



FGL Holdings (NYSE: FG)

2019 KBW Insurance Conference

September 5, 2019



F&G Overview



Leading provider of retirement and protection solutions to middle income consumers – **an attractive growth market**

Compelling business model, generating spread income on stable, well-priced insurance liabilities

Strategic partnership with Blackstone Insurance Solutions, a unique competitive advantage

Accelerating growth potential across organic channels, flow / block reinsurance and M&A opportunities

Well-capitalized balance sheet with ratings momentum

F&G At-a-glance

Overview

- ▶ FGL Holdings (NYSE: FG) was formed in 4Q17 through the acquisition of Fidelity & Guaranty Life by CF Corporation
 - ▶ Created high-ROE company positioned for sustained growth
 - ▶ Operations in Des Moines, IA; Baltimore, MD; Hamilton, Bermuda
 - ▶ Established in 1959
- ▶ Provide retirement & life insurance solutions for nearly 700,000 customers
 - ▶ Fixed Indexed Annuities (FIA)
 - ▶ Multi-Year Guarantee Annuities (MYGA)
 - ▶ Indexed Universal Life (IUL)
- ▶ Distribute products through an established network of 37,000 licensed agents
- ▶ Active Bermuda-based third-party reinsurance platform
- ▶ Employ ~330 associates dedicated to serving policyholders, distribution partners and shareholders

Highlights

Top 5 FIA Writer via Independent Agents

\$27 billion Investment Portfolio

>15% Adjusted Operating ROE

~475% RBC Ratio

“A-” A.M. Best Rating

Strong & Accelerating Financial Performance: YTD 2019 Summary

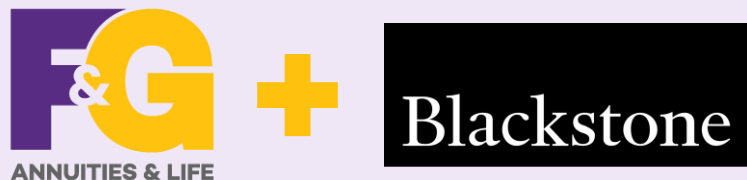
	1H19	vs. 1H18
Total Annuity Sales	\$2,175M	+41%
Fixed Index Annuity Sales	\$1,435M	+46%
Adjusted Operating Income (AOI) ¹	\$147M	+24%
Adjusted Operating ROE ^{1,2}	18.3%	+300 bps
Average Assets Under Management (AAUM)	\$26.7B	+6%

¹Earnings and ROE reflect common shareholder metrics

²Twelve month rolling average, excluding AOCI

Note: Refer to the appendix for definitions and reconciliations of non-GAAP measures

Blackstone Partnership Provides a Competitive Advantage for F&G



- ▶ Blackstone is one of the world's leading investment firms with assets under management of approximately \$545 billion¹
- ▶ Firm built on a strong foundation of intellectual and financial capital
- ▶ Scale to handle large, complex transactions that others cannot
- ▶ Leading market positions in all of its businesses
- ▶ Capabilities span across classes and products
- ▶ Existing expertise in managing tailored investment solutions on behalf of leading insurance companies

Investment Management Structure

- ▶ FGL Holdings has hired Blackstone Insurance Solutions (BIS) to manage its general account
- ▶ BIS focuses on high quality, primarily investment grade fixed income assets
- ▶ Blackstone provides access to proprietary investment opportunities at scale
- ▶ BIS' capabilities are supported by Blackstone's expertise in private credit, real estate, and alternative assets

Governance & Controls Structure

- ▶ F&G's management retains oversight for all investment activity and risks, including liability hedging
- ▶ F&G CIO has fiduciary responsibility to the operating companies
- ▶ Governance occurs at F&G's Board of Directors, F&G's operating companies, F&G's Executive Committee, and Blackstone

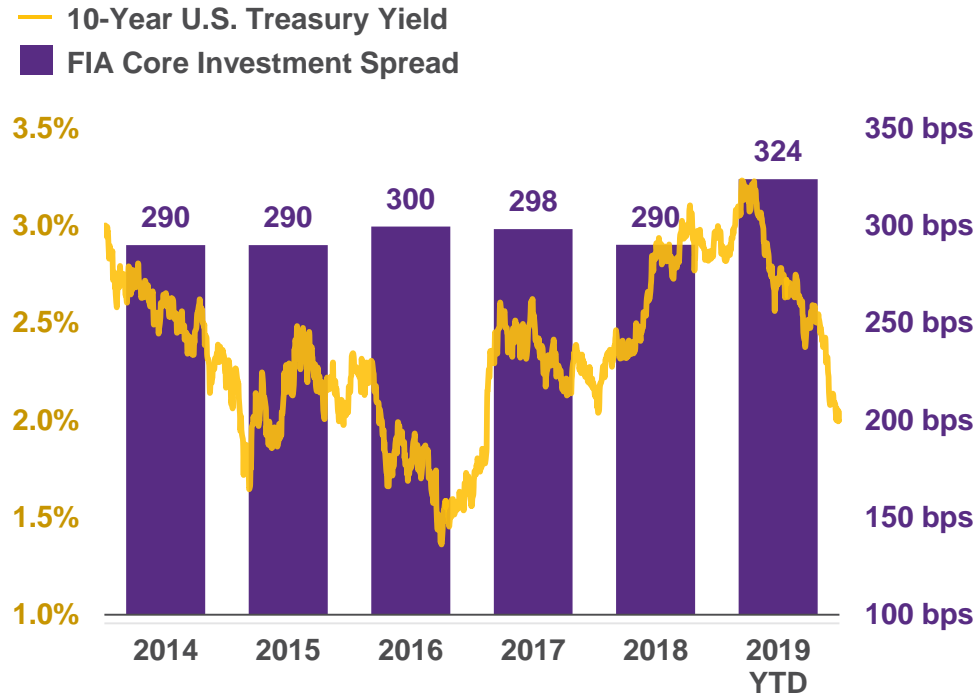
¹As of 6/30/2019

Note: Refer to the appendix for definitions and reconciliations of non-GAAP measures

FIA Core Investment Spread Over Time

FIA Core Spread¹ vs. 10-Year UST Yield

(BPS)



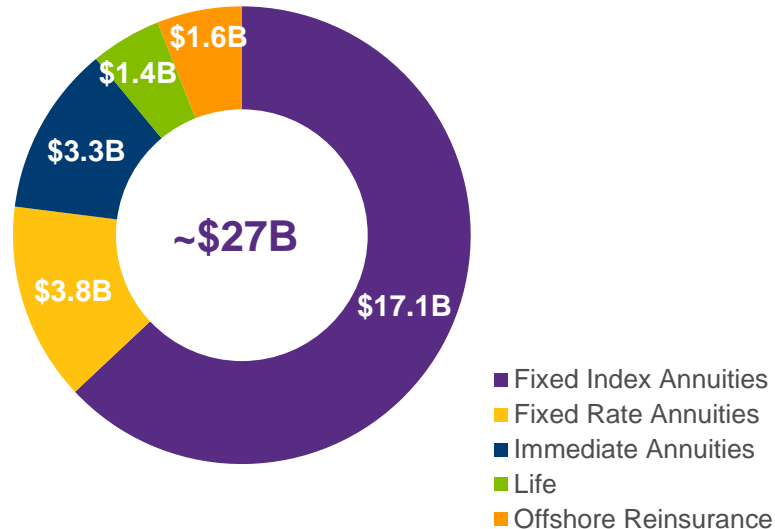
Despite volatility in interest rates, we have a long track record of consistently managing FIA core spread

- ▶ Ability to continuously re-price inforce annually by managing cost of crediting and caps
- ▶ New business can be re-priced monthly, further mitigating interest rate impact on spread

¹FIA Core Investment Spread excludes PGAAP amortization and expenses as well as bond prepayment and other income; 2019 YTD as of 6/30/19
 Note: Refer to the appendix for definitions and reconciliations of non-GAAP measures

A Profitable and Stable In-force Book

GAAP Net Reserves^{1,2}



Liability Profile

- ▶ Primarily FIAs and FAs; with growing IUL book
- ▶ Asset and liability cash flows are well matched
- ▶ During FIA accumulation, customer credited with interest linked to an index strategy (e.g., S&P 500)
- ▶ New business and in-force actively managed to maintain pricing IRR targets and net spread
- ▶ New FIA sales subject to MVA and surrender charges

Annuity Metrics¹

Fixed Annuities

Weighted-average life ³	6 years
% Surrender charge protected	86%
Average remaining surrender charge (% of account value)	8%
% Subject to MVA	53%
Average option cost/interest credited	2.1%
Distance to guaranteed minimum crediting rates	85 bps

¹Quarter ended 6/30/19 and where applicable, crediting costs and distance consider the spot costs of index and fixed credits

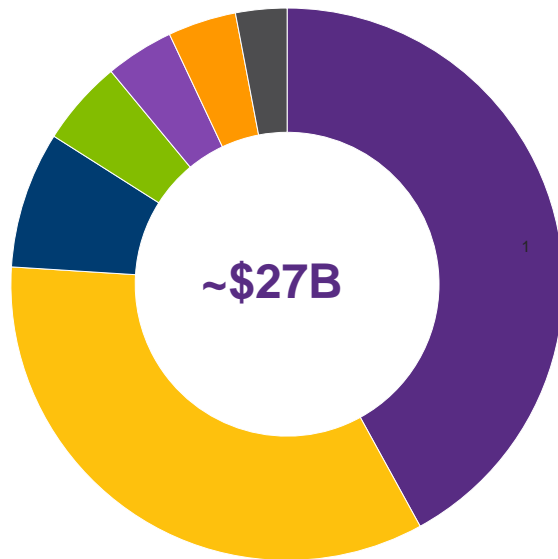
²GAAP net reserves comprised \$30B contractholder funds and future policy benefits, net of \$3B reinsurance recoverable

³Reflects effective duration of liabilities

Note: Refer to the appendix for definitions and reconciliations of non-GAAP measures

2Q19 Investment Portfolio

Investment Portfolio by Asset Class



- 42% Corporates
- 8% Other¹
- 4% Preferred Stocks
- 3% Alternative Assets
- 34% Structured Securities
- 5% Municipals
- 4% Hybrids

Average net earned yield 4.60% (incl. PGAAP);
new purchase net earned yield 4.75% in 2Q19

- ▶ Duration gap well within targeted +/- one year while maintaining high average quality at ~1.5 average NAIC
- ▶ Stable liabilities drive asset allocation
- ▶ Funded alternative assets \$912M, or 3.4% of portfolio

¹Other consists of commercial and residential mortgage loans, derivatives, policy loans, common stock and cash/cash equivalents
Note: Refer to the appendix for definitions and reconciliations of non-GAAP measures

Stable & Strong Capital Profile

Current Ratings

Rating	A.M. Best	S&P	Fitch	Moody's
Financial Strength Rating ¹	A- Stable	BBB+ Stable	BBB Positive	Baa2 Stable

Strong Capital Position

- ▶ Estimated RBC Ratio² of approximately 475% and deployable capital³ of ~\$300M
- ▶ Capital allocation priorities:

Organic Growth	Share Repurchase
Offshore Reinsurance Opportunities (F&G Re)	Accretive Block or Whole Company M&A

¹Reflects financial strength rating for insurance operating subsidiaries

²Reflects company action level RBC on aggregate, combined basis for insurance operating subsidiaries including impacts of Tax Reform

³Defined as: (a) capital > 425% RBC, (b) available debt capacity and (c) holding company cash and invested assets greater than 2X coverage threshold

Note: Refer to the appendix for definitions and reconciliations of non-GAAP measures

Sector Challenges and Opportunities Ahead

Aging demographics driving need for retirement products

“Low for long” rate environment and macro uncertainty

Investment portfolio yields across asset classes

Legacy liabilities and “tail risk” leading to restructuring among peers

Active M&A market



F&G & YOU

F&G provides annuities and life insurance for nearly 700,000 Americans. We work with your financial and insurance professional to ensure your prosperity, provide stability and security, and help you plan for a better tomorrow.

F&G is collaborative & transparent, dynamic & trustworthy.

Together, we'll make a great team.

fglife.com

F&G
ANNUITIES & LIFE

Experience the Power of Collaborative Thinking

F&G, Fidelity & Guaranty Life, the marketing name for Fidelity & Guaranty Life Insurance Company, Guaranty Insurance of New York, United States Fidelity of New York, Life Insurance and Annuities issued by Fidelity & Guaranty Life Insurance Company, New Orleans, LA.

Current Initiatives Driving Outperformance

- ▶ F&G is achieving solid growth in sales, earnings and ROE's, with multiple opportunities for continued outperformance

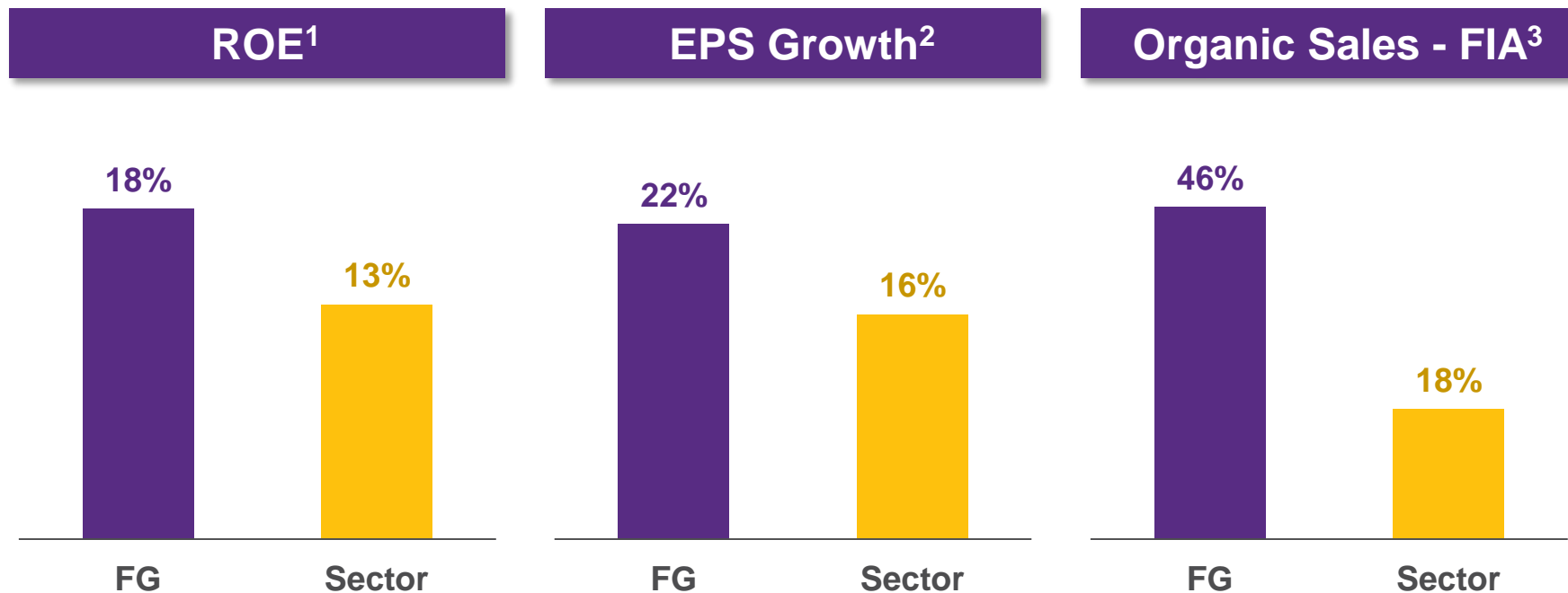
F&G Strategic Initiatives

- ▶ Organic growth
- ▶ Expansion of distribution channels
- ▶ Acquisitions
- ▶ Investment portfolio repositioning

F&G Edge

- ▶ Experienced leadership
- ▶ Disciplined expense management
- ▶ Performance culture
- ▶ Blackstone partnership

“Best-in-class” Performance



¹Twelve month rolling average, excluding AOCI

²1H19 vs. 1H18

³1H19 vs. 1H18 FIA organic sales growth

Note: Refer to the appendix for definitions and reconciliations of non-GAAP measures

Appendix

Legal Disclosures

- ▶ All data in this presentation are as of June 30, 2019, 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,” “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.

Consolidated Balance Sheets

FGL Holdings Consolidated Balance Sheets

	June 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: June 30, 2019 - \$22,954; December 31, 2018 - \$22,219)	\$ 23,362	\$ 21,109
Equity securities, at fair value (cost: June 30, 2019 - \$1,174; December 31, 2018 - \$1,526)	1,144	1,382
Derivative investments	383	97
Mortgage loans	760	667
Other invested assets	1,030	662
Total investments	26,679	23,917
Cash and cash equivalents	772	571
Accrued investment income	232	216
Funds withheld for reinsurance receivables, at fair value	1,922	757
Reinsurance recoverable	3,264	3,190
Intangibles, net	1,421	1,359
Deferred tax assets, net	150	343
Goodwill	467	467
Other assets	191	125
Total assets	\$ 35,098	\$ 30,945

Consolidated Balance Sheets

FGL Holdings Consolidated Balance Sheets

LIABILITIES AND SHAREHOLDERS' EQUITY

	(Unaudited)	
Contractholder funds	\$ 24,828	\$ 23,387
Future policy benefits, including \$1,787 and \$725 at fair value at June 30, 2019 and December 31, 2018, respectively	5,641	4,641
Funds withheld for reinsurance liabilities	839	722
Liability for policy and contract claims	66	64
Debt	542	541
Other liabilities	922	700
Total liabilities	32,838	30,055
Shareholders' equity:		
Preferred stock (\$.0001 par value, 100,000,000 shares authorized, 414,126 and 399,033 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively)	—	—
Common stock (\$.0001 par value, 800,000,000 shares authorized, 221,660,974 issued and outstanding at June 30, 2019 and December 31, 2018)	—	—
Additional paid-in capital	2,014	1,998
Retained earnings (Accumulated deficit)	30	(167)
Accumulated other comprehensive income (loss)	251	(937)
Treasury stock, at cost (4,475,919 shares at June 30, 2019; 600,000 shares at December 31, 2018)	(35)	(4)
Total shareholders' equity	2,260	890
Total liabilities and shareholders' equity	\$ 35,098	\$ 30,945

Consolidated Statements of Operations

FGL Holdings Consolidated Statement of Operations

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30, 2018
	2019	2018	2019	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Premiums	\$ 8	\$ 15	\$ 24	\$ 33
Net investment income	315	282	604	545
Net investment gains (losses)	135	(2)	375	(193)
Insurance and investment product fees and other	37	45	92	93
Total revenues	495	340	1,095	478
Benefits and expenses:				
Benefits and other changes in policy reserves	268	217	607	178
Acquisition and operating expenses, net of deferrals	147	46	191	86
Amortization of intangibles	13	17	42	44
Total benefits and expenses	428	280	840	308
Operating income	67	60	255	170
Interest expense	(8)	(7)	(16)	(13)
Income (loss) before income taxes	59	53	239	157
Income tax expense	(13)	(13)	(22)	(52)
Net income (loss)	\$ 46	\$ 40	\$ 217	\$ 105
Less Preferred stock dividend	8	7	16	14
Net income (loss) available to common shareholders	\$ 38	\$ 33	\$ 201	\$ 91
Net income (loss) per common share:				
Basic	\$ 0.17	\$ 0.15	\$ 0.92	\$ 0.42
Diluted	\$ 0.17	\$ 0.15	\$ 0.92	\$ 0.42
Weighted average common shares used in computing net income (loss) per common share:				
Basic	217.2	214.4	218.5	214.4
Diluted	217.3	214.4	218.5	214.4
Cash dividend per common share	\$ 0.01	\$ —	\$ 0.02	\$ —

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. 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. The following represents the definitions of non-GAAP measures used by the FGL Holdings.

Non-GAAP Measures:

- ▶ **Adjusted Operating Income (AOI)** 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/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 impacts related to changes in the fair values of FIA related derivatives and embedded derivatives, net of hedging cost, and the fair value accounting impacts of assumed reinsurance by our international subsidiaries, (iii) the tax effect of affiliated reinsurance embedded derivative, (iv) the effect of change in fair value of the reinsurance related embedded derivative, (v) the effect of integration, merger related & other non-operating items, (vi) impact of extinguishment of debt, and (vii) 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, as appropriate by tax jurisdiction. While these adjustments are an integral part of the overall performance of the Company, market conditions and/or the non-operating nature of these items can overshadow the underlying performance of the core business. Accordingly, Management considers this to be a useful measure internally and to investors and analysts in analyzing the trends of our operations. Beginning with the quarter ended December 31, 2018, the Company updated its AOI definition to remove the incremental change due to the impact of the fair value accounting election for international subsidiaries. Management believes this revision will enhance the understanding of our business as the Company executes its growth strategy through international third party assumed business and is more relevant to investors as the impact of fair value accounting election can create an increases/decreases in the assumed liabilities that does not match the increase/decrease of the corresponding assets. This change will be applied on a prospective basis as the Company executes its growth strategy through international third party assumed reinsurance.
- ▶ **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 the same items as described in the AOI paragraph above. While these adjustments are an integral part of the overall performance of the Company, market conditions impacting these items can overshadow the underlying performance of the business. Accordingly, Management considers this to be a useful measure internally and to investors and analysts in analyzing the trends of our operations.
- ▶ **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.

Non-GAAP Measures and Definitions

Non-GAAP Measures (continued):

- ▶ **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.
- ▶ **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.
- ▶ **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.
- ▶ **GAAP 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.
- ▶ **Statutory Book Value per Common Share (including and excluding Interest maintenance reserve ("IMR") and asset valuation reserve ("AVR"))** is calculated as Fidelity & Guaranty Life Insurance Company ("FGL Insurance")'s statutory basis capital and surplus plus the international insurance entities' common shareholder's equity and related distributable capital, excluding AOCI divided by the total number of shares of common stock outstanding at FGL Holdings. Statutory Book Value per Common Share excluding IMR and AVR is calculated as FGL Insurance's statutory basis capital and surplus excluding IMR and AVR plus the international insurance entities' common shareholder's equity and related distributable capital, excluding AOCI, divided by the total number of shares of common stock outstanding at FGL Holdings. Management considers this to be a useful measure internally and for investors and analysts to assess the capital position of our primary insurance entities.
- ▶ **Return on Average Common Shareholders' Equity** is calculated by dividing net income (loss) available to common shareholders by total average Common Shareholders' Equity. Average Common Shareholders Equity 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 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 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 to be a useful measure internally and for investors and analysts to assess the level of return driven by the Company that is attributable to common shareholders.

Non-GAAP Measures and Definitions

Non-GAAP Measures (continued):

- ▶ **Adjusted Operating Return on Average Common Shareholders' Equity Excluding AOCI** is calculated by dividing AOCI 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 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.
- ▶ **Debt-to-Capital excluding AOCI** 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.
- ▶ **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 provided to policyholders, inclusive of hedging costs.
- ▶ **Investment Book Yield** on bonds purchased during the period excludes yield on short-term treasuries and cash and cash equivalents. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the level of return on the Company's income generating invested assets.

Non-GAAP Measure Reconciliations

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

	Three months ended				Six months ended		
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	June 30, 2019	June 30, 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Dollars in millions, except per share data)						
Net income (loss)	\$ 46	\$ 171	\$ (148)	\$ 56	\$ 40	\$ 217	\$ 105
Adjustments to arrive at AOI:							
Effect of investment losses (gains), net of offsets (a)	(22)	(70)	174	38	37	(92)	76
Impacts related to changes in the fair values of FIA related derivatives and embedded derivatives, net of hedging cost, and the fair value accounting impacts of assumed reinsurance by our international subsidiaries (a) (b)	69	(17)	77	(30)	(9)	52	(72)
Effect of change in fair value of reinsurance related embedded derivative, net of offsets (a)	(10)	19	—	—	—	9	—
Effect of integration, merger related & other non-operating items	(3)	(3)	25	4	3	(6)	11
Effects of extinguishment of debt	—	—	—	—	(2)	—	—
Tax effect of affiliated reinsurance embedded derivative	—	—	(15)	—	—	—	15
Net impact of Tax Cuts and Jobs Act (c)	—	—	—	3	—	—	(2)
Tax impact of adjusting items	(7)	(10)	(29)	(2)	(4)	(17)	—
AOI	\$ 73	\$ 90	\$ 84	\$ 69	\$ 65	\$ 163	\$ 133
Dividends on preferred stock	(8)	(8)	(8)	(7)	(7)	(16)	(14)
AOI available to common shareholders	\$ 65	\$ 82	\$ 76	\$ 62	\$ 58	\$ 147	\$ 119
Per diluted common share:							
Net income (loss) available to common shareholders	\$ 0.17	\$ 0.74	\$ (0.70)	\$ 0.23	\$ 0.15	\$ 0.92	\$ 0.42
Adjustments to arrive at AOI:							
Effect of investment (gains) losses, net of offsets (a)	(0.10)	(0.32)	0.78	0.18	0.17	(0.42)	0.35
Impacts related to changes in the fair values of FIA related derivatives and embedded derivatives, net of hedging cost, and the fair value accounting impacts of assumed reinsurance by our international subsidiaries (a) (b)	0.32	(0.08)	0.35	(0.14)	(0.04)	0.24	(0.33)
Effect of change in fair value of reinsurance related embedded derivative, net of offsets (a)	(0.05)	0.09	—	—	—	0.04	—
Effect of integration, merger related & other non-operating items	(0.01)	(0.01)	0.11	0.02	0.01	(0.03)	0.05
Effects of extinguishment of debt	—	—	—	—	(0.01)	—	(0.01)
Tax effect of affiliated reinsurance embedded derivative	—	—	(0.07)	—	—	—	0.07
Net impact of Tax Cuts and Jobs Act (c)	—	—	—	0.01	—	—	—
Tax impact of adjusting items	(0.03)	(0.05)	(0.13)	(0.01)	(0.01)	(0.08)	—
AOI available to common shareholders per diluted share	\$ 0.30	\$ 0.37	\$ 0.34	\$ 0.29	\$ 0.27	\$ 0.67	\$ 0.55

(a) Amounts are net of offsets related to value of business acquired ("VOBA"), deferred acquisition cost ("DAC"), deferred sale inducement ("DSI"), unearned revenue ("UREV") amortization and cost of reinsurance intangible, as applicable.

(b) The updated definition removes the fair value impacts of assumed reinsurance by our international subsidiaries for periods after September 30, 2018.

(c) The Company recorded an immaterial out of period adjustment related to the December 1, 2017 fair value of the deferred income tax valuation allowance acquired from the Business Combination. See "Note 2. Significant Accounting Policies and Practices" of the Company's Form 10-K for additional information.

Non-GAAP Measure Reconciliations

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

(In millions, except per share data)

	<u>June 30, 2019</u> <u>(Unaudited)</u>	<u>December 31, 2018</u> <u>(Unaudited)</u>
Reconciliation to total shareholders' equity:		
Total shareholders' equity	\$ 2,260	\$ 890
Less: AOCI	251	(937)
Less: Preferred equity	422	406
Total common shareholders' equity excluding AOCI ⁽¹⁾	<u>\$ 1,587</u>	<u>\$ 1,421</u>
Total common shares outstanding	217.2	221.1
Weighted average common shares outstanding - basic	217.2	220.9
Weighted average common shares outstanding - diluted	217.3	220.9
Book value per common share including AOCI ⁽¹⁾	\$ 8.46	\$ 2.19
Book value per common share excluding AOCI ⁽¹⁾	\$ 7.31	\$ 6.43

Reconciliation of ROE to Adjusted Operating ROE

	<u>Twelve months ended</u>	
	<u>June 30, 2019</u> <u>(Unaudited)</u>	<u>December 31, 2018</u> <u>(Unaudited)</u>
	(Dollars in millions, except per share data)	
Return on average common shareholders' equity	8.2 %	(1.5) %
AOCI	(2.2) %	0.5 %
Return on average common shareholders' equity, excluding AOCI ⁽¹⁾	6.0 %	(1.0) %
Aggregate adjustments to arrive at AOI available to common shareholders ⁽⁵⁾	12.3 %	17.6 %
Adjusted Operating return on common shareholders' equity, excluding AOCI ⁽¹⁾	18.3 %	16.6 %