 | \$ 8.6 | \$ 889.5 |
| Add: Excluded realized gains (losses) | (0.1) | (8.7) | 0.8 | (0.8) | (21.3) | (30.1) |
| Total revenues | 308.5 | 245.7 | 132.4 | 185.5 | (12.7) | 859.4 |
| Total segment benefits and expenses | 290.4 | 223.5 | 129.1 | 179.9 | 34.1 | 857.0 |
| Add: Excluded amortization of intangible assets | 23.2 | 10.8 | 1.5 | 0.7 | — | 36.2 |
| Total benefits and expenses | 313.6 | 234.3 | 130.6 | 180.6 | 34.1 | 893.2 |
| Income (loss) from operations before income taxes | \$ (5.1) | \$ 11.4 | \$ 1.8 | \$ 4.9 | \$ (46.8) | \$ (33.8) |
| As of June 30, 2016 | | | | | | |
| Total assets | \$ 1,294.0 | \$ 21,356.0 | \$ 7,655.2 | \$ 7,337.0 | \$ 2,450.7 | \$ 40,092.9 |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| | January 1 to January 31, 2016 (Predecessor Company) | | | | | |
|--|--|--------------------|------------------|-----------------|------------------|------------------|
| | Benefits | Deferred Annuities | Income Annuities | Individual Life | Other | Total |
| Operating revenues: | | | | | | |
| Premiums | \$ 58.6 | \$ — | \$ — | \$ 2.6 | \$ — | \$ 61.2 |
| Net investment income | 2.1 | 57.3 | 29.8 | 22.9 | (1.7) | 110.4 |
| Policy fees, contract charges, and other | 1.4 | 2.0 | — | 16.2 | 0.2 | 19.8 |
| Certain realized gains (losses) | — | (0.5) | — | — | — | (0.5) |
| Total operating revenues | 62.1 | 58.8 | 29.8 | 41.7 | (1.5) | 190.9 |
| Benefits and expenses: | | | | | | |
| Policyholder benefits and claims | 37.1 | 0.2 | — | 11.1 | — | 48.4 |
| Interest credited | — | 33.2 | 29.7 | 21.6 | (0.1) | 84.4 |
| Other underwriting and operating expenses | 16.5 | 8.4 | 1.5 | 7.3 | 2.4 | 36.1 |
| Interest expense | — | — | — | — | 3.8 | 3.8 |
| Amortization of DAC | 0.2 | 6.6 | 0.6 | 1.2 | — | 8.6 |
| Total benefits and expenses | 53.8 | 48.4 | 31.8 | 41.2 | 6.1 | 181.3 |
| Segment pre-tax adjusted operating income (loss) | \$ 8.3 | \$ 10.4 | \$ (2.0) | \$ 0.5 | \$ (7.6) | \$ 9.6 |
| Total operating revenues | \$ 62.1 | \$ 58.8 | \$ 29.8 | \$ 41.7 | \$ (1.5) | \$ 190.9 |
| Add: Excluded realized gains (losses) | — | (1.9) | (22.5) | 0.6 | (2.7) | (26.5) |
| Total revenues | 62.1 | 56.9 | 7.3 | 42.3 | (4.2) | 164.4 |
| Total benefits and expenses | 53.8 | 48.4 | 31.8 | 41.2 | 6.1 | 181.3 |
| Income (loss) from operations before income taxes | \$ 8.3 | \$ 8.5 | \$ (24.5) | \$ 1.1 | \$ (10.3) | \$ (16.9) |

| | As of June 30, 2017 | | | | | |
|---|---------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| | Benefits | Deferred Annuities | Income Annuities | Individual Life | Other | Total |
| Total investments | \$ 309.8 | \$ 21,085.0 | \$ 7,290.1 | \$ 6,703.3 | \$ 1,892.1 | \$ 37,280.3 |
| DAC and VOBA | 6.4 | 401.3 | 12.5 | 196.1 | — | 616.3 |
| Other intangible assets | 755.5 | 498.2 | 51.2 | 13.6 | — | 1,318.5 |
| Goodwill | 308.0 | 198.8 | 50.2 | 6.0 | — | 563.0 |
| Separate account assets | — | 611.0 | — | 324.5 | — | 935.5 |
| Total assets | 1,488.1 | 23,346.2 | 7,486.7 | 7,630.3 | 2,032.7 | 41,984.0 |
| Future policy benefits, losses, claims and loss expense (1) | 350.2 | 20,795.5 | 7,170.1 | 7,089.3 | (20.6) | 35,384.5 |
| Other policyholders' funds | 21.5 | 30.6 | 2.6 | 45.3 | 17.0 | 117.0 |
| Notes payable | — | — | — | — | 707.2 | 707.2 |

SYMETRA FINANCIAL CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except share and percentage data, unless otherwise stated)
(Unaudited)

| | As of December 31, 2016 | | | | | |
|--|-------------------------|--------------------|------------------|-----------------|------------|-------------|
| | Benefits | Deferred Annuities | Income Annuities | Individual Life | Other | Total |
| Total investments..... | \$ 95.3 | \$ 19,610.2 | \$ 7,204.2 | \$ 6,513.4 | \$ 2,220.5 | \$ 35,643.6 |
| DAC and VOBA..... | 2.4 | 423.5 | 8.8 | 162.0 | — | 596.7 |
| Other intangible assets..... | 783.4 | 511.2 | 52.9 | 14.5 | — | 1,362.0 |
| Goodwill..... | 308.0 | 198.8 | 50.2 | 6.0 | — | 563.0 |
| Separate account assets..... | — | 652.2 | — | 259.2 | — | 911.4 |
| Total assets..... | 1,272.9 | 21,943.8 | 7,380.5 | 7,345.1 | 2,368.5 | 40,310.8 |
| Future policy benefits, losses, claims and loss expense (1). | 272.8 | 19,531.9 | 7,239.2 | 6,954.5 | (21.6) | 33,976.8 |
| Other policyholders' funds..... | 26.3 | 22.1 | 5.0 | 49.9 | 14.8 | 118.1 |
| Notes payable..... | — | — | — | — | 707.5 | 707.5 |

(1) Includes funds held under deposit contracts, future policy benefits, and policy and contract claims on the consolidated balance sheets.