FGL Holdings

KBW Insurance Conference

September 6, 2018

Legal Disclosures

- All data in this presentation are as of June 30, 2018, unless stated otherwise.
- Caution regarding forward-looking statements:
  - This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results, events and developments to differ materially from those set forth in, or implied by, such statements. These statements are based on the beliefs and assumptions of F&G’s management and the management of its subsidiaries.
  - Generally, forward-looking statements include actions, events, results, strategies and expectations and are often identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans,” “seeks,” “estimates,” “projects,” “may,” “will,” “could,” “might,” or “continues,” “outlook” or similar expressions. Factors that could cause actual results, events and developments to differ from those set forth in, or implied by, the statements set forth herein are discussed from time to time in F&G’s filings with the SEC, as well as those of its predecessor companies—FGL and CFCO. You can find these filings on the SEC’s website, www.sec.gov.
  - All forward-looking statements we describe herein are qualified by these cautionary statements and we can provide no assurance that the actual results, events or developments referenced herein will occur or be realized. F&G does not undertake any obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.
  - All estimates and forecasts for the effects of purchase accounting are preliminary and subject to change.
- Permission neither sought nor obtained with reference to third party sources.

Overview: CF Corp + FGL → FGL Holdings (NYSE: FG)

CF Corporation

- Raised $1.2B within one of the largest U.S.-listed special purpose acquisition companies (SPAC)
- Primary objective:
  to acquire and build a high quality, enduring operating business with permanent capital
- Significant co-founders' investment aligns with shareholders' interests
- Capital raised from a broad base of blue-chip, long-term investors
- Resulted in FGL Holdings

Founders & Co-Chairmen

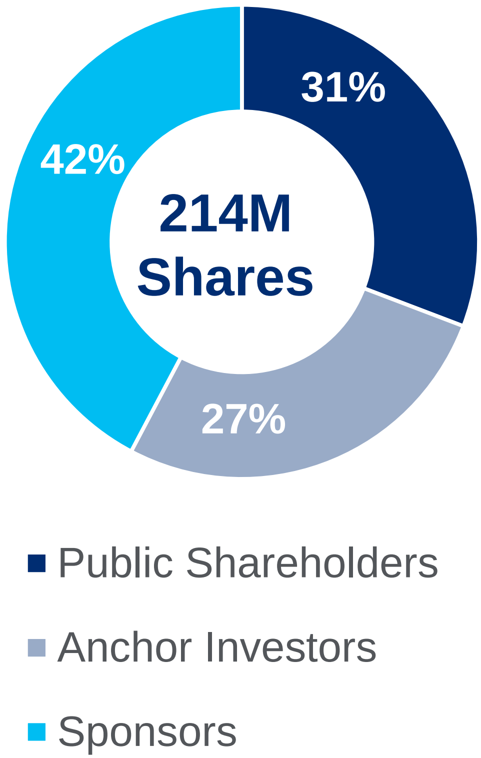
Chinh Chu

- Previously a Senior Managing Director at Blackstone and member of Blackstone's Executive Committee
  - Was longest tenured partner aside from Stephen Schwarzman
- Served on Boards of Kronos, NCR, SunGard, London Financial Futures Exchange, BankUnited, Stearns Mortgage, Celanese, Nalco, Catalent, Nycomed, Stiefel, Allied Barton, and Graham

Bill Foley

- Over $60B of public market value creation
- 3 separate multi-billion dollar public market platforms, with hundreds of acquisitions across all platforms
- Chairman of the Board of Fidelity National Financial (FNF)
- Vice Chairman of the Board of Fidelity National Information Services
- Chairman and CEO of Cannae Holdings, Inc.

Strength of the Founders' Partnership



- Sponsors (Chinh Chu, Bill Foley, Blackstone and FNF) and anchor investors have interests aligned with public investors
- Blue chip, longer horizon sponsors view this transaction as transformational to build value
- CF Corp Founders are now co-chairman of FGL Holdings

Post Merger Scorecard

Transaction Related

- ✓ Offshore reinsurance structure established and growing – will generate ~$200M in 2018 with three to five additional flow deals in 2018/2019; will help drive ETR down over time
- ✓ BEAT strategy in place preserving flexibility pending further Tax Reform guidance
- ✓ Evaluating potential sale of long-term care block acquired with Front Street Re Cayman

Growth & Profitability

- ✓ Positive retail sales momentum and distribution relevance/confidence, resulting in sales up 10%+
- ✓ Unlevered lifetime new business IRRs > 14% (same focus on profitability)
- ✓ AOI return on equity mid-teens overall; higher for FIA product line
- ✓ Portfolio repositioning – net spreads stable to improving with repositioning
  - ✓ phase 1 done (↑ $40M annualized NII)
  - ✓ phase 2 underway (↑ ~$60M to $75M NII)
  - ✓ phase 3 progressing (target alternative investments allocation to ~5% of portfolio)
- ✓ Strong earnings results in 1H18 with GAAP AOI up ~50% to 1H17
- ✓ Disciplined review of multiple M&A opportunities
- ✓ DOL rule risk substantially mitigated

Capital & Balance Sheet Strength

- ✓ Enhanced financial flexibility and strength – new $250M revolver facility; $550M debt refinancing to lower interest expense and infuse additional capital into insurance companies
- ✓ Consolidated RBC of ~485% at 2Q18, net of ~40 points impact from Tax Reform
- ✓ Demonstrated fungibility / movement of capital with new onshore/offshore legal entity structure

What Makes F&G Different?

Structure

- Commitment and strength of sponsors, with access to equity capital and M&A expertise
- Public company with demonstrated access to capital markets, FHLB, credit lines
- Blackstone investment advantage; expertise, scale and asset flows
- Iowa domicile; knowledgeable insurance regulator

Market & Competition

- Top market ranking despite ratings outlier
- Long tenured distribution relationships
- Consistent & disciplined pricing philosophy to achieve profit and capital targets
- Experienced and stable management team
- Strong demographics favor FIA marketplace

Operations

- Outsourced TPA model scalable & nimble
- Early digital wins
- ERM framework holistic and embedded
- Offshore platform provides flexibility and fungible sources of capital

Financial performance

- Track record of delivering profitable growth and positive KPI trends while consistently improving and maintaining strong capital
- A conservative, stable reserve & hedging philosophy, backed by consistent results
- Diversity of profit / capital generation from offshore reinsurance platform over time

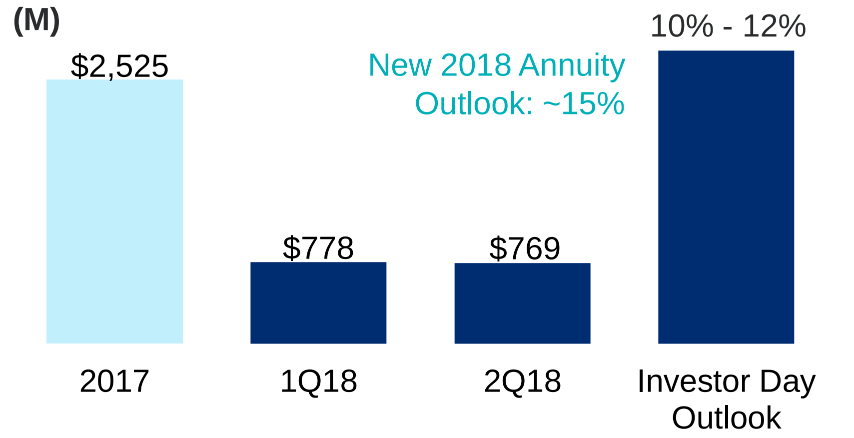
Strategic Priorities

Improve Ratings	▶ Maintain consolidated RBC > 450% ▶ Completed refinancing of existing debt and contributed $125M of capital to insurance sub in Q2
Complete Portfolio Repositioning	▶ Completed block trade in Q1 (~$40M GAAP net investment income (NII) uplift) ▶ Complete structured trade (~$60M to $75M NII uplift) ▶ Boost alternative investments allocation to ~5% of portfolio
Increase Retail Sales	▶ Achieve ratings upgrade to open access to new agents, partners and channels ▶ Maintain strong FIA and MYGA positions in independent channel ▶ Increase engagement with top 300 Power Producers ▶ Prepare to enter independent broker/dealer (IBD) and regional bank channels ▶ Expand IUL distribution
Leverage Reinsurance Platform	▶ Grow international business; existing international partner (ULIC) at ~$200M sales in 2018 ▶ Secure new flow reinsurance deals; expect to finalize 3-5 new flow treaties in 2018/2019
Drive Higher Profitability & Returns	▶ Complete portfolio repositioning ▶ Optimize offshore structure ▶ Work with U.S. Treasury on BEAT guidance ▶ Capture operating efficiencies with scalable platform
Grow with M&A	▶ Evaluate accretive opportunities that grow and diversify sales and profits ▶ Target M&A deals that enhance credit profile
Win with Talent	▶ Continue to attract, retain and develop talent

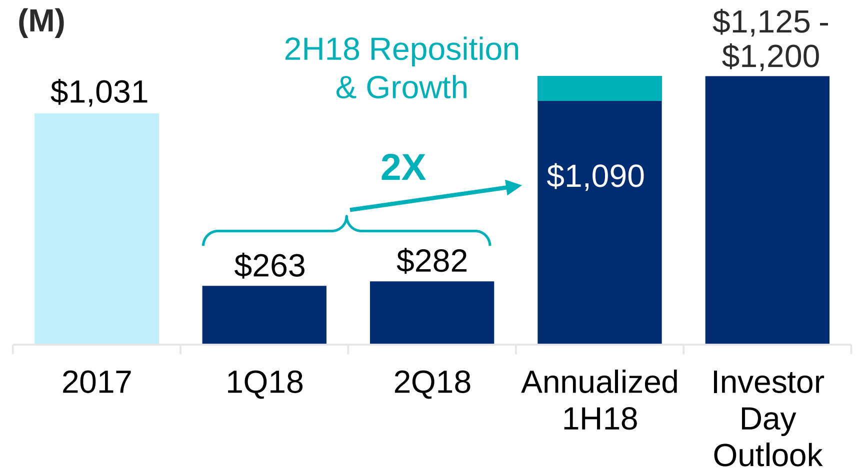
Financial Performance

Key Trends Versus 2018 Investor Day Outlook

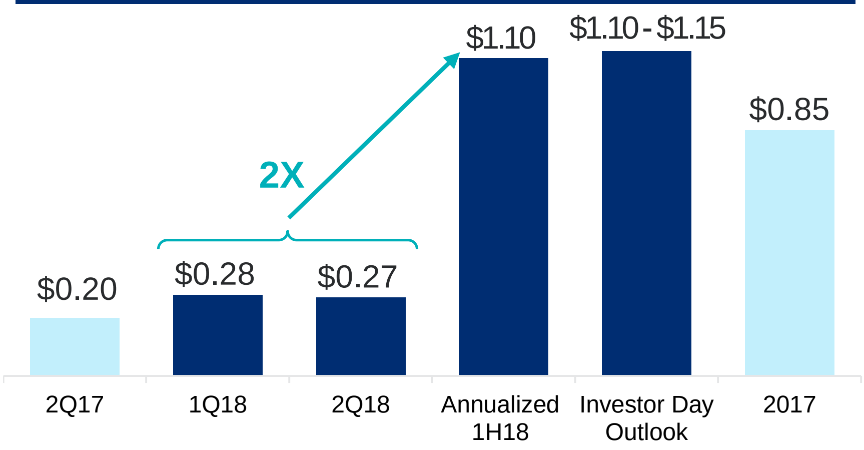
Annuity Sales



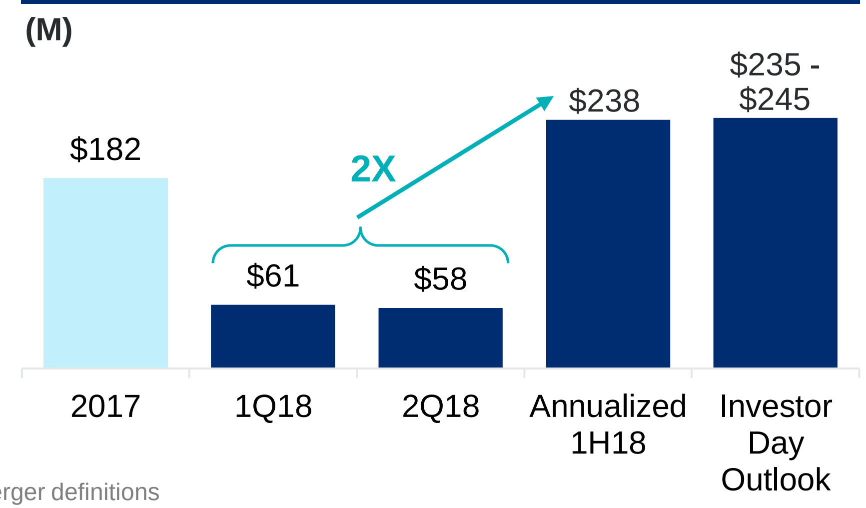
Net Investment Income



Common Earnings per Share[1]



Common Adjusted Operating Income[1]

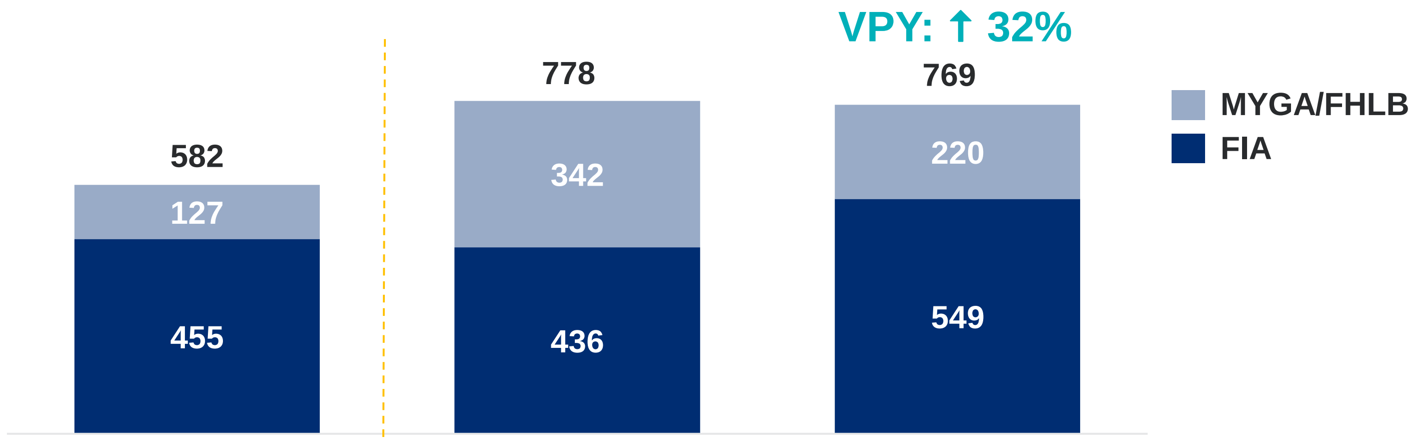


[1]Earnings and earnings per share reflect common shareholder metrics and post-merger definitions

Strong 2Q18 Sales

($M)

Annuity Sales



	2Q17	1Q18	2Q18
IUL[1]	9	6	7
International[2]	0	33	54

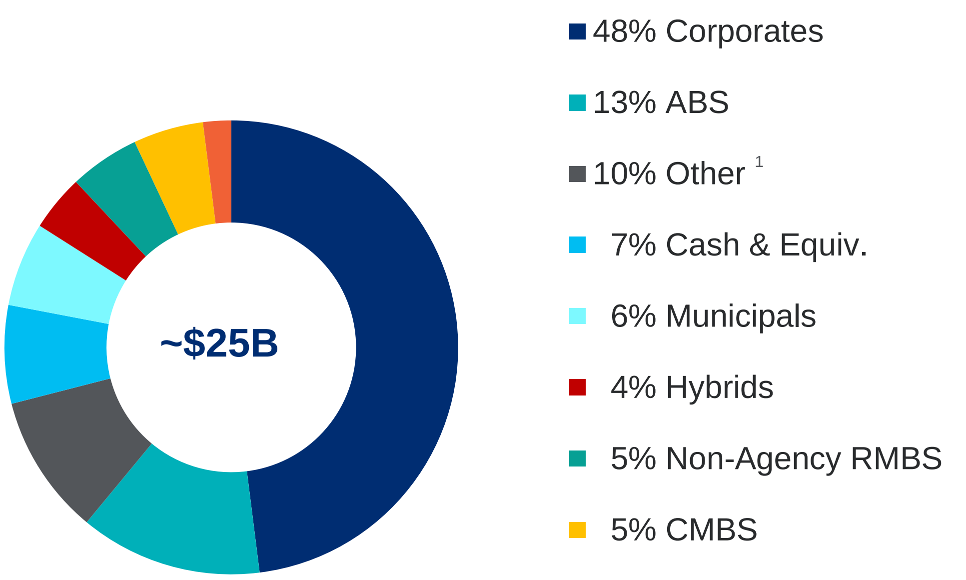
2Q18 total sales $830M, up 40% from prior year and up 2% sequentially

- FIA sales ↑ 21% to $549M, ahead of previous outlook of 15%
- MYGA sales ↑ 73% to $220M, with Blackstone providing improved asset availability
- Strong International sequential sales growth totaling $54M in 2Q18 … building pipeline
- Achieving strong double digit IRRs above target

[1]IUL at annualized target premium—industry standard basis
[2]International reflects post merger International sales beginning December 2017

Investment Portfolio

Investment Portfolio by Asset Class



High quality fixed income portfolio: Average NAIC 1.5

- Investment portfolio performing well … net investment income up 10%
- Benefitting from Blackstone's expertise driving enhanced yield, access to broad array of funds and enhanced diversification
- Ongoing portfolio reposition progress with moves into Structured Securities in 2018 and Alternative Assets by end of 2019
- Maintaining a disciplined approach to portfolio risk management … a stable NAIC 1.5 credit quality while optimizing yields on both in-force and new business

[1]Consists of commercial mortgage loans, derivatives, preferred stocks, policy loans and common stock

Portfolio Reposition Timing Summary

(M)

	Target Timing	2018 Realized NII[1]	Annualized NII[1] Uplift
Phase 1 – Block Trade	✓	$33	~$40
Phase 2 – Shift into Structured Securities	2018	$20	~$60 - $75
Phase 3 – Alternatives	2018 - 2020	~$5	~$100 - $125
Subtotal		$55+	$200+
Additional Optimization Actions	2018	~$10	$20
Total Reposition		~$65	$220+

- Portfolio repositioning progressing well
- Benefits of Blackstone partnership delivering consistent wins
  - Improved new money rates and access to larger allocations of most desirable securities
  - In-force uplift
  - Asset class diversification
  - Improved risk management profile
- Additional actions underway to further optimize NII by year end

[1]Net investment income shown before intangibles amortization and taxes

Phase 1: Block Trade Highlights — Complete

Sell:

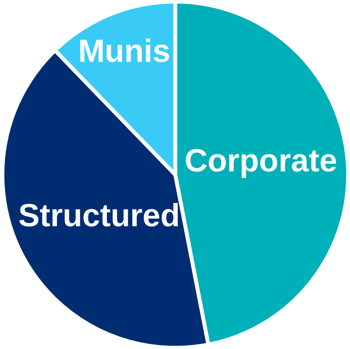
Buy:

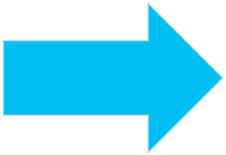
Sell $2.7 B	Buy $2.7 B
Yield 3.5%	Yield 5.0%
Average NAIC rating: 1.5	Average NAIC rating: 1.5
Average Duration 5 years	Average Duration 13 years

- Intentionally extended duration to improve yields…well within established risk tolerances
- Annualized NII pickup (before amortization and taxes): ~$40 million…$33 million realized in 2018
- Maintained portfolio diversification while staying with existing issuers

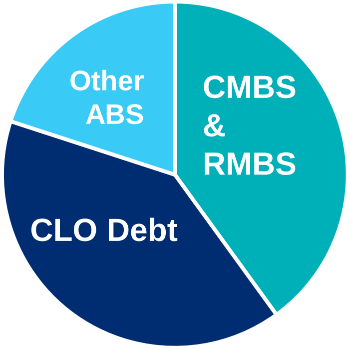
Phase 2: Structured Securities Highlights — On-going

Sell:





Buy:



Sell	Buy
Sell: ~$4 B to $5 B	Buy: ~$4 B to $5 B
Yield 4.2%	Yield 5.5%
Average NAIC rating: 1.3	Average NAIC rating: 1.6
Average Duration 7 years	Average Duration 4 years

- Shift from public corporates to three broad asset categories:
  - Mortgage related securities — CMBS, RMBS — managed by BX Real Estate (BREDS)
  - CLO debt focused on NAIC 2 and better; generally floating rate — managed by Blackstone GSO
  - Privately originated, investment grade-rated credit sourced across Blackstone businesses— managed by Blackstone Insurance Solutions
- Assets are investment-grade rated instruments at higher spreads relative to typical investment grade securities
- Annualized NII pickup (before amortization and taxes) $60M - $75M…expect $20M in ’18

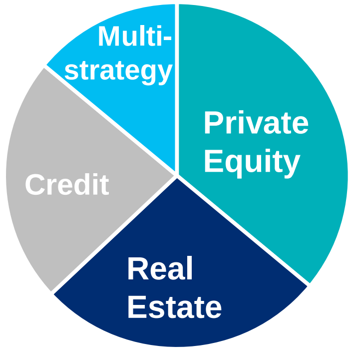
Phase 3: Alternative Assets — On-going

Sell / New Cash Flows:

Mix of Inforce and New Money Cash Flows & Asset Sales

Buy:

- Grow from pre-merger $250M to $1.5B by 2020
- Build to ultimate lifetime net return of ~12%



- Invest up to 5% fully funded allocation of portfolio into broad array of Blackstone & 3rd party funds / LPs
- Anticipate 15% allocation to current draw strategies and 85% to delayed draw strategies
- Typical investment size $50M - $100M
- Ultimate net returns ~12%

Estimated Timing & Benefits:

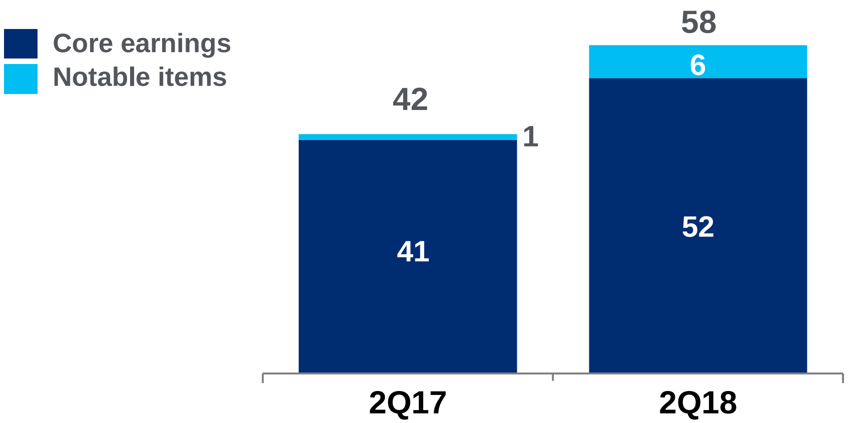
	2018	2019	2020
Phase 3 – Additional Alternative Assets			
Average Funding	$100M	$550M	$1.1B
Net Inv. Income	$5M	$35M	$100M
Alternatives Portfolio – Total (Existing + Phase 3)			
Funded % of AUM	2%	4%	5%
Average Funding	$350M	$875M	$1.5B
Net Inv. Income	$20M	$60M	$145M
Net Returns	**6%**	**7%**	**10%**

GAAP Earnings Trend

AOI[1] - Quarter Ended 6/30[1]

($M)

VPY: ↑ 38%

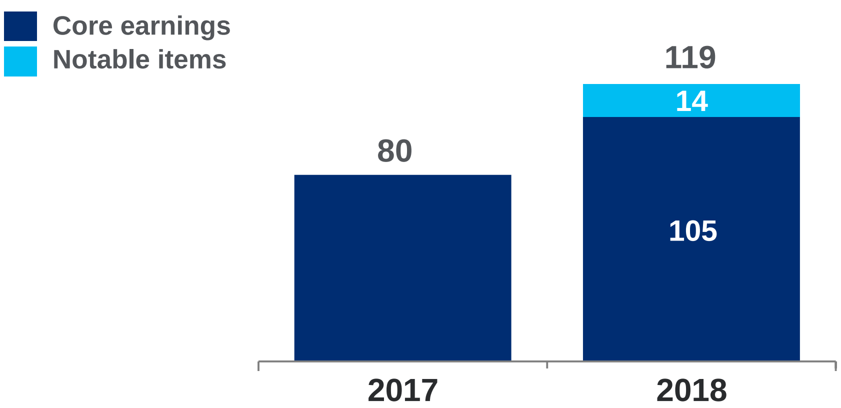


2Q Net Income[1]	**$32**	**$13**
AOI EPS[1]	$0.20	$0.27
AOI ROE[2]	10.3%	15.6%

AOI – Year to Date Ended 6/30[1]

($M)

VPY: ↑ 49%



1H Net Income[1]	**$54**	**$58**
AOI EPS[1]	$0.37	$0.55
AOI ROE[2]	10.3%	15.6%

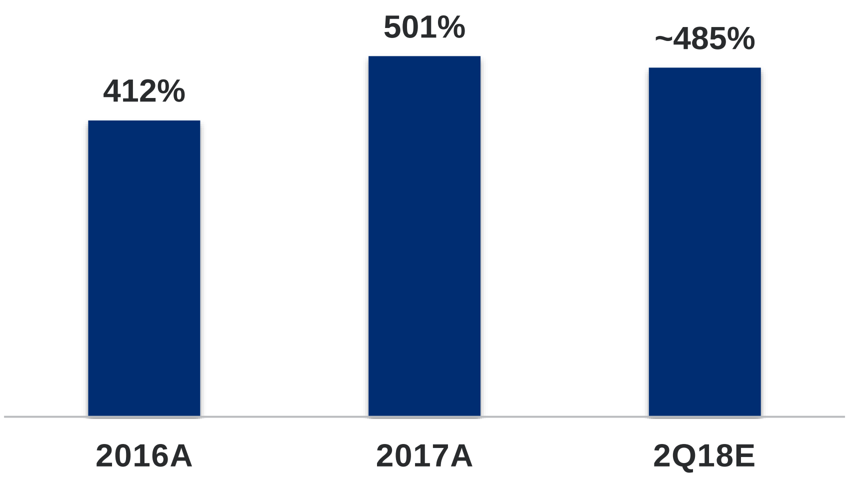
Strong performance continues across all key metrics

- AOI up 38% year over year in 2Q18, up 49% year-to-date
- Net spreads stable to improving as re-positioning benefits begin to emerge
- SPIA mortality continues to trend positive
- AOI return on equity mid-teens overall; higher for FIA product line

[1]Earnings, EPS, and ROE reflect common shareholder metrics and post-merger definitions
[2]Reflects 12-month rolling average

Capital & Ratings Update

Risk-Based Capital (RBC)[1]



Current Ratings

Current Ratings	S&P	A.M. Best	Fitch	Moody's
Issuer Credit Rating[2]	BB+ / Positive		BB+ / Stable	Ba3 / Stable
Financial Strength Rating[3]	BBB+ / Stable	B++ / Positive	BBB / Stable	Baa2 / Stable
Senior Unsecured Notes Rating	BB+	bb+ / Positive	BB / Stable	Ba2 / Stable

- Consistently strong capital levels; expect to maintain > 450% RBC (company action level)
- Refinanced outstanding debt during quarter – paid down revolver, lowered rate and contributed $125M to Iowa operating company to fund new business
- Deployable capital[4] ~$400M available for general purposes and/or accretive M&A
- A.M. Best recently upgraded to Positive Outlook

[1]Reflects company action level RBC on aggregate, combined basis for Fidelity & Guaranty Life Insurance Company and F&G Re Ltd, including impacts of Tax Reform in 2Q18
[2]Reflects issuer credit rating for FGL Holdings.
[3]Reflects financial strength rating for insurance operating subsidiaries.
[4]Defined as: (a) capital > 425% RBC, (b) available debt capacity and (c) holding company cash and invested assets

Appendix

Consolidated Balance Sheets

FGL Holdings Condensed Consolidated Balance Sheets (Unaudited)

(In millions)	June 30, 2018 (Unaudited)	December 31, 2017 (Unaudited)
ASSETS		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: June 30, 2018 - $21,061; December 31, 2017 - $20,847)	$ 20,326	$ 20,963
Equity securities, at fair value (cost: June 30, 2018 - $1,378; December 31, 2017 - $1,392)	1,344	1,388
Derivative investments	312	492
Short term investments	—	25
Commercial mortgage loans	525	548
Other invested assets	353	188
Total investments	22,860	23,604
Related party loans	—	—
Cash and cash equivalents	1,710	1,215
Accrued investment income	215	211
Funds withheld for reinsurance receivables, at fair value	769	756
Reinsurance recoverable	2,476	2,494
Intangibles, net	1,084	856
Deferred tax assets, net	286	176
Goodwill	476	476
Other assets	154	141
Total assets	$ 30,030	$ 29,929

Consolidated Balance Sheets

FGL Holdings Condensed Consolidated Balance Sheets (Unaudited)

(In millions)	June 30, 2018 (Unaudited)	December 31, 2017 (Unaudited)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Contractholder funds (a)	$ 22,574	$ 21,844
Future policy benefits, including $738 and $728 at fair value at June 30, 2018 and December 31, 2017, respectively (b)	4,710	4,751
Funds withheld for reinsurance liabilities (d)	—	—
Liability for policy and contract claims (c)	74	78
Debt	540	307
Revolving credit facility	—	105
Deferred tax liability, net	—	—
Other liabilities	794	892
Total liabilities	28,692	27,977
Shareholders' equity:		
Preferred stock ($.0001 par value, 100,000,000 shares authorized, 384,489 and 375,000 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	—	—
Common stock ($.0001 par value, 800,000,000 shares authorized, 214,370,000 issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	—	—
Additional paid-in capital	2,047	2,037
Retained earnings (Accumulated deficit)	(106)	(160)
Accumulated other comprehensive income (loss)	(603)	75
Treasury stock, at cost (no shares at June 30, 2018; no shares at December 31, 2017)	—	—
Total shareholders' equity	1,338	1,952
Total liabilities and shareholders' equity	$ 30,030	$ 29,929
Equity attributable to preferred shareholders (1)	$ 391	$ 377

(1) Refer to "Non-GAAP Financial Measures" for further details

(a) Contractholder funds include amounts on deposit for annuity and universal life contracts plus the fair value of future index credits and guarantees on our FIA and IUL products.
(b) Future policy benefits include the present value of future benefits on our traditional life insurance products and life contingent SPIA contracts.
(c) Liability for policy and contract claims represents policyholder pending claims.
(d) Funds withheld for reinsurance liabilities are collapsed into "Other liabilities" beginning with December 31, 2017, as the amount became immaterial for individual presentation following the merger.

Condensed Consolidated Statements of Operations

FGL Holdings Condensed Consolidated Statement of Operations (Unaudited)

	Three Months Ended		Six months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Successor	Predecessor	Successor	Predecessor
(In millions, except share data)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Premiums	$ 15	$ 12	$ 33	$ 15
Net investment income	282	257	545	504
Net investment gains (losses)	(2)	67	(193)	148
Insurance and investment product fees and other	45	44	93	88
Total revenues	340	380	478	755
Benefits and expenses:				
Benefits and other changes in policy reserves	249	235	231	503
Acquisition and operating expenses, net of deferrals	46	40	86	73
Amortization of intangibles	10	51	33	84
Total benefits and expenses	305	326	350	660
Operating income	35	54	128	95
Interest expense	(7)	(6)	(13)	(12)
Income before income taxes	28	48	115	83
Income tax expense	(8)	(16)	(43)	(29)
Net income	$ 20	$ 32	$ 72	$ 54
Less preferred stock dividend	7	—	14	—
Net income available to common shareholders	$ 13	$ 32	$ 58	$ 54
Net income per common share				
Basic	$ 0.06	$ 0.54	$ 0.27	$ 0.92
Diluted	$ 0.06	$ 0.54	$ 0.27	$ 0.92
Weighted average common shares used in computing net income per common share:				
Basic	214,370,000	58,335,216	214,370,000	58,330,848
Diluted	214,379,114	58,444,618	214,376,439	58,413,852
Cash dividend per common share	$ —	$ 0.065	$ —	$ 0.130

Non-GAAP Measures and Definitions

While management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace GAAP financial results and should be read in conjunction with those GAAP results.

Non-GAAP Measures:

- **Adjusted operating income** (AOI) is a non-GAAP economic measure we use to evaluate financial performance each period. AOI is calculated by adjusting net income (loss) to eliminate (i) the impact of net investment gains including other than temporary impairment ("OTTI") losses recognized in operations, but excluding gains / losses on derivatives hedging our indexed annuity policies, (ii) the effect of changes in fair values of FIA-related derivatives and embedded derivatives, net of hedging costs, (iii) the tax effect of change in fair value of affiliated reinsurance embedded derivative, (iv) the effect of integration, merger related & other non-operating items, (v) impact of extinguishment of debt, and (vi) net impact from Tax Cuts and Jobs Act. Adjustments to AOI are net of the corresponding impact on amortization of intangibles, as appropriate. The income tax impact related to these adjustments is measured using an effective tax rate of 21%, as appropriate. While these adjustments are an integral part of the overall performance of FG, market conditions and/or the non-recurring or non-operating nature of these items can overshadow the underlying performance of the core business. Accordingly, Management considers using a measure which excludes their impact is effective in analyzing the trends of our operations. Our non-GAAP measures may not be comparable to similarly titled measures of other organizations because other organizations may not calculate such non-GAAP measures in the same manner as we do.
- **AOI available to common shareholders** is a non-GAAP economic measure we use to evaluate financial performance attributable to our common shareholders each period. AOI available to common shareholders is calculated by adjusting net income (loss) available to common shareholders to eliminate (i) the impact of net investment gains / losses including other than temporary impairment ("OTTI") losses recognized in operations, but excluding gains and losses on derivatives hedging our indexed annuity policies, (ii) the effect of changes in fair values of FIA-related derivatives and embedded derivatives, net of hedging costs, (iii) the tax effect of change in fair value of affiliated reinsurance embedded derivative, (iv) the effect of integration, merger related & other non-operating items, (v) impact of extinguishment of debt, and (vi) net impact from Tax Cuts and Jobs act. All adjustments to AOI available to common shareholders are net of the corresponding impact on amortization of intangibles. The income tax impact related to these adjustments is measured using an effective tax rate of 21%, as appropriate. While these adjustments are an integral part of the overall performance of FG, market conditions impacting these items can overshadow the underlying performance of the business. Accordingly, Management considers using a measure which excludes their impact is effective in analyzing the trends of our operations. Our non-GAAP measures may not be comparable to similarly titled measures of other organizations because other organizations may not calculate such non-GAAP measures in the same manner as we do.
- **Average assets under management** (AAUM) is the sum of (i) total invested assets at amortized cost, excluding derivatives; (ii) related party loans and investments; (iii) accrued investment income; (iv) funds withheld at fair value; (v) the net payable/receivable for the purchase/sale of investments and (iv) cash and cash equivalents, excluding derivative collateral, at the beginning of the period and the end of each month in the period, divided by the total number of months in the period plus one. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the rate of return on assets available for reinvestment.
- **Yield on AAUM** is calculated by dividing annualized net investment income by AAUM. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the level of return earned on AAUM.
- **Net investment spread** is the excess of net investment income earned over the sum of interest credited to policyholders and the cost of hedging our risk on FIA policies. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the performance of the Company's invested assets against the level of investment return, inclusive of hedging costs, provided to policyholders.
- **Investment book yield** on bonds purchased during the period excludes yield on short-term treasuries and cash and cash equivalents. The Predecessor considered this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the level of returned on their income generating invested assets.

Non-GAAP Measures and Definitions—Continued

<u>**Non-GAAP Measures (continued):**</u>

- **Sales** are not derived from any specific GAAP income statement accounts or line items and should not be viewed as a substitute for any financial measure determined in accordance with GAAP. For GAAP purposes annuity and IUL sales are recorded as deposit liabilities (i.e. contract holder funds). Management believes that presentation of sales as measured for management purposes enhances the understanding of our business and helps depict longer term trends that may not be apparent in the results of operations due to the timing of sales and revenue recognition.
- **Common shareholders' equity** is based on Total Shareholders' Equity excluding Equity Available to Preferred Shareholders. Management considers this to be a useful measure internally and to investors to assess the level of equity that is attributable common stock holders.
- **Common shareholders' equity excluding AOCI** is based on Common Shareholders Equity excluding the effect of AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments, Management considers this non-GAAP financial measure to provide useful supplemental information internally and to investors and analysts assessing the level of earned equity on common equity.
- **Adjusted operating return on common shareholders' equity excluding AOCI** is a non-GAAP financial measure. It is calculated by dividing AOI Available to Common Shareholders' by total average Common Shareholders' Equity Excluding AOCI. Average Common Shareholders' Equity Excluding AOCI for the twelve months rolling, is the average of 5 points throughout the period and for the quarterly average Common Shareholders Equity is calculated using the beginning and ending Common Shareholders Equity, Excluding AOCI, for the period. For periods less than a full fiscal year, amounts disclosed in the table are annualized. As a result of the merger, the starting point for calculation of average Common Shareholders' Equity was reset to December 1, 2017. The rolling average will be updated from the merger date forward to use available historical data points for the successor until 5 historical data points are available. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments, Management considers this non-GAAP financial measure to provide useful supplemental information internally and to investors and analysts assessing the level of adjusted earned return on common equity.
- **Book value per common share including and excluding AOCI** is calculated as Common Shareholders' Equity and Common Shareholders Equity Excluding AOCI divided by the total number of shares of common stock outstanding. Management considers this to be a useful measure internally and for investors and analysts to assess the capital position of the Company.
- **Total capitalization excluding AOCI** is based on shareholders' equity excluding the effect of AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments, Management considers this non-GAAP financial measure to provide useful supplemental information internally and to investors and analysts to help assess the capital position of the Company.
- **Debt-to-capital** ratio is computed by dividing total debt by total capitalization excluding AOCI. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing its capital position.
- **Rating agency adjusted debt to capitalization, excluding AOCI** is computed by dividing the sum of total debt and 50% Equity Available to Preferred Shareholders by total capitalization excluding AOCI less a 50% credit for Equity Available to Preferred Shareholders. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing its capital position.
- **Equity available to preferred shareholders** is equal to the product of (a) the number of preferred shares outstanding plus share dividends declared but not yet issued and (b) the original liquidation preference amount per share. Management considers this non-GAAP measure to provide useful information internally and to investors and analysts to assess the level of equity that is attributable to preferred stock holders.

Non-GAAP Measure Reconciliations

Reconciliation from Net Income (Loss) to Adjusted Operating Income (AOI)

(Dollars in millions, except per share data)	Three Months Ended June 30, 2018	Three Months Ended March 31, 2018	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net income (loss)	$ 20	$ 52	$ (74)	$ 61	$ 32	$ 72	$ 54
Effect of investment losses (gains), net of offsets (a)	37	39	(6)	(5)	4	76	19
Effect of changes in fair values of FIA related derivatives, net of hedging costs (a) (b)	16	(46)	(4)	3	(4)	(30)	(6)
Effect of change in fair value of reinsurance related embedded derivative, net of offsets (a) (c)	—	—	(1)	5	8	—	16
Effect of integration, merger related & other non-operating items	3	8	21	2	5	11	7
Net impact of Tax Cuts and Jobs Act	—	—	131	—	—	—	—
Tax effect of affiliated reinsurance embedded derivative	—	15	(20)	—	—	15	—
Effects of extinguishment of debt	(2)	—	—	—	—	(2)	—
Tax impact of adjusting items	(9)	—	(8)	(1)	(3)	(9)	(10)
Adjusted operating income	$ 65	$ 68	$ 39	$ 65	$ 42	$ 133	$ 80
Dividends on preferred stock	(7)	(7)	(2)	—	—	(14)	—
AOI available to common shareholders	$ 58	$ 61	$ 37	$ 65	$ 42	$ 119	$ 80
Per diluted common share:							
Net income (loss) available to common shareholders	$ 0.06	$ 0.21	$ (0.36)	$ 1.06	$ 0.54	$ 0.27	$ 0.92
Effect of investment (gains) losses, net of offsets (a)	0.17	0.18	(0.03)	(0.09)	0.07	0.35	0.33
Effect of changes in fair values of FIA related derivatives, net of hedging costs (a) (b)	0.08	(0.22)	(0.02)	0.05	(0.07)	(0.14)	(0.10)
Effect of change in fair value of reinsurance related embedded derivative, net of offsets (a) (c)	—	—	—	0.09	0.14	—	0.27
Effect of integration, merger related & other non-operating items	0.01	0.04	0.10	0.02	0.09	0.05	0.12
Net impact of Tax Cuts and Jobs Act	—	—	0.61	—	—	—	—
Tax effect of affiliated reinsurance embedded derivative	—	0.07	(0.09)	—	—	0.07	—
Effects of extinguishment of debt	(0.01)	—	—	—	—	(0.01)	—
Tax impact of adjusting items	(0.04)	—	(0.04)	(0.02)	(0.05)	(0.04)	(0.17)
AOI available to common shareholders per diluted share	$ 0.27	$ 0.28	$ 0.17	$ 1.11	$ 0.72	$ 0.55	$ 1.37
Diluted common shares outstanding (d)	214.4	214.4	214.4	214.4	214.4	214.4	214.4
Common shareholders' equity excluding AOCI	1,550	1,536					
Adjusted operating return on common shareholders equity, excluding AOCI	15.0%	16.1%					

(a) Amounts are net of offsets related to value of business acquired ("VOBA"), deferred acquisition cost ("DAC") and deferred sale inducement ("DSI") amortization.

(b) The updated definition of AOI removes the impact of fair value accounting on FIA products for periods after December 31, 2017.

(c) Adjustment is not applicable subsequent to the Business Combination as the reinsurance agreement and related activity are eliminated via consolidation for U.S. GAAP reporting.

(d) Diluted common shares for all periods have been adjusted to reflect the impact of the merger

Non-GAAP Measure Reconciliations

Reconciliation of Book Value Per Common Share Excluding AOCI (Unaudited)

(In millions, except per share data)	June 30, 2018 (Unaudited)	December 31, 2017 (Unaudited)
Reconciliation to total shareholders' equity:		
Total shareholders' equity	$ 1,338	$ 1,952
Less: AOCI	(603)	75
Less: Preferred equity	391	377
Total common shareholders' equity excluding AOCI [1]	$ 1,550	$ 1,500
Total common shares outstanding	214.4	214.4
Weighted average common shares outstanding - basic	214.4	214.4
Weighted average common shares outstanding - diluted	214.4	214.4
Book value per common share including AOCI [1]	$ 4.42	$ 7.35
Book value per common share excluding AOCI[1]	$ 7.23	$ 7.00

Roll-forward of Assets Under Management (AAUM) (Unaudited)

(In billions)	AAUM
AAUM as of June 30, 2017	$ 20.4
Purchase accounting mark-to-market valuation of investment portfolio	1.2
Inclusion of acquired Front Street Re and FGL Holdings	1.9
Net new business asset flows	1.4
Other items	0.3
AAUM as of June 30, 2018	$ 25.2