

GAAP Net Income to Management Operating Earnings

Operating Earnings is the measure used for management purposes to track the company's results from ongoing operations and the underlying profitability of the business. This metric is based on accounting principles generally accepted in the United States of America (GAAP) with certain adjustments we believe are more appropriate as a measurement approach (non-GAAP). Operating earnings equal GAAP net income adjusted for, primarily, the removal of gains and losses from investments and related adjustments.

The following reconciles Consolidated GAAP Net Income Attributable to New York Life to Operating Earnings:

(\$ millions)	2015	2014	Variance
1. GAAP net income¹	\$ 1,486	\$ 2,219	\$ (733)
Adjustments for:			
2. Exclusion of gains on investments (net of directly related adjustments)	(489)	(990)	501
3. Exclusion of policyholder dividends	642	524	118
4. Inclusion of amortization of interest related gains	206	171	35
5. Re-valuation of certain reserves	(23)	91	(114)
6. Exclusion of intangible asset expense	36	-	36
7. Deferred Acquisition Cost ("DAC") adjustment (on above items)	9	5	4
8. All other adjustments	8	4	4
9. Total Adjustments	\$ 389	\$ (195)	\$ 584
10. Operating earnings	1,875	2,024	(149)

¹Net Income attributable to NYL including net gain from discontinued operations, net of income tax benefit.

Note: Items 2-8 are also reported net of applicable tax

Gains on investments (line 2) - All gains and losses are excluded from GAAP net income (including the gains/losses on private equity 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 and SMA) 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.

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 John Hancock closed block are recorded at fair value. This adjustment eliminates market volatility inherent in using the current or short term assumptions.

Intangible Asset Adjustment (line 6) - Represents removal of intangible assets impairment expense from management operating earnings, since this market value adjustment is similar to a capital gain/loss item.

DAC Adjustment (line 7) - 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 8) - Other in 2015 primarily represents the adjustment for certain acquisition and disposition related expenses and tax items related to investment management businesses.