I. GAAP Net Income to Management Operating Earnings

($ millions)		2018	2017	Variance
1.	**GAAP net income[1]**	**$ 1,446**	**$ 2,761**	**$ (1,315)**
Adjustments for:				
2.	Exclusion of gains on investments (net of directly related adjustments)	(288)	(1,248)	960
3.	Exclusion of policyholder dividends	1,095	910	185
4.	Inclusion of amortization of interest related gains	222	253	(31)
5.	Re-valuation of certain reserves	(34)	(73)	39
6.	Amortization of Goodwill/Intangible	13	27	(14)
7.	Deferred Acquisition Cost ("DAC") adjustment (on above items)	(23)	52	(75)
8.	Impact of Tax Reform	(113)	(630)	517
9.	All other adjustments	(2)	6	(8)
10	**Total adjustments**	**870**	**(703)**	**1,573**
11.	**Management operating earnings**	**$ 2,316**	**$ 2,058**	**$ 258**

[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 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 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/Intangible (line 6) - Represents removal of amortization (including impairments) of finite intangible assets from management operating earnings.

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.

Impact of Tax Reform (line 8) - This amount is excluded from management operating earnings given the significant one time, out-of period nature of this adjustment and the fact that the GAAP impact is primarily driven by unrealized gains on investments. In 2017, these impacts are primarily comprised of the revaluation of deferred tax assets and liabilities from 35% to 21% and the 15.5% tax on the deemed repatriation of foreign earnings. In 2018, we were able to realize certain of the deferred tax benefits at 35% rate by taking these deductions on the 2017 tax return. Since we excluded the initial impact from the revaluation from 35% to 21% in 2017, we excluded the recovery in 2018.

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