METLIFE INC
Form 10-Q
November 08, 2018

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

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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, 2018
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

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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 every Interactive Data File required to be submitted 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 such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 | ¨ | 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 31, 2018, 986,838,252 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 and terms such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," and other words and terms of similar meaning, or are tied to future peri in connection with a discussion of future 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.

Many factors will be important in determining the results of MetLife, Inc., its subsidiaries and affiliates. Forward-looking statements are based on our assumptions and current expectations, which may be inaccurate, and on the current economic environment, which may change. These statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. 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) adverse effects which may arise in connection with the material weaknesses in our internal control over financial reporting or our failure to promptly remediate them; (2) difficult conditions in the global capital markets; (3) 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; (4) exposure to global financial and capital market risks, including as a result of the United Kingdom's notice of withdrawal from the European Union or other disruption in global political, security or economic conditions; (5) impact on us of comprehensive financial services regulation reform; (6) 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; (7) 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; (8) adverse results or other consequences from litigation, arbitration or regulatory investigations; (9) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (10) investment losses and defaults, and changes to investment valuations; (11) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (12) impairments of goodwill and realized losses or market value impairments to illiquid assets; (13) defaults on our mortgage loans; (14) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (15) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (16) downgrades in our claims paying ability, financial strength or credit ratings; (17) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (18) availability and effectiveness of reinsurance, hedging or indemnification arrangements, as well as any default or failure of counterparties to perform; (19) differences between actual claims experience and underwriting and reserving assumptions; (20) ineffectiveness of risk management policies and procedures; (21) catastrophe losses; (22) increasing cost and limited market capacity for statutory life insurance reserve financings; (23) 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; (24) 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; (25) 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 benefits 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; (26) unanticipated or adverse developments that could adversely affect our achieving expected operational or other benefits from the separation of Brighthouse Financial, Inc. and its subsidiaries ("Brighthouse"); (27) liabilities, losses or indemnification obligations arising from our transitional services, investment management or tax arrangements or other agreements with Brighthouse; (28) failure of the separation of Brighthouse to qualify for intended tax-free treatment; (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 that 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; (40) the impact of technological changes on our businesses; and (41) 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 "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, 2018 and December 31, 2017 (Unaudited)
(In millions, except share and per share data)

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| Assets | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $293,268 and $286,069, respectively) | $ 304,840 | $ 308,931 |
| Equity securities, at estimated fair value | 1,479 | 2,513 |
| Contractholder-directed equity securities and fair value option securities, at estimated fair value (includes $5 and $6, respectively, relating to variable interest entities) | 13,540 | 16,745 |
| Mortgage loans (net of valuation allowances of $336 and $314, respectively; includes $323 and $520, respectively, under the fair value option) | 72,461 | 68,731 |
| Policy loans | 9,703 | 9,669 |
| Real estate and real estate joint ventures (includes $631 and $25, respectively, of real estate held-for-sale) | 9,977 | 9,637 |
| Other limited partnership interests | 6,374 | 5,708 |
| Short-term investments, principally at estimated fair value | 5,231 | 4,870 |
| Other invested assets (includes $128 and $125, respectively, relating to variable interest entities) | 16,336 | 17,263 |
| Total investments | 439,941 | 444,067 |
| Cash and cash equivalents, principally at estimated fair value (includes $10 and $12, respectively, relating to variable interest entities) | 12,490 | 12,701 |
| Accrued investment income | 3,691 | 3,524 |
| Premiums, reinsurance and other receivables (includes $3 and $3, respectively, relating to variable interest entities) | 19,820 | 18,423 |
| Deferred policy acquisition costs and value of business acquired | 19,160 | 18,419 |
| Goodwill | 9,440 | 9,590 |
| Other assets (includes $2 and $2, respectively, relating to variable interest entities) | 8,493 | 8,167 |
| Separate account assets | 185,416 | 205,001 |
| Total assets | $ 698,451 | $ 719,892 |
| Liabilities and Equity | | |
| Liabilities | | |
| Future policy benefits | $ 185,476 | $ 177,974 |
| Policyholder account balances | 184,094 | 182,518 |
| Other policy-related balances | 16,207 | 15,515 |
| Policyholder dividends payable | 709 | 682 |
| Policyholder dividend obligation | 456 | 2,121 |
| Payables for collateral under securities loaned and other transactions | 26,075 | 25,723 |
| Short-term debt | 290 | 477 |
| Long-term debt (includes $5 and $6, respectively, at estimated fair value, relating to variable interest entities) | 13,408 | 15,686 |
| Collateral financing arrangement | 1,073 | 1,121 |
| Junior subordinated debt securities | 3,146 | 3,144 |

| | | |
|---|---|---|
| Current income tax payable | 166 | 311 |
| Deferred income tax liability | 4,924 | 6,767 |
| Other liabilities (includes $1 and $3, respectively, relating to variable interest entities) | 25,202 | 23,982 |
| Separate account liabilities | 185,416 | 205,001 |
| Total liabilities | 646,642 | 661,022 |
| Contingencies, Commitments and Guarantees (Note 15) | | |
| Equity | | |
| MetLife, Inc.'s stockholders' equity: | | |
| Preferred stock, par value $0.01 per share; $3,405 and $2,100 aggregate liquidation preference, respectively | — | — |
| Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,171,428,557 and 1,168,710,101 shares issued, respectively; 986,644,069 and 1,043,588,396 shares outstanding, respectively | 12 | 12 |
| Additional paid-in capital | 32,475 | 31,111 |
| Retained earnings | 27,331 | 26,527 |
| Treasury stock, at cost; 184,784,488 and 125,121,705 shares, respectively | (9,193) | (6,401) |
| Accumulated other comprehensive income (loss) | 1,000 | 7,427 |
| Total MetLife, Inc.'s stockholders' equity | 51,625 | 58,676 |
| Noncontrolling interests | 184 | 194 |
| Total equity | 51,809 | 58,870 |
| Total liabilities and equity | $ 698,451 | $ 719,892 |

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, 2018 and 2017 (Unaudited)

(In millions, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | |
| Premiums | $10,242 | $10,876 | $34,573 | $29,421 |
| Universal life and investment-type product policy fees | 1,343 | 1,428 | 4,105 | 4,152 |
| Net investment income | 4,486 | 4,295 | 12,704 | 12,909 |
| Other revenues | 479 | 301 | 1,428 | 935 |
| Net investment gains (losses) | 117 | (606) | (443) | (414) |
| Net derivative gains (losses) | (378) | (123) | (88) | (535) |
| Total revenues | 16,289 | 16,171 | 52,279 | 46,468 |
| Expenses | | | | |
| Policyholder benefits and claims | 10,080 | 10,728 | 33,664 | 29,018 |
| Interest credited to policyholder account balances | 1,334 | 1,338 | 3,527 | 4,081 |
| Policyholder dividends | 327 | 302 | 933 | 925 |
| Other expenses | 3,469 | 3,318 | 10,319 | 9,869 |
| Total expenses | 15,210 | 15,686 | 48,443 | 43,893 |
| Income (loss) from continuing operations before provision for income tax | 1,079 | 485 | 3,836 | 2,575 |
| Provision for income tax expense (benefit) | 164 | (398) | 770 | (116) |
| Income (loss) from continuing operations, net of income tax | 915 | 883 | 3,066 | 2,691 |
| Income (loss) from discontinued operations, net of income tax | — | (968) | — | (986) |
| Net income (loss) | 915 | (85) | 3,066 | 1,705 |
| Less: Net income (loss) attributable to noncontrolling interests | 3 | 6 | 10 | 12 |
| Net income (loss) attributable to MetLife, Inc. | 912 | (91) | 3,056 | 1,693 |
| Less: Preferred stock dividends | 32 | 6 | 84 | 58 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $880 | $(97) | $2,972 | $1,635 |
| Comprehensive income (loss) | $(940) | $(192) | $(4,273) | $4,668 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax | 2 | 10 | 10 | 16 |
| Comprehensive income (loss) attributable to MetLife, Inc. | $(942) | $(202) | $(4,283) | $4,652 |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders: | | | | |
| Basic | $0.89 | $0.82 | $2.93 | $2.44 |
| Diluted | $0.88 | $0.81 | $2.91 | $2.42 |
| Net income (loss) available to MetLife, Inc.'s common shareholders per common share: | | | | |
| Basic | $0.89 | $(0.09) | $2.93 | $1.52 |
| Diluted | $0.88 | $(0.09) | $2.91 | $1.51 |

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Nine Months Ended September 30, 2018 and 2017 (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, 2017 | $ — | $ 12 | $ 31,111 | $ 26,527 | $ (6,401) | $ 7,427 | $ 58,676 | $ 194 | $ 58,870 |
| Cumulative effects of changes in accounting principles, net of income tax (Note 1) | | | | (905) | | 912 | 7 | | 7 |
| Balance at January 1, 2018 | — | 12 | 31,111 | 25,622 | (6,401) | 8,339 | 58,683 | 194 | 58,877 |
| Preferred stock issuance | | | 1,274 | | | | 1,274 | | 1,274 |
| Treasury stock acquired in connection with share repurchases | | | | | (2,792) | | (2,792) | | (2,792) |
| Stock-based compensation | | | 90 | | | | 90 | | 90 |
| Dividends on preferred stock | | | | (84) | | | (84) | | (84) |
| Dividends on common stock | | | | (1,263) | | | (1,263) | | (1,263) |
| Change in equity of noncontrolling interests | | | | | | | — | (20) | (20) |
| Net income (loss) | | | | 3,056 | | | 3,056 | 10 | 3,066 |
| Other comprehensive income (loss), net of income tax | | | | | | (7,339) | (7,339) | — | (7,339) |
| Balance at September 30, 2018 | $ — | $ 12 | $ 32,475 | $ 27,331 | $ (9,193) | $ 1,000 | $ 51,625 | $ 184 | $ 51,809 |

| | 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, as previously reported | $ — | $ 12 | $ 30,944 | $ 34,480 | $ (3,474) | $ 5,347 | $ 67,309 | $ 171 | $ 67,480 |
| Prior period revisions (Note 1) | | | | 203 | | 19 | 222 | | 222 |
| Balance at December 31, 2016 | — | 12 | 30,944 | 34,683 | (3,474) | 5,366 | 67,531 | 171 | 67,702 |
| Treasury stock acquired in connection with share repurchases | | | | | (2,305) | | (2,305) | | (2,305) |
| Stock-based compensation | | | 122 | | | | 122 | | 122 |
| | | | | (58) | | | (58) | | (58) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Dividends on preferred stock | | | | | | | | | |
| 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) | | | | 1,693 | | | 1,693 | 12 | 1,705 |
| Other comprehensive income (loss), net of income tax | | | | | | 2,959 | 2,959 | 4 | 2,963 |
| Balance at September 30, 2017 | $ — | $ 12 | $ 31,066 | $ 24,677 | $ (5,779) | $ 7,005 | $ 56,981 | $ 230 | $ 57,211 |

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, 2018 and 2017 (Unaudited)
(In millions)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2018 | 2017 |
| Net cash provided by (used in) operating activities | $10,437 | $10,233 |
| Cash flows from investing activities | | |
| Sales, maturities and repayments of: | | |
| Fixed maturity securities available-for-sale | 78,227 | 66,544 |
| Equity securities | 323 | 904 |
| Mortgage loans | 6,878 | 6,721 |
| Real estate and real estate joint ventures | 561 | 689 |
| Other limited partnership interests | 514 | 882 |
| Purchases of: | | |
| Fixed maturity securities available-for-sale | (84,014) | (76,010) |
| Equity securities | (118) | (705) |
| Mortgage loans | (10,624) | (9,988) |
| Real estate and real estate joint ventures | (912) | (1,078) |
| Other limited partnership interests | (1,047) | (1,064) |
| Cash received in connection with freestanding derivatives | 3,130 | 4,890 |
| Cash paid in connection with freestanding derivatives | (3,745) | (7,404) |
| Cash disposed due to distribution of Brighthouse | — | (663) |
| Purchases of businesses | — | (211) |
| Net change in policy loans | (62) | (16) |
| Net change in short-term investments | (301) | (209) |
| Net change in other invested assets | 174 | (184) |
| Other, net | 24 | (256) |
| Net cash provided by (used in) investing activities | (10,992) | (17,158) |
| Cash flows from financing activities | | |
| Policyholder account balances: | | |
| Deposits | 72,037 | 67,565 |
| Withdrawals | (67,869) | (62,233) |
| Net change in payables for collateral under securities loaned and other transactions | 719 | 2,316 |
| Long-term debt issued | 24 | 3,657 |
| Long-term debt repaid | (1,311) | (60) |
| Collateral financing arrangements repaid | (48) | (2,852) |
| Distribution of Brighthouse | — | (2,793) |
| Financing element on certain derivative instruments and other derivative related transactions, net | (15) | (109) |
| Treasury stock acquired in connection with share repurchases | (2,792) | (2,305) |
| Preferred stock issued, net of issuance costs | 1,274 | — |
| Dividends on preferred stock | (84) | (58) |
| Dividends on common stock | (1,263) | (1,295) |
| Other, net | (141) | (144) |
| Net cash provided by (used in) financing activities | 531 | 1,689 |
| Effect of change in foreign currency exchange rates on cash and cash equivalents balances | (187) | 382 |
| Change in cash and cash equivalents | (211) | (4,854) |

| | | |
|---|---|---|
| Cash and cash equivalents, beginning of period | 12,701 | 17,877 |
| Cash and cash equivalents, end of period | $12,490 | $13,023 |
| Cash and cash equivalents, of disposed subsidiary, beginning of period | $— | $5,226 |
| Cash and cash equivalents, of disposed subsidiary, end of period | $— | $— |
| Cash and cash equivalents, from continuing operations, beginning of period | $12,701 | $12,651 |
| Cash and cash equivalents, from continuing operations, end of period | $12,490 | $13,023 |
| Supplemental disclosures of cash flow information | | |
| Net cash paid (received) for: | | |
| Interest | $809 | $806 |
| Income tax | $695 | $633 |
| Non-cash transactions: | | |
| Fixed maturity securities available-for-sale received in connection with pension risk transfer transaction | $3,016 | $— |
| Brighthouse common stock exchange transaction (Note 3): | | |
| Reduction of long-term debt | $944 | $— |
| Reduction of fair value option securities | $1,030 | $— |
| Disposal of Brighthouse | | |
| Assets disposed | $— | $225,502 |
| Liabilities disposed | — | (210,999 ) |
| Net assets disposed | $— | $14,503 |
| Cash disposed | — | (3,456 ) |
| Net non-cash disposed | $— | $11,047 |

See accompanying notes to the interim condensed consolidated financial statements.

## 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.

### 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.

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, 2017 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, 2017 (the "2017 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 2017 Annual Report.

### 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. Subsequent to the adoption of guidance relating to the recognition and measurement of financial instruments on January 1, 2018, the Company accounts for interests in unconsolidated entities that are not accounted for under the equity method, at estimated fair value. Such investments were previously accounted for under the cost method of accounting. See "— Adoption of New Accounting Pronouncements."

### 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 in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results.

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"). The results of Brighthouse are reflected in MetLife, Inc.'s interim condensed consolidated financial statements as discontinued operations and, therefore, are presented as income (loss) from discontinued operations on the consolidated statements of operations and comprehensive income (loss).

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 2018 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

Revisions

As discussed in Note 1 of the Notes to the Consolidated Financial Statements included in the 2017 Annual Report, the Company made adjustments for group annuity reserves and assumed variable annuity guarantee reserves for which amounts previously reported have been immaterially restated. In addition, the Company has corrected other unrelated immaterial errors which were previously recorded in the periods the Company identified them.

A summary of the revisions to prior year periods' net income (loss) available to MetLife, Inc.'s common shareholders is shown in the table below:

| | Three Months Ended September 30, 2017 (In millions) | Nine Months Ended September 30, |
|---|---|---|
| Assumed variable annuity guarantee reserves | $ 67 | $ 128 |
| Group annuity reserves | (12) | (30) |
| Other revisions to continuing operations, net | (71) | (5) |
| Impact to income (loss) from continuing operations before provision for income tax | (16) | 93 |
| Provision for income tax expense (benefit) | (6) | 32 |
| Impact to income (loss) from continuing operations, net of income tax | (10) | 61 |
| Other revisions to discontinued operations, net of income tax | — | 3 |
| Impact to net income (loss) available to MetLife, Inc.'s | $ (10) | $ 64 |

common
shareholders

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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)

The impact of the revisions is shown in the tables below:

| Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) | Three Months Ended September 30, 2017 | | | Nine Months Ended September 30, | | |
|---|---|---|---|---|---|---|
| | As Previously Reported | Revisions | As Revised | As Previously Reported | Revisions | As Revised |
| | (In millions, except per share data) | | | | | |
| Revenues | | | | | | |
| Net investment gains (losses) | $(606) | $— | $(606) | $(439) | $ 25 | $(414) |
| Net derivative gains (losses) | $(190) | $ 67 | $(123) | $(663) | $ 128 | $(535) |
| Total revenues | $16,104 | $ 67 | $16,171 | $46,315 | $ 153 | $46,468 |
| Expenses | | | | | | |
| Policyholder benefits and claims | $10,645 | $ 83 | $10,728 | $28,923 | $ 95 | $29,018 |
| Other expenses | $3,318 | $— | $3,318 | $9,904 | $ (35) | $9,869 |
| Total expenses | $15,603 | $ 83 | $15,686 | $43,833 | $ 60 | $43,893 |
| Income (loss) from continuing operations before provision for income tax | $501 | $ (16) | $485 | $2,482 | $ 93 | $2,575 |
| Provision for income tax expense (benefit) | $(392) | $ (6) | $(398) | $(148) | $ 32 | $(116) |
| Income (loss) from continuing operations, net of income tax | $893 | $ (10) | $883 | $2,630 | $ 61 | $2,691 |
| Income (loss) from discontinued operations, net of income tax | $(968) | $— | $(968) | $(989) | $ 3 | $(986) |
| Net income (loss) | $(75) | $ (10) | $(85) | $1,641 | $ 64 | $1,705 |
| Net income (loss) attributable to MetLife, Inc. | $(81) | $ (10) | $(91) | $1,629 | $ 64 | $1,693 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $(87) | $ (10) | $(97) | $1,571 | $ 64 | $1,635 |
| Comprehensive income (loss) | $(182) | $ (10) | $(192) | $4,623 | $ 45 | $4,668 |
| Comprehensive income (loss) attributable to MetLife, Inc. | $(192) | $ (10) | $(202) | $4,607 | $ 45 | $4,652 |
| Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders: | | | | | | |
| Basic | $0.83 | $ (0.01) | $0.82 | $2.38 | $ 0.06 | $2.44 |
| Diluted | $0.82 | $ (0.01) | $0.81 | $2.36 | $ 0.06 | $2.42 |
| Net income (loss) available to MetLife, Inc.'s common shareholders per common share: | | | | | | |
| Basic | $(0.08) | $ (0.01) | $(0.09) | $1.46 | $ 0.06 | $1.52 |
| Diluted | $(0.08) | $ (0.01) | $(0.09) | $1.45 | $ 0.06 | $1.51 |

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

| Interim Condensed Consolidated Statements of Equity | As Previously Reported | Revisions | As Revised |
|---|---|---|---|
| | (In millions) | | |
| Retained Earnings | | | |
| Balance at December 31, 2016 | $34,480 | $ 203 | $34,683 |
| Net income (loss) | $1,629 | $ 64 | $1,693 |
| Balance at September 30, 2017 | $24,410 | $ 267 | $24,677 |
| Accumulated Other Comprehensive Income (Loss) | | | |
| Balance at December 31, 2016 | $5,347 | $ 19 | $5,366 |
| Other comprehensive income (loss), net of income tax | $2,978 | $ (19 ) | $2,959 |
| Balance at September 30, 2017 | $7,005 | $ — | $7,005 |
| Total MetLife, Inc.’s Stockholders’ Equity | | | |
| Balance at December 31, 2016 | $67,309 | $ 222 | $67,531 |
| Balance at September 30, 2017 | $56,714 | $ 267 | $56,981 |
| Total Equity | | | |
| Balance at December 31, 2016 | $67,480 | $ 222 | $67,702 |
| Balance at September 30, 2017 | $56,944 | $ 267 | $57,211 |

Adoption of New Accounting Pronouncements

Effective January 1, 2018, the Company early adopted guidance relating to income taxes. The new guidance was applied in the period of adoption. Current GAAP guidance requires that the effect of a change in tax laws or rates on deferred tax liabilities or assets to be included in income from continuing operations in the reporting period that includes the enactment date, even if the related income tax effects were originally charged or credited directly to accumulated other comprehensive income (“AOCI”). The Company’s accounting policy for the release of stranded tax effects in AOCI is on an aggregate portfolio basis. The new guidance allows a reclassification of AOCI to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (“U.S. Tax Reform”). Due to U.S. Tax Reform and the change in corporate tax rates, at December 22, 2017, the Company reported stranded tax effects in AOCI related to unrealized gains and losses on available-for-sale (“AFS”) securities, cumulative foreign translation adjustments and deferred costs on pension benefit plans. With the adoption of the guidance, the Company released these stranded tax effects in AOCI resulting in a decrease to retained earnings as of January 1, 2018 of $1.2 billion with a corresponding increase to AOCI.

Effective January 1, 2018, the Company prospectively adopted guidance relating to stock compensation. The new guidance includes guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Accounting Standards Codification (“ASC”) Topic 718, Compensation - Stock Compensation. The adoption of the guidance did not have a material impact on the Company’s consolidated financial statements.

Effective January 1, 2018 the Company retrospectively adopted guidance on the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new 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. The other components of net periodic 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. If a separate line item is not used, the line item used in the income statement to present the other components of net periodic benefit cost must be disclosed. In addition, the guidance allows only the service cost component to be eligible for capitalization when applicable. The adoption of the guidance did not have a material impact on the Company’s consolidated financial statements.

Effective January 1, 2018, the Company adopted, using a modified retrospective approach, guidance relating to de-recognition of nonfinancial assets. 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 new guidance also adds guidance for partial sales of nonfinancial assets. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2018, the Company retrospectively adopted guidance relating to restricted cash. 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 adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2018, the Company adopted, using a modified retrospective approach, guidance relating to tax accounting for intra-entity transfers of assets. Prior guidance prohibited 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. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2018, the Company retrospectively adopted guidance relating to cash flow statement presentation. The new guidance addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2018, the Company adopted, using a modified retrospective approach, guidance relating to recognition and measurement of financial instruments. The 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. Effective January 1, 2018, 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. Additionally, there will no longer be a requirement to assess equity securities for embedded derivatives requiring bifurcation. The adoption of this guidance resulted in a $328 million, net of income tax, increase to retained earnings largely offset by a decrease to AOCI that was primarily attributable to $1.7 billion of equity securities previously classified and measured as equity securities AFS. At December 31, 2017, equity securities of $16.0 billion primarily associated with contractholder-directed investments are accounted for using the FVO and therefore were unaffected by the new guidance. The Company has included the required disclosures related to equity securities within Note 6.

Effective January 1, 2018, the Company adopted, using a modified retrospective approach, guidance relating to revenue recognition. The new guidance supersedes nearly all existing revenue recognition guidance under U.S. GAAP. However, it does not impact the accounting for insurance and investment contracts within the scope of ASC Topic 944, Financial Services - Insurance, leases, financial instruments and certain guarantees. For those contracts that are impacted, the new guidance requires 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. The adoption of the guidance did not have a material impact on the Company's consolidated financial statements.

For the three months and nine months ended September 30, 2018, the Company identified $329 million and $979 million, respectively, of revenue streams within the scope of the guidance that are all included within other revenues on the interim condensed consolidated statements of operations and comprehensive income (loss). Such amounts primarily consisted of: (i) prepaid legal plans and administrative-only contracts within the U.S. segment of $127 million and $382 million for the three months and nine months ended September 30, 2018, respectively, (ii) distribution and administrative services fees within the MetLife Holdings segment of $56 million and $170 million for the three months and nine months ended September 30, 2018, respectively, and (iii) fee-based investment management services within Corporate & Other of $74 million and $219 million for the three months and nine months ended September 30, 2018, respectively.

Substantially all of the revenue from these services is recognized over time as the applicable services are provided or are made available to the customers and control is transferred continuously. The consideration received for these services is variable and constrained to the amount not probable of a significant revenue reversal.

Other

Effective January 16, 2018, the London Clearing House ("LCH") 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 LCH serves as the central clearing party. As of the effective date, the application of the amended rulebook reduced gross derivative assets by $369 million, gross derivative liabilities by $203 million, accrued investment income by $14 million, collateral receivables recorded within premiums, reinsurance and other receivables by $184 million, and collateral payables recorded within payables for collateral under securities loaned and other transactions by $365 million. The application of the amended rulebook increased accrued investment expense recorded within other liabilities by $1 million.

Future Adoption of New Accounting Pronouncements

In October 2018, the Financial Accounting Standards Board ("FASB") issued new guidance on consolidation (Accounting Standards Update ("ASU") 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years and should be applied retrospectively with a cumulative effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The new guidance provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decisionmakers and service providers are variable interests. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In October 2018, the FASB issued new guidance regarding derivatives (ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes). The new guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years and should be applied prospectively for qualifying new or redesignated hedging relationships entered into after January 1, 2019. The amendments permit the use of the overnight index swap rate based on the Secured Overnight Financing Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In August 2018, the FASB issued new guidance on implementation costs in a cloud computing arrangement that is a service contract (ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The new guidance can be applied either prospectively to eligible costs incurred on or after the guidance is first applied, or retrospectively to all periods presented. The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as assets. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In August 2018, the FASB issued new guidance on defined benefit pension or other postretirement plans (ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans). The new guidance is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The new guidance should be applied on a retrospective basis to all periods presented. The new guidance modifies and clarifies certain disclosure requirements. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In August 2018, the FASB issued new guidance on fair value measurement (ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement). The new guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The guidance modifies the disclosure requirements on fair value by removing some requirements, modifying others, adding changes in unrealized gains and losses included in other comprehensive income (loss) (“OCI”) for recurring Level 3 fair value measurements, and providing the option to disclose certain other quantitative information with respect to significant unobservable inputs in lieu of a weighted average. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

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In August 2018, the FASB issued new guidance on long-duration insurance contracts (ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts). The new guidance is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, with required retrospective application to January 1, 2019. Early adoption is permitted. The new guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) simplifies the amortization of deferred policy acquisition costs ("DAC") for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. The Company has just begun its implementation efforts and is currently evaluating the impact of the new guidance. Given the nature and extent of the required changes to a significant portion of the Company's operations, the adoption of this standard is expected to have a material impact on the consolidated financial statements.

In August 2017, the FASB issued new guidance on hedging activities (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 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 their financial statements. Upon the adoption of ASU 2017-12, the Company will make certain changes to its assessment of hedge effectiveness for fair value hedging relationships, and the Company will also reclassify hedge ineffectiveness for cash flow hedging relationships existing as of the adoption date, which was previously recorded to earnings, to AOCI. The estimated impact of adoption is a decrease to retained earnings of approximately $100 million to $250 million.

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 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 does not expect the adoption to have a material impact 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. See Note 11 of the Notes to the Consolidated Financial Statements included in the 2017 Annual Report for a description of the two-step 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 expects the adoption of this new guidance will reduce the complexity involved with the evaluation of goodwill for impairment. The impact of the new guidance will depend on the outcomes of future goodwill impairment tests.

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. For substantially all financial assets, the ASU should be applied on a modified retrospective basis through a cumulative effect adjustment to retained earnings. For previously impaired debt securities and certain debt securities acquired with evidence of credit quality deterioration since origination, the new guidance should be applied prospectively. 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 currently evaluating the 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. 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. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, amending certain aspects of the new leases standard. Also in July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides lessors with a practical expedient not to separate lease and non-lease components for certain operating leases and with an additional transition method.

The Company will adopt the new guidance under ASU 2016-02 and related amendments on January 1, 2019 and expects to elect certain practical expedients permitted under the transition guidance. In addition, the Company expects to elect the transition option, which allows the Company to use the modified retrospective transition method and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption but does not require restatement of prior periods. The Company has developed an integrated implementation plan and formed a multi-functional working group with a project governance structure to address any resource, system, data and process gaps related to the implementation of the new standard. The Company is currently in the process of integrating a lease accounting technology solution and developing updated reporting processes and internal controls to facilitate compliance with the new guidance.

While the Company is in the process of evaluating the impact of this guidance on its consolidated financial statements, the Company believes the most significant changes relate to (i) the recognition of new right of use assets and lease liabilities on the consolidated balance sheet for real estate operating leases; and (ii) the recognition of deferred gains associated with previous sale-leaseback transactions as a cumulative effect adjustment to retained earnings. On adoption, the Company expects to recognize additional operating liabilities, with corresponding right of use assets of the same amount adjusted for prepaid/deferred rent, unamortized initial direct costs and potential impairment of right of use assets based on the present value of the remaining minimum rental payments. These assets and liabilities are expected to represent less than 1% of the Company's total assets and total liabilities, and the Company does not expect the adoption to have a material impact on its consolidated financial statements.

2. Segment Information

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 ("RIS") 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, vision and accident & health coverages, as well as prepaid legal plans. This business also sells administrative services-only arrangements to some employers.
- The RIS business offers a broad range of annuity and investment products, including stable value and pension risk transfer products, institutional income annuities, tort settlements, capital market investment products, as well as postretirement benefits and company-, bank- or trust-owned life insurance.
- 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 and term life, endowments, universal and variable life, accident & health insurance and fixed and variable annuities.

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, retirement and savings products, accident & health insurance and credit insurance.

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, retirement and savings products and credit insurance.

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, such as variable, universal, term and whole life insurance, variable, fixed and index-linked annuities, long-term care insurance, as well as the assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

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 the investment management business through which the Company offers fee-based investment management services to institutional clients). Additionally, Corporate & Other includes run-off businesses such 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.

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

Financial Measures and Segment Accounting Policies

Adjusted earnings is used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings is also the Company's GAAP measure of segment performance and is reported below. Adjusted earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of adjusted 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.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax.

The financial measures of adjusted revenues and adjusted 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. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

The following additional adjustments are made to revenues, in the line items indicated, in calculating adjusted 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");
- 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 adjusted earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed unit-linked investments, (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP and (v) includes distributions of profits from certain other limited partnership interests that were previously accounted for under the cost method, but are now accounted for at estimated fair value, where the change in estimated fair value is recognized in net investment gains (losses) for GAAP; and
- Other revenues is adjusted for settlements of foreign currency earnings hedges and excludes fees received in association with services provided under transition service agreements ("TSA fees").

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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 adjusted 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 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. Other expenses includes TSA fees.

Adjusted 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, 2018 and 2017. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for adjusted 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 adjusted 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)

| Three Months Ended September 30, 2018 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | | | |
| Revenues | | | | | | | | | |
| Premiums | $6,431 | $1,689 | $692 | $514 | $949 | $(33) | $10,242 | $— | $10,242 |
| Universal life and investment-type product policy fees | 252 | 428 | 229 | 105 | 286 | — | 1,300 | 43 | 1,343 |
| Net investment income | 1,787 | 830 | 339 | 73 | 1,375 | 58 | 4,462 | 24 | 4,486 |
| Other revenues | 206 | 12 | 7 | 15 | 70 | 86 | 396 | 83 | 479 |
| Net investment gains (losses) | — | — | — | — | — | — | — | 117 | 117 |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (378) | (378) |
| Total revenues | 8,676 | 2,959 | 1,267 | 707 | 2,680 | 111 | 16,400 | (111) | 16,289 |
| Expenses | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 6,219 | 1,354 | 670 | 281 | 1,766 | (38) | 10,252 | 155 | 10,407 |
| Interest credited to policyholder account balances | 457 | 381 | 102 | 24 | 238 | — | 1,202 | 132 | 1,334 |
| Capitalization of DAC | (116) | (478) | (97) | (109) | (8) | (2) | (810) | — | (810) |
| Amortization of DAC and VOBA | 128 | 366 | 5 | 110 | 13 | 2 | 624 | 108 | 732 |
| Amortization of negative VOBA | — | (4) | (1) | (2) | — | — | (7) | — | (7) |
| Interest expense on debt | 2 | — | 2 | — | 2 | 246 | 252 | 15 | 267 |
| Other expenses | 982 | 943 | 351 | 333 | 264 | 314 | 3,187 | 100 | 3,287 |
| Total expenses | 7,672 | 2,562 | 1,032 | 637 | 2,275 | 522 | 14,700 | 510 | 15,210 |
| Provision for income tax expense (benefit) | 209 | 131 | 65 | 15 | 78 | (206) | 292 | (128) | 164 |
| Adjusted earnings | $795 | $266 | $170 | $55 | $327 | $(205) | 1,408 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (111) | | |
| Total expenses | | | | | | | (510) | | |
| Provision for income tax (expense) benefit | | | | | | | 128 | | |
| Income (loss) from continuing operations, net of income tax | | | | | | | $915 | | $915 |

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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, 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) | — | — | — | — | — | — | — | (123) | (123) |
| Total revenues | 9,033 | 2,927 | 1,236 | 711 | 2,765 | 104 | 16,776 | (605) | 16,171 |
| Expenses | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 6,916 | 1,223 | 640 | 282 | 1,732 | 7 | 10,800 | 230 | 11,030 |
| 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 | 8,219 | 2,457 | 1,022 | 619 | 2,227 | 524 | 15,068 | 618 | 15,686 |
| Provision for income tax expense (benefit) | 275 | 156 | 51 | 21 | 174 | (90) | 587 | (985) | (398) |
| Adjusted earnings | $539 | $314 | $163 | $71 | $364 | $(330) | 1,121 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (605) | | |
| Total expenses | | | | | | | (618) | | |
| Provision for income tax (expense) benefit | | | | | | | 985 | | |
| Income (loss) from continuing operations, net of income tax | | | | | | | $883 | | $883 |

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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, 2018 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | | | |
| Revenues | | | | | | | | | |
| Premiums | $22,950 | $5,091 | $2,079 | $1,611 | $2,856 | $(14) | $34,573 | $ — | $34,573 |
| Universal life and investment-type product policy fees | 772 | 1,221 | 786 | 324 | 901 | — | 4,004 | 101 | 4,105 |
| Net investment income | 5,168 | 2,464 | 942 | 221 | 4,056 | 157 | 13,008 | (304) | 12,704 |
| Other revenues | 613 | 40 | 24 | 51 | 205 | 246 | 1,179 | 249 | 1,428 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (443) | (443) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (88) | (88) |
| Total revenues | 29,503 | 8,816 | 3,831 | 2,207 | 8,018 | 389 | 52,764 | (485) | 52,279 |
| Expenses | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 22,590 | 3,934 | 1,976 | 861 | 5,022 | (38) | 34,345 | 252 | 34,597 |
| Interest credited to policyholder account balances | 1,303 | 1,094 | 295 | 75 | 709 | — | 3,476 | 51 | 3,527 |
| Capitalization of DAC | (336) | (1,438) | (282) | (348) | (28) | (7) | (2,439) | (1) | (2,440) |
| Amortization of DAC and VOBA | 357 | 993 | 136 | 324 | 214 | 5 | 2,029 | 103 | 2,132 |
| Amortization of negative VOBA | — | (31) | (1) | (12) | — | — | (44) | (1) | (45) |
| Interest expense on debt | 8 | — | 5 | — | 6 | 798 | 817 | 45 | 862 |
| Other expenses | 2,908 | 2,871 | 1,052 | 1,023 | 815 | 805 | 9,474 | 336 | 9,810 |
| Total expenses | 26,830 | 7,423 | 3,181 | 1,923 | 6,738 | 1,563 | 47,658 | 785 | 48,443 |
| Provision for income tax expense (benefit) | 554 | 437 | 195 | 62 | 248 | (599) | 897 | (127) | 770 |
| Adjusted earnings | $2,119 | $956 | $455 | $222 | $1,032 | $(575) | 4,209 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (485) | | |
| Total expenses | | | | | | | (785) | | |
| Provision for income tax (expense) benefit | | | | | | | 127 | | |
| Income (loss) from continuing operations, net of income tax | | | | | | | $3,066 | | $3,066 |

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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 | 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) | — | — | — | — | — | — | — | (414) | (414) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (535) | (535) |
| Total revenues | 24,201 | 8,487 | 3,672 | 2,102 | 8,528 | 351 | 47,341 | (873) | 46,468 |
| Expenses | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 18,047 | 3,785 | 1,869 | 821 | 5,182 | 33 | 29,737 | 206 | 29,943 |
| 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 | 614 | 9,132 | 272 | 9,404 |
| Total expenses | 21,901 | 7,109 | 3,089 | 1,837 | 7,075 | 1,480 | 42,491 | 1,402 | 43,893 |
| Provision for income tax expense (benefit) | 771 | 459 | 123 | 47 | 465 | (630) | 1,235 | (1,351) | (116) |
| Adjusted earnings | $1,529 | $919 | $460 | $218 | $988 | $(499) | 3,615 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (873) | | |
| Total expenses | | | | | | | (1,402) | | |
| Provision for income tax (expense) benefit | | | | | | | 1,351 | | |
| Income (loss) from continuing operations, net of income tax | | | | | | | $2,691 | | $2,691 |

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

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (In millions) | |
| U.S. | $251,231 | $ 255,428 |
| Asia | 142,033 | 136,928 |
| Latin America | 73,973 | 79,670 |
| EMEA | 29,024 | 30,500 |
| MetLife Holdings | 173,351 | 183,160 |
| Corporate & Other | 28,839 | 34,206 |
| Total | $698,451 | $ 719,892 |

Revenues derived from one U.S. segment customer were $6.0 billion for the nine months ended September 30, 2018, which represented 15% of consolidated premiums, universal life and investment-type product policy fees and other revenues. The revenue was from a single premium received for a pension risk transfer. Revenues derived from any other customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the three months and nine months ended September 30, 2018 and 2017.

3. Dispositions

Separation of Brighthouse

On August 4, 2017, MetLife, Inc. completed the separation of Brighthouse. MetLife, Inc. retained the remaining ownership interest of 22,996,436 shares, or 19.2%, of Brighthouse Financial, Inc. common stock outstanding 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 were recorded to net investment gains (losses). See Note 6 for further information on net investment gains (losses). The estimated fair value of the Brighthouse Financial, Inc. common stock held by the Company ("FVO Brighthouse Common Stock") at December 31, 2017 was $1.3 billion reported within contractholder-directed equity securities and fair value option securities ("FVO Securities") (collectively, "Unit-linked and FVO Securities").

In June 2018, the Company sold FVO Brighthouse Common Stock in exchange for $944 million aggregate principal amount of MetLife, Inc. senior notes, which MetLife, Inc. canceled. The Company recorded $327 million of mark-to-market and disposition losses on the FVO Brighthouse Common Stock to net investment gains (losses) for the nine months ended September 30, 2018. At September 30, 2018, the Company no longer held any shares of Brighthouse Financial, Inc. for its own account; however, certain insurance company separate accounts managed by the Company held shares of Brighthouse Financial, Inc. See Note 9 for further information on this transaction.

See Note 3 of the Notes to the Consolidated Financial Statements included in the 2017 Annual Report for further information regarding the Separation, including Separation-related agreements and ongoing transactions with Brighthouse.

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Agreements

In connection with the Separation, MetLife and Brighthouse entered into various agreements. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2017 Annual Report for further information regarding significant agreements.

Tax Agreements

Immediately prior to the Separation, MetLife entered into tax agreements with Brighthouse.

In accordance with the tax separation agreement, at both September 30, 2018 and December 31, 2017, the Company's current income tax receivable and corresponding payable to Brighthouse, reported in other liabilities, were $726 million.

As part of the tax receivable agreement, MetLife Inc. 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 both September 30, 2018 and December 31, 2017, is a receivable from Brighthouse of $333 million related to these future payments.

Ongoing Transactions with Brighthouse

The Company considered all of its continuing involvement with Brighthouse in determining whether to deconsolidate and present Brighthouse results as discontinued operations, including the agreements entered into between MetLife and Brighthouse 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, including investment management, transition services and employee matters 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). 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. Dispositions (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 Months Ended September 30, | Nine Months Ended September 30, | Three and Nine Months Ended September 30, | Three Months Ended September 30, | Nine Months Ended September 30, |
| | 2018 (1) | 2018 (1) | 2017 (1) | 2017 (2) | 2017 (2) |
| | (In millions) | | | | |
| Premiums | | | | | |
| Reinsurance assumed | $96 | $ 297 | $ 70 | $ 36 | $ 248 |
| Reinsurance ceded | (3 ) | (9 ) | (2 ) | 1 | (7 ) |
| Net premiums | $93 | $ 288 | $ 68 | $ 37 | $ 241 |
| Universal life and investment-type product policy fees | | | | | |
| Reinsurance assumed | $(4 ) | $ (6 ) | $ (1 ) | $ (1 ) | $ (6 ) |
| Reinsurance ceded | (23 ) | (67 ) | (22 ) | (8 ) | (55 ) |
| Net universal life and investment-type product policy fees | $(27) | $ (73 ) | $ (23 ) | $ (9 ) | $ (61 ) |
| Policyholder benefits and claims | | | | | |
| Reinsurance assumed | $81 | $ 243 | $ 55 | $ 30 | $ 196 |
| Reinsurance ceded | (5 ) | (15 ) | (6 ) | (3 ) | (16 ) |
| Net policyholder benefits and claims | $76 | $ 228 | $ 49 | $ 27 | $ 180 |
| Interest credited to policyholder account balances | | | | | |
| Reinsurance assumed | $3 | $ 10 | $ 3 | $ 1 | $ 10 |
| Reinsurance ceded | (18 ) | (53 ) | (12 ) | (6 ) | (42 ) |
| Net interest credited to policyholder account balances | $(15) | $ (43 ) | $ (9 ) | $ (5 ) | $ (32 ) |
| Other expenses | | | | | |
| Reinsurance assumed | $15 | $ 80 | $ 6 | $ 4 | $ 10 |
| Reinsurance ceded | (4 ) | (22 ) | (7 ) | (3 ) | (28 ) |
| Net other expenses | $11 | $ 58 | $ (1 ) | $ 1 | $ (18 ) |

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

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

Transition Services

In connection with the Separation, the Company entered into a transition services agreement with Brighthouse for services necessary for Brighthouse to conduct its activities. During the three months and nine months ended September 30, 2018, the Company recognized $78 million and $235 million, respectively, as other revenue for transitional services provided under the agreement. 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 statements of operations and comprehensive income (loss).

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, 2017 | Nine Months Ended September 30, |
|---|---|---|
| | (In millions) | |
| Revenues | | |
| Premiums | $116 | $ 820 |
| Universal life and investment-type product policy fees | 320 | 2,201 |
| Net investment income | 243 | 1,783 |
| Other revenues | 27 | 150 |
| Total net investment gains (losses) | 1 | (50) |
| Net derivative gains (losses) | (171) | (1,061) |
| Total revenues | 536 | 3,843 |
| Expenses | | |
| Policyholder benefits and claims | 335 | 2,217 |
| Interest credited to policyholder account balances | 89 | 620 |
| Policyholder dividends | 2 | 16 |
| Other expenses | 108 | 853 |
| Total expenses | 534 | 3,706 |
| Income (loss) from discontinued operations before provision for income tax and loss on disposal of discontinued operations | 2 | 137 |
| Provision for income tax expense (benefit) | (10) | (48) |
| Income (loss) from discontinued operations before loss on disposal of discontinued operations, net of income tax | 12 | 185 |
| 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) | $ (986) |

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

In the interim condensed consolidated statements of cash flows, the cash flows from discontinued operations are not separately classified. The following table presents selected financial information regarding cash flows of the discontinued operations.

| | Nine Months Ended September 30, 2017 |
|---|---|
| | (In millions) |
| Net cash provided by (used in): | |
| Operating activities | $ 1,329 |
| Investing activities | $ (2,732 ) |
| Financing activities | $ (367 ) |

Disposition of MetLife Afore, S.A. de C.V.

On February 20, 2018, the Company completed the sale of MetLife Afore, S.A. de C.V., its pension fund management business in Mexico. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2017 Annual Report for further information.

4. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2017 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, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | In the Event of Death | At Annuitization | In the Event of Death | At Annuitization |
| | (Dollars in millions) | | | |
| Annuity Contracts: | | | | |
| Variable Annuity Guarantees: | | | | |
| Total account value (1), (2), (3) | $ 62,618 | $ 24,387 | $ 66,724 | $ 26,223 |
| Separate account value (1) | $ 42,881 | $ 22,550 | $ 45,431 | $ 24,336 |
| Net amount at risk (2) | $ 1,516 (4) | $ 465 (5) | $ 1,238 (4) | $ 525 (5) |
| Average attained age of contractholders | 66 years | 66 years | 65 years | 65 years |
| Other Annuity Guarantees: | | | | |
| Total account value (1), (3) | N/A | $ 1,305 | N/A | $ 1,424 |
| Net amount at risk | N/A | $ 550 (6) | N/A | $ 569 (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, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Secondary Guarantees | Paid-Up Guarantees | Secondary Guarantees | Paid-Up Guarantees |
| | (Dollars in millions) | | | |
| Universal and Variable Life Contracts: | | | | |
| Total account value (1), (3) | $9,254 | $ 3,102 | $9,036 | $ 3,207 |
| Net amount at risk (7) | $64,312 | $ 15,804 | $66,956 | $ 16,615 |
| Average attained age of policyholders | 57 years | 64 years | 56 years | 63 years |

(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 interim condensed consolidated balance sheets, from assumed variable annuity guarantees 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.

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, | |
|---|---|---|
| | 2018 | 2017 (1) |
| | (In millions) | |
| Balance, beginning of period | $17,094 | $16,157 |
| Less: Reinsurance recoverables | 2,198 | 1,968 |
| Net balance, beginning of period | 14,896 | 14,189 |
| Incurred related to: | | |
| Current period | 18,386 | 18,702 |
| Prior periods (2) | 256 | 156 |
| Total incurred | 18,642 | 18,858 |
| Paid related to: | | |
| Current period | (13,033 ) | (14,106 ) |
| Prior periods | (4,896 ) | (4,014 ) |
| Total paid | (17,929 ) | (18,120 ) |
| Net balance, end of period | 15,609 | 14,927 |
| Add: Reinsurance recoverables | 2,189 | 2,212 |
| Balance, end of period (included in future policy benefits and other policy-related balances) | $17,798 | $17,139 |

(1) As discussed in Note 4 of the Notes to the Consolidated Financial Statements included in the 2017 Annual Report, at December 31, 2016, the Net balance decreased and the Reinsurance recoverables increased from those amounts previously reported. As a result, at September 30, 2017, Total incurred increased by $734 million. Additionally, at September 30, 2017, the Net balance decreased by $87 million and the Reinsurance recoverables decreased by $1 million from those amounts previously reported in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017. The adjustments to the Net balance, at September 30, 2017, are primarily to correct for improper classifications between components of the rollforward.

(2) During the nine months ended September 30, 2018, claims and claim adjustment expenses associated with prior years increased due to events incurred in prior years but reported during current year. During the nine months ended September 30, 2017, 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.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
5. Closed Block (continued)

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (In millions) | |
| Closed Block Liabilities | | |
| Future policy benefits | $40,106 | $ 40,463 |
| Other policy-related balances | 287 | 222 |
| Policyholder dividends payable | 476 | 437 |
| Policyholder dividend obligation | 456 | 2,121 |
| Deferred income tax liability | 2 | — |
| Other liabilities | 472 | 212 |
| Total closed block liabilities | 41,799 | 43,455 |
| Assets Designated to the Closed Block | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value | 25,803 | 27,904 |
| Equity securities, at estimated fair value | 66 | 70 |
| Mortgage loans | 6,474 | 5,878 |
| Policy loans | 4,524 | 4,548 |
| Real estate and real estate joint ventures | 580 | 613 |
| Other invested assets | 686 | 731 |
| Total investments | 38,133 | 39,744 |
| Accrued investment income | 469 | 477 |
| Premiums, reinsurance and other receivables; cash and cash equivalents | 92 | 14 |
| Current income tax recoverable | 52 | 35 |
| Deferred income tax asset | — | 36 |
| Total assets designated to the closed block | 38,746 | 40,306 |
| Excess of closed block liabilities over assets designated to the closed block | 3,053 | 3,149 |
| Amounts included in AOCI: | | |
| Unrealized investment gains (losses), net of income tax | 1,110 | 1,863 |
| Unrealized gains (losses) on derivatives, net of income tax | 17 | (7) |
| Allocated to policyholder dividend obligation, net of income tax | (360) | (1,379) |
| Total amounts included in AOCI | 767 | 477 |
| Maximum future earnings to be recognized from closed block assets and liabilities | $3,820 | $ 3,626 |

See Note 1 for discussion of new accounting guidance related to U.S. Tax Reform.
Information regarding the closed block policyholder dividend obligation was as follows:

| | Nine Months Ended September 30, 2018 | Year Ended December 31, 2017 |
|---|---|---|
| | (In millions) | |
| Balance, beginning of period | $2,121 | $ 1,931 |
| Change in unrealized investment and derivative gains (losses) | (1,665) | 190 |
| Balance, end of period | $456 | $ 2,121 |

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
5. Closed Block (continued)

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Revenues | | | | |
| Premiums | $405 | $413 | $1,202 | $1,247 |
| Net investment income | 443 | 450 | 1,318 | 1,368 |
| Net investment gains (losses) | 7 | — | (46 ) | (10 ) |
| Net derivative gains (losses) | 2 | (6 ) | 12 | (24 ) |
| Total revenues | 857 | 857 | 2,486 | 2,581 |
| Expenses | | | | |
| Policyholder benefits and claims | 641 | 591 | 1,808 | 1,773 |
| Policyholder dividends | 241 | 235 | 723 | 732 |
| Other expenses | 29 | 30 | 88 | 94 |
| Total expenses | 911 | 856 | 2,619 | 2,599 |
| Revenues, net of expenses before provision for income tax expense (benefit) | (54 ) | 1 | (133 ) | (18 ) |
| Provision for income tax expense (benefit) | (12 ) | — | (29 ) | (8 ) |
| Revenues, net of expenses and provision for income tax expense (benefit) | $(42 ) | $1 | $(104 ) | $(10 ) |

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

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

| | September 30, 2018 | | | | | December 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized | | | Estimated Fair Value | Amortized Cost | Gross Unrealized | | | Estimated Fair Value |
| | | Gains | Temporary Losses | OTTI Losses (1) | | | Gains | Temporary Losses | OTTI Losses (1) | |
| | (In millions) | | | | | | | | | |
| Fixed maturity securities AFS: | | | | | | | | | | |
| U.S. corporate | $81,326 | $4,045 | $ 1,576 | $— | $83,795 | $76,005 | $7,007 | $ 351 | $— | $82,661 |
| Foreign government | 55,502 | 5,534 | 564 | — | 60,472 | 55,351 | 6,495 | 312 | — | 61,534 |
| Foreign corporate | 53,097 | 2,509 | 1,386 | — | 54,220 | 52,409 | 3,836 | 676 | — | 55,569 |
| U.S. government and agency | 43,830 | 2,506 | 764 | — | 45,572 | 43,446 | 4,227 | 279 | — | 47,394 |
| RMBS | 27,427 | 881 | 687 | (37 ) | 27,658 | 27,846 | 1,145 | 233 | (42 ) | 28,800 |
| State and political subdivision | 10,548 | 1,147 | 95 | — | 11,600 | 10,752 | 1,717 | 13 | 1 | 12,455 |
| ABS | 12,775 | 79 | 38 | 1 | 12,815 | 12,213 | 116 | 39 | (1 ) | 12,291 |
| CMBS | 8,763 | 86 | 141 | — | 8,708 | 8,047 | 222 | 42 | — | 8,227 |
| Total fixed maturity securities AFS | $293,268 | $16,787 | $ 5,251 | $(36 ) | $304,840 | $286,069 | $24,765 | $ 1,945 | $(42 ) | $308,931 |

(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 AFS with an estimated fair value of $24 million and $6 million, and unrealized gains (losses) of ($1) million and ($4) million, at September 30, 2018 and December 31, 2017, respectively.
Maturities of Fixed Maturity Securities AFS
The amortized cost and estimated fair value of fixed maturity securities AFS, by contractual maturity date, were as follows at September 30, 2018:

| | Due in One Year or Less | Due After One Year Through Five Years | Due After Five Years Through Ten Years | Due After Ten Years | Structured Securities | Total Fixed Maturity Securities AFS |
|---|---|---|---|---|---|---|
| | (In millions) | | | | | |
| Amortized cost | $14,290 | $59,495 | $61,007 | $109,511 | $ 48,965 | $293,268 |
| Estimated fair value | $14,336 | $60,995 | $62,655 | $117,673 | $ 49,181 | $304,840 |

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities AFS 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.

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

Continuous Gross Unrealized Losses for Fixed Maturity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity 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, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 AFS: | | | | | | | | |
| U.S. corporate | $28,316 | $ 1,069 | $5,217 | $ 507 | $5,604 | $ 92 | $4,115 | $ 259 |
| Foreign government | 9,325 | 305 | 3,054 | 259 | 4,234 | 83 | 3,251 | 229 |
| Foreign corporate | 16,098 | 784 | 4,998 | 602 | 4,422 | 99 | 6,802 | 577 |
| U.S. government and agency | 20,235 | 252 | 5,982 | 512 | 18,273 | 93 | 3,560 | 186 |
| RMBS | 12,322 | 356 | 4,633 | 294 | 6,359 | 50 | 4,159 | 141 |
| State and political subdivision | 1,900 | 68 | 334 | 27 | 182 | 2 | 346 | 12 |
| ABS | 5,851 | 23 | 409 | 16 | 1,695 | 7 | 729 | 31 |
| CMBS | 4,532 | 86 | 682 | 55 | 1,174 | 9 | 413 | 33 |
| Total fixed maturity securities AFS | $98,579 | $ 2,943 | $25,309 | $ 2,272 | $41,943 | $ 435 | $23,375 | $ 1,468 |
| Total number of securities in an unrealized loss position | 6,790 | | 2,159 | | 2,598 | | 1,955 | |

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 2017 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities AFS 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, 2018. 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. 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 AFS increased $3.3 billion during the nine months ended September 30, 2018 to $5.2 billion. The increase in gross unrealized losses for the nine months ended September 30, 2018 was primarily attributable to increases in interest rates, widening credit spreads and, to a lesser extent, the impact of weakening foreign currencies on non-functional currency denominated fixed maturity securities AFS.

At September 30, 2018, $77 million of the total $5.2 billion of gross unrealized losses were from 35 fixed maturity securities AFS with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities AFS

Of the $77 million of gross unrealized losses on fixed maturity securities AFS with an unrealized loss of 20% or more of amortized cost for six months or greater, $15 million, or 19%, were related to gross unrealized losses on 13 investment grade fixed maturity securities AFS. Unrealized losses on investment grade fixed maturity securities AFS are principally related to widening credit spreads since purchase and, with respect to fixed-rate fixed maturity securities AFS, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities AFS

Of the $77 million of gross unrealized losses on fixed maturity securities AFS with an unrealized loss of 20% or more of amortized cost for six months or greater, $62 million, or 81%, were related to gross unrealized losses on 22 below investment grade fixed maturity securities AFS. Unrealized losses on below investment grade fixed maturity securities AFS are principally related to U.S. and foreign corporate securities (primarily industrial and utility securities) and CMBS and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty. 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 and evaluates CMBS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, the payment terms of the underlying assets backing a particular security and the payment priority within the tranche structure of the security.

Equity Securities

Equity securities are summarized as follows at:

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | |
| Equity securities: | | | | |
| Common stock | $1,063 | 71.9 % | $2,035 | 81.0 % |
| Non-redeemable preferred stock | 416 | 28.1 | 478 | 19.0 |
| Total equity securities | $1,479 | 100.0% | $2,513 | 100.0% |

In connection with the adoption of new guidance related to the recognition and measurement of financial instruments (see Note 1), effective January 1, 2018, the Company has reclassified its investment in common stock in regional banks of the Federal Home Loan Bank (“FHLB”) system from equity securities to other invested assets. These investments are carried at redemption value and are considered restricted investments until redeemed by the respective FHLB regional banks. The carrying value of these investments at December 31, 2017 was $791 million.

Unit-linked and FVO Securities

Unit-linked and FVO Securities are investments for which the FVO has been elected, or are otherwise required to be carried at estimated fair value, and include:

- contractholder-directed investments supporting unit-linked variable annuity type liabilities (“Unit-linked investments”) which do not qualify for presentation and reporting as separate account summary total assets and liabilities. These investments are primarily equity securities (including mutual funds) and, to a lesser extent, fixed maturity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in policyholder account balances through interest credited to policyholder account balances;
- fixed maturity and equity securities held-for-investment by the general account to support asset and liability management strategies for certain insurance products and investments in certain separate accounts; and
- securities held by consolidated securitization entities.

At December 31, 2017, Unit-linked and FVO Securities also included FVO Brighthouse Common Stock (see Note 3).

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

Mortgage Loans
Mortgage Loans by Portfolio Segment
Mortgage loans are summarized as follows at:

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Carrying Value | % of Total | Carrying Value | % of Total |
| | (Dollars in millions) | | | |
| Mortgage loans: | | | | |
| Commercial | $47,460 | 65.5 % | $44,375 | 64.6 % |
| Agricultural | 13,677 | 18.9 | 13,014 | 18.9 |
| Residential | 11,337 | 15.6 | 11,136 | 16.2 |
| Subtotal (1) | 72,474 | 100.0 | 68,525 | 99.7 |
| Valuation allowances | (336 ) | (0.5 ) | (314 ) | (0.5 ) |
| Subtotal mortgage loans, net | 72,138 | 99.5 | 68,211 | 99.2 |
| Residential — FVO | 323 | 0.5 | 520 | 0.8 |
| Total mortgage loans, net | $72,461 | 100.0 % | $68,731 | 100.0 % |

(1) Purchases of mortgage loans, primarily residential mortgage loans, were $724 million and $1.7 billion for the three months and nine months ended September 30, 2018, respectively, and $411 million and $1.9 billion for the three months and nine months ended September 30, 2017, respectively.

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on residential mortgage loans — FVO is presented in Note 8. The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis.

The carrying value of foreclosed mortgage loans included in real estate and real estate joint ventures was $43 million and $48 million at September 30, 2018 and December 31, 2017, respectively.

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, 2018 | | | | | | | | |
| Commercial | $— | $ — | $ — | $— | $ — | $47,460 | $ 232 | $ — |
| Agricultural | 13 | 13 | 2 | 111 | 110 | 13,554 | 40 | 121 |
| Residential | — | — | — | 420 | 377 | 10,960 | 62 | 377 |
| Total | $13 | $ 13 | $ 2 | $531 | $ 487 | $71,974 | $ 334 | $ 498 |
| December 31, 2017 | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Commercial | $— | $ — | $ — | $— | $ — | $44,375 | $ 214 | $ — |
| Agricultural | 22 | 21 | 2 | 27 | 27 | 12,966 | 39 | 46 |
| Residential | — | — | — | 358 | 324 | 10,812 | 59 | 324 |
| Total | $22 | $ 21 | $ 2 | $385 | $ 351 | $68,153 | $ 312 | $ 370 |

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The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $0, $124 million and $370 million, respectively, for the three months ended September 30, 2018; and $0, $104 million and $350 million, respectively, for the nine months ended September 30, 2018;
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.

Valuation Allowance Rollforward by Portfolio Segment

The changes in the valuation allowance, by portfolio segment, were as follows:

| | Nine Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | 2017 | | | |
| | Commercial | Agricultural | Residential | Total | Commercial | Agricultural | Residential | Total |
| | (In millions) | | | | | | | |
| Balance, beginning of period | $214 | $ 41 | $ 59 | $314 | $202 | $ 39 | $ 63 | $304 |
| Provision (release) | 18 | 1 | 9 | 28 | 11 | 4 | 10 | 25 |
| Charge-offs, net of recoveries | — | — | (6) | (6) | — | (2) | (11) | (13) |
| Balance, end of period | $232 | $ 42 | $ 62 | $336 | $213 | $ 41 | $ 62 | $316 |

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, 2018 | | | | | | | |
| Loan-to-value ratios: | | | | | | | |
| Less than 65% | $40,195 | $ 758 | $ 17 | $40,970 | 86.3 % | $ 41,014 | 86.5 % |
| 65% to 75% | 4,732 | 381 | 69 | 5,182 | 10.9 | 5,152 | 10.9 |
| 76% to 80% | 387 | 210 | 56 | 653 | 1.4 | 621 | 1.3 |
| Greater than 80% | 479 | 176 | — | 655 | 1.4 | 619 | 1.3 |
| Total | $45,793 | $ 1,525 | $ 142 | $47,460 | 100.0% | $ 47,406 | 100.0% |
| December 31, 2017 | | | | | | | |
| Loan-to-value ratios: | | | | | | | |
| Less than 65% | $37,073 | $ 1,483 | $ 201 | $38,757 | 87.4 % | $ 39,528 | 87.7 % |
| 65% to 75% | 4,183 | 98 | 119 | 4,400 | 9.9 | 4,408 | 9.8 |
| 76% to 80% | 235 | 210 | 57 | 502 | 1.1 | 476 | 1.0 |
| Greater than 80% | 401 | 168 | 147 | 716 | 1.6 | 672 | 1.5 |
| Total | $41,892 | $ 1,959 | $ 524 | $44,375 | 100.0% | $ 45,084 | 100.0% |

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

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

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Recorded Investment | % of Total | Recorded Investment | % of Total |
| | (Dollars in millions) | | | |
| Loan-to-value ratios: | | | | |
| Less than 65% | $12,789 | 93.5 % | $12,347 | 94.9 % |
| 65% to 75% | 851 | 6.2 | 618 | 4.7 |
| 76% to 80% | 32 | 0.2 | 40 | 0.3 |
| Greater than 80% | 5 | 0.1 | 9 | 0.1 |
| Total | $13,677 | 100.0% | $13,014 | 100.0% |

The estimated fair value of agricultural mortgage loans was $13.5 billion and $13.1 billion at September 30, 2018 and December 31, 2017, respectively.
Credit Quality of Residential Mortgage Loans
The credit quality of residential mortgage loans was as follows at:

| | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Recorded Investment | % of Total | Recorded Investment | % of Total |
| | (Dollars in millions) | | | |
| Performance indicators: | | | | |
| Performing | $10,873 | 95.9 % | $10,622 | 95.4 % |
| Nonperforming | 464 | 4.1 | 514 | 4.6 |
| Total | $11,337 | 100.0% | $11,136 | 100.0% |

The estimated fair value of residential mortgage loans was $11.6 billion at both September 30, 2018 and December 31, 2017.
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, 2018 and December 31, 2017. 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, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| | (In millions) | | | | | |
| Commercial | $1 | $ — | $ — | $ — | $ 176 | $ — |
| Agricultural | 200 | 134 | 105 | 125 | 106 | 36 |
| Residential | 464 | 514 | 39 | 33 | 425 | 481 |
| Total | $665 | $ 648 | $ 144 | $ 158 | $ 707 | $ 517 |

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $6.5 billion and $6.2 billion at September 30, 2018 and December 31, 2017, respectively.

Net Unrealized Investment Gains (Losses)

Unrealized investment gains (losses) on fixed maturity securities AFS and equity securities 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, 2018 | December 31, 2017 |
|---|---|---|
| | (In millions) | |
| Fixed maturity securities AFS | $11,381 | $ 22,645 |
| Fixed maturity securities AFS with noncredit OTTI losses included in AOCI | 36 | 41 |
| Total fixed maturity securities AFS | 11,417 | 22,686 |
| Equity securities | — | 421 |
| Derivatives | 1,256 | 1,453 |
| Other | 85 | 46 |
| Subtotal | 12,758 | 24,606 |
| Amounts allocated from: | | |
| Future policy benefits | (102) | (77) |
| DAC and VOBA related to noncredit OTTI losses recognized in AOCI | (1) | — |
| DAC, VOBA and DSI | (942) | (1,768) |
| Policyholder dividend obligation | (456) | (2,121) |
| Subtotal | (1,501) | (3,966) |
| Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI | (5) | (12) |
| Deferred income tax benefit (expense) | (3,297) | (6,958) |
| Net unrealized investment gains (losses) | 7,955 | 13,670 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (9) | (8) |
| Net unrealized investment gains (losses) attributable to MetLife, Inc. | $7,946 | $ 13,662 |

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

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

| | Nine Months Ended September 30, 2018 |
|---|---|
| | (In millions) |
| Balance, beginning of period | $ 13,662 |
| Cumulative effects of changes in accounting principles, net of income tax (Note 1) | 1,258 |
| Fixed maturity securities AFS on which noncredit OTTI losses have been recognized | (5 ) |
| Unrealized investment gains (losses) during the period | (11,418 ) |
| Unrealized investment gains (losses) relating to: | |
| Future policy benefits | (25 ) |
| DAC and VOBA related to noncredit OTTI losses recognized in AOCI | (1 ) |
| DAC, VOBA and DSI | 826 |
| Policyholder dividend obligation | 1,665 |
| Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI | 7 |
| Deferred income tax benefit (expense) | 1,978 |
| Net unrealized investment gains (losses) | 7,947 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (1 ) |
| Balance, end of period | $ 7,946 |
| Change in net unrealized investment gains (losses) | $ (5,715 ) |
| Change in net unrealized investment gains (losses) attributable to noncontrolling interests | (1 ) |
| Change in net unrealized investment gains (losses) attributable to MetLife, Inc. | $ (5,716 ) |

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 $28.6 billion and $27.5 billion at September 30, 2018 and December 31, 2017, respectively, and in fixed income securities of the South Korean government and its agencies with an estimated fair value of $6.7 billion and $6.5 billion at September 30, 2018 and December 31, 2017, respectively.

Securities Lending

Elements of the Company’s securities lending program are presented below at:

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (In millions) | |
| Securities on loan: (1) | | |
| Amortized cost | $18,438 | $ 17,801 |
| Estimated fair value | $18,826 | $ 19,028 |
| Cash collateral received from counterparties (2) | $19,290 | $ 19,417 |
| Security collateral received from counterparties (3) | $— | $ 19 |
| Reinvestment portfolio — estimated fair value | $19,394 | $ 19,508 |

(1) Included within fixed maturity securities AFS and short-term investments.
(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 interim condensed consolidated financial statements.

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

| | September 30, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Remaining Tenor of Securities Lending Agreements | | | | Remaining Tenor of Securities Lending Agreements | | | |
| | Open (1) | 1 Month or Less | Over 1 to 6 Months | Total | Open (1) | 1 Month or Less | Over 1 to 6 Months | Total |
| | (In millions) | | | | | | | |
| Cash collateral liability by loaned security type: | | | | | | | | |
| U.S. government and agency | $3,056 | $7,305 | $7,883 | $18,244 | $3,753 | $6,031 | $8,607 | $18,391 |
| Foreign government | — | 72 | 831 | 903 | — | 192 | 834 | 1,026 |
| Agency RMBS | — | — | 143 | 143 | — | — | — | — |
| Total | $3,056 | $7,377 | $8,857 | $19,290 | $3,753 | $6,223 | $9,441 | $19,417 |

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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, 2018 was $3.0 billion, 99% 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.

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities AFS (including U.S. government and agency securities, agency RMBS, and ABS), short-term investments and cash equivalents, with 64% invested in U.S. government and agency securities, agency RMBS, 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.

Repurchase Agreements

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

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (In millions) | |
| Securities on loan: (1) | | |
| Amortized cost | $2,547 | $ 994 |
| Estimated fair value | $2,597 | $ 1,141 |
| Cash collateral received from counterparties (2) | $2,543 | $ 1,102 |
| Security collateral received from counterparties (3) | $8 | $ — |
| Reinvestment portfolio — estimated fair value | $2,554 | $ 1,102 |

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(1) Included within fixed maturity securities AFS, short-term investments and cash equivalents.

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

(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 interim condensed consolidated financial statements.

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

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

| | September 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Remaining Tenor of Repurchase Agreements | | | Remaining Tenor of Repurchase Agreements | | |
| | 1 Month or Less | Over 1 to 6 Months | Total | 1 Month or Less | Over 1 to 6 Months | Total |
| | (In millions) | | | | | |
| Cash collateral liability by loaned security type: | | | | | | |
| U.S. government and agency | $2,465 | $ — | $2,465 | $1,005 | $ — | $1,005 |
| All other corporate and government | 42 | 36 | 78 | 44 | 53 | 97 |
| Total | $2,507 | $ 36 | $2,543 | $1,049 | $ 53 | $1,102 |

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities AFS (including U.S. government and agency securities, agency RMBS and ABS), short-term investments and cash equivalents, with 67% invested in U.S. government and agency securities, agency RMBS, 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.

FHLB of Boston Advance Agreements

At September 30, 2018 and December 31, 2017, a subsidiary of the Company had pledged fixed maturity securities AFS with an estimated fair value of $1.3 billion and $564 million, respectively, as collateral and received $800 million and $300 million, respectively, in cash advances under short-term advance agreements with the FHLB of Boston. The liability to return the cash advances is included within payables for collateral under securities loaned and other transactions. The estimated fair value of the reinvestment portfolio acquired with the cash advances was $810 million and $300 million at September 30, 2018 and December 31, 2017, respectively, and consisted primarily of U.S. government and agency securities and Structured Securities. The subsidiary is permitted to withdraw any portion of the pledged collateral over the minimum collateral requirement at any time, other than in the event of a default by the subsidiary.

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

| | September 30, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Remaining Tenor of Advance Agreements | | | | Remaining Tenor of Advance Agreements | | | |
| | 1 Month or Less | Over 1 to 6 Months | 6 Months to 1 Year | Total | 1 Month or Less | Over 1 to 6 Months | 6 Months to 1 Year | Total |
| | (In millions) | | | | | | | |
| Cash advance liability by loaned security type: | | | | | | | | |
| State and political subdivision | $100 | $ 625 | $ 75 | $800 | $— | $ 300 | $ — | $300 |

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, 2018 | December 31, 2017 |
|---|---|---|
| | (In millions) | |
| Invested assets on deposit (regulatory deposits) | $1,811 | $ 1,879 |
| Invested assets held in trust (collateral financing arrangement and reinsurance agreements) | 3,058 | 2,490 |
| Invested assets pledged as collateral | 24,726 | 24,174 |
| Total invested assets on deposit, held in trust and pledged as collateral | $29,595 | $ 28,543 |

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

The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Note 4 of the Notes to the Consolidated Financial Statements included in the 2017 Annual Report) and derivative transactions (see Note 7). Amounts in the table above include invested assets and cash and cash equivalents.

See "— Securities Lending" and "— Repurchase Agreements" for information regarding securities on loan, Note 5 for information regarding investments designated to the closed block and "— Equity Securities" for information on common stock holdings in regional banks of the FHLB system, which are considered restricted investments.

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, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Total Assets | Total Liabilities | Total Assets | Total Liabilities |
| | (In millions) | | | |
| Renewable energy partnership | $107 | $ — | $ 116 | $ 3 |
| Investment fund | 10 | — | — | — |
| Other investments | 31 | 6 | 32 | 6 |
| Total | $148 | $ 6 | $ 148 | $ 9 |

Assets of the renewable energy partnership, investment fund and other investments primarily consisted of other invested assets.

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, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | Carrying Amount | Maximum Exposure to Loss (1) | Carrying Amount | Maximum Exposure to Loss (1) |
| | (In millions) | | | |
| Fixed maturity securities AFS: | | | | |
| Structured Securities (2) | $47,209 | $ 47,209 | $47,614 | $ 47,614 |
| U.S. and foreign corporate | 1,236 | 1,236 | 1,560 | 1,560 |
| Other limited partnership interests | 5,343 | 9,719 | 4,834 | 8,543 |
| Other invested assets | 1,924 | 2,102 | 2,291 | 2,625 |
| Other investments | 86 | 90 | 82 | 87 |
| Total | $55,798 | $ 60,356 | $56,381 | $ 60,429 |

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

(1) The maximum exposure to loss relating to fixed maturity 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 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 $101 million and $117 million at September 30, 2018 and December 31, 2017, 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.

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, 2018 and 2017.

During the three months ended September 30, 2018, the Company securitized certain residential mortgage loans and acquired an interest in the related RMBS issued. While the Company has a variable interest in the issuer of the securities, it is not the primary beneficiary of the issuer of the securities since it does not have any rights to remove the servicer or veto rights over the servicer's actions. During the three months ended September 30, 2018, the carrying value and the estimated fair value of the mortgage loans sold were $451 million and $478 million, respectively, resulting in a gain of $27 million, which was included within net investment gains (losses). The estimated fair value of the RMBS acquired in connection with the securitization was $102 million, which was included in the carrying amount and maximum exposure to loss for Structured Securities presented above. See Note 8 for information on how the estimated fair value of mortgage loans and RMBS is determined, the valuation approaches and key inputs, their placement in the fair value hierarchy, and, for certain RMBS, quantitative information about the significant unobservable inputs and the sensitivity of their estimated fair value to changes in those inputs.

Net Investment Income

The components of net investment income were as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Investment income: | | | | |
| Fixed maturity securities AFS | $3,056 | $2,869 | $8,966 | $8,528 |
| Equity securities | 15 | 31 | 46 | 93 |
| FVO Securities (1) | 11 | 16 | 25 | 61 |
| Mortgage loans | 859 | 809 | 2,466 | 2,303 |
| Policy loans | 130 | 130 | 381 | 386 |
| Real estate and real estate joint ventures | 175 | 156 | 538 | 478 |
| Other limited partnership interests | 227 | 214 | 554 | 648 |
| Cash, cash equivalents and short-term investments | 112 | 52 | 279 | 159 |
| Operating joint ventures | 2 | 6 | 34 | 13 |
| Other | 83 | 71 | 283 | 196 |
| Subtotal | 4,670 | 4,354 | 13,572 | 12,865 |
| Less: Investment expenses | 333 | 293 | 950 | 820 |
| Subtotal, net | 4,337 | 4,061 | 12,622 | 12,045 |
| Unit-linked investments (1) | 149 | 234 | 82 | 864 |

| | | | | |
|---|---|---|---|---|
| Net investment income | $4,486 | $4,295 | $12,704 | $12,909 |

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(1) Changes in estimated fair value subsequent to purchase for investments still held as of the end of the respective periods included in net investment income were principally from Unit-linked investments, and were $109 million and ($59) million for the three months and nine months ended September 30, 2018, respectively, and $154 million and $540 million for the three months and nine months ended September 30, 2017, respectively.

The Company invests in real estate joint ventures, other limited partnership interests and tax credit and renewable energy partnerships, and also does business through certain operating joint ventures, the majority of which are accounted for under the equity method. Net investment income from other limited partnership interests and operating joint ventures, accounted for under the equity method; and real estate joint ventures and tax credit and renewable energy partnerships, primarily accounted for under the equity method, totaled $180 million and $482 million for the three months and nine months ended September 30, 2018, respectively, and $164 million and $448 million for the three months and nine months ended September 30, 2017, respectively.

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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, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Total gains (losses) on fixed maturity securities AFS: | | | | |
| Total OTTI losses recognized — by sector and industry: | | | | |
| U.S. and foreign corporate securities — by industry: | | | | |
| Consumer | $(1) | $(4) | $(1) | $(4) |
| Finance | (7) | — | (7) | — |
| Total U.S. and foreign corporate securities | (8) | (4) | (8) | (4) |
| Foreign government | (9) | — | (9) | — |
| RMBS | — | (1) | — | (1) |
| State and political subdivision | — | — | — | (2) |
| OTTI losses on fixed maturity securities AFS recognized in earnings | (17) | (5) | (17) | (7) |
| Fixed maturity securities AFS — net gains (losses) on sales and disposals (1) | 123 | 284 | (18) | 325 |
| Total gains (losses) on fixed maturity securities AFS | 106 | 279 | (35) | 318 |
| Total gains (losses) on equity securities: | | | | |
| OTTI losses recognized — by security type: | | | | |
| Common stock | — | (4) | — | (16) |
| Non-redeemable preferred stock | — | — | — | (1) |
| Total OTTI losses on equity securities recognized in earnings | — | (4) | — | (17) |
| Equity securities — net gains (losses) on sales and disposals | (58) | 6 | 58 | 55 |
| Change in estimated fair value of equity securities (2) | 76 | — | (37) | — |
| Total gains (losses) on equity securities | 18 | 2 | 21 | 38 |
| Mortgage loans (1) | 4 | 29 | (32) | 3 |
| Real estate and real estate joint ventures | 40 | 169 | 154 | 436 |
| Other limited partnership interests | 1 | (33) | 9 | (51) |
| Other | 12 | 29 | (176) | (67) |
| Subtotal | 181 | 475 | (59) | 677 |
| Change in estimated fair value of other limited partnership interests and real estate joint ventures | 12 | — | 6 | — |
| Non-investment portfolio gains (losses) (3) | (76) | (1,081) | (390) | (1,091) |
| Total net investment gains (losses) | $117 | $(606) | $(443) | $(414) |

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(1) Fixed maturity securities AFS — net gains (losses) on sales and disposals and mortgage loans for both the three months and nine months ended September 30, 2017, included $276 million and $47 million, respectively, in previously deferred gains on prior period transfers of such investments to Brighthouse, as such gains are no longer eliminated in consolidation after the Separation. See Note 3.

(2) Changes in estimated fair value subsequent to purchase for equity securities still held as of the end of the period included in net investment gains (losses) were $15 million and $12 million for the three months and nine months ended September 30, 2018, respectively. See Note 1.

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

(3) Non-investment portfolio gains (losses) for the nine months ended September 30, 2018 included a loss of $327 million which represents both the change in estimated fair value of FVO Brighthouse Common Stock held by the Company through date of disposal and the loss on disposal in June 2018. Non-investment portfolio gains (losses) for both the three months and nine months ended September 30, 2017 included (i) a loss of $1,016 million which represents a mark-to-market loss on the Company's retained investment in Brighthouse Financial, Inc. at Separation and (ii) 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.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($100) million and ($82) million for the three months and nine months ended September 30, 2018, respectively, and ($14) million and ($52) million for the three months and nine months ended September 30, 2017, respectively.

Sales or Disposals and Impairments of Fixed Maturity Securities AFS

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Proceeds | $19,003 | $8,586 | $58,256 | $35,742 |
| Gross investment gains | $234 | $364 | $489 | $623 |
| Gross investment losses | (111) | (80) | (507) | (298) |
| OTTI losses | (17) | (5) | (17) | (7) |
| Net investment gains (losses) | $106 | $279 | $(35) | $318 |

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 AFS still held for which a portion of the OTTI loss was recognized in OCI:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Balance, beginning of period | $111 | $165 | $138 | $187 |
| Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI | (4) | (4) | (30) | (26) |
| Increase in cash flows — accretion of previous credit loss OTTI | — | — | (1) | — |
| Balance, end of period | $107 | $161 | $107 | $161 |

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

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 derivative's 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 |
| | • Derivatives held within 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). 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.

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 AFS. 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 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, and interest rate floors primarily to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level. 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, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. 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.

A synthetic guaranteed interest contract (“GIC”) is a contract that simulates the performance of a traditional GIC through the use of financial instruments. Under a synthetic GIC, the contractholder owns the underlying assets. The Company guarantees a rate of return on those assets for a premium. Synthetic GICs are not designated as hedging instruments.

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MetLife, Inc.

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

7. Derivatives (continued)

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 and involuntary restructuring for corporate obligors, as well as repudiation, moratorium or governmental intervention for sovereign obligors. 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 AFS. 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 underlying 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, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. 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.

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, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|---|
| | | Gross | Estimated Fair Value | | Gross | Estimated Fair Value | |
| | Primary Underlying Risk Exposure | Notional Amount | Assets | Liabilities | Notional Amount | Assets | Liabilities |
| | | (In millions) | | | | | |
| Derivatives Designated as Hedging Instruments: | | | | | | | |
| Fair value hedges: | | | | | | | |
| Interest rate swaps | Interest rate | $2,450 | $ 1,997 | $ 1 | $3,843 | $ 2,289 | $ 3 |
| Foreign currency swaps | Foreign currency exchange rate | 1,010 | 34 | 5 | 1,116 | 50 | 18 |
| Foreign currency forwards | Foreign currency exchange rate | 2,496 | — | 70 | 3,253 | 2 | 37 |
| Subtotal | | 5,956 | 2,031 | 76 | 8,212 | 2,341 | 58 |
| Cash flow hedges: | | | | | | | |
| Interest rate swaps | Interest rate | 3,456 | 113 | 12 | 3,584 | 235 | 4 |
| Interest rate forwards | Interest rate | 3,022 | — | 302 | 3,332 | — | 128 |
| Foreign currency swaps | Foreign currency exchange rate | 34,866 | 1,249 | 1,796 | 32,152 | 1,142 | 1,665 |
| Subtotal | | 41,344 | 1,362 | 2,110 | 39,068 | 1,377 | 1,797 |
| Foreign operations hedges: | | | | | | | |
| Foreign currency forwards | Foreign currency exchange rate | 1,242 | 20 | 46 | 332 | 2 | 5 |
| Currency options | Foreign currency exchange rate | 7,578 | 27 | 200 | 9,408 | 44 | 163 |
| Subtotal | | 8,820 | 47 | 246 | 9,740 | 46 | 168 |
| Total qualifying hedges | | 56,120 | 3,440 | 2,432 | 57,020 | 3,764 | 2,023 |
| Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate swaps | Interest rate | 54,458 | 1,368 | 271 | 60,485 | 2,203 | 576 |
| Interest rate floors | Interest rate | 12,701 | 53 | — | 7,201 | 92 | — |
| Interest rate caps | Interest rate | 63,044 | 258 | 1 | 53,079 | 78 | 2 |
| Interest rate futures | Interest rate | 2,274 | 1 | 4 | 4,366 | 2 | 4 |
| Interest rate options | Interest rate | 23,125 | 257 | 1 | 12,009 | 656 | 11 |
| Interest rate forwards | Interest rate | 175 | — | 30 | 217 | — | 42 |
| Interest rate total return swaps | Interest rate | 1,048 | — | 25 | 1,048 | 8 | 2 |
| Synthetic GICs | Interest rate | 24,244 | — | — | 11,318 | — | — |
| Foreign currency swaps | Foreign currency exchange rate | 12,196 | 914 | 403 | 9,902 | 693 | 506 |
| Foreign currency forwards | Foreign currency exchange rate | 13,637 | 52 | 322 | 12,238 | 79 | 190 |
| Currency futures | Foreign currency exchange rate | 860 | — | 5 | 846 | 2 | — |
| Currency options | Foreign currency exchange rate | 2,268 | 16 | 13 | 3,123 | 55 | 6 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Credit default swaps — purchased | Credit | 1,986 | 27 | 42 | 2,020 | 7 | 43 |
| Credit default swaps — written | Credit | 11,507 | 222 | 1 | 11,375 | 271 | — |
| Equity futures | Equity market | 3,142 | 8 | 5 | 4,005 | 18 | 4 |
| Equity index options | Equity market | 22,963 | 613 | 729 | 19,886 | 569 | 690 |
| Equity variance swaps | Equity market | 4,661 | 58 | 206 | 4,661 | 54 | 199 |
| Equity total return swaps | Equity market | 1,075 | 1 | 27 | 1,117 | — | 41 |
| Total non-designated or nonqualifying derivatives | | 255,364 | 3,848 | 2,085 | 218,896 | 4,787 | 2,316 |
| Total | | $311,484 | $ 7,288 | $ 4,517 | $275,916 | $ 8,551 | $ 4,339 |

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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, 2018 and December 31, 2017. 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, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Freestanding derivative and hedging gains (losses) (1) | $(545) | $(424) | $(443) | $(1,084) |
| Embedded derivative gains (losses) | 167 | 301 | 355 | 549 |
| Total net derivative gains (losses) | $(378) | $(123) | $(88) | $(535) |

(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, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Qualifying hedges: | | | | |
| Net investment income | $85 | $72 | $259 | $217 |
| Interest credited to policyholder account balances | (28) | (19) | (79) | (40) |
| Other expenses | (2) | (2) | (8) | (7) |
| Nonqualifying hedges: | | | | |
| Net derivative gains (losses) | 141 | 126 | 407 | 440 |
| Policyholder benefits and claims | 3 | 2 | 8 | 6 |
| Total | $199 | $179 | $587 | $616 |

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, 2018 | | | |
| Interest rate derivatives | $(364) | $ — | $ (9) |
| Foreign currency exchange rate derivatives | (115) | — | (1) |
| Credit derivatives — purchased | (9) | — | — |
| Credit derivatives — written | 70 | — | — |
| Equity derivatives | (254) | — | (31) |
| Total | $(672) | $ — | $ (41) |
| 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) |
| Nine Months Ended September 30, 2018 | | | |
| Interest rate derivatives | $(674) | $ 4 | $ (21) |
| Foreign currency exchange rate derivatives | 271 | — | (4) |
| Credit derivatives — purchased | 2 | — | — |
| Credit derivatives — written | (9) | — | — |
| Equity derivatives | (330) | 1 | (52) |
| Total | $(740) | $ 5 | $ (77) |
| 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) |

(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures and derivatives held within 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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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):

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

| 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, 2018 | | | | |
| Interest rate swaps: | Fixed maturity securities AFS | $1 | $ (2) | $ (1) |
| | Policyholder liabilities (1) | (108) | 110 | 2 |
| Foreign currency swaps: | Foreign-denominated fixed maturity securities AFS and mortgage loans | 4 | (7) | (3) |
| | Foreign-denominated policyholder account balances (2) | — | — | — |
| Foreign currency forwards: | Foreign-denominated fixed maturity securities AFS | (60) | 55 | (5) |
| Total | | $(163) | $ 156 | $ (7) |
| Three Months Ended September 30, 2017 | | | | |
| Interest rate swaps: | Fixed maturity securities AFS | $1 | $ — | $ 1 |
| | Policyholder liabilities (1) | (14) | 13 | (1) |
| Foreign currency swaps: | Foreign-denominated fixed maturity securities AFS | (10) | 10 | — |
| | Foreign-denominated policyholder account balances (2) | 15 | (16) | (1) |
| Foreign currency forwards: | Foreign-denominated fixed maturity securities AFS | (4) | 4 | — |
| Total | | $(12) | $ 11 | $ (1) |
| Nine Months Ended September 30, 2018 | | | | |
| Interest rate swaps: | Fixed maturity securities AFS | $4 | $ (4) | $ — |
| | Policyholder liabilities (1) | (389) | 392 | 3 |
| Foreign currency swaps: | Foreign-denominated fixed maturity securities AFS and mortgage loans | 29 | (33) | (4) |
| | Foreign-denominated policyholder account balances (2) | 23 | (23) | — |
| Foreign currency forwards: | Foreign-denominated fixed maturity securities AFS | 5 | (4) | 1 |
| Total | | $(328) | $ 328 | $ — |
| Nine Months Ended September 30, 2017 | | | | |
| Interest rate swaps: | Fixed maturity securities AFS | $2 | $ (2) | $ — |
| | Policyholder liabilities (1) | (16) | 84 | 68 |
| Foreign currency swaps: | Foreign-denominated fixed maturity securities AFS | (15) | 16 | 1 |
| | Foreign-denominated policyholder account balances (2) | 61 | (40) | 21 |
| Foreign currency forwards: | Foreign-denominated fixed maturity securities AFS | 20 | (18) | 2 |
| Total | | $52 | $ 40 | $ 92 |

(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, 2018, the component of the change in estimated fair value of derivatives that was excluded from the assessment of hedge effectiveness was ($7) million and ($27) million, respectively. 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.

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 less than $1 million and $6 million for the three months and nine months ended September 30, 2018, respectively, and ($4) million and $16 million for the three months and nine months ended September 30, 2017, respectively.

At September 30, 2018 and December 31, 2017, 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 four years and five years, respectively.

At September 30, 2018 and December 31, 2017, the balance in AOCI associated with cash flow hedges was $1.3 billion and $1.5 billion, respectively. Upon the Separation, the Company recorded a reduction of $414 million of deferred gains within AOCI.

For the three months and nine months ended September 30, 2017, the amount of deferred gains (losses) in AOCI related to Brighthouse derivatives was ($40) million and ($92) million, respectively. For the three months and nine months ended September 30, 2017, the amount of income reclassified from AOCI into income (loss) from discontinued operations was less than $1 million and $16 million, respectively.

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

The following table presents the effects of derivatives in cash flow hedging relationships on the interim condensed consolidated statements of operations and comprehensive income (loss) and the interim condensed 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, 2018 | | | | | |
| Interest rate swaps | $(90) | $1 | $ 4 | $ — | $ 3 |
| Interest rate forwards | (87) | (3) | 1 | — | 1 |
| Foreign currency swaps | (118) | (6) | (1) | — | (2) |
| Credit forwards | — | — | — | — | — |
| Total | $(295) | $(8) | $ 4 | $ — | $ 2 |
| 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) |
| Nine Months Ended September 30, 2018 | | | | | |
| Interest rate swaps | $(311) | $18 | $ 13 | $ — | $ 5 |
| Interest rate forwards | (200) | — | 2 | 1 | — |
| Foreign currency swaps | 5 | (342) | (2) | 1 | 5 |
| Credit forwards | — | — | — | — | — |
| Total | $(506) | $(324) | $ 13 | $ 2 | $ 10 |
| 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 |

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.
At September 30, 2018, the Company expected to reclassify $16 million of deferred net gains (losses) on derivatives in AOCI, included in the table above, 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 interim condensed consolidated statements of operations and comprehensive income (loss) and the interim condensed consolidated statements of equity:

| Derivatives in Net Investment Hedging Relationships (1) | Amount of Gains (Losses) Deferred in AOCI (Effective Portion) (In millions) |
|---|---|
| Three Months Ended September 30, 2018 | |
| Foreign currency forwards | $ (32) |
| Currency options | 36 |
| Total | $ 4 |
| Three Months Ended September 30, 2017 | |
| Foreign currency forwards | $ (35) |
| Currency options | (1) |
| Total | $ (36) |
| Nine Months Ended September 30, 2018 | |
| Foreign currency forwards | $ 3 |
| Currency options | (75) |
| Total | $ (72) |
| Nine Months Ended September 30, 2017 | |
| Foreign currency forwards | $ (161) |
| Currency options | (234) |
| Total | $ (395) |

(1) 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, 2018 and December 31, 2017, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $236 million and $309 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 $11.5 billion and $11.4 billion at September 30, 2018 and December 31, 2017, 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, 2018 and December 31, 2017, the Company would have received $221 million and $271 million, respectively, to terminate all of these contracts.

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

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, 2018 Estimated Fair Value of Credit Default Swaps | Maximum Amount of Future Payments under Credit Default Swaps | Weighted Average Years to Maturity (2) | December 31, 2017 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) | $6 | $ 383 | 1.9 | $7 | $ 375 | 2.6 |
| Credit default swaps referencing indices | 39 | 2,459 | 2.1 | 44 | 2,268 | 2.7 |
| Subtotal | 45 | 2,842 | 2.1 | 51 | 2,643 | 2.7 |
| Baa | | | | | | |
| Single name credit default swaps (3) | 4 | 463 | 1.8 | 7 | 605 | 1.8 |
| Credit default swaps referencing indices | 137 | 7,733 | 5.2 | 183 | 7,662 | 5.0 |
| Subtotal | 141 | 8,196 | 5.0 | 190 | 8,267 | 4.8 |
| Ba | | | | | | |
| Single name credit default swaps (3) | — | 10 | 1.7 | 1 | 115 | 3.4 |
| Credit default swaps referencing indices | — | — | — | — | — | — |
| Subtotal | — | 10 | 1.7 | 1 | 115 | 3.4 |
| B | | | | | | |
| Single name credit default swaps (3) | — | — | — | 2 | 20 | 3.5 |
| Credit default swaps referencing indices | 35 | 459 | 4.7 | 27 | 330 | 5.0 |
| Subtotal | 35 | 459 | 4.7 | 29 | 350 | 4.9 |
| Total | $221 | $ 11,507 | 4.3 | $271 | $ 11,375 | 4.3 |

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(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), S&P 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 $11.5 billion and $11.4 billion of future payments under credit default provisions at September 30, 2018 and December 31, 2017 set forth in the table above was $16 million and $27 million at September 30, 2018 and December 31, 2017, respectively.

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

| Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement | September 30, 2018 Assets | September 30, 2018 Liabilities | December 31, 2017 Assets | December 31, 2017 Liabilities |
|---|---|---|---|---|
| | (In millions) | | | |
| Gross estimated fair value of derivatives: | | | | |
| OTC-bilateral (1) | $7,175 | $ 4,387 | $7,955 | $ 4,059 |
| OTC-cleared (1), (6) | 190 | 78 | 649 | 223 |
| Exchange-traded | 9 | 14 | 22 | 8 |
| Total gross estimated fair value of derivatives (1) | 7,374 | 4,479 | 8,626 | 4,290 |
| Amounts offset on the interim condensed consolidated balance sheets | — | — | — | — |
| Estimated fair value of derivatives presented on the interim condensed consolidated balance sheets (1), (6) | 7,374 | 4,479 | 8,626 | 4,290 |
| Gross amounts not offset on the interim condensed consolidated balance sheets: | | | | |
| Gross estimated fair value of derivatives: (2) | | | | |
| OTC-bilateral | (2,809 ) | (2,809 ) | (2,528 ) | (2,528 ) |
| OTC-cleared | (7 ) | (7 ) | (35 ) | (35 ) |
| Exchange-traded | (1 ) | (1 ) | (1 ) | (1 ) |
| Cash collateral: (3), (4) | | | | |
| OTC-bilateral | (3,189 ) | (149 ) | (4,169 ) | — |
| OTC-cleared | (172 ) | (50 ) | (584 ) | (179 ) |
| Exchange-traded | — | (8 ) | — | (5 ) |
| Securities collateral: (5) | | | | |
| OTC-bilateral | (1,072 ) | (1,368 ) | (1,004 ) | (1,474 ) |
| OTC-cleared | — | (27 ) | — | (9 ) |

| | | | | |
|---|---|---|---|---|
| Exchange-traded | — | (5) | — | (2) |
| Net amount after application of master netting agreements and collateral | $124 | $55 | $305 | $57 |

(1) At September 30, 2018 and December 31, 2017, derivative assets included income or (expense) accruals reported in accrued investment income or in other liabilities of $86 million and $75 million, respectively, and derivative liabilities included (income) or expense accruals reported in accrued investment income or in other liabilities of ($38) million and ($49) 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 AFS, 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, 2018 and December 31, 2017, the Company received excess cash collateral of $165 million and $253 million, respectively, and provided excess cash collateral of $252 million and $272 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, 2018, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities AFS 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, 2018 and December 31, 2017, the Company received excess securities collateral with an estimated fair value of $154 million and $108 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At September 30, 2018 and December 31, 2017, the Company provided excess securities collateral with an estimated fair value of $254 million and $305 million, respectively, for its OTC-bilateral derivatives, and $524 million and $522 million, respectively, for its OTC-cleared derivatives, and $84 million and $89 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

(6) Effective January 16, 2018, the LCH amended its rulebook, resulting in the characterization of variation margin transfers as settlement payments, as opposed to adjustments to collateral. See Note 1 for further information on the LCH amendments.

The Company's collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the collateral amount owed by that counterparty reaches a minimum transfer amount. A small number of these arrangements also include credit-contingent provisions that include a threshold above which collateral must be posted. Such agreements provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of MetLife, Inc. and/or the counterparty. In addition, substantially all of the Company's netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody's and S&P. If a party's credit or financial strength rating, as applicable, were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company's OTC-bilateral derivatives that were in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. The table also presents the incremental collateral that MetLife, Inc. would be required to provide if there was a one-notch downgrade in MetLife, Inc.’s senior unsecured debt rating at the reporting date or if the Company’s credit or financial strength rating, as applicable, at the reporting date sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

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

| | September 30, 2018 | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total |
| | (In millions) | | | | | |
| Estimated Fair Value of Derivatives in a Net Liability Position (1) | $1,546 | $ 32 | $1,578 | $1,508 | $ 24 | $1,532 |
| Estimated Fair Value of Collateral Provided: | | | | | | |
| Fixed maturity securities AFS | $1,514 | $ 22 | $1,536 | $1,675 | $ 26 | $1,701 |
| Cash | $161 | $ — | $161 | $— | $ — | $— |
| Estimated Fair Value of Incremental Collateral Provided Upon: | | | | | | |
| One-notch downgrade in the Company’s credit or financial strength rating, as applicable | $5 | $ — | $5 | $15 | $ — | $15 |
| Downgrade in the Company’s credit or financial strength rating, as applicable, to a level that triggers full overnight collateralization or termination of the derivative position | $5 | $ — | $5 | $20 | $ — | $20 |

(1) After taking into consideration the existence of netting agreements.

Embedded Derivatives

The Company issues certain products or purchases certain investments that contain embedded derivatives that are required to be separated from their host contracts and accounted for as freestanding derivatives. These host contracts principally include: variable annuities with guaranteed minimum benefits, including GMWBs, GMABs and certain GMIBs; ceded reinsurance of guaranteed minimum benefits related to certain GMIBs; assumed reinsurance of guaranteed minimum benefits related to GMWBs and GMABs; funding agreements with equity or bond indexed crediting rates; funds withheld on ceded reinsurance; fixed annuities with equity-indexed returns; and certain debt and equity securities.

The following table presents the estimated fair value and balance sheet location of the Company’s embedded derivatives that have been separated from their host contracts at:

| | Balance Sheet Location | September 30, 2018 | December 31, 2017 |
|---|---|---|---|
| | | (In millions) | |
| Embedded derivatives within asset host contracts: | | | |
| Ceded guaranteed minimum benefits | Premiums, reinsurance and other receivables | $57 | $ 144 |
| Options embedded in debt or equity securities (1) | Investments | — | (132 ) |
| Embedded derivatives within asset host contracts | | $57 | $ 12 |
| Embedded derivatives within liability host contracts: | | | |
| Direct guaranteed minimum benefits | Policyholder account balances | $(157 ) | $ 32 |
| Assumed guaranteed minimum benefits | Policyholder account balances | 262 | 291 |
| Funds withheld on ceded reinsurance | Other liabilities | (11 ) | 25 |
| Fixed annuities with equity indexed returns | Policyholder account balances | 102 | 70 |
| Embedded derivatives within liability host contracts | | $196 | $ 418 |

(1) In connection with the adoption of new guidance related to the recognition and measurement of financial instruments (see Note 1), effective January 1, 2018, the Company is no longer required to bifurcate and account separately for derivatives embedded in equity securities. Beginning January 1, 2018, the entire change in fair value of equity securities is recognized as a component of net investment gains and losses.

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

The following table presents changes in estimated fair value related to embedded derivatives:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (In millions) | | | |
| Net derivative gains (losses) (1) | $167 | $301 | $ 355 | $ 549 |

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were ($20) million and ($25) million for the three months and nine months ended September 30, 2018, respectively, and ($21) million and ($162) million for the three months and nine months ended September 30, 2017, respectively.

8. Fair Value

When developing estimated fair values, considerable judgment is often required in interpreting market data to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are presented below at:

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

| | September 30, 2018 | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | |
| Assets | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $— | $79,812 | $3,983 | $83,795 |
| Foreign government | — | 60,332 | 140 | 60,472 |
| Foreign corporate | — | 47,870 | 6,350 | 54,220 |
| U.S. government and agency | 25,246 | 20,326 | — | 45,572 |
| RMBS | — | 24,560 | 3,098 | 27,658 |
| State and political subdivision | — | 11,600 | — | 11,600 |
| ABS | — | 12,030 | 785 | 12,815 |
| CMBS | — | 8,375 | 333 | 8,708 |
| Total fixed maturity securities AFS | 25,246 | 264,905 | 14,689 | 304,840 |
| Equity securities | 941 | 95 | 443 | 1,479 |
| Unit-linked and FVO Securities (1) | 11,235 | 2,079 | 226 | 13,540 |
| Other limited partnership interests | — | — | 155 | 155 |
| Short-term investments (2) | 1,615 | 2,299 | 654 | 4,568 |
| Residential mortgage loans — FVO | — | — | 323 | 323 |
| Other investments | 85 | 111 | — | 196 |
| Derivative assets: (3) | | | | |
| Interest rate | 1 | 4,046 | — | 4,047 |
| Foreign currency exchange rate | — | 2,234 | 78 | 2,312 |
| Credit | — | 214 | 35 | 249 |
| Equity market | 8 | 603 | 69 | 680 |
| Total derivative assets | 9 | 7,097 | 182 | 7,288 |
| Embedded derivatives within asset host contracts (4) | — | — | 57 | 57 |
| Separate account assets (5) | 83,754 | 100,653 | 1,009 | 185,416 |
| Total assets | $122,885 | $377,239 | $17,738 | $517,862 |
| Liabilities | | | | |
| Derivative liabilities: (3) | | | | |
| Interest rate | $4 | $316 | $327 | $647 |
| Foreign currency exchange rate | 5 | 2,799 | 56 | 2,860 |
| Credit | — | 43 | — | 43 |
| Equity market | 5 | 756 | 206 | 967 |
| Total derivative liabilities | 14 | 3,914 | 589 | 4,517 |
| Embedded derivatives within liability host contracts (4) | — | — | 196 | 196 |
| Separate account liabilities (5) | — | 8 | 8 | 16 |
| Total liabilities | $14 | $3,922 | $793 | $4,729 |

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | |
| Assets | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $— | $78,171 | $4,490 | $82,661 |
| Foreign government | — | 61,325 | 209 | 61,534 |
| Foreign corporate | — | 48,840 | 6,729 | 55,569 |
| U.S. government and agency | 26,052 | 21,342 | — | 47,394 |
| RMBS | — | 25,339 | 3,461 | 28,800 |
| State and political subdivision | — | 12,455 | — | 12,455 |
| ABS | — | 11,204 | 1,087 | 12,291 |
| CMBS | — | 7,934 | 293 | 8,227 |
| Total fixed maturity securities AFS | 26,052 | 266,610 | 16,269 | 308,931 |
| Equity securities | 1,104 | 981 | 428 | 2,513 |
| Unit-linked and FVO Securities (1) | 14,028 | 2,355 | 362 | 16,745 |
| Short-term investments (2) | 3,001 | 1,252 | 33 | 4,286 |
| Residential mortgage loans — FVO | — | — | 520 | 520 |
| Other investments | 81 | 84 | — | 165 |
| Derivative assets: (3) | | | | |
| Interest rate | 2 | 5,553 | 8 | 5,563 |
| Foreign currency exchange rate | 2 | 1,954 | 113 | 2,069 |
| Credit | — | 240 | 38 | 278 |
| Equity market | 18 | 548 | 75 | 641 |
| Total derivative assets | 22 | 8,295 | 234 | 8,551 |
| Embedded derivatives within asset host contracts (4) | — | — | 144 | 144 |
| Separate account assets (5) | 89,916 | 114,124 | 961 | 205,001 |
| Total assets | $134,204 | $393,701 | $18,951 | $546,856 |
| Liabilities | | | | |
| Derivative liabilities: (3) | | | | |
| Interest rate | $4 | $638 | $130 | $772 |
| Foreign currency exchange rate | — | 2,553 | 37 | 2,590 |
| Credit | — | 43 | — | 43 |
| Equity market | 4 | 731 | 199 | 934 |
| Total derivative liabilities | 8 | 3,965 | 366 | 4,339 |
| Embedded derivatives within liability host contracts (4) | — | — | 418 | 418 |
| Separate account liabilities (5) | — | 7 | 2 | 9 |
| Total liabilities | $8 | $3,972 | $786 | $4,766 |

(1) Unit-linked and FVO Securities were primarily comprised of Unit-linked investments at both September 30, 2018 and December 31, 2017.

(2)

Short-term investments as presented in the tables above differ from the amounts presented on the consolidated balance sheets because certain short-term investments are not measured at estimated fair value on a recurring basis.

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

(3) Derivative assets are presented within other invested assets on the interim condensed consolidated balance sheets and derivative liabilities are presented within other liabilities on the interim condensed consolidated balance sheets. The amounts are presented gross in the tables above to reflect the presentation on the interim condensed consolidated balance sheets, but are presented net for purposes of the rollforward in the Fair Value Measurements Using Significant Unobservable Inputs (Level 3) tables.

(4) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the interim condensed consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances and other liabilities on the interim condensed consolidated balance sheets. At September 30, 2018 and December 31, 2017, debt and equity securities also included embedded derivatives of $0 and ($132) million, respectively.

(5) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders whose liability is reflected within separate account liabilities. Separate account liabilities are set equal to the estimated fair value of separate account assets. Separate account liabilities presented in the tables above represent derivative liabilities.

The following describes the valuation methodologies used to measure assets and liabilities at fair value. The description includes the valuation techniques and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy.

Investments

Valuation Controls and Procedures

On behalf of the Company’s Chief Investment Officer and Chief Financial Officer (“CFO”), a pricing and valuation committee that is independent of the trading and investing functions and comprised of senior management provides oversight of control systems and valuation policies for securities, mortgage loans and derivatives. On a quarterly basis, this committee reviews and approves new transaction types and markets, ensures that observable market prices and market-based parameters are used for valuation, wherever possible, and determines that judgmental valuation adjustments, when applied, are based upon established policies and are applied consistently over time. This committee also provides oversight of the selection of independent third-party pricing providers and the controls and procedures to evaluate third-party pricing. Periodically, the Chief Accounting Officer reports to the Audit Committee of MetLife, Inc.’s Board of Directors regarding compliance with fair value accounting standards.

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management’s knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as “consensus pricing,” represent a reasonable estimate of fair value by considering such pricing relative to the Company’s knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities AFS priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities AFS and 3% of the total estimated fair value of Level 3 fixed maturity securities AFS at September 30, 2018.

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The Company also applies a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If prices received from independent pricing services are not considered reflective of market activity or representative of estimated fair value, independent non-binding broker quotations are obtained, or an internally developed valuation is prepared. Internally developed valuations of current estimated fair value, which reflect internal estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences in the estimated fair values for the majority of the portfolio; accordingly, overrides were not material. This is, in part, because internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management's best estimate is used.

Securities, Short-term Investments and Other Investments

When available, the estimated fair value of these financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company's securities holdings and valuation of these securities does not involve management's judgment.

When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference to market activity. Even though these inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such securities and are considered appropriate given the circumstances.

The estimated fair value of other investments is determined on a basis consistent with the methodologies described herein for securities.

Other Limited Partnership Interests

The estimated fair values of other limited partnership interests are generally based on the Company's share of the net asset value ("NAV") of the other limited partnership interests as provided on the financial statements of the investee. In certain circumstances, management may adjust the NAV when it has sufficient evidence to support applying such adjustments.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

| Instrument | Level 2<br>Observable Inputs | Level 3<br>Unobservable Inputs |
|---|---|---|
| Fixed maturity securities AFS | | |
| U.S. corporate and Foreign corporate securities | | |
| | Valuation Approaches: Principally the market and income approaches. | Valuation Approaches: Principally the market approach. |
| | Key Inputs: | Key Inputs: |
| | • quoted prices in markets that are not active | • illiquidity premium |
| | • benchmark yields; spreads off benchmark yields; new issuances; issuer rating | • delta spread adjustments to reflect specific credit-related issues |
| | • trades of identical or comparable securities; duration | • credit spreads |
| | • Privately-placed securities are valued using the additional key inputs: | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | • market yield curve; call provisions | |
| | • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer | • independent non-binding broker quotations |
| | • delta spread adjustments to reflect specific credit-related issues | |
| Foreign government, U.S. government and agency and State and political subdivision securities | | |
| | Valuation Approaches: Principally the market approach. | Valuation Approaches: Principally the market approach. |
| | Key Inputs: | Key Inputs: |
| | • quoted prices in markets that are not active | • independent non-binding broker quotations |
| | • benchmark U.S. Treasury yield or other yields | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | • the spread off the U.S. Treasury yield curve for the identical security | |
| | • issuer ratings and issuer spreads; broker-dealer quotes | • credit spreads |
| | • comparable securities that are actively traded | |
| Structured Securities | | |
| | Valuation Approaches: Principally the market and income approaches. | Valuation Approaches: Principally the market and income approaches. |
| | Key Inputs: | Key Inputs: |
| | • quoted prices in markets that are not active | • credit spreads |
| | • spreads for actively traded securities; spreads off benchmark yields | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | • expected prepayment speeds and volumes | |
| | • | • independent non-binding broker quotations |

current and forecasted loss severity; ratings; geographic region

- weighted average coupon and weighted average maturity
- average delinquency rates; debt-service coverage ratios
- issuance-specific information, including, but not limited to:
  - collateral type; structure of the security; vintage of the loans
  - payment terms of the underlying assets
  - payment priority within the tranche; deal performance

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

| Instrument | Level 2 Observable Inputs | Level 3 Unobservable Inputs |
|---|---|---|
| Equity securities | | |
| | Valuation Approaches: Principally the market approach. | Valuation Approaches: Principally the market and income approaches. |
| | Key Input: | Key Inputs: |
| | • quoted prices in markets that are not considered active | • credit ratings; issuance structures |
| | | • quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2 |
| | | • independent non-binding broker quotations |
| Unit-linked and FVO Securities, Short-term investments, Other limited partnership interests and Other investments | | |
| | • Unit-linked and FVO Securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported NAV provided by | • Unit-linked and FVO Securities and short-term investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and unobservable inputs used in their valuation are also similar to those described above. |

| | | |
|---|---|---|
| • | the fund managers, which were based on observable inputs. Short-term investments and other investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and observable inputs used in their valuation are also similar to those described above. | •Valuation approaches for other limited partnership interests are discussed below. |

Residential mortgage loans — FVO

| | | |
|---|---|---|
| • | N/A | Valuation Approaches: Principally the market approach.<br>Valuation Techniques and Key Inputs: These investments are based primarily on matrix pricing or other similar techniques that utilize inputs from mortgage servicers that are unobservable or cannot be derived principally from, or corroborated by, observable market data. |

Separate account assets and Separate account liabilities (1)

Mutual funds and hedge funds without readily determinable fair values as prices are not published publicly

| | | |
|---|---|---|
| Key Input: | | •N/A |
| • | quoted prices or reported NAV provided by the fund | |

| | | | |
|---|---|---|---|
| | | managers | |
| Other limited partnership interests | • | N/A | • Valued giving consideration to the underlying holdings of the partnerships and adjusting, if appropriate.<br>Key Inputs:<br>• liquidity; bid/ask spreads; performance record of the fund manager<br>• other relevant variables that may impact the exit value of the particular partnership interest |

(1) Estimated fair value equals carrying value, based on the value of the underlying assets, including: mutual fund interests, fixed maturity securities AFS, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. Fixed maturity securities AFS, equity securities, derivatives, short-term investments and cash and cash equivalents are similar in nature to the instruments described under "— Securities, Short-term Investments and Other Investments," "— Other Limited Partnership Interests" and "— Derivatives — Freestanding Derivatives."

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

Derivatives
The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. The valuation controls and procedures for derivatives are described in "— Investments."
The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.
Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs, may have a material effect on the estimated fair values of the Company's derivatives and could materially affect net income.
The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company's ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.
Freestanding Derivatives
Level 2 Valuation Approaches and Key Inputs:
This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3.
Level 3 Valuation Approaches and Key Inputs:
These valuation methodologies generally use the same inputs as described in the corresponding sections for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. Key inputs are as follows:

| Instrument | Interest Rate | Foreign Currency Exchange Rate | Credit | Equity Market |
|---|---|---|---|---|
| Inputs common to Level 2 and Level 3 by instrument type | •swap yield curves | •swap yield curves | •swap yield curves | •swap yield curves |
| | •basis curves | •basis curves | •credit curves | •spot equity index levels |
| | •interest rate volatility (1) | •currency spot rates | •recovery rates | •dividend yield curves |
| | | •cross currency basis curves | | •equity volatility (1) |
| | | •currency volatility (1) | | |
| Level 3 | •swap yield curves (2) | •swap yield curves (2) | •swap yield curves (2) | •dividend yield curves (2) |
| | •basis curves (2) | •basis curves (2) | •credit curves (2) | •equity volatility (1), (2) |
| | •repurchase rates | •cross currency basis curves (2) | •credit spreads | •correlation between model inputs (1) |
| | | •currency correlation | •repurchase rates | |
| | | •currency volatility (1) | •independent non-binding broker quotations | |

(1) Option-based only.
(2) Extrapolation beyond the observable limits of the curve(s).

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees, equity or bond indexed crediting rates within certain funding agreements and annuity contracts, and those related to funds withheld on ceded reinsurance agreements. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The Company issues certain variable annuity products with guaranteed minimum benefits. GMWBs, GMABs and certain GMIBs contain embedded derivatives, which are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The Company's actuarial department calculates the fair value of these embedded derivatives, which are estimated as the present value of projected future benefits minus the present value of projected future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, and is performed using standard actuarial valuation software which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable risk-free rates.

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc.'s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries as compared to MetLife, Inc.

Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; changes in nonperformance risk; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income.

The Company ceded the risk associated with certain of the GMIBs previously described. These reinsurance agreements contain embedded derivatives which are included within premiums, reinsurance and other receivables on the consolidated balance sheets with changes in estimated fair value reported in net derivative gains (losses) or policyholder benefits and claims depending on the statement of operations classification of the direct risk. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

The estimated fair value of the embedded derivatives within funds withheld related to certain ceded reinsurance is determined based on the change in estimated fair value of the underlying assets held by the Company in a reference portfolio backing the funds withheld liability. The estimated fair value of the underlying assets is determined as described in "— Investments — Securities, Short-term Investments and Other Investments." The estimated fair value of these embedded derivatives is included, along with their funds withheld hosts, in other liabilities on the consolidated balance sheets with changes in estimated fair value recorded in net derivative gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is determined using market standard swap valuation models and observable market inputs, including a nonperformance risk adjustment. The estimated fair value of these embedded derivatives are included, along with their funding agreements host, within policyholder account balances with changes in estimated fair value recorded in net derivative gains (losses). Changes in equity and bond indices, interest rates and the Company's credit standing may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

The Company issues certain annuity contracts which allow the policyholder to participate in returns from equity indices. These equity indexed features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, with changes in estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within policyholder account balances on the consolidated balance sheets.

The estimated fair value of the embedded equity indexed derivatives, based on the present value of future equity returns to the policyholder using actuarial and present value assumptions including expectations concerning policyholder behavior, is calculated by the Company's actuarial department. The calculation is based on in-force business and uses standard capital market techniques, such as Black-Scholes, to calculate the value of the portion of the embedded derivative for which the terms are set. The portion of the embedded derivative covering the period beyond where terms are set is calculated as the present value of amounts expected to be spent to provide equity indexed returns in those periods. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in nonperformance risk.

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Approaches and Key Inputs:

Direct and assumed guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniques, which utilize significant inputs that may include swap yield curves, currency exchange rates and implied volatilities. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observable limits of the swap yield curves and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential variability in policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.

Reinsurance ceded on certain guaranteed minimum benefits

These embedded derivatives are principally valued using the income approach. The valuation techniques and significant market standard unobservable inputs used in their valuation are similar to those described above in "— Direct and assumed guaranteed minimum benefits" and also include counterparty credit spreads.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers into or out of any level are assumed to occur at the beginning of the period.

Transfers between Levels 1 and 2:

There were no transfers between Levels 1 and 2 for assets and liabilities measured at estimated fair value and still held at September 30, 2018 and December 31, 2017.

Transfers into or out of Level 3:

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)
The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

| | | | September 30, 2018 | | | December 31, 2017 | | | Impact of Increase in Input on Estimated Fair Value (2) |
|---|---|---|---|---|---|---|---|---|---|
| | Valuation Techniques | Significant Unobservable Inputs | Range | | Weighted Average (1) | Range | | Weighted Average (1) | |
| Fixed maturity securities AFS (3) | | | | | | | | | |
| U.S. corporate and foreign corporate | • Matrix pricing | • Offered quotes (4) | 85 | -126 | 104 | 83 | -142 | 110 | Increase |
| | • Market pricing | • Quoted prices (4) | 37 | -703 | 128 | 10 | -443 | 121 | Increase |
| | • Consensus pricing | • Offered quotes (4) | 98 | -108 | 100 | 97 | -104 | 101 | Increase |
| RMBS | • Market pricing | • Quoted prices (4) | — | -109 | 94 | — | -126 | 94 | Increase (5) |
| ABS | • Market pricing | • Quoted prices (4) | 3 | -117 | 100 | 5 | -117 | 100 | Increase (5) |
| | • Consensus pricing | • Offered quotes (4) | 99 | -102 | 100 | 100 | -103 | 100 | Increase (5) |
| Derivatives | | | | | | | | | |
| Interest rate | • Present value techniques | • Swap yield (6) | 310 | -331 | | 200 | -300 | | Increase (7) |
| | | • Repurchase rates (8) | (5) | -55 | | (5) | -5 | | Decrease (7) |
| Foreign currency exchange rate | • Present value techniques | • Swap yield (6) | (60) | -328 | | (14) | -309 | | Increase (7) |
| Credit | • Present value techniques | • Credit spreads (9) | 96 | -100 | | — | -— | | Decrease (7) |
| | • Consensus pricing | • Offered quotes (10) | | | | | | | |
| Equity market | • Present value techniques or option pricing models | • Volatility (11) | 11% | -26% | | 11% | -31% | | Increase (7) |
| | | • Correlation (12) | 10% | -30% | | 10% | -30% | | |
| Embedded derivatives | | | | | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Direct, assumed and ceded guaranteed minimum benefits | • Option pricing techniques | • Mortality rates: | | | |
| | | Ages 0 - 40 | 0% - 0.21% | 0% - 0.21% | Decrease (13) |
| | | Ages 41 - 60 | 0.03% - 0.80% | 0.03% - 0.75% | Decrease (13) |
| | | Ages 61 - 115 | 0.15% - 100% | 0.15% - 100% | Decrease (13) |
| | | • Lapse rates: | | | |
| | | Durations 1 - 10 | 0.25% - 100% | 0.25% - 100% | Decrease (14) |
| | | Durations 11 - 20 | 2% - 100% | 2% - 100% | Decrease (14) |
| | | Durations 21 - 116 | 1.25% - 100% | 1.25% - 100% | Decrease (14) |
| | | • Utilization rates | 0% - 25% | 0% - 25% | Increase (15) |
| | | • Withdrawal rates | 0% - 20% | 0% - 20% | (16) |
| | | • Long-term equity volatilities | 7.21% - 33% | 8.25% - 33% | Increase (17) |
| | | • Nonperformance risk spread | 0.03% - 1.51% | 0.02% - 1.32% | Decrease (18) |

---

(1) The weighted average for fixed maturity securities AFS is determined based on the estimated fair value of the securities.

(2) The impact of a decrease in input would have the opposite impact on estimated fair value. For embedded derivatives, changes to direct and assumed guaranteed minimum benefits are based on liability positions; changes to ceded guaranteed minimum benefits are based on asset positions.

(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuations.

(4) Range and weighted average are presented in accordance with the market convention for fixed maturity securities AFS of dollars per hundred dollars of par.

(5) Changes in the assumptions used for the probability of default are accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.

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MetLife, Inc.
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8. Fair Value (continued)

(6) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curves are utilized among different types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation methodology uses a range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(7) Changes in estimated fair value are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

(8) Ranges represent different repurchase rates utilized as components within the valuation methodology and are presented in basis points.

(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.

(10) At both September 30, 2018 and December 31, 2017, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

(11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.

(12) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.

(13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(15) The utilization rate assumption estimates the percentage of contractholders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract’s withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

(17) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(18)

Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, and embedded derivatives within funds withheld related to certain ceded reinsurance, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The residential mortgage loans — FVO are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. Other limited partnership interests valuations are generally based on the Company's share of the NAV as provided on the financial statements of the investees. In certain circumstances, management may adjust the NAV when it has sufficient evidence to support applying such adjustments. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table.

The following tables summarize the change of all assets (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Fixed Maturity Securities AFS | | | | | |
| | Corporate (1) | Foreign Government | Structured Securities | State and Political Subdivision | Equity Securities | Unit-linked and FVO Securities |
| | (In millions) | | | | | |
| Three Months Ended September 30, 2018 | | | | | | |
| Balance, beginning of period | $10,621 | $ 156 | $4,677 | $ 8 | $ 408 | $ 269 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | 2 | — | 30 | — | (1) | (2) |
| Total realized/unrealized gains (losses) included in AOCI | (176) | (4) | (15) | — | — | — |
| Purchases (4) | 594 | 4 | 746 | — | 6 | 48 |
| Sales (4) | (497) | (6) | (281) | — | (7) | (32) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 84 | 5 | 36 | — | 45 | 12 |
| Transfers out of Level 3 (5) | (295) | (15) | (977) | (8) | (8) | (69) |
| Balance, end of period | $10,333 | $ 140 | $4,216 | $ — | $ 443 | $ 226 |
| Three Months Ended September 30, 2017 | | | | | | |
| Balance, beginning of period | $11,632 | $ 208 | $4,939 | $ — | $ 468 | $ 312 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | (3) | 1 | 13 | — | (1) | 7 |
| Total realized/unrealized gains (losses) included in AOCI | 164 | (2) | 31 | — | (4) | — |
| Purchases (4) | 713 | — | 468 | — | 13 | 73 |
| Sales (4) | (285) | — | (478) | (1) | (52) | (70) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |

| | | | | | | |
|---|---|---|---|---|---|---|
| Transfers into Level 3 (5) | 123 | — | — | 62 | — | 3 |
| Transfers out of Level 3 (5) | (226) | (9) | (440) | — | — | (21) |
| Balance, end of period | $12,118 | $ 198 | $ 4,533 | $ 61 | $ 424 | $ 304 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2018 (6) | $ 2 | $ — | $ 27 | $ — | $ — | $ (2) |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2017 (6) | $ (2) | $ 1 | $ 22 | $ — | $ (2) | $ 7 |

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Other Limited Partnership Interests | Short-term Investments | Residential Mortgage Loans — FVO | Net Derivatives (7) | Net Embedded Derivatives (8) | Separate Accounts (9) |
| | (In millions) | | | | | |
| Three Months Ended September 30, 2018 | | | | | | |
| Balance, beginning of period | $168 | $ 559 | $ 405 | $ (267) | $ (240) | $ 1,138 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | 11 | — | 4 | (70) | 167 | 2 |
| Total realized/unrealized gains (losses) included in AOCI | (4) | (3) | — | (107) | 9 | — |
| Purchases (4) | 1 | 102 | — | — | — | 148 |
| Sales (4) | (21) | (2) | (70) | — | — | (215) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | (16) | 37 | (75) | — |
| Transfers into Level 3 (5) | — | — | — | — | — | 5 |
| Transfers out of Level 3 (5) | — | (2) | — | — | — | (77) |
| Balance, end of period | $155 | $ 654 | $ 323 | $ (407) | $ (139) | $ 1,001 |
| Three Months Ended September 30, 2017 | | | | | | |
| Balance, beginning of period | $— | $ 822 | $ 615 | $ (288) | $ (646) | $ 959 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | — | — | 32 | 33 | 291 | 7 |
| Total realized/unrealized gains (losses) included in AOCI | — | — | — | 4 | 4 | — |
| Purchases (4) | — | 1 | 10 | — | — | 136 |
| Sales (4) | — | (247) | (72) | — | — | (18) |
| Issuances (4) | — | — | — | — | — | 1 |
| Settlements (4) | — | — | (21) | (12) | (92) | (1) |
| Transfers into Level 3 (5) | — | 2 | — | — | — | 56 |
| Transfers out of Level 3 (5) | — | (175) | — | — | — | (101) |
| Balance, end of period | $— | $ 403 | $ 564 | $ (263) | $ (443) | $ 1,039 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2018 (6) | $11 | $ — | $ (5) | $ (38) | $ 168 | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2017 (6) | $— | $ — | $ 32 | $ 27 | $ 271 | $ — |

MetLife, Inc.

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

8. Fair Value (continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Fixed Maturity Securities AFS | | | | | |
| | Corporate | Foreign Government (1) | Structured Securities | State and Political Subdivision | Equity Securities | Unit-linked and FVO Securities |
| | (In millions) | | | | | |
| Nine Months Ended September 30, 2018 | | | | | | |
| Balance, beginning of period | $ 11,219 | $ 209 | $ 4,841 | $ — | $ 428 | $ 362 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | 13 | 1 | 73 | — | (11) | (7) |
| Total realized/unrealized gains (losses) included in AOCI | (621) | (16) | 1 | — | — | — |
| Purchases (4) | 1,606 | 5 | 919 | — | 11 | 77 |
| Sales (4) | (1,366) | (21) | (788) | — | (20) | (162) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 88 | — | 50 | — | 45 | 10 |
| Transfers out of Level 3 (5) | (606) | (38) | (880) | — | (10) | (54) |
| Balance, end of period | $ 10,333 | $ 140 | $ 4,216 | $ — | $ 443 | $ 226 |
| Nine Months Ended September 30, 2017 | | | | | | |
| Balance, beginning of period | $ 11,537 | $ 289 | $ 5,215 | $ 10 | $ 468 | $ 287 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | 6 | 3 | 80 | — | (14) | 20 |
| Total realized/unrealized gains (losses) included in AOCI | 612 | 4 | 118 | 2 | 30 | — |
| Purchases (4) | 2,802 | 7 | 867 | — | 18 | 209 |
| Sales (4) | (1,487) | (97) | (1,329) | — | (74) | (115) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 83 | — | 10 | 59 | — | 3 |
| Transfers out of Level 3 (5) | (1,435) | (8) | (428) | (10) | (4) | (100) |
| Balance, end of period | $ 12,118 | $ 198 | $ 4,533 | $ 61 | $ 424 | $ 304 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2018 (6) | $ 3 | $ 1 | $ 66 | $ — | $ — | $ (8) |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2017 (6) | $ 6 | $ 3 | $ 68 | $ — | $ (12) | $ 16 |

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Other Limited Partnership Interests | Short-term Investments | Residential Mortgage Loans — FVO | Net Derivatives (7) | Net Embedded Derivatives (8) | Separate Accounts (9) |
| | (In millions) | | | | | |
| Nine Months Ended September 30, 2018 | | | | | | |
| Balance, beginning of period | $— | $ 33 | $ 520 | $ (132) | $ (274) | $ 959 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | 6 | — | 7 | (151) | 355 | 2 |
| Total realized/unrealized gains (losses) included in AOCI | — | (7) | — | (228) | 6 | — |
| Purchases (4) | 1 | 659 | — | 4 | — | 200 |
| Sales (4) | (68) | (11) | (151) | — | — | (162) |
| Issuances (4) | — | — | — | — | — | (3) |
| Settlements (4) | — | — | (53) | 100 | (226) | — |
| Transfers into Level 3 (5) | 216 | — | — | — | — | 81 |
| Transfers out of Level 3 (5) | — | (20) | — | — | — | (76) |
| Balance, end of period | $155 | $ 654 | $ 323 | $ (407) | $ (139) | $ 1,001 |
| Nine Months Ended September 30, 2017 | | | | | | |
| Balance, beginning of period | $— | $ 46 | $ 566 | $ (562) | $ (729) | $ 1,141 |
| Total realized/unrealized gains (losses) included in net income (loss) (2) (3) | — | — | 38 | 47 | 573 | (22) |
| Total realized/unrealized gains (losses) included in AOCI | — | — | — | 144 | (42) | — |
| Purchases (4) | — | 401 | 184 | — | — | 271 |
| Sales (4) | — | (2) | (155) | — | — | (78) |
| Issuances (4) | — | — | — | (7) | — | 1 |
| Settlements (4) | — | — | (69) | 115 | (245) | (62) |
| Transfers into Level 3 (5) | — | 2 | — | — | — | 21 |
| Transfers out of Level 3 (5) | — | (44) | — | — | — | (233) |
| Balance, end of period | $— | $ 403 | $ 564 | $ (263) | $ (443) | $ 1,039 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2018 (6) | $6 | $ — | $ (13) | $ (66) | $ 352 | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2017 (6) | $— | $ — | $ 38 | $ 27 | $ 550 | $ — |

(1) Comprised of U.S. and foreign corporate securities.

(2) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses), while changes in estimated fair value of residential mortgage loans — FVO are included in net investment income. Lapses associated with net embedded derivatives are included in net derivative gains (losses). Substantially all realized/unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

(3) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.

(4) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed to embedded derivatives are included in settlements.

(5) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

(6) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

(7) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
(8) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
(9) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contractholders within separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income (loss). For the purpose of this disclosure, these changes are presented within net investment gains (losses). Separate account assets and liabilities are presented net for the purposes of the rollforward.

Fair Value Option

The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis. The following table presents information for residential mortgage loans, which are accounted for under the FVO and were initially measured at fair value.

| | September 30, 2018 | December 31, 2017 |
|---|---|---|
| | (In millions) | |
| Unpaid principal balance | $401 | $ 650 |
| Difference between estimated fair value and unpaid principal balance | (78 ) | (130 ) |
| Carrying value at estimated fair value | $323 | $ 520 |
| Loans in nonaccrual status | $104 | $ 198 |
| Loans more than 90 days past due | $49 | $ 94 |
| Loans in nonaccrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance | $(56 ) | $ (102 ) |

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

Fair Value of Financial Instruments Carried at Other Than Fair Value
The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payables for collateral under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as time deposits, and therefore are not included in the three level hierarchy table disclosed in the "— Recurring Fair Value Measurements" section. The estimated fair value of the excluded financial instruments, which are primarily classified in Level 2, approximates carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in interest rates or credit quality. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.
The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

| | September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| Assets | | | | | |
| Mortgage loans | $72,138 | $— | $— | $72,559 | $72,559 |
| Policy loans | $9,703 | $— | $341 | $10,859 | $11,200 |
| Other invested assets | $1,167 | $— | $793 | $374 | $1,167 |
| Premiums, reinsurance and other receivables | $4,106 | $— | $1,216 | $3,013 | $4,229 |
| Other assets | $323 | $— | $139 | $182 | $321 |
| Liabilities | | | | | |
| Policyholder account balances | $115,800 | $— | $— | $115,801 | $115,801 |
| Long-term debt | $13,398 | $— | $14,284 | $— | $14,284 |
| Collateral financing arrangement | $1,073 | $— | $— | $877 | $877 |
| Junior subordinated debt securities | $3,146 | $— | $3,959 | $— | $3,959 |
| Other liabilities | $3,596 | $— | $1,947 | $2,117 | $4,064 |
| Separate account liabilities | $107,524 | $— | $107,524 | $— | $107,524 |

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. Fair Value (continued)

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| Assets | | | | | |
| Mortgage loans | $68,211 | $— | $— | $69,797 | $69,797 |
| Policy loans | $9,669 | $— | $336 | $11,176 | $11,512 |
| Other limited partnership interests | $219 | $— | $— | $216 | $216 |
| Other invested assets | $443 | $— | $— | $443 | $443 |
| Premiums, reinsurance and other receivables | $4,155 | $— | $1,283 | $3,056 | $4,339 |
| Other assets | $285 | $— | $189 | $139 | $328 |
| Liabilities | | | | | |
| Policyholder account balances | $114,355 | $— | $— | $116,534 | $116,534 |
| Long-term debt | $15,675 | $— | $17,773 | $— | $17,773 |
| Collateral financing arrangement | $1,121 | $— | $— | $894 | $894 |
| Junior subordinated debt securities | $3,144 | $— | $4,319 | $— | $4,319 |
| Other liabilities | $3,208 | $— | $1,496 | $2,345 | $3,841 |
| Separate account liabilities | $124,011 | $— | $124,011 | $— | $124,011 |

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## 9. Long-Term Debt

### Senior Notes

In June 2018, MetLife, Inc. sold FVO Brighthouse Common Stock in exchange for $944 million aggregate principal amount of MetLife Inc.'s senior notes. MetLife, Inc. purchased and canceled $343 million of its $1,035 million aggregate principal amount 6.817% senior notes due August 2018; $469 million of its $1,035 million aggregate principal amount 7.717% senior notes due February 2019 and $132 million of its $1,000 million aggregate principal amount 4.750% senior notes due February 2021. In June 2018, MetLife, Inc. additionally purchased for cash and canceled $160 million of its $1,035 million aggregate principal amount 6.817% senior notes due August 2018. The Company recorded a premium of $30 million paid in excess of the debt principal and incurred $37 million of advisory and other fees related to the exchange transaction to other expenses for the nine months ended September 30, 2018. See Note 3 for additional information on the FVO Brighthouse Common Stock exchange transaction.

In August 2018, MetLife, Inc. purchased for cash and canceled the remaining $566 million of its $1,035 million aggregate principal amount 7.717% senior notes due February 2019. The Company recorded a premium of $14 million paid in excess of the debt principal and accrued, unpaid interest to other expenses for the three months and nine months ended September 30, 2018.

## 10. Equity

### Preferred Stock

In June 2018, MetLife, Inc. issued 32,200 shares of 5.625% Non-Cumulative Preferred Stock, Series E (the “Series E preferred stock”), with a $0.01 par value per share and a liquidation preference of $25,000 per share, for aggregate net proceeds of $780 million. MetLife, Inc. deposited the Series E preferred stock under a deposit agreement with a depositary, which issued interests in fractional shares of the Series E preferred stock in the form of depositary shares (“Depositary Shares”) evidenced by depositary receipts; each Depositary Share representing 1/1,000th interest in a share of the Series E preferred stock. In connection with the offering of the Depositary Shares, MetLife, Inc. incurred approximately $25 million of issuance costs which have been recorded as a reduction of additional paid-in capital.

The Series E preferred stock ranks senior to MetLife, Inc.’s common stock with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up. Holders of the Depositary Shares will be entitled to receive dividend payments only when, as and if declared by MetLife, Inc.’s Board of Directors or a duly authorized committee thereof on the Series E preferred stock. If dividends are declared on the Series E preferred stock for any dividend period, they will be calculated on a non-cumulative basis at a fixed rate per annum of 5.625%. Dividends for any dividend period will be payable, if declared, quarterly in arrears on the 15th day of March, June, September and December of each year, commencing on September 15, 2018.

In March 2018, MetLife, Inc. issued 500,000 shares of 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D (the “Series D preferred stock”) with a $0.01 par value per share and a liquidation preference of $1,000 per share for aggregate net proceeds of $494 million. In connection with the offering of the Series D preferred stock, MetLife, Inc. incurred approximately $6 million of issuance costs which have been recorded as a reduction of additional paid-in capital.

The Series D preferred stock ranks senior to MetLife, Inc.’s common stock with respect to the payment of dividends and distributions upon liquidation, dissolution or winding-up. Holders of the Series D preferred stock will be entitled to receive dividend payments only when, as and if declared by MetLife, Inc.’s Board of Directors or a duly authorized committee thereof. If dividends are declared on the Series D preferred stock for any dividend period, they will be calculated on a non-cumulative basis at a fixed rate per annum of 5.875% from the date of original issue to, but excluding, March 15, 2028 and at a floating rate per annum equal to three-month U.S. dollar LIBOR plus 2.959% on the related LIBOR determination date from and after March 15, 2028. Dividends for any dividend period will be payable, if declared, semi-annually in arrears on the 15th day of March and September of each year commencing on September 15, 2018 and ending on March 15, 2028, and thereafter quarterly in arrears on the 15th day of June, September, December, and March of each year.

Dividends on the Series D and Series E preferred stock will not be cumulative and will not be mandatory. Accordingly, if dividends are not declared on the Series D or Series E preferred stock for any dividend period, then any accrued dividends for that dividend period will cease to accrue and be payable. If a dividend is not declared before the dividend payment date for any dividend period, MetLife, Inc. will have no obligation to pay dividends accrued for such dividend period whether or not dividends on the Series D or Series E preferred stock are declared for any future dividend period. No dividends may be paid or declared on MetLife, Inc.'s common stock (or any other securities ranking junior to the Series D or Series E preferred stock) and MetLife, Inc. may not purchase, redeem, or otherwise acquire its common stock (or other such junior stock) unless the full dividends for the latest completed dividend period on all outstanding shares of Series D and Series E preferred stock, and any parity stock, have been declared and paid or provided for.

Holders of the Series D and Series E preferred stock do not have voting rights except in certain circumstances, including where the dividends have not been paid for an equivalent of six or more dividend payment periods whether or not those periods are consecutive. Under such circumstances, the holders of the Series D and Series E preferred stock have certain voting rights with respect to members of the Board of Directors of MetLife, Inc.

The Series D and Series E preferred stock are not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or similar provisions. MetLife, Inc. may, at its option, redeem the Series D preferred stock, (a) in whole but not in part, at any time prior to March 15, 2028, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to $1,020 per share of Series D preferred stock, plus an amount equal to any accrued and unpaid dividends per share that have accrued but not been declared and paid for the then-current dividend period to but excluding the redemption date and (b) (i) in whole but not in part, at any time prior to March 15, 2028, within 90 days after the occurrence of a "regulatory capital event" or (ii) in whole or in part, from time to time, on or after March 15, 2028, in each case, at a redemption price equal to $1,000 per share of Series D preferred stock, plus an amount equal to any accrued and unpaid dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date. MetLife, Inc. may, at its option, redeem the Series E preferred stock, (a) in whole but not in part, at any time prior to June 15, 2023, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to $25,500 per share of Series E preferred stock (equivalent to $25.50 per Depositary Share), plus an amount equal to any accrued and unpaid dividends per share that have accrued but not been declared and paid for the then-current dividend period to but excluding the redemption date and (b) (i) in whole but not in part, at any time prior to June 15, 2023, within 90 days after the occurrence of a "regulatory capital event" or (ii) in whole or in part, from time to time, on or after June 15, 2023, in each case, at a redemption price equal to $25,000 per share of Series E preferred stock, plus an amount equal to any accrued and unpaid dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date. A "rating agency event" means that any nationally recognized statistical rating organization that then publishes a rating for MetLife, Inc. amends, clarifies or changes the criteria it uses to assign equity credit to securities like the Series D or Series E preferred stock, which results in the lowering of the equity credit assigned to the Series D or Series E preferred stock, as applicable, or shortens the length of time that the Series D or Series E preferred stock, as applicable, is assigned a particular level of equity credit. A "regulatory capital event" could occur as a result of a change or proposed change in capital adequacy rules (or the interpretation or application thereof) of any capital regulator, including but not limited to the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the Federal Insurance Office, the National Association of Insurance Commissioners or any state insurance regulator, as may then have group-wide oversight of MetLife, Inc.'s regulatory capital, from rules (or the interpretation or application thereof) in effect as of March 22, 2018, in the case of the Series D preferred stock, or June 4, 2018, in the case of the Series E preferred stock, that would create a more than insubstantial risk, as determined by MetLife, Inc., that the Series D preferred stock or the Series E preferred stock, as applicable, would not be treated as "Tier 1 capital" or as capital with attributes similar to those of Tier 1 capital, except that a "regulatory capital event" will not include a change or proposed change (or the interpretation or application thereof) that would result in the adoption of any criterion substantially the same as the criteria in the capital adequacy rules of the Federal Reserve Board applicable to bank holding companies as of March 22, 2018, in the case of the Series D preferred stock, or June 4, 2018, in the case of the Series E preferred stock.

Preferred stock authorized, issued and outstanding was as follows:

| Series | September 30, 2018 Shares Authorized | September 30, 2018 Shares Issued | September 30, 2018 Shares Outstanding | December 31, 2017 Shares Authorized | December 31, 2017 Shares Issued | December 31, 2017 Shares Outstanding |
|---|---|---|---|---|---|---|
| Floating Rate Non-Cumulative Preferred Stock, Series A | 27,600,000 | 24,000,000 | 24,000,000 | 27,600,000 | 24,000,000 | 24,000,000 |
| 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D | 500,000 | 500,000 | 500,000 | — | — | — |
| 5.625% Non-Cumulative Preferred Stock, Series E | 32,200 | 32,200 | 32,200 | — | — | — |
| Series A Junior Participating Preferred Stock | 10,000,000 | — | — | 10,000,000 | — | — |
| Not designated | 160,367,800 | — | — | 160,900,000 | — | — |
| Total | 200,000,000 | 26,032,200 | 26,032,200 | 200,000,000 | 25,500,000 | 25,500,000 |

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.'s preferred stock were as follows for the nine months ended September 30, 2018 and 2017:

| Declaration Date | Record Date | Payment Date | Preferred Stock Dividend Series A Per Share | Series A Aggregate | Series C Per Share | Series C Aggregate | Series D Per Share | Series D Aggregate | Series E Per Share | Series E Aggregate |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | (In millions, except per share data) | | | | | | | |
| August 15, 2018 | August 31, 2018 | September 17, 2018 | $0.256 | $ 6 | $— | $ — | $28.233 | $ 14 | $394.531 | $ 12 |
| May 15, 2018 | May 31, 2018 | June 15, 2018 | $0.256 | 7 | $26.250 | 39 | $— | — | $— | — |
| March 5, 2018 | February 28, 2018 | March 15, 2018 | $0.250 | 6 | $— | — | $— | — | $— | — |
| | | | | $ 19 | | $ 39 | | $ 14 | | $ 12 |
| August 15, 2017 | August 31, 2017 | September 15, 2017 | $0.256 | $ 6 | $— | $ — | $— | $ — | $— | $ — |
| May 15, 2017 | May 31, 2017 | June 15, 2017 | $0.256 | 7 | $26.250 | 39 | $— | — | $— | — |
| March 6, 2017 | February 28, 2017 | March 15, 2017 | $0.250 | 6 | $— | — | $— | — | $— | — |
| | | | | $ 19 | | $ 39 | | $ — | | $ — |

Common Stock

During the nine months ended September 30, 2018 and 2017, MetLife, Inc. repurchased 59,602,926 shares and 44,737,625 shares of its common stock, respectively, through open market purchases for $2.8 billion and $2.3 billion, respectively.

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10. Equity (continued)

On November 1, 2017 and May 22, 2018, MetLife, Inc. announced that its Board of Directors authorized $2.0 billion and $1.5 billion of common stock repurchases, respectively. In June 2018, MetLife, Inc. completed all common stock repurchases under the November 2017 authorization. At September 30, 2018, MetLife, Inc. had $470 million of common stock repurchases remaining under the May 2018 authorization. Common stock repurchases are dependent upon several factors, including the Company's capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.'s common stock compared to management's assessment of the stock's underlying value and applicable regulatory approvals, as well as other legal and accounting factors.
See Note 16 for information on a subsequent common stock repurchase authorization.
The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.'s common stock were as follows for the nine months ended September 30, 2018 and 2017:

| Declaration Date | Record Date | Payment Date | Common Stock Dividend | |
|---|---|---|---|---|
| | | | Per Share | Aggregate |
| | | | (In millions, except per share data) | |
| July 6, 2018 | August 6, 2018 | September 13, 2018 | $0.420 | $ 419 |
| April 24, 2018 | May 7, 2018 | June 13, 2018 | $0.420 | 428 |
| January 5, 2018 | February 5, 2018 | March 13, 2018 | $0.400 | 416 |
| | | | | $ 1,263 |
| | | | | |
| July 7, 2017 | August 7, 2017 | September 13, 2017 | $0.400 | $ 427 |
| April 25, 2017 | May 8, 2017 | June 13, 2017 | $0.400 | 431 |
| January 6, 2017 | February 6, 2017 | March 13, 2017 | $0.400 | 437 |
| | | | | $ 1,295 |

See also Note 16 for information regarding a common stock dividend declared subsequent to September 30, 2018.
Stock-Based Compensation Plans
Performance Shares and Performance Units
Final Performance Shares are paid in shares of MetLife, Inc. common stock. Final Performance Units are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the last day of the three-year performance period. The performance factor for the January 1, 2015 – December 31, 2017 performance period was 46.3%, which was determined within a possible range from 0% to 175%. This factor has been applied to the 1,194,283 Performance Shares and 186,085 Performance Units associated with that performance period that vested on December 31, 2017. As a result, in the first quarter of 2018, MetLife, Inc. issued 552,953 shares of its common stock (less withholding for taxes and other items, as applicable), excluding shares that payees choose to defer, and MetLife, Inc. or its affiliates paid the cash value of 86,157 Performance Units (less withholding for taxes and other items, as applicable).

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MetLife, Inc.
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10. Equity (continued)

Dividend Restrictions
Insurance Operations
The table below sets forth the dividends permitted to be paid in 2018 by MetLife, Inc.'s primary insurance subsidiaries without insurance regulatory approval and the respective dividends paid during the nine months ended September 30, 2018:

| Company | Paid (1) | Permitted Without Approval (2) |
|---|---|---|
| | (In millions) | |
| Metropolitan Life Insurance Company | $2,424(3) | $ 3,075 |
| American Life Insurance Company | $2,200(4) | $ — |
| Metropolitan Property and Casualty Insurance Company | $— | $ 125 |
| Metropolitan Tower Life Insurance Company (5) | $— | $ 73 |
| General American Life Insurance Company (5) | $— | N/A |

(1) Reflects all amounts paid, including those requiring regulatory approval.
(2) Reflects dividend amounts that may be paid during 2018 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2018, some or all of such dividends may require regulatory approval.
(3) Represents ordinary dividends of $1.7 billion and an extraordinary dividend of $705 million that was paid with regulatory approval. The extraordinary dividend was paid in cash with proceeds from the sale to an affiliate of certain property, equipment, leasehold improvements and computer software that were non-admitted by MLIC for statutory accounting purposes. The affiliate received a capital contribution in cash from MetLife, Inc. to fund the purchase.
(4) Represents extraordinary dividends.
(5) In April 2018, Metropolitan Tower Life Insurance Company ("MTL") merged with General American Life Insurance Company ("GALIC"). The surviving entity of the merger was MTL, which re-domesticated from Delaware to Nebraska immediately prior to the merger. Effective as of the re-domestication, MTL is subject to the dividend restrictions under Nebraska law, which are based on amounts reported in MTL's stand-alone statutory financial statements for the year ended December 31, 2017.

Under the Nebraska Insurance Code, MTL is permitted, without prior insurance regulatory clearance, to pay a stockholder dividend to MetLife, Inc. as long as the amount of the dividend, when aggregated with all other dividends in the preceding 12 months, does not exceed the greater of: (i) 10% of its surplus to policyholders as of the end of the immediately preceding calendar year, or (ii) its net statutory gain from operations for the immediately preceding calendar year (excluding realized capital gains), not including pro rata distributions of each insurer's own securities. MTL will be permitted to pay a dividend to MetLife, Inc. in excess of the greater of such two amounts only if it files notice of the declaration of such a dividend and the amount thereof with the Director of the Nebraska Department of Insurance (the "Nebraska Director") and the Nebraska Director either approves the distribution of the dividend or does not disapprove the distribution within 30 days of its filing. In addition, any dividend that exceeds earned surplus (defined as "unassigned funds (surplus)"), excluding unrealized capital gains) as of the immediately preceding calendar year requires insurance regulatory approval. Under the Nebraska Insurance Code, the Nebraska Director has broad discretion in determining whether the financial condition of a stock life insurance company would support the payment of such dividends to its stockholders.
See Note 15 of the Notes to Consolidated Financial Statements included in the 2017 Annual Report for additional information on dividend restrictions.

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

Accumulated Other Comprehensive Income (Loss)
Information regarding changes in the balances of each component of AOCI attributable to MetLife, Inc., was as follows:

| | Three Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Unrealized Investment Gains (Losses), Net of Related Offsets (1) | Unrealized Gains (Losses) on Derivatives | Foreign Currency Translation Adjustments | Defined Benefit Plans Adjustment | Total |
| | (In millions) | | | | |
| Balance, beginning of period | $8,538 | $ 1,165 | $ (4,670) | $ (2,179) | $2,854 |
| OCI before reclassifications | (1,953) | (295) | (240) | 131 | (2,357) |
| Deferred income tax benefit (expense) | 436 | (22) | 15 | (27) | 402 |
| AOCI before reclassifications, net of income tax | 7,021 | 848 | (4,895) | (2,075) | 899 |
| Amounts reclassified from AOCI | (30) | 4 | — | 31 | 5 |
| Deferred income tax benefit (expense) | 7 | 96 | — | (7) | 96 |
| Amounts reclassified from AOCI, net of income tax | (23) | 100 | — | 24 | 101 |
| Balance, end of period | $6,998 | $ 948 | $ (4,895) | $ (2,051) | $1,000 |

| | Three Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Unrealized Investment Gains (Losses), Net of Related Offsets (1) | Unrealized Gains (Losses) on Derivatives | Foreign Currency Translation Adjustments | Defined Benefit Plans Adjustment | Total |
| | (In millions) | | | | |
| Balance, beginning of period | $13,469 | $ 1,569 | $ (4,679) | $ (1,923) | $8,436 |
| OCI before reclassifications | 803 | (166) | 193 | 2 | 832 |
| Deferred income tax benefit (expense) | (270) | 56 | (6) | 2 | (218) |
| AOCI before reclassifications, net of income tax | 14,002 | 1,459 | (4,492) | (1,919) | 9,050 |
| Amounts reclassified from AOCI | (360) | (307) | — | 40 | (627) |
| Deferred income tax benefit (expense) | 126 | 107 | — | (17) | 216 |
| Amounts reclassified from AOCI, net of income tax | (234) | (200) | — | 23 | (411) |
| Disposal of subsidiary (3) | (2,286) | (305) | 51 | 28 | (2,512) |
| Deferred income tax benefit (expense) | 800 | 107 | (19) | (10) | 878 |
| Disposal of subsidiary, net of income tax | (1,486) | (198) | 32 | 18 | (1,634) |
| Balance, end of period | $12,282 | $ 1,061 | $ (4,460) | $ (1,878) | $7,005 |