

I. GAAP Net Income to Management Operating Earnings

(\$ millions)	2016	2015	Variance
1. GAAP net income¹	\$ 1,372	\$ 1,486	\$ (114)
Adjustments for:			
2. Exclusion of gains on investments (net of directly related adjustments)	(576)	(489)	(87)
3. Exclusion of policyholder dividends	817	642	175
4. Inclusion of amortization of interest related gains	230	206	24
5. Re-valuation of certain reserves	39	(23)	62
6. Exclusion of intangible asset impairment expense	77	36	41
7. Deferred Acquisition Cost ("DAC") adjustment (on above items)	(17)	9	(26)
8. All other adjustments	12	8	4
9. Total adjustments	\$ 582	\$ 389	\$ 193
10. Management operating earnings	\$ 1,954	\$ 1,875	\$ 79

¹Net Income attributable to NYL net of tax.

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 impairment 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 primarily represents the exclusion of certain expenses related to M&A activity (including the wind down of operations) and beginning in 2016, the normal amortization of finite intangible assets.