GAAP Net Income to Management Operating Earnings

($ millions)		2020	2019	Variance
1.	**GAAP net income[1]**	**$ 1,158**	**$ 2,728**	**$ (1,570)**
Adjustments for:				
2.	Exclusion of gains on investments (net of directly related adjustments)	(433)	(1,746)	1,313
3.	Exclusion of certain policyholder dividends	1,037	1,083	(46)
4.	Inclusion of amortization of interest related gains	365	226	139
5.	Re-valuation of certain reserves	22	(44)	66
6.	Amortization of goodwill/intangibles	86	86	—
7.	Adjustments related to GBS acquisition	51	11	40
8.	Deferred acquisition cost ("DAC") adjustment (on above items)	25	69	(44)
9.	All other adjustments	(30)	(20)	(10)
10.	**Total adjustments**	**1,123**	**(335)**	**1,458**
11.	**Management operating earnings**	**$ 2,281**	**$ 2,393**	**$ (112)**

[1]Net income attributable to NYL net of tax.

Note: Items 2-9 are also reported net of applicable tax.

Gains on investments (line 2) - All investment gains and losses are excluded from GAAP net income (including the gains/ losses on private equity investments reported in net investment income), net of tax and directly related adjustments, to arrive at management operating earnings. The directly related adjustments are primarily gains/losses attributed to "experience rated" insurance contracts and non-controlling interests on consolidated entities.

Policyholder dividends (line 3) - The dividends to participating policyholders that are supported by capital gains, surplus earned in prior years and earnings from other businesses (such as NYL Investments) are excluded from management operating earnings.

Amortization of interest related gains (line 4) - The gains on investments in line 2 include interest related gains and losses, primarily related to sales of fixed income securities. For management operating earnings, these gains and losses are amortized into earnings over the expected maturity of the security, materially consistent with statutory accounting rules for the interest maintenance reserve. This provides better matching to how these gains are credited to policyholders (either through dividends, interest crediting, or the interest cost inherent in policyholder liabilities).

Re-valuation of certain reserves (line 5) - GAAP requires that derivatives embedded in insurance contracts be recorded at fair value. The fair value calculation is based on current market assumptions rather than expected long term assumptions, which creates volatility in GAAP net income and does not reflect management's best estimate. In addition, liabilities associated with the John Hancock closed block are recorded at fair value. This adjustment eliminates market volatility inherent in using the current or short-term discount rate assumptions.

Amortization of goodwill/intangibles (line 6) - Represents removal of amortization (including impairments) of intangible assets from management operating earnings and amortization of goodwill (in connection with the Company's adoption of private company guidance allowing the amortization of goodwill over 10 years).

Exclusion of GBS acquisition (line 7) - Represents one time integration and pre-deal signing costs associated with acquisition of GBS in 2020.

DAC adjustment (line 8) - DAC on participating whole life, universal life, and deferred annuities are amortized in proportion to the estimated gross profits on these products. The pattern of gross profits on a management operating earnings basis is adjusted for the impact of lines 2-5 above. This results in a different amortization pattern of DAC for management operating earnings.

All other adjustments (line 9) - Other primarily represents an adjustment for certain expenses related to other M&A activity (including the wind down of operations) and the timing of certain benefit plan related expenses.