



# **BrightHouse Financial, Inc.** **Financial Supplement**

**Fourth Quarter 2017**



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Note: See Appendix for non-GAAP financial information, definitions and reconciliations. Financial information, unless otherwise noted, is rounded to millions. Some financial information, therefore, may not sum to the corresponding total.

The information presented in this financial supplement is derived from the consolidated financial statements of Brighthouse Financial, Inc. for periods subsequent to the separation from MetLife, Inc. that occurred on August 4, 2017, and is derived from the combined financial information of the MetLife U.S. Retail Separation Business for periods prior to the separation. The combined financial information was prepared in connection with the separation of a substantial portion of MetLife, Inc.'s former Retail segment as well as certain portions of its former Corporate Benefit Funding segment, and presents the combined results of operations and financial condition of certain former direct and indirect subsidiaries and certain of its current and former affiliates. As used in this financial supplement, "Brighthouse Financial," "Brighthouse," the "Company," "we," "our" and "us" refer to Brighthouse Financial, Inc., the entity that subsequent to the separation holds, through its subsidiaries, the assets (including the equity interests of certain former MetLife, Inc. subsidiaries) and liabilities associated with MetLife, Inc.'s former Brighthouse Financial segment.



# Financial Results

## Key Metrics (Unaudited, dollars in millions except share and per share amounts)

Financial Results and Metrics	As of or for the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net income (loss) (1)	\$668	\$(943)	\$246	\$(349)	\$(1,765)
Adjusted earnings (1)	\$992	\$(676)	\$324	\$280	\$(61)
Total corporate expenses (2)	\$287	\$241	\$226	\$215	\$198
<b>Stockholders' Equity (3)</b>					
Ending stockholders' equity	\$14,515	\$13,766	\$16,415	\$15,116	\$14,862
Ending AOCI	1,375	1,308	1,894	1,506	1,265
Ending stockholders' equity, excluding AOCI	\$13,140	\$12,458	\$14,521	\$13,610	\$13,597
Pro forma ending stockholders' equity, excluding AOCI (4)	\$12,840	N/A	\$12,170	N/A	N/A
<b>Return on Equity</b>					
Return on equity	(2.5)%	(17.9)%	(12.2)%	(21.4)%	(16.7)%
Return on equity, excluding AOCI (5)	(2.8)%	(20.1)%	(13.8)%	(24.3)%	(18.9)%
Adjusted return on equity (6)	6.8%	(1.0)%	5.9%	4.1%	4.4%
<b>Per Common Share</b>					
Net income (loss) per common share (7)	\$5.58	\$(7.87)	N/A	N/A	N/A
Adjusted earnings per common share (8)	\$8.28	\$(5.64)	N/A	N/A	N/A
Book value per common share (9)	\$121.19	\$114.93	N/A	N/A	N/A
Book value per common share, excluding AOCI (10)	\$109.71	\$104.01	N/A	N/A	N/A
<b>Common Shares</b>					
Weighted average common shares outstanding - basic	119,773,106	119,773,106	N/A	N/A	N/A
Weighted average common shares outstanding - diluted (7)(8)	119,773,106	119,773,106	N/A	N/A	N/A
Ending common shares outstanding	119,773,106	119,773,106	N/A	N/A	N/A
Ending common shares outstanding - diluted (9)(10)	119,773,106	119,773,106	N/A	N/A	N/A

(1) The Company recorded a non-cash tax expense of \$1.1 billion in the third quarter of 2017 related to a tax obligation triggered prior to the separation, recognized by the Company's former parent. This tax expense had no impact on the book value of Brighthouse.

(2) Includes functional department expenses, public company expenses, certain investment expenses, retirement funding and incentive compensation; and excludes establishment costs.

(3) For periods ending prior to the separation, stockholders' equity was previously reported as shareholder's net investment.

(4) December 31, 2017 amounts have been adjusted for an estimated \$300 million of tax reform impact related to the unwinding of previously recognized amounts of unrealized gains (losses) at the former statutory tax rate. June 30, 2017 amounts have been adjusted for subsequent separation transactions, including the distribution to MetLife, Inc. of \$1.8 billion and a tax separation liability of \$600 million.

(5) Return on equity, excluding AOCI, is defined as total annual net income (loss) on a four quarter trailing basis, divided by the simple average of the most recent five quarters of total stockholders' equity, excluding AOCI.

(6) Adjusted return on equity is defined as total annual adjusted earnings on a four quarter trailing basis, divided by the simple average of the most recent five quarters of total stockholders' equity, excluding AOCI.

(7) Net income (loss) per common share is defined as net income (loss), divided by weighted average common shares outstanding - diluted.

(8) Adjusted earnings per common share is defined as adjusted earnings, divided by weighted average common shares outstanding - diluted.

(9) Book value per common share is defined as ending stockholders' equity, including AOCI, divided by ending common shares outstanding - diluted.


(10) Book value per common share, excluding AOCI, is defined as ending stockholders' equity, excluding AOCI, divided by ending common shares outstanding - diluted.

## Condensed Statements of Operations (Unaudited, in millions)

	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Revenues</b>							
Premiums	\$233	\$236	\$218	\$176	\$201	\$863	\$1,222
Universal life and investment-type product policy fees	963	1,025	957	953	939	3,898	3,782
Net investment income	769	761	766	782	785	3,078	3,207
Other revenues	322	93	162	74	255	651	736
Revenues before NIGL and NDGL	2,287	2,115	2,103	1,985	2,180	8,490	8,947
Net investment gains (losses)	6	21	—	(55)	(63)	(28)	(78)
Net derivative gains (losses)	(413)	(164)	(78)	(965)	(2,670)	(1,620)	(5,851)
<b>Total revenues</b>	<b>\$1,880</b>	<b>\$1,972</b>	<b>\$2,025</b>	<b>\$965</b>	<b>\$(553)</b>	<b>\$6,842</b>	<b>\$3,018</b>
<b>Expenses</b>							
Interest credited	\$273	\$279	\$284	\$275	\$294	\$1,111	\$1,165
Policyholder benefits and claims	904	1,083	785	864	955	3,636	3,903
Amortization of DAC and VOBA	231	123	21	(148)	416	227	371
Interest expense on debt	37	34	37	45	42	153	175
Other expenses	657	577	577	519	517	2,330	2,109
<b>Total expenses</b>	<b>2,102</b>	<b>2,096</b>	<b>1,704</b>	<b>1,555</b>	<b>2,224</b>	<b>7,457</b>	<b>7,723</b>
Income (loss) before provision for income tax	(222)	(124)	321	(590)	(2,777)	(615)	(4,705)
Provision for income tax expense (benefit)	(890)	819	75	(241)	(1,012)	(237)	(1,766)
<b>Net income (loss)</b>	<b>\$668</b>	<b>\$(943)</b>	<b>\$246</b>	<b>\$(349)</b>	<b>\$(1,765)</b>	<b>\$(378)</b>	<b>\$(2,939)</b>

## Balance Sheets (Unaudited, in millions)

ASSETS	As of				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Investments:					
Fixed maturity securities available-for-sale	\$64,991	\$63,565	\$63,507	\$60,870	\$61,388
Equity securities available-for-sale	232	265	278	290	300
Mortgage loans, net	10,742	10,431	10,263	9,908	9,378
Policy loans	1,523	1,522	1,513	1,512	1,517
Real estate and real estate joint ventures	433	407	302	242	215
Other limited partnership interests	1,669	1,654	1,623	1,596	1,642
Short-term investments	312	1,149	1,286	1,058	1,288
Other invested assets	2,436	2,666	3,037	3,817	4,904
Total investments	82,338	81,659	81,809	79,293	80,632
Cash and cash equivalents	1,857	1,698	4,443	5,812	5,228
Accrued investment income	601	641	608	641	693
Reinsurance recoverables	12,763	12,727	12,732	12,869	13,455
Premiums and other receivables	762	864	683	817	1,192
DAC and VOBA	6,286	6,414	6,464	6,500	6,293
Current income tax recoverable	740	1,772	1,423	1,247	778
Other assets	588	647	600	644	616
Separate account assets	118,257	116,857	115,566	115,365	113,043
<b>Total assets</b>	<b>\$224,192</b>	<b>\$223,279</b>	<b>\$224,328</b>	<b>\$223,188</b>	<b>\$221,930</b>
<b>LIABILITIES, STOCKHOLDERS' EQUITY AND NONCONTROLLING INTERESTS</b>					
<b>Liabilities</b>					
Future policy benefits	\$36,616	\$36,035	\$34,352	\$33,622	\$33,372
Policyholder account balances	37,783	37,298	37,296	36,986	37,526
Other policy-related balances	2,985	2,964	2,985	3,009	3,045
Payables for collateral under securities loaned and other transactions	4,169	4,569	7,121	7,177	7,390
Long-term financing obligations:					
Debt	3,612	3,615	3,016	807	810
Reserve financing	—	—	—	3,897	3,897
Deferred income tax liability	927	2,116	2,337	2,445	2,056
Other liabilities	5,263	5,994	5,190	4,764	5,929
Separate account liabilities	118,257	116,857	115,566	115,365	113,043
<b>Total liabilities</b>	<b>209,612</b>	<b>209,448</b>	<b>207,863</b>	<b>208,072</b>	<b>207,068</b>
<b>Stockholders' Equity and Noncontrolling Interests</b>					
Common stock	1	1	—	—	—
Additional paid-in capital	12,432	12,418	—	—	—
Retained earnings	707	39	—	—	—
Shareholder's net investment	—	—	14,521	13,610	13,597
Accumulated other comprehensive income (loss)	1,375	1,308	1,894	1,506	1,265
<b>Total stockholders' equity</b>	<b>14,515</b>	<b>13,766</b>	<b>16,415</b>	<b>15,116</b>	<b>14,862</b>
Noncontrolling interests	65	65	50	—	—
<b>Total stockholders' equity and noncontrolling interests</b>	<b>14,580</b>	<b>13,831</b>	<b>16,465</b>	<b>15,116</b>	<b>14,862</b>
<b>Total liabilities, stockholders' equity and noncontrolling interests</b>	<b>\$224,192</b>	<b>\$223,279</b>	<b>\$224,328</b>	<b>\$223,188</b>	<b>\$221,930</b>



# **Earnings and Select Metrics from Business Segments and Corporate & Other**







## Annuities — Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Adjusted revenues</b>							
Premiums	\$33	\$44	\$48	\$50	\$58	\$175	\$444
Universal life and investment-type product policy fees	645	629	639	632	629	2,545	2,521
Net investment income	329	310	311	327	376	1,277	1,451
Other revenues	93	87	128	65	86	373	540
<b>Total adjusted revenues</b>	<b>\$1,100</b>	<b>\$1,070</b>	<b>\$1,126</b>	<b>\$1,074</b>	<b>\$1,149</b>	<b>\$4,370</b>	<b>\$4,956</b>
<b>Adjusted expenses</b>							
Interest credited	\$148	\$153	\$152	\$152	\$153	\$605	\$627
Policyholder benefits and claims	153	258	163	160	182	734	1,079
Amortization of DAC and VOBA	102	(228)	112	94	92	80	368
Interest expense on debt	—	—	—	—	—	—	—
Other operating costs	422	399	386	358	314	1,565	1,246
<b>Total adjusted expenses</b>	<b>825</b>	<b>582</b>	<b>813</b>	<b>764</b>	<b>741</b>	<b>2,984</b>	<b>3,320</b>
Adjusted earnings before provision for income tax	275	488	313	310	408	1,386	1,636
Provision for income tax expense (benefit)	67	133	87	82	116	369	484
<b>Adjusted earnings</b>	<b>\$208</b>	<b>\$355</b>	<b>\$226</b>	<b>\$228</b>	<b>\$292</b>	<b>\$1,017</b>	<b>\$1,152</b>

## Annuities — Select Operating Metrics (Unaudited, in millions)

	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>FIXED ANNUITIES ACCOUNT VALUE</b>					
Account value, beginning of period	\$13,123	\$13,230	\$13,369	\$13,523	\$13,715
Premiums and deposits	232	113	47	48	56
Surrenders and contract benefits	(374)	(331)	(298)	(313)	(358)
Net flows	(142)	(218)	(251)	(265)	(302)
Interest credited	106	111	112	111	110
Policy charges and other	(25)	—	—	—	—
<b>Account value, end of period</b>	<b>\$13,062</b>	<b>\$13,123</b>	<b>\$13,230</b>	<b>\$13,369</b>	<b>\$13,523</b>
<b>VARIABLE &amp; INDEXED ANNUITIES ACCOUNT VALUE (1)</b>					
Account value, beginning of period	\$118,574	\$116,830	\$115,920	\$113,271	\$115,099
Premiums and deposits	1,128	981	965	930	1,015
Surrenders and contract benefits	(2,799)	(2,402)	(2,689)	(2,585)	(2,413)
Net flows	(1,671)	(1,421)	(1,724)	(1,655)	(1,398)
Investment performance (2)	4,129	3,873	3,330	4,949	224
Policy charges and other	(699)	(708)	(696)	(645)	(654)
<b>Account value, end of period</b>	<b>\$120,333</b>	<b>\$118,574</b>	<b>\$116,830</b>	<b>\$115,920</b>	<b>\$113,271</b>
<b>INCOME ANNUITIES (1)</b>					
<b>Income annuity insurance liabilities</b>	<b>\$4,544</b>	<b>\$4,544</b>	<b>\$4,531</b>	<b>\$4,518</b>	<b>\$4,521</b>

(1) Includes general account and separate account.

(2) Includes imputed interest on indexed annuities and the interest credited on the general account investment option of variable products.

## Annuities — Select Operating Metrics (Cont.) (Unaudited, in millions)

VARIABLE & INDEXED ANNUITY SALES	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Shield Annuities (1)	\$794	\$653	\$570	\$458	\$456	\$2,475	\$1,655
Fixed indexed annuity (2)	203	69	—	—	—	272	—
GMWB/GMAB	173	190	215	234	326	812	1,371
GMDB only	94	92	107	115	142	408	574
GMIB (3)	36	25	43	51	56	155	356
<b>Total variable &amp; indexed annuity sales</b>	<b>\$1,300</b>	<b>\$1,029</b>	<b>\$935</b>	<b>\$858</b>	<b>\$980</b>	<b>\$4,122</b>	<b>\$3,956</b>
<b>FIXED ANNUITY SALES</b>							
Fixed deferred annuities	\$32	\$37	\$47	\$49	\$56	\$165	\$275
Single premium immediate annuities	6	7	8	12	17	33	192
Other fixed annuities	3	1	5	12	14	21	140
<b>Total fixed annuity sales</b>	<b>\$41</b>	<b>\$45</b>	<b>\$60</b>	<b>\$73</b>	<b>\$87</b>	<b>\$219</b>	<b>\$607</b>

(1) Shield Annuities is the suite of deferred index-linked annuities consisting of products marketed under the names Shield Level Selector<sup>SM</sup>, Shield Level Select<sup>SM</sup> and Shield Level 10<sup>SM</sup>.

(2) Represents 90% of gross sales assumed via reinsurance agreement.

(3) Ceased issuing GMIBs for new purchase in February 2016.

## Life — Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Adjusted revenues</b>							
Premiums	\$172	\$164	\$142	\$100	\$114	\$578	\$493
Universal life and investment-type product policy fees	81	134	75	83	12	373	248
Net investment income	79	87	69	107	66	342	371
Other revenues	1	2	19	—	128	22	138
<b>Total adjusted revenues</b>	<b>\$333</b>	<b>\$387</b>	<b>\$305</b>	<b>\$290</b>	<b>\$320</b>	<b>\$1,315</b>	<b>\$1,250</b>
<b>Adjusted expenses</b>							
Interest credited	\$48	\$40	\$40	\$28	\$31	\$156	\$114
Policyholder benefits and claims	187	161	169	147	138	664	567
Amortization of DAC and VOBA	33	138	7	45	162	223	284
Interest expense on debt	—	—	—	—	—	—	—
Other operating costs	58	56	66	85	31	265	259
<b>Total adjusted expenses</b>	<b>326</b>	<b>395</b>	<b>282</b>	<b>305</b>	<b>362</b>	<b>1,308</b>	<b>1,224</b>
Adjusted earnings before provision for income tax	7	(8)	23	(15)	(42)	7	26
Provision for income tax expense (benefit)	2	(14)	11	(8)	(18)	(9)	—
<b>Adjusted earnings</b>	<b>\$5</b>	<b>\$6</b>	<b>\$12</b>	<b>\$(7)</b>	<b>\$(24)</b>	<b>\$16</b>	<b>\$26</b>

## Life — Select Operating Metrics (Unaudited, in millions)

	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>LIFE ACCOUNT VALUE: GENERAL ACCOUNT</b>					
Variable universal and universal life account value, beginning of period	\$2,800	\$2,818	\$2,823	\$2,914	\$2,891
Premiums and deposits (1)	66	64	76	77	94
Surrender and contract benefits	(49)	(49)	(36)	(124)	(41)
Net flows	17	15	40	(47)	53
Net transfers from (to) separate account	7	14	17	17	17
Interest credited	30	29	19	22	34
Policy charges and other	(79)	(76)	(81)	(83)	(81)
<b>Variable universal and universal life account value, end of period</b>	<b>\$2,775</b>	<b>\$2,800</b>	<b>\$2,818</b>	<b>\$2,823</b>	<b>\$2,914</b>
<b>LIFE ACCOUNT VALUE: SEPARATE ACCOUNT</b>					
Variable universal life account value, beginning of period	\$5,107	\$4,977	\$4,886	\$4,704	\$4,730
Premiums and deposits	60	65	70	70	69
Surrender and contract benefits	(69)	(58)	(71)	(67)	(68)
Net flows	(9)	7	(1)	3	1
Investment performance	215	196	171	250	55
Net transfers from (to) general account	(7)	(14)	(17)	(17)	(17)
Policy charges and other	(56)	(59)	(62)	(54)	(65)
<b>Variable universal life account value, end of period</b>	<b>\$5,250</b>	<b>\$5,107</b>	<b>\$4,977</b>	<b>\$4,886</b>	<b>\$4,704</b>

(1) Includes premiums and sales directed to the general account investment option of variable products.

## Life — Select Operating Metrics (Cont.) (Unaudited, in millions)

LIFE SALES	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Whole life	\$—	\$1	\$5	\$9	\$11	\$15	\$75
Term life	1	2	3	6	10	12	54
Variable universal life	—	—	2	1	2	3	11
Universal life without secondary guarantees	2	2	1	1	10	6	18
<b>Total life sales</b>	<b>\$3</b>	<b>\$5</b>	<b>\$11</b>	<b>\$17</b>	<b>\$33</b>	<b>\$36</b>	<b>\$158</b>

LIFE INSURANCE IN-FORCE	As of				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>Whole Life</b>					
Life Insurance in-force, before reinsurance	\$23,204	\$23,532	\$23,881	\$24,090	\$24,280
Life Insurance in-force, net of reinsurance	\$3,820	\$3,747	\$3,827	\$3,089	\$3,165
<b>Term Life</b>					
Life Insurance in-force, before reinsurance	\$453,804	\$459,001	\$464,872	\$470,405	\$471,857
Life Insurance in-force, net of reinsurance	\$342,487	\$329,833	\$333,685	\$120,791	\$120,090
<b>Universal and Variable Universal Life</b>					
Life Insurance in-force, before reinsurance	\$60,514	\$61,408	\$62,142	\$62,760	\$63,709
Life Insurance in-force, net of reinsurance (1)	\$42,009	\$40,183	\$39,909	\$32,602	\$32,930

(1) \$675 million associated with certain universal life business was recaptured by the Company in the first quarter of 2018.

## Run-off – Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Adjusted revenues</b>							
Premiums	\$—	\$—	\$1	\$—	\$1	\$1	\$146
Universal life and investment-type product policy fees	169	196	175	173	232	713	731
Net investment income	339	348	354	358	384	1,399	1,441
Other revenues	8	3	15	8	6	34	24
<b>Total adjusted revenues</b>	<b>\$516</b>	<b>\$547</b>	<b>\$545</b>	<b>\$539</b>	<b>\$623</b>	<b>\$2,147</b>	<b>\$2,342</b>
<b>Adjusted expenses</b>							
Interest credited	\$76	\$86	\$91	\$94	\$110	\$347	\$421
Policyholder benefits and claims	493	287	288	299	390	1,367	1,519
Amortization of DAC and VOBA	1	—	—	6	556	7	961
Interest expense on debt	—	—	8	15	15	23	61
Other operating costs	71	55	79	51	88	256	214
<b>Total adjusted expenses</b>	<b>641</b>	<b>428</b>	<b>466</b>	<b>465</b>	<b>1,159</b>	<b>2,000</b>	<b>3,176</b>
Adjusted earnings before provision for income tax	(125)	119	79	74	(536)	147	(834)
Provision for income tax expense (benefit)	(45)	36	27	25	(187)	43	(295)
<b>Adjusted earnings</b>	<b>\$(80)</b>	<b>\$83</b>	<b>\$52</b>	<b>\$49</b>	<b>\$(349)</b>	<b>\$104</b>	<b>\$(539)</b>



## Run-off – Select Operating Metrics (Unaudited, in millions)

	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>UNIVERSAL LIFE WITH SECONDARY GUARANTEES ACCOUNT VALUE</b>					
Account value, beginning of period	\$6,292	\$6,282	\$6,258	\$6,252	\$6,227
Premiums and deposits (1)	199	200	215	208	211
Surrenders and contract benefits	(27)	(17)	(30)	(42)	(22)
Net flows	172	183	185	166	189
Interest credited	59	61	76	65	67
Policy charges and other	(238)	(234)	(237)	(225)	(231)
<b>Account value, end of period</b>	<b>\$6,285</b>	<b>\$6,292</b>	<b>\$6,282</b>	<b>\$6,258</b>	<b>\$6,252</b>
<b>LIFE INSURANCE IN-FORCE</b>					
<b>Universal Life with Secondary Guarantees</b>					
Life Insurance in-force, before reinsurance	\$82,747	\$83,325	\$83,645	\$83,587	\$83,566
Life Insurance in-force, net of reinsurance (2)	\$37,133	\$35,243	\$35,356	\$24,556	\$24,287

(1) Includes premiums and sales directed to the general account investment option of variable products.

(2) \$1.1 billion associated with certain ULSG business was recaptured by the Company in the first quarter of 2018.

## Corporate &amp; Other – Statements of Adjusted Earnings (Unaudited, in millions)

	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Adjusted revenues</b>							
Premiums	\$28	\$28	\$27	\$26	\$29	\$109	\$139
Universal life and investment-type product policy fees	(3)	(4)	(3)	(3)	(3)	(13)	(11)
Net investment income	33	35	58	66	52	192	239
Other revenues	222	–	–	–	32	222	33
<b>Total adjusted revenues</b>	<b>\$280</b>	<b>\$59</b>	<b>\$82</b>	<b>\$89</b>	<b>\$110</b>	<b>\$510</b>	<b>\$400</b>
<b>Adjusted expenses</b>							
Interest credited	\$–	\$–	\$–	\$–	\$–	\$–	\$–
Policyholder benefits and claims	14	21	17	10	17	62	87
Amortization of DAC and VOBA	5	4	6	5	3	20	22
Interest expense on debt	38	36	28	30	29	132	111
Other operating costs	105	93	20	21	48	239	141
<b>Total adjusted expenses</b>	<b>162</b>	<b>154</b>	<b>71</b>	<b>66</b>	<b>97</b>	<b>453</b>	<b>361</b>
Adjusted earnings before provision for income tax	118	(95)	11	23	13	57	39
Provision for income tax expense (benefit)	(741)	1,025	(23)	13	(7)	274	(8)
<b>Adjusted earnings</b>	<b>\$859</b>	<b>\$(1,120)</b>	<b>\$34</b>	<b>\$10</b>	<b>\$20</b>	<b>\$(217)</b>	<b>\$47</b>



# **Other Information**

## DAC and VOBA and Net Derivative Gains (Losses) (Unaudited, in millions)

DAC AND VOBA ROLLFORWARD	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Balance, beginning of period	\$6,414	\$6,464	\$6,500	\$6,293	\$6,589
Capitalization	73	72	47	68	79
Amortization:					
Related to net investment gains (losses) and net derivative gains (losses) (1)	(90)	(209)	105	297	397
Notable items, included in adjusted expenses	—	229	—	—	(539)
Other amortization, included in adjusted expenses	(140)	(143)	(125)	(149)	(274)
<b>Total amortization</b>	<b>(230)</b>	<b>(123)</b>	<b>(20)</b>	<b>148</b>	<b>(416)</b>
Unrealized investment gains (losses)	29	1	(63)	(9)	90
Other	—	—	—	—	(49)
<b>Balance, end of period</b>	<b>\$6,286</b>	<b>\$6,414</b>	<b>\$6,464</b>	<b>\$6,500</b>	<b>\$6,293</b>

DAC AND VOBA BY SEGMENT AND CORPORATE & OTHER	As of				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Annuities	\$5,046	\$5,142	\$5,076	\$5,106	\$4,878
Life	1,106	1,134	1,248	1,253	1,261
Run-off	6	6	2	5	6
Corporate & Other	128	132	138	136	148
<b>Total DAC and VOBA</b>	<b>\$6,286</b>	<b>\$6,414</b>	<b>\$6,464</b>	<b>\$6,500</b>	<b>\$6,293</b>

NET DERIVATIVE GAINS (LOSSES)	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net derivative gains (losses):					
Variable annuity embedded derivatives (2)	\$190	\$579	\$212	\$291	\$1,753
Variable annuity hedges	(548)	(730)	(471)	(1,070)	(2,538)
ULSG hedges	(43)	(9)	267	(44)	(1,388)
Other hedges and embedded derivatives	(23)	(22)	(113)	(218)	(590)
<b>Subtotal</b>	<b>(424)</b>	<b>(182)</b>	<b>(105)</b>	<b>(1,041)</b>	<b>(2,763)</b>
Investment hedge adjustments	11	18	27	76	93
<b>Total net derivative gains (losses)</b>	<b>\$(413)</b>	<b>\$(164)</b>	<b>\$(78)</b>	<b>\$(965)</b>	<b>\$(2,670)</b>

(1) Includes amounts related to GMIB fees and GMIB costs that are also included as an adjustment from net income (loss) to adjusted earnings.

(2) Beginning with the period ended September 30, 2017, in connection with the transition to our new variable annuity hedge program, the change in value of embedded derivative liabilities associated with Shield Annuities is included in and presented with variable annuity embedded derivatives.

## Notable Items (Unaudited, in millions)

	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>NOTABLE ITEMS IMPACTING ADJUSTED EARNINGS</b>					
Actuarial assumption review and other insurance adjustments	\$91	\$(134)	\$—	\$—	\$399
Establishment costs	47	31	—	—	—
Separation related transactions	14	1,073	(42)	—	(23)
Tax reform adjustment (1)	(947)	—	—	—	—
Other	—	—	—	—	(23)
<b>Total notable items (2)</b>	<b>\$(795)</b>	<b>\$970</b>	<b>\$(42)</b>	<b>\$—</b>	<b>\$353</b>
<b>NOTABLE ITEMS BY SEGMENT AND CORPORATE &amp; OTHER</b>					
Annuities	\$—	\$(142)	\$(25)	\$—	\$(46)
Life	—	17	(12)	—	—
Run-off	91	(9)	(5)	—	399
Corporate & Other	(886)	1,104	—	—	—
<b>Total notable items (2)</b>	<b>\$(795)</b>	<b>\$970</b>	<b>\$(42)</b>	<b>\$—</b>	<b>\$353</b>

(1) The notable item for the three month period ended December 31, 2017 includes a reduction of \$222 in a tax-related obligation to our former parent, MetLife, Inc.

(2) Notable items reflect the negative (positive) after-tax impact to adjusted earnings of certain unanticipated items and events, as well as certain items and events that were anticipated, such as establishment costs. The presentation of notable items is intended to help investors better understand the Company's results and to evaluate and forecast those results.

## Variable Annuity Separate Account Returns and Allocations (Unaudited)

	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>VARIABLE ANNUITY SEPARATE ACCOUNT RETURNS</b>					
Total Quarterly VA separate account gross returns	3.81%	3.61%	3.11%	4.72%	0.20%
<b>TOTAL VARIABLE ANNUITY SEPARATE ACCOUNT ALLOCATIONS</b>					
Percent allocated to equity funds	28.04%	27.87%	27.77%	27.70%	27.41%
Percent allocated to bond funds/other funds	8.65%	8.82%	8.94%	9.01%	9.23%
Percent allocated to target volatility funds	14.90%	14.82%	14.78%	14.69%	14.76%
Percent allocated to balanced funds	48.41%	48.49%	48.52%	48.60%	48.60%

## Summary of Investments (Unaudited, dollars in millions)

	December 31, 2017		December 31, 2016	
	Amount	% of Total	Amount	% of Total
<b>Fixed maturity securities:</b>				
U.S. corporate securities	\$22,957	27.27%	\$22,311	25.99%
U.S. government and agency securities	16,292	19.35%	13,090	15.25%
Residential mortgage-backed securities	7,977	9.47%	8,023	9.34%
Foreign corporate securities	7,023	8.34%	6,393	7.45%
State and political subdivision securities	4,181	4.97%	3,945	4.59%
Commercial mortgage-backed securities	3,423	4.07%	3,812	4.44%
Asset-backed securities	1,829	2.17%	2,652	3.09%
Foreign government securities	1,309	1.55%	1,162	1.35%
<b>Total fixed maturity securities</b>	<b>64,991</b>	<b>77.19%</b>	<b>61,388</b>	<b>71.50%</b>
<b>Equity securities</b>	<b>232</b>	<b>0.28%</b>	<b>300</b>	<b>0.35%</b>
<b>Mortgage loans:</b>				
Commercial mortgage loans	7,260	8.62%	6,523	7.60%
Agricultural mortgage loans	2,276	2.70%	1,892	2.20%
Residential mortgage loans	1,138	1.35%	867	1.01%
Valuation allowances	(47)	(0.06)%	(40)	(0.05)%
Commercial mortgage loans held by CSEs	115	0.14%	136	0.16%
<b>Total mortgage loans</b>	<b>10,742</b>	<b>12.75%</b>	<b>9,378</b>	<b>10.92%</b>
<b>Policy loans</b>	<b>1,523</b>	<b>1.81%</b>	<b>1,517</b>	<b>1.77%</b>
<b>Real estate and real estate joint ventures</b>	<b>433</b>	<b>0.51%</b>	<b>215</b>	<b>0.25%</b>
<b>Other limited partnership interests</b>	<b>1,669</b>	<b>1.98%</b>	<b>1,642</b>	<b>1.91%</b>
<b>Cash, cash equivalents and short-term investments</b>	<b>2,169</b>	<b>2.58%</b>	<b>6,516</b>	<b>7.59%</b>
<b>Other invested assets:</b>				
Derivatives:				
Interest rate	1,112	1.32%	2,152	2.51%
Equity markets	937	1.11%	1,076	1.25%
Foreign currency exchange rate	165	0.20%	366	0.43%
Credit	40	0.05%	28	0.03%
Total derivatives	2,254	2.68%	3,622	4.22%
Loans to affiliates	—	0.00%	1,090	1.27%
Other	182	0.22%	192	0.22%
<b>Total other invested assets</b>	<b>2,436</b>	<b>2.90%</b>	<b>4,904</b>	<b>5.71%</b>
<b>Total invested assets and cash and cash equivalents</b>	<b>\$84,195</b>	<b>100.00%</b>	<b>\$85,860</b>	<b>100.00%</b>

### For the Three Months Ended

	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net investment income yield (1)	4.30%	4.32%	4.40%	4.74%	4.69%

(1) Yields are calculated on investment income as a percent of average quarterly asset carrying values. Investment income includes investment hedge adjustments, excludes recognized gains and losses and reflects the GAAP adjustments described beginning on page A-1 of the Appendix hereto. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, collateral received from derivative counterparties and the effects of consolidating under GAAP certain VIEs that are treated as CSEs.

### Select Actual and Preliminary Statutory Financial Results (1) (Unaudited, in millions)

	For the Three Months Ended					For the Years Ended	
	December 31, 2017 (2)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017 (2)	December 31, 2016
<b>REVENUE AND EXPENSES</b>							
Total revenues (Line 9)	\$2,800	\$2,647	\$3,194	\$8,889	\$3,022	\$17,500	\$16,151
Total benefits and expenses before dividends to policyholders (Line 28)	\$2,000	\$1,763	\$2,501	\$9,246	\$1,387	\$15,500	\$12,605
	For the Three Months Ended					For the Years Ended	
	December 31, 2017 (2)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017 (2)	December 31, 2016
<b>NET INCOME (LOSS)</b>							
Gain (loss) from operations net of taxes (Line 33)	\$800	\$686	\$114	\$(279)	\$1,620	\$1,300	\$2,685
Net realized capital gains (losses), net of federal income tax and transfers to interest maintenance reserve (Line 34)	(600)	(403)	(234)	(463)	(569)	(1,700)	(1,478)
<b>Net income (loss) (Line 35)</b>	<b>\$200</b>	<b>\$283</b>	<b>\$(120)</b>	<b>\$(742)</b>	<b>\$1,051</b>	<b>\$(400)</b>	<b>\$1,207</b>
	As of						
	December 31, 2017 (2)	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016		
<b>COMBINED TOTAL ADJUSTED CAPITAL</b>							
Combined total adjusted capital	\$6,600	\$6,648	\$6,377	\$4,217	\$5,377		

(1) Combined statutory results for Brighthouse Life Insurance Company, Brighthouse Life Insurance Company of NY and New England Life Insurance Company.

(2) Reflects preliminary statutory results for the three months and the year to date periods ended December 31, 2017.





# Appendix

This financial supplement may contain information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “will,” “intend,” “plan,” “believe” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, statements regarding the separation from MetLife, including the expected benefits thereof, the recapitalization actions, including the expected benefits thereof, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of Brighthouse, its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others: differences between actual experience and actuarial assumptions and the effectiveness of our actuarial models; higher risk management costs and exposure to increased counterparty risk due to guarantees within certain of our products; the effectiveness of our exposure management strategy and the impact of such strategy on net income volatility and negative effects on our statutory capital; the additional reserves we will be required to hold against our variable annuities as a result of actuarial guidelines; a sustained period of low equity market prices and interest rates that are lower than those we assumed when we issued our variable annuity products; our degree of leverage following the separation due to indebtedness incurred in connection with the separation; the effect adverse capital and credit market conditions may have on our ability to meet liquidity needs and our access to capital; the impact of changes in regulation and in supervisory and enforcement policies on our insurance business or other operations; the effectiveness of our risk management policies and procedures; the availability of reinsurance and the ability of our counterparties to our reinsurance or indemnification arrangements to perform their obligations thereunder; heightened competition, including with respect to service, product features, scale, price, actual or perceived financial strength, claims-paying ratings, credit ratings, e-business capabilities and name recognition; changes in accounting standards, practices and/or policies applicable to us; the ability of our insurance subsidiaries to pay dividends to us, and our ability to pay dividends to our shareholders; our ability to market and distribute our products through distribution channels; the impact of the separation on our business and profitability due to MetLife’s strong brand and reputation, the increased costs related to replacing arrangements with MetLife with those of third parties and incremental costs as a public company; whether the operational, strategic and other benefits of the separation can be achieved, and our ability to implement our business strategy; whether all or any portion of the separation tax consequences are not as expected, leading to material additional taxes or material adverse consequences to tax attributes booked to us; the uncertainty of the outcome of any disputes with MetLife over tax-related matters and agreements including the potential of outcomes adverse to us that could cause us to owe MetLife material tax reimbursements or payments; the impact on our business structure, profitability, cost of capital and flexibility due to restrictions we have agreed to that preserve the tax-free treatment of certain parts of the separation; the potential material negative tax impact of proposed legislation that could decrease the value of our tax attributes, lead to increased RBC requirements and cause other cash expenses, such as reserves, to increase materially; whether the distribution will qualify for non-recognition treatment for U.S. federal income tax purposes and potential indemnification to MetLife if the distribution does not so qualify; our ability to attract and retain key personnel; and other factors described from time to time in documents that we file with the U.S. Securities and Exchange Commission (the “SEC”).

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements included and the risks, uncertainties and other factors identified in the Preliminary Information Statement of Brighthouse Financial, Inc., subject to completion, dated June 30, 2017 included as Exhibit 99.1 to Amendment No. 5 to Brighthouse Financial, Inc.’s Registration Statement on Form 10, filed with the SEC on June 30, 2017 and in Brighthouse Financial, Inc.’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the SEC on November 9, 2017, including under the captions “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Note Regarding Forward-Looking Statements” and “Risk Factors.” Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as otherwise may be required by law. Please consult any further disclosures Brighthouse Financial, Inc. makes on related subjects in reports to the SEC.

## Non-GAAP and Other Financial Disclosures

### Non-GAAP Financial Disclosures

In this financial supplement, we present certain measures of our performance that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures enhance the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business.

The following non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with GAAP:

<u>Non-GAAP financial measures:</u>	<u>Comparable GAAP financial measures:</u>
(i) adjusted earnings	(i) net income (loss)
(ii) adjusted revenues	(ii) revenues
(iii) adjusted expenses	(iii) expenses
(iv) adjusted earnings per common share	(iv) earnings per share
(v) adjusted return on equity	(v) return on equity

Reconciliations of these measures to the most directly comparable historical GAAP measures are included in this financial supplement. These adjusted measures were previously referred to as operating measures.

Our definitions of the non-GAAP and other financial measures discussed in this financial supplement may differ from those used by other companies. For example, as indicated below, we exclude GMIB revenues and related embedded derivatives gains (losses) as well as GMIB benefits and associated DAC and VOBA offsets from adjusted earnings, thereby excluding substantially all GMLB activity from adjusted earnings.

### **Adjusted Earnings, Adjusted Revenues and Adjusted Expenses**

Adjusted earnings, which may be positive or negative, is used by management to evaluate performance, allocate resources and facilitate comparisons to industry results. This financial measure focuses on our primary businesses principally by excluding the impact of market volatility, which could distort trends, as well as businesses that have been or will be sold or exited by us, referred to as divested businesses.

Provided below are the adjustments to GAAP revenues and GAAP expenses used to calculate adjusted revenues and adjusted expenses, respectively. Adjusted earnings, as presented in this financial supplement, reflects adjusted revenues less adjusted expenses, both net of income tax.

## Non-GAAP and Other Financial Disclosures (Cont.)

The following are significant items excluded from total revenues, net of income tax, in calculating the adjusted revenues component of adjusted earnings:

- Net investment gains (losses);
- Net derivative gains (losses), except earned income on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment (“Investment Hedge Adjustments”); and
- Amortization of unearned revenue related to net investment gains (loss) and net derivative gains (losses) and certain variable annuity GMIB fees (“GMIB Fees”)<sup>(1)</sup>.

The following are significant items excluded from total expenses, net of income tax, in calculating the adjusted expenses component of adjusted earnings:

- Amounts associated with benefits and hedging costs related to GMIBs (“GMIB Costs”)<sup>(1)</sup>;
- Amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”); and
- Amortization of DAC and VOBA related to (i) net investment gains (losses), (ii) net derivative gains (losses), (iii) GMIB Fees and GMIB Costs and (iv) Market Value Adjustments<sup>(1)</sup>.

The tax impact of the adjustments mentioned is calculated net of the U.S. statutory tax rate, which could differ from our effective tax rate.

Consistent with GAAP guidance for segment reporting, adjusted earnings is also our GAAP measure of segment performance.

<sup>(1)</sup> Collectively, amounts related to GMIB, excluding amounts recorded in NDGL, may be referred to as “GMIB adjustments”.

## Non-GAAP and Other Financial Disclosures (Cont.)

### Adjusted Earnings per Common Share and Adjusted Return on Equity

Adjusted earnings per common share and adjusted return on equity are measures used by management to evaluate the execution of our business strategy and align such strategy with our shareholders' interests.

Adjusted earnings per common share is defined as adjusted earnings for the period divided by the weighted average number of fully diluted shares of common stock outstanding for the period.

Adjusted return on equity is defined as total annual adjusted earnings on a four quarter trailing basis, divided by the simple average of the most recent five quarters of total stockholders' equity, excluding AOCI.

### Other Financial Disclosures

#### Book Value per Common Share, excluding AOCI

Brighthouse uses the term "book value" to refer to "stockholders' equity." Book value per common share is defined as ending stockholders' equity, including AOCI, divided by ending common shares outstanding - diluted. Book value per common share, excluding AOCI, is defined as ending stockholders' equity, excluding AOCI, divided by ending common shares outstanding - diluted.

#### Sales

Statistical sales information for Life sales is calculated using the LIMRA definition of sales for core direct sales, excluding company-sponsored internal exchanges, corporate-owned life insurance, bank-owned life insurance, and private placement variable universal life insurance. Annuity sales consist of 100 percent of direct statutory premiums, except for fixed indexed annuity sales distributed through MassMutual that consist of 90 percent of gross sales. Annuity sales exclude company sponsored internal exchanges. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity.

## Acronyms

<b>AOCI</b>	Accumulated other comprehensive income (loss)
<b>CSE</b>	Consolidated securitization entity
<b>DAC</b>	Deferred policy acquisition costs
<b>GAAP</b>	Accounting principles generally accepted in the United States of America
<b>GMAB</b>	Guaranteed minimum accumulation benefits
<b>GMDB</b>	Guaranteed minimum death benefits
<b>GMIB</b>	Guaranteed minimum income benefits
<b>GMLB</b>	Guaranteed minimum living benefits
<b>GMWB</b>	Guaranteed minimum withdrawal benefits
<b>LIMRA</b>	Life Insurance Marketing and Research Association
<b>NDGL</b>	Net derivative gains (losses)
<b>NIGL</b>	Net investment gains (losses)
<b>PAB</b>	Policyholder account balances
<b>ULSG</b>	Universal life insurance with secondary guarantees
<b>VA</b>	Variable annuity
<b>VIE</b>	Variable interest entity
<b>VOBA</b>	Value of business acquired

**Reconciliation of Net Income (Loss) to Adjusted Earnings and Reconciliation of Net Income (Loss) per Common Share to Adjusted Earnings per Common Share (Unaudited, in millions except per share data)**

	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net income (loss)	\$668	\$(943)	\$246	\$(349)	\$(1,765)
Adjustments from net income (loss) to adjusted earnings:					
Less: Net investment gains (losses)	6	21	—	(55)	(63)
Less: Net derivative gains (losses)	(424)	(182)	(105)	(1,041)	(2,767)
Less: GMI B adjustments	(76)	(488)	42	132	179
Less: Market value adjustments	(3)	(1)	(11)	(6)	34
Less: Other	—	22	(31)	(12)	(3)
Less: Provision for income tax (expense) benefit on reconciling adjustments	173	361	27	353	917
<b>Adjusted earnings</b>	<b>\$992</b>	<b>\$(676)</b>	<b>\$324</b>	<b>\$280</b>	<b>\$(62)</b>
Net income (loss) per common share	\$5.58	\$(7.87)	N/A	N/A	N/A
Less: Net investment gains (losses)	0.05	0.18	N/A	N/A	N/A
Less: Net derivative gains (losses)	(3.54)	(1.52)	N/A	N/A	N/A
Less: GMI B adjustments	(0.63)	(4.07)	N/A	N/A	N/A
Less: Market value adjustments	(0.02)	(0.01)	N/A	N/A	N/A
Less: Other	—	0.18	N/A	N/A	N/A
Less: Provision for income tax (expense) benefit on reconciling adjustments	1.44	3.01	N/A	N/A	N/A
<b>Adjusted earnings per common share</b>	<b>\$8.28</b>	<b>\$(5.64)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

## Reconciliation of Return on Equity to Adjusted Return on Equity (Unaudited, dollars in millions)

	Four Quarters Cumulative Trailing Basis				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>ADJUSTED EARNINGS</b>					
Net income (loss)	\$(378)	\$(2,811)	\$(2,026)	\$(3,695)	\$(2,939)
Adjustments from net income (loss) to adjusted earnings:					
Less: Net investment gains (losses)	(28)	(97)	(92)	(72)	(78)
Less: Net derivative gains (losses)	(1,752)	(4,095)	(4,490)	(7,421)	(6,152)
Less: GMIB adjustments	(390)	(135)	312	1,206	1,101
Less: Market value adjustments	(21)	16	15	4	(11)
Less: Other	(21)	(24)	(199)	(375)	(432)
Less: Provision for income tax (expense) benefit on reconciling adjustments	914	1,658	1,557	2,337	1,947
<b>Adjusted earnings</b>	<b>\$920</b>	<b>\$(134)</b>	<b>\$871</b>	<b>\$626</b>	<b>\$686</b>
<b>STOCKHOLDERS' EQUITY, EXCLUDING AOCI</b>					
Stockholders' equity	\$14,935	\$15,666	\$16,605	\$17,258	\$17,603
Accumulated other comprehensive income (loss) (AOCI)	1,470	1,682	1,947	2,060	2,063
<b>Stockholders' equity, excluding AOCI</b>	<b>\$13,465</b>	<b>\$13,983</b>	<b>\$14,658</b>	<b>\$15,198</b>	<b>\$15,540</b>
<b>ADJUSTED RETURN ON EQUITY</b>					
Return on equity	(2.5)%	(17.9)%	(12.2)%	(21.4)%	(16.7)%
Return on AOCI	(25.7)%	(167.1)%	(104.1)%	(179.4)%	(142.5)%
Return on equity, excluding AOCI	(2.8)%	(20.1)%	(13.8)%	(24.3)%	(18.9)%
Return on adjustments from net income (loss) to adjusted earnings:					
Less: Return on Net investment gains (losses)	(0.2)%	(0.7)%	(0.6)%	(0.5)%	(0.5)%
Less: Return on Net derivative gains (losses)	(13.0)%	(29.3)%	(30.6)%	(48.8)%	(39.6)%
Less: Return on GMIB adjustments	(2.9)%	(1.0)%	2.1%	7.9%	7.1%
Less: Return on Market value adjustments	(0.2)%	0.1%	0.1%	—%	(0.1)%
Less: Return on Other	(0.2)%	(0.2)%	(1.4)%	(2.5)%	(2.8)%
Less: Return on Provision for income tax (expense) benefit on reconciling adjustments	6.8%	11.9%	10.6%	15.4%	12.5%
<b>Adjusted return on equity</b>	<b>6.8%</b>	<b>(1.0)%</b>	<b>5.9%</b>	<b>4.1%</b>	<b>4.4%</b>



### Reconciliation of Total Revenues to Adjusted Revenues and Reconciliation of Total Expenses to Adjusted Expenses (Unaudited, in millions)

	For the Three Months Ended				For the Years Ended		
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2016	
<b>Total revenues</b>	<b>\$1,880</b>	<b>\$1,972</b>	<b>\$2,025</b>	<b>\$965</b>	<b>\$(553)</b>	<b>\$6,842</b>	<b>\$3,018</b>
Less: Net investment gains (losses)	6	21	—	(55)	(63)	(28)	(78)
Less: Net derivative gains (losses)	(413)	(164)	(78)	(965)	(2,670)	(1,620)	(5,851)
Less: Other GMIB adjustments:							
GMIB fees	71	70	70	69	73	280	295
Investment hedge adjustments	(11)	(19)	(27)	(76)	(92)	(133)	(296)
Other	(2)	1	2	—	(3)	1	—
<b>Total adjusted revenues</b>	<b>\$2,229</b>	<b>\$2,063</b>	<b>\$2,058</b>	<b>\$1,992</b>	<b>\$2,202</b>	<b>\$8,342</b>	<b>\$8,948</b>
<b>Total expenses</b>	<b>\$2,102</b>	<b>\$2,096</b>	<b>\$1,704</b>	<b>\$1,555</b>	<b>\$2,224</b>	<b>\$7,457</b>	<b>\$7,723</b>
Less: Amortization of DAC and VOBA related to net investment gains (losses) and net derivative gains (losses)	37	78	(124)	(240)	(325)	(249)	(1,401)
Less: Other adjustments to expenses:							
GMIB costs and amortization of DAC and VOBA related to GMIB fees and GMIB costs	106	486	158	185	190	935	778
Other	5	(1)	12	6	(36)	22	178
Less: Divested business	—	(26)	26	4	36	4	87
<b>Total adjusted expenses</b>	<b>\$1,954</b>	<b>\$1,559</b>	<b>\$1,632</b>	<b>\$1,600</b>	<b>\$2,359</b>	<b>\$6,745</b>	<b>\$8,081</b>

## Investment Reconciliation Details (Unaudited, dollars in millions)

	For the Three Months Ended					For the Years Ended	
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>NET INVESTMENT GAINS (LOSSES)</b>							
Investment portfolio gains (losses)	\$13	\$23	\$4	\$(51)	\$(67)	\$(11)	\$(16)
Investment portfolio writedowns	(6)	(1)	(3)	(4)	2	(14)	(63)
<b>Total net investment portfolio gains (losses)</b>	<b>7</b>	<b>22</b>	<b>1</b>	<b>(55)</b>	<b>(65)</b>	<b>(25)</b>	<b>(79)</b>
Net investment gains (losses) related to CSEs	(1)	(1)	(1)	—	1	(3)	(1)
Other	—	—	—	—	1	—	2
<b>Net Investment Gains (Losses)</b>	<b>\$6</b>	<b>\$21</b>	<b>\$—</b>	<b>\$(55)</b>	<b>\$(63)</b>	<b>\$(28)</b>	<b>\$(78)</b>

	For the Three Months Ended				
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
<b>NET INVESTMENT YIELD</b>					
Investment income yield (1)	4.46%	4.47%	4.55%	4.89%	4.84%
Investment fees and expenses	(0.16)%	(0.15)%	(0.15)%	(0.15)%	(0.15)%
Net investment income yield (1)	4.30%	4.32%	4.40%	4.74%	4.69%

(1) Yields are calculated on investment income as a percent of average quarterly asset carrying values. Investment income includes investment hedge adjustments, excludes recognized gains and losses and reflects the GAAP adjustments described beginning on page A-1 of the Appendix hereto. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, collateral received from derivative counterparties and the effects of consolidating under GAAP certain VIEs that are treated as CSEs.



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