METLIFE INC
Form 10-Q
November 06, 2017

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
Commission file number: 001-15787

MetLife, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-4075851
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Park Avenue, New York, N.Y.	10166-0188
(Address of principal executive offices)	(Zip Code)

(212) 578-9500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

At October 25, 2017, 1,052,299,271 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

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As used in this Form 10 Q, "MetLife," the "Company," "we," "our" and "us" refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10 Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference 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," "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, 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 MetLife, Inc., 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. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the global capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (3) exposure to global financial and capital market risks, including as a result of the United Kingdom's notice of withdrawal from the European Union, other disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact on us of comprehensive financial services regulation reform, including potential regulation of MetLife, Inc. as a non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) unanticipated or adverse developments that could adversely affect our achieving expected operational or other benefits from the separation of Brighthouse Financial, Inc. and it subsidiaries ("Brighthouse"); (9) our equity market exposure to Brighthouse Financial, Inc. following the separation of Brighthouse; (10) liabilities, losses or indemnification obligations arising from our transitional services, investment management or tax arrangements or other agreements with Brighthouse; (11) failure of the separation of Brighthouse to qualify for intended tax-free treatment; (12) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from (a) business acquisitions and integrating and managing the growth of such acquired businesses, (b) dispositions of businesses via sale, initial public offering, spin-off or otherwise, including failure to achieve projected operational benefit from such transactions and any restrictions, liabilities, losses or indemnification obligations arising from any transitional services or tax arrangements related to the separation of any business, or from the failure of such a separation to qualify for any intended tax-free treatment, (c) entry into joint ventures, or (d) legal entity reorganizations; (13) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (14) investment losses and defaults, and changes to investment valuations; (15) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (16) impairments of goodwill and realized losses or market

value impairments to illiquid assets; (17) defaults on our mortgage loans; (18) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (19) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (20) downgrades in our claims paying ability, financial strength or credit ratings; (21) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (22) availability and effectiveness of reinsurance, hedging or indemnification arrangements, as well as any default or failure of counterparties to perform; (23) differences between actual claims experience and underwriting and reserving assumptions; (24) ineffectiveness of risk management policies and procedures; (25) catastrophe losses; (26) increasing cost and limited market capacity for statutory life insurance reserve financings; (27) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (28) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and any adjustment for nonperformance risk; (29) legal, regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (30) MetLife, Inc.'s and its subsidiary holding companies' primary reliance, as holding companies, on dividends from subsidiaries to meet free cash flow targets and debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (31) the possibility that MetLife, Inc.'s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (32) changes in accounting standards, practices and/or policies; (33) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (34) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (35) difficulties in marketing and distributing products through our distribution channels; (36) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (37) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (38) any failure to protect the confidentiality of client information; (39) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (40) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission.

MetLife, Inc. does not undertake any obligation to publicly correct or update any forward-looking statement if MetLife, Inc. later becomes aware that such statement is not likely to be achieved. Please consult any further disclosures MetLife, Inc. makes on related subjects in reports to the U.S. Securities and Exchange Commission.

Corporate Information

We announce financial and other information about MetLife to our investors through the MetLife Investor Relations web page at www.metlife.com, as well as U.S. Securities and Exchange Commission filings, news releases, public conference calls and webcasts. MetLife encourages investors to visit the Investor Relations web page from time to time, as information is updated and new information is posted. The information found on our website is not incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the U.S. Securities and Exchange Commission, and any references to our website are intended to be inactive textual references only.

Note Regarding Reliance on Statements in Our Contracts

See "Item 6. Exhibits — Note Regarding Reliance on Statements in Our Contracts" for information regarding agreements included as exhibits to this Quarterly Report on Form 10-Q.

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Part I — Financial Information
Item 1. Financial Statements
MetLife, Inc.
Interim Condensed Consolidated Balance Sheets
September 30, 2017 (Unaudited) and December 31, 2016
(In millions, except share and per share data)

	September 30, 2017	December 31, 2016
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $286,684 and $271,701, respectively)	$ 308,894	$ 289,563
Equity securities available-for-sale, at estimated fair value (cost: $2,386 and $2,464, respectively)	2,776	2,894
Fair value option securities, at estimated fair value (includes $7 and $8, respectively, relating to variable interest entities)	16,538	13,923
Mortgage loans (net of valuation allowances of $316 and $304, respectively; includes $564 and $566, respectively, under the fair value option)	68,057	65,167
Policy loans	9,585	9,511
Real estate and real estate joint ventures (includes $61 and $59, respectively, of real estate held-for-sale)	9,486	8,891
Other limited partnership interests (includes $0 and $14, respectively, relating to variable interest entities)	5,501	5,136
Short-term investments, principally at estimated fair value	7,217	6,523
Other invested assets (includes $133 and $31, respectively, relating to variable interest entities)	17,652	19,303
Total investments	445,706	420,911
Cash and cash equivalents, principally at estimated fair value (includes $9 and $1, respectively, relating to variable interest entities)	13,023	12,651
Accrued investment income	3,692	3,308
Premiums, reinsurance and other receivables (includes $3 and $2, respectively, relating to variable interest entities)	18,588	15,445
Deferred policy acquisition costs and value of business acquired	18,399	17,590
Current income tax recoverable	3	20
Goodwill	9,556	9,220
Assets of disposed subsidiary	—	216,983
Other assets (includes $3 and $3, respectively, relating to variable interest entities)	8,149	7,058
Separate account assets	203,399	195,578
Total assets	$ 720,515	$ 898,764
Liabilities and Equity		
Liabilities		
Future policy benefits	$ 176,005	$ 166,701
Policyholder account balances	182,513	173,168
Other policy-related balances	15,026	13,030
Policyholder dividends payable	730	696
Policyholder dividend obligation	2,201	1,931
Payables for collateral under securities loaned and other transactions	27,132	25,873
Short-term debt	214	242

Long-term debt (includes $6 and $12, respectively, at estimated fair value, relating to variable interest entities)	16,688	16,441
Collateral financing arrangement	1,220	1,274
Junior subordinated debt securities	3,144	3,169
Liabilities of disposed subsidiary	—	202,707
Deferred income tax liability	8,554	6,774
Other liabilities	26,745	23,700
Separate account liabilities	203,399	195,578
Total liabilities	663,571	831,284
Contingencies, Commitments and Guarantees (Note 14)		
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; $2,100 aggregate liquidation preference	—	—
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,167,535,225 and 1,164,029,985 shares issued, respectively; 1,054,286,620 and 1,095,519,005 shares outstanding, respectively	12	12
Additional paid-in capital	31,066	30,944
Retained earnings	24,410	34,480
Treasury stock, at cost; 113,248,605 and 68,510,980 shares, respectively	(5,779)	(3,474)
Accumulated other comprehensive income (loss)	7,005	5,347
Total MetLife, Inc.'s stockholders' equity	56,714	67,309
Noncontrolling interests	230	171
Total equity	56,944	67,480
Total liabilities and equity	$ 720,515	$ 898,764

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Nine Months Ended September 30, 2017 and 2016 (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues				
Premiums	$10,876	$9,839	$29,421	$27,956
Universal life and investment-type product policy fees	1,428	1,341	4,152	4,127
Net investment income	4,295	4,609	12,909	12,527
Other revenues	301	356	935	1,309
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(6)	(4)	(8)	(74)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	1	(5)	1	(9)
Other net investment gains (losses)	(601)	240	(432)	681
Total net investment gains (losses)	(606)	231	(439)	598
Net derivative gains (losses)	(190)	(543)	(663)	1,438
Total revenues	16,104	15,833	46,315	47,955
Expenses				
Policyholder benefits and claims	10,645	9,612	28,923	27,394
Interest credited to policyholder account balances	1,338	1,544	4,081	3,819
Policyholder dividends	302	302	925	924
Other expenses	3,318	3,216	9,904	10,296
Total expenses	15,603	14,674	43,833	42,433
Income (loss) from continuing operations before provision for income tax	501	1,159	2,482	5,522
Provision for income tax expense (benefit)	(392)	135	(148)	1,253
Income (loss) from continuing operations, net of income tax	893	1,024	2,630	4,269
Income (loss) from discontinued operations, net of income tax	(968)	(451)	(989)	(1,379)
Net income (loss)	(75)	573	1,641	2,890
Less: Net income (loss) attributable to noncontrolling interests	6	(4)	12	2
Net income (loss) attributable to MetLife, Inc.	(81)	577	1,629	2,888
Less: Preferred stock dividends	6	6	58	58
Net income (loss) available to MetLife, Inc.'s common shareholders	$(87)	$571	$1,571	$2,830
Comprehensive income (loss)	$(182)	$(463)	$4,623	$11,809
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	10	(3)	16	97
Comprehensive income (loss) attributable to MetLife, Inc.	$(192)	$(460)	$4,607	$11,712
Income (Loss) from Continuing Operations:				
Basic	$0.83	$0.93	$2.38	$3.82
Diluted	$0.82	$0.92	$2.36	$3.80
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:				
Basic	$(0.08)	$0.52	$1.46	$2.57
Diluted	$(0.08)	$0.51	$1.45	$2.55
Cash dividends declared per common share	$0.400	$0.400	$1.200	$1.175

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Nine Months Ended September 30, 2017 and 2016 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2016	$ —	$ 12	$ 30,944	$ 34,480	$ (3,474)	$ 5,347	$ 67,309	$ 171	$ 67,480
Treasury stock acquired in connection with share repurchases					(2,305)		(2,305)		(2,305)
Stock-based compensation			122				122		122
Dividends on preferred stock				(58)			(58)		(58)
Dividends on common stock				(1,295)			(1,295)		(1,295)
Distribution of Brighthouse (Note 3)				(10,346)		(1,320)	(11,666)		(11,666)
Change in equity of noncontrolling interests							—	43	43
Net income (loss)				1,629			1,629	12	1,641
Other comprehensive income (loss), net of income tax						2,978	2,978	4	2,982
Balance at September 30, 2017	$ —	$ 12	$ 31,066	$ 24,410	$ (5,779)	$ 7,005	$ 56,714	$ 230	$ 56,944

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	$ —	$ 12	$ 30,749	$ 35,519	$ (3,102)	$ 4,771	$ 67,949	$ 470	$ 68,419
Treasury stock acquired in connection with share repurchases					(70)		(70)		(70)
Stock-based compensation			48				48		48
Dividends on preferred stock				(58)			(58)		(58)
Dividends on common stock				(1,295)			(1,295)		(1,295)
Change in equity of noncontrolling interests							—	(387)	(387)
Net income (loss)				2,888			2,888	2	2,890
Other comprehensive income (loss), net of						8,824	8,824	95	8,919

income tax									
Balance at September 30, 2016	$ —	$ 12	$ 30,797	$ 37,054	$ (3,172)	$ 13,595	$ 78,286	$ 180	$ 78,466

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2017 and 2016 (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2017	2016
Net cash provided by (used in) operating activities	$10,233	$9,131
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	66,544	101,614
Equity securities	904	1,019
Mortgage loans	6,721	10,518
Real estate and real estate joint ventures	689	323
Other limited partnership interests	882	1,025
Purchases of:		
Fixed maturity securities	(76,010)	(108,418)
Equity securities	(705)	(802)
Mortgage loans	(9,988)	(14,686)
Real estate and real estate joint ventures	(1,078)	(958)
Other limited partnership interests	(1,064)	(806)
Cash received in connection with freestanding derivatives	4,890	3,258
Cash paid in connection with freestanding derivatives	(7,404)	(4,317)
Cash disposed due to distribution of Brighthouse	(663)	—
Sales of businesses, net of cash and cash equivalents disposed of $0 and $135, respectively	—	156
Purchases of businesses	(211)	—
Purchases of investments in operating joint ventures	—	(39)
Net change in policy loans	(16)	201
Net change in short-term investments	(209)	(2,232)
Net change in other invested assets	(184)	(58)
Other, net	(256)	(384)
Net cash provided by (used in) investing activities	(17,158)	(14,586)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	67,565	65,225
Withdrawals	(62,233)	(61,145)
Net change in payables for collateral under securities loaned and other transactions	2,316	7,227
Long-term debt issued	3,657	—
Long-term debt repaid	(60)	(1,273)
Collateral financing arrangements repaid	(2,852)	(55)
Distribution of Brighthouse	(2,793)	—
Financing element on certain derivative instruments and other derivative related transactions, net	(109)	(336)
Treasury stock acquired in connection with share repurchases	(2,305)	(70)
Dividends on preferred stock	(58)	(58)
Dividends on common stock	(1,295)	(1,295)
Other, net	(144)	60
Net cash provided by (used in) financing activities	1,689	8,280

Effect of change in foreign currency exchange rates on cash and cash equivalents balances	382	306
Change in cash and cash equivalents	(4,854)	3,131
Cash and cash equivalents, beginning of period	17,877	12,752
Cash and cash equivalents, end of period	$13,023	$15,883
Cash and cash equivalents, of disposed subsidiary, beginning of period	$5,226	$1,570
Cash and cash equivalents, of disposed subsidiary, end of period	$—	$2,825
Cash and cash equivalents, from continuing operations, beginning of period	$12,651	$11,182
Cash and cash equivalents, from continuing operations, end of period	$13,023	$13,058

	Nine Months Ended September 30,	
	2017	2016
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$806	$875
Income tax	$633	$464
Non-cash transactions:		
Disposal of Brighthouse (See Note 3):		
Assets disposed	$225,502	$—
Liabilities disposed	(210,999)	—
Net assets disposed	$14,503	$—
Cash disposed	(3,456)	—
Net non-cash disposed	$11,047	$—
Fixed maturity securities received in connection with pension risk transfer transactions	$—	$985
Reduction of fixed maturity securities in connection with a reinsurance transaction	$—	$224
Deconsolidation of operating joint venture:		
Reduction of fixed maturity securities	$—	$917
Reduction of noncontrolling interests	$—	$373

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Business

"MetLife" and the "Company" refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management. MetLife is organized into five segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa ("EMEA"); and MetLife Holdings.

On August 4, 2017, MetLife, Inc. completed the separation of Brighthouse Financial, Inc. and its subsidiaries ("Brighthouse") through a distribution of 96,776,670 shares of Brighthouse Financial, Inc. common stock to the MetLife, Inc. common shareholders (the "Separation"). See Note 3 for additional information on the Separation.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the interim condensed consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results could differ from these estimates.

Consolidation

The accompanying interim condensed consolidated financial statements include the accounts of MetLife, Inc. and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities ("VIEs") for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.

The Company uses the equity method of accounting for equity securities when it has significant influence or at least 20% interest and for real estate joint ventures and other limited partnership interests ("investees") when it has more than a minor ownership interest or more than a minor influence over the investee's operations. The Company generally recognizes its share of the investee's earnings on a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee's operations.

Discontinued Operations

The results of operations of a component of the Company that has either been disposed of or is classified as held-for-sale are reported in discontinued operations if certain criteria are met. A disposal of a component is reported as discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financials. The results of Brighthouse are reflected in the Company's interim condensed consolidated financial statements as discontinued operations. Prior period results have been revised to reflect discontinued operations. Intercompany transactions between the Company and Brighthouse prior to the Separation have been eliminated. Transactions between the Company and Brighthouse after the Separation are reflected in continuing operations for the Company. See Note 3 for information on discontinued operations and transactions with Brighthouse.

Reclassifications

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform to the 2017 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2016 consolidated balance sheet data was derived from audited

consolidated financial statements included in MetLife, Inc.'s Annual Report on Form 10 K for the year ended December 31, 2016 (the "2016 Annual Report"), which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2016 Annual Report.

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Adoption of New Accounting Pronouncements

Effective January 1, 2017, the Company early adopted guidance relating to business combinations. The new guidance clarifies the definition of a business and requires that an entity apply certain criteria in order to determine when a set of assets and activities qualifies as a business. The adoption of this standard will result in fewer acquisitions qualifying as businesses and, accordingly, acquisition costs for those acquisitions that do not qualify as businesses will be capitalized rather than expensed. The adoption did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2017, the Company retrospectively adopted guidance relating to consolidation. The new guidance does not change the characteristics of a primary beneficiary under current GAAP. It changes how a reporting entity evaluates whether it is the primary beneficiary of a VIE by changing how a reporting entity that is a single decisionmaker of a VIE handles indirect interests in the entity held through related parties that are under common control with the reporting entity. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2017, the Company adopted guidance related to stock-based compensation. The new guidance changes several aspects of the accounting for share-based payment and award transactions, including (i) income tax consequences when awards vest or are settled; (ii) classification as either equity or liability due to statutory tax withholding requirements; and (iii) classification on the statement of cash flows. In addition, the new guidance provides an accounting policy election to account for forfeitures as they occur, rather than to account for them based on an estimate of expected forfeitures. The Company has elected to continue to account for forfeitures based on an estimate of expected forfeitures. In addition, the Company elected to apply the change in presentation in the statement of cash flows related to excess tax benefits prospectively and prior periods have not been adjusted. The change in presentation for cash paid to a taxing authority when directly withholding equivalent shares has been classified as a financing activity in the statement of cash flows. The change was applied retrospectively and thus the directly withheld share equivalent amount was reclassified from an operating activity to a financing activity in the consolidated statements of cash flows. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Other

Effective January 3, 2017, the Chicago Mercantile Exchange ("CME") amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. These amendments impacted the accounting treatment of the Company's centrally cleared derivatives for which the CME serves as the central clearing party. As of the effective date, the application of the amended rulebook reduced gross derivative assets by $1.8 billion, gross derivative liabilities by $2.0 billion, accrued investment income by $101 million, accrued investment expense recorded within other liabilities by $14 million, collateral receivables recorded within premiums, reinsurance and other receivables of $991 million, and collateral payables recorded within payables for collateral under securities loaned and other transactions of $816 million.

Future Adoption of New Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued new guidance on hedging activities (Accounting Standards Update ("ASU") 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities). The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings. Early adoption is permitted. The new guidance simplifies the application of hedge accounting in certain situations and amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2017, the FASB issued new guidance on share-based payment awards (ASU 2017-09, Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting). The new guidance is effective for fiscal years

beginning after December 15, 2017 and interim periods within those fiscal years. The new guidance should be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted. The ASU includes guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
1. Business, Basis of Presentation and Summary of Significant Accounting Policies (continued)

In March 2017, the FASB issued new guidance on purchased callable debt securities (ASU 2017-08, Receivables -Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities). The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings. Early adoption is permitted. The ASU shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date. However, the new guidance does not require an accounting change for securities held at a discount whose discount continues to be amortized to maturity. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In March 2017, the FASB issued new guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost (ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost). The new guidance is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The guidance requires that an employer that offers to its employees defined benefit pension or other postretirement benefit plans report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The guidance should be applied retrospectively for the presentation of the service cost component in the income statement and allows a practical expedient for the estimation basis for applying the retrospective presentation requirements. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In February 2017, the FASB issued new guidance on derecognition of nonfinancial assets (ASU 2017-05, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption was permitted for interim or annual reporting periods beginning after December 15, 2016. The guidance may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. The new guidance clarifies the scope and accounting of a financial asset that meets the definition of an “in-substance nonfinancial asset” and defines the term, “in-substance nonfinancial asset.” The ASU also adds guidance for partial sales of nonfinancial assets. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In January 2017, the FASB issued new guidance on goodwill impairment (ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The new guidance simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. The new guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, if any. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In November 2016, the FASB issued new guidance on restricted cash (ASU 2016-18, Statement of Cash Flows (Topic 230): a consensus of the FASB Emerging Issues Task Force). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a retrospective basis. Early adoption is permitted. The new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or

restricted cash equivalents. As a result, the new guidance requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance does not provide a definition of restricted cash or restricted cash equivalents. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In October 2016, the FASB issued new guidance on tax accounting for intra-entity transfers of assets (ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a modified retrospective basis. Early adoption is permitted in the first interim or annual reporting period. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Also, the guidance eliminates the exception for an intra-entity transfer of an asset other than inventory. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In August 2016, the FASB issued new guidance on cash flow statement presentation (ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied retrospectively to all periods presented. Early adoption is permitted in any interim or annual period. This ASU addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments). The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance requires that an other-than-temporary impairment (“OTTI”) on a debt security will be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but rather a reversal of the previous impairment and recognized through realized investment gains and losses. The guidance also requires enhanced disclosures. The Company has assessed the asset classes impacted by the new guidance and is currently assessing the accounting and reporting system changes that will be required to comply with the new guidance. The Company believes that the most significant impact upon adoption will be to its mortgage loan investments. The Company is continuing to evaluate the overall impact of the new guidance on its consolidated financial statements.

In February 2016, the FASB issued new guidance on leasing transactions (ASU 2016-02, Leases - Topic 842). The new guidance is effective for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a modified retrospective transition approach. Early adoption is permitted. The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Leases would be classified as finance or operating leases and both types of leases will be recognized on the balance sheet. Lessor accounting will remain largely unchanged from current guidance except for certain targeted changes. The new guidance will also require new qualitative and quantitative disclosures. The Company’s implementation efforts are primarily focused on the review of its existing lease contracts, as well as identification of other contracts that may fall under the scope of the new guidance. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In January 2016, the FASB issued new guidance (ASU 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities) on the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the fair value option ("FVO") that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. Additionally, there will no longer be a requirement to assess equity securities for impairment since such securities will be measured at fair value through net income. The Company has assessed the population of financial instruments that are subject to the new guidance and has determined that the most significant impact will be the requirement to report changes in fair value in net income each reporting period for all equity securities currently classified as available-for-sale ("AFS") and to a lesser extent, other limited partnership interests and real estate joint ventures that are currently accounted for under the cost method. The estimated impact, using values as of September 30, 2017, related to the change in accounting for equity securities AFS, was $250 million of net unrealized investment gains, net of income tax, which would be reclassified from accumulated other comprehensive income ("AOCI") to retained earnings. The estimated financial statement impact related to cost method other limited partnership interests and real estate joint ventures was not material.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company will apply this guidance retrospectively with a cumulative-effect adjustment as of January 1, 2018. The new guidance will supersede nearly all existing revenue recognition guidance under U.S. GAAP. However, it will not impact the accounting for insurance and investment contracts within the scope of Accounting Standards Codification Topic 944, Financial Services - Insurance, leases, financial instruments and certain guarantees. For those contracts that are impacted, the new guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. Given the scope of the new revenue recognition guidance, the Company does not expect the adoption to have a material impact on its consolidated revenues or statements of operations, with the Company's implementation efforts primarily focused on other revenues on the consolidated statements of operations. Other revenues on the consolidated statements of operations represents less than 3% of consolidated total revenues for the nine months ended September 30, 2017. Based on implementation efforts completed to date, the Company has identified revenue streams within the scope of the guidance and is evaluating the related contracts, primarily consisting of prepaid legal plans and administrative-only contracts in the U.S. segment, advisory fees in the MetLife Holdings segment, and fee-based investment management services in Corporate & Other. While the Company has not yet identified any material changes in the recognition and measurement of other revenue, the Company's assessment is ongoing, including the consideration of the new disclosure requirements.

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2. Segment Information

Following the Separation and the elimination of the Brighthouse Financial segment, as described in Note 3, MetLife is organized into five segments: U.S.; Asia; Latin America; EMEA; and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other.

U.S.

The U.S. segment offers a broad range of protection products and services aimed at serving the financial needs of customers throughout their lives. These products are sold to corporations and their respective employees, other institutions and their respective members, as well as individuals. The U.S. segment is organized into three businesses: Group Benefits, Retirement and Income Solutions and Property & Casualty.

- The Group Benefits business offers insurance products and services which include life, dental, group short- and long-term disability, individual disability, accidental death and dismemberment, critical illness, vision and accident & health coverages, as well as prepaid legal plans. This business also sells administrative services-only arrangements to some employers.
- The Retirement and Income Solutions business offers a broad range of annuity and investment products, including guaranteed interest contracts and other stable value products, institutional income annuities and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This business also includes structured settlements and certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance nonqualified benefit programs for executives.
- The Property & Casualty business offers personal and commercial lines of property and casualty insurance, including private passenger automobile, homeowners' and personal excess liability insurance. In addition, Property & Casualty offers small business owners property, liability and business interruption insurance.

Asia

The Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include whole life, term life, variable life, universal life, accident & health insurance, fixed and variable annuities, credit insurance and endowment products.

Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident & health insurance, group medical, dental, credit insurance, endowment and retirement and savings products.

EMEA

The EMEA segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident & health insurance, credit insurance, annuities, endowment and retirement and savings products.

MetLife Holdings

The MetLife Holdings segment consists of operations relating to products and businesses no longer actively marketed by the Company in the United States. These products and businesses include variable, universal, term and whole life, as well as variable, fixed and index-linked annuities. The MetLife Holdings segment also includes the Company's discontinued long-term care business and the assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
2. Segment Information (continued)

Corporate & Other
Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration and disposition costs, internal resource costs for associates committed to acquisitions and dispositions, enterprise-wide strategic initiative restructuring charges and various start-up businesses (including expatriate benefits insurance and the investment management business through which the Company offers fee-based investment management services to institutional clients, as well as the direct to consumer portion of the U.S. Direct business). Corporate & Other also includes interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. In addition, Corporate & Other includes the elimination of intersegment amounts, which generally relate to affiliated reinsurance and intersegment loans, which bear interest rates commensurate with related borrowings. As a result of the Separation, Corporate & Other includes corporate overhead costs previously allocated to the former Brighthouse Financial segment.
Financial Measures and Segment Accounting Policies
Operating earnings is used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is also the Company's GAAP measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings allows analysis of the Company's performance relative to the Company's business plan and facilitates comparisons to industry results.
Operating earnings is defined as operating revenues less operating expenses, both net of income tax.
The financial measures of operating revenues and operating expenses focus on the Company's primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. In addition, for the three months ended March 31, 2016 and the nine months ended September 30, 2016, operating revenues and operating expenses exclude the financial impact of converting the Company's Japan operations to calendar year-end reporting without retrospective application of this change to prior periods and is referred to as lag elimination. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.
The following additional adjustments are made to revenues, in the line items indicated, in calculating operating revenues:

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees"); and
- Net investment income: (i) includes earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment,(ii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed unit-linked investments and (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
2. Segment Information (continued)

The following additional adjustments are made to expenses, in the line items indicated, in calculating operating expenses:

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, (iii) benefits and hedging costs related to GMIBs (“GMIB Costs”) and (iv) market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”);
- Interest credited to policyholder account balances includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;
- Amortization of deferred policy acquisition costs (“DAC”) and value of business acquired (“VOBA”) excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs and (iii) Market Value Adjustments;
- Amortization of negative VOBA excludes amounts related to Market Value Adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements and (iii) acquisition, integration and other costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance.

The tax impact of the adjustments mentioned above are calculated net of the U.S. or foreign statutory tax rate, which could differ from the Company’s effective tax rate. Additionally, the provision for income tax (expense) benefit also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

Set forth in the tables below is certain financial information with respect to the Company’s segments, as well as Corporate & Other, for the three months and nine months ended September 30, 2017 and 2016. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in the Company’s business.

The Company’s economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon while applying an industry standard method for the inclusion of diversification benefits among risk types. The Company’s management is responsible for the ongoing production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company’s consolidated net investment income, income (loss) from continuing operations, net of income tax or operating earnings.

Net investment income is based upon the actual results of each segment’s specifically identifiable investment portfolios adjusted for allocated equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature

of such costs; (ii) time studies analyzing the amount of employee compensation costs incurred by each segment; and (iii) cost estimates included in the Company’s product pricing.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
2. Segment Information (continued)

	Operating Results								
Three Months Ended September 30, 2017	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)								
Revenues									
Premiums	$6,987	$1,696	$701	$527	$989	$13	$10,913	$(37)	$10,876
Universal life and investment-type product policy fees	247	458	229	109	349	—	1,392	36	1,428
Net investment income	1,602	762	299	77	1,390	26	4,156	139	4,295
Other revenues	197	11	7	(2)	37	65	315	(14)	301
Net investment gains (losses)	—	—	—	—	—	—	—	(606)	(606)
Net derivative gains (losses)	—	—	—	—	—	—	—	(190)	(190)
Total revenues	9,033	2,927	1,236	711	2,765	104	16,776	(672)	16,104
Expenses									
Policyholder benefits and claims and policyholder dividends	6,904	1,223	640	282	1,661	7	10,717	230	10,947
Interest credited to policyholder account balances	376	349	99	26	255	—	1,105	233	1,338
Capitalization of DAC	(126)	(420)	(94)	(109)	(14)	(2)	(765)	4	(761)
Amortization of DAC and VOBA	118	424	—	78	(70)	3	553	73	626
Amortization of negative VOBA	—	(24)	(1)	(5)	—	—	(30)	(2)	(32)
Interest expense on debt	2	—	1	—	2	279	284	—	284
Other expenses	933	905	377	347	322	237	3,121	80	3,201
Total expenses	8,207	2,457	1,022	619	2,156	524	14,985	618	15,603
Provision for income tax expense (benefit)	280	156	51	21	199	(90)	617	(1,009)	(392)
Operating earnings	$546	$314	$163	$71	$410	$(330)	1,174		
Adjustments to:									
Total revenues							(672)		
Total expenses							(618)		
Provision for income tax (expense) benefit							1,009		
Income (loss) from continuing operations, net of income tax							$893		$893

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
2. Segment Information (continued)

Three Months Ended September 30, 2016	Operating Results U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)								
Revenues									
Premiums	$5,936	$1,822	$653	$500	$1,093	$41	$10,045	$(206)	$9,839
Universal life and investment-type product policy fees	245	394	227	104	357	—	1,327	14	1,341
Net investment income	1,590	707	311	81	1,537	53	4,279	330	4,609
Other revenues	192	12	11	17	105	22	359	(3)	356
Net investment gains (losses)	—	—	—	—	—	—	—	231	231
Net derivative gains (losses)	—	—	—	—	—	—	—	(543)	(543)
Total revenues	7,963	2,935	1,202	702	3,092	116	16,010	(177)	15,833
Expenses									
Policyholder benefits and claims and policyholder dividends	5,894	1,363	681	257	1,853	31	10,079	(165)	9,914
Interest credited to policyholder account balances	322	331	85	28	261	(1)	1,026	518	1,544
Capitalization of DAC	(124)	(440)	(83)	(103)	(44)	1	(793)	23	(770)
Amortization of DAC and VOBA	117	331	(2)	106	219	1	772	(112)	660
Amortization of negative VOBA	—	(46)	(1)	(3)	—	—	(50)	(5)	(55)
Interest expense on debt	2	—	1	—	15	275	293	(13)	280
Other expenses	912	930	335	332	401	85	2,995	106	3,101
Total expenses	7,123	2,469	1,016	617	2,705	392	14,322	352	14,674
Provision for income tax expense (benefit)	288	142	53	11	121	(288)	327	(192)	135
Operating earnings	$552	$324	$133	$74	$266	$12	1,361		
Adjustments to:									
Total revenues							(177)		
Total expenses							(352)		
Provision for income tax (expense) benefit							192		
Income (loss) from continuing operations, net of income tax							$1,024		$1,024

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
2. Segment Information (continued)

Nine Months Ended September 30, 2017	Operating Results								
	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)								
Revenues									
Premiums	$18,049	$5,063	$1,993	$1,534	$3,070	$59	$29,768	$(347)	$29,421
Universal life and investment-type product policy fees	763	1,199	764	296	1,056	—	4,078	74	4,152
Net investment income	4,789	2,193	891	229	4,232	107	12,441	468	12,909
Other revenues	600	32	24	43	170	185	1,054	(119)	935
Net investment gains (losses)	—	—	—	—	—	—	—	(439)	(439)
Net derivative gains (losses)	—	—	—	—	—	—	—	(663)	(663)
Total revenues	24,201	8,487	3,672	2,102	8,528	351	47,341	(1,026)	46,315
Expenses									
Policyholder benefits and claims and policyholder dividends	18,017	3,785	1,869	821	5,117	33	29,642	206	29,848
Interest credited to policyholder account balances	1,086	1,003	275	75	767	1	3,207	874	4,081
Capitalization of DAC	(342)	(1,268)	(264)	(301)	(71)	(6)	(2,252)	34	(2,218)
Amortization of DAC and VOBA	346	1,005	146	260	143	5	1,905	40	1,945
Amortization of negative VOBA	—	(91)	(1)	(13)	—	—	(105)	(8)	(113)
Interest expense on debt	8	—	4	—	22	833	867	(16)	851
Other expenses	2,756	2,675	1,060	995	1,032	649	9,167	272	9,439
Total expenses	21,871	7,109	3,089	1,837	7,010	1,515	42,431	1,402	43,833
Provision for income tax expense (benefit)	782	459	123	47	488	(642)	1,257	(1,405)	(148)
Operating earnings	$1,548	$919	$460	$218	$1,030	$(522)	3,653		
Adjustments to:									
Total revenues							(1,026)		
Total expenses							(1,402)		
Provision for income tax (expense) benefit							1,405		
Income (loss) from continuing operations, net of income tax							$2,630		$2,630

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
2. Segment Information (continued)

Nine Months Ended September 30, 2016	Operating Results								
	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)								
Revenues									
Premiums	$16,127	$5,161	$1,885	$1,519	$3,312	$50	$28,054	$(98)	$27,956
Universal life and investment-type product policy fees	743	1,114	764	294	1,073	2	3,990	137	4,127
Net investment income	4,615	2,003	809	244	4,489	141	12,301	226	12,527
Other revenues	589	45	26	56	512	70	1,298	11	1,309
Net investment gains (losses)	—	—	—	—	—	—	—	598	598
Net derivative gains (losses)	—	—	—	—	—	—	—	1,438	1,438
Total revenues	22,074	8,323	3,484	2,113	9,386	263	45,643	2,312	47,955
Expenses									
Policyholder benefits and claims and policyholder dividends	16,210	3,923	1,814	801	5,603	23	28,374	(56)	28,318
Interest credited to policyholder account balances	967	974	249	87	780	5	3,062	757	3,819
Capitalization of DAC	(356)	(1,251)	(236)	(310)	(240)	(7)	(2,400)	(22)	(2,422)
Amortization of DAC and VOBA	353	921	127	311	636	7	2,355	(303)	2,052
Amortization of negative VOBA	—	(167)	(1)	(10)	—	—	(178)	(43)	(221)
Interest expense on debt	7	—	1	—	43	862	913	(38)	875
Other expenses	2,772	2,658	968	1,001	1,861	401	9,661	351	10,012
Total expenses	19,953	7,058	2,922	1,880	8,683	1,291	41,787	646	42,433
Provision for income tax expense (benefit)	720	377	141	32	203	(658)	815	438	1,253
Operating earnings	$1,401	$888	$421	$201	$500	$(370)	3,041		
Adjustments to:									
Total revenues							2,312		
Total expenses							(646)		
Provision for income tax (expense) benefit							(438)		
Income (loss) from continuing operations, net of income tax							$4,269		$4,269

The following table presents total assets with respect to the Company's segments, as well as Corporate & Other, at:

	September 30, 2017	December 31, 2016
	(In millions)	
U.S.	$258,651	$ 253,683
Asia	134,070	120,656
Latin America	77,617	67,233
EMEA	30,244	25,596
MetLife Holdings	185,054	184,276
Corporate & Other (1)	34,879	247,320
Total	$720,515	$ 898,764

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(1) Includes assets of disposed subsidiary of $216,983 million at December 31, 2016.

3. Separation

Separation of Brighthouse

In January 2016, MetLife, Inc. announced its plan to separate a substantial portion of its former Retail segment, as well as certain portions of its former Corporate Benefit Funding segment and Corporate & Other. MetLife, Inc. subsequently re-segmented the business to be separated and rebranded it as "Brighthouse Financial." On July 6, 2017, MetLife, Inc. announced that the U.S. Securities and Exchange Commission ("SEC") declared Brighthouse Financial, Inc.'s registration statement on Form 10 effective. Additionally, all required state regulatory approvals were granted. On August 4, 2017, MetLife, Inc. completed the separation of Brighthouse. MetLife, Inc. common shareholders received a distribution of one share of Brighthouse Financial, Inc. common stock for every 11 shares of MetLife, Inc. common stock they owned as of 5:00 p.m., New York City time, on the July 19, 2017 record date. Shareholders of MetLife, Inc. who owned less than 11 shares of common stock, or others who would have otherwise received fractional shares, received cash. MetLife, Inc. distributed 96,776,670 of the 119,773,106 shares of Brighthouse Financial, Inc. common stock outstanding, representing approximately 80.8% of those shares. Certain MetLife affiliates hold MetLife, Inc. common stock and, as a result, participated in the distribution.

The loss recognized in the third quarter of 2017 in connection with the Separation was $1,084 million, net of income tax, which includes: (i) a $1,061 million loss on MetLife's retained investment in Brighthouse Financial, Inc., (ii) a $42 million net tax charge and (iii) a $42 million charge, net of income tax, for transaction costs, partially offset by a $61 million gain, net of income tax, for previously deferred intercompany gains realized upon Separation. The $42 million net tax charge is comprised of a $1,093 million tax separation agreement charge offset by $1,051 million of Separation tax benefits. Of the $1,084 million total loss, net of income tax, a $104 million loss, net of income tax, was reported within continuing operations as (i) a $738 million net investment loss, (ii) a $147 million charge within policyholder benefits and claims, (iii) a $107 million charge within other expenses, and (iv) an $888 million income tax benefit. The remaining $980 million loss was reported within discontinued operations, which primarily includes a tax-related charge.

For the nine months ended September 30, 2017, the loss recognized in connection with the Separation was $1,347 million, net of income tax, which included additional transaction costs. Of the $1,347 million total loss, net of income tax, a $176 million loss, net of income tax, was reported within continuing operations as (i) a $738 million net investment loss, (ii) a $147 million charge within policyholder benefits and claims, (iii) a $218 million charge within other expenses, and (iv) a $927 million income tax benefit. The remaining $1,171 million loss was reported within discontinued operations, which primarily includes a tax-related charge.

MetLife, Inc. retained the remaining ownership interest of 22,996,436 shares, or 19.2%, of Brighthouse Financial, Inc. common stock and recognized its investment in Brighthouse Financial, Inc. common stock based on the NASDAQ reported market price. The Company elected to record the investment under the FVO as an observable measure of estimated fair value that is aligned with the Company's intent to divest of the retained shares as soon as practicable. Subsequent changes in estimated fair value of the investment are recorded to net investment gains (losses). The estimated fair value of the Brighthouse Financial, Inc. common stock held by the Company ("FVO Brighthouse Common Stock") as of September 30, 2017 was $1.4 billion reported within fair value option securities. In the third quarter of 2017, the Company recorded a $1,016 million mark-to-market loss on its retained investment in Brighthouse Financial, Inc. to net investment gains (losses) at Separation and an additional $45 million loss to net investment gains (losses) for the change in Brighthouse Financial, Inc.'s common stock share price from the Separation date to September 30, 2017. As of the Separation date, the Company evaluated the assets of Brighthouse for potential impairment, and determined that no impairment charge was required.

The Company incurred pre-tax Separation-related transaction costs of $64 million and $470 million for the three months and nine months ended September 30, 2017, respectively, primarily related to fees for the terminations of financing arrangements and professional services. The Company incurred pre-tax Separation-related transaction costs of $51 million and $108 million for the three months and nine months ended September 30, 2016, respectively, primarily related to professional services. For the three months and nine months ended September 30, 2017, the Company reported $39 million and $333 million, respectively, within discontinued operations for fees for the terminations of financing arrangements and costs required to complete the Separation. All other Separation-related transaction costs are recorded in other expenses and reported within continuing operations.

Upon Separation, MetLife, Inc. terminated a net worth maintenance agreement with Brighthouse Life Insurance Company of NY (formerly, First MetLife Investors Insurance Company) in accordance with its terms. See Schedule II included in the 2016 Annual Report for further information.

Agreements

In connection with the Separation, MetLife and Brighthouse entered into various agreements. The significant agreements were as follows:

Master Separation Agreement

MetLife entered into a master separation agreement with Brighthouse prior to the completion of the distribution. The master separation agreement sets forth agreements with Brighthouse relating to the ownership of certain assets and the allocation of certain liabilities in connection with the separation of Brighthouse from MetLife. It also sets forth other agreements governing the relationship with Brighthouse after the distribution, including certain payment obligations between the parties.

Tax Agreements

Immediately prior to the Separation, MetLife entered into a tax separation agreement with Brighthouse. Among other things, the tax separation agreement governs the allocation between MetLife and Brighthouse of the responsibility for the taxes of the MetLife group. The tax separation agreement also allocates rights, obligations and responsibilities in connection with certain administrative matters relating to the preparation of tax returns and control of tax audits and other proceedings relating to taxes. For the taxable periods prior to Separation, MetLife and Brighthouse have joint and several liability for the MetLife consolidated U.S. federal income tax returns' current taxes (and the benefits of tax attributes such as losses) allocated to Brighthouse. The tax separation agreement provides that the Brighthouse allocation of taxes could vary depending upon the outcome of Internal Revenue Service examinations. Upon Separation, the Company recorded a current income tax receivable of $1.4 billion and a corresponding payable to Brighthouse reported in other liabilities. On October 2, 2017, in accordance with the tax separation agreement, $729 million of this amount was paid by MetLife to Brighthouse.

As part of the tax separation agreement, MetLife is liable for the U.S. federal income tax cost of a discrete Separation related tax charge incurred by Brighthouse. The income tax charge arises from the recapture of certain tax benefits incurred prior to Separation, and is caused by the deconsolidation of Brighthouse from the MetLife tax group at Separation. As a result, during the three months ended September 30, 2017, the Company recorded a decrease to current income tax recoverable and a charge to provision for income tax expense (benefit) of $1,093 million, which was reported in discontinued operations.

Additionally, MetLife has the right to receive future payments from Brighthouse for a tax asset that Brighthouse received as a result of restructuring prior to the Separation. Included in other assets at September 30, 2017, is a receivable from Brighthouse of $555 million related to these future payments.

Transactions Prior to the Separation

Prior to the Separation, the Company completed the following transactions in 2017. See "— Discontinued Operations" for additional information.

Contributions of Entities, Mergers and Dividend

In April 2017, following receipt of applicable regulatory approvals, MetLife contributed certain captive reinsurance companies to Brighthouse Life Insurance Company ("Brighthouse Insurance"), which were merged into Brighthouse Reinsurance Company of Delaware ("BRCD"), a newly-formed captive reinsurance company that is wholly-owned by Brighthouse Insurance.

In July 2017, MetLife, Inc. contributed the voting common interests of Brighthouse Holdings, LLC, a subsidiary of MetLife, Inc., to Brighthouse Financial, Inc. Brighthouse Holdings, LLC is an intermediate holding company, which owns all of the subsidiaries within Brighthouse.

On August 3, 2017, Brighthouse Financial, Inc. paid a cash dividend to MetLife, Inc. of $1.8 billion in connection with the Separation.

Termination of Financing Arrangements

In April 2017, MetLife, Inc. and MetLife Reinsurance Company of South Carolina ("MRSC") terminated the MRSC collateral financing arrangement associated with secondary guarantees. As a result, the $2.8 billion collateral financing arrangement liability outstanding was extinguished utilizing $2.8 billion of assets held in trust with the remaining $590 million of assets held in trust returned to MetLife, Inc. as a cash return of capital from a subsidiary. Total fees associated with the termination were $37 million and were reported in discontinued operations.

In April 2017, MetLife, Inc. and MetLife Reinsurance Company of Vermont ("MRV") terminated the $4.3 billion committed facility, and MetLife, Inc. and MRSC terminated the $3.5 billion committed facility. Total fees associated with the terminations were $257 million and were reported in discontinued operations.

See Note 9 for discussion of impacts to the junior subordinated debentures as a result of the Separation.

New Financing Arrangements

In April 2017, BRCD entered into a new financing arrangement with a pool of highly rated third-party reinsurers with a total capacity of $10.0 billion. This financing arrangement consists of credit-linked notes that each has a term of 20 years.

In June 2017, Brighthouse Holdings, LLC issued 50,000 units of 6.50% fixed rate cumulative preferred units to MetLife, Inc. and in turn MetLife, Inc. sold the preferred units to third-party investors, for net proceeds of $49 million.

In June 2017, Brighthouse Financial, Inc. issued $1.5 billion of senior notes due in June 2027 (the "2027 Senior Notes") which bear interest at a fixed rate of 3.70%, payable semi-annually. Also in June 2017, Brighthouse Financial, Inc. issued $1.5 billion of senior notes due in June 2047 (the "2047 Senior Notes," and together with the 2027 Senior Notes, the "Senior Notes") which bear interest at a fixed rate of 4.70%, payable semi-annually. In connection with the issuance of the Senior Notes, MetLife, Inc. had initially guaranteed the Senior Notes on a senior unsecured basis. The guarantee was released, in accordance with its terms, in connection with consummation of the Separation.

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In June 2017, subsequent to the issuance of the Senior Notes, the borrowing capacity under Brighthouse Financial, Inc.'s three-year senior unsecured delayed draw term loan agreement (the "2016 Term Loan Agreement") was decreased from $3.0 billion to $536 million. On July 21, 2017, concurrently with entering into a new term loan agreement described below, Brighthouse Financial, Inc. terminated the 2016 Term Loan Agreement without penalty.
In July 2017, Brighthouse Financial, Inc. entered into a new $600 million senior unsecured delayed draw term loan agreement (the "2017 Term Loan Agreement"). Under the 2017 Term Loan Agreement, Brighthouse Financial, Inc. may borrow up to a maximum of $600 million which may be used for general corporate purposes, including in connection with the Separation, of which $500 million was available prior to the Separation. The 2017 Term Loan Agreement contains certain covenants that could restrict the operations and use of funds of Brighthouse. On August 2, 2017, Brighthouse Financial, Inc. borrowed $500 million under the 2017 Term Loan Agreement in connection with the Separation.

Termination of Support Agreements

In April 2017, in connection with the contribution of entities, mergers and financing transactions discussed above, MetLife, Inc. terminated various support agreements with the captive reinsurance companies merged into BRCD. See Schedule II included in the 2016 Annual Report for information on the support agreements that were terminated.

Ongoing Transactions with Brighthouse

The Company considered all of its continuing involvement with Brighthouse in determining to deconsolidate and present Brighthouse results as discontinued operations, including the agreements described above and the ongoing transactions described below.
The Company entered into reinsurance, committed facility, structured settlement, and contract administrative services transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs. In addition, prior to and in connection with the Separation, the Company entered into various other agreements with Brighthouse for services necessary for both the Company and Brighthouse to conduct their activities. Intercompany transactions prior to the Separation between the Company and Brighthouse are eliminated and excluded from the interim condensed consolidated statements of operations and comprehensive income (loss) and interim condensed consolidated balance sheets. Transactions between the Company and Brighthouse that continue after the Separation are included on the Company's interim condensed consolidated statements of operations and comprehensive income (loss) and interim condensed consolidated balance sheets.

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)

3. Separation (continued)

Reinsurance

The Company entered into reinsurance transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs. Information regarding the significant effects of reinsurance transactions with Brighthouse was as follows:

	Included on Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)	Excluded from Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)			
	Three and Nine Months Ended September 30,	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017 (1)	2017 (2)	2016	2017 (2)	2016
	(In millions)				
Premiums					
Reinsurance assumed	$70	$36	$111	$248	$338
Reinsurance ceded	(2)	1	(3)	(7)	(10)
Net premiums	$68	$37	$108	$241	$328
Universal life and investment-type product policy fees					
Reinsurance assumed	$(1)	$(1)	$(2)	$(6)	$(2)
Reinsurance ceded	(22)	(8)	(30)	(55)	(76)
Net universal life and investment-type product policy fees	$(23)	$(9)	$(32)	$(61)	$(78)
Policyholder benefits and claims					
Reinsurance assumed	$55	$30	$103	$196	$286
Reinsurance ceded	(6)	(3)	(14)	(16)	(9)
Net policyholder benefits and claims	$49	$27	$89	$180	$277
Interest credited to policyholder account balances					
Reinsurance assumed	$3	$1	$4	$10	$12
Reinsurance ceded	(12)	(6)	(18)	(42)	(56)
Net interest credited to policyholder account balances	$(9)	$(5)	$(14)	$(32)	$(44)
Other expenses					
Reinsurance assumed	$6	$4	$18	$10	$63
Reinsurance ceded	(7)	(3)	(8)	(28)	(24)

Net other expenses	$(1)	$1	$10	$(18)	$39

(1) Includes transactions after the Separation.
(2) Includes transactions prior to the Separation.

Information regarding the significant effects of reinsurance transactions with Brighthouse included on the interim condensed consolidated balance sheets was as follows at:

	September 30, 2017	
	Assumed	Ceded
	(In millions)	
Assets		
Premiums, reinsurance and other receivables	$162	$1,786
Deferred policy acquisition costs and value of business acquired	393	(22)
Total assets	$555	$1,764
Liabilities		
Future policy benefits	$1,666	$—
Other policy-related balances	121	29
Other liabilities	1,460	22
Total liabilities	$3,247	$51

Investment Management

In connection with the Separation, the Company entered into investment management services agreements with Brighthouse. Each agreement has an initial term of 18 months after the date of Separation, after which period either party to the agreement is permitted to terminate upon notice to the other party. After the Separation, during both the three months and nine months ended September 30, 2017, the Company recognized $18 million in other revenues for services provided under the agreements. Prior to the Separation, during the three months and nine months ended September 30, 2017, the Company charged Brighthouse $8 million and $57 million, respectively, for services provided under the agreements, which were intercompany transactions and eliminated and excluded from the interim condensed consolidated statement of operations and comprehensive income (loss).

Debt

MRV and MetLife, Inc. have a $2.9 billion committed facility which is used as collateral for certain affiliated reinsurance liabilities. As of September 30, 2017, Brighthouse is a beneficiary of $2.3 billion of letters of credit issued under this committed facility and in consideration Brighthouse reimburses MetLife, Inc. a portion of the letter of credit fees. The Company entered into the committed facility with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

See "— Transactions Prior to the Separation — Termination of Financing Arrangements" for additional transactions with Brighthouse.

Transition Services

In connection with the Separation, the Company entered into a transition services agreement with Brighthouse for services necessary for Brighthouse to conduct their activities. The services are expected to continue up to 36 months, with certain services potentially to be made available for several years thereafter. After the Separation, during the three months ended September 30, 2017, the Company recognized $60 million as a reduction to other expenses for transitional services provided under the agreement. Prior to the Separation, during the three months and nine months ended September 30, 2017, the Company charged Brighthouse $27 million and $191 million, respectively, for services provided under the agreement, which were intercompany transactions and eliminated and excluded from the interim condensed consolidated statement of operations and comprehensive income (loss).

Other

The Company has existing assumed structured settlement claim obligations as an assignment company for Brighthouse. These liabilities are measured at the present value of the periodic claims to be provided and reported as other policy-related balances. The Company receives a fee for assuming these claim obligations and, as the assignee of the claim, is legally obligated to ensure periodic payments are made to the claimant. The Company purchased annuities from Brighthouse to fund these obligations and designates payments to be made directly to the claimant by Brighthouse as the annuity writer. The aggregate contract values of annuities funding structured settlement claims are recorded as an asset for which the Company has also recorded an unpaid claim obligation reported in other policy-related balances. Such aggregated contract values were $1.3 billion at September 30, 2017. The Company entered into these transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

The Company provides services necessary for Brighthouse to conduct its business, which primarily include contract administrative services for certain Brighthouse investment-type products. After the Separation, during both the three months and nine months ended September 30, 2017, the Company recognized $21 million in universal life and investment-type product policy fees for administrative services provided to Brighthouse. Prior to the Separation, during the three months and nine months ended September 30, 2017, the Company provided administrative services to Brighthouse for $10 million and $73 million, respectively, which were intercompany transactions and eliminated and excluded from the interim condensed consolidated statement of operations and comprehensive income (loss). The Company entered into these transactions with Brighthouse in the normal course of business and such transactions will continue based upon business needs.

In connection with the Separation, the Company entered into an employee matters agreement with Brighthouse to allocate obligations and responsibilities relating to employee compensation and benefit plans and other related matters. The employee matters agreement provides that MetLife will reimburse Brighthouse for certain pension benefit payments, retiree health and life benefit payments and deferred compensation payments. Included in other liabilities at September 30, 2017, is a payable to Brighthouse of $186 million related to these future payments.

At September 30, 2017, the Company had a net receivable from Brighthouse of $40 million related to services provided and received.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
3. Separation (continued)

Discontinued Operations
The following table presents the amounts related to the operations and loss on disposal of Brighthouse that have been reflected in discontinued operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017 (1)	2016	2017 (1)	2016
	(In millions)			
Revenues				
Premiums	$116	$552	$820	$1,544
Universal life and investment-type product policy fees	320	955	2,201	2,799
Net investment income	243	857	1,783	2,384
Other revenues	27	8	150	31
Total net investment gains (losses)	1	26	(53)	(60)
Net derivative gains (losses)	(171)	(509)	(1,061)	(3,254)
Total revenues	536	1,889	3,840	3,444
Expenses				
Policyholder benefits and claims	335	1,244	2,217	3,414
Interest credited to policyholder account balances	89	276	620	827
Policyholder dividends	2	10	16	27
Goodwill impairment	—	260	—	260
Other expenses	108	710	853	1,068
Total expenses	534	2,500	3,706	5,596
Income (loss) from discontinued operations before provision for income tax and loss on disposal of discontinued operations	2	(611)	134	(2,152)
Provision for income tax expense (benefit)	(10)	(160)	(48)	(773)
Income (loss) from discontinued operations before loss on disposal of discontinued operations, net of income tax	12	(451)	182	(1,379)
Transaction costs associated with the Separation, net of income tax	(25)	—	(216)	—
Tax charges associated with the Separation	(955)	—	(955)	—
Income (loss) on disposal of discontinued operations, net of income tax	(980)	—	(1,171)	—
Income (loss) from discontinued operations, net of income tax	$(968)	$(451)	$(989)	$(1,379)

(1) Includes transactions prior to the Separation.

The following table presents the amounts related to the financial position of Brighthouse that have been reflected in the assets and liabilities of disposed subsidiary:

	December 31, 2016 (In millions)
Assets	
Investments:	
Fixed maturity securities available-for-sale	$61,326
Equity securities available-for-sale	300
Mortgage loans	9,378
Policy loans	1,517
Real estate and real estate joint ventures	150
Other limited partnership interests	1,642
Short-term investments	1,288
Other invested assets	3,881
Total investments	79,482
Cash and cash equivalents	5,226
Accrued investment income	680
Premiums, reinsurance and other receivables	10,636
Deferred policy acquisition costs and value of business acquired	7,207
Other assets	709
Separate account assets	113,043
Total assets of disposed subsidiary	$216,983
Liabilities	
Future policy benefits	$33,270
Policyholder account balances	37,066
Other policy-related balances	1,356
Policyholder dividends payable	12
Payables for collateral under securities loaned and other transactions	7,390
Long-term debt	60
Collateral financing arrangements	2,797
Deferred income tax liability	2,594
Other liabilities	5,119
Separate account liabilities	113,043
Total liabilities of disposed subsidiary	$202,707

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
3. Separation (continued)

In the consolidated statements of cash flows, the cash flows from discontinued operations are not separately classified. As such, the following table presents selected financial information regarding cash flows of the discontinued operation.

	Nine Months Ended September 30,	
	2017	2016
	(In millions)	
Net cash provided by (used in):		
Operating activities	$1,329	$2,590
Investing activities	$(2,732)	$(5,074)
Financing activities	$(367)	$3,739

4. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2016 Annual Report, the Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits. Guaranteed minimum accumulation benefits ("GMABs") and the portions of both non-life-contingent guaranteed minimum withdrawal benefits ("GMWBs") and the GMIBs that do not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 7.

The Company also issues other annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize. These guarantees include benefits that are payable in the event of death, maturity or at annuitization. Certain other annuity contracts contain guaranteed annuitization benefits that may be above what would be provided by the current account value of the contract. Additionally, the Company issues universal and variable life contracts where the Company contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

Information regarding the Company's guarantee exposure, which includes direct and assumed business, but excludes offsets from hedging or ceded reinsurance, if any, was as follows at:

	September 30, 2017		December 31, 2016	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(Dollars in millions)			
Annuity Contracts (1):				
Variable Annuity Guarantees:				
Total account value (2), (3)	$66,814	$26,098	$66,176	$25,335
Separate account value	$45,046	$24,179	$43,359	$23,330
Net amount at risk (2)	$1,401 (4)	$568 (5)	$1,842 (4)	$521 (5)
Average attained age of contractholders	65 years	65 years	64 years	65 years
Other Annuity Guarantees:				
Total account value (3)	N/A	$1,432	N/A	$1,393
Net amount at risk	N/A	$580 (6)	N/A	$490 (6)
Average attained age of contractholders	N/A	50 years	N/A	50 years

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
4. Insurance (continued)

	September 30, 2017		December 31, 2016	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(Dollars in millions)			
Universal and Variable Life Contracts (1):				
Total account value (3)	$8,796	$ 3,238	$8,363	$ 3,337
Net amount at risk (7)	$67,950	$ 16,905	$70,225	$ 17,785
Average attained age of policyholders	56 years	63 years	55 years	62 years

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(1) The Company’s annuity and life contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed above may not be mutually exclusive.

(2) Includes amounts, which are not reported on the consolidated balance sheets, from assumed reinsurance of certain variable annuity products from the Company’s former operating joint venture in Japan.

(3) Includes the contractholder’s investments in the general account and separate account, if applicable.

(4) Defined as the death benefit less the total account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date and includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death.

(5) Defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company’s potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.

(6) Defined as either the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date or the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. These amounts represent the Company’s potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date.

(7) Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
4. Insurance (continued)

Liabilities for Unpaid Claims and Claim Expenses
Rollforward of Claims and Claim Adjustment Expenses
Information regarding the liabilities for unpaid claims and claim adjustment expenses was as follows:

	Nine Months Ended September 30,	
	2017	2016
	(In millions)	
Balance at December 31 of prior period	$16,151	$9,669
Less: Reinsurance recoverables	1,226	476
Net Balance at December 31 of prior period	14,925	9,193
Cumulative adjustment (1)	—	4,897
Net balance, beginning of period	14,925	14,090
Incurred related to:		
Current period	18,028	18,157
Prior periods (2)	156	147
Total incurred	18,184	18,304
Paid related to:		
Current period	(13,880)	(12,818)
Prior periods	(4,213)	(4,620)
Total paid	(18,093)	(17,438)
Net balance, end of period	15,016	14,956
Add: Reinsurance recoverables	2,205	2,052
Balance, end of period (included in future policy benefits and other policy-related balances)	$17,221	$17,008

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(1) Reflects the accumulated adjustment, net of reinsurance, upon implementation of the new short-duration contracts guidance which clarified the requirement to include claim information for long-duration contracts. The accumulated adjustment primarily reflects unpaid claim liabilities, net of reinsurance, for long-duration contracts as of the beginning of the period presented.

(2) During both the nine months ended September 30, 2017 and 2016, as a result of changes in estimates of insured events in the respective prior periods, the claims and claim adjustment expenses associated with prior periods increased due to unfavorable claims experience.

5. Closed Block

On April 7, 2000 (the “Demutualization Date”), Metropolitan Life Insurance Company (“MLIC”) converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving MLIC’s plan of reorganization, as amended (the “Plan of Reorganization”). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC.

Experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized gains and losses, directly impact the policyholder dividend obligation. Amortization of the closed block DAC, which resides outside of the closed block, is based upon cumulative actual and expected earnings within the closed block. Accordingly, the Company’s net income continues to be sensitive to the actual performance of the closed block.

Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item.

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MetLife, Inc.
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5. Closed Block (continued)

Information regarding the closed block liabilities and assets designated to the closed block was as follows at:

	September 30, 2017	December 31, 2016
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$40,489	$ 40,834
Other policy-related balances	193	257
Policyholder dividends payable	483	443
Policyholder dividend obligation	2,201	1,931
Current income tax payable	—	4
Other liabilities	277	196
Total closed block liabilities	43,643	43,665
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	27,541	27,220
Equity securities available-for-sale, at estimated fair value	71	100
Mortgage loans	5,904	5,935
Policy loans	4,542	4,553
Real estate and real estate joint ventures	628	655
Other invested assets	1,053	1,246
Total investments	39,739	39,709
Cash and cash equivalents	60	18
Accrued investment income	487	467
Premiums, reinsurance and other receivables	68	68
Current income tax recoverable	30	—
Deferred income tax assets	109	177
Total assets designated to the closed block	40,493	40,439
Excess of closed block liabilities over assets designated to the closed block	3,150	3,226
Amounts included in accumulated other comprehensive income (loss):		
Unrealized investment gains (losses), net of income tax	1,851	1,517
Unrealized gains (losses) on derivatives, net of income tax	23	95
Allocated to policyholder dividend obligation, net of income tax	(1,431)	(1,255)
Total amounts included in AOCI	443	357
Maximum future earnings to be recognized from closed block assets and liabilities	$3,593	$ 3,583

Information regarding the closed block policyholder dividend obligation was as follows:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
	(In millions)	
Balance, beginning of period	$1,931	$ 1,783
Change in unrealized investment and derivative gains (losses)	270	148
Balance, end of period	$2,201	$ 1,931

Information regarding the closed block revenues and expenses was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In millions)			
Revenues				
Premiums	$413	$436	$1,247	$1,297
Net investment income	450	486	1,368	1,435
Net investment gains (losses)	—	(3)	(10)	(19)
Net derivative gains (losses)	(6)	4	(24)	(3)
Total revenues	857	923	2,581	2,710
Expenses				
Policyholder benefits and claims	591	619	1,773	1,861
Policyholder dividends	235	232	732	723
Other expenses	30	33	94	100
Total expenses	856	884	2,599	2,684
Revenues, net of expenses before provision for income tax expense (benefit)	1	39	(18)	26
Provision for income tax expense (benefit)	—	13	(8)	8
Revenues, net of expenses and provision for income tax expense (benefit)	$1	$26	$(10)	$18

MLIC charges the closed block with federal income taxes, state and local premium taxes and other state or local taxes, as well as investment management expenses relating to the closed block as provided in the Plan of Reorganization. MLIC also charges the closed block for expenses of maintaining the policies included in the closed block.

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6. Investments
Fixed Maturity and Equity Securities Available-for-Sale
Fixed Maturity and Equity Securities Available-for-Sale by Sector
The following table presents the fixed maturity and equity securities AFS by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS") (collectively, "Structured Securities").

	September 30, 2017					December 31, 2016				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	OTTI Losses (1)	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	OTTI Losses (1)	Estimated Fair Value
	(In millions)									
Fixed maturity securities:										
U.S. corporate	$75,221	$6,827	$ 393	$—	$81,655	$73,280	$6,027	$ 764	$—	$78,543
Foreign government	54,618	6,486	315	—	60,789	49,864	6,485	373	—	55,976
Foreign corporate	52,185	3,705	750	—	55,140	49,333	2,901	1,572	(1)	50,663
U.S. government and agency	43,911	4,056	303	—	47,664	41,294	3,682	543	—	44,433
RMBS	30,368	1,222	232	(40)	31,398	28,393	1,039	410	(10)	29,032
State and political subdivision	10,754	1,615	24	—	12,345	10,977	1,340	85	1	12,231
ABS	11,702	114	42	3	11,771	11,266	90	128	3	11,225
CMBS	7,925	251	44	—	8,132	7,294	237	71	—	7,460
Total fixed maturity securities	$286,684	$24,276	$ 2,103	$(37)	$308,894	$271,701	$21,801	$ 3,946	$ (7)	$289,563
Equity securities:										
Common stock	$1,883	$379	$ 20	$—	$2,242	$1,827	$464	$ 13	$—	$2,278
Non-redeemable preferred stock	503	36	5	—	534	637	19	40	—	616
Total equity securities	$2,386	$415	$ 25	$—	$2,776	$2,464	$483	$ 53	$—	$2,894

(1) Noncredit OTTI losses included in AOCI in an unrealized gain position are due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also "— Net Unrealized Investment Gains (Losses)."

The Company held non-income producing fixed maturity securities with an estimated fair value of $4 million and $1 million, and unrealized gains (losses) of ($3) million and ($3) million, at September 30, 2017 and December 31, 2016, respectively.
Maturities of Fixed Maturity Securities
The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at September 30, 2017:

	Due in One Year or Less	Due After One Year	Due After Five Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities

		Through Five Years	Through Ten Years			
	(In millions)					
Amortized cost	$12,720	$63,453	$60,957	$99,559	$ 49,995	$286,684
Estimated fair value	$12,827	$66,568	$64,549	$113,649	$ 51,301	$308,894

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
6. Investments (continued)

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been presented in the year of final contractual maturity. Structured Securities are shown separately, as they are not due at a single maturity.

Continuous Gross Unrealized Losses for Fixed Maturity and Equity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity and equity securities AFS in an unrealized loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position at:

	September 30, 2017				December 31, 2016			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(Dollars in millions)							
Fixed maturity securities:								
U.S. corporate	$6,647	$ 161	$3,015	$ 232	$11,471	$ 466	$2,938	$ 298
Foreign government	6,856	202	1,669	113	5,955	260	918	113
Foreign corporate	5,856	149	6,137	601	10,147	573	5,493	998
U.S. government and agency	19,305	275	362	28	9,104	523	141	20
RMBS	7,731	106	2,025	86	9,449	291	1,800	109
State and political subdivision	560	13	165	11	1,747	80	56	6
ABS	1,976	5	921	40	2,224	28	2,328	103
CMBS	1,555	12	337	32	998	22	564	49
Total fixed maturity securities	$50,486	$ 923	$14,631	$ 1,143	$51,095	$ 2,243	$14,238	$ 1,696
Equity securities:								
Common stock	$133	$ 20	$4	$ —	$105	$ 13	$11	$ —
Non-redeemable preferred stock	—	—	82	5	139	7	125	33
Total equity securities	$133	$ 20	$86	$ 5	$244	$ 20	$136	$ 33
Total number of securities in an unrealized loss position	3,249		1,638		3,580		1,307	

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities

As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2016 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at September 30, 2017. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, collateral valuation, interest rates and credit spreads, as well as a change in the Company's intention to hold or sell a security that is in an unrealized loss position. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities decreased $1.9 billion during the nine months ended September 30, 2017 to $2.1 billion. The decrease in gross unrealized losses for the nine months ended September 30,

2017 was primarily attributable to decreasing longer-term interest rates and narrowing credit spreads, and to a lesser extent the impact of strengthening foreign currencies on non-functional currency denominated fixed maturity securities.

At September 30, 2017, $117 million of the total $2.1 billion of gross unrealized losses were from 46 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Gross unrealized losses on equity securities decreased $28 million during the nine months ended September 30, 2017 to $25 million.

Investment Grade Fixed Maturity Securities

Of the $117 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $75 million, or 64%, were related to gross unrealized losses on 19 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads since purchase and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the $117 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $42 million, or 36%, were related to gross unrealized losses on 27 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to U.S. and foreign corporate securities (primarily industrial and utility securities) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty including concerns over lower oil prices in the energy sector. Management evaluates U.S. and foreign corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	September 30, 2017		December 31, 2016	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Mortgage loans:				
Commercial	$43,243	63.6 %	$41,512	63.7 %
Agricultural	12,967	19.1	12,564	19.3
Residential	11,599	17.0	10,829	16.6
Subtotal (1)	67,809	99.7	64,905	99.6
Valuation allowances	(316)	(0.5)	(304)	(0.5)
Subtotal mortgage loans, net	67,493	99.2	64,601	99.1
Residential — FVO	564	0.8	566	0.9
Total mortgage loans, net	$68,057	100.0 %	$65,167	100.0 %

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(1) Purchases of mortgage loans, primarily residential, were $411 million and $1.9 billion for the three months and nine months ended September 30, 2017, respectively, and $733 million and $1.9 billion for the three months and nine months ended September 30, 2016, respectively.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
6. Investments (continued)

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment
Mortgage loans by portfolio segment, by method of evaluation of credit loss, impaired mortgage loans including those modified in a troubled debt restructuring, and the related valuation allowances, were as follows at:

	Evaluated Individually for Credit Losses					Evaluated Collectively for Credit Losses		Impaired Loans
	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance				
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Unpaid Principal Balance	Recorded Investment	Recorded Investment	Valuation Allowances	Carrying Value
	(In millions)							
September 30, 2017								
Commercial	$—	$ —	$ —	$—	$ —	$43,243	$ 213	$ —
Agricultural	22	21	2	28	28	12,918	39	47
Residential	—	—	—	335	304	11,295	62	304
Total	$22	$ 21	$ 2	$363	$ 332	$67,456	$ 314	$ 351
December 31, 2016								
Commercial	$—	$ —	$ —	$12	$ 12	$41,500	$ 202	$ 12
Agricultural	11	10	1	27	27	12,527	38	36
Residential	—	—	—	265	241	10,588	63	241
Total	$11	$ 10	$ 1	$304	$ 280	$64,615	$ 303	$ 289

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $0, $31 million and $297 million, respectively, for the three months ended September 30, 2017; and $6 million, $28 million and $275 million, respectively, for the nine months ended September 30, 2017.
The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $90 million, $49 million and $202 million, respectively, for the three months ended September 30, 2016; and $109 million, $53 million and $174 million, respectively, for the nine months ended September 30, 2016.
Valuation Allowance Rollforward by Portfolio Segment
The changes in the valuation allowance, by portfolio segment, were as follows:

	Nine Months Ended September 30,							
	2017				2016			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$202	$ 39	$ 63	$304	$188	$ 37	$ 56	$281
Provision (release) (1)	11	4	10	25	149	3	11	163
Charge-offs, net of recoveries (1)	—	(2)	(11)	(13)	(143)	(2)	(12)	(157)
Balance, end of period	$213	$ 41	$ 62	$316	$194	$ 38	$ 55	$287

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(1) In connection with an acquisition in 2010, certain impaired commercial mortgage loans were acquired and, accordingly, were not originated by the Company. Such commercial mortgage loans have been accounted for as purchased credit impaired ("PCI") commercial mortgage loans. Decreases in cash flows expected to be collected on

PCI commercial mortgage loans can result in provisions for losses on mortgage loans. For the nine months ended September 30, 2016, in connection with the maturity of an acquired PCI commercial mortgage loan, an increase to the commercial mortgage loan valuation allowance of $143 million was recorded and charged-off upon maturity. The Company has recovered a substantial portion of the loss on the loan incurred through an indemnification agreement entered into in connection with the acquisition in 2010.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
6. Investments (continued)

Credit Quality of Commercial Mortgage Loans
The credit quality of commercial mortgage loans was as follows at:

	Recorded Investment					Estimated Fair Value	% of Total
	Debt Service Coverage Ratios				% of Total		
	> 1.20x	1.00x - 1.20x	< 1.00x	Total			
	(Dollars in millions)						
September 30, 2017							
Loan-to-value ratios:							
Less than 65%	$37,404	$ 1,488	$ 222	$39,114	90.5 %	$ 39,904	90.7 %
65% to 75%	3,367	168	173	3,708	8.6	3,705	8.4
76% to 80%	217	—	57	274	0.6	262	0.6
Greater than 80%	—	—	147	147	0.3	143	0.3
Total	$40,988	$ 1,656	$ 599	$43,243	100 %	$ 44,014	100 %
December 31, 2016							
Loan-to-value ratios:							
Less than 65%	$36,067	$ 1,077	$ 707	$37,851	91.2 %	$ 38,237	91.5 %
65% to 75%	3,044	—	202	3,246	7.8	3,185	7.6
76% to 80%	195	—	—	195	0.5	182	0.4
Greater than 80%	118	27	75	220	0.5	213	0.5
Total	$39,424	$ 1,104	$ 984	$41,512	100.0%	$ 41,817	100.0%

Credit Quality of Agricultural Mortgage Loans
The credit quality of agricultural mortgage loans was as follows at:

	September 30, 2017		December 31, 2016	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Loan-to-value ratios:				
Less than 65%	$12,403	95.6 %	$12,023	95.7 %
65% to 75%	546	4.2	436	3.5
76% to 80%	9	0.1	17	0.1
Greater than 80%	9	0.1	88	0.7
Total	$12,967	100.0%	$12,564	100.0%

The estimated fair value of agricultural mortgage loans was $13.1 billion and $12.7 billion at September 30, 2017 and December 31, 2016, respectively.
Credit Quality of Residential Mortgage Loans
The credit quality of residential mortgage loans was as follows at:

	September 30, 2017		December 31, 2016	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Performance indicators:				
Performing	$11,169	96.3 %	$10,448	96.5 %
Nonperforming	430	3.7	381	3.5
Total	$11,599	100.0%	$10,829	100.0%

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
6. Investments (continued)

The estimated fair value of residential mortgage loans was $12.1 billion and $11.2 billion at September 30, 2017 and December 31, 2016, respectively.

Past Due and Nonaccrual Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both September 30, 2017 and December 31, 2016. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due and nonaccrual mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
	(In millions)					
Commercial	$ 1	$ 3	$ —	$ 3	$ 1	$ —
Agricultural	134	127	125	104	36	23
Residential	430	381	30	37	400	344
Total	$ 565	$ 511	$ 155	$ 144	$ 437	$ 367

Mortgage Loans Modified in a Troubled Debt Restructuring

During both the three months and nine months ended September 30, 2017 and 2016, the Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring.

Cash Equivalents

The carrying value of cash equivalents was $7.3 billion and $7.4 billion at September 30, 2017 and December 31, 2016, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity and equity securities AFS and the effect on DAC, VOBA, deferred sales inducements (“DSI”), future policy benefits and the policyholder dividend obligation, that would result from the realization of the unrealized gains (losses), are included in net unrealized investment gains (losses) in AOCI. The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	September 30, 2017	December 31, 2016
	(In millions)	
Fixed maturity securities	$ 21,979	$ 20,300
Fixed maturity securities with noncredit OTTI losses included in AOCI	37	8
Total fixed maturity securities	22,016	20,308
Equity securities	444	485
Derivatives	1,690	2,923
Other	121	23
Subtotal	24,271	23,739
Amounts allocated from:		
Future policy benefits	(63)	(1,114)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(1)	(3)
DAC, VOBA and DSI	(1,647)	(1,430)
Policyholder dividend obligation	(2,201)	(1,931)
Subtotal	(3,912)	(4,478)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(11)	(1)

Deferred income tax benefit (expense)	(6,997)	(6,623)
Net unrealized investment gains (losses)	13,351	12,637
Net unrealized investment gains (losses) attributable to noncontrolling interests	(8)	(6)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$13,343	$ 12,631

The changes in net unrealized investment gains (losses) were as follows:

	Nine Months Ended September 30, 2017
	(In millions)
Balance, beginning of period	$ 12,631
Fixed maturity securities on which noncredit OTTI losses have been recognized	29
Unrealized investment gains (losses) during the period	503
Unrealized investment gains (losses) relating to:	
Future policy benefits	1,051
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	2
DAC, VOBA and DSI	(217)
Policyholder dividend obligation	(270)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(10)
Deferred income tax benefit (expense)	(374)
Net unrealized investment gains (losses)	13,345
Net unrealized investment gains (losses) attributable to noncontrolling interests	(2)
Balance, end of period	$ 13,343
Change in net unrealized investment gains (losses)	$ 714
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	(2)
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 712

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company's equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of $26.9 billion and $24.7 billion at September 30, 2017 and December 31, 2016, respectively, and in fixed income securities of the Korean government and its agencies with an estimated fair value of $6.1 billion at September 30, 2017. At December 31, 2016, the investments in Korean government fixed income securities were less than 10% of the Company's equity.

Securities Lending

Elements of the securities lending program are presented below at:

	September 30, 2017	December 31, 2016
	(In millions)	
Securities on loan: (1)		
Amortized cost	$18,219	$ 18,798
Estimated fair value	$19,542	$ 19,753
Cash collateral received from counterparties (2)	$19,996	$ 20,114
Security collateral received from counterparties (3)	$—	$ 20
Reinvestment portfolio — estimated fair value	$20,155	$ 20,133

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(1) Included within fixed maturity securities.

(2) Included within payables for collateral under securities loaned and other transactions.

(3) Security collateral received from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the consolidated financial statements.

The cash collateral liability by loaned security type and remaining tenor of the agreements was as follows at:

	September 30, 2017 Remaining Tenor of Securities Lending Agreements				December 31, 2016 Remaining Tenor of Securities Lending Agreements			
	Open (1)	1 Month or Less	1 to 6 Months	Total	Open (1)	1 Month or Less	1 to 6 Months	Total
	(In millions)							
Cash collateral liability by loaned security type:								
U.S. government and agency	$4,362	$ 7,952	$ 6,694	$ 19,008	$ 4,480	$ 6,496	$ 8,383	$ 19,359
Foreign government	—	507	481	988	—	569	143	712
U.S. corporate	—	—	—	—	—	43	—	43
Total	$4,362	$ 8,459	$ 7,175	$ 19,996	$ 4,480	$ 7,108	$ 8,526	$ 20,114

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(1) The related loaned security could be returned to the Company on the next business day which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open at September 30, 2017 was $4.3 billion, all of which were U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

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6. Investments (continued)

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including agency RMBS, U.S. government and agency securities and ABS), short-term investments and cash equivalents, with 64% invested in agency RMBS, short-term investments, U.S. government and agency securities, cash equivalents or held in cash. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

Repurchase Agreements

Elements of the short-term repurchase agreements are presented below at:

	September 30, 2017	December 31, 2016
	(In millions)	
Securities on loan: (1)		
Amortized cost	$1,972	$ 98
Estimated fair value	$2,108	$ 113
Cash collateral received from counterparties (2)	$2,062	$ 102
Reinvestment portfolio — estimated fair value	$2,072	$ 100

(1) Included within fixed maturity securities.
(2) Included within payables for collateral under securities loaned and other transactions and other liabilities.

The cash collateral liability by loaned security type and remaining tenor of the agreements was as follows at:

	September 30, 2017			December 31, 2016		
	Remaining Tenor of Repurchase Agreements			Remaining Tenor of Repurchase Agreements		
	1 Month or Less	1 to 6 Months	Total	1 Month or Less	1 to 6 Months	Total
	(In millions)					
Cash collateral liability by loaned security type:						
U.S. government and agency	$1,960	$ 5	$1,965	$5	$ —	$5
All other corporate and government	—	97	97	46	51	97
Total	$1,960	$ 102	$2,062	$51	$ 51	$102

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including agency RMBS, U.S. government and agency securities and ABS), short-term investments and cash equivalents, with 67% invested in agency RMBS, U.S. government and agency securities, short-term investments, cash equivalents or held in cash. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

Invested Assets on Deposit, Held in Trust and Pledged as Collateral

Invested assets on deposit, held in trust and pledged as collateral are presented below at estimated fair value for all asset classes, except mortgage loans, which are presented at carrying value, at:

	September 30, 2017	December 31, 2016

	(In millions)	
Invested assets on deposit (regulatory deposits)	$1,944	$ 1,925
Invested assets held in trust (collateral financing arrangement and reinsurance agreements)	2,655	2,057
Invested assets pledged as collateral	23,817	23,882
Total invested assets on deposit, held in trust and pledged as collateral	$28,416	$ 27,864

The Company has assets held in trust and pledged invested assets in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the 2016 Annual Report), a collateral financing arrangement (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2016 Annual Report) and derivative transactions (see Note 7).
See "— Securities Lending" and "— Repurchase Agreements" for information regarding securities on loan and Note 5 for information regarding investments designated to the closed block.

Variable Interest Entities

The Company has invested in legal entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity. The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity.

Consolidated VIEs

Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.
The following table presents the total assets and total liabilities relating to investment-related VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at:

	September 30, 2017		December 31, 2016	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
Renewable energy partnership (1)	$114	$ —	$ —	$ —
CSEs (assets (primarily FVO securities) and liabilities (primarily debt)) (2)	7	6	9	12
Other investments (3)	34	—	50	—
Total	$155	$ 6	$ 59	$ 12

(1) Assets of the renewable energy partnership, primarily consisting of other invested assets, were consolidated in earlier periods as the two investors are subsidiaries of MLIC and Brighthouse. As a result of the Separation and a reassessment in the third quarter of 2017, the renewable energy partnership was determined to be a consolidated VIE.
(2) The Company consolidates entities that are structured as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise.
(3) Other investments is primarily comprised of other invested assets and other limited partnership interests.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
6. Investments (continued)

Unconsolidated VIEs
The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

	September 30, 2017		December 31, 2016	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured Securities (2)	$49,663	$ 49,663	$46,773	$ 46,773
U.S. and foreign corporate	1,605	1,605	1,940	1,940
Other limited partnership interests	4,657	8,417	4,714	8,990
Other invested assets	2,286	2,697	2,206	2,777
Other (3)	114	128	199	215
Total	$58,325	$ 62,510	$55,832	$ 60,695

(1) The maximum exposure to loss relating to fixed maturity securities AFS and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $123 million and $150 million at September 30, 2017 and December 31, 2016, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.
(2) For these variable interests, the Company's involvement is limited to that of a passive investor in mortgage-backed or asset-backed securities issued by trusts that do not have substantial equity.
(3) Other is primarily comprised of real estate joint ventures and common stock.

As described in Note 15, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during both the nine months ended September 30, 2017 and 2016.

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MetLife, Inc.
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6. Investments (continued)

Net Investment Income
The components of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In millions)			
Investment income:				
Fixed maturity securities	$2,869	$2,906	$8,528	$8,838
Equity securities	31	29	93	90
FVO securities — FVO general account securities (1)	16	25	61	41
Mortgage loans	809	710	2,303	2,165
Policy loans	130	129	386	385
Real estate and real estate joint ventures	156	199	478	490
Other limited partnership interests	214	184	648	309
Cash, cash equivalents and short-term investments	52	38	159	112
Operating joint ventures	6	5	13	28
Other	71	90	196	178
Subtotal	4,354	4,315	12,865	12,636
Less: Investment expenses	293	235	820	732
Subtotal, net	4,061	4,080	12,045	11,904
FVO securities — FVO contractholder-directed unit-linked investments (1)	234	529	864	623
Net investment income	$4,295	$4,609	$12,909	$12,527

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were $154 million and $540 million for the three months and nine months ended September 30, 2017, respectively, and $407 million and $283 million for the three months and nine months ended September 30, 2016, respectively.

FVO securities are primarily comprised of securities for which the FVO has been elected. FVO securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify as separate accounts. The remainder is comprised of FVO Brighthouse Common Stock (see Note 3), FVO general account securities and FVO securities held by consolidated securitization entities (“CSEs”). The Company previously maintained a trading securities portfolio, principally invested in fixed maturity securities. In June 2016, the Company commenced a reinvestment of this portfolio into other asset classes and, at September 30, 2016 the Company no longer held any actively traded securities.
See “— Variable Interest Entities” for discussion of CSEs.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
6. Investments (continued)

Net Investment Gains (Losses)
Components of Net Investment Gains (Losses)
The components of net investment gains (losses) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized — by sector and industry:				
U.S. and foreign corporate securities — by industry:				
Consumer	$(4)	$—	$(4)	$—
Industrial	—	—	—	(63)
Communications	—	—	—	(3)
Total U.S. and foreign corporate securities	(4)	—	(4)	(66)
RMBS	(1)	(9)	(1)	(15)
ABS	—	—	—	(2)
State and political subdivision	—	—	(2)	—
OTTI losses on fixed maturity securities recognized in earnings	(5)	(9)	(7)	(83)
Fixed maturity securities — net gains (losses) on sales and disposals (1)	284	129	325	455
Total gains (losses) on fixed maturity securities	279	120	318	372
Total gains (losses) on equity securities:				
Total OTTI losses recognized — by sector:				
Common stock	(4)	(5)	(16)	(71)
Non-redeemable preferred stock	—	—	(1)	—
OTTI losses on equity securities recognized in earnings	(4)	(5)	(17)	(71)
Equity securities — net gains (losses) on sales and disposals	6	9	55	24
Total gains (losses) on equity securities	2	4	38	(47)
Mortgage loans (2)	29	(41)	3	(197)
Real estate and real estate joint ventures	169	19	436	67
Other limited partnership interests	(33)	(9)	(51)	(43)
Other	29	(24)	(92)	(105)
Subtotal	475	69	652	47
FVO CSEs:				
Securities	—	1	—	2
Non-investment portfolio gains (losses) (3)(4)(5)	(1,081)	161	(1,091)	549
Subtotal	(1,081)	162	(1,091)	551
Total net investment gains (losses)	$(606)	$231	$(439)	$598

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(1) Fixed maturity securities net gains (losses) on sales and disposals for both the three months and nine months ended September 30, 2017 includes $276 million in previously deferred gains on prior period transfers of securities to Brighthouse, as such gains are no longer eliminated in consolidation after the Separation. See Note 3.

(2) Mortgage loans gains (losses) for both the three months and nine months ended September 30, 2017 includes $47 million of previously deferred gains on prior period transfers of mortgage loans to Brighthouse as such gains are no longer eliminated in consolidation after the Separation. See Note 3.

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6. Investments (continued)

(3) Non-investment portfolio gains (losses) for both the three months and nine months ended September 30, 2017 includes a loss of $1,016 million which represents a mark-to-market loss attributable to the FVO Brighthouse Common Stock held by the Company at Separation. See Note 3.
(4) Non-investment portfolio gains (losses) for both the three months and nine months ended September 30, 2017 includes a loss of $45 million which represents the change in estimated fair value of FVO Brighthouse Common Stock held by the Company from the date of Separation to September 30, 2017. See Note 3.
(5) Non-investment portfolio gains (losses) for both the three months and nine months ended September 30, 2016 includes a gain of $103 million in connection with the sale to Massachusetts Mutual Life Insurance Company ("MassMutual"). See Note 3 of the Notes to the Consolidated Financial Statements included in the 2016 Annual Report.

See "— Variable Interest Entities" for discussion of CSEs.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($14) million and ($77) million for the three months and nine months ended September 30, 2017, respectively, and $40 million and $398 million for the three months and nine months ended September 30, 2016, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

Investment gains and losses on sales of securities are determined on a specific identification basis. Proceeds from sales or disposals of fixed maturity and equity securities and the components of fixed maturity and equity securities net investment gains (losses) were as shown in the table below.

	Three Months Ended September 30,			
	2017	2016	2017	2016
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	$8,586	$16,634	$ 316	$ 35
Gross investment gains	$364	$232	$ 11	$ 11
Gross investment losses	(80)	(103)	(5)	(2)
OTTI losses	(5)	(9)	(4)	(5)
Net investment gains (losses)	$279	$120	$ 2	$ 4

	Nine Months Ended September 30,			
	2017	2016	2017	2016
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	$35,742	$60,006	$ 702	$ 109
Gross investment gains	$623	$921	$ 66	$ 34
Gross investment losses	(298)	(466)	(11)	(10)
OTTI losses	(7)	(83)	(17)	(71)
Net investment gains (losses)	$318	$372	$ 38	$ (47)

Credit Loss Rollforward

The table below presents a rollforward of the cumulative credit loss component of OTTI loss recognized in earnings on fixed maturity securities still held for which a portion of the OTTI loss was recognized in other comprehensive income (loss) ("OCI"):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In millions)			
Balance, beginning of period	$170	$198	$192	$211
Addition:				
Additional impairments — credit loss OTTI on securities previously impaired	—	9	—	14
Reduction:				
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(5)	(10)	(27)	(28)
Balance, end of period	$165	$197	$165	$197

7. Derivatives

Accounting for Derivatives

Freestanding Derivatives

Freestanding derivatives are carried on the Company's balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:	Derivative:
Policyholder benefits and claims	• Economic hedges of variable annuity guarantees included in future policy benefits
Net investment income	• Economic hedges of equity method investments in joint ventures
	• All derivatives held in relation to trading portfolios
	• Derivatives held within contractholder-directed unit-linked investments

Hedge Accounting

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial statement presentation of changes in estimated fair value of the hedging derivatives are as follows:

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).
- Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item. Accruals on derivatives in net investment hedges are recognized in OCI.

In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

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When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.
When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).
In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).
Embedded Derivatives
The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses), except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent "excess" fees and are reported in universal life and investment-type product policy fees.
See Note 8 for information about the fair value hierarchy for derivatives.
Derivative Strategies
The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.
Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Company's OTC derivatives are cleared and settled through central

clearing counterparties (“OTC-cleared”), while others are bilateral contracts between two counterparties (“OTC-bilateral”). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and returns which are not readily available in the cash markets.

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7. Derivatives (continued)

Interest Rate Derivatives
The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, interest rate total return swaps, caps, floors, swaptions, futures and forwards.
Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. The Company utilizes interest rate swaps in fair value, cash flow and nonqualifying hedging relationships.
The Company uses structured interest rate swaps to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. government and agency, or other fixed maturity security. Structured interest rate swaps are included in interest rate swaps and are not designated as hedging instruments.
Interest rate total return swaps are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and the London Interbank Offered Rate (“LIBOR”), calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. Interest rate total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). The Company utilizes interest rate total return swaps in nonqualifying hedging relationships.
The Company purchases interest rate caps and floors primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities, as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. In certain instances, the Company locks in the economic impact of existing purchased caps and floors by entering into offsetting written caps and floors. The Company utilizes interest rate caps and floors in nonqualifying hedging relationships.
In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in nonqualifying hedging relationships.
Swaptions are used by the Company to hedge interest rate risk associated with the Company’s long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. The Company utilizes swaptions in nonqualifying hedging relationships. Swaptions are included in interest rate options.
The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow and nonqualifying hedging relationships.
Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency exchange rate derivatives, including foreign currency swaps, foreign currency forwards, currency options and exchange-traded currency futures, to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. The Company also uses foreign currency derivatives to hedge the foreign currency exchange rate risk associated with certain of its net investments in foreign operations.

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional amount. The notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Company utilizes foreign currency swaps in fair value, cash flow and nonqualifying hedging relationships.

In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date. The Company utilizes foreign currency forwards in fair value, net investment in foreign operations and nonqualifying hedging relationships.

The Company enters into currency options that give it the right, but not the obligation, to sell the foreign currency amount in exchange for a functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on differentials in the foreign currency exchange rate and the strike price. The Company uses currency options to hedge against the foreign currency exposure inherent in certain of its variable annuity products. The Company also uses currency options as an economic hedge of foreign currency exposure related to the Company's international subsidiaries. The Company utilizes currency options in net investment in foreign operations and nonqualifying hedging relationships.

To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liabilities, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded currency futures in nonqualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, involuntary restructuring or governmental intervention. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event has occurred. The Company utilizes credit default swaps in nonqualifying hedging relationships.

The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instruments, such as U.S. government and agency securities, or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

The Company enters into forwards to lock in the price to be paid for forward purchases of certain securities. The price is agreed upon at the time of the contract and payment for the contract is made at a specified future date. When the primary purpose of entering into these transactions is to hedge against the risk of changes in purchase price due to changes in credit spreads, the Company designates these transactions as credit forwards. The Company utilizes credit forwards in cash flow hedging relationships.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, equity variance swaps, exchange-traded equity futures and equity total return swaps.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. Certain of these contracts may

also contain settlement provisions linked to interest rates. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. The Company utilizes equity index options in nonqualifying hedging relationships.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period. The Company utilizes equity variance swaps in nonqualifying hedging relationships.

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in nonqualifying hedging relationships.

In an equity total return swap, the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and LIBOR, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. The Company uses equity total return swaps to hedge its equity market guarantees in certain of its insurance products. Equity total return swaps can be used as hedges or to synthetically create investments. The Company utilizes equity total return swaps in nonqualifying hedging relationships.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
7. Derivatives (continued)

Primary Risks Managed by Derivatives
The following table presents the primary underlying risk exposure, gross notional amount, and estimated fair value of the Company’s derivatives, excluding embedded derivatives, held at:

		September 30, 2017			December 31, 2016		
	Primary Underlying Risk Exposure	Gross Notional Amount	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Gross Notional Amount	Estimated Fair Value Assets	Estimated Fair Value Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments:							
Fair value hedges:							
Interest rate swaps	Interest rate	$3,959	$ 2,305	$ 3	$5,021	$ 2,221	$ 6
Foreign currency swaps	Foreign currency exchange rate	658	47	5	1,221	34	224
Foreign currency forwards	Foreign currency exchange rate	2,624	—	65	1,085	—	54
Subtotal		7,241	2,352	73	7,327	2,255	284
Cash flow hedges:							
Interest rate swaps	Interest rate	3,781	308	8	2,040	325	34
Interest rate forwards	Interest rate	3,412	—	203	4,032	—	370
Foreign currency swaps	Foreign currency exchange rate	30,751	1,304	1,563	26,680	1,877	2,054
Subtotal		37,944	1,612	1,774	32,752	2,202	2,458
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	975	10	24	1,394	47	5
Currency options	Foreign currency exchange rate	8,259	28	111	8,878	148	45
Subtotal		9,234	38	135	10,272	195	50
Total qualifying hedges		54,419	4,002	1,982	50,351	4,652	2,792
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	59,494	2,246	570	53,349	4,089	1,641
Interest rate floors	Interest rate	7,201	128	—	12,101	181	7
Interest rate caps	Interest rate	73,018	54	2	78,358	112	2
Interest rate futures	Interest rate	4,256	13	—	4,793	3	12
Interest rate options	Interest rate	12,009	657	35	5,334	628	1
Interest rate forwards	Interest rate	217	—	37	613	—	25
Interest rate total return swaps	Interest rate	1,048	3	9	1,549	2	127
Synthetic GICs	Interest rate	11,254	—	—	5,566	—	—
Foreign currency swaps	Foreign currency exchange rate	10,509	796	426	11,651	1,445	462
Foreign currency forwards	Foreign currency exchange rate	16,502	95	527	15,422	117	977
Currency futures	Foreign currency exchange rate	874	—	3	915	—	—
Currency options	Foreign currency exchange rate	2,929	42	3	3,615	195	17

Credit default swaps — purchased	Credit	2,329	11	46	2,001	14	40
Credit default swaps — written	Credit	11,946	256	1	10,732	161	9
Equity futures	Equity market	4,309	4	28	4,457	30	3
Equity index options	Equity market	12,371	382	679	16,527	426	523
Equity variance swaps	Equity market	8,337	103	285	8,263	83	240
Equity total return swaps	Equity market	1,103	—	35	1,046	1	43
Total non-designated or nonqualifying derivatives		239,706	4,790	2,686	236,292	7,487	4,129
Total		$294,125	$ 8,792	$ 4,668	$286,643	$ 12,139	$ 6,921

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
7. Derivatives (continued)

Based on gross notional amounts, a substantial portion of the Company’s derivatives was not designated or did not qualify as part of a hedging relationship at both September 30, 2017 and December 31, 2016. The Company’s use of derivatives includes (i) derivatives that serve as macro hedges of the Company’s exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps and interest rate swaps that are used to synthetically create investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

The components of net derivative gains (losses) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In millions)			
Freestanding derivatives and hedging gains (losses) (1)	$(424)	$(820)	$(1,084)	$2,918
Embedded derivatives gains (losses)	234	277	421	(1,480)
Total net derivative gains (losses)	$(190)	$(543)	$(663)	$1,438

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and nonqualifying hedging relationships, which are not presented elsewhere in this note.

The following table presents earned income on derivatives:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In millions)			
Qualifying hedges:				
Net investment income	$72	$71	$217	$192
Interest credited to policyholder account balances	(19)	—	(40)	7
Other expenses	(2)	(3)	(7)	(9)
Nonqualifying hedges:				
Net investment income	—	—	—	(1)
Net derivative gains (losses)	126	187	440	522
Policyholder benefits and claims	2	2	6	6
Total	$179	$257	$616	$717

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
7. Derivatives (continued)

Nonqualifying Derivatives and Derivatives for Purposes Other Than Hedging
The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or not qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
	(In millions)		
Three Months Ended September 30, 2017			
Interest rate derivatives	$(148)	$ (2)	$ (3)
Foreign currency exchange rate derivatives	(346)	—	2
Credit derivatives — purchased	(2)	—	—
Credit derivatives — written	35	—	—
Equity derivatives	(238)	(3)	(61)
Total	$(699)	$ (5)	$ (62)
Three Months Ended September 30, 2016			
Interest rate derivatives	$(710)	$ —	$ 22
Foreign currency exchange rate derivatives	154	—	(5)
Credit derivatives — purchased	(21)	—	—
Credit derivatives — written	51	—	—
Equity derivatives	(418)	(3)	(72)
Total	$(944)	$ (3)	$ (55)
Nine Months Ended September 30, 2017			
Interest rate derivatives	$(466)	$ (2)	$ (16)
Foreign currency exchange rate derivatives	(527)	—	4
Credit derivatives — purchased	(17)	—	—
Credit derivatives — written	111	—	—
Equity derivatives	(824)	(7)	(176)
Total	$(1,723)	$ (9)	$ (188)
Nine Months Ended September 30, 2016			
Interest rate derivatives	$1,503	$ —	$ 90
Foreign currency exchange rate derivatives	1,841	—	(17)
Credit derivatives — purchased	(48)	—	—
Credit derivatives — written	49	—	—
Equity derivatives	(327)	(13)	(88)
Total	$3,018	$ (13)	$ (15)

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(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures, derivatives held in relation to trading portfolios and derivatives held within contractholder-directed unit-linked investments.

(2) Changes in estimated fair value related to economic hedges of variable annuity guarantees included in future policy benefits.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
7. Derivatives (continued)

Fair Value Hedges
The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair value hedging: (i) interest rate swaps to convert fixed rate assets and liabilities to floating rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities; and (iii) foreign currency forwards to hedge the foreign currency fair value exposure of foreign currency denominated investments.
The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
		(In millions)		
Three Months Ended September 30, 2017				
Interest rate swaps:	Fixed maturity securities	$1	$ —	$ 1
	Policyholder liabilities (1)	(14)	13	(1)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(10)	10	—
	Foreign-denominated policyholder account balances (2)	15	(16)	(1)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(4)	4	—
Total		$(12)	$ 11	$ (1)
Three Months Ended September 30, 2016				
Interest rate swaps:	Fixed maturity securities	$5	$ (4)	$ 1
	Policyholder liabilities (1)	(47)	42	(5)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	1	(1)	—
	Foreign-denominated policyholder account balances (2)	(1)	1	—
Foreign currency forwards:	Foreign-denominated fixed maturity securities	19	(18)	1
Total		$(23)	$ 20	$ (3)
Nine Months Ended September 30, 2017				
Interest rate swaps:	Fixed maturity securities	$2	$ (2)	$ —
	Policyholder liabilities (1)	(16)	84	68
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(15)	16	1
	Foreign-denominated policyholder account balances (2)	61	(40)	21
Foreign currency forwards:	Foreign-denominated fixed maturity securities	20	(18)	2
Total		$52	$ 40	$ 92
Nine Months Ended September 30, 2016				
Interest rate swaps:	Fixed maturity securities	$(3)	$ 1	$ (2)
	Policyholder liabilities (1)	472	(482)	(10)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	7	(7)	—
	Foreign-denominated policyholder account balances (2)	(27)	24	(3)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	295	(272)	23

Total	$744	$ (736	)	$ 8

(1) Fixed rate liabilities reported in policyholder account balances or future policy benefits.
(2) Fixed rate or floating rate liabilities.

For the Company's foreign currency forwards, the change in the estimated fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative's gain or loss were included in the assessment of hedge effectiveness. For the three months and nine months ended September 30, 2017, the component of the change in estimated fair value of derivatives that was excluded from the assessment of hedge effectiveness was ($6) million and ($30) million, respectively. For the three months and nine months ended September 30, 2016, the component of the change in estimated fair value of derivatives that was excluded from the assessment of hedge effectiveness was ($6) million and ($16) million, respectively.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate assets and liabilities to fixed rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets and liabilities; (iii) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments; and (v) interest rate swaps and interest rate forwards to hedge forecasted fixed-rate borrowings.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). These amounts were ($4) million and $16 million for the three months and nine months ended September 30, 2017, respectively, and $11 million and $6 million for the three months and nine months ended September 30, 2016, respectively.

At both September 30, 2017 and December 31, 2016, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed five years.

At September 30, 2017 and December 31, 2016, the balance in AOCI associated with cash flow hedges was $1.7 billion and $2.9 billion, respectively. As a result of the Separation, the Company recorded a reduction of $414 million of deferred gains within AOCI during the three months ended September 30, 2017. For the three months and nine months ended September 30, 2016, there were ($16) million and $75 million, respectively, of deferred gains (losses) from Brighthouse.

The amount of income reclassified from AOCI into income (loss) from discontinued operations for the three months ended September 30, 2017 was not significant. The amount of income reclassified from AOCI into income (loss) from discontinued operations for the nine months ended September 30, 2017 was $16 million. For the three months and nine months ended September 30, 2016, the amount of income reclassified from AOCI into income (loss) from discontinued operations was $8 million and $24 million, respectively.

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MetLife, Inc.
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7. Derivatives (continued)

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of operations and comprehensive income (loss) and the consolidated statements of equity. The table excludes the effects of Brighthouse derivatives prior to the Separation.

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)			(Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
	(In millions)				
Three Months Ended September 30, 2017					
Interest rate swaps	$14	$9	$ 5	$ —	$ (2)
Interest rate forwards	1	(1)	—	—	—
Foreign currency swaps	(140)	294	—	—	(3)
Credit forwards	—	—	—	—	—
Total	$(125)	$302	$ 5	$ —	$ (5)
Three Months Ended September 30, 2016					
Interest rate swaps	$22	$28	$ 3	$ —	$ —
Interest rate forwards	(7)	—	—	—	—
Foreign currency swaps	(23)	54	—	—	(3)
Credit forwards	—	—	1	—	—
Total	$(8)	$82	$ 4	$ —	$ (3)
Nine Months Ended September 30, 2017					
Interest rate swaps	$91	$23	$ 12	$ —	$ 5
Interest rate forwards	138	(5)	2	1	(1)
Foreign currency swaps	(99)	915	(1)	1	(2)
Credit forwards	—	1	—	—	—
Total	$130	$934	$ 13	$ 2	$ 2
Nine Months Ended September 30, 2016					
Interest rate swaps	$339	$44	$ 9	$ —	$ —
Interest rate forwards	33	—	2	1	—
Foreign currency swaps	1,025	90	(1)	1	(1)
Credit forwards	—	3	1	—	—
Total	$1,397	$137	$ 11	$ 2	$ (1)

All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.
At September 30, 2017, the Company expected to reclassify ($81) million of deferred net gains (losses) on derivatives in AOCI to earnings within the next 12 months.
Hedges of Net Investments in Foreign Operations

The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these derivatives based upon the change in forward rates. When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
7. Derivatives (continued)

The following table presents the effects of derivatives in net investment hedging relationships on the consolidated statements of operations and comprehensive income (loss) and the consolidated statements of equity:

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion) (In millions)	
Three Months Ended September 30, 2017		
Foreign currency forwards	$	(35)
Currency options		(1)
Total	$	(36)
Three Months Ended September 30, 2016		
Foreign currency forwards	$	(23)
Currency options		(37)
Total	$	(60)
Nine Months Ended September 30, 2017		
Foreign currency forwards	$	(161)
Currency options		(234)
Total	$	(395)
Nine Months Ended September 30, 2016		
Foreign currency forwards	$	(358)
Currency options		(351)
Total	$	(709)

(1) During both the three months and nine months ended September 30, 2017 and 2016, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.

(2) There was no ineffectiveness recognized for the Company's hedges of net investments in foreign operations. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

At September 30, 2017 and December 31, 2016, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $359 million and $754 million, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $11.9 billion and $10.7 billion at September 30, 2017 and December 31, 2016, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At September 30, 2017 and December 31, 2016, the Company would have received $255 million and $152 million, respectively, to terminate all of these contracts.

The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at:

Rating Agency Designation of Referenced Credit Obligations (1)	September 30, 2017			December 31, 2016		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)
	(Dollars in millions)					
Aaa/Aa/A						
Single name credit default swaps (3)	$8	$ 445	2.5	$6	$ 449	3.1
Credit default swaps referencing indices	43	2,268	3.0	34	2,335	3.6
Subtotal	51	2,713	2.9	40	2,784	3.5
Baa						
Single name credit default swaps (3)	8	685	1.9	5	751	2.5
Credit default swaps referencing indices	168	8,073	5.3	88	6,711	5.0
Subtotal	176	8,758	5.0	93	7,462	4.8
Ba						
Single name credit default swaps (3)	—	115	3.6	(2)	135	4.1
Credit default swaps referencing indices	—	—	—	—	—	—
Subtotal	—	115	3.6	(2)	135	4.1
B						
Single name credit default swaps (3)	2	30	2.6	1	70	1.8
Credit default swaps referencing indices	26	330	5.2	20	281	5.0
Subtotal	28	360	5.0	21	351	4.3
Total	$255	$ 11,946	4.5	$152	$ 10,732	4.4

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), Standard & Poor's Global Ratings ("S&P") and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) The weighted average years to maturity of the credit default swaps is calculated based on weighted average gross notional amounts.

(3) Single name credit default swaps may be referenced to the credit of corporations, foreign governments, or state and political subdivisions.

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amount of potential future recoveries available to offset the $11.9 billion and $10.7 billion from the table above were $441 million and $30 million at September 30, 2017 and December 31, 2016, respectively.

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MetLife, Inc.
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7. Derivatives (continued)

Credit Risk on Freestanding Derivatives
The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.
The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.
The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.
See Note 8 for a description of the impact of credit risk on the valuation of derivatives.
The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

	September 30, 2017		December 31, 2016	
Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement (1)	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$8,227	$ 4,346	$9,976	$ 5,721
OTC-cleared (1), (6)	621	248	2,275	1,142
Exchange-traded	17	31	33	15
Total gross estimated fair value of derivatives (1)	8,865	4,625	12,284	6,878
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (1), (6)	8,865	4,625	12,284	6,878
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(2,654)	(2,654)	(3,787)	(3,787)
OTC-cleared	(60)	(60)	(903)	(903)
Exchange-traded	(10)	(10)	(5)	(5)
Cash collateral: (3), (4)				
OTC-bilateral	(4,351)	—	(4,244)	(84)
OTC-cleared	(541)	(183)	(1,335)	(234)
Exchange-traded	—	(13)	—	(9)
Securities collateral: (5)				
OTC-bilateral	(1,129)	(1,583)	(1,640)	(1,818)
OTC-cleared	—	(5)	—	—

Exchange-traded	—	(8)	—	—
Net amount after application of master netting agreements and collateral	$ 120	$ 109	$ 370	$ 38

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(1) At September 30, 2017 and December 31, 2016, derivative assets included income or (expense) accruals reported in accrued investment income or in other liabilities of $73 million and $145 million, respectively, and derivative liabilities included (income) or expense accruals reported in accrued investment income or in other liabilities of ($43) million and ($43) million, respectively.

(2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.

(3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet.

(4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At September 30, 2017 and December 31, 2016, the Company received excess cash collateral of $284 million and $164 million, respectively, and provided excess cash collateral of $281 million and $461 million, respectively, which is not included in the table above due to the foregoing limitation.

(5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at September 30, 2017, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At September 30, 2017 and December 31, 2016, the Company received excess securities collateral with an estimated fair value of $148 million and $82 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At