

METLIFE INC
Form 10-Q
August 06, 2015

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

Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-15787

MetLife, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-4075851

(I.R.S. Employer
Identification No.)

200 Park Avenue, New York, N.Y.

(Address of principal executive offices)

(212) 578-9500

(Registrant's telephone number, including area code)

10166-0188

(Zip 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 No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

At July 31, 2015, 1,116,881,066 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10 Q, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.’s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (3) exposure to financial and capital market risks, including as a result of the disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact of comprehensive financial services regulation reform on us, as a non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (9) investment losses and defaults, and changes to investment valuations; (10) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (11) impairments of goodwill and realized losses or market value impairments to illiquid assets; (12) defaults on our mortgage loans; (13) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (14) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (15) downgrades in our claims paying ability, financial strength or credit ratings; (16) a deterioration in the experience of the “closed block” established in connection with the reorganization of Metropolitan Life Insurance Company; (17) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (18) differences between actual claims experience and underwriting and reserving assumptions; (19) ineffectiveness of risk management policies and procedures; (20) catastrophe losses; (21) increasing cost and limited market capacity for statutory life insurance reserve financings; (22) 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; (23) 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 the adjustment for nonperformance risk; (24) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions and integrating and managing the growth of such acquired businesses, or arising from dispositions of businesses or legal entity reorganizations; (25) regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (26) MetLife, Inc.'s primary reliance, as a holding company, on dividends from its subsidiaries to meet debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (27) 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; (28) changes in accounting standards, practices and/or policies; (29) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (30) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (31) inability to attract and retain sales representatives; (32) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (33) 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; (34) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (35) 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, press 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 "Exhibit Index — 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

June 30, 2015 (Unaudited) and December 31, 2014

(In millions, except share and per share data)

	June 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: \$328,833 and \$334,780, respectively; includes \$4,335 and \$4,266, respectively, relating to variable interest entities)	\$ 351,353	\$ 365,425
Equity securities available-for-sale, at estimated fair value (cost: \$3,117 and \$3,076, respectively)	3,677	3,631
Fair value option and trading securities, at estimated fair value (includes \$603 and \$704, respectively, of actively traded securities; and \$14 and \$60, respectively, relating to variable interest entities)	16,460	16,689
Mortgage loans (net of valuation allowances of \$325 and \$305, respectively; includes \$266 and \$280, respectively, at estimated fair value, relating to variable interest entities; includes \$345 and \$308, respectively, under the fair value option)	64,010	60,118
Policy loans (includes \$3 and \$3, respectively, relating to variable interest entities)	11,575	11,618
Real estate and real estate joint ventures (includes \$0 and \$8, respectively, relating to variable interest entities; includes \$898 and \$172, respectively, of real estate held-for-sale)	10,207	10,525
Other limited partnership interests (includes \$27 and \$34, respectively, relating to variable interest entities)	8,099	8,085
Short-term investments, principally at estimated fair value (includes \$27 and \$20, respectively, relating to variable interest entities)	14,594	8,621
Other invested assets, principally at estimated fair value (includes \$55 and \$56, respectively, relating to variable interest entities)	20,409	21,283
Total investments	500,384	505,995
Cash and cash equivalents, principally at estimated fair value (includes \$42 and \$57, respectively, relating to variable interest entities)	8,074	10,808
Accrued investment income (includes \$21 and \$21, respectively, relating to variable interest entities)	3,990	4,120
Premiums, reinsurance and other receivables (includes \$19 and \$21, respectively, relating to variable interest entities)	24,872	22,244
Deferred policy acquisition costs and value of business acquired (includes \$241 and \$235, respectively, relating to variable interest entities)	24,379	24,442
Goodwill	9,644	9,872
Other assets (includes \$139 and \$134, respectively, relating to variable interest entities)	7,589	7,862
Separate account assets (includes \$1,120 and \$1,128, respectively, relating to variable interest entities)	319,477	316,994
Total assets	\$ 898,409	\$ 902,337
Liabilities and Equity		
Liabilities		

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Future policy benefits (includes \$649 and \$579, respectively, relating to variable interest entities)	\$ 188,928	\$ 189,586
Policyholder account balances (includes \$22 and \$33, respectively, relating to variable interest entities)	204,262	209,294
Other policy-related balances (includes \$225 and \$198, respectively, relating to variable interest entities)	14,393	14,422
Policyholder dividends payable	699	684
Policyholder dividend obligation	2,328	3,155
Payables for collateral under securities loaned and other transactions	35,532	35,326
Short-term debt	100	100
Long-term debt (includes \$134 and \$151, respectively, at estimated fair value, relating to variable interest entities)	16,770	16,286
Collateral financing arrangements	4,164	4,196
Junior subordinated debt securities	3,193	3,193
Current income tax payable	71	184
Deferred income tax liability	10,762	11,821
Other liabilities (includes \$62 and \$80, respectively, relating to variable interest entities)	27,741	24,437
Separate account liabilities (includes \$1,120 and \$1,128, respectively, relating to variable interest entities)	319,477	316,994
Total liabilities	828,420	829,678
Contingencies, Commitments and Guarantees (Note 13)		
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries	92	99
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value \$0.01 per share; \$2,100 aggregate liquidation preference	—	1
Common stock, par value \$0.01 per share; 3,000,000,000 shares authorized; 1,159,001,121 and 1,153,998,144 shares issued, respectively; 1,116,754,686 and 1,131,927,894 shares outstanding, respectively	12	12
Additional paid-in capital	30,718	30,543
Retained earnings	34,376	32,020
Treasury stock, at cost; 42,246,435 and 22,070,250 shares, respectively	(2,172	) (1,172
Accumulated other comprehensive income (loss)	6,443	10,649
Total MetLife, Inc.'s stockholders' equity	69,377	72,053
Noncontrolling interests	520	507
Total equity	69,897	72,560
Total liabilities and equity	\$ 898,409	\$ 902,337
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 Six Months Ended June 30, 2015 and 2014 (Unaudited)

(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Premiums	\$9,312	\$9,873	\$18,565	\$19,092
Universal life and investment-type product policy fees	2,434	2,458	4,828	4,879
Net investment income	4,947	5,259	10,408	10,294
Other revenues	518	490	1,013	968
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	—	(9)	(8)	(23)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(2)	(6)	(12)	(2)
Other net investment gains (losses)	(131)	(110)	173	(511)
Total net investment gains (losses)	(133)	(125)	153	(536)
Net derivative gains (losses)	(912)	311	(91)	654
Total revenues	16,166	18,266	34,876	35,351
Expenses				
Policyholder benefits and claims	9,352	9,988	18,609	19,312
Interest credited to policyholder account balances	1,298	1,709	3,293	3,178
Policyholder dividends	331	397	670	700
Other expenses	4,072	4,222	8,132	8,385
Total expenses	15,053	16,316	30,704	31,575
Income (loss) from continuing operations before provision for income tax	1,113	1,950	4,172	3,776
Provision for income tax expense (benefit)	(6)	574	890	1,058
Income (loss) from continuing operations, net of income tax	1,119	1,376	3,282	2,718
Income (loss) from discontinued operations, net of income tax	—	—	—	(3)
Net income (loss)	1,119	1,376	3,282	2,715
Less: Net income (loss) attributable to noncontrolling interests	4	10	9	21
Net income (loss) attributable to MetLife, Inc.	1,115	1,366	3,273	2,694
Less: Preferred stock dividends	31	31	61	61
Preferred stock repurchase premium	42	—	42	—
Net income (loss) available to MetLife, Inc.'s common shareholders	\$1,042	\$1,335	\$3,170	\$2,633
Comprehensive income (loss)	\$(3,994)	\$4,228	\$(893)	\$8,710
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	(23)	19	40	62
Comprehensive income (loss) attributable to MetLife, Inc.	\$(3,971)	\$4,209	\$(933)	\$8,648
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:				
Basic	\$0.93	\$1.18	\$2.83	\$2.34
Diluted	\$0.92	\$1.17	\$2.80	\$2.31
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:				
Basic	\$0.93	\$1.18	\$2.83	\$2.34

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Diluted	\$0.92	\$1.17	\$2.80	\$2.31
Cash dividends declared per common share	\$0.375	\$0.350	\$0.725	\$0.625

See accompanying notes to the interim condensed consolidated financial statements.

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Dividends on preferred stock			(61)			(61)		(61)	
Dividends on common stock			(706)			(706)		(706)	
Change in equity of noncontrolling interests						—	(22)	(22)	
Net income (loss)			2,694			2,694	21	2,715	
Other comprehensive income (loss), net of income tax					5,954	5,954	41	5,995	
Balance at June 30, 2014	\$ 1	\$ 11	\$ 29,438	\$ 29,259	\$ (176)	\$ 11,058	\$ 69,591	\$ 583	\$ 70,174

(1) Net income (loss) attributable to noncontrolling interests excludes losses of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of less than \$1 million at both June 30, 2015 and 2014. 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 Six Months Ended June 30, 2015 and 2014 (Unaudited)

(In millions)

	Six Months Ended June 30,		
	2015	2014	
Net cash provided by (used in) operating activities	\$6,888	\$6,921	
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturity securities	77,865	56,794	
Equity securities	184	320	
Mortgage loans	6,494	6,557	
Real estate and real estate joint ventures	503	385	
Other limited partnership interests	582	383	
Purchases of:			
Fixed maturity securities	(72,892)	(62,844))
Equity securities	(227)	(452))
Mortgage loans	(10,545)	(6,021))
Real estate and real estate joint ventures	(334)	(912))
Other limited partnership interests	(669)	(852))
Cash received in connection with freestanding derivatives	1,524	703	
Cash paid in connection with freestanding derivatives	(2,600)	(2,003))
Cash received under repurchase agreements (Note 5)	199	—	
Cash paid under reverse repurchase agreements (Note 5)	(199)	—)
Sales of businesses, net of cash and cash equivalents disposed of \$0 and \$262, respectively	—	452	
Purchases of investments in insurance joint ventures	—	(249))
Net change in policy loans	(5)	(5))
Net change in short-term investments	(6,233)	1,374	
Net change in other invested assets	(257)	(220))
Other, net	(150)	(110))
Net cash provided by (used in) investing activities	(6,760)	(6,700))
Cash flows from financing activities			
Policyholder account balances:			
Deposits	44,433	46,847	
Withdrawals	(46,372)	(47,621))
Net change in payables for collateral under securities loaned and other transactions	205	2,891	
Net change in short-term debt	—	(75))
Long-term debt issued	1,492	1,000	
Long-term debt repaid	(1,020)	(2,484))
Collateral financing arrangements repaid	(32)	—)
Treasury stock acquired in connection with share repurchases	(1,000)	(4))
Preferred stock issued, net of issuance costs	1,485	—	
Repurchase of preferred stock	(905)	—)
Preferred stock repurchase premium	(27)	—)
Dividends on preferred stock	(61)	(61))
Dividends on common stock	(814)	(706))

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Other, net	52	(221)
Net cash provided by (used in) financing activities	(2,564)	(434
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(298	)	21
Change in cash and cash equivalents	(2,734	)	(192
Cash and cash equivalents, beginning of period	10,808		7,585
Cash and cash equivalents, end of period	\$8,074		\$7,393
Supplemental disclosures of cash flow information			
Net cash paid (received) for:			
Interest	\$587		\$623
Income tax	\$344		\$332
Non-cash transactions:			
Deconsolidation of MetLife Core Property Fund:			
Reduction of redeemable noncontrolling interests	\$—		\$774
Reduction of long-term debt	\$—		\$413
Reduction of real estate and real estate joint ventures	\$—		\$1,132
See accompanying notes to the interim condensed consolidated financial statements.			

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MetLife, Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Business

“MetLife” and the “Company” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is a global provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and Europe, the Middle East and Africa (“EMEA”).

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 in 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 estimates.

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.

Certain international subsidiaries have a fiscal year cutoff of November 30th. Accordingly, the Company’s interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of May 31, 2015 and November 30, 2014 and the operating results of such subsidiaries for the three months and six months ended May 31, 2015 and 2014.

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, but does not have a controlling financial interest. The Company generally recognizes its share of the investee’s earnings on a three-month lag in instances where the investee’s financial information is not sufficiently timely or when the investee’s reporting period differs from the Company’s reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee’s operations.

Certain amounts in the prior year periods’ interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2015 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2014 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, 2014, as revised by MetLife, Inc.’s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (“SEC”) on May 21, 2015 (as revised, the “2014 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 2014 Annual Report.

Adoption of New Accounting Pronouncements

Effective January 1, 2015, the Company adopted guidance requiring repurchase-to-maturity transactions and repurchase financing arrangements to be accounted for as secured borrowings and providing for enhanced disclosures, including the nature of collateral pledged and the time to maturity. Certain interim period disclosures for repurchase agreements and securities lending transactions were not required until the second quarter of 2015. The Company has

provided these enhanced disclosures in Note 5. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

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MetLife, Inc.

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

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

Future Adoption of New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (“FASB”) issued new guidance on short-duration insurance contracts (Accounting Standards Update (“ASU”) 2015-09, Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts). The amendments in this new guidance are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The new guidance should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including reconciling from the claim development table to the balance sheet liability; methodologies and judgments in estimating claims; and the timing, and frequency of claims. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2015, the FASB issued new guidance on fair value measurement (ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and which should be applied retrospectively to all periods presented. Earlier application is permitted. The new amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (“NAV”) per share practical expedient. In addition, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2015, the FASB issued new guidance on accounting for fees paid in a cloud computing arrangement (ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the new guidance is permitted and an entity can elect to adopt the guidance either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. The new guidance provides that all software licenses included in cloud computing arrangements be accounted for consistent with other licenses of intangible assets. However, if a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract, the accounting for which did not change. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2015, the FASB issued new guidance on the presentation of debt issuance costs (ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and should be applied retrospectively to all periods presented. Early adoption of the new guidance is permitted for financial statements that have not been previously issued. The new guidance will require that debt issuance costs be presented in the balance sheet as a direct deduction from the related debt liability, consistent with debt discounts, rather than as an asset. However, the current recognition and measurement guidance for debt issuance costs are not affected by the new guidance. The adoption of this new guidance will not have a material impact on the Company’s consolidated financial statements.

In February 2015, the FASB issued new guidance to improve consolidation guidance for legal entities (ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis), effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in this ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The Company is currently evaluating the impact of this guidance on its

consolidated financial statements.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), effective for fiscal years beginning after December 15, 2017 and interim periods within those years and should be applied retrospectively to all periods presented. Early adoption of this standard is not permitted. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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MetLife, Inc.

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

2. Segment Information

MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and EMEA. In addition, the Company reports certain of its results of operations in Corporate & Other.

In the first quarter of 2015, the Company implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising the Company’s capital allocation methodology, and (ii) the realignment of consumer direct business. These changes were applied retrospectively and did not have an impact on total consolidated operating earnings or net income.

Americas

The Americas consists of the following segments:

Retail

The Retail segment offers a broad range of protection products and services and a variety of annuities to individuals and employees of corporations and other institutions, and is organized into two businesses: Life & Other and Annuities. Life & Other insurance products and services include variable life, universal life, term life and whole life products. Additionally, through broker-dealer affiliates, the Company offers a full range of mutual funds and other securities products. Life & Other products and services also include individual disability income products and personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance. Annuities includes a variety of variable and fixed annuities which provide for both asset accumulation and asset distribution needs.

Group, Voluntary & Worksite Benefits

The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals and corporations, as well as other institutions and their respective employees. Group, Voluntary & Worksite Benefits insurance products and services include life, dental, group short- and long-term disability and accidental death and dismemberment (“AD&D”) coverages. In addition, the Group, Voluntary & Worksite Benefits segment offers property & casualty insurance, including private passenger automobile, homeowners and personal excess liability, which is offered to employees on a voluntary basis, long-term care, critical illness and accident & health coverages, as well as prepaid legal plans.

Corporate Benefit Funding

The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes structured settlements and certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.

Latin America

The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions and their respective employees, which include life insurance, accident & health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. The Latin America segment also includes U.S. direct business, comprised of group and individual products sold through sponsoring organizations, affinity groups and direct to consumer. Products included are life, dental, group short- and long-term disability, AD&D coverages, property & casualty and other accident & health coverages, as well as non-insurance products such as identity protection.

Asia

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

EMEA

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

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MetLife, Inc.

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

2. Segment Information (continued)

Corporate & Other

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, various start-up businesses (including expatriate benefits insurance and the investment management business through which the Company offers fee-based investment management services to institutional clients) and certain run-off businesses. Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connection with variable annuity products. Additionally, Corporate & Other includes interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates commensurate with related borrowings.

Financial Measures and Segment Accounting Policies

Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company's measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income tax. The Company believes the presentation of operating earnings as the Company measures it for management purposes enhances the understanding of its performance by highlighting the results of operations and the underlying profitability drivers of the business.

Operating earnings is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

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

Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees");

Net investment income: (i) includes amounts for scheduled periodic settlement payments 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) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

Other revenues are adjusted for settlements of foreign currency earnings hedges.

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MetLife, Inc.

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

2. Segment Information (continued)

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

Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, (iii) benefits and hedging costs related to GMIBs (“GMIB Costs”), and (iv) market value adjustments associated with surrenders or terminations of contracts (“Market Value Adjustments”);

Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

Amortization of deferred policy acquisition costs (“DAC”) and value of business acquired (“VOBA”) excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustments;

Amortization of negative VOBA excludes amounts related to Market Value Adjustments;

Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition and integration costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance. In addition to the tax impact of the adjustments mentioned above, provision for income tax expense (benefit) also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

In the first quarter of 2015, the Company implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising the Company’s capital allocation methodology, and (ii) the realignment of consumer direct business. Consequently, prior period results for the three months and six months ended June 30, 2014 were impacted as follows:

Retail’s operating earnings increased (decreased) by \$25 million and \$49 million, net of (\$45) million and (\$89) million of income tax expense (benefit), respectively;

Group, Voluntary & Worksite Benefits’ operating earnings increased (decreased) by \$4 million and \$6 million, net of \$3 million and \$4 million of income tax expense (benefit), respectively;

Corporate Benefit Funding’s operating earnings increased (decreased) by (\$11) million and (\$26) million, net of (\$14) million and (\$22) million of income tax expense (benefit), respectively;

Latin America’s operating earnings increased (decreased) by (\$24) million and (\$49) million, net of (\$14) million and (\$30) million of income tax expense (benefit), respectively;

Asia’s operating earnings increased (decreased) by \$5 million and \$10 million, net of \$1 million and \$2 million of income tax expense (benefit), respectively;

EMEA’s operating earnings increased (decreased) by (\$21) million and (\$38) million, net of (\$11) million and (\$18) million of income tax expense (benefit), respectively; and

Corporate & Other’s operating earnings increased (decreased) by \$22 million and \$48 million, net of \$80 million and \$153 million of income tax expense (benefit), respectively.

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 six months ended June 30, 2015 and 2014. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital

allocation described below.

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MetLife, Inc.

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

2. Segment Information (continued)

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, operating earnings or income (loss) from continuing operations, net of income tax.

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 June 30, 2015	Operating Results										
	Americas					Asia	EMEA & Other			Adjustments	Total Consolidated
Retail	Group, Voluntary & Workplace Benefits	Corporate Benefit Funding	Latin America	Total	Corporate Total		Corporate & Other	Corporate Total	Corporate Total		
	(In millions)										
Revenues											
Premiums	\$1,747	\$4,104	\$319	\$783	\$6,953	\$1,809	\$525	\$26	\$9,313	\$(1)	\$9,312
Universal life and investment-type product policy fees	1,252	183	59	301	1,795	400	114	26	2,335	99	2,434
Net investment income	2,003	481	1,526	283	4,293	679	84	129	5,185	(238)	4,947
Other revenues	263	114	77	7	461	28	19	19	527	(9)	518
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(133)	(133)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(912)	(912)
Total revenues	5,265	4,882	1,981	1,374	13,502	2,916	742	200	17,360	(1,194)	16,166
Expenses											
Policyholder benefits and claims and policyholder dividends	2,373	3,805	933	744	7,855	1,375	265	8	9,503	180	9,683
Interest credited to policyholder account balances	551	38	294	89	972	328	34	8	1,342	(44)	1,298
Capitalization of DAC	(257)	(36)	(4)	(100)	(397)	(398)	(132)	—	(927)	—	(927)
Amortization of DAC and VOBA	400	39	6	86	531	336	133	1	1,001	(104)	897
Amortization of negative VOBA	—	—	—	(1)	(1)	(78)	(4)	—	(83)	(9)	(92)
Interest expense on debt	—	—	1	—	1	—	—	306	307	1	308
Other expenses	1,220	681	130	419	2,450	869	389	174	3,882	4	3,886
Total expenses	4,287	4,527	1,360	1,237	11,411	2,432	685	497	15,025	28	15,053
Provision for income tax expense (benefit)	288	124	215	21	648	59	7	(175)	539	(545)	(6)
Operating earnings	\$690	\$231	\$406	\$116	\$1,443	\$425	\$50	\$(122)	1,796		
Adjustments to:											
Total revenues									(1,194)		
Total expenses									(28)		
Provision for income tax (expense) benefit									545		
Income (loss) from continuing operations, net of income tax									\$1,119		\$1,119

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MetLife, Inc.

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

2. Segment Information (continued)

Three Months Ended June 30, 2014	Operating Results Americas								Adjustments	Total Consolidated	
	Retail	Group, Voluntary & Workplace Benefits	Corporate Benefit Funding	Latin America	Total	Asia	Corporate EMEA & Other	Total			
	(In millions)										
Revenues											
Premiums	\$1,812	\$4,038	\$686	\$798	\$7,334	\$1,913	\$584	\$22	\$9,853	\$20	\$9,873
Universal life and investment-type product policy fees	1,256	181	55	317	1,809	400	117	34	2,360	98	2,458
Net investment income	1,947	465	1,413	301	4,126	724	112	133	5,095	164	5,259
Other revenues	265	104	75	9	453	24	11	5	493	(3)	490
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(125)	(125)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	311	311
Total revenues	5,280	4,788	2,229	1,425	13,722	3,061	824	194	17,801	465	18,266
Expenses											
Policyholder benefits and claims and policyholder dividends	2,438	3,789	1,273	749	8,249	1,425	271	19	9,964	421	10,385
Interest credited to policyholder account balances	561	39	287	100	987	394	35	9	1,425	284	1,709
Capitalization of DAC	(249)	(36)	(18)	(101)	(404)	(457)	(170)	—	(1,031)	(1)	(1,032)
Amortization of DAC and VOBA	378	35	6	84	503	362	160	—	1,025	37	1,062
Amortization of negative VOBA	—	—	—	(1)	(1)	(92)	(6)	—	(99)	(12)	(111)
Interest expense on debt	—	—	2	—	2	—	—	297	299	13	312
Other expenses	1,181	638	129	436	2,384	977	456	162	3,979	12	3,991
Total expenses	4,309	4,465	1,679	1,267	11,720	2,609	746	487	15,562	754	16,316
Provision for income tax expense (benefit)	294	114	187	22	617	128	6	(133)	618	(44)	574
Operating earnings	\$677	\$209	\$363	\$136	\$1,385	\$324	\$72	\$(160)	1,621		
Adjustments to:											
Total revenues									465		
Total expenses									(754)		
Provision for income tax (expense) benefit									44		
Income (loss) from continuing operations, net of income tax									\$1,376		\$1,376

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MetLife, Inc.

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

2. Segment Information (continued)

Six Months Ended June 30, 2015	Operating Results Americas								Total Adjustments	Total Consolidated	
	Retail	Group, Voluntary & Workplace Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other			
	(In millions)										
Revenues											
Premiums	\$3,496	\$8,221	\$737	\$1,482	\$13,936	\$3,561	\$1,033	\$36	\$18,566	\$(1)	\$18,565
Universal life and investment-type product policy fees	2,488	371	113	595	3,567	797	216	49	4,629	199	4,828
Net investment income	3,983	959	2,956	501	8,399	1,363	167	238	10,167	241	10,408
Other revenues	514	227	148	17	906	56	29	39	1,030	(17)	1,013
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	153	153
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(91)	(91)
Total revenues	10,481	9,778	3,954	2,595	26,808	5,777	1,445	362	34,392	484	34,876
Expenses											
Policyholder benefits and claims and policyholder dividends	4,822	7,640	1,924	1,325	15,711	2,715	504	20	18,950	329	19,279
Interest credited to policyholder account balances	1,093	75	587	175	1,930	665	64	14	2,673	620	3,293
Capitalization of DAC	(504)	(72)	(10)	(211)	(797)	(833)	(265)	—	(1,895)	—	(1,895)
Amortization of DAC and VOBA	775	80	11	164	1,030	662	261	1	1,954	(32)	1,922
Amortization of negative VOBA	—	—	—	(1)	(1)	(164)	(8)	—	(173)	(19)	(192)
Interest expense on debt	(1)	—	2	—	1	—	—	603	604	2	606
Other expenses	2,396	1,345	254	844	4,839	1,773	751	319	7,682	9	7,691
Total expenses	8,581	9,068	2,768	2,296	22,713	4,818	1,307	957	29,795	909	30,704
Provision for income tax expense (benefit)	557	251	411	52	1,271	207	18	(363)	1,133	(243)	890
Operating earnings	\$1,343	\$459	\$775	\$247	\$2,824	\$752	\$120	\$(232)	\$3,464		
Adjustments to:											
Total revenues									484		
Total expenses									(909)		
Provision for income tax (expense) benefit									243		
Income (loss) from continuing operations, net of income tax									\$3,282		\$3,282

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MetLife, Inc.

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

2. Segment Information (continued)

Six Months Ended June 30, 2014	Operating Results Americas										
	Retail	Group, Voluntary & Workplace Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjusted	Total
	(In millions)										
Revenues											
Premiums	\$3,536	\$8,040	\$987	\$1,481	\$14,044	\$3,803	\$1,181	\$42	\$19,070	\$22	\$19,092
Universal life and investment-type product policy fees	2,503	358	112	628	3,601	789	226	67	4,683	196	4,879
Net investment income	3,941	921	2,795	598	8,255	1,424	219	282	10,180	114	10,294
Other revenues	510	211	143	16	880	51	27	26	984	(16)	968
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(536)	(536)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	654	654
Total revenues	10,490	9,530	4,037	2,723	26,780	6,067	1,653	417	34,917	434	35,351
Expenses											
Policyholder benefits and claims and policyholder dividends	4,845	7,570	2,161	1,365	15,941	2,822	532	42	19,337	675	20,012
Interest credited to policyholder account balances	1,116	79	565	198	1,958	781	69	18	2,826	352	3,178
Capitalization of DAC	(483)	(70)	(19)	(208)	(780)	(951)	(346)	—	(2,077)	(1)	(2,078)
Amortization of DAC and VOBA	807	71	10	163	1,051	700	324	—	2,075	45	2,120
Amortization of negative VOBA	—	—	—	(1)	(1)	(186)	(15)	—	(202)	(24)	(226)
Interest expense on debt	—	—	4	—	4	—	—	589	593	31	624
Other expenses	2,323	1,266	244	872	4,705	1,968	920	337	7,930	15	7,945
Total expenses	8,608	8,916	2,965	2,389	22,878	5,134	1,484	986	30,482	1,093	31,575
Provision for income tax expense (benefit)	569	215	369	40	1,193	276	26	(273)	1,222	(164)	1,058
Operating earnings	\$1,313	\$399	\$703	\$294	\$2,709	\$657	\$143	\$(296)	3,213		
Adjustments to:											
Total revenues									434		
Total expenses									(1,093)		
Provision for income tax (expense) benefit									164		
Income (loss) from continuing operations, net of income tax									\$2,718		\$2,718

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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:

	June 30, 2015	December 31, 2014
	(In millions)	
Retail	\$357,228	\$359,188
Group, Voluntary & Worksite Benefits	46,395	46,483
Corporate Benefit Funding	231,739	228,543
Latin America	70,541	72,259
Asia	113,676	117,894
EMEA	28,472	29,217
Corporate & Other	50,358	48,753
Total	\$898,409	\$902,337

3. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. 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 6.

The Company also issues two tier annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash (the "lower tier") and a higher rate if the contractholder elects to annuitize (the "upper tier"). 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.

Based on the type of guarantee, the Company defines net amount at risk as listed below. These amounts include direct and assumed business, but exclude offsets from hedging or ceded reinsurance, if any.

Variable Annuities

In the Event of Death

Defined as the death benefit less the total contract 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.

At Annuitization

Defined as the amount (if any) that would be required to be added to the total contract 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.

Two Tier and Other Annuities

Two tier annuities are defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. Other annuities are defined as the amount (if any) that would be required to be added to the total contract 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.

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MetLife, Inc.

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

3. Insurance (continued)

Universal and Variable Life Contracts

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.

Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	June 30, 2015		December 31, 2014	
	In the Event of Death (In millions)	At Annuitization	In the Event of Death	At Annuitization
Annuity Contracts (1)				
Variable Annuities				
Total contract account value (2)	\$193,102	\$97,772	\$196,595	\$99,000
Separate account value	\$161,952	\$94,416	\$163,566	\$95,963
Net amount at risk (2)	\$5,107	\$1,821	\$4,230	\$1,770
Average attained age of contractholders	66 years	66 years	65 years	65 years
Two Tier and Other Annuities				
Account value	N/A	\$958	N/A	\$1,040
Net amount at risk	N/A	\$281	N/A	\$340
Average attained age of contractholders	N/A	51 years	N/A	50 years
	June 30, 2015		December 31, 2014	
	Secondary Guarantees (In millions)	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	\$17,273	\$3,524	\$16,875	\$3,587
Net amount at risk	\$177,498	\$19,669	\$180,069	\$20,344
Average attained age of policyholders	57 years	61 years	56 years	61 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 consolidated balance sheets, from assumed business of certain variable annuity products from the Company's former operating joint venture in Japan.

4. 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)

4. Closed Block (continued)

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

	June 30, 2015	December 31, 2014
	(In millions)	
Closed Block Liabilities		
Future policy benefits	\$41,367	\$41,667
Other policy-related balances	283	265
Policyholder dividends payable	485	461
Policyholder dividend obligation	2,328	3,155
Current income tax payable	4	1
Other liabilities	570	646
Total closed block liabilities	45,037	46,195
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	27,799	29,199
Equity securities available-for-sale, at estimated fair value	120	91
Mortgage loans	6,202	6,076
Policy loans	4,645	4,646
Real estate and real estate joint ventures	649	666
Other invested assets	1,061	1,065
Total investments	40,476	41,743
Cash and cash equivalents	395	227
Accrued investment income	464	477
Premiums, reinsurance and other receivables	93	67
Deferred income tax assets	269	289
Total assets designated to the closed block	41,697	42,803
Excess of closed block liabilities over assets designated to the closed block	3,340	3,392
Amounts included in accumulated other comprehensive income (loss) ("AOCI")		
Unrealized investment gains (losses), net of income tax	1,720	2,291
Unrealized gains (losses) on derivatives, net of income tax	45	28
Allocated to policyholder dividend obligation, net of income tax	(1,513)	(2,051)
Total amounts included in AOCI	252	268
Maximum future earnings to be recognized from closed block assets and liabilities	\$3,592	\$3,660

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

	Six Months Ended June 30, 2015	Year Ended December 31, 2014
	(In millions)	
Balance, beginning of period	\$3,155	\$1,771
Change in unrealized investment and derivative gains (losses)	(827)	1,384
Balance, end of period	\$2,328	\$3,155

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MetLife, Inc.

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

4. Closed Block (continued)

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

	Three Months		Six Months		
	Ended		Ended		
	June 30,		June 30,		
	2015	2014	2015	2014	
	(In millions)				
Revenues					
Premiums	\$457	\$473	\$887	\$919	
Net investment income	498	522	1,013	1,052	
Net investment gains (losses)	2	8	1	8	
Net derivative gains (losses)	(13) (3) 12	(4)
Total revenues	944	1,000	1,913	1,975	
Expenses					
Policyholder benefits and claims	643	645	1,251	1,269	
Policyholder dividends	244	243	484	476	
Other expenses	36	38	73	79	
Total expenses	923	926	1,808	1,824	
Revenues, net of expenses before provision for income tax expense (benefit)	21	74	105	151	
Provision for income tax expense (benefit)	8	26	37	53	
Revenues, net of expenses and provision for income tax expense (benefit)	\$13	\$48	\$68	\$98	

MLIC charges the closed block with federal income taxes, state and local premium taxes and other additive 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.

5. Investments

Fixed Maturity and Equity Securities Available-for-Sale

Fixed Maturity and Equity Securities Available-for-Sale by Sector

The following table presents the fixed maturity and equity securities available-for-sale (“AFS”) by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including residential mortgage-backed securities (“RMBS”), commercial mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”).

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MetLife, Inc.

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

5. Investments (continued)

	June 30, 2015					December 31, 2014				
	Cost or Amortized Cost (In millions)	Gross Gains	Unrealized Temporary Losses	OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Gains	Unrealized Temporary Losses	OTTI Losses	Estimated Fair Value
Fixed maturity securities										
U.S. corporate	\$94,375	\$7,977	\$1,206	\$—	\$101,146	\$96,235	\$10,343	\$624	\$—	\$105,954
Foreign corporate	56,284	3,882	1,068	—	59,098	57,695	4,651	664	7	61,675
U.S. Treasury and agency	53,083	4,854	399	—	57,538	54,654	6,892	30	—	61,516
Foreign government	46,004	5,206	153	—	51,057	47,327	5,500	161	—	52,666
RMBS	40,188	1,719	345	44	41,518	38,064	2,102	214	106	39,846
State and political subdivision	13,530	1,735	101	—	15,164	12,922	2,291	26	—	15,187
CMBS (1)	11,472	453	84	(1)	11,842	13,762	615	46	(1)	14,332
ABS	13,897	203	103	7	13,990	14,121	240	112	—	14,249
Total fixed maturity securities	\$328,833	\$26,029	\$3,459	\$50	\$351,353	\$334,780	\$32,634	\$1,877	\$112	\$365,425
Equity securities										
Common stock	\$2,058	\$558	\$27	\$—	\$2,589	\$1,990	\$554	\$28	\$—	\$2,516
Non-redeemable preferred stock	1,059	75	46	—	1,088	1,086	68	39	—	1,115
Total equity securities	\$3,117	\$633	\$73	\$—	\$3,677	\$3,076	\$622	\$67	\$—	\$3,631

(1) The noncredit loss component of other-than-temporary-impairment (“OTTI”) losses for CMBS was in an unrealized gain position of \$1 million at both June 30, 2015 and December 31, 2014, due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also “— Net Unrealized Investment Gains (Losses).”

The Company held non-income producing fixed maturity securities with an estimated fair value of \$84 million and \$64 million with unrealized gains (losses) of \$31 million and \$28 million at June 30, 2015 and December 31, 2014, respectively.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at June 30, 2015:

	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
	(In millions)					
Amortized cost	\$12,889	\$71,122	\$72,803	\$106,462	\$65,557	\$328,833
Estimated fair value	\$13,015	\$74,685	\$77,611	\$118,692	\$67,350	\$351,353

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

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

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

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MetLife, Inc.

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

5. Investments (continued)

	June 30, 2015				December 31, 2014			
	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
(In millions, except number of securities)								
Fixed maturity securities								
U.S. corporate	\$19,772	\$944	\$2,353	\$262	\$11,389	\$331	\$4,658	\$293
Foreign corporate	12,921	871	1,726	197	9,410	505	2,074	166
U.S. Treasury and agency	9,657	395	301	4	8,927	12	1,314	18
Foreign government	3,025	91	435	62	1,085	80	630	81
RMBS	12,298	199	1,767	190	4,180	92	2,534	228
State and political subdivision	1,752	78	101	23	83	1	297	25
CMBS	2,553	61	413	22	1,268	23	934	22
ABS	5,068	68	1,463	42	4,456	57	1,440	55
Total fixed maturity securities	\$67,046	\$2,707	\$8,559	\$802	\$40,798	\$1,101	\$13,881	\$888
Equity securities								
Common stock	\$191	\$27	\$3	\$—	\$111	\$28	\$1	\$—
Non-redeemable preferred stock	84	3	185	43	67	2	192	37
Total equity securities	\$275	\$30	\$188	\$43	\$178	\$30	\$193	\$37
Total number of securities in an unrealized loss position	4,916		1,060		3,153		1,435	

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 2014 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company's current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at June 30, 2015. 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 increased \$1.5 billion during the six months ended June 30, 2015 to \$3.5 billion. The increase in gross unrealized losses for the six months ended June 30, 2015 was primarily attributable to an increase in interest rates, and to a lesser extent, widening credit spreads.

At June 30, 2015, \$275 million of the total \$3.5 billion of gross unrealized losses were from 63 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities

Of the \$275 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, \$216 million, or 79%, were related to gross unrealized losses on 35 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

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MetLife, Inc.

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

5. Investments (continued)

Below Investment Grade Fixed Maturity Securities

Of the \$275 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, \$59 million, or 21%, were related to gross unrealized losses on 28 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans), state and political subdivision securities (primarily tax-exempt revenue bonds) and foreign corporate securities (primarily consumer services industry securities) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over valuations of residential real estate supporting non-agency RMBS. Management evaluates non-agency RMBS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security; and evaluates foreign corporate and state and political subdivision securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers.

Equity Securities

Gross unrealized losses on equity securities increased \$6 million during the six months ended June 30, 2015 to \$73 million. Of the \$73 million, \$30 million were from eight securities with gross unrealized losses of 20% or more of cost for 12 months or greater. Of the \$30 million, 57% were from securities rated A or better, and all were from financial services industry investment grade non-redeemable preferred stock securities.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	June 30, 2015		December 31, 2014		
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total	
Mortgage loans:					
Commercial	\$42,953	67.1	\$41,088	68.3	%
Agricultural	12,498	19.5	12,378	20.6	
Residential	8,273	12.9	6,369	10.6	
Subtotal (1)	63,724	99.5	59,835	99.5	
Valuation allowances	(325)	(0.5)	(305)	(0.5))
Subtotal mortgage loans, net	63,399	99.0	59,530	99.0	
Residential — fair value option (“FVO”)	345	0.6	308	0.5	
Commercial mortgage loans held by CSEs — FVO	266	0.4	280	0.5	
Total mortgage loans, net	\$64,010	100.0	\$60,118	100.0	%

Purchases of mortgage loans were \$785 million and \$2.2 billion for the three months and six months ended (1) June 30, 2015, respectively. Purchases of mortgage loans were \$818 million and \$1.4 billion for the three months and six months ended June 30, 2014, respectively.

See “— Variable Interest Entities” for discussion of consolidated securitization entities (“CSEs”).

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on residential - FVO and commercial mortgage loans held by CSEs - FVO is presented in Note 7. The Company elects the FVO for certain mortgage loans and related long-term debt that are managed on a total return basis.

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MetLife, Inc.

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

5. Investments (continued)

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment

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

	Evaluated Individually for Credit Losses				Evaluated Collectively for Credit Losses			Impaired Loans
	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance		Recorded Investment	Valuation Allowances	Carrying Value
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Unpaid Principal Balance	Recorded Investment			
	(In millions)							
June 30, 2015								
Commercial	\$70	\$70	\$18	\$83	\$83	\$42,800	\$210	\$135
Agricultural	51	48	3	16	16	12,434	38	61
Residential	—	—	—	91	83	8,190	56	83
Total	\$121	\$118	\$21	\$190	\$182	\$63,424	\$304	\$279
December 31, 2014								
Commercial	\$75	\$75	\$24	\$101	\$100	\$40,913	\$200	\$151
Agricultural	51	48	2	14	13	12,317	37	59
Residential	—	—	—	40	37	6,332	42	37
Total	\$126	\$123	\$26	\$155	\$150	\$59,562	\$279	\$247

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was \$160 million, \$64 million and \$70 million, respectively, for the three months ended June 30, 2015; and \$165 million, \$63 million and \$59 million, respectively, for the six months ended June 30, 2015.

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was \$462 million, \$88 million and \$9 million, respectively, for the three months ended June 30, 2014; and \$476 million, \$92 million and \$12 million, respectively, for the six months ended June 30, 2014.

Valuation Allowance Rollforward by Portfolio Segment

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

	Six Months Ended June 30, 2015				2014			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	\$224	\$39	\$42	\$305	\$258	\$44	\$20	\$322
Provision (release)	4	2	23	29	(4)	(2)	3	(3)
Charge-offs, net of recoveries	—	—	(9)	(9)	(24)	—	(1)	(25)
Balance, end of period	\$228	\$41	\$56	\$325	\$230	\$42	\$22	\$294

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MetLife, Inc.

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

5. Investments (continued)

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans was as follows at:

	Recorded Investment			Total	% of Total	Estimated Fair Value	% of Total		
	Debt Service Coverage Ratios								
	> 1.20x	1.00x - 1.20x	< 1.00x						
	(In millions)					(In millions)			
June 30, 2015									
Loan-to-value ratios									
Less than 65%	\$35,710	\$ 1,216	\$658	\$37,584	87.5	% \$39,102	87.9	%	
65% to 75%	3,911	349	63	4,323	10.1	4,345	9.8		
76% to 80%	133	—	8	141	0.3	148	0.3		
Greater than 80%	541	259	105	905	2.1	904	2.0		
Total	\$40,295	\$ 1,824	\$834	\$42,953	100.0	% \$44,499	100.0	%	
December 31, 2014									
Loan-to-value ratios									
Less than 65%	\$33,933	\$ 1,105	\$1,101	\$36,139	88.0	% \$38,166	88.4	%	
65% to 75%	3,306	405	87	3,798	9.2	3,873	9.0		
76% to 80%	130	—	15	145	0.4	153	0.3		
Greater than 80%	562	281	163	1,006	2.4	987	2.3		
Total	\$37,931	\$ 1,791	\$1,366	\$41,088	100.0	% \$43,179	100.0	%	

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans was as follows at:

	June 30, 2015		December 31, 2014		
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total	
Loan-to-value ratios					
Less than 65%	\$11,733	93.8	% \$11,743	94.9	%
65% to 75%	625	5.0	533	4.3	
76% to 80%	70	0.6	17	0.1	
Greater than 80%	70	0.6	85	0.7	
Total	\$12,498	100.0	% \$12,378	100.0	%

The estimated fair value of agricultural mortgage loans was \$12.9 billion and \$12.8 billion at June 30, 2015 and December 31, 2014, respectively.

Credit Quality of Residential Mortgage Loans

The credit quality of residential mortgage loans was as follows at:

	June 30, 2015		December 31, 2014		
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total	
Performance indicators					
Performing	\$7,752	93.7	% \$6,196	97.3	%
Nonperforming	521	6.3	173	2.7	
Total	\$8,273	100.0	% \$6,369	100.0	%

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MetLife, Inc.

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

5. Investments (continued)

The estimated fair value of residential mortgage loans was \$8.6 billion and \$6.6 billion at June 30, 2015 and December 31, 2014, respectively.

Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both June 30, 2015 and December 31, 2014. 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 accrual status of mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Nonaccrual Status	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
	(In millions)			
Commercial	\$10	\$10	\$70	\$75
Agricultural	33	1	46	41
Residential	521	173	512	163
Total	\$564	\$184	\$628	\$279

Mortgage Loans Modified in a Troubled Debt Restructuring

For a small portion of the mortgage loan portfolio, classified as troubled debt restructurings, concessions are granted related to borrowers experiencing financial difficulties. Generally, the types of concessions include: reduction of the contractual interest rate, extension of the maturity date at an interest rate lower than current market interest rates, and/or a reduction of accrued interest. The amount, timing and extent of the concession granted is considered in determining any impairment or changes in the specific valuation allowance. During both the three months and six months ended June 30, 2015 and 2014, the Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring.

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was \$2.7 billion and \$4.5 billion at June 30, 2015 and December 31, 2014, respectively.

Net Unrealized Investment Gains (Losses)

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

	June 30, 2015	December 31, 2014
	(In millions)	
Fixed maturity securities	\$22,167	\$30,367
Fixed maturity securities with noncredit OTTI losses in AOCI	(50)	(112)
Total fixed maturity securities	22,117	30,255
Equity securities	620	608
Derivatives	1,804	1,761
Other	192	149
Subtotal	24,733	32,773
Amounts allocated from:		
Future policy benefits	(1,309)	(2,886)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(4)	(4)
DAC, VOBA and DSI	(1,451)	(1,946)

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Policyholder dividend obligation	(2,328) (3,155)
Subtotal	(5,092) (7,991)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	20	42	
Deferred income tax benefit (expense)	(6,774	) (8,556)
Net unrealized investment gains (losses)	12,887	16,268	
Net unrealized investment gains (losses) attributable to noncontrolling interests	(24	) (33)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	\$12,863	\$16,235	

The changes in fixed maturity securities with noncredit OTTI losses included in AOCI were as follows:

	Six Months Ended June 30, 2015	Year Ended December 31, 2014	
	(In millions)		
Balance, beginning of period	\$(112	) \$(218)
Noncredit OTTI losses and subsequent changes recognized	12	17	
Securities sold with previous noncredit OTTI loss	88	53	
Subsequent changes in estimated fair value	(38) 36	
Balance, end of period	\$(50) \$(112)

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MetLife, Inc.

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

5. Investments (continued)

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

	Six Months Ended June 30, 2015 (In millions)	
Balance, beginning of period	\$16,235	
Fixed maturity securities on which noncredit OTTI losses have been recognized	62	
Unrealized investment gains (losses) during the period	(8,102)
Unrealized investment gains (losses) relating to:		
Future policy benefits	1,577	
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	—	
DAC, VOBA and DSI	495	
Policyholder dividend obligation	827	
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(22)
Deferred income tax benefit (expense)	1,782	
Net unrealized investment gains (losses)	12,854	
Net unrealized investment gains (losses) attributable to noncontrolling interests	9	
Balance, end of period	\$12,863	
Change in net unrealized investment gains (losses)	\$(3,381)
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	9	
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	\$(3,372)

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 \$20.2 billion and \$20.3 billion at June 30, 2015 and December 31, 2014, respectively. The Company's investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan, including Japan government and agency fixed maturity securities, was \$25.3 billion and \$25.5 billion at June 30, 2015 and December 31, 2014, respectively.

Securities Lending

The Company participates in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. The Company obtains collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned at inception of the loan. The Company monitors the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necessary throughout the duration of the loan.

Elements of the securities lending program are presented below at:

	June 30, 2015 (In millions)	December 31, 2014
Securities on loan: (1)		
Amortized cost	\$28,043	\$26,989
Estimated fair value	\$29,853	\$30,269
Cash collateral on deposit from counterparties (2)	\$30,511	\$30,826
Security collateral on deposit from counterparties (3)	\$99	\$83
Reinvestment portfolio — estimated fair value	\$30,799	\$31,314

(1) Included within fixed maturity securities and short-term investments. At June 30, 2015, both amortized cost and estimated fair value also include \$217 million, at estimated fair value, of securities which are not reflected in the

consolidated financial statements.

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MetLife, Inc.

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

5. Investments (continued)

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

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

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

June 30, 2015

Remaining Tenor of Securities Lending Agreements

	Open (1)	1 Month or Less	1 to 6 Months	6 Months to 1 Year	Total	% of Total	
(In millions)							
Cash collateral liability by loaned security type							
U.S. Treasury and agency	\$10,610	\$8,731	\$6,847	\$881	\$27,069	88.7	%
Agency RMBS	—	170	1,760	—	1,930	6.4	
Foreign government	5	974	218	—	1,197	3.9	
U.S. corporate	—	276	—	—	276	0.9	
Foreign corporate	6	33	—	—	39	0.1	
Total	\$10,621	\$10,184	\$8,825	\$881	\$30,511	100.0	%

December 31, 2014

Remaining Tenor of Securities Lending Agreements

	Open (1)	1 Month or Less	1 to 6 Months	6 Months to 1 Year	Total	% of Total	
(In millions)							
Cash collateral liability by loaned security type							
U.S. Treasury and agency	\$10,371	\$10,423	\$5,239	\$—	\$26,033	84.5	%
Agency RMBS	—	482	2,572	—	3,054	9.9	
Foreign government	30	1,034	81	—	1,145	3.7	
U.S. corporate	125	182	—	—	307	1.0	
Foreign corporate	175	112	—	—	287	0.9	
Total	\$10,701	\$12,233	\$7,892	\$—	\$30,826	100.0	%

(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 June 30, 2015 was \$10.3 billion, over 99% of which were U.S. Treasury 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 (including agency RMBS, U.S. Treasury and agency, ABS, U.S. corporate, non-agency RMBS and foreign corporate securities) with over 60% invested in agency RMBS, U.S. Treasury and agency securities, short-term investments, or held in cash and cash equivalents. 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.

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MetLife, Inc.

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

5. Investments (continued)

Repurchase Agreement Transactions

Commencing in the first quarter of 2015, the Company began participating in short-term repurchase agreements and reverse repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and contemporaneously borrows other fixed maturity securities (e.g., repurchase and reverse repurchase, respectively). The Company obtains cash collateral in an amount greater than or equal to 95% of the estimated fair value of the securities loaned, and pledges cash collateral in an amount generally equal to 98% of the estimated fair value of the borrowed securities at the inception of the transaction. The Company monitors the estimated fair value of the securities loaned and borrowed on a daily basis with additional collateral obtained as necessary throughout the duration of the transaction.

The Company accounted for these transactions as collateralized borrowing and lending. The amount of fixed maturity securities lent and borrowed, at estimated fair value, was \$518 million and \$506 million, respectively, at June 30, 2015. Securities loaned under such transactions may be sold or re-pledged by the transferee. Securities borrowed under such transactions may be re-pledged and are not reflected in the consolidated financial statements. The amount of borrowed securities which were re-pledged was \$217 million, at estimated fair value, at June 30, 2015.

The Company has elected to offset amounts recognized as receivables and payables resulting from these transactions. The gross amounts of the receivables and payables related to these transactions at June 30, 2015 were both \$499 million. After the effect of offsetting of \$499 million, the net amount presented in the consolidated balance sheet at June 30, 2015 was a liability of less than \$1 million. Amounts owed to and due from counterparties may be settled in cash or offset, in accordance with the agreements. Cash inflows and outflows for cash settlements are reported on the consolidated statements of cash flows. At June 30, 2015, all \$499 million of payables from repurchase agreements had a remaining tenor of one to six months and were loans of U.S. and foreign corporate securities.

See Note 6 for information regarding the estimated fair value of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

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:

	June 30, 2015	December 31, 2014
	(In millions)	
Invested assets on deposit (regulatory deposits)	\$9,036	\$9,437
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	10,084	10,069
Invested assets pledged as collateral (1)	25,831	25,996
Total invested assets on deposit, held in trust and pledged as collateral	\$44,951	\$45,502

The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the (1) 2014 Annual Report), collateral financing arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report) and derivative transactions (see Note 6).

See “— Securities Lending” and “— Repurchase Agreement Transactions” for information regarding securities on loan and Note 4 for information regarding investments designated to the closed block.

Variable Interest Entities

The Company has invested in certain structured transactions (including CSEs), formed trusts to invest proceeds from certain collateral financing arrangements and has insurance operations 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.

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MetLife, Inc.

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

5. Investments (continued)

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. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with those utilized by investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will absorb a majority of a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expected losses, or both. The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

Consolidated VIEs

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at June 30, 2015 and December 31, 2014. 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.

	June 30, 2015		December 31, 2014	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	\$3,469	\$—	\$3,471	\$—
Operating joint venture (2)	2,466	2,076	2,405	1,999
CSEs (assets (primarily loans) and liabilities (primarily debt)) (3)	282	136	297	155
Investments:				
Other invested assets	58	—	59	—
FVO and trading securities	—	—	45	—
Other limited partnership interests	34	—	37	—
Real estate joint ventures	—	—	9	15
Total	\$6,309	\$2,212	\$6,323	\$2,169

(1) See Note 13 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for a description of the MetLife Reinsurance Company of South Carolina ("MRSC") collateral financing arrangement.

Assets of the operating joint venture are primarily fixed maturity securities and separate account assets. Liabilities (2) of the operating joint venture are primarily future policy benefits, other policyholder funds and separate account liabilities.

The Company consolidates entities that are structured as CMBS and as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining investment in these entities of \$126 million and \$123 million at estimated fair value at June 30, 2015 (3) and December 31, 2014, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was \$1 million and \$2 million for the three months and six months ended June 30, 2015, respectively, and \$13 million and \$31 million for the three months and six months ended June 30, 2014, respectively.

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MetLife, Inc.

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

5. Investments (continued)

Unconsolidated VIEs

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

	June 30, 2015		December 31, 2014	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured securities (RMBS, CMBS and ABS) (2)	\$67,350	\$67,350	\$68,427	\$68,427
U.S. and foreign corporate	3,420	3,420	3,829	3,829
Other limited partnership interests	6,208	8,156	6,250	8,402
Other invested assets	1,593	2,017	1,720	2,050
FVO and trading securities	628	628	565	565
Real estate joint ventures	76	100	100	125
Mortgage loans	33	33	51	51
Equity securities AFS:				
Non-redeemable preferred stock	40	40	41	41
Total	\$79,348	\$81,744	\$80,983	\$83,490

The maximum exposure to loss relating to fixed maturity securities AFS, FVO and trading securities and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests, mortgage loans and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the

(1) 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 \$197 million and \$212 million at June 30, 2015 and December 31, 2014, 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 13, 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 six months ended June 30, 2015 and 2014.

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MetLife, Inc.

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

5. Investments (continued)

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Investment income:				
Fixed maturity securities	\$3,672	\$3,758	\$7,213	\$7,411
Equity securities	35	37	66	67
FVO and trading securities — Actively Traded and FVO general account securities (1)	2	44	39	81
Mortgage loans	801	708	1,531	1,417
Policy loans	151	158	303	315
Real estate and real estate joint ventures	323	262	534	479
Other limited partnership interests	250	206	465	535
Cash, cash equivalents and short-term investments	37	41	72	88
Operating joint ventures	8	3	16	3
Other	30	31	152	76
Subtotal	5,309	5,248	10,391	10,472
Less: Investment expenses	313	299	615	575
Subtotal, net	4,996	4,949	9,776	9,897
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	(55	) 295	622	360
FVO CSEs — interest income:				
Commercial mortgage loans	5	14	9	36
Securities	1	1	1	1
Subtotal	(49	) 310	632	397
Net investment income	\$4,947	\$5,259	\$10,408	\$10,294

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were as follows:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Actively Traded and FVO general account securities	\$(38	) \$14	\$(40	) \$25
FVO contractholder-directed unit-linked investments	\$(288) \$138	\$261	\$81

See “— Variable Interest Entities” for discussion of CSEs.

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MetLife, Inc.

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

5. Investments (continued)

FVO and trading securities are primarily comprised of securities for which the FVO has been elected (“FVO Securities”). FVO Securities include certain 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. FVO Securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and liabilities. The investment returns on these investments inure to the contractholders and are offset by a corresponding change in policyholder account balances through interest credited to policyholder account balances. FVO Securities also include securities held by CSEs. The Company has a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and sale of actively traded securities and the execution of short sale agreements.

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MetLife, Inc.

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

5. 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 June 30, 2015		Six Months Ended June 30, 2015	
	2014		2014	
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized — by sector and industry:				
U.S. and foreign corporate securities — by industry:				
Consumer	\$—	\$—	\$(3	) \$(7
Transportation	—	(2	) —	(2
Industrial	—	—	(2) —
Total U.S. and foreign corporate securities	—	(2	) (5	) (9
RMBS	(2	) (6	) (15	) (9
ABS	—	(7	) —	(7
OTTI losses on fixed maturity securities recognized in earnings	(2	) (15	) (20	) (25
Fixed maturity securities — net gains (losses) on sales and disposals	17	69	268	165
Total gains (losses) on fixed maturity securities	115	54	248	140
Total gains (losses) on equity securities:				
Total OTTI losses recognized — by sector:				
Non-redeemable preferred stock	—	(23	) —	(23
Common stock	(9	) (10	) (9	) (11
OTTI losses on equity securities recognized in earnings	(9	) (33	) (9	) (34
Equity securities — net gains (losses) on sales and disposals	17	58	25	84
Total gains (losses) on equity securities	8	25	16	50
FVO and trading securities — FVO general account securities	—	(1	) —	8
Mortgage loans	(9	) 16	(52	) 5
Real estate and real estate joint ventures	(33	) (1	) (6	) 64
Other limited partnership interests	(9	) (36	) 7	(38
Other investment portfolio gains (losses)	(27	) (2	) (4	) (6
Subtotal — investment portfolio gains (losses)	45	55	209	223
FVO CSEs:				
Commercial mortgage loans	1	(16	) (2	) (15
Long-term debt — related to commercial mortgage loans	1	17	2	18
Non-investment portfolio gains (losses) (1)	(180	) (181	) (56	) (762
Subtotal FVO CSEs and non-investment portfolio gains (losses)	(178	) (180	) (56	) (759
Total net investment gains (losses)	\$(133	) \$(125	) \$153	) \$(536

Non-investment portfolio gains (losses) for the three months and six months ended June 30, 2014 includes a loss of (1)\$138 million and \$633 million, respectively, related to the disposition of MetLife Assurance Limited (“MAL”). See

Note 3 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

See “— Variable Interest Entities” for discussion of CSEs.

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MetLife, Inc.

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

5. Investments (continued)

Gains (losses) from foreign currency transactions included within net investment gains (losses) were (\$243) million and (\$82) million for the three months and six months ended June 30, 2015, respectively, and (\$112) million and (\$107) million for the three months and six months ended June 30, 2014, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Three Months			
	Ended June 30,		2015	
	2015	2014	2015	2014
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	\$29,321	\$19,700	\$103	\$326
Gross investment gains	\$338	\$176	\$20	\$60
Gross investment losses	(221)	) (107)	) (3)	) (2)
OTTI losses	(2)	) (15)	) (9)	) (33)
Net investment gains (losses)	\$115	\$54	\$8	\$25
	Six Months			
	Ended June 30,		2015	
	2015	2014	2015	2014
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	\$59,327	\$41,991	\$156	\$427
Gross investment gains	\$676	\$490	\$35	\$87
Gross investment losses	(408)) (325)) (10)) (3)
OTTI losses	(20)) (25)) (9)) (34)
Net investment gains (losses)	\$248	\$140	\$16	\$50

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MetLife, Inc.

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

5. Investments (continued)

Credit Loss Rollforward

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

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Balance, beginning of period	\$357	\$370	\$357	\$378
Additions:				
Initial impairments — credit loss OTTI on securities not previously impaired	—	—	2	—
Additional impairments — credit loss OTTI on securities previously impaired	2	6	13	8
Reductions:				
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(78	) (10	) (91	) (20
Securities impaired to net present value of expected future cash flows	—	(7	) —	(7
Increase in cash flows — accretion of previous credit loss OTTI	(1	) —	(1) —
Balance, end of period	\$280	\$359	\$280	\$359

6. Derivatives

Accounting for Derivatives

Freestanding Derivatives

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

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

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

Statement of Operations Presentation:

Policyholder benefits and claims

Net investment income

Derivative:

- Economic hedges of variable annuity guarantees included in future policy benefits
- Economic hedges of equity method investments in joint ventures
- All derivatives held in relation to trading portfolios
- Derivatives held within contractholder-directed unit-linked investments

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MetLife, Inc.

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

6. Derivatives (continued)

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.

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).

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MetLife, Inc.

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

6. Derivatives (continued)

Embedded Derivatives

The Company sells variable annuities and issues certain insurance products and investment contracts and is a party to certain reinsurance agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the combined instrument is not accounted for in its entirety at estimated fair value with changes in estimated fair value recorded in earnings;

- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and

- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses), except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees.

See Note 7 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 market.

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, 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 non-qualifying 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. Treasury, agency, or other fixed maturity security. Structured interest rate swaps are included in interest rate swaps and are not designated as hedging instruments.

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MetLife, Inc.

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

6. Derivatives (continued)

The Company purchases interest rate caps and floors primarily to protect its floating rate liabilities against rises in interest rates above a specified level, and against interest rate exposure arising from mismatches between assets and liabilities, as well as to protect its minimum rate guarantee liabilities against declines in interest rates below a specified level, respectively. In certain instances, the Company locks in the economic impact of existing purchased caps and floors by entering into offsetting written caps and floors. The Company utilizes interest rate caps and floors in non-qualifying hedging relationships.

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to hedge against changes in value of securities the Company owns or anticipates acquiring, to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance, and to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded interest rate futures in non-qualifying 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 non-qualifying 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 hedging relationships.

Foreign Currency Exchange Rate Derivatives

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

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

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MetLife, Inc.

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

6. Derivatives (continued)

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional amount in exchange for the payment of cash amounts by the counterparty equal to the par value of the investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, repudiation, moratorium, involuntary restructuring or governmental intervention. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association, Inc. (“ISDA”) deems that a credit event has occurred. The Company utilizes credit default swaps in non-qualifying 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. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as hedging instruments.

The Company also enters into certain purchased and written credit default swaps held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. 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 total rate of return swaps (“TRRs”).

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. Certain of these contracts may also contain settlement provisions linked to interest rates. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options. The Company utilizes equity index options in non-qualifying 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 non-qualifying hedging relationships.

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange.

Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products offered by the Company. The Company utilizes exchange-traded equity futures in non-qualifying hedging relationships.

TRRs 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. The Company uses TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used as hedges or to synthetically create investments. The Company utilizes TRRs in non-qualifying hedging relationships.

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MetLife, Inc.

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

6. Derivatives (continued)

Primary Risks Managed by Derivatives

The following table presents the gross notional amount, estimated fair value and primary underlying risk exposure of the Company's derivatives, excluding embedded derivatives, held at:

Primary Underlying Risk Exposure	June 30, 2015			December 31, 2014			
	Gross Notional Amount (In millions)	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Gross Notional Amount	Estimated Fair Value Assets	Estimated Fair Value Liabilities	
Derivatives Designated as Hedging Instruments							
Fair value hedges:							
Interest rate swaps	Interest rate	\$5,914	\$1,968	\$18	\$6,044	\$2,064	\$21
Foreign currency swaps	Foreign currency exchange rate	3,077	125	225	2,708	65	100
Foreign currency forwards	Foreign currency exchange rate	2,085	—	82	2,335	—	291
Subtotal		11,076	2,093	325	11,087	2,129	412
Cash flow hedges:							
Interest rate swaps	Interest rate	2,835	386	13	2,560	528	—
Interest rate forwards	Interest rate	105	19	—	225	63	—
Foreign currency swaps	Foreign currency exchange rate	21,050	888	1,377	18,325	563	930
Subtotal		23,990	1,293	1,390	21,110	1,154	930
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	4,059	130	4	4,097	295	11
Currency options	Foreign currency exchange rate	6,769	312	12	6,419	415	—
Subtotal		10,828	442	16	10,516	710	11
Total qualifying hedges		45,894	3,828	1,731	42,713	3,993	1,353
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	92,199	3,993	1,829	93,266	4,570	2,051
Interest rate floors	Interest rate	30,155	328	102	55,645	440	199
Interest rate caps	Interest rate	52,874	85	1	49,128	145	1
Interest rate futures	Interest rate	2,997	9	12	2,707	4	9
Interest rate options	Interest rate	35,507	1,066	78	48,078	1,241	75
Synthetic GICs	Interest rate	4,211	—	—	4,298	—	—
Foreign currency swaps	Foreign currency exchange rate	11,354	437	437	11,041	447	385
Foreign currency forwards	Foreign currency exchange rate	12,612	114	534	13,206	127	791
Currency futures	Foreign currency exchange rate	1,013	1	—	522	2	—
Currency options	Foreign currency exchange rate	9,920	608	319	8,324	585	340
Credit default swaps — purchased	Credit	2,622	12	39	2,830	8	34

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Credit default swaps — written	Credit	10,594	163	5	10,527	181	6
Equity futures	Equity market	6,333	47	15	6,073	65	2
Equity index options	Equity market	42,856	1,440	1,104	39,345	1,426	1,036
Equity variance swaps	Equity market	24,826	286	719	24,598	196	639
TRRs	Equity market	3,558	77	3	3,297	22	101
Total non-designated or non-qualifying derivatives		343,631	8,666	5,197	372,885	9,459	5,669
Total		\$389,525	\$12,494	\$6,928	\$415,598	\$13,452	\$7,022

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 June 30, 2015 and December 31, 2014. 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 that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these non-qualified 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.

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MetLife, Inc.

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

6. Derivatives (continued)

Net Derivative Gains (Losses)

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

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions)			
Derivatives and hedging gains (losses) (1)	\$ (1,733)	\$ 82	\$ (885)	\$ 534
Embedded derivatives gains (losses)	821	229	794	120
Total net derivative gains (losses)	\$ (912)	\$ 311	\$ (91)	\$ 654

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

The following table presents earned income on derivatives:

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions)			
Qualifying hedges:				
Net investment income	\$ 45	\$ 34	\$ 103	\$ 67
Interest credited to policyholder account balances	13	32	15	64
Other expenses	1	—	(2)	(1)
Non-qualifying hedges:				
Net investment income	(1)	(1)	(2)	(2)
Net derivative gains (losses)	240	149	501	368
Policyholder benefits and claims	4	(56)	8	(64)
Total	\$ 302	\$ 158	\$ 623	\$ 432

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MetLife, Inc.

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

6. Derivatives (continued)

Non-Qualifying 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 qualifying as hedging instruments:

	Net Derivative Gains (Losses) (In millions)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
Three Months Ended June 30, 2015			
Interest rate derivatives	\$ (1,459	) \$—	\$ (18
Foreign currency exchange rate derivatives	(590) —	—
Credit derivatives — purchased	4	1	—
Credit derivatives — written	(34) —	—
Equity derivatives	(186	) (3	) (27
Total	\$ (2,265	) \$(2	) \$(45
Three Months Ended June 30, 2014			
Interest rate derivatives	\$ 305	\$—	\$ 10
Foreign currency exchange rate derivatives	(81) —	—
Credit derivatives — purchased	(7	) (1) —
Credit derivatives — written	22	—	—
Equity derivatives	(425	) (6	) (119
Total	\$ (186	) \$(7	) \$(109
Six Months Ended June 30, 2015			
Interest rate derivatives	\$ (907	) \$—	\$ (7
Foreign currency exchange rate derivatives	79	—	—
Credit derivatives — purchased	(7) —	—
Credit derivatives — written	(31	) 1	—
Equity derivatives	(648	) (7	) (126
Total	\$ (1,514	) \$(6	) \$(133
Six Months Ended June 30, 2014			
Interest rate derivatives	\$ 603	\$—	\$ 22
Foreign currency exchange rate derivatives	(12) —	—
Credit derivatives — purchased	(6) —	—
Credit derivatives — written	13	—	—
Equity derivatives	(606	) (12	) (157
Total	\$ (8	) \$(12	) \$(135

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

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

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.

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MetLife, Inc.

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

6. Derivatives (continued)

The Company recognizes gains and losses on derivatives and the related hedged items in fair value hedges within net derivative gains (losses). The following table presents the amount of such net derivative gains (losses):

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives (In millions)	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
Three Months Ended June 30, 2015				
Interest rate swaps:	Fixed maturity securities	\$4	\$ (2)	\$ 2
	Policyholder liabilities (1)	(366)	) 362	(4)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(3)	) 5	2
	Foreign-denominated policyholder account balances (2)	110	(112)	) (2)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(81)	) 74	(7)
Total		\$ (336)	) \$ 327	\$ (9)
Three Months Ended June 30, 2014				
Interest rate swaps:	Fixed maturity securities	\$ (3)	) \$ 2	\$ (1)
	Policyholder liabilities (1)	137	(131)	) 6
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(3)	) 3	—
	Foreign-denominated policyholder account balances (2)	1	(3)	) (2)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	6	(5)	) 1
Total		\$ 138	) \$ (134)	) \$ 4
Six Months Ended June 30, 2015				
Interest rate swaps:	Fixed maturity securities	\$ (1)	) \$ 5	\$ 4
	Policyholder liabilities (1)	(169)	) 164	(5)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	7	(3)	) 4
	Foreign-denominated policyholder account balances (2)	(139)	) 133	(6)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(98)	) 90	(8)
Total		\$ (400)	) \$ 389	\$ (11)
Six Months Ended June 30, 2014				
Interest rate swaps:	Fixed maturity securities	\$ (2)	) \$ 3	\$ 1
	Policyholder liabilities (1)	346	(335)	) 11
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(7)	) 7	—
	Foreign-denominated policyholder account balances (2)	(26)	) 29	3
		16	(14)	) 2

Foreign currency forwards:	Foreign-denominated fixed maturity securities			
Total		\$327	\$ (310	) \$ 17

(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 six months ended June 30, 2015, (\$3) million and (\$5) million, respectively, of the change in estimated fair value of derivatives was excluded from the assessment of hedge effectiveness. For the three months and six months ended June 30, 2014, \$2 million and \$5 million, respectively, of the change in estimated fair value of derivatives was excluded from the assessment of hedge effectiveness.

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MetLife, Inc.

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

6. Derivatives (continued)

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 \$3 million for both the three months and six months ended June 30, 2015, and (\$2) million and (\$4) million for the three months and six months ended June 30, 2014, respectively.

At both June 30, 2015 and December 31, 2014, 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 six years.

At both June 30, 2015 and December 31, 2014, the balance in AOCI associated with cash flow hedges was \$1.8 billion.

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

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 (Ineffective Portion)		
			Net Derivative Gains (Losses)	Net Investment Income	Other Expenses
(In millions)					
Three Months Ended June 30, 2015					
Interest rate swaps	\$ (269)	) \$ 7	\$ 3	\$ —	\$ (1)
Interest rate forwards	(20)	) 1	1	—	—
Foreign currency swaps	(106)	) 290	(1)	) 1	(2)
Credit forwards	—	—	1	—	—
Total	\$ (395)	) \$ 298	\$ 4	\$ 1	\$ (3)
Three Months Ended June 30, 2014					
Interest rate swaps	\$ 134	\$ 12	\$ 2	\$ —	\$ (5)
Interest rate forwards	11	2	1	1	—
Foreign currency swaps	30	62	—	—	(1)
Credit forwards	—	—	—	—	—
Total	\$ 175	\$ 76	\$ 3	\$ 1	\$ (6)

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Six Months Ended June 30,
2015

Interest rate swaps	\$ (95) \$ 12	\$ 6	\$ —	\$ 2
Interest rate forwards	(5) 4	2	1	—
Foreign currency swaps	(108	) (277	) (1	) 1	2
Credit forwards	—	—	1	—	—
Total	\$ (208	) \$ (261	) \$ 8	\$ 2	\$ 4

Six Months Ended June 30,
2014

Interest rate swaps	\$ 362	\$ 27	\$ 4	\$ —	\$ —
Interest rate forwards	52	2	2	1	1
Foreign currency swaps	82	98	(1	) 1	(1
Credit forwards	—	—	—	—	—
Total	\$ 496	\$ 127	\$ 5	\$ 2	\$ —

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

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MetLife, Inc.

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

6. Derivatives (continued)

At June 30, 2015, \$9 million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified 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.

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

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion) (In millions)
Three Months Ended June 30, 2015	
Foreign currency forwards	\$ 45
Currency options	(2)
Total	\$ 43
Three Months Ended June 30, 2014	
Foreign currency forwards	\$ (45)
Currency options	(124)
Total	\$ (169)
Six Months Ended June 30, 2015	
Foreign currency forwards	\$ 156
Currency options	(43)
Total	\$ 113
Six Months Ended June 30, 2014	
Foreign currency forwards	\$ (79)
Currency options	(238)
Total	\$ (317)

(1) During both the three months and six months ended June 30, 2015, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings. In May 2014, the Company sold its interest in MAL (see Note 3 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report), which was a hedged item in a net investment hedging relationship. As a result, during both the three months and six months ended June 30, 2014, the Company released losses of \$77 million from AOCI into earnings upon the sale.

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

At June 30, 2015 and December 31, 2014, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was \$1.1 billion and \$940 million, respectively.

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MetLife, Inc.

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

6. Derivatives (continued)

Credit Derivatives

In connection with synthetically created credit investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the non-qualifying 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 \$10.6 billion and \$10.5 billion at June 30, 2015 and December 31, 2014, 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 June 30, 2015 and December 31, 2014, the Company would have received \$158 million and \$175 million, respectively, to terminate all of these contracts.

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

Rating Agency Designation of Referenced Credit Obligations (1)	June 30, 2015			December 31, 2014		
	Estimated Fair Value of Credit Default Swaps (In millions)	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps (In millions)	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
Aaa/Aa/A						
Single name credit default swaps (corporate)	\$9	\$707	2.5	\$10	\$677	2.4
Credit default swaps referencing indices	5	1,600	2.9	10	1,700	2.6
Subtotal	14	2,307	2.8	20	2,377	2.6
Baa						
Single name credit default swaps (corporate)	20	1,438	2.7	23	1,591	2.8
Credit default swaps referencing indices	81	5,990	4.7	94	5,774	4.7
Subtotal	101	7,428	4.3	117	7,365	4.3
Ba						
Single name credit default swaps (corporate)	—	65	2.6	—	60	3.0
Credit default swaps referencing indices	1	100	1.5	(1)	100	2.0
Subtotal	1	165	1.9	(1)	160	2.4
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	42	694	4.9	39	625	4.9
Subtotal	42	694	4.9	39	625	4.9

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Total	\$ 158	\$ 10,594	4.0	\$ 175	\$ 10,527	3.9
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The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's (1) Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings. If no rating is available from a rating agency, then an internally developed rating is used.

(2) Assumes the value of the referenced credit obligations is zero.

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

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MetLife, Inc.

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

6. Derivatives (continued)

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 amounts of potential future recoveries available to offset the \$10.6 billion and \$10.5 billion from the table above were \$195 million and \$75 million at June 30, 2015 and December 31, 2014, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to \$104 million and \$15 million in gross notional amount and \$4 million and \$1 million in estimated fair value at June 30, 2015 and December 31, 2014, respectively.

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.

The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.

See Note 7 for a description of the impact of credit risk on the valuation of derivatives.

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MetLife, Inc.

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

6. Derivatives (continued)

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 (6)	June 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	\$11,486	\$5,961	\$12,256	\$6,017
OTC-cleared (1)	1,200	1,006	1,380	1,054
Exchange-traded	57	27	71	11
Total gross estimated fair value of derivatives (1)	12,743	6,994	13,707	7,082
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (1)	12,743	6,994	13,707	7,082
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(4,434)	(4,434)	(4,082)	(4,082)
OTC-cleared	(882)	(882)	(989)	(989)
Exchange-traded	(11)	(11)	(5)	(5)
Cash collateral: (3), (4)				
OTC-bilateral	(4,492)	(11)	(4,153)	(133)
OTC-cleared	(306)	(118)	(386)	(62)
Exchange-traded	—	(13)	—	(4)
Securities collateral: (5)				
OTC-bilateral	(1,973)	(1,356)	(3,768)	(1,700)
OTC-cleared	—	(6)	—	(3)
Exchange-traded	—	(3)	—	(2)
Net amount after application of master netting agreements and collateral	\$645	\$160	\$324	\$102

(1) At June 30, 2015 and December 31, 2014, derivative assets included income or expense accruals reported in accrued investment income or in other liabilities of \$249 million and \$255 million, respectively, and derivative liabilities included income or expense accruals reported in accrued investment income or in other liabilities of \$66 million and \$60 million, respectively.

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

(3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives is included in cash and cash equivalents, short-term investments or in fixed maturity securities, and the obligation to return it is included in payables for collateral under securities loaned and other transactions on the balance sheet. In certain instances, cash collateral pledged to the Company as initial margin for OTC-bilateral derivatives is held in separate custodial accounts and is not recorded on the Company's balance sheet because the account title is in the name of the counterparty (but segregated for the benefit of the Company). The amount of this off-balance sheet collateral was \$0 and \$263 million at June 30, 2015 and December 31, 2014, respectively.

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MetLife, Inc.

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

6. Derivatives (continued)

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 (4) derivatives after application of netting agreements. At June 30, 2015 and December 31, 2014, the Company received excess cash collateral of \$86 million and \$87 million (including \$0 and \$36 million off-balance sheet cash collateral held in separate custodial accounts), respectively, and provided excess cash collateral of \$285 million and \$192 million, respectively, which is not included in the table above due to the foregoing limitation.

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 June 30, 2015, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting (5) agreements and cash collateral. At June 30, 2015 and December 31, 2014, the Company received excess securities collateral with an estimated fair value of \$82 million and \$395 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At June 30, 2015 and December 31, 2014, the Company provided excess securities collateral with an estimated fair value of \$149 million and \$117 million, respectively, for its OTC-bilateral derivatives, and \$227 million and \$199 million, respectively, for its OTC-cleared derivatives, and \$84 million and \$245 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

(6) See Note 5 for information regarding the Company's gross and net payables and receivables under repurchase agreement transactions.

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 estimated fair value of that counterparty's derivatives reaches a pre-determined threshold. Certain of these arrangements also include credit-contingent provisions that 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 the Company and/or the counterparty. In addition, certain 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 ratings 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 are 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 the Company would be required to provide if there was a one notch downgrade in the Company's credit rating at the reporting date or if the Company's credit rating sustained a downgrade to a level that triggered full overnight collateralization or termination of the derivative position at the reporting date. 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)

6. Derivatives (continued)

	Estimated Fair Value of Derivatives in Net Liability Position (1)	Estimated Fair Value of Collateral Provided		Fair Value of Incremental Collateral Provided Upon Downgrade in the Company's Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position	
		Fixed Maturity Securities	Cash	One Notch Downgrade in the Company's Credit Rating	
(In millions)					
June 30, 2015					
Derivatives subject to credit-contingent provisions	\$1,425	\$1,418	\$8	\$5	\$7
Derivatives not subject to credit-contingent provisions	92	70	3	—	—
Total	\$1,517	\$1,488	\$11	\$5	\$7
December 31, 2014					
Derivatives subject to credit-contingent provisions	\$1,832	\$1,750	\$131	\$5	\$7
Derivatives not subject to credit-contingent provisions	84	65	2	—	—
Total	\$1,916	\$1,815	\$133	\$5	\$7

(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, guaranteed minimum accumulation benefits ("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 assumed and 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	June 30, 2015	December 31, 2014
(In millions)			
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	\$303	\$324
Funds withheld on assumed reinsurance	Other invested assets	39	53
	Investments	(262)	(217)

Options embedded in debt or equity securities			
Net embedded derivatives within asset host contracts		\$80	\$160
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances and Future policy benefits	\$(1,333)	) \$(1,126)
Assumed guaranteed minimum benefits	Policyholder account balances	773	973
Funds withheld on ceded reinsurance	Other liabilities	42	83
Other	Policyholder account balances	24	24
Net embedded derivatives within liability host contracts		\$(494)) \$(46)

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MetLife, Inc.

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

6. Derivatives (continued)

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

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2015	2014
	(In millions)			
Net derivative gains (losses) (1)	\$821	\$229	\$794	\$120
Policyholder benefits and claims	\$(43	) \$8	\$(19	) \$23

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 (\$100) million and (\$31) million for the (1) three months and six months ended June 30, 2015, respectively, and (\$51) million and (\$8) million for the three months and six months ended June 30, 2014, respectively.

7. Fair Value

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.

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MetLife, Inc.

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

7. Fair Value (continued)

	June 30, 2015 Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	\$—	\$94,013	\$7,133	\$101,146
Foreign corporate	—	52,711	6,387	59,098
U.S. Treasury and agency	32,795	24,688	55	57,538
Foreign government	—	49,721	1,336	51,057
RMBS	2,635	34,747	4,136	41,518
State and political subdivision	—	15,109	55	15,164
CMBS	—	11,113	729	11,842
ABS	—	11,837	2,153	13,990
Total fixed maturity securities	35,430	293,939	21,984	351,353
Equity securities:				
Common stock	1,514	918	157	2,589
Non-redeemable preferred stock	—	756	332	1,088
Total equity securities	1,514	1,674	489	3,677
FVO and trading securities:				
Actively Traded securities	—	641	13	654
FVO general account securities	480	35	88	603
FVO contractholder-directed unit-linked investments	11,230	3,595	364	15,189
FVO securities held by CSEs	—	4	10	14
Total FVO and trading securities	11,710	4,275	475	16,460
Short-term investments (1)	2,453	8,517	1,809	12,779
Mortgage loans:				
Residential mortgage loans — FVO	—	—	345	345
Commercial mortgage loans held by CSEs — FVO	—	266	—	266
Total mortgage loans	—	266	345	611
Other invested assets:				
Other investments	166	56	—	222
Derivative assets: (2)				
Interest rate	9	7,826	19	7,854
Foreign currency exchange rate	1	2,588	26	2,615
Credit	—	165	10	175
Equity market	47	1,383	420	1,850
Total derivative assets	57	11,962	475	12,494
Total other invested assets	223	12,018	475	12,716
Net embedded derivatives within asset host contracts (3)	—	—	342	342
Separate account assets (4)	84,287	233,265	1,925	319,477
Total assets	\$135,617	\$553,954	\$27,844	\$717,415
Liabilities				

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Derivative liabilities: (2)				
Interest rate	\$12	\$2,040	\$1	\$2,053
Foreign currency exchange rate	—	2,888	102	2,990
Credit	—	43	1	44
Equity market	15	1,083	743	1,841
Total derivative liabilities	27	6,054	847	6,928
Net embedded derivatives within liability host contracts (3)	—	5	(499	) (494
Long-term debt of CSEs — FVO	—	122	12	134
Trading liabilities (5)	207	20	4	231
Total liabilities	\$234	\$6,201	\$364	\$6,799

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MetLife, Inc.

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

7. Fair Value (continued)

	December 31, 2014 Fair Value Hierarchy			Total Estimated Fair Value
	Level 1 (In millions)	Level 2	Level 3	
Assets				
Fixed maturity securities:				
U.S. corporate	\$—	\$99,012	\$6,942	\$105,954
Foreign corporate	—	55,185	6,490	61,675
U.S. Treasury and agency	36,879	24,637	—	61,516
Foreign government	—	51,355	1,311	52,666
RMBS	—	35,463	4,383	39,846
State and political subdivision	—	15,187	—	15,187
CMBS	—	13,567	765	14,332
ABS	—	12,005	2,244	14,249
Total fixed maturity securities	36,879	306,411	22,135	365,425
Equity securities:				
Common stock	1,558	863	95	2,516
Non-redeemable preferred stock	—	865	250	1,115
Total equity securities	1,558	1,728	345	3,631
FVO and trading securities:				
Actively Traded securities	22	627	5	654
FVO general account securities	552	57	95	704
FVO contractholder-directed unit-linked investments	11,064	3,797	455	15,316
FVO securities held by CSEs	—	3	12	15
Total FVO and trading securities	11,638	4,484	567	16,689
Short-term investments (1)	2,104	5,223	336	7,663
Mortgage loans:				
Residential mortgage loans — FVO	—	—	308	308
Commercial mortgage loans held by CSEs — FVO	—	280	—	280
Total mortgage loans	—	280	308	588
Other invested assets:				
Other investments	203	61	—	264
Derivative assets: (2)				
Interest rate	4	8,988	63	9,055
Foreign currency exchange rate	2	2,472	25	2,499
Credit	—	175	14	189
Equity market	65	1,287	357	1,709
Total derivative assets	71	12,922	459	13,452
Total other invested assets	274	12,983	459	13,716
Net embedded derivatives within asset host contracts (3)	—	—	377	377
Separate account assets (4)	83,533	231,539	1,922	316,994
Total assets	\$135,986	\$562,648	\$26,449	\$725,083
Liabilities				

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Derivative liabilities: (2)				
Interest rate	\$9	\$2,347	\$—	\$2,356
Foreign currency exchange rate	—	2,755	93	2,848
Credit	—	38	2	40
Equity market	2	1,112	664	1,778
Total derivative liabilities	11	6,252	759	7,022
Net embedded derivatives within liability host contracts (3)	—	7	(53	) (46
Long-term debt of CSEs — FVO	—	138	13	151
Trading liabilities (5)	215	24	—	239
Total liabilities	\$226	\$6,421	\$719	\$7,366

(1) 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)

7. Fair Value (continued)

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

Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other receivables on the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented within policyholder account balances, future policy benefits and other liabilities on the consolidated balance sheets. At June 30, 2015 and December 31, 2014, equity securities also included embedded derivatives of (\$262) million and (\$217) million, respectively.

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.

Trading liabilities are presented within other liabilities on the consolidated balance sheets.

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, 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 priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 9% of the total estimated fair value of Level 3 fixed maturity securities at June 30, 2015.

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MetLife, Inc.

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

7. Fair Value (continued)

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, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities

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 investments in certain separate accounts included in FVO contractholder-directed unit-linked investments, FVO securities held by CSEs, other investments, long-term debt of CSEs — FVO and trading liabilities is determined on a basis consistent with the methodologies described herein for securities.

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.

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MetLife, Inc.

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

7. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed Maturity Securities		
U.S. corporate and Foreign corporate securities		
	Valuation Techniques: Principally the market and income approaches.	Valuation Techniques: Principally the market approach.
	Key Inputs:	Key Inputs:
	<ul style="list-style-type: none"> • quoted prices in markets that are not active • benchmark yields • spreads off benchmark yields • new issuances • issuer rating • duration • trades of identical or comparable securities • Privately-placed securities are valued using the additional key inputs: <ul style="list-style-type: none"> • market yield curve • call provisions • observable prices and spreads for similar publicly traded or privately traded securities that incorporate the credit quality and industry sector of the issuer • delta spread adjustments to reflect specific credit-related issues 	<ul style="list-style-type: none"> • illiquidity premium • delta spread adjustments to reflect specific credit-related issues • credit spreads • 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
U.S. Treasury and agency, Foreign government and State and political subdivision securities		
	Valuation Techniques: Principally the market approach.	Valuation Techniques: Principally the market approach.
	Key Inputs:	Key Inputs:
	<ul style="list-style-type: none"> • quoted prices in markets that are not active • benchmark U.S. Treasury yield or other yields • the spread off the U.S. Treasury yield curve for the identical security • issuer ratings and issuer spreads • broker-dealer quotes • comparable securities that are actively traded reported trades of similar securities, including those that are actively traded, and those within the same sub-sector or with a similar maturity or credit rating 	<ul style="list-style-type: none"> • independent non-binding broker quotations • 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 • credit spreads
Structured securities comprised of RMBS, CMBS and ABS		

Valuation Techniques: Principally the market and income approaches.

Key Inputs:

- quoted prices in markets that are not active
- spreads for actively traded securities

- spreads off benchmark yields

- expected prepayment speeds and volumes
- current and forecasted loss severity
- ratings
- weighted average coupon and weighted average maturity
- average delinquency rates
- geographic region
- debt-service coverage ratios
- issuance-specific information, including, but not limited to:
 - collateral type
 - payment terms of the underlying assets
 - payment priority within the tranche
 - structure of the security
 - deal performance
 - vintage of loans

Valuation Techniques: Principally the market and income approaches.

Key Inputs:

- credit spreads
- 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

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MetLife, Inc.

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

7. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Equity Securities		
Common and Non-redeemable preferred stock	<p>Valuation Techniques: Principally the market approach.</p> <p>Key Input:</p> <ul style="list-style-type: none"> • quoted prices in markets that are not considered active 	<p>Valuation Techniques: Principally the market and income approaches.</p> <p>Key Inputs:</p> <ul style="list-style-type: none"> • 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
FVO and trading securities, Short-term investments, and Other invested assets	<p>FVO and trading securities, short-term investments and other investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and observable inputs used in their valuation are also similar to those described above.</p> <p>Contractholder-directed unit-linked investments reported within FVO and trading securities include mutual fund interests without readily determinable fair values given</p> <ul style="list-style-type: none"> • prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported NAV provided by the fund managers, which were based on observable inputs. 	<p>FVO and trading securities and short-term investments are of a similar nature and class to the fixed maturity and equity securities described above; accordingly, the valuation techniques and unobservable inputs used in their valuation are also similar to those described above.</p>
Mortgage Loans — FVO		
Commercial mortgage loans held by CSEs — FVO	<p>Valuation Techniques: Principally the market approach.</p> <p>Key Input:</p> <ul style="list-style-type: none"> • quoted securitization market price of the obligations of the CSEs determined principally by independent pricing services using observable inputs 	<ul style="list-style-type: none"> • N/A
Residential mortgage loans — FVO	<ul style="list-style-type: none"> • N/A 	<p>Valuation Techniques: Principally the market approach, including matrix pricing or other similar techniques.</p>

Key Inputs: Inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data

Separate Account Assets (1)

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

Key Input:

- quoted prices or reported NAV provided by the fund managers
- N/A

Other limited partnership interests

- N/A

Valuation Techniques: Valued giving consideration to the underlying holdings of the partnerships and by applying a premium or discount, if appropriate.

Key Inputs:

- liquidity
- bid/ask spreads
- the performance record of the fund manager 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, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents. Fixed maturity securities, equity securities, derivatives, short-term investments and cash and cash equivalents are similar in nature to the instruments described under “— Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities” and “— Derivatives —Freestanding Derivatives Valuation Techniques and Key Inputs.”

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MetLife, Inc.

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

7. 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 Valuation Techniques and Key Inputs

Level 2

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

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.

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MetLife, Inc.

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

7. Fair Value (continued)

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 curve	• swap yield curve	• swap yield curve	• swap yield curve
	• basis curves	• basis curves	• credit curves	• spot equity index levels
Level 3	• interest rate volatility (1)	• currency spot rates	• recovery rates	• dividend yield curves
		• cross currency basis curves		• equity volatility (1)
Level 3	• swap yield curve (2)	• swap yield curve (2)	• swap yield curve (2)	• dividend yield curves (2)
	• basis curves (2)	• basis curves (2)	• credit curves (2)	• equity volatility (1), (2)
	• interest rate volatility (1), (2)	• cross currency basis curves (2)	• credit spreads	• correlation between model inputs (1)
		• currency correlation	• repurchase rates independent	
		• currency volatility (1)	• 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. 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 and future policy benefits 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 compared to MetLife, Inc.

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MetLife, Inc.

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

7. Fair Value (continued)

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 previously described in “— Investments — Securities, Short-term Investments, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities.” 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.

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MetLife, Inc.

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

7. Fair Value (continued)

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques 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 curve, 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 curve 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:

For assets and liabilities measured at estimated fair value and still held at June 30, 2015, transfers between Levels 1 and 2 were \$140 million. For assets and liabilities measured at estimated fair value and still held at December 31, 2014, transfers between Levels 1 and 2 were \$160 million.

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.

Transfers into Level 3 for fixed maturity securities, equity securities and FVO and trading securities were due primarily to a lack of trading activity, decreased liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decreased transparency of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity premiums, delta spread adjustments, or credit spreads.

Transfers out of Level 3 for fixed maturity securities, equity securities, short-term investments and separate account assets resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of trading activity, became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing from, or corroborate pricing received from, independent pricing services with observable inputs (such as observable spreads used in pricing securities) or increases in market activity and upgraded credit ratings.

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MetLife, Inc.

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

7. 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:

	Valuation Techniques	Significant Unobservable Inputs	June 30, 2015			December 31, 2014			Impact of Increase in Input on Estimated Fair Value (2)
			Range		Weighted Average (1)	Range	Weighted Average (1)		
Fixed maturity securities (3)									
U.S. corporate and foreign corporate	• Matrix pricing	• Delta spread adjustments (4)	(40)	-240	43	(40)	-240	46	Decrease
	• Market pricing	• Quoted prices (5)	2	-780	149	—	-750	151	Increase
	• Consensus pricing	• Offered quotes (5)	31	-133	98	31	-126	99	Increase
Foreign government	• Market pricing	• Quoted prices (5)	72	-196	107	92	-189	106	Increase
RMBS	• Market pricing	• Quoted prices (5)	12	-130	94	22	-120	97	Increase (6)
	• Consensus pricing	• Offered quotes (5)	33	-113	94	1	-118	93	Increase (6)
ABS	• Market pricing	• Quoted prices (5)	15	-110	101	15	-110	100	Increase (6)
	• Consensus pricing	• Offered quotes (5)	65	-106	100	56	-106	102	Increase (6)
Derivatives									
Interest rate	Present value techniques	• Swap yield (7)	322	-333		278	-297		Increase (12)
	Foreign currency exchange rate	Present value techniques	• Swap yield (7)	(2)	-329		62	-2,430		Increase (12)
			• Correlation (8)	39%	-57%		40%	-55%	
Credit	Present value techniques	• Credit spreads (9)	99	-100		98	-100		Decrease (9)
	Consensus pricing	• Offered quotes (10)							
Equity market	Present value techniques or option pricing models	• Volatility (11)	15%	-35%		15%	-27%		Increase (12)

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		•Correlation (8)	70%	-70%		70%	-70%	
Embedded derivatives								
Direct and assumed guaranteed minimum benefits	Option pricing techniques	•Mortality rates:						
		Ages 0 - 40	0%	-0.28%		0%	-0.28%	Decrease (13)
		Ages 41 - 60	0.04%	-0.75%		0.04%	-0.88%	Decrease (13)
		Ages 61 - 115	0.15%	-100%		0.26%	-100%	Decrease (13)
		•Lapse rates:						
		Durations 1 - 10	0.50%	-100%		0.50%	-100%	Decrease (14)
		Durations 11 - 20	2%	-100%		2%	-100%	Decrease (14)
		Durations 21 - 116	2%	-100%		2%	-100%	Decrease (14)
		•Utilization rates	0%	-30%		20%	-50%	Increase (15)
		•Withdrawal rates	0%	-20%		0%	-20%	(16)
		Long-term equity volatilities	8.58%	-33%		7.30%	-33%	Increase (17)
		•Nonperformance risk spread	(0.19)%	-0.83%		(0.35)%	-0.81%	Decrease (18)

(1) The weighted average for fixed maturity securities 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 the estimated fair value. For embedded derivatives, changes are based on liability 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 basis points.

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

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MetLife, Inc.

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

7. Fair Value (continued)

Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in (6) the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.

Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is (7) 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.

Ranges represent the different correlation factors utilized as components within the valuation methodology. (8) 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.

(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 June 30, 2015 and December 31, 2014, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology (11) 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) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset positions.

(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.

The utilization rate assumption estimates the percentage of contract holders 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, (15) 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.

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 (16) 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.

Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance (18) risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the embedded derivative.

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MetLife, Inc.

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

7. Fair Value (continued)

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, 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 and long-term debt of CSEs — FVO are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. 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 valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in “— Nonrecurring Fair Value Measurements.”

The following tables summarize the change of all assets and (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

	U.S. Corporate	Foreign Corporate	U.S Treasury and Agency	Foreign Government	RMBS	State and Political Subdivision	CMBS	ABS
(In millions)								
Three Months Ended June 30, 2015								
Balance, beginning of period	\$7,321	\$ 6,408	\$ —	\$ 1,384	\$4,545	\$ 2	\$644	\$2,453
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	5	3	—	4	29	—	—	2
Net investment gains (losses)	17	5	—	—	12	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	(297)	(110)	—	(27)	16	—	1	(4)
Purchases (3)	336	271	55	88	453	55	84	681
Sales (3)	(325)	(213)	—	(20)	(331)	—	(50)	(67)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	166	86	—	10	6	—	58	89
Transfers out of Level 3 (4)	(90)	(63)	—	(103)	(594)	(2)	(8)	(1,001)
Balance, end of period	\$7,133	\$ 6,387	\$55	\$ 1,336	\$4,136	\$ 55	\$729	\$2,153
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$4	\$ 3	\$ —	\$ 4	\$29	\$ —	\$ —	\$2
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$(1)	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Equity Securities FVO and Trading Securities

	Non- Common Stock	redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder- directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO
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(In millions)

Three Months Ended June 30,
2015

Balance, beginning of period	\$94	\$ 244	\$10	\$ 89	\$ 412	\$10	\$ 1,358	\$ 329
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	(1)	(2)	—	2	(2)
Net investment gains (losses)	2	—	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	—	(2)	—	—	—	—	(1)	—
Purchases (3)	40	2	8	1	65	—	1,702	45
Sales (3)	(5)	(15)	(4)	(1)	(121)	—	(975)	(23)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(4)
Transfers into Level 3 (4)	27	104	—	—	52	—	—	—
Transfers out of Level 3 (4)	(1)	(1)	(1)	—	(42)	—	(277)	—
Balance, end of period	\$157	\$ 332	\$13	\$ 88	\$ 364	\$10	\$ 1,809	\$ 345
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$—	\$—	\$—	\$ (1)	\$ (5)	\$—	\$ 1	\$ (2)
Net investment gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net derivative gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs
(Level 3)

Net Derivatives (6)

	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs — FVO	Trading Liabilities
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(In millions)

Three Months Ended June 30,
2015

Balance, beginning of period	\$69	\$ (67)	\$ 10	\$(357)	\$ 278	\$ 2,056	\$ (12)	\$ —
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	(30)	—	—
Net derivative gains (losses)	(8)	(15)	(1)	22	780	—	—	—
Policyholder benefits and claims	—	—	—	—	(43)	—	—	—
OCI	(20)	(1)	—	—	21	—	—	—
Purchases (3)	—	—	—	4	—	153	—	(4)
Sales (3)	—	—	—	—	—	(83)	—	—
Issuances (3)	(1)	—	—	—	—	—	—	—
Settlements (3)	(22)	7	—	8	(195)	(1)	—	—
Transfers into Level 3 (4)	—	—	—	—	—	—	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	(170)	—	—
Balance, end of period	\$18	\$ (76)	\$ 9	\$(323)	\$ 841	\$ 1,925	\$ (12)	\$ (4)
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net investment gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net derivative gains (losses)	\$—	\$ (13)	\$ (2)	\$ 22	\$ 765	\$—	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$—	\$—	\$ (42)	\$—	\$—	\$—

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MetLife, Inc.

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

7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	U.S. Treasury and Agency	Foreign Government	RMBS	State and Political Subdivision	CMBS	ABS
	(In millions)							
Three Months Ended June 30, 2014								
Balance, beginning of period	\$7,378	\$ 6,501	\$ 45	\$ 1,545	\$3,439	\$ 21	\$682	\$2,800
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	4	(1)	—	96	25	—	—	1
Net investment gains (losses)	7	(3)	—	—	—	—	—	2
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims OCI	108	339	—	(91)	81	—	(8)	(3)
Purchases (3)	487	394	301	118	802	2	15	1,616
Sales (3)	(455)	(323)	(26)	(96)	(209)	—	(34)	(259)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	253	223	—	284	—	12	—	121
Transfers out of Level 3 (4)	(413)	(518)	—	(184)	(193)	—	(60)	(492)
Balance, end of period	\$7,369	\$ 6,612	\$ 320	\$ 1,672	\$3,945	\$ 35	\$595	\$3,786
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$2	\$ (2)	\$ —	\$ 1	\$13	\$ —	\$ —	\$ —
Net investment gains (losses)	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Equity Securities FVO and Trading Securities

	Non- Common Stock	redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder- directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO
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(In millions)

Three Months Ended June 30,
2014

Balance, beginning of period	\$ 203	\$ 441	\$ 11	\$ 29	\$ 624	\$ 11	\$ 1,032	\$ 352
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	11	6	—	1	8
Net investment gains (losses)	(2)	(3)	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	40	15	—	—	—	—	—	—
Purchases (3)	24	—	19	—	281	—	212	24
Sales (3)	(2)	—	(2)	—	(270)	—	(461)	(3)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(14)
Transfers into Level 3 (4)	2	—	—	69	37	—	—	—
Transfers out of Level 3 (4)	(79)	(190)	(8)	—	(107)	—	(538)	—
Balance, end of period	\$ 186	\$ 263	\$ 20	\$ 109	\$ 571	\$ 11	\$ 246	\$ 367
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$—	\$—	\$—	\$ 11	\$ 15	\$—	\$ 1	\$ 8
Net investment gains (losses)	\$(2)	\$(3)	\$—	\$—	\$—	\$—	\$—	\$—
Net derivative gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—

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MetLife, Inc.

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

7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives (6)							
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs — FVO	Trading Liabilities
	(In millions)							
Three Months Ended June 30, 2014								
Balance, beginning of period	\$56	\$ (13)	\$20	\$(356)	\$980	\$1,730	\$ (15)	\$ —
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	21	—	—
Net derivative gains (losses)	9	6	(2)	(45)	255	—	—	—
Policyholder benefits and claims OCI	11	1	—	—	(18)	—	—	—
Purchases (3)	—	—	—	4	—	131	—	—
Sales (3)	—	—	—	—	—	(104)	—	—
Issuances (3)	—	—	(1)	—	—	58	—	—
Settlements (3)	(40)	3	—	—	(205)	(27)	—	—
Transfers into Level 3 (4)	—	—	—	—	—	4	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	(122)	—	—
Balance, end of period	\$36	\$ (3)	\$17	\$(395)	\$1,020	\$1,691	\$ (15)	\$ —
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net investment gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net derivative gains (losses)	\$(1)	\$4	\$(1)	\$(46)	\$262	\$—	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$—	\$2	\$8	\$—	\$—	\$—

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Fixed Maturity Securities

	U.S. Corporate	Foreign Corporate	U.S. Treasury and Agency	Foreign Government	RMBS	State and Political Subdivision	CMBS	ABS
(In millions)								
Six Months Ended June 30, 2015								
Balance, beginning of period	\$6,942	\$ 6,490	\$ —	\$ 1,311	\$4,383	\$ —	\$765	\$2,244
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	8	13	—	7	57	—	—	(4)
Net investment gains (losses)	17	5	—	—	14	—	—	(3)
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims OCI	(235)	(254)	—	(24)	(4)	—	(7)	(17)
Purchases (3)	686	403	55	145	863	55	85	1,075
Sales (3)	(437)	(261)	—	(31)	(533)	—	(103)	(247)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	247	117	—	209	7	—	66	104
Transfers out of Level 3 (4)	(95)	(126)	—	(281)	(651)	—	(77)	(999)
Balance, end of period	\$7,133	\$ 6,387	\$ 55	\$ 1,336	\$4,136	\$ 55	\$729	\$2,153
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$6	\$ 10	\$ —	\$ 7	\$56	\$ —	\$ —	\$(4)
Net investment gains (losses)	\$ —	\$ —	\$ —	\$ —	\$(1)	\$ —	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Equity Securities FVO and Trading Securities

	Non- Common Stock	redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO
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(In millions)

Six Months Ended June 30,
2015

Balance, beginning of period	\$95	\$ 250	\$5	\$ 95	\$ 455	\$12	\$ 336	\$ 308
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	(1)	(25)	—	2	20
Net investment gains (losses)	—	—	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	4	(8)	—	—	—	—	(1)	—
Purchases (3)	43	5	8	1	89	—	1,822	104
Sales (3)	(8)	(15)	—	(7)	(196)	(1)	(60)	(71)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(16)
Transfers into Level 3 (4)	26	106	—	—	53	—	—	—
Transfers out of Level 3 (4)	(3)	(6)	—	—	(12)	(1)	(290)	—
Balance, end of period	\$157	\$ 332	\$13	\$ 88	\$ 364	\$10	\$ 1,809	\$ 345
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$—	\$—	\$—	\$ (1)	\$ (18)	\$—	\$ 1	\$ 20
Net investment gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net derivative gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs
(Level 3)

Net Derivatives (6)

	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs — FVO	Trading Liabilities
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(In millions)

Six Months Ended June 30, 2015

Balance, beginning of period	\$63	\$ (68)	\$12	\$(307)	\$ 430	\$1,922	\$ (13)	\$ —
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	5	—	—
Net derivative gains (losses)	(8)	(28)	(3)	(30)	808	—	—	—
Policyholder benefits and claims OCI	—	—	—	1	(19)	—	—	—
Purchases (3)	—	—	—	4	—	310	—	(4)
Sales (3)	—	—	—	—	—	(201)	—	—
Issuances (3)	(1)	—	—	—	—	1	—	—
Settlements (3)	(31)	19	—	9	(397)	(2)	1	—
Transfers into Level 3 (4)	—	—	—	—	—	—	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	(110)	—	—
Balance, end of period	\$18	\$ (76)	\$9	\$(323)	\$ 841	\$1,925	\$ (12)	\$ (4)
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net investment gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net derivative gains (losses)	\$—	\$ (44)	\$(3)	\$(30)	\$ 787	\$—	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$—	\$1	\$ (17)	\$—	\$—	\$—

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MetLife, Inc.

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

7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	U.S. Treasury and Agency	Foreign Government	RMBS	State and Political Subdivision	CMBS	ABS
	(In millions)							
Six Months Ended June 30, 2014								
Balance, beginning of period	\$7,148	\$ 6,704	\$ 62	\$ 2,235	\$2,957	\$ 10	\$972	\$4,210
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	4	4	—	98	35	—	—	5
Net investment gains (losses)	—	(1)	—	(4)	8	—	—	(38)
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims OCI	268	298	—	(77)	68	1	(32)	63
Purchases (3)	863	716	301	179	1,176	2	61	2,098
Sales (3)	(562)	(240)	(1)	(109)	(377)	—	(172)	(567)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	464	517	—	312	146	32	11	548
Transfers out of Level 3 (4)	(816)	(1,386)	(42)	(962)	(68)	(10)	(245)	(2,533)
Balance, end of period	\$7,369	\$ 6,612	\$ 320	\$ 1,672	\$3,945	\$ 35	\$595	\$3,786
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$2	\$ 7	\$ —	\$ 3	\$24	\$ —	\$—	\$—
Net investment gains (losses)	\$(7)	\$(2)	\$ —	\$ —	\$(1)	\$ —	\$—	\$—
Net derivative gains (losses)	\$—	\$—	\$ —	\$ —	\$—	\$ —	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$ —	\$ —	\$—	\$ —	\$—	\$—

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Equity Securities FVO and Trading Securities

	Non- Common Stock	redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder- directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Residential Mortgage Loans - FVO
--	-------------------------	----------------------------------	----------------------------------	---	--	--------------------------------------	---------------------------	---

(In millions)

Six Months Ended June 30,
2014

Balance, beginning of period	\$ 177	\$ 395	\$ 12	\$ 29	\$ 603	\$ —	\$ 254	\$ 338
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	11	12	—	1	11
Net investment gains (losses)	(2)	(3)	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	43	14	—	—	—	—	(1)	—
Purchases (3)	21	—	20	—	318	—	192	51
Sales (3)	(14)	—	(5)	—	(368)	(1)	(76)	(8)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(25)
Transfers into Level 3 (4)	40	—	—	69	27	12	—	—
Transfers out of Level 3 (4)	(79)	(143)	(7)	—	(21)	—	(124)	—
Balance, end of period	\$ 186	\$ 263	\$ 20	\$ 109	\$ 571	\$ 11	\$ 246	\$ 367
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$ —	\$ —	\$ —	\$ 11	\$ 14	\$ —	\$ 1	\$ 11
Net investment gains (losses)	\$(2)	\$(3)	\$ —	\$ —	\$ —	\$(1)	\$ —	\$ —
Net derivative gains (losses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Policyholder benefits and claims	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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MetLife, Inc.

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

7. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Net Derivatives (6)							
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)	Long-term Debt of CSEs — FVO	Trading Liabilities
	(In millions)							
Six Months Ended June 30, 2014								
Balance, beginning of period	\$ 13	\$ (11)	\$ 29	\$(317)	\$ 1,258	\$ 1,465	\$ (28)	\$ —
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	65	—	—
Net derivative gains (losses)	15	8	(9)	(87)	160	—	—	—
Policyholder benefits and claims	—	—	—	6	23	—	—	—
OCI	49	—	—	(1)	(24)	—	—	—
Purchases (3)	—	—	—	4	—	348	—	—
Sales (3)	—	—	—	—	—	(192)	—	—
Issuances (3)	—	—	(3)	—	—	82	—	—
Settlements (3)	(41)	—	—	—	(397)	(28)	13	—
Transfers into Level 3 (4)	—	—	—	—	—	2	—	—
Transfers out of Level 3 (4)	—	—	—	—	—	(51)	—	—
Balance, end of period	\$ 36	\$ (3)	\$ 17	\$(395)	\$ 1,020	\$ 1,691	\$ (15)	\$ —
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net investment gains (losses)	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—
Net derivative gains (losses)	\$—	\$ 7	\$(7)	\$(87)	\$ 168	\$—	\$—	\$—
Policyholder benefits and claims	\$—	\$—	\$—	\$ 6	\$ 24	\$—	\$—	\$—

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).

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

(2) 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.

(3) 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.

(4) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods.

(5) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.

(7) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.

(8) 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. For the purpose of this disclosure, these changes are presented within net investment gains (losses).

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MetLife, Inc.

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

7. Fair Value (continued)

Fair Value Option

The following table presents information for certain assets and liabilities accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	Residential Mortgage Loans — FVO		Certain Assets and Liabilities of CSEs — FVO (1)		
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	
	(In millions)				
Assets					
Unpaid principal balance	\$482	\$436	\$208	\$223	
Difference between estimated fair value and unpaid principal balance	(137	) (128	) 58	57
Carrying value at estimated fair value	\$345	\$308	\$266	\$280	
Loans in non-accrual status	\$141	\$125	\$—	\$—	
Liabilities					
Contractual principal balance			\$141	\$159	
Difference between estimated fair value and contractual principal balance			(7) (8)
Carrying value at estimated fair value			\$134	\$151	

(1) These assets and liabilities are comprised of commercial mortgage loans and long-term debt. Changes in estimated fair value on these assets and liabilities and gains or losses on sales of these assets are recognized in net investment gains (losses). Interest income on commercial mortgage loans held by CSEs — FVO is recognized in net investment income. Interest expense from long-term debt of CSEs — FVO is recognized in other expenses.

Nonrecurring Fair Value Measurements

The following table presents information for assets measured at estimated fair value on a nonrecurring basis during the periods and still held at the reporting dates (for example, when there is evidence of impairment). The estimated fair values for these assets were determined using significant unobservable inputs (Level 3).

	At June 30,		Three Months Ended June 30,		Six Months Ended June 30,		
	2015	2014	2015	2014	2015	2014	
	Carrying Value After Measurement (In millions)		Gains (Losses)				
Mortgage loans (1)	\$97	\$146	\$—	\$(1) \$4	\$(2)
Other limited partnership interests (2)	\$36	\$69	\$(8) \$(35) \$(19) \$(37)

(1) Estimated fair values for impaired mortgage loans are based on independent broker quotations or valuation models using unobservable inputs or, if the loans are in foreclosure or are otherwise determined to be collateral dependent, are based on the estimated fair value of the underlying collateral or the present value of the expected future cash flows.

(2) For these cost method investments, estimated fair value is determined from information provided in the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds;

power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments at both June 30, 2015 and 2014 were not significant.

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MetLife, Inc.

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

7. 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 and, to a lesser extent, in Level 1, 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 table 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:

June 30, 2015

	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value
		Level 1	Level 2	Level 3	
	(In millions)				
Assets					
Mortgage loans	\$63,399	\$—	\$—	\$66,024	\$66,024
Policy loans	\$11,575	\$—	\$1,661	\$12,071	\$13,732
Real estate joint ventures	\$47	\$—	\$—	\$123	\$123
Other limited partnership interests	\$603	\$—	\$—	\$764	\$764
Other invested assets	\$525	\$161	\$33	\$331	\$525
Premiums, reinsurance and other receivables	\$4,933	\$—	\$2,613	\$2,364	\$4,977
Other assets	\$334	\$—	\$268	\$63	\$331
Liabilities					
Policyholder account balances	\$128,707	\$—	\$—	\$133,064	\$133,064
Long-term debt	\$16,631	\$—	\$18,093	\$—	\$18,093
Collateral financing arrangements	\$4,164	\$—	\$—	\$3,939	\$3,939
Junior subordinated debt securities	\$3,193	\$—	\$4,106	\$—	\$4,106
Other liabilities	\$7,023	\$—	\$5,716	\$1,308	\$7,024
Separate account liabilities	\$118,341	\$—	\$118,341	\$—	\$118,341

December 31, 2014

	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value
		Level 1	Level 2	Level 3	
	(In millions)				
Assets					
Mortgage loans	\$59,530	\$—	\$—	\$62,554	\$62,554
Policy loans	\$11,618	\$—	\$1,647	\$12,287	\$13,934
Real estate joint ventures	\$67	\$—	\$—	\$139	\$139
Other limited partnership interests	\$704	\$—	\$—	\$906	\$906
Other invested assets	\$562	\$172	\$70	\$320	\$562

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Premiums, reinsurance and other receivables	\$3,070	\$—	\$713	\$2,444	\$3,157
Other assets	\$251	\$—	\$175	\$68	\$243
Liabilities					
Policyholder account balances	\$134,219	\$—	\$—	\$139,359	\$139,359
Long-term debt	\$16,128	\$—	\$18,357	\$—	\$18,357
Collateral financing arrangements	\$4,196	\$—	\$—	\$3,961	\$3,961
Junior subordinated debt securities	\$3,193	\$—	\$4,173	\$—	\$4,173
Other liabilities	\$2,544	\$—	\$1,223	\$1,323	\$2,546
Separate account liabilities	\$116,665	\$—	\$116,665	\$—	\$116,665

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MetLife, Inc.

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

7. Fair Value (continued)

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instruments are summarized as follows:

Mortgage Loans

The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting them using current interest rates for similar mortgage loans with similar credit risk, or is determined from pricing for similar loans.

Policy Loans

Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined using a discounted cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash flow estimates are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of policy loans and an estimated average maturity determined through experience studies of the past performance of policyholder repayment behavior for similar loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk, as these loans are fully collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classified within Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time period between interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest rates.

Real Estate Joint Ventures and Other Limited Partnership Interests

The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provided in the financial statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has sufficient evidence to support applying such adjustments.

Other Invested Assets

These other invested assets are principally comprised of various interest-bearing assets held in foreign subsidiaries and certain amounts due under contractual indemnifications. For the various interest-bearing assets held in foreign subsidiaries, the Company evaluates the specific facts and circumstances of each instrument to determine the appropriate estimated fair values. These estimated fair values were not materially different from the recognized carrying values.

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in "— Recurring Fair Value Measurements."

Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk such that they are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to reflect the appropriate credit standing of the assuming counterparty.

The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand deposit balances and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates carrying value.

Other Assets

These other assets are principally comprised of a receivable for funds due but not yet settled and a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston ("MRC") collateral financing arrangement described in Note 13 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report. The estimated fair value of the receivable for the cash paid to the unaffiliated financial

institution under the MRC collateral financing arrangement is determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

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MetLife, Inc.

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

7. Fair Value (continued)

Policyholder Account Balances

These policyholder account balances include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarantees accounted for as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in “— Recurring Fair Value Measurements.”

The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts (“TCA”). The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.

Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities

The estimated fair values of long-term debt, collateral financing arrangements and junior subordinated debt securities are principally determined using market standard valuation methodologies. Capital leases, which are not required to be disclosed at estimated fair value, are excluded from the preceding tables.

Valuations of instruments classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues.

Valuations of instruments classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair values of collateral financing arrangements incorporates valuations obtained from the counterparties to the arrangements as part of the collateral management process.

Other Liabilities

Other liabilities consist primarily of interest and dividends payable, amounts due for securities purchased but not yet settled, funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements, and amounts payable under certain assumed reinsurance agreements, which are recorded using the deposit method of accounting. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estimated fair value is determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.

Separate Account Liabilities

Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.

Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance, funding agreements related to group life contracts and certain contracts that provide for benefit funding.

Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section “— Recurring Fair Value Measurements,” the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

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MetLife, Inc.

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

8. Long-term Debt

Senior Notes Issuances

In March 2015, MetLife, Inc. issued \$500 million of senior notes due in March 2025 which bear interest at a fixed rate of 3.00%, payable semi-annually. Also in March 2015, MetLife, Inc. issued \$1.0 billion of senior notes due in March 2045 which bear interest at a fixed rate of 4.05%, payable semi-annually. In connection with the issuances, MetLife, Inc. incurred \$12 million of related costs which have been capitalized and included in other assets. These costs are being amortized over the terms of the senior notes.

9. Equity

Preferred Stock

In June 2015, MetLife, Inc. issued 1,500,000 shares of 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C (the "Series C preferred shares"), with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate proceeds of \$1.5 billion.

The Series C preferred shares rank 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 C preferred 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 of the Board. If dividends are declared on the Series C preferred shares for any dividend period, they will be calculated on a non-cumulative basis at a fixed rate per annum of 5.25% from the date of original issue to but excluding June 15, 2020, and at a floating rate per annum equal to three-month U.S. dollar LIBOR plus 3.575% on the related LIBOR determination date from and after June 15, 2020. Dividends for any dividend period will be payable, if declared, semi-annually in arrears on the 15th day of June and December of each year commencing on December 15, 2015 to June 15, 2020, and thereafter quarterly in arrears on the 15th day of September, December, March and June of each year.

Dividends on the Series C preferred shares will not be cumulative and will not be mandatory. Accordingly, if dividends are not declared on the Series C preferred shares 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 C preferred shares 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 C preferred shares) 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 Series C preferred shares, and any parity stock, have been declared and paid or provided for.

On or prior to December 31, 2018, MetLife, Inc. is prohibited from declaring dividends on the Series C preferred shares if it fails to meet specified capital adequacy, net income and stockholders' equity levels. Beginning on January 1, 2019, MetLife, Inc. will no longer be subject to such limitations. At June 30, 2015, there were no dividends declared on the Series C preferred shares.

Holders of the Series C preferred shares 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 C preferred shares have certain voting rights with respect to members of the Board of Directors of MetLife, Inc.

The Series C preferred shares 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 C preferred shares, (i) in whole but not in part, at any time prior to June 15, 2020, within 90 days after the occurrence of a "regulatory capital event," and (ii) in whole or in part, from time to time, on or after June 15, 2020, in each case, at a redemption price equal to \$1,000 per Series C preferred share, plus an amount equal to any 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 "regulatory capital event" could occur as a result of a change or proposed change in capital adequacy rules (or the interpretation or application thereof) that would apply to MetLife, Inc. from rules (or the interpretation or application thereof) in effect with respect to bank

holding companies as of June 1, 2015 that would create a more than insubstantial risk, as determined by MetLife, Inc., that the Series C preferred shares would not be treated as “Tier 1 Capital” or as capital with attributes similar to those of Tier 1 Capital.

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MetLife, Inc.

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

9. Equity (continued)

In June 2015, MetLife, Inc. entered into a replacement capital covenant (“RCC”) related to the Series C preferred shares. As part of such RCC, MetLife, Inc. agreed that it will not repay, redeem or purchase the Series C preferred shares on or before December 31, 2018, unless, subject to certain limitations, it has received proceeds during a specified period from the sale of specified replacement securities. The RCC is for the benefit of the holders of the related covered debt, which is currently MetLife, Inc.’s 10.750% Fixed-to-Floating Junior Subordinated Debentures due 2069. The RCC will terminate upon the earliest to occur of (i) December 31, 2018, or the date on which the Series C preferred shares are no longer outstanding or the RCC is not otherwise still in effect, (ii) the date on which the holders in majority principal amount of the then-effective covered debt consent to the termination of the RCC, or (iii) the date on which MetLife, Inc. has no series of outstanding eligible debt securities.

In connection with the offering of the Series C preferred shares, MetLife, Inc. incurred \$17 million of issuance costs which have been recorded as a reduction of additional paid-in capital.

In June 2015, MetLife, Inc. conducted a tender offer for up to 59,850,000 of its 60,000,000 shares of 6.50% Non-Cumulative Preferred Stock, Series B (the “Series B preferred shares”), at a purchase price of \$25 per Series B preferred share, plus an amount equal to accrued, unpaid and undeclared dividends from, and including, June 15, 2015 to, but excluding, June 29, 2015, the settlement date of the tender offer. In June 2015, MetLife, Inc. also delivered a notice of redemption to the holders of the Series B preferred shares, pursuant to which it would redeem any Series B preferred shares not purchased by it in the tender offer at a redemption price of \$25 per Series B preferred share, without any payment for accrued, unpaid and undeclared dividends on the Series B preferred shares from, and including, June 15, 2015 to, but excluding July 1, 2015, the redemption date. On June 29, 2015, MetLife, Inc. repurchased and canceled 37,192,413 Series B preferred shares in the tender offer for \$932 million in cash, resulting in a remaining liability of \$570 million, which was included in other liabilities at June 30, 2015. On July 1, 2015, MetLife, Inc. redeemed and canceled the remaining 22,807,587 Series B preferred shares not tendered in the tender offer for an aggregate redemption price of \$570 million in cash. In connection with the tender offer and redemption, MetLife, Inc. recognized a preferred stock repurchase premium of \$42 million (calculated as the difference between the carrying value of the Series B preferred shares and the total amount paid by MetLife, Inc. to the holders of the Series B preferred shares in connection with the tender offer and redemption), which was recorded as a reduction to retained earnings at June 30, 2015.

Further information on MetLife, Inc.’s authorized, issued and outstanding preferred stock was as follows:

Series	June 30, 2015			December 31, 2014		
	Shares Authorized	Shares Issued	Shares Outstanding	Shares Authorized	Shares Issued	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
6.50% Non-Cumulative Preferred Stock, Series B (1)	69,000,000	—	—	69,000,000	60,000,000	60,000,000
5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C	1,500,000	1,500,000	1,500,000	—	—	—
Series A Junior Participating Preferred Stock	10,000,000	—	—	10,000,000	—	—
Not designated	91,900,000	—	—	93,400,000	—	—
Total	200,000,000	25,500,000	25,500,000	200,000,000	84,000,000	84,000,000

(1) As discussed further above, on July 1, 2015, MetLife, Inc. redeemed and canceled the remaining 22,807,587 Series B preferred shares not tendered in the tender offer.

Common Stock

During the six months ended June 30, 2015 and 2014, MetLife, Inc. repurchased 20,176,185 and 80,662 shares through open market purchases for \$1.0 billion and \$4 million, respectively.

At June 30, 2015, MetLife, Inc. had \$261 million remaining under its common stock repurchase authorization. Future common stock repurchases will be 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.

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MetLife, Inc.

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

9. Equity (continued)

Stock-Based Compensation Plans

Performance Shares and Performance Units

For outstanding awards granted prior to the January 1, 2013 - December 31, 2015 performance period, vested Performance Shares and Performance Units were or will be multiplied by a performance factor of 0% to 200% based on MetLife, Inc.'s adjusted income, total shareholder return, and performance in change in annual net operating earnings and total shareholder return compared to the performance of its competitors, each measured with respect to the applicable three-year performance period or portions thereof. See also “— Payout of 2012 – 2014 Performance Shares” and “— Payout of 2012 – 2014 Performance Units.”

For outstanding awards granted for the January 1, 2013 – December 31, 2015 and later performance periods, any vested Performance Shares and Performance Units will be multiplied by a performance factor of 0% to 175%. Assuming that MetLife, Inc. has met threshold performance goals related to its adjusted income or total shareholder return, the MetLife, Inc. Compensation Committee will determine the performance factor in its discretion. In doing so, the Compensation Committee may consider MetLife, Inc.'s total shareholder return relative to the performance of its competitors and MetLife, Inc.'s operating return on equity relative to its financial plan. The estimated fair value of Performance Shares and Performance Units will be remeasured each quarter until they become payable.

Beginning in 2015, MetLife, Inc. grants awards under the MetLife, Inc. 2015 Stock and Incentive Compensation Plan (successor to the MetLife, Inc. 2005 Stock and Incentive Compensation Plan) and the MetLife, Inc. 2015 Non-Management Director Stock Compensation Plan (successor to the MetLife, Inc. 2005 Non-Management Director Stock Compensation Plan), each of which was approved by MetLife, Inc. common stockholders in 2014.

Payout of 2012 – 2014 Performance Shares

Final Performance Shares are paid in shares of MetLife, Inc. common stock. The performance factor for the January 1, 2012 – December 31, 2014 performance period was 101%. This factor has been applied to the 1,756,839 Performance Shares associated with that performance period that vested on December 31, 2014 and, as a result, in April 2015, 1,774,407 shares of MetLife, Inc.'s common stock (less withholding for taxes and other items, as applicable) were issued, excluding shares that payees choose to defer.

Payout of 2012 – 2014 Performance Units

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, 2012 – December 31, 2014 performance period was 101%. This factor has been applied to the 129,734 Performance Units associated with that performance period that vested on December 31, 2014 and, as a result, in April 2015, the cash value of 131,031 units (less withholding for taxes and other items, as applicable) was paid.

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MetLife, Inc.

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

9. 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 June 30, 2015				
	Unrealized Investment Gains (Losses), Net of Related Offsets	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	\$16,206	\$1,555	\$(3,986)	\$(2,246)	\$11,529
OCI before reclassifications	(6,511)	(395)	(237)	3	(7,140)
Deferred income tax benefit (expense)	2,178	150	9	(1)	2,336
AOCI before reclassifications, net of income tax	11,873	1,310	(4,214)	(2,244)	6,725
Amounts reclassified from AOCI	(177)	(303)	—	57	(423)
Deferred income tax benefit (expense)	65	95	—	(19)	141
Amounts reclassified from AOCI, net of income tax	(112)	(208)	—	38	(282)
Sale of subsidiary	—	—	—	—	—
Deferred income tax benefit (expense)	—	—	—	—	—
Sale of subsidiary, net of income tax	—	—	—	—	—
Balance, end of period	\$11,761	\$1,102	\$(4,214)	\$(2,206)	\$6,443
	Three Months Ended June 30, 2014				
	Unrealized Investment Gains (Losses), Net of Related Offsets	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	\$11,276	\$404	\$(1,843)	\$(1,622)	\$8,215
OCI before reclassifications	4,330	175	(5)	6	4,506
Deferred income tax benefit (expense)	(1,336)	(48)	53	(2)	(1,333)
AOCI before reclassifications, net of income tax	14,270	531	(1,795)	(1,618)	11,388
Amounts reclassified from AOCI	(176)	(80)	77	46	(133)
Deferred income tax benefit (expense)	55	25	(27)	(16)	37
Amounts reclassified from AOCI, net of income tax	(121)	(55)	50	30	(96)
Sale of subsidiary (2)	(320)	—	6	—	(314)
Deferred income tax benefit (expense)	80	—	—	—	80
Sale of subsidiary, net of income tax	(240)	—	6	—	(234)
Balance, end of period	\$13,909	\$476	\$(1,739)	\$(1,588)	\$11,058

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MetLife, Inc.

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

9. Equity (continued)

	Six Months Ended June 30, 2015				
	Unrealized Investment Gains (Losses), Net of Related Offsets	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	\$15,159	\$1,076	\$(3,303)	\$(2,283)	\$10,649
OCI before reclassifications	(4,885)	(208)	(907)	3	(5,997)
Deferred income tax benefit (expense)	1,677	84	(4)	(1)	1,756
AOCI before reclassifications, net of income tax	11,951	952	(4,214)	(2,281)	6,408
Amounts reclassified from AOCI	(290)	251	—	114	75
Deferred income tax benefit (expense)	100	(101)	—	(39)	(40)
Amounts reclassified from AOCI, net of income tax	(190)	150	—	75	35
Sale of subsidiary	—	—	—	—	—
Deferred income tax benefit (expense)	—	—	—	—	—
Sale of subsidiary, net of income tax	—	—	—	—	—
Balance, end of period	\$11,761	\$1,102	\$(4,214)	\$(2,206)	\$6,443
	Six Months Ended June 30, 2014				
	Unrealized Investment Gains (Losses), Net of Related Offsets	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	\$8,183	\$231	\$(1,659)	\$(1,651)	\$5,104
OCI before reclassifications	9,182	496	(222)	6	9,462
Deferred income tax benefit (expense)	(2,981)	(161)	86	(2)	(3,058)
AOCI before reclassifications, net of income tax	14,384	566	(1,795)	(1,647)	11,508
Amounts reclassified from AOCI	(349)	(134)	77	91	(315)
Deferred income tax benefit (expense)	114	44	(27)	(32)	99
Amounts reclassified from AOCI, net of income tax	(235)	(90)	50	59	(216)
Sale of subsidiary (2)	(320)	—	6	—	(314)
Deferred income tax benefit (expense)	80	—	—	—	80
Sale of subsidiary, net of income tax	(240)	—	6	—	(234)
Balance, end of period	\$13,909	\$476	\$(1,739)	\$(1,588)	\$11,058

(1) See Note 5 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI, and the policyholder dividend obligation.

(2) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

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MetLife, Inc.

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

9. Equity (continued)

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Amounts Reclassified from AOCI				Consolidated Statement of Operations and Comprehensive Income (Loss) Locations
	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015		
	2015	2014	2015	2014	
(In millions)					
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	\$110	\$80	\$249	\$192	Net investment gains (losses)
Net unrealized investment gains (losses)	17	59	57	85	Net investment income
Net unrealized investment gains (losses)	50	37	(16)	72	Net derivative gains (losses)
Net unrealized investment gains (losses), before income tax	177	176	290	349	
Income tax (expense) benefit	(65)	(55)	(100)	(114)	
Net unrealized investment gains (losses), net of income tax	\$112	\$121	\$190	\$235	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate swaps	\$7	\$12	\$12	\$27	Net derivative gains (losses)
Interest rate swaps	3	2	6	4	Net investment income
Interest rate forwards	1	2	4	2	Net derivative gains (losses)
Interest rate forwards	1	1	2	2	Net investment income
Interest rate forwards	—	1	1	1	Other expenses
Foreign currency swaps	290	62	(277)	98	Net derivative gains (losses)
Foreign currency swaps	(1)	—	(1)	(1)	Net investment income
Foreign currency swaps	1	—	1	1	Other expenses
Credit forwards	1	—	1	—	Net investment income
Gains (losses) on cash flow hedges, before income tax	303	80	(251)	134	
Income tax (expense) benefit	(95)	(25)	101	(44)	
Gains (losses) on cash flow hedges, net of income tax	\$208	\$55	\$(150)	\$90	
Foreign translation adjustment	—	(77)	—	(77)	Net investment gains (losses)
Income tax (expense) benefit	—	27	—	27	
Foreign translation adjustment, net of income tax	—	(50)	—	(50)	
Defined benefit plans adjustment: (1)					
Amortization of net actuarial gains (losses)	\$(58)	\$(47)	\$(116)	\$(91)	
Amortization of prior service (costs) credit	1	1	2	—	

Amortization of defined benefit plan items, before income tax	(57	)	(46	)	(114	)	(91)
Income tax (expense) benefit	19		16		39		32	
Amortization of defined benefit plan items, net of income tax	\$(38	)	\$(30	)	\$(75	)	\$(59)
Total reclassifications, net of income tax	\$282		\$96		\$(35	)	\$216	

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 11.

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MetLife, Inc.

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

10. Other Expenses

Information on other expenses was as follows:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Compensation	\$1,258	\$1,210	\$2,549	\$2,415
Pension, postretirement and postemployment benefit costs	105	117	197	237
Commissions	1,122	1,302	2,279	2,590
Volume-related costs	255	211	497	412
Capitalization of DAC	(927	) (1,032	) (1,895	) (2,078
Amortization of DAC and VOBA	897	1,062	1,922	2,120
Amortization of negative VOBA	(92	) (111	) (192	) (226
Interest expense on debt	308	312	606	624
Premium taxes, licenses and fees	196	195	369	420
Professional services	383	366	713	687
Rent and related expenses, net of sublease income	84	93	167	178
Other	483	497	920	1,006
Total other expenses	\$4,072	\$4,222	\$8,132	\$8,385

11. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries sponsor and/or administer various U.S. qualified and non-qualified defined benefit pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specified eligibility requirements. These subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insurance benefits for retired employees.

The components of net periodic benefit costs were as follows:

	Three Months Ended June 30, 2015				2014			
	Pension Benefits		Other Postretirement Benefits		Pension Benefits		Other Postretirement Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
	(In millions)							
Service costs	\$54	\$15	\$4	\$1	\$50	\$14	\$4	\$1
Interest costs	101	6	22	—	109	4	23	—
Expected return on plan assets	(135	) (1	) (20	) —	(118	) (2	) (18	) (1
Amortization of net actuarial (gains) losses	47	—	11	—	44	—	3	—
Amortization of prior service costs (credit)	—	—	(1) —	—	—	(1) —
Net periodic benefit costs (credit)	\$67	\$20	\$16	\$1	\$85	\$16	\$11	\$—

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	Six Months Ended June 30, 2015								2014							
	Pension Benefits				Other Postretirement Benefits				Pension Benefits				Other Postretirement Benefits			
	U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans		U.S. Plans		Non-U.S. Plans	
	(In millions)															
Service costs	\$108	\$30	\$8	\$1	\$100	\$34	\$7	\$1								
Interest costs	202	10	44	1	218	7	46	1								
Expected return on plan assets	(269)	(3)	(40)	—	(237)	(4)	(37)	(1)								
Amortization of net actuarial (gains) losses	94	1	21	—	85	—	6	—								
Amortization of prior service costs (credit)	—	—	(2)	—	1	—	(1)	—								
Net periodic benefit costs (credit)	\$135	\$38	\$31	\$2	\$167	\$37	\$21	\$1								

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MetLife, Inc.

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

12. Earnings Per Common Share

The following table presents the weighted average shares used in calculating basic earnings per common share and those used in calculating diluted earnings per common share for each income category presented below:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
(In millions, except share and per share data)				
Weighted Average Shares				
Weighted average common stock outstanding for basic earnings per common share	1,117,807,514	1,127,986,031	1,120,801,928	1,126,876,090
Incremental common shares from assumed:				
Stock purchase contracts underlying common equity units	—	3,756,390	—	3,571,043
Exercise or issuance of stock-based awards	10,584,264	10,519,694	10,320,897	10,338,697
Weighted average common stock outstanding for diluted earnings per common share	1,128,391,778	1,142,262,115	1,131,122,825	1,140,785,830
Income (Loss) from Continuing Operations				
Income (loss) from continuing operations, net of income tax	\$1,119	\$1,376	\$3,282	\$2,718
Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests	4	10	9	21
Less: Preferred stock dividends	31	31	61	61
Preferred stock repurchase premium	42	—	42	—
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	\$1,042	\$1,335	\$3,170	\$2,636
Basic	\$0.93	\$1.18	\$2.83	\$2.34
Diluted	\$0.92	\$1.17	\$2.80	\$2.31
Income (Loss) from Discontinued Operations				
Income (loss) from discontinued operations, net of income tax	\$—	\$—	\$—	\$(3)
Less: Income (loss) from discontinued operations, net of income tax, attributable to noncontrolling interests	—	—	—	—
Income (loss) from discontinued operations, net of income tax, available to MetLife, Inc.'s common shareholders	\$—	\$—	\$—	\$(3)
Basic	\$—	\$—	\$—	\$—
Diluted	\$—	\$—	\$—	\$—
Net Income (Loss)				
Net income (loss)	\$1,119	\$1,376	\$3,282	\$2,715
Less: Net income (loss) attributable to noncontrolling interests	4	10	9	21
Less: Preferred stock dividends	31	31	61	61
Preferred stock repurchase premium	42	—	42	—

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Net income (loss) available to MetLife, Inc.'s common shareholders	\$1,042	\$1,335	\$3,170	\$2,633
Basic	\$0.93	\$1.18	\$2.83	\$2.34
Diluted	\$0.92	\$1.17	\$2.80	\$2.31

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a large number of litigation matters. In some of the matters, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claimants to state only that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs to allege monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variability in pleadings, together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an extended period of time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance to its merits or disposition value.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular points in time may normally be difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credibility and effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evidence presented, whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing parties and their counsel will themselves view the relevant evidence and applicable law.

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is possible that some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be estimated at June 30, 2015. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known to management, management does not believe any such charges are likely to have a material effect on the Company's financial position.

Matters as to Which an Estimate Can Be Made

For some of the matters disclosed below, the Company is able to estimate a reasonably possible range of loss. For such matters where a loss is believed to be reasonably possible, but not probable, no accrual has been made. As of June 30, 2015, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be \$0 to \$410 million.

Matters as to Which an Estimate Cannot Be Made

For other matters disclosed below, the Company is not currently able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlement negotiations. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation contingencies and updates its accruals, disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees (continued)

Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damages. MLIC has never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products nor has MLIC issued liability or workers' compensation insurance to companies in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products. The lawsuits principally have focused on allegations with respect to certain research, publication and other activities of one or more of MLIC's employees during the period from the 1920's through approximately the 1950's and allege that MLIC learned or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to disclose those health risks. MLIC believes that it should not have legal liability in these cases. The outcome of most asbestos litigation matters, however, is uncertain and can be impacted by numerous variables, including differences in legal rulings in various jurisdictions, the nature of the alleged injury and factors unrelated to the ultimate legal merit of the claims asserted against MLIC. MLIC employs a number of resolution strategies to manage its asbestos loss exposure, including seeking resolution of pending litigation by judicial rulings and settling individual or groups of claims or lawsuits under appropriate circumstances.

Claims asserted against MLIC have included negligence, intentional tort and conspiracy concerning the health risks associated with asbestos. MLIC's defenses (beyond denial of certain factual allegations) include that: (i) MLIC owed no duty to the plaintiffs— it had no special relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured plaintiffs; (ii) plaintiffs did not rely on any actions of MLIC; (iii) MLIC's conduct was not the cause of the plaintiffs' injuries; (iv) plaintiffs' exposure occurred after the dangers of asbestos were known; and (v) the applicable time with respect to filing suit has expired. During the course of the litigation, certain trial courts have granted motions dismissing claims against MLIC, while other trial courts have denied MLIC's motions. There can be no assurance that MLIC will receive favorable decisions on motions in the future. While most cases brought to date have settled, MLIC intends to continue to defend aggressively against claims based on asbestos exposure, including defending claims at trials.

As reported in the 2014 Annual Report, MLIC received approximately 4,636 asbestos-related claims in 2014. During the six months ended June 30, 2015 and 2014, MLIC received approximately 2,022 and 2,569 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for historical information concerning asbestos claims and MLIC's increase in its recorded liability at December 31, 2014. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impacting its liability can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict the numerous variables that can affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against MLIC when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts.

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In the Company's judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that the Company's total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued and that future charges to income may be necessary. While the potential future charges could be material in the particular quarterly or annual periods in which they are

recorded, based on information currently known by management, management does not believe any such charges are likely to have a material effect on the Company's financial position.

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees (continued)

The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for asbestos-related claims. MLIC's recorded asbestos liability is based on its estimation of the following elements, as informed by the facts presently known to it, its understanding of current law and its past experiences: (i) the probable and reasonably estimable liability for asbestos claims already asserted against MLIC, including claims settled but not yet paid; (ii) the probable and reasonably estimable liability for asbestos claims not yet asserted against MLIC, but which MLIC believes are reasonably probable of assertion; and (iii) the legal defense costs associated with the foregoing claims. Significant assumptions underlying MLIC's analysis of the adequacy of its recorded liability with respect to asbestos litigation include: (i) the number of future claims; (ii) the cost to resolve claims; and (iii) the cost to defend claims.

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through June 30, 2015.

Regulatory Matters

The Company receives and responds to subpoenas or other inquiries from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the SEC; federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority ("FINRA"), as well as from local and national regulators and government authorities in countries outside the United States where MetLife conducts business, seeking a broad range of information. The issues involved in information requests and regulatory matters vary widely. The Company cooperates in these inquiries.

Mortgage Regulatory and Law Enforcement Authorities' Inquiries

MetLife, through its affiliate, MetLife Bank, National Association ("MetLife Bank"), was engaged in the origination, sale and servicing of forward and reverse residential mortgage loans since 2008. In 2012, MetLife Bank exited the business of originating residential mortgage loans. In 2012 and 2013, MetLife Bank sold its residential mortgage servicing portfolios, and in 2013 wound down its mortgage servicing business. In August 2013, MetLife Bank merged with and into MetLife Home Loans LLC ("MLHL"), its former subsidiary, with MLHL as the surviving non-bank entity.

In May 2013, MetLife Bank received a subpoena from the U.S. Department of Justice requiring production of documents relating to MetLife Bank's payment of certain foreclosure-related expenses to law firms and business entities affiliated with law firms and relating to MetLife Bank's supervision of such payments, including expenses submitted to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corp. and the U.S. Department of Housing and Urban Development ("HUD") for reimbursement. It is possible that various state or federal regulatory and law enforcement authorities may seek monetary penalties from MLHL relating to foreclosure practices. In April and May 2012, MetLife Bank received two subpoenas issued by the Office of Inspector General for HUD regarding Federal Housing Administration ("FHA") insured loans. In June and September 2012, MetLife Bank received two Civil Investigative Demands that the U.S. Department of Justice issued as part of a False Claims Act investigation of allegations that MetLife Bank had improperly originated and/or underwritten loans insured by the FHA. Under a February 25, 2015 agreement resolving this investigation, MLHL paid \$123.5 million and the U.S. Department of Justice released MLHL from False Claims Act liability for FHA claims filed through August 25, 2014. The Company previously accrued the full amount of the settlement payment in its consolidated financial statements.

The inquiries and investigations referred to above could adversely affect MetLife's reputation or result in significant fines, penalties, equitable remedies or other enforcement actions, and result in significant legal costs in responding to

governmental investigations or other litigation. Exiting the MetLife Bank businesses may not protect MetLife from inquiries and investigations relating to residential mortgage servicing and foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of responding to any such governmental investigations, or other litigation. Management believes that the Company's consolidated financial statements as a whole will not be materially affected by these regulatory matters.

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees (continued)

In the Matter of Chemform, Inc. Site, Pompano Beach, Broward County, Florida

In July 2010, the Environmental Protection Agency (“EPA”) advised MLIC that it believed payments were due under two settlement agreements, known as “Administrative Orders on Consent,” that New England Mutual Life Insurance Company (“New England Mutual”) signed in 1989 and 1992 with respect to the cleanup of a Superfund site in Florida (the “Chemform Site”). The EPA originally contacted MLIC (as successor to New England Mutual) and a third party in 2001, and advised that they owed additional clean-up costs for the Chemform Site. The matter was not resolved at that time. The EPA is requesting payment of an amount under \$1 million from MLIC and such third party for past costs and an additional amount for future environmental testing costs at the Chemform Site. In September 2012, the EPA, MLIC and the third party executed an Administrative Order on Consent under which MLIC and the third party have agreed to be responsible for certain environmental testing at the Chemform site. The Company estimates that its costs for the environmental testing will not exceed \$100,000. The September 2012 Administrative Order on Consent does not resolve the EPA’s claim for past clean-up costs. The EPA may seek additional costs if the environmental testing identifies issues. The Company estimates that the aggregate cost to resolve this matter will not exceed \$1 million.

New York Licensing Inquiry

The Company entered into a consent order with the New York State Department of Financial Services (“Department of Financial Services”) to resolve its inquiry into whether American Life Insurance Company (“American Life”) and Delaware American Life Insurance Company (“DelAm”) conducted business in New York without a license and whether representatives acting on behalf of those companies solicited, sold or negotiated insurance products in New York without a license. The Company entered into a deferred prosecution agreement with the District Attorney, New York County, regarding the same conduct. Pursuant to these agreements, in the first quarter of 2014, the Company paid \$50 million to the Department of Financial Services and \$10 million to the District Attorney, New York County. The Department of Financial Services consent order allowed certain activities in New York related to American Life and other entities to continue through June 30, 2015. On July 2, 2015, New York Insurance Law Section 2117 was amended to allow certain activities to take place in New York that relate to a policy or contract of group life, group annuity, or group accident and health insurance where the policyholder or proposed policyholder is a multinational entity resident outside the United States. The Company is continuing to cooperate with the New York State Office of the Attorney General Taxpayer Protection Bureau as to its inquiry concerning American Life’s and DelAm’s New York State tax filings.

Sales Practices Regulatory Matters

Regulatory authorities in a small number of states and FINRA, and occasionally the SEC, have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other products by MLIC, MetLife Insurance Company USA, New England Life Insurance Company (“NELICO”), and General American Life Insurance Company (“GALIC”), and broker-dealer MetLife Securities, Inc. These investigations often focus on the conduct of particular financial services representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, including restitution payments. The Company may continue to resolve investigations in a similar manner. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for these sales practices-related investigations or inquiries.

Unclaimed Property Litigation

West Virginia Lawsuits

On September 20, 2012, the West Virginia Treasurer filed an action against MLIC in West Virginia state court (West Virginia ex rel. John D. Perdue v. Metropolitan Life Insurance Company, Circuit Court of Putnam County, Civil Action No. 12-C-295) alleging that MLIC violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 14, 2012, November 21, 2012, December 28, 2012, and January 9, 2013, the Treasurer filed substantially

identical suits against MetLife Investors USA Insurance Company, NELICO, MetLife Insurance Company of Connecticut and GALIC, respectively. On June 16, 2015, the West Virginia Supreme Court of Appeals reversed the Circuit Court's order that had granted defendants' motions to dismiss the actions and remanded them to the Circuit Court for further proceedings. The defendants intend to defend these actions vigorously.

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees (continued)

City of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (S.D.N.Y., filed January 12, 2012)
Seeking to represent a class of persons who purchased MetLife, Inc. common shares between February 2, 2010, and October 6, 2011, the plaintiff filed a second amended complaint alleging that MetLife, Inc. and several current and former directors and executive officers of MetLife, Inc. violated the Securities Act of 1933 (“Securities Act”), as well as the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements concerning MetLife, Inc.’s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. The defendants intend to defend this action vigorously.

City of Birmingham Retirement and Relief System v. MetLife, Inc., et al. (Circuit Court of Jefferson County, Alabama, filed July 5, 2012)

Seeking to represent a class of persons who purchased MetLife, Inc. common equity units in or traceable to a public offering in March 2011, the plaintiff filed an action alleging that MetLife, Inc., certain current and former directors and executive officers of MetLife, Inc., and various underwriters violated several provisions of the Securities Act related to the filing of the registration statement by issuing, or causing MetLife, Inc. to issue, materially false and misleading statements and/or omissions concerning MetLife, Inc.’s potential liability for millions of dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensatory damages and other relief. On March 31, 2015, a federal court granted plaintiff’s motion to remand this action to state court. The defendants intend to defend this action vigorously.

Derivative Actions and Demands

Seeking to sue derivatively on behalf of MetLife, Inc., two shareholders commenced separate actions against members of the MetLife, Inc. Board of Directors, alleging that they breached their fiduciary and other duties to the Company. Plaintiffs allege that the defendants failed to ensure that the Company complied with state unclaimed property laws and to ensure that the Company accurately reported its earnings. Plaintiffs allege that because of the defendants’ breaches of duty, MetLife, Inc. has incurred damage to its reputation and has suffered other unspecified damages. The two actions (Mallon v. Kandarian, et al. (S.D.N.Y., filed March 28, 2012) and Martino v. Kandarian, et al. (S.D.N.Y., filed April 19, 2012)) have been consolidated and stayed pending further order of the court. The defendants intend to continue to defend these actions vigorously.

Total Control Accounts Litigation

MLIC is a defendant in lawsuits related to its use of retained asset accounts, known as TCA, as a settlement option for death benefits.

Keife, et al. v. Metropolitan Life Insurance Company (D. Nev., filed in state court on July 30, 2010 and removed to federal court on September 7, 2010); and Simon v. Metropolitan Life Insurance Company (D. Nev., filed November 3, 2011)

These putative class action lawsuits, which have been consolidated, raise breach of contract claims arising from MLIC’s use of the TCA to pay life insurance benefits under the Federal Employees’ Group Life Insurance program. On March 8, 2013, the court granted MLIC’s motion for summary judgment. On June 12, 2015, the United States Court of Appeals for the Ninth Circuit affirmed the order granting summary judgment to MLIC.

Owens v. Metropolitan Life Insurance Company (N.D. Ga., filed April 17, 2014)

This putative class action lawsuit alleges that MLIC’s use of the TCA as the settlement option for life insurance benefits under some group life insurance policies violates MLIC’s fiduciary duties under the Employee Retirement Income Security Act of 1974 (“ERISA”). As damages, plaintiff seeks disgorgement of profits that MLIC realized on accounts owned by members of the putative class. The court denied MLIC’s motion to dismiss the complaint. The Company intends to defend this action vigorously.

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees (continued)

Reinsurance Litigation

Robainas, et al. v. Metropolitan Life Ins. Co. (S.D.N.Y., December 16, 2014)

Plaintiffs filed this putative class action lawsuit on behalf of themselves and all persons and entities who, directly or indirectly, purchased, renewed or paid premiums on life insurance policies issued by MLIC from 2009 through 2014 (the “Policies”). Two similar actions were subsequently filed, Yale v. Metropolitan Life Ins. Co. (S.D.N.Y., January 12, 2015) and International Association of Machinists and Aerospace Workers District Lodge 15 v. Metropolitan Life Ins. Co. (E.D.N.Y., February 2, 2015). Both of these actions have been consolidated with the Robainas action. The consolidated complaint alleges that MLIC inadequately disclosed in its statutory annual statements that certain reinsurance transactions with affiliated reinsurance companies were collateralized using “contractual parental guarantees,” and thereby allegedly misrepresented its financial condition and the adequacy of its reserves. The lawsuit seeks recovery under Section 4226 of the New York Insurance Law of a statutory penalty in the amount of the premiums paid for the Policies. MetLife intends to defend this action vigorously.

Intoccia v. Metropolitan Life Ins. Co. (S.D.N.Y., April 20, 2015); and Weilert v. Metropolitan Life Ins. Co. (S.D.N.Y., April 30, 2015)

Plaintiffs filed these putative class actions on behalf of themselves and all persons and entities who, directly or indirectly, purchased, renewed or paid premiums for Guaranteed Benefits Insurance Riders attached to variable annuity contracts with MLIC from 2009 through 2015 (the “Annuities”). The complaints allege that MLIC inadequately disclosed in its statutory annual statements that certain reinsurance transactions with affiliated reinsurance companies were collateralized using “contractual parental guarantees,” and thereby allegedly misrepresented its financial condition and the adequacy of its reserves. The lawsuits seek recovery under Section 4226 of the New York Insurance Law of a statutory penalty in the amount of the premiums paid for Guaranteed Benefits Insurance Riders attached to the Annuities. MetLife intends to defend these actions vigorously.

Other Litigation

McGuire v. Metropolitan Life Insurance Company (E.D. Mich., filed February 22, 2012)

This lawsuit was filed by the fiduciary for the Union Carbide Employees’ Pension Plan and alleges that MLIC, which issued annuity contracts to fund some of the benefits the Plan provides, engaged in transactions that ERISA prohibits and violated duties under ERISA and federal common law by determining that no dividends were payable with respect to the contracts from and after 1999. On August 8, 2014, the court denied the parties’ motions for summary judgment. The court has not yet set a new trial date.

Sun Life Assurance Company of Canada Indemnity Claim

In 2006, Sun Life Assurance Company of Canada (“Sun Life”), as successor to the purchaser of MLIC’s Canadian operations, filed a lawsuit in Toronto, seeking a declaration that MLIC remains liable for “market conduct claims” related to certain individual life insurance policies sold by MLIC and that were transferred to Sun Life. Sun Life had asked that the court require MLIC to indemnify Sun Life for these claims pursuant to indemnity provisions in the sale agreement for the sale of MLIC’s Canadian operations entered into in June of 1998. In January 2010, the court found that Sun Life had given timely notice of its claim for indemnification but, because it found that Sun Life had not yet incurred an indemnifiable loss, granted MLIC’s motion for summary judgment. Both parties appealed but subsequently agreed to withdraw the appeal and consider the indemnity claim through arbitration. In September 2010, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Toronto, Fehr v. Sun Life Assurance Co. (Super. Ct., Ontario, September 2010), alleging sales practices claims regarding the same individual policies sold by MLIC and transferred to Sun Life. An amended class action complaint in that case was served on Sun Life in May 2013, again without naming MLIC as a party. On August 30, 2011, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Vancouver, Alamwala v. Sun Life Assurance Co. (Sup. Ct., British Columbia, August 2011), alleging sales practices claims regarding certain of the same policies sold by MLIC and transferred to Sun Life. Sun Life contends that MLIC is obligated to indemnify Sun Life for some or all of the claims in these lawsuits. These sales practices cases against Sun Life are ongoing, and the Company is unable to estimate the

reasonably possible loss or range of loss arising from this litigation.

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees (continued)

C-Mart, Inc. v. Metropolitan Life Ins. Co., et al. (S.D. Fla., January 10, 2013); Cadenasso v. Metropolitan Life Insurance Co., et al. (N.D. Cal., November 26, 2013, subsequently transferred to S.D. Fla.); and Fauley v. Metropolitan Life Insurance Co., et al. (Circuit Court of the 19th Judicial Circuit, Lake County, Ill., July 3, 2014) Plaintiffs filed these lawsuits against defendants, including MLIC and a former MetLife financial services representative, alleging that the defendants sent unsolicited fax advertisements to plaintiff and others in violation of the Telephone Consumer Protection Act, as amended by the Junk Fax Prevention Act, 47 U.S.C. § 227. The C-Mart and Cadenasso cases were voluntarily dismissed. In the Fauley case, the court in Illinois issued a final order certifying a nationwide settlement class and approving a settlement under which MLIC has agreed to pay up to \$23 million to resolve claims as to fax ads sent between August 23, 2008 and August 7, 2014. An objector to the settlement has filed a notice to appeal the approval order.

MetLife, Inc. v. Financial Stability Oversight Council (D. D.C., January 13, 2015)

MetLife, Inc. filed this action in federal court seeking to overturn the Financial Stability Oversight Council's designation of MetLife, Inc. as a non-bank systemically important financial institution ("non-bank SIFI"). The suit is brought under the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act providing that a company designated as a non-bank SIFI may petition the federal courts for review, and seeks an order requiring that the final determination be rescinded.

Voshall v. Metropolitan Life Ins. Co. (Superior Court of the State of California, County of Los Angeles, April 8, 2015)

Plaintiff filed this putative class action lawsuit on behalf of himself and all persons covered under a long-term group disability income insurance policy issued by MLIC to public entities in California between April 8, 2011 and April 8, 2015. Plaintiff alleges that MLIC improperly reduced benefits by including cost of living adjustments and employee paid contributions in the employer retirement benefits and other income that reduces the benefit payable under such policies. Plaintiff asserts causes of action for declaratory relief, violation of the California Business & Professions Code, breach of contract and breach of the implied covenant of good faith and fair dealing. The Company intends to defend this action vigorously.

Sales Practices Claims

Over the past several years, the Company has faced numerous claims, including class action lawsuits, alleging improper marketing or sales of individual life insurance policies, annuities, mutual funds or other products. Some of the current cases seek substantial damages, including punitive and treble damages and attorneys' fees. The Company continues to defend vigorously against the claims in these matters. The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable losses for sales practices matters.

Summary

Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's consolidated financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, mortgage lending bank, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations. It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to

time, have a material effect on the Company's net income or cash flows in particular quarterly or annual periods.

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MetLife, Inc.

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

13. Contingencies, Commitments and Guarantees (continued)

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were \$4.5 billion and \$4.0 billion at June 30, 2015 and December 31, 2014, respectively.

Commitments to Fund Partnership Investments, Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investments

The Company commits to fund partnership investments and to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were \$6.6 billion and \$5.3 billion at June 30, 2015 and December 31, 2014, respectively.

14. Subsequent Events

Common Stock Dividend

On July 7, 2015, the MetLife, Inc. Board of Directors declared a third quarter 2015 common stock dividend of \$0.375 per share payable on September 11, 2015 to shareholders of record as of August 7, 2015. The Company estimates that the aggregate dividend payment will be \$420 million.

Preferred Stock Repurchase

On July 1, 2015, MetLife, Inc. redeemed and canceled the remaining 22,807,587 shares of Series B preferred shares not tendered in the tender offer and settled, in cash, \$570 million of payables included in other liabilities at June 30, 2015. See Note 9.

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Forward-Looking Statements and Other Financial Information

For purposes of this discussion, “MetLife,” the “Company,” “we,” “our” and “us” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with MetLife, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2014, as revised by MetLife, Inc.’s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (“SEC”) on May 21, 2015 (as revised, the “2014 Annual Report”), the cautionary language regarding forward-looking statements included below, the “Risk Factors” set forth in Part II, Item 1A, and the additional risk factors referred to therein, “Quantitative and Qualitative Disclosures About Market Risk” and the Company’s interim condensed consolidated financial statements included elsewhere herein.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong. Actual results could differ materially from those expressed or implied in the forward-looking statements. See “Note Regarding Forward-Looking Statements.”

This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes references to our performance measures, operating earnings and operating earnings available to common shareholders, that are not based on accounting principles generally accepted in the United States of America (“GAAP”). Operating earnings is the measure of segment profit or loss we use to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is our measure of segment performance. Operating earnings is also a measure by which senior management’s and many other employees’ performance is evaluated for the purposes of determining their compensation under applicable compensation plans. See “— Non-GAAP and Other Financial Disclosures” for definitions of these and other measures.

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Executive Summary

Overview

MetLife is a global provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and Europe, the Middle East and Africa (“EMEA”). In addition, the Company reports certain of its results of operations in Corporate & Other. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other.

In the first quarter of 2015, we implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising our capital allocation methodology, and (ii) the realignment of consumer direct business. These changes were applied retrospectively and did not have an impact on total consolidated operating earnings or net income. See “— Other Key Information — Segment Information” for further details. For the three months ended June 30, 2015, as compared to the same period of 2014, we experienced sales growth across most of our regions; in particular, we had strong sales of retail annuity and accidental & health products. We also benefited from higher investment income from our general account, driven by growth in our investment portfolio, as well as a tax benefit in Japan. Investment yields also improved despite the sustained low interest rate environment. Positive underwriting results were driven by favorable mortality and morbidity. Derivative losses in the current period were driven by changes in interest rates and foreign currency exchange rates.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2015	2014	2015	2014
	(In millions)			
Income (loss) from continuing operations, net of income tax	\$1,119	\$1,376	\$3,282	\$2,718
Less: Net investment gains (losses)	(133)	(125)	153	(536)
Less: Net derivative gains (losses)	(912)	311	(91)	654
Less: Other adjustments to continuing operations (1)	(177)	(475)	(487)	(777)
Less: Provision for income tax (expense) benefit	545	44	243	164
Operating earnings	1,796	1,621	3,464	3,213
Less: Preferred stock dividends	31	31	61	61
Operating earnings available to common shareholders	\$1,765	\$1,590	\$3,403	\$3,152

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments.

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

During the three months ended June 30, 2015, income (loss) from continuing operations, net of income tax, decreased \$257 million from the prior period. This includes a one-time tax benefit in Japan of \$174 million in the current period. The decrease was predominantly due to an unfavorable change in net derivative gains (losses) of \$1.2 billion (\$795 million, net of income tax) driven by changes in interest rates and foreign currency exchange rates. This decrease was partially offset by a favorable change in other adjustments to continuing operations of \$298 million (\$194 million, net of income tax), primarily associated with asymmetrical and non-economic accounting for insurance contracts and the offsets to investment and derivative gains and losses related to the amortization of deferred policy acquisition costs (“DAC”) and value of business acquired (“VOBA”). In addition, operating earnings increased over the prior period.

Operating earnings available to common shareholders increased \$175 million over the prior period. This increase reflects higher net investment income from our general account due to growth in our investment portfolio, positive underwriting results and the impact of improved investment yields on net investment income, partially offset by the unfavorable impact of liability refinements and increased expenses. In addition, our results for the current period

include a one-time tax benefit of \$61 million in Japan related to a change in tax rate.

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Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

During the six months ended June 30, 2015, income (loss) from continuing operations, net of income tax, increased \$564 million over the prior period. This includes a one-time tax benefit in Japan of \$174 million in the current period. The increase was predominantly due to a favorable change in net investment gains (losses) of \$689 million (\$448 million, net of income tax), primarily due to the prior period loss on the disposition of MetLife Assurance Limited (“MAL”), as well as an increase in operating earnings. For further information on MAL, see Note 3 of the Notes to the Consolidated Financial Statements in the 2014 Annual Report. In addition, a favorable change in other adjustments to continuing operations of \$290 million (\$189 million, net of income tax) was primarily associated with asymmetrical and non-economic accounting for insurance contracts and the offsets to investment and derivative gains and losses related to the amortization of DAC and VOBA. These increases were partially offset by an unfavorable change in net derivative gains (losses) of \$745 million (\$484 million, net of income tax) driven by changes in interest rates. Operating earnings available to common shareholders increased \$251 million over the prior period. This increase reflects higher net investment income from our general account due to growth in our investment portfolio, partially offset by increased expenses and the impact of decreasing investment yields on net investment income. In addition, our results for the current period include a one-time tax benefit of \$61 million in Japan related to a change in tax rate. Our prior period results include charges totaling \$57 million, net of income tax, related to a settlement with the New York State Department of Financial Services (the “Department of Financial Services”) and the District Attorney, New York County.

Consolidated Company Outlook

As part of an enterprise-wide strategic initiative, we announced in May 2012 that, by 2016, we expected to increase our operating return on common stockholders’ equity (“operating ROE”), excluding accumulated other comprehensive income (“AOCI”), to the 12% to 14% range, driven by higher operating earnings. This target assumed that regulatory capital rules appropriately reflect the life insurance business model and that we have clarity on the rules in a reasonable time frame, allowing for meaningful share repurchases prior to 2016. However, due to substantially lower share repurchases, regulatory uncertainty regarding capital requirements as a non-bank systemically important financial institution (“non-bank SIFI”), lower investment margins (primarily in the U.S.) as a result of the sustained low interest rate environment, lower than anticipated merger and acquisition activity to date and the impact on our foreign operations of the strengthening of the U.S. dollar, we expect our operating ROE to be below this range. Since we announced this strategic initiative, we have continued to expand our business outside of the U.S., thereby continuing to increase our exposure to foreign currency fluctuations. In order to enhance the understanding of our performance in light of such expansion, we have developed an additional method of calculating operating ROE that includes the impact of foreign currency translation adjustments (“FCTA”) in both components of the ratio (operating earnings and equity). The original method of calculating operating ROE excludes all components of AOCI, including FCTA; the new method refines the calculation by excluding AOCI other than FCTA. FCTA can have a positive or negative impact on operating ROE depending on the strength of the U.S. dollar compared to other currencies. Reflecting FCTA in both components of the ratio eliminates volatility in the ratio due to foreign currency fluctuations. We expect our operating ROE, excluding AOCI other than FCTA, to be approximately 11% in 2016.

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We expect to achieve our target for operating ROE, excluding AOCI other than FCTA, by primarily focusing on the following:

Growth in premiums, fees and other revenues driven by:

- Accelerated growth in Group, Voluntary & Worksite Benefits;
- Increased fee revenue reflecting the benefit of higher equity markets on our separate account balances; and
- Increases in our businesses outside of the U.S., notably accident & health, from continuing organic growth throughout our various geographic regions and leveraging our multichannel distribution network.

Expanding our presence in emerging markets, including potential merger and acquisition activity. In our 2012 strategic plan, we expected that by 2016, 20% or more of our operating earnings would come from emerging markets, with the acquisition of Administradora de Fondos de Pensiones Provida S.A. (“ProVida”) contributing to this increase. However, due to the strengthening of the U.S. dollar, increased earnings from the favorable U.S. equity markets, and lower than anticipated merger and acquisition activity, we expect to be below the 20% target in 2016.

Disciplined underwriting. We see no significant changes to the underlying trends that drive underwriting results; however, unanticipated catastrophes could result in a high volume of claims.

Expense management in the light of the low interest rate environment, and continued expense control throughout the Company.

Continued disciplined approach to investing and asset/liability management (“ALM”), through our enterprise risk and ALM governance process.

Part of this strategic initiative has been to leverage our scale to improve the value we provide to customers and shareholders and achieve \$1 billion in annual efficiencies, up to \$400 million of which will be reinvested in technology, platforms and functionality to improve our current operations and develop new capabilities. We also continue to balance our product mix between protection products and more capital-intensive products in order to maintain predictable operating earnings and cash flows. To this end, we introduced new variable annuity products and/or enhancements in late 2014 and early 2015. We anticipate profitable growth for annuity sales in 2015 and beyond.

Other Key Information

Basis of Presentation

Certain international subsidiaries have a fiscal year cutoff of November 30th. Accordingly, the Company’s interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of May 31, 2015 and November 30, 2014 and the operating results of such subsidiaries for the three months and six months ended May 31, 2015 and 2014. The Company is in the process of converting to calendar year reporting for these subsidiaries. We expect to substantially complete these conversions by 2016. The impact of the conversions on our financial statements to date has been de minimis and, therefore, has been reported in net income in the quarter of conversion.

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Segment Information

In the first quarter of 2015, we implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising our capital allocation methodology, and (ii) the realignment of consumer direct business. Consequently, prior period results for the three months and six months ended June 30, 2014 were impacted as follows:

- Retail's operating earnings increased (decreased) by \$25 million and \$49 million, net of (\$45) million and (\$89) million of income tax expense (benefit), respectively;
- Group, Voluntary & Worksite Benefits' operating earnings increased (decreased) by \$4 million and \$6 million, net of \$3 million and \$4 million of income tax expense (benefit), respectively;
- Corporate Benefit Funding's operating earnings increased (decreased) by (\$11) million and (\$26) million, net of (\$14) million and (\$22) million of income tax expense (benefit), respectively;
- Latin America's operating earnings increased (decreased) by (\$24) million and (\$49) million, net of (\$14) million and (\$30) million of income tax expense (benefit), respectively;
- Asia's operating earnings increased (decreased) by \$5 million and \$10 million, net of \$1 million and \$2 million of income tax expense (benefit), respectively;
- EMEA's operating earnings increased (decreased) by (\$21) million and (\$38) million, net of (\$11) million and (\$18) million of income tax expense (benefit), respectively; and
- Corporate & Other's operating earnings increased (decreased) by \$22 million and \$48 million, net of \$80 million and \$153 million of income tax expense (benefit), respectively.

Management continues to evaluate the Company's segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

Industry Trends

The following information on industry trends should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends" in Part II, Item 7, of the 2014 Annual Report and in Part I, Item 2, of MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. We continue to be impacted by the unstable global financial and economic environment that has been affecting the industry.

Financial and Economic Environment

Concerns about the economic conditions, capital markets and the solvency of certain European Union ("EU") member states, including Portugal, Ireland, Italy, Greece and Spain ("Europe's perimeter region"), their banking systems and the financial institutions that have significant direct or indirect exposure to debt issued by these countries or significant exposure to their banking systems, have been a cause of elevated levels of market volatility. More recently, with the exception of Greece, economic conditions in Europe's perimeter region seem to be stabilizing or improving, as evidenced by the stabilization of credit ratings, particularly in Spain, Portugal and Ireland. The approval by the Greek Parliament on July 16, 2015 of the significant austerity measures imposed on Greece by its creditors, however, has not eliminated fears about the further default by Greece on its sovereign debt or its potential exit from the Euro zone. Short-term financing approved by the EU on July 17, 2015 is intended to temporarily sustain the Greek banking system and enable payment of Greece's immediate debts until a new bailout package can be negotiated. Remaining uncertainty regarding the feasibility of negotiating such a rescue package may continue to affect the Euro exchange rate and have uncertain impacts on interest rates and risk markets. While the immediate threat of further loan defaults and Greece's departure from the Euro zone may have been averted by the short-term financing, further support of Greece, including extension of payment deadlines and potential debt write-offs, may be necessary in the future and the extent to which the European Central Bank ("ECB"), International Monetary Fund ("IMF") and other EU member states will further support Greece's membership in the Euro zone is unclear. See "— Investments — Current Environment" for information regarding our exposure to obligations of European governments and private obligors.

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The financial markets have also been affected by concerns that other EU member states could experience similar financial troubles as Greece or that other countries could default on their obligations, have to restructure their outstanding debt, or that financial institutions with significant holdings of sovereign or private debt issued by borrowers in Europe's perimeter region could experience financial stress, any of which could have significant adverse effects on the European and global economies and on financial markets, generally. In September 2012, the ECB announced a new bond buying program, Outright Monetary Transactions ("OMT"), intended to stabilize the European financial crisis. This program involves the potential purchase by the ECB of sovereign bonds with maturities of one to three years. The OMT has not been activated to date, but the possibility of its use by the ECB helped to lower sovereign yields in Europe's perimeter region. In June 2015, the Court of Justice of the European Union upheld the legality of the OMT.

In the second half of 2014, the ECB cut interest rates further, imposing a negative rate on bank deposits, and announced additional accommodative monetary policy measures in an effort to lessen the risk of deflation in the Euro zone. These measures included providing inexpensive financing facilities designed to incentivize banks to extend loans and, from November 2014, buying private sector asset-backed securities and covered bonds. At its meeting on July 16, 2015, the ECB maintained its asset purchase program at €60 billion per month, including ECB purchases of sovereign debt on secondary markets ("quantitative easing" or "QE"). The QE program commenced in March 2015 and is expected to run through September 2016. These initiatives are intended to counter the threat of deflation, lower borrowing costs in the Euro zone and encourage corporations to issue more asset-backed securities, with the indirect positive effect of placing downward pressure on the Euro exchange rate. With the exception of Greece, economic growth in the Euro zone is showing signs of improving but continues to be weak overall, with residual concerns over low inflation becoming entrenched as other countries in Europe's perimeter region in particular continue to pursue policies to reduce their relative cost of production and reduce macroeconomic imbalances. Despite the short-term funding for Greece approved on July 17, 2015, the implementation of the required austerity measures may cause economic growth in Greece to further decline. In addition, concerns about the political and/or economic stability of countries in regions outside the EU, including Ukraine, Russia, Argentina and the Middle East, as well as Puerto Rico, have contributed to global market volatility. See "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period," and "Risk Factors — Economic Environment and Capital Markets-Related Risks — If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations" included in the 2014 Annual Report. See also "— Investments — Current Environment — Selected Country and Sector Investments" for information regarding our investments in Ukraine, Russia, Argentina, Puerto Rico and Greece.

We face substantial exposure to the Japanese economy given our operations there. Structural weaknesses and debt sustainability have yet to be addressed effectively. Going forward, Japan's structural and demographic challenges may continue to limit its potential growth unless reforms that boost productivity are put into place. Japan's high public sector debt levels are mitigated by low refinancing risks and its nominal yields on government debt have remained at a lower level than that of any other developed country. However, frequent changes in government have prevented policy makers from implementing fiscal reform measures to put public finances on a sustainable path. In January 2013, the government and the Bank of Japan pledged to strengthen policy coordination to end deflation and to achieve sustainable economic growth. This was followed by the adoption of a 2% inflation target by the Bank of Japan. In early April 2013, the Bank of Japan announced a new round of monetary easing measures including increased government bond purchases at longer maturities. In October 2013, the government agreed to raise the consumption tax from 5% to 8% effective April 1, 2014. This led to two consecutive quarters of growth contraction, causing the government to delay a planned increase in the consumption tax to 10% until 2017. On October 31, 2014, the Bank of Japan announced a program to purchase larger quantities of government bonds. Such purchases are intended to keep borrowing costs low and the yen weak thereby supporting economic growth. Despite continued weakness in the yen, inflation has remained low due to reduced oil prices and is not expected to rise materially given still weak growth in Japan's gross domestic product. Japan's public debt trajectory could continue to rise until a strategy to consolidate

public finances and growth-enhancing reforms are implemented. On December 30, 2014, the government of Japan proposed a tax reform plan that lowered the Japanese corporate tax rate by approximately 2% effective April 1, 2015. The tax reform plan was enacted on March 31, 2015. As a result, the Company recorded a one-time benefit of \$174 million in the second quarter of 2015, which includes an increase in Asia's operating earnings of \$61 million. In addition, we expect this tax law change will favorably affect our estimated annual effective tax rate for 2015 by approximately 0.3% as compared to 2014.

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Impact of a Sustained Low Interest Rate Environment

As a global insurance company, we are affected by the monetary policy of central banks around the world, as well as the monetary policy of the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) in the United States. The Federal Reserve Board has taken a number of actions in recent years to spur economic activity, including keeping interest rates low. The Federal Reserve Board may reverse this policy and begin raising rates sometime over the next year, at a pace which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales.

On October 29, 2014, the Federal Reserve Board’s Federal Open Market Committee (“FOMC”), citing sufficient underlying strength in the economy to support progress toward maximum employment and the substantial improvement in the outlook for labor market conditions since the inception of its asset purchase program, decided to conclude the program. Most recently, on July 29, 2015, the FOMC reaffirmed that it anticipates keeping the target range for the federal funds rate at 0 to 0.25%, until it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2.0% target over the medium term. The possibility of the Federal Reserve Board increasing the federal funds rate in the future may affect interest rates and risk markets in the U.S. and other developed and emerging economies. However, the timing of any increases of the federal funds rate by the Federal Reserve Board is uncertain and subject to change depending on the Federal Reserve Board’s assessment of economic growth, inflation and other risks.

Regulatory Developments

In the U.S., our life insurance companies are regulated primarily at the state level, with some products and services also subject to federal regulation. In addition, MetLife, Inc. and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. As a non-bank SIFI, MetLife, Inc. is also subject to regulation by the Federal Reserve Board, the Federal Reserve Bank of New York (together with the Federal Reserve Board, the “Federal Reserve”) and the Federal Deposit Insurance Corporation. Furthermore, some of MetLife’s operations, products and services are subject to consumer protection laws, securities, broker-dealer and investment adviser regulations, environmental and unclaimed property laws and regulations, and to the Employee Retirement Income Security Act of 1974 (“ERISA”). See “— U.S. Regulation” below, as well as “Business — Regulation — U.S. Regulation,” “Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth,” “Risk Factors — Risks Related to Our Business — Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity,” and “Risk Factors — Regulatory and Legal Risks — Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability” included in the 2014 Annual Report, as may be amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments” and similarly named sections under the caption “Risk Factors.” Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. In addition, our investment and pension companies outside of the U.S. are subject to oversight by the relevant securities, pension and other authorities of the countries in which the companies operate. Our non-U.S. insurance businesses are also subject to current and developing solvency regimes which impose various capital and other requirements. As a global systemically important insurer (“G-SII”), MetLife, Inc. may also become subject to additional capital requirements. See “— International Regulation” below, as well as “Business — Regulation — International Regulation” included in the 2014 Annual Report, as may be amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments.”

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U.S. Regulation

Insurance Regulation

Insurance Regulatory Examinations and Other Activities

The Company entered into a consent order with the Department of Financial Services to resolve its inquiry into whether American Life Insurance Company (“American Life”) and Delaware American Life Insurance Company (“DelAm”) conducted business in New York without a license and whether representatives acting on behalf of those companies solicited, sold or negotiated insurance products in New York without a license. The Company entered into a deferred prosecution agreement with the District Attorney, New York County, regarding the same conduct. The Department of Financial Services consent order allowed certain activities in New York related to American Life and other entities to continue through June 30, 2015. On July 2, 2015, the New York Insurance Law Section 2117 was amended to allow certain activities to take place in New York that relate to a policy or contract of group life, group annuity, or group accident and health insurance where the policyholder or proposed policyholder is a multinational entity resident outside the United States.

ERISA Considerations

We provide products and services to certain employee benefit plans that are subject to ERISA or the Internal Revenue Code of 1986, as amended (the “Code”). As such, our activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The prohibited transaction rules of ERISA and the Code generally restrict the provision of investment advice to ERISA plans and participants and Individual Retirement Accounts (“IRAs”) if the investment recommendation results in fees paid to the individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen.

The Department of Labor (“DOL”) proposed new regulations in April 2015 that would substantially expand the definition of “investment advice” and thereby broaden the circumstances under which MetLife, in providing investment advice with respect to ERISA plans, plan participants or IRAs, could be deemed a fiduciary under ERISA or the Code. Pursuant to the proposal, any communications with plans, plan participants and IRA holders, including the marketing of products, and marketing of investment management or advisory services, could be deemed fiduciary investment advice, thus, causing increased exposure to fiduciary liability. The DOL also proposed amendments to its prohibited transaction exemptions, and proposed a new exemption, that would apply more onerous disclosure and contract requirements to, and increase fiduciary requirements and fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and IRAs.

If the new DOL proposals become final, MetLife may find it necessary to change sales representative and/or broker compensation and may limit the assistance or advice they can provide. Sales to middle income investors would be unlikely to generate fees sufficient to offset the increased cost of providing advice under the rules, if adopted as proposed. Under the rules as proposed, MetLife could reduce its risk of exposure to fiduciary liability by electing not to engage in the concurrent manufacturing and distribution of certain products, including individual annuity products. Further, if the proposed rules apply to welfare benefit plans, they will disrupt settled practices in the marketing and sales of welfare benefit plan insurance products.

International Regulation

Global Systemically Important Insurers

The International Association of Insurance Supervisors (“IAIS”), an association of insurance supervisors and regulators and a member of the Financial Stability Board (“FSB”), an international entity established to coordinate, develop and promote regulatory, supervisory and other financial sector policies in the interest of financial stability, is participating in the FSB’s initiative to identify and manage global systemically important financial institutions and has devised and published a methodology to assess the systemic relevance of global insurers and a framework of policy measures to be applied to G-SIIs. In July 2013 and November 2014, the FSB published its lists of G-SIIs, based on the IAIS’ assessment methodology, each of which included MetLife, Inc. The FSB will continue to update the list annually.

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For G-SIIs which engage in activities deemed to be systemically risky, the framework of policy measures calls for imposition of additional capital (higher loss absorbency (“HLA”)) requirements on those activities. Given the absence of a common global base on which to calculate an HLA for insurers, the FSB directed the IAIS to develop basic capital requirements (“BCR”). G-SIIs will initially report BCR and HLA results to their group-wide supervisors on a confidential basis to allow for refinement of the BCR until fully adopted and implemented in 2019. On June 25, 2015, the IAIS published a proposed draft of HLA requirements and has requested comments by August 21, 2015. HLA requirements must be finalized by the end of 2015 and are to be applied in 2019 to companies designated as G-SIIs in 2017.

In addition, on December 17, 2014, the IAIS released a first exposure draft of a risk-based global insurance capital standard (“ICS”) which will apply to all internationally active insurance groups, including G-SIIs. The IAIS expects to publish an interim version of the ICS by the end of 2019 for implementation by individual jurisdictions with the further goal of reaching an ultimate ICS at some later date.

The FSB and IAIS propose that national authorities ensure that any insurers identified as G-SIIs be subject to additional requirements consistent with the framework of policy measures, which include preparation of a systemic risk management plan, preparation of a recovery and resolution plan, enhanced liquidity planning and management, more intensive supervision, closer coordination among regulators through global supervisory colleges led by a regulator with group-wide supervisory authority, and a policy bias in favor of separation of non-traditional insurance and non-insurance activities from traditional insurance activities. The IAIS policy measures would need to be implemented by legislation or regulation in each applicable jurisdiction, and the impact on MetLife, Inc. and other designated G-SIIs is uncertain.

Mortgage and Foreclosure-Related Exposures

MetLife no longer engages in the origination, sale and servicing of forward and reverse residential mortgage loans. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Company’s exit from the businesses of MetLife Bank, National Association (“MetLife Bank”) and Note 21 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for further information regarding our mortgage and foreclosure-related exposures.

Notwithstanding MetLife Bank’s exit from the origination and servicing businesses, MetLife Home Loans LLC remains obligated to repurchase loans or compensate for losses upon demand due to alleged defects by MetLife Bank or its predecessor servicers in past servicing of the loans and material representations made in connection with MetLife Bank’s sale of the loans. Reserves for representation and warranty repurchases and indemnifications were \$82 million and \$85 million at June 30, 2015 and December 31, 2014, respectively. Reserves for estimated future losses due to alleged deficiencies on loans originated and sold, as well as servicing of the loans including servicing acquired, are estimated based on unresolved claims and projected losses under investor servicing contracts where MetLife Bank’s past actions or inactions are likely to result in missing certain stipulated investor timelines. Reserves for servicing defects were \$36 million and \$38 million at June 30, 2015 and December 31, 2014, respectively. Management is satisfied that adequate provision has been made in the Company’s interim condensed consolidated financial statements for those representation and warranty obligations that are currently probable and reasonably estimable.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Interim Condensed Consolidated Financial Statements. The most critical estimates include those used in determining:

- (i) liabilities for future policy benefits and the accounting for reinsurance;
- (ii) capitalization and amortization of DAC and the establishment and amortization of VOBA;
- (iii) estimated fair values of investments in the absence of quoted market values;
- (iv) investment impairments;
- (v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;
- (vi) measurement of goodwill and related impairment;

- (vii) measurement of employee benefit plan liabilities;
- (viii) measurement of income taxes and the valuation of deferred tax assets; and
- (ix) liabilities for litigation and regulatory matters.

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In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fair values of assets acquired and liabilities assumed — the most significant of which relate to aforementioned critical accounting estimates. In applying our accounting policies, we make subjective and complex judgments that frequently require estimates 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 our business and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates” and Note 1 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

Economic Capital

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 our business.

Our 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. Economic capital-based risk estimation is an evolving science and industry best practices have emerged and continue to evolve. Areas of evolving industry best practices include stochastic liability valuation techniques, alternative methodologies for the calculation of diversification benefits, and the quantification of appropriate shock levels. MetLife’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 our consolidated net investment income, operating earnings or income (loss) from continuing operations, net of income tax.

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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Results of Operations

Consolidated Results

Business Overview. Sales experience was positive in the majority of our businesses for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014. The introduction of new variable annuity products and/or enhancements made in late 2014 and early 2015, as well as focused marketing and increased engagement across our distribution channels, all contributed to higher sales in our Retail segment. With the decrease in the U.S. unemployment rate and gradual growth in the U.S. economy, our group term life, dental, and voluntary benefits businesses generated premium growth through sales and persistency, with the dental business also benefiting from the positive impact of pricing actions on existing business. While premiums have increased, sales are lower as a result of an increase in competition, particularly in the dental business. We experienced a decrease in sales of pension closeouts as a result of the decline in funding ratios for defined benefit pension plans of Standard & Poor's Ratings Services ("S&P") 500 companies. More competitive pricing in the market drove a decrease in structured settlement sales. Sales in the majority of our other businesses abroad improved.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Revenues				
Premiums	\$9,312	\$9,873	\$18,565	\$19,092
Universal life and investment-type product policy fees	2,434	2,458	4,828	4,879
Net investment income	4,947	5,259	10,408	10,294
Other revenues	518	490	1,013	968
Net investment gains (losses)	(133)	(125)	153	(536)
Net derivative gains (losses)	(912)	311	(91)	654
Total revenues	16,166	18,266	34,876	35,351
Expenses				
Policyholder benefits and claims and policyholder dividends	9,683	10,385	19,279	20,012
Interest credited to policyholder account balances	1,298	1,709	3,293	3,178
Capitalization of DAC	(927)	(1,032)	(1,895)	(2,078)
Amortization of DAC and VOBA	897	1,062	1,922	2,120
Amortization of negative VOBA	(92)	(111)	(192)	(226)
Interest expense on debt	308	312	606	624
Other expenses	3,886	3,991	7,691	7,945
Total expenses	15,053	16,316	30,704	31,575
Income (loss) from continuing operations before provision for income tax	1,113	1,950	4,172	3,776
Provision for income tax expense (benefit)	(6)	574	890	1,058
Income (loss) from continuing operations, net of income tax	1,119	1,376	3,282	2,718
Income (loss) from discontinued operations, net of income tax	—	—	—	(3)
Net income (loss)	1,119	1,376	3,282	2,715
Less: Net income (loss) attributable to noncontrolling interests	4	10	9	21
Net income (loss) attributable to MetLife, Inc.	1,115	1,366	3,273	2,694
Less: Preferred stock dividends	31	31	61	61
Preferred stock repurchase premium	42	—	42	—
Net income (loss) available to MetLife, Inc.'s common shareholders	\$1,042	\$1,335	\$3,170	\$2,633

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Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

During the three months ended June 30, 2015, income (loss) from continuing operations, before provision for income tax, decreased \$837 million (\$257 million, net of income tax) from the prior period primarily driven by unfavorable changes in net derivative gains (losses). This decrease was partially offset by a favorable change in other adjustments to continuing operations, primarily associated with asymmetrical and non-economic accounting for insurance contracts and the offsets to investment and derivative gains and losses related to the amortization of DAC and VOBA. In addition, operating earnings increased over the prior period.

Management of Investment Portfolio and Hedging Market Risks with Derivatives. We manage our investment portfolio using disciplined ALM principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. In addition, our general account investment portfolio includes, within fair value option (“FVO”) and trading securities, contractholder-directed unit-linked investments supporting unit-linked variable annuity type liabilities, which do not qualify as separate account assets. The returns on these contractholder-directed unit-linked investments, which can vary significantly from period to period, include changes in estimated fair value subsequent to purchase, inure to contractholders and are offset in earnings by a corresponding change in policyholder account balances through interest credited to policyholder account balances.

We purchase investments to support our insurance liabilities and not to generate net investment gains and losses. However, net investment gains and losses are incurred and can change significantly from period to period due to changes in external influences, including changes in market factors such as interest rates, foreign currency exchange rates, credit spreads and equity markets; counterparty specific factors such as financial performance, credit rating and collateral valuation; and internal factors such as portfolio rebalancing. Changes in these factors from period to period can significantly impact the levels of both impairments and realized gains and losses on investments sold.

We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. Certain of these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not designated as accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) generally without an offsetting gain or loss recognized in earnings for the item being hedged which creates volatility in earnings.

Certain variable annuity products with guaranteed minimum benefits contain embedded derivatives that are measured at estimated fair value separately from the host variable annuity contract, with changes in estimated fair value recorded in net derivative gains (losses). We use freestanding derivatives to hedge the market risks inherent in these variable annuity guarantees. The valuation of these embedded derivatives includes a nonperformance risk adjustment, which is unhedged, and can be a significant driver of net derivative gains (losses) and volatility in earnings, but does not have an economic impact on us.

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Net Derivative Gains (Losses). The variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as “VA program derivatives” in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as “non-VA program derivatives” in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Three Months Ended June 30, 2015		2014
	(In millions)		
Non-VA program derivatives			
Interest rate	\$(663	)	\$184
Foreign currency exchange rate	(219	)	(38
Credit	(11	)	33
Equity	(42	)	(28
Non-VA embedded derivatives	50	)	(66
Total non-VA program derivatives	(885	)	85
VA program derivatives			
Market risks in embedded derivatives	1,038		380
Nonperformance risk adjustment on embedded derivatives	(100	)	(51
Other risks in embedded derivatives	(167	)	(34
Total embedded derivatives	771		295
Freestanding derivatives hedging embedded derivatives	(798	)	(69
Total VA program derivatives	(27	)	226
Net derivative gains (losses)	\$(912	)	\$311

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was \$970 million (\$631 million, net of income tax). This was primarily due to long-term interest rates increasing in the current period and decreasing in the prior period, unfavorably impacting receive-fixed interest rate swaps and receiver swaptions primarily hedging long duration liability portfolios. The weakening of the U.S. dollar and Japanese yen relative to other key currencies unfavorably impacted foreign currency swaps and forwards that primarily hedge foreign denominated fixed maturity securities. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was \$253 million (\$164 million, net of income tax). This was due to an unfavorable change of \$133 million (\$86 million, net of income tax) in other risks in embedded derivatives, an unfavorable change of \$71 million (\$46 million, net of income tax) in market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks and an unfavorable change of \$49 million (\$32 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

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The foregoing \$133 million (\$86 million, net of income tax) unfavorable change in other risks in embedded derivatives reflected:

- Refinements in the valuation model which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.

- The cross effect of capital markets changes which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.

A combination of other factors, including reserve changes influenced by benefit features and policyholder behavior, as well as FCTA, which resulted in an unfavorable period over period change in the valuation of embedded derivatives.

The foregoing \$71 million (\$46 million, net of income tax) unfavorable change was comprised of a \$729 million (\$474 million, net of income tax) unfavorable change in freestanding derivatives hedging market risks in embedded derivatives, which was partially offset by a \$658 million (\$428 million, net of income tax) favorable change in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

Long-term interest rates increased in the current period and decreased in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the 10-year U.S. swap rate increased by 44 basis points in the current period and decreased by 21 basis points in the prior period.

Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the Japanese yen weakened against the euro by 6% in the current period as compared with strengthening 2% against the euro in the prior period.

On average, key equity index levels increased less in the current period than in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives. For example, the Russell 2000 Index was unchanged in the current period and increased by 2% in the prior period.

- Key equity volatility measures generally increased in the current period and decreased in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.

The aforementioned \$49 million (\$32 million, net of income tax) unfavorable change in the nonperformance risk adjustment on embedded derivatives was due to an unfavorable change of \$65 million, before income tax, as a result of changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees, partially offset by a favorable change of \$16 million, before income tax, related to changes in our own credit spread. We calculate the nonperformance risk adjustment as the change in the embedded derivative discounted at the risk-adjusted rate (which includes our own credit spread to the extent that the embedded derivative is in-the-money) less the change in the embedded derivative discounted at the risk-free rate.

When equity index levels decrease in isolation, the variable annuity guarantees become more valuable to policyholders, which results in an increase in the undiscounted embedded derivative liability. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk-free rate, thus creating a gain from including an adjustment for nonperformance risk.

When the risk-free interest rate decreases in isolation, discounting the embedded derivative liability produces a higher valuation of the liability than if the risk-free interest rate had remained constant. Discounting this unfavorable change by the risk adjusted rate yields a smaller loss than by discounting at the risk-free interest rate, thus creating a gain from including an adjustment for nonperformance risk.

When our own credit spread increases in isolation, discounting the embedded derivative liability produces a lower valuation of the liability than if our own credit spread had remained constant. As a result, a gain is created from including an adjustment for nonperformance risk. For each of these primary market drivers, the opposite effect occurs when they move in the opposite direction.

Net Investment Gains (Losses). The unfavorable change in net investment gains (losses) of \$8 million (\$5 million, net of income tax) primarily reflects higher impairments on real estate holdings, increases in the mortgage loan valuation allowance in the current period and a decrease in net gains on sales and disposals of equity securities, as well as an unfavorable change in other gains (losses), primarily driven by the impact of changes in foreign currency exchange

rates. These unfavorable changes were partially offset by higher net gains on sales and disposals of fixed maturity securities and lower impairments of other limited partnership interests, equity and fixed maturity securities in the current period.

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Taxes. Income tax benefit for the three months ended June 30, 2015 was \$6 million, or less than 1% of income (loss) from continuing operations before provision for income tax, compared with income tax expense of \$574 million, or 29% of income (loss) from continuing operations before provision for income tax, for the three months ended June 30, 2014. The Company's current period effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing and foreign earnings taxed at lower rates than the U.S. statutory rate. The Company's prior period effective tax rate was different from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, foreign earnings taxed at lower rates than the U.S. statutory rate and the tax effects of the MAL divestiture. Current period results include a one-time tax benefit of \$174 million in Japan related to a change in tax rate. The prior period includes a \$38 million tax charge related to the repatriation of earnings from Japan.

On April 9, 2015, the U.S. Internal Revenue Service ("IRS") issued to MetLife a Statutory Notice of Deficiency (the "Notice") for years 2000, 2001 and 2002. The Notice asserted that MetLife owes additional taxes and interest for these years primarily due to the disallowance of foreign tax credits. The transactions that are the subject of the Notice continue through 2009, and it is likely that the IRS will seek to challenge these later periods. MetLife currently intends to pay in a timely manner the assessed tax plus interest for 2000 through 2002, and will subsequently file a claim for a refund. MetLife will defend its position vigorously, and continues to believe that its reserves are sufficient to fund any income tax liability that could result from the IRS actions.

Operating Earnings. As more fully described in "— Non-GAAP and Other Financial Disclosures," we use operating earnings, which does not equate to income (loss) from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for income (loss) from continuing operations, net of income tax, and net income (loss) available to MetLife, Inc.'s common shareholders, respectively. Operating earnings available to common shareholders increased \$175 million, net of income tax, to \$1.8 billion, net of income tax, for the three months ended June 30, 2015 from \$1.6 billion, net of income tax, for the three months ended June 30, 2014. Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

During the six months ended June 30, 2015, income (loss) from continuing operations, before provision for income tax, increased \$396 million (\$564 million, net of income tax) over the prior period primarily driven by favorable changes in net investment gains (losses), operating earnings, and other adjustments to continuing operations, partially offset by an unfavorable change in net derivative gains (losses). The favorable change in other adjustments to continuing operations was primarily associated with asymmetrical and non-economic accounting for insurance contracts and the offsets to investment and derivative gains and losses related to the amortization of DAC and VOBA.

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Net Derivative Gains (Losses). The variable annuity embedded derivatives and associated freestanding derivative hedges are collectively referred to as “VA program derivatives” in the following table. All other derivatives that are economic hedges of certain invested assets and insurance liabilities are referred to as “non-VA program derivatives” in the following table. The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

	Six Months Ended June 30, 2015		2014
	(In millions)		
Non-VA program derivatives			
Interest rate	\$(217	)	\$420
Foreign currency exchange rate	157	)	8
Credit	3	)	44
Equity	(92	)	(40
Non-VA embedded derivatives	5	)	(79
Total non-VA program derivatives	(144	)	353
VA program derivatives			
Market risks in embedded derivatives	1,026	)	354
Nonperformance risk adjustment on embedded derivatives	(31	)	(8
Other risks in embedded derivatives	(206	)	(147
Total embedded derivatives	789	)	199
Freestanding derivatives hedging embedded derivatives	(736	)	102
Total VA program derivatives	53	)	301
Net derivative gains (losses)	\$(91	)	\$654

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was \$497 million (\$323 million, net of income tax). This was primarily due to long-term interest rates increasing in the current period and decreasing in the prior period, unfavorably impacting receive-fixed interest rate swaps and receiver swaptions primarily hedging long duration liability portfolios. This unfavorable change was partially offset by the strengthening of the U.S. dollar relative to other key currencies favorably impacting foreign currency swaps that primarily hedge foreign denominated fixed maturity securities. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged. The unfavorable change in net derivative gains (losses) on VA program derivatives was \$248 million (\$161 million, net of income tax). This was due to an unfavorable change of \$166 million (\$108 million, net of income tax) in market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks, an unfavorable change of \$59 million (\$38 million, net of income tax) in other risks in embedded derivatives and an unfavorable change of \$23 million (\$15 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The foregoing \$166 million (\$108 million, net of income tax) unfavorable change was comprised of an \$838 million (\$545 million, net of income tax) unfavorable change in freestanding derivatives hedging market risks in embedded derivatives, which was partially offset by a \$672 million (\$437 million, net of income tax) favorable change in market risks in embedded derivatives.

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The primary changes in market factors are summarized as follows:

Long-term interest rates increased in the current period and decreased in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the 10-year U.S. swap rate increased by 18 basis points in the current period and decreased by 46 basis points in the prior period.

Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the Japanese yen weakened against the British pound by 3% in the current period as compared with strengthening less than 1% in the prior period.

On average, key equity index levels increased more in the current period than in the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the Russell 2000 Index increased by 4% in the current period and 3% in the prior period.

Key equity volatility measures generally increased in the current period and decreased in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.

The foregoing \$59 million (\$38 million, net of income tax) unfavorable change in other risks in embedded derivatives reflected:

Refinements in the valuation model which resulted in an unfavorable period over period change in the valuation of the embedded derivatives.

A change in the risk margin adjustment caused by lower policyholder behavior risks, which resulted in a favorable period over period change in the valuation of embedded derivatives.

A combination of other factors, including reserve changes influenced by benefit features and policyholder behavior, as well as FCTA, which resulted in an unfavorable period over period change in the valuation of embedded derivatives.

The aforementioned \$23 million (\$15 million, net of income tax) unfavorable change in the nonperformance risk adjustment on embedded derivatives was due to an unfavorable change of \$75 million, before income tax, as a result of changes in capital market inputs, such as long-term interest rates and key equity index levels, on the variable annuity guarantees, partially offset by a favorable change of \$52 million, before income tax, related to changes in our own credit spread.

Net Investment Gains (Losses). The favorable change in net investment gains (losses) of \$689 million (\$448 million, net of income tax) primarily reflects a loss in the prior period on the disposition of MAL and higher net gains on sales and disposals of fixed maturity securities in the current period, partially offset by unfavorable changes due to higher impairments on real estate holdings in the current period.

Taxes. Income tax expense for the six months ended June 30, 2015 was \$890 million, or 21% of income (loss) from continuing operations before provision for income tax, compared with \$1.1 billion, or 28% of income (loss) from continuing operations before provision for income tax, for the six months ended June 30, 2014. The Company's current period effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing and foreign earnings taxed at lower rates than the U.S. statutory rate. The Company's prior period effective tax rate was different from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, foreign earnings taxed at lower rates than the U.S. statutory rate and the tax effects of the MAL divestiture. Current period results include a one-time tax benefit of \$174 million in Japan related to a change in tax rate. The prior period includes an \$18 million tax charge related to a portion of the aforementioned settlement of a licensing matter, which was not deductible for income tax purposes, and a \$38 million tax charge related to the repatriation of earnings from Japan.

Operating Earnings. Operating earnings available to common shareholders increased \$251 million, net of income tax, to \$3.4 billion, net of income tax, for the six months ended June 30, 2015 from \$3.2 billion, net of income tax, for the six months ended June 30, 2014.

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Reconciliation of income (loss) from continuing operations, net of income tax, to operating earnings available to common shareholders

Three Months Ended June 30, 2015

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Income (loss) from continuing operations, net of income tax	\$587	\$ 38	\$307	\$86	\$565	\$63	\$(527)	\$1,119
Less: Net investment gains (losses)	9	8	(31)	—	57	5	(181)	(133)
Less: Net derivative gains (losses)	(95)	(264)	(134)	(15)	9	13	(426)	(912)
Less: Other adjustments to continuing operations (1)	(72)	(41)	13	(24)	(37)	(12)	(4)	(177)
Less: Provision for income tax (expense) benefit	55	104	53	9	111	7	206	545
Operating earnings	\$690	\$ 231	\$406	\$116	\$425	\$50	(122)	1,796
Less: Preferred stock dividends							31	31
Operating earnings available to common shareholders							\$(153)	\$1,765

Three Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Income (loss) from continuing operations, net of income tax	\$652	\$ 234	\$295	\$22	\$338	\$116	\$(281)	\$1,376
Less: Net investment gains (losses)	10	10	(195)	(14)	82	2	(20)	(125)
Less: Net derivative gains (losses)	225	71	125	8	(35)	49	(132)	311
Less: Other adjustments to continuing operations (1)	(274)	(42)	(22)	(146)	(6)	31	(16)	(475)
Less: Provision for income tax (expense) benefit	14	(14)	24	38	(27)	(38)	47	44
Operating earnings	\$677	\$ 209	\$363	\$136	\$324	\$72	(160)	1,621
Less: Preferred stock dividends							31	31
Operating earnings available to common shareholders							\$(191)	\$1,590

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments.

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Six Months Ended June 30, 2015

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
(In millions)								
Income (loss) from continuing operations, net of income tax	\$1,363	\$ 374	\$836	\$204	\$913	\$130	\$(538)	\$3,282
Less: Net investment gains (losses)	77	11	174	(2)	125	8	(240)	153
Less: Net derivative gains (losses)	218	(59)	(54)	(36)	27	14	(201)	(91)
Less: Other adjustments to continuing operations (1)	(264)	(83)	(26)	(19)	(92)	7	(10)	(487)
Less: Provision for income tax (expense) benefit	(11)	46	(33)	14	101	(19)	145	243
Operating earnings	\$1,343	\$ 459	\$775	\$247	\$752	\$120	(232)	3,464
Less: Preferred stock dividends							61	61
Operating earnings available to common shareholders							\$(293)	\$3,403

Six Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
(In millions)								
Income (loss) from continuing operations, net of income tax	\$1,243	\$ 467	\$343	\$137	\$768	\$202	\$(442)	\$2,718
Less: Net investment gains (losses)	16	(1)	(736)	15	239	(7)	(62)	(536)
Less: Net derivative gains (losses)	296	187	228	4	(42)	87	(106)	654
Less: Other adjustments to continuing operations (1)	(421)	(81)	(24)	(233)	(18)	30	(30)	(777)
Less: Provision for income tax (expense) benefit	39	(37)	172	57	(68)	(51)	52	164
Operating earnings	\$1,313	\$ 399	\$703	\$294	\$657	\$143	(296)	3,213
Less: Preferred stock dividends							61	61
Operating earnings available to common shareholders							\$(357)	\$3,152

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments.

Table of ContentsReconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses
Three Months Ended June 30, 2015

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	\$5,168	\$4,585	\$1,792	\$1,363	\$3,150	\$511	\$(403)	\$16,166
Less: Net investment gains (losses)	9	8	(31)	—	57	5	(181)	(133)
Less: Net derivative gains (losses)	(95)	(264)	(134)	(15)	9	13	(426)	(912)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	—	—	—	4	—	—	3
Less: Other adjustments to revenues (1)	(10)	(41)	(24)	4	164	(249)	4	(152)
Total operating revenues	\$5,265	\$4,882	\$1,981	\$1,374	\$2,916	\$742	\$200	\$17,360
Total expenses	\$4,348	\$4,527	\$1,323	\$1,265	\$2,637	\$448	\$505	\$15,053
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(89)	—	—	—	(5)	—	—	(94)
Less: Other adjustments to expenses (1)	150	—	(37)	28	210	(237)	8	122
Total operating expenses	\$4,287	\$4,527	\$1,360	\$1,237	\$2,432	\$685	\$497	\$15,025

Three Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	\$5,493	\$4,827	\$2,173	\$1,439	\$3,107	\$1,170	\$57	\$18,266
Less: Net investment gains (losses)	10	10	(195)	(14)	82	2	(20)	(125)
Less: Net derivative gains (losses)	225	71	125	8	(35)	49	(132)	311
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	—	—	—	1	3	—	3
Less: Other adjustments to revenues (1)	(21)	(42)	14	20	(2)	292	15	276
Total operating revenues	\$5,280	\$4,788	\$2,229	\$1,425	\$3,061	\$824	\$194	\$17,801
Total expenses	\$4,561	\$4,465	\$1,715	\$1,433	\$2,614	\$1,010	\$518	\$16,316
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	63	—	—	—	(3)	3	—	63
Less: Other adjustments to expenses (1)	189	—	36	166	8	261	31	691
Total operating expenses	\$4,309	\$4,465	\$1,679	\$1,267	\$2,609	\$746	\$487	\$15,562

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments.

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Six Months Ended June 30, 2015

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	\$ 10,731	\$ 9,647	\$ 4,023	\$ 2,575	\$ 6,224	\$ 1,747	\$(71)	\$ 34,876
Less: Net investment gains (losses)	77	11	174	(2)	125	8	(240)	153
Less: Net derivative gains (losses)	218	(59)	(54)	(36)	27	14	(201)	(91)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	—	—	—	10	(2)	—	7
Less: Other adjustments to revenues (1)	(44)	(83)	(51)	18	285	282	8	415
Total operating revenues	\$ 10,481	\$ 9,778	\$ 3,954	\$ 2,595	\$ 5,777	\$ 1,445	\$ 362	\$ 34,392
Total expenses	\$ 8,800	\$ 9,068	\$ 2,743	\$ 2,333	\$ 5,205	\$ 1,580	\$ 975	\$ 30,704
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(4)	—	—	—	7	(2)	—	1
Less: Other adjustments to expenses (1)	223	—	(25)	37	380	275	18	908
Total operating expenses	\$ 8,581	\$ 9,068	\$ 2,768	\$ 2,296	\$ 4,818	\$ 1,307	\$ 957	\$ 29,795

Six Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	\$ 10,756	\$ 9,635	\$ 3,583	\$ 2,766	\$ 6,215	\$ 2,121	\$ 275	\$ 35,351
Less: Net investment gains (losses)	16	(1)	(736)	15	239	(7)	(62)	(536)
Less: Net derivative gains (losses)	296	187	228	4	(42)	87	(106)	654
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	—	—	—	1	6	—	6
Less: Other adjustments to revenues (1)	(45)	(81)	54	24	(50)	382	26	310
Total operating revenues	\$ 10,490	\$ 9,530	\$ 4,037	\$ 2,723	\$ 6,067	\$ 1,653	\$ 417	\$ 34,917
Total expenses	\$ 8,983	\$ 8,916	\$ 3,043	\$ 2,646	\$ 5,103	\$ 1,842	\$ 1,042	\$ 31,575
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	61	—	—	—	(4)	7	—	64
Less: Other adjustments to expenses (1)	314	—	78	257	(27)	351	56	1,029
Total operating expenses	\$ 8,608	\$ 8,916	\$ 2,965	\$ 2,389	\$ 5,134	\$ 1,484	\$ 986	\$ 30,482

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures” for the components of such adjustments.

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Consolidated Results — Operating

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Operating revenues				
Premiums	\$9,313	\$9,853	\$18,566	\$19,070
Universal life and investment-type product policy fees	2,335	2,360	4,629	4,683
Net investment income	5,185	5,095	10,167	10,180
Other revenues	527	493	1,030	984
Total operating revenues	17,360	17,801	34,392	34,917
Operating expenses				
Policyholder benefits and claims and policyholder dividends	9,503	9,964	18,950	19,337
Interest credited to policyholder account balances	1,342	1,425	2,673	2,826
Capitalization of DAC	(927)	(1,031)	(1,895)	(2,077)
Amortization of DAC and VOBA	1,001	1,025	1,954	2,075
Amortization of negative VOBA	(83)	(99)	(173)	(202)
Interest expense on debt	307	299	604	593
Other expenses	3,882	3,979	7,682	7,930
Total operating expenses	15,025	15,562	29,795	30,482
Provision for income tax expense (benefit)	539	618	1,133	1,222
Operating earnings	1,796	1,621	3,464	3,213
Less: Preferred stock dividends	31	31	61	61
Operating earnings available to common shareholders	\$1,765	\$1,590	\$3,403	\$3,152

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Overview. The primary drivers of the increase in operating earnings were higher net investment income from portfolio growth, a tax benefit in Japan, positive underwriting and improved investment yields, partially offset by the unfavorable impact of liability refinements and increased expenses.

Foreign Currency. Changes in foreign currency exchange rates had a \$72 million negative impact on operating earnings compared to the prior period.

Business Growth. We experienced higher sales and business growth across the majority of our segments. Excluding the impact of the divested businesses, growth in the investment portfolios of our domestic segments generated higher net investment income. Higher fee income was driven by growth in our Asia and Latin America segments, partially offset by lower fee income in our Retail segment. The changes in business growth discussed above resulted in a \$135 million increase in operating earnings.

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Market Factors. Market factors, including the sustained low interest rate environment, continued to impact our investment yields. Certain of our inflation-indexed products are backed by inflation-indexed investments. Changes in inflation cause fluctuations in net investment income with corresponding fluctuations in policyholder benefits, with a minimal impact to operating earnings. Excluding the results of the divested businesses and the impact of inflation-indexed investments in the Latin America segment, investment yields increased as a result of higher income on real estate and real estate joint ventures, higher returns on our other limited partnership interests and currency derivatives, increased prepayment fees, as well as the favorable impact of a conversion of the securities accounting system for our U.S. general account. In addition, investment returns were positively affected by the favorable impact of increased sales of foreign currency-denominated fixed annuities resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities in Japan. These increases in yields were partially offset by lower yields from fixed maturity securities and mortgage loans, as a result of the sustained low interest rate environment in the U.S., and lower returns on alternative investments and our securities lending program. Yields were also negatively impacted by an increase in our holdings of lower yielding Japanese government securities. In addition, interest credited expense was lower primarily in our Corporate Benefit Funding segment. In our Retail segment, an increase in asset-based fee income and lower costs associated with our variable annuity guaranteed minimum death benefits (“GMDBs”) were largely offset by higher DAC amortization. The changes in market factors discussed above resulted in a \$39 million increase in operating earnings.

Underwriting and Other Insurance Adjustments. We benefited from favorable mortality experience in our Group Voluntary & Worksite Benefits and Retail segments, as well as favorable morbidity experience in our group disability business. Our Latin America and Asia segments also benefited from favorable claims experience. In our property & casualty businesses, higher non-catastrophe related claim costs were partially offset by a decrease in catastrophe-related losses due to less severe weather in the current period. The combined impact of mortality, morbidity and claims experience increased operating earnings by \$63 million. Refinements to DAC and certain insurance-related liabilities that were recorded in both the current and prior periods resulted in a \$57 million decrease in operating earnings, primarily driven by a favorable reserve adjustment related to disability premium waivers in our Retail segment in the prior period.

Expenses. A \$44 million increase in expenses was the result of higher employee-related costs, primarily in our Retail segment, and an increase in expenses associated with corporate initiatives and projects.

Taxes. The Company’s current and prior period effective tax rates differed from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. Current period results include a one-time tax benefit of \$61 million in Japan related to a change in tax rate. The current period also includes benefits of \$38 million related primarily to non-taxable investment income and foreign earnings taxed at lower rates than the U.S. statutory rate. In addition, the prior period includes a \$15 million tax charge related to the repatriation of earnings from Japan.

Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Overview. The primary drivers of the increase in operating earnings were higher net investment income from portfolio growth and a tax benefit in Japan, partially offset by increased expenses and lower investment yields.

Foreign Currency. Changes in foreign currency exchange rates had a \$144 million negative impact on operating earnings compared to the prior period.

Business Growth. We benefited from higher sales and business growth across the majority of our segments. Excluding the impact of the divested businesses, growth in the investment portfolios of our domestic segments generated higher net investment income. Higher fee income driven by growth in our Asia and Latin America segments, as well as higher surrenders of fixed annuity products in Japan, was partially offset by lower fee income in our Retail segment. The changes in business growth discussed above resulted in a \$293 million increase in operating earnings.

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Market Factors. Market factors, including the sustained low interest rate environment, continued to impact our investment yields. Excluding the results of the divested businesses and the impact of inflation-indexed investments in the Latin America segment, investment yields decreased. Investment yields were negatively impacted by the adverse impact of the sustained low interest rate environment in the U.S. on fixed maturity securities and mortgage loans, as well as by lower returns on our other limited partnership interests and securities lending program. Yields were also negatively impacted by an increase in our holdings of lower yielding Japanese government securities. These decreases were partially offset by higher returns on currency and interest rate derivatives, improved earnings on alternative investments, higher income on real estate and real estate joint ventures and increased prepayment fees, as well as the favorable impact of a conversion of the securities accounting system for our U.S. general account. In addition, investment returns were positively affected by the favorable impact of increased sales of foreign currency-denominated fixed annuities resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities in Japan. The decrease in operating earnings from lower investment yields was partially offset by an increase in asset-based fee income, decreased costs associated with our GMDBs and lower DAC amortization, all within our Retail segment. In addition, interest credited expense was lower primarily in our Corporate Benefit Funding segment. The changes in market factors discussed above resulted in an \$18 million decrease in operating earnings.

Underwriting and Other Insurance Adjustments. We benefited from favorable morbidity experience in our Group Voluntary & Worksite Benefits and Retail segments. Our mortality experience was mixed, with a net favorable result driven by our Group Voluntary & Worksite Benefits segment. Our Latin America and Asia segments also benefited from favorable claims experience. In our property & casualty businesses, catastrophe-related losses increased due to severe winter weather in the current period. The combined impact of mortality, morbidity and claims experience increased operating earnings by \$41 million. Refinements to DAC and certain insurance-related liabilities that were recorded in both the current and prior periods resulted in a \$29 million decrease in operating earnings, primarily driven by a favorable reserve adjustment related to disability premium waivers in our Retail segment in the prior period.

Expenses. A \$107 million increase in expenses was the result of higher employee-related costs, primarily in our Retail segment, an increase in expenses associated with corporate initiatives and projects, and a prior period increase in operating earnings resulting from net adjustments to certain reinsurance assets and liabilities. These increases were partially offset by prior period charges totaling \$57 million related to the aforementioned settlement of a licensing matter.

Taxes. The Company's current and prior period effective tax rates differed from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. Current period results include a one-time tax benefit of \$61 million in Japan related to a change in tax rate. The current period also includes benefits of \$53 million related primarily to non-taxable investment income and foreign earnings taxed at lower rates than the U.S. statutory rate. In addition, the prior period includes an \$18 million tax charge related to a portion of the aforementioned settlement of a licensing matter, which was not deductible for income tax, and a \$15 million tax charge related to the repatriation of earnings from Japan.

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Segment Results and Corporate & Other

Retail

Business Overview. Retail annuity sales increased 15% as a result of new variable annuity products and enhancements made in late 2014 and early 2015. Individual disability sales increased 17% as a result of focused marketing and increased engagement across our distribution channels. Life sales increased 4% driven by increases in our term life products (due to pricing actions) and whole life products (as a result of several large cases and continued focused marketing). A significant portion of our operating earnings is driven by separate account balances. Most directly, these balances determine asset-based fee income but they also impact DAC amortization and asset-based commissions. Separate account balances are driven by sales, movements in the market, surrenders, withdrawals, benefit payments, transfers and policy charges. Separate account balances continue to increase as a result of strong market performance, partially offset by negative net flows, as surrenders and withdrawals exceeded sales.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Operating revenues				
Premiums	\$1,747	\$1,812	\$3,496	\$3,536
Universal life and investment-type product policy fees	1,252	1,256	2,488	2,503
Net investment income	2,003	1,947	3,983	3,941
Other revenues	263	265	514	510
Total operating revenues	5,265	5,280	10,481	10,490
Operating expenses				
Policyholder benefits and claims and policyholder dividends	2,373	2,438	4,822	4,845
Interest credited to policyholder account balances	551	561	1,093	1,116
Capitalization of DAC	(257)	(249)	(504)	(483)
Amortization of DAC and VOBA	400	378	775	807
Interest expense on debt	—	—	(1)	—
Other expenses	1,220	1,181	2,396	2,323
Total operating expenses	4,287	4,309	8,581	8,608
Provision for income tax expense (benefit)	288	294	557	569
Operating earnings	\$690	\$677	\$1,343	\$1,313

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. A \$27 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows which resulted in higher net investment income. In addition, net investment income increased as a result of a larger invested asset base due to a higher amount of allocated equity as compared to the prior period. This favorable impact was partially offset by a related increase in DAC amortization and an increase in interest credited expenses. In our property & casualty business, an increase in average premium per policy in both the auto and homeowners businesses improved operating earnings, but was partially offset by a decrease in exposures. In our deferred annuities business, the impact of negative net flows contributed to a decrease in average separate account balances and, consequently, lower asset-based fee income, partially offset by lower DAC amortization due to the decrease in our in-force business.

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Market Factors. A \$5 million decrease in operating earnings was attributable to market factors, including equity markets and interest rates. While the current period equity returns were lower than in the prior period, the overall cumulative positive equity markets since the prior period increased our average separate account balances which resulted in an increase in asset-based fee income. However, the lower current period equity returns resulted in higher DAC amortization and lower costs associated with our variable annuity GMDBs. The sustained low interest rate environment resulted in a decline in net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments were reinvested at lower yields. This reduction in current period income from lower yields was partially offset by a decrease in DAC amortization in our fixed annuity business. Higher returns on other limited partnership interests and real estate joint ventures, in addition to increased prepayment fees, also increased operating earnings.

Underwriting and Other Insurance Adjustments. Favorable mortality experience in our life businesses resulted in a \$13 million increase in operating earnings. In our property & casualty business, catastrophe-related losses decreased \$12 million, due to less severe weather in the current period. This favorable result was partially offset by an increase of \$4 million in non-catastrophe claim costs, the result of higher severities in both our auto and homeowners businesses, partially offset by lower frequencies in such businesses. Refinements to DAC and certain insurance-related liabilities that were recorded in both the current and prior periods resulted in a \$23 million decrease in operating earnings, primarily driven by a favorable reserve adjustment related to disability premium waivers in our life business in the prior period.

Expenses and Taxes. Operating earnings decreased due to an increase in expenses of \$20 million, mainly the result of higher employee-related costs. In the current period, we realized additional tax benefits of \$11 million related to the separate account dividends received deduction.

Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. A \$54 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows which resulted in higher net investment income. In addition, net investment income increased as a result of a larger invested asset base due to a higher amount of allocated equity as compared to the prior period. This favorable impact was partially offset by a related increase in DAC amortization and an increase in interest credited expenses. In our property & casualty business, an increase in average premium per policy in both the auto and homeowners businesses improved operating earnings, but was partially offset by a decrease in exposures. In our deferred annuities business, the impact of negative net flows contributed to a decrease in average separate account balances and, consequently, lower asset-based fee income, partially offset by lower DAC amortization due to the decrease in our in-force business.

Market Factors. A \$25 million increase in operating earnings was attributable to market factors, including equity markets and interest rates. While the current period equity returns were lower than in the prior period, the overall cumulative positive equity markets since the prior period increased our average separate account balances which resulted in an increase in asset-based fee income. However, the lower current period returns resulted in higher DAC amortization and lower costs associated with our variable annuity GMDBs. The sustained low interest rate environment resulted in a decline in net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments were reinvested at lower yields. This reduction in current period income from lower yields was partially offset by a decrease in DAC amortization in our fixed annuity and life businesses. Lower returns on other limited partnership interests were partially offset by increased prepayment fees and higher returns on real estate joint ventures.

Underwriting and Other Insurance Adjustments. Less favorable mortality experience in our life businesses resulted in a \$18 million decrease in operating earnings. In our property & casualty business, non-catastrophe claim costs decreased by \$8 million as a result of lower frequencies in our homeowners business, partially offset by higher severities in both our auto and homeowners businesses. In addition, favorable morbidity experience in our individual disability income business resulted in a \$10 million increase in operating earnings. Refinements to DAC and certain insurance-related liabilities that were recorded in both the current and prior periods resulted in a decrease of \$21 million in operating earnings, primarily driven by a favorable reserve adjustment related to disability premium

waivers in our life business in the prior period.

Expenses and Taxes. Operating earnings decreased due to an increase in expenses of \$41 million, mainly the result of higher employee-related costs. In the current period, we realized additional tax benefits of \$19 million related to the separate account dividends received deduction.

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Group, Voluntary & Worksite Benefits

Business Overview. Premiums increased for most of our businesses as a result of gradual growth in the U.S. economy, a decrease in the U.S. unemployment rate and low inflation. Our term life, dental, and voluntary benefits businesses generated premium growth through sales and persistency, with the dental business also benefiting from pricing actions on existing business. Premium growth in our disability business declined as a result of relatively lower sales. Although we have discontinued selling our long-term care product, we continue to collect premiums and administer the existing block of business, which contributed to asset growth in the segment. While premiums have increased, sales are lower as a result of an increase in competition, particularly in the dental business.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2015	2014
	(In millions)			
Operating revenues				
Premiums	\$4,104	\$4,038	\$8,221	\$8,040
Universal life and investment-type product policy fees	183	181	371	358
Net investment income	481	465	959	921
Other revenues	114	104	227	211
Total operating revenues	4,882	4,788	9,778	9,530
Operating expenses				
Policyholder benefits and claims and policyholder dividends	3,805	3,789	7,640	7,570
Interest credited to policyholder account balances	38	39	75	79
Capitalization of DAC	(36)	(36)	(72)	(70)
Amortization of DAC and VOBA	39	35	80	71
Other expenses	681	638	1,345	1,266
Total operating expenses	4,527	4,465	9,068	8,916
Provision for income tax expense (benefit)	124	114	251	215
Operating earnings	\$231	\$209	\$459	\$399

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. An \$8 million increase in operating earnings was attributable to business growth. An increase in average premium per policy in both our auto and homeowners businesses improved operating earnings. Growth in premiums, as well as increases in allocated equity and long-duration contract liabilities, were partially offset by a reduction in other liabilities and policyholder account balances. This resulted in an increase in our average invested assets, improving operating earnings. Consistent with the growth in average invested assets from increased premiums, primarily in our long-term care business, interest credited on long-duration contracts and policyholder account balances increased. An increase in the annual assessment of the Patient Protection and Affordable Care Act (“PPACA”) fee increased other expenses in the current period; however, the impact of the assessment was more than offset by a related increase in premiums from our dental business.

Market Factors. Investment yields declined as a result of a decrease in the size of our securities lending program and lower returns on equity securities. This was partially offset by higher returns on alternative investments and currency derivatives. Unlike in the Retail and Corporate Benefit Funding segments, in the Group Voluntary & Worksite Benefits segment, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The combined impact of lower crediting rates in the current period coupled with the decline in investment yields resulted in a slight increase in operating earnings.

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Underwriting and Other Insurance Adjustments. Our group universal life and accidental death and dismemberment (“AD&D”) businesses experienced favorable mortality in the current period, mainly due to favorable claims experience, which resulted in a \$14 million increase in operating earnings. Favorable morbidity experience in our disability business, primarily driven by fewer approvals, a reduction in the average size of claims and higher net closures, resulted in a \$17 million increase in operating earnings. Increased utilization, coupled with unfavorable reserve development in our dental business, was virtually offset by higher net closures and the impact of lapses on certain insurance liabilities in our long-term care business. A slight increase in catastrophe-related losses in our property & casualty business was mainly due to severe weather in the current period. Non-catastrophe claim costs increased \$10 million, the result of higher severities in both our auto and homeowners businesses, as well as higher frequencies in our homeowners business, partially offset by lower frequencies in our auto business. Favorable development of prior period non-catastrophe losses improved our operating earnings by \$7 million. Refinements to certain insurance and other liabilities, which were recorded in the prior period, resulted in a \$16 million decrease in operating earnings.

Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. A \$28 million increase in operating earnings was attributable to business growth. An increase in average premium per policy in both our auto and homeowners businesses improved operating earnings. Growth in premiums, as well as increases in allocated equity and long-duration contract liabilities, were partially offset by a reduction in other liabilities and policyholder account balances. This resulted in an increase in our average invested assets, improving operating earnings. Consistent with the growth in average invested assets from increased premiums, primarily in our long-term care business, interest credited on long-duration contracts and policyholder account balances increased. An increase in the annual assessment of the PPACA fee increased other expenses in the current period; however, the impact of the assessment was significantly offset by a related increase in premiums from our dental business. The remaining increase in other operating expenses, mainly the result of growth across the segment, was more than offset by the remaining increase in premiums, fees and other revenues.

Market Factors. Investment yields improved as a result of higher returns on alternative investments, currency derivatives and increased prepayment fees. This was partially offset by lower yields on our mortgage loans and fixed maturity securities as a result of the sustained low interest rate environment, as well as lower returns on other limited partnership interests and a decrease in the size of our securities lending program. The increase in investment yields, coupled with lower crediting rates in the current period, increased operating earnings by \$8 million.

Underwriting and Other Insurance Adjustments. Our life and AD&D businesses experienced favorable mortality in the current period, mainly due to favorable claims experience, which resulted in a \$24 million increase in operating earnings. Favorable morbidity experience in our long-term care and disability businesses was partially offset by increased utilization in our dental business and resulted in a \$16 million increase in operating earnings. The favorable claims experience in our long-term care business was due to higher net closures and the impact of lapses on certain insurance liabilities. In our disability business, the favorable claims experience was primarily driven by fewer approvals, a reduction in the average size of claims and higher net closures. In our property & casualty business, catastrophe-related losses increased by \$22 million, mainly due to severe winter weather in the current period. In addition, non-catastrophe claim costs increased \$7 million, resulting from higher severities in both our auto and homeowners businesses, as well as higher frequencies in our auto business, partially offset by lower frequencies in our homeowners businesses. Finally, favorable development of prior period non-catastrophe losses improved our operating earnings by \$7 million. Refinements to certain insurance and other liabilities, which were recorded in both periods, resulted in a slight increase in operating earnings.

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Corporate Benefit Funding

Business Overview. Funding ratios for defined benefit pension plans of S&P 500 companies continued to fall in 2015, limiting their ability to engage in full pension plan buyouts. However, we expect that customers may choose to close out portions of pension plans over time, with the largest volume of business generally occurring near the end of any year. Lower pension plan closeouts resulted in a decrease in premiums. In addition, more competitive pricing in the market drove a decrease in structured settlement annuity sales. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits and claims.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Operating revenues				
Premiums	\$319	\$686	\$737	\$987
Universal life and investment-type product policy fees	59	55	113	112
Net investment income	1,526	1,413	2,956	2,795
Other revenues	77	75	148	143
Total operating revenues	1,981	2,229	3,954	4,037
Operating expenses				
Policyholder benefits and claims and policyholder dividends	933	1,273	1,924	2,161
Interest credited to policyholder account balances	294	287	587	565
Capitalization of DAC	(4	) (18	) (10	) (19
Amortization of DAC and VOBA	6	6	11	10
Interest expense on debt	1	2	2	4
Other expenses	130	129	254	244
Total operating expenses	1,360	1,679	2,768	2,965
Provision for income tax expense (benefit)	215	187	411	369
Operating earnings	\$406	\$363	\$775	\$703

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. The impact of current period deposits and funding agreement issuances resulted in higher invested assets, which drove an increase in net investment income, partially offset by the related increase in interest credited expense, and resulted in a \$44 million increase in operating earnings.

Market Factors. Investment yields improved as a result of higher income on interest rate and currency derivatives, improved earnings on real estate and real estate joint ventures, and the favorable impact of a conversion of the securities accounting system. This was partially offset by lower yields from our securities lending program, fixed maturity securities and mortgage loans as a result of the sustained low interest rate environment, and lower returns on other limited partnership interests. Many of our funding agreements and guaranteed interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms that can fluctuate. The combined impact of higher investment returns and lower interest credited expense, resulted in an increase in operating earnings of \$18 million.

Underwriting and Other Insurance Adjustments. More favorable mortality, primarily from our structured settlements and income annuity products, was partially offset by less favorable mortality in our pension closeout business in the current period and resulted in a slight increase in operating earnings. The net impact of insurance liability refinements that were recorded in both periods decreased operating earnings by \$14 million.

Expenses. Slightly higher employee-related costs and annual premium tax adjustments decreased operating earnings by \$7 million.

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Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Business Growth. The impact of current period deposits and funding agreement issuances resulted in higher invested assets, which drove an increase in net investment income, partially offset by the related increase in interest credited expense, and resulted in a \$110 million increase in operating earnings.

Market Factors. The sustained low interest rate environment drove lower investment yields on fixed maturity securities and mortgage loans, as well as from our securities lending program. In addition, weaker equity markets in the current period resulted in lower returns on other limited partnership interests. These unfavorable changes were partially offset by higher income on interest rate and currency derivatives, real estate and real estate joint ventures, as well as improved earnings on alternative investments and the favorable impact of a conversion of the securities accounting system. An increase in interest credited expense, resulting from a higher average rate, was driven by the effect of divesting a lower yielding product in early 2014. The combined impact of lower investment returns and higher interest credited expense, resulted in a decrease in operating earnings of \$35 million.

Underwriting and Other Insurance Adjustments. More favorable mortality, primarily from our income annuity and specialized life insurance products, in the current period resulted in a \$9 million increase in operating earnings. The net impact of insurance liability refinements that were recorded in both periods decreased operating earnings by \$6 million.

Expenses. Slightly higher employee-related costs and annual premium tax adjustments decreased operating earnings by \$7 million.

Latin America

Business Overview. Total sales for the region decreased, primarily due to the impact of a large contract in Mexico in the prior period. Excluding this large contract, sales increased due to organic growth in several countries, as well as increased sales of life and accident & health products in our U.S. direct business.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Operating revenues				
Premiums	\$783	\$798	\$1,482	\$1,481
Universal life and investment-type product policy fees	301	317	595	628
Net investment income	283	301	501	598
Other revenues	7	9	17	16
Total operating revenues	1,374	1,425	2,595	2,723
Operating expenses				
Policyholder benefits and claims and policyholder dividends	744	749	1,325	1,365
Interest credited to policyholder account balances	89	100	175	198
Capitalization of DAC	(100)	(101)	(211)	(208)
Amortization of DAC and VOBA	86	84	164	163
Amortization of negative VOBA	(1)	(1)	(1)	(1)
Other expenses	419	436	844	872
Total operating expenses	1,237	1,267	2,296	2,389
Provision for income tax expense (benefit)	21	22	52	40
Operating earnings	\$116	\$136	\$247	\$294

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. The impact of changes in foreign currency exchange rates decreased operating earnings by \$23 million for the second quarter of 2015 compared to the prior period.

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Business Growth. The increase in premiums driven by sales growth was partially offset by related changes in policyholder benefits. The impact of lower inflation drove a decrease in average invested assets, which generated lower net investment income. Growth in our businesses resulted in higher policy fee income. Increases in marketing costs and commissions resulted in higher operating expenses. The items discussed above were the primary drivers of a \$16 million increase in operating earnings.

Market Factors. The net impact of changes in market factors resulted in a slight increase in operating earnings. This increase was driven by investment yields and the favorable impact of inflation. Investment yields increased, primarily driven by higher investment yields on fixed income securities in Mexico and Chile, partially offset by lower investment yields on alternative investments in Chile. These increases were partially offset by higher interest credited expense in Mexico and Chile.

Underwriting and Other Insurance Adjustments. Favorable claims experience in several countries increased operating earnings by \$8 million. Refinements to DAC and other adjustments recorded in both the current and prior periods resulted in a \$4 million decrease in operating earnings.

Expenses and Taxes. Higher expenses, primarily generated by employee-related costs across several countries, decreased operating earnings by \$13 million. In addition, tax-related adjustments decreased operating earnings by \$3 million primarily driven by the ongoing impact of the Chile tax reform enacted in September 2014.

Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. The impact of changes in foreign currency exchange rates decreased operating earnings by \$46 million for the first half of 2015 compared to the prior period.

Business Growth. Our Latin America segment experienced organic growth and increased sales of life, accident & health and retirement products in several countries, as well as increased life and accident & health products in our U.S. direct business. This was partially offset by decreased life and accident & health sales in Mexico. The resulting increase in premiums was partially offset by related changes in policyholder benefits. The impact of lower inflation drove a decrease in average invested assets, which generated lower net investment income. Growth in our businesses resulted in higher policy fee income and increased marketing costs and commissions. Business growth also drove an increase in DAC amortization. The items discussed above were the primary drivers of a \$31 million increase in operating earnings.

Market Factors. The net impact of changes in market factors resulted in a \$5 million decrease in operating earnings as higher interest credited expense was partially offset by higher investment yields. Investment yields increased on fixed income securities in Mexico, Chile and Brazil, partially offset by lower investment yields on alternative investments in Chile and fixed income securities in Argentina.

Underwriting and Other Insurance Adjustments. Favorable claims experience in our U.S. direct business and Chile increased operating earnings by \$5 million. Refinements to DAC and other adjustments recorded in both the current and prior periods resulted in a \$6 million decrease in operating earnings.

Expenses and Taxes. Higher expenses, primarily generated by employee-related costs across several countries, decreased operating earnings by \$9 million. In addition, tax-related adjustments decreased operating earnings by \$17 million, primarily driven by a prior period tax benefit in Argentina due to the devaluation of the peso and the ongoing impact of the Chile tax reform enacted in September 2014.

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Asia

Business Overview. Asia experienced broad based in-force growth across the region, including growth in our ordinary life and accident & health businesses in Japan and Korea, as well as our group insurance business in Australia, partially offset by a decline in retirement sales. We also had higher surrenders of foreign currency-denominated fixed annuity products in Japan.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Operating revenues				
Premiums	\$1,809	\$1,913	\$3,561	\$3,803
Universal life and investment-type product policy fees	400	400	797	789
Net investment income	679	724	1,363	1,424
Other revenues	28	24	56	51
Total operating revenues	2,916	3,061	5,777	6,067
Operating expenses				
Policyholder benefits and claims and policyholder dividends	1,375	1,425	2,715	2,822
Interest credited to policyholder account balances	328	394	665	781
Capitalization of DAC	(398)	(457)	(833)	(951)
Amortization of DAC and VOBA	336	362	662	700
Amortization of negative VOBA	(78)	(92)	(164)	(186)
Other expenses	869	977	1,773	1,968
Total operating expenses	2,432	2,609	4,818	5,134
Provision for income tax expense (benefit)	59	128	207	276
Operating earnings	\$425	\$324	\$752	\$657

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$31 million for the second quarter of 2015 compared to the prior period and resulted in significant variances in the financial statement line items.

Business Growth. Asia's premiums, fees and other revenues increased over the prior period driven by broad based in-force growth across the region. Higher surrenders of foreign currency-denominated fixed annuity products in Japan, partially offset by positive net flows in Korea, Bangladesh and India, resulted in lower average invested assets and a decrease in net investment income. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. The combined impact of the items discussed above improved operating earnings by \$27 million.

Market Factors. Investment returns were positively affected by the improved operating results of our China joint venture and higher returns on other limited partnership interests in Japan. In addition, investment returns were positively affected by the favorable impact of increased sales of foreign currency-denominated fixed annuities resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities in Japan. These increases in yields were partially offset by the continued growth of lower yielding Japanese government securities and lower net investment income on fixed maturity securities in Korea due to a decline in interest rates. Higher investment yields, combined with the impact of foreign currency hedges, increased operating earnings by \$32 million.

Underwriting. Favorable claims experience, primarily in Japan and China, resulted in a slight increase in operating earnings.

Taxes. Current period results include a one-time tax benefit of \$61 million in Japan related to a change in tax rate and the settlement of an audit of \$12 million. Prior period results include a \$13 million tax benefit related to the U.S. taxation of dividends from Japan and a one-time tax benefit of \$4 million as a result of a tax rate change in Japan.

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Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$61 million for the first half of 2015 compared to the prior period and resulted in significant variances in the financial statement line items.

Business Growth. Asia's premiums, fees and other revenues increased over the prior period driven by broad based in-force growth across the region, including growth in our ordinary life and accident & health businesses in Japan and Korea, as well as our group insurance business in Australia. During the period, surrenders of foreign currency-denominated fixed annuity products in Japan also contributed to higher fee income. The impact of these surrenders, partially offset by positive net flows in Korea, Bangladesh and India, resulted in lower average invested assets and a decrease in net investment income. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. The combined impact of the items discussed above improved operating earnings by \$45 million.

Market Factors. Investment returns were positively affected by the favorable impact of increased sales of foreign currency-denominated fixed annuities in Japan resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities in Japan. Improved operating results of our China joint venture, combined with higher returns on other limited partnership interests in Japan, also drove higher operating earnings. These increases in yields were partially offset by the continued growth of lower yielding Japanese government securities and lower net investment income on fixed maturity securities in Korea due to a decline in interest rates. Higher investment yields, combined with the impact of foreign currency hedges, increased operating earnings by \$42 million.

Underwriting. In addition, favorable claims experience, primarily in Japan and China, resulted in a slight increase in operating earnings.

Taxes. Current period results include a one-time tax benefit of \$61 million in Japan related to a change in tax rate and the settlement of an audit of \$12 million. Prior period results benefited from favorable changes in tax benefits of \$20 million primarily driven by a \$13 million tax benefit related to the U.S. taxation of dividends from Japan and a one-time tax benefit of \$4 million as a result of a tax rate change in Japan.

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EMEA

Business Overview. Sales increased as a result of growth in our employee benefit and accident & health products across the region, particularly in the Middle East.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Operating revenues				
Premiums	\$525	\$584	\$1,033	\$1,181
Universal life and investment-type product policy fees	114	117	216	226
Net investment income	84	112	167	219
Other revenues	19	11	29	27
Total operating revenues	742	824	1,445	1,653
Operating expenses				
Policyholder benefits and claims and policyholder dividends	265	271	504	532
Interest credited to policyholder account balances	34	35	64	69
Capitalization of DAC	(132)	(170)	(265)	(346)
Amortization of DAC and VOBA	133	160	261	324
Amortization of negative VOBA	(4)	(6)	(8)	(15)
Other expenses	389	456	751	920
Total operating expenses	685	746	1,307	1,484
Provision for income tax expense (benefit)	7	6	18	26
Operating earnings	\$50	\$72	\$120	\$143

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$18 million for the second quarter of 2015 compared to the prior period.

Business Growth and Underwriting. Sales increased compared to the prior period, primarily driven by growth in the Middle East. This was offset by a decrease in operating earnings in the current period as a result of unfavorable claims experience in the region. The combined impact of these items did not result in a material change to operating earnings.

Taxes and Other. The Company received tax benefits in both periods; however, since the prior period benefit was larger, operating earnings decreased by \$5 million. In addition, in both periods, we converted to calendar year reporting for certain of our subsidiaries, which resulted in a slight increase to operating earnings.

Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Foreign Currency. The impact of changes in foreign currency exchange rates reduced operating earnings by \$37 million for the first half of 2015 compared to the prior period.

Business Growth and Underwriting. Sales increased compared to the prior period, primarily driven by growth in the Middle East. In addition, operating earnings increased in the current period as a result of favorable claims experience in the region. The combined impact of these items increased operating earnings by \$13 million.

Taxes and Other. The Company received tax benefits in both periods; however, since the prior period benefit was larger, operating earnings decreased by \$2 million. In addition, in both periods, we converted to calendar year reporting for certain of our subsidiaries, which resulted in a net \$3 million increase to operating earnings.

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Corporate & Other

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Operating revenues				
Premiums	\$26	\$22	\$36	\$42
Universal life and investment-type product policy fees	26	34	49	67
Net investment income	129	133	238	282
Other revenues	19	5	39	26
Total operating revenues	200	194	362	417
Operating expenses				
Policyholder benefits and claims and policyholder dividends	8	19	20	42
Interest credited to policyholder account balances	8	9	14	18
Amortization of DAC and VOBA	1	—	1	—
Interest expense on debt	306	297	603	589
Other expenses	174	162	319	337
Total operating expenses	497	487	957	986
Provision for income tax expense (benefit)	(175)	(133)	(363)	(273)
Operating earnings	(122)	(160)	(232)	(296)
Less: Preferred stock dividends	31	31	61	61
Operating earnings available to common shareholders	\$(153)	\$(191)	\$(293)	\$(357)

The table below presents operating earnings available to common shareholders by source net of income tax:

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Other business activities	\$12	\$19	\$24	\$35
Other net investment income	83	86	154	183
Interest expense on debt	(199)	(193)	(392)	(383)
Preferred stock dividends	(31)	(31)	(61)	(61)
Acquisition costs	—	(3)	—	(5)
Corporate initiatives and projects	(58)	(43)	(97)	(71)
Incremental tax benefit	71	30	155	73
Other	(31)	(56)	(76)	(128)
Operating earnings available to common shareholders	\$(153)	\$(191)	\$(293)	\$(357)

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Other Business Activities. Operating earnings from other business activities decreased \$7 million. This was primarily due to lower operating earnings from start-up operations and lower operating earnings from the assumed reinsurance from our former operating joint venture in Japan, which was primarily due to a reduction in in-force and unfavorable foreign currency impacts.

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Other Net Investment Income. A \$3 million decrease in other net investment income was driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf and lower returns on alternative investments. This decrease was partially offset by increased income from higher average invested assets and higher returns on other limited partnership interests.

Corporate Initiatives and Projects. Expenses associated with corporate initiatives and projects increased by \$15 million primarily due to increased costs associated with enterprise-wide initiatives taken by the Company.

Incremental Tax Benefit. Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. We had higher utilization of tax preferenced investments and other benefits which increased our operating earnings by \$41 million over the prior period.

Other. Other expenses include decreases in employee-related expenses, costs related to our investment advisory subsidiaries and corporate overhead expenses totaling \$10 million, as well as minor decreases across various other expense categories.

Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Unless otherwise stated, all amounts discussed below are net of income tax.

Other Business Activities. Operating earnings from other business activities decreased \$11 million. This was primarily due to lower operating earnings from start-up operations and lower operating earnings from the assumed reinsurance from our former operating joint venture in Japan, which was primarily due to a reduction in in-force and unfavorable foreign currency impacts.

Other Net Investment Income. A \$29 million decrease in other net investment income was driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf, lower yields on fixed maturity securities as a result of the sustained low interest rate environment, and lower income on interest rate derivatives. This decrease was partially offset by increased income from higher average invested assets.

Corporate Initiatives and Projects. Expenses associated with corporate initiatives and projects increased by \$26 million, primarily due to increased costs associated with enterprise-wide initiatives taken by the Company.

Incremental Tax Benefit. Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. The prior period includes an \$18 million tax charge related to a portion of the aforementioned settlement of a licensing matter that was not deductible for income tax purposes. In addition, we had higher utilization of tax preferenced investments and other benefits which increased our operating earnings by \$64 million over the prior period.

Other. Our results for the prior period include charges totaling \$57 million related to the settlement of a licensing matter with the Department of Financial Services and the District Attorney, New York County. This was partially offset by an \$18 million prior period increase in operating earnings resulting from net adjustments to certain reinsurance assets and liabilities. In addition, employee-related costs decreased \$8 million from the prior period.

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Investments

Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Investments Department, led by the Chief Investment Officer, manages investment risks using a risk control framework comprised of policies, procedures and limits, as discussed further below. The Investments Risk Committee, chaired by Global Risk Management Department, reviews and monitors investment risk limits and tolerances. We are exposed to the following primary sources of investment risks:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;

- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates.

- Changes in market interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds;

- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;

- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, if credit spreads widen significantly or for an extended period of time, will likely result in higher other-than-temporary impairment (“OTTI”). Credit spread tightening will reduce net investment income associated with purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio;

- currency risk, relating to the variability in currency exchange rates for foreign denominated investments. This risk relates to potential decreases in estimated fair value and net investment income resulting from changes in currency exchange rates versus the U.S. dollar. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our foreign denominated investments; and

- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, which include, but are not limited to, market conditions, including the demand and supply of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and the inherent interest rate movement.

We manage investment risk through in-house fundamental credit analysis of the underlying obligors, issuers, transaction structures and real estate properties. We also manage credit risk, market valuation risk and liquidity risk through industry and issuer diversification and asset allocation. Risk limits to promote diversification by asset sector, avoid concentrations in any single issuer and limit overall aggregate credit exposure as measured by our economic capital framework are approved annually by a committee of directors that oversees our investment portfolio. For real estate assets, we manage credit risk and market valuation risk through geographic, property type and product type diversification and asset allocation. We manage interest rate risk as part of our ALM strategies. These strategies include maintaining an investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile, and utilizing product design, such as the use of market value adjustment features and surrender charges, to manage interest rate risk. We also manage interest rate risk through proactive monitoring and management of certain non-guaranteed elements of our products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments. In addition to hedging with foreign currency derivatives, we manage currency risk by matching much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. We also use certain derivatives in the management of credit, interest rate, and equity market risks.

We use purchased credit default swaps to mitigate credit risk in our investment portfolio. Generally, we purchase credit protection by entering into credit default swaps referencing the issuers of specific assets we own. In certain cases, basis risk exists between these credit default swaps and the specific assets we own. For example, we may purchase credit protection on a macro basis to reduce exposure to specific industries or other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not be identical to the

individual obligors or securities in our investment portfolio. In addition, our purchased credit default swaps may have shorter tenors than the underlying investments they are hedging. However, we dynamically hedge this risk through the rebalancing and rollover of its credit default swaps at their most liquid tenors. We believe that our purchased credit default swaps serve as effective economic hedges of our credit exposure.

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We generally enter into market standard purchased and written credit default swap contracts. Payout under such contracts is triggered by certain credit events experienced by the referenced entities. For credit default swaps covering North American corporate issuers, credit events typically include bankruptcy and failure to pay on borrowed money. For European corporate issuers, credit events typically also include involuntary restructuring. With respect to credit default contracts on Western European sovereign debt, credit events typically include failure to pay debt obligations, repudiation, moratorium, or involuntary restructuring. 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 deems that a credit event has occurred.

Current Environment

The global economy and markets continue to be affected by stress and volatility, which has adversely affected the financial services sector, in particular, and global capital markets. Recently, the political and/or economic instability of Europe's perimeter region and Cyprus, and of countries in regions outside the EU, including Ukraine, Russia, Argentina and the Middle East, as well as Puerto Rico, have contributed to global market volatility. As a global insurance company, we are affected by the monetary policy of central banks around the world. Financial markets have also been affected by concerns over the direction of U.S. fiscal policy, although these concerns have abated since late 2013. See "— Industry Trends — Financial and Economic Environment." The Federal Reserve Board has taken a number of policy actions in recent years to spur economic activity, including keeping interest rates low and, more recently, through its asset purchase programs. See "— Industry Trends — Impact of a Sustained Low Interest Rate Environment." The ECB has also adopted an array of stimulus measures, including an expanded asset purchase program and a negative rate on bank deposits, which are intended to lessen the risk of a prolonged period of deflation and support economic recovery in the Euro zone. The ECB's accommodative monetary policy is expected to continue for the foreseeable future. See "— Industry Trends — Financial and Economic Environment" for further information on such measures, as well as for information regarding actions taken by central banks around the world to support the economic recovery, including actions taken by Japan's central government and the Bank of Japan to boost inflation expectations and achieve sustainable economic growth in Japan. The Federal Reserve may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales.

European Region Investments

Excluding Europe's perimeter region and Cyprus which are discussed below, our holdings of sovereign debt, corporate debt and perpetual hybrid securities in certain EU member states and other countries in the region that are not members of the EU (collectively, the "European Region") were concentrated in the United Kingdom, Germany, France, the Netherlands, Poland, Norway and Sweden. The sovereign debt of these countries continues to maintain investment grade credit ratings from all major rating agencies. We maintain general account investments in the European Region to support our insurance operations and related policyholder liabilities in these countries and certain of our non-European Region operations invest in the region for diversification. In the European Region, we have proactively mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries. The European Region corporate securities (fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfolio of primarily non-financial services securities. At June 30, 2015, our exposure to fixed maturity securities and perpetual hybrid securities classified as non-redeemable preferred stock in the European Region totaled \$37.7 billion, at estimated fair value, of which \$7.5 billion was in sovereign fixed maturity securities. See Also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — European Region Investments" included in the 2014 Annual Report for further information.

Selected Country and Sector Investments

Concerns about global economic conditions, capital markets and the solvency of certain EU member states, including Europe's perimeter region and Cyprus, and of financial institutions that have significant direct or indirect exposure to debt issued by these countries, have been a cause of elevated levels of market volatility, and has affected the performance of various asset classes in recent years. More recently, with the exception of Greece, economic conditions in Europe's perimeter region seem to be stabilizing or improving, as evidenced by the stabilization of credit

ratings, particularly in Spain, Portugal and Ireland. With the exception of Greece, greater ECB and IMF support, stronger liquidity facilities and gradually improving macroeconomic conditions at the country level, has reduced the risk of default on the sovereign debt of other countries in Europe's perimeter region and Cyprus and the risk of possible withdrawal of such countries from the Euro zone. See “— Industry Trends — Financial and Economic Environment.”

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We maintain general account investments in Europe's perimeter region and Cyprus to support our insurance operations and related policyholder liabilities in these countries. Our exposure to sovereign fixed maturity securities and total fixed maturity securities of Europe's perimeter region and Cyprus totaled \$114 million and \$1.5 billion, at estimated fair value, respectively, at June 30, 2015. Our exposure to both sovereign fixed maturity securities and total fixed maturity securities of Greece is less than \$1 million, at estimated fair value, at June 30, 2015. See also — "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — Selected Country and Sector Investments" included in the 2014 Annual Report for further information.

There have been concerns about the political and economic stability of Ukraine, Russia and Argentina. We maintain general account investments in Ukraine, Russia and Argentina to support our insurance operations and related policyholder liabilities in these countries. Our exposure to the sovereign fixed maturity securities and total fixed maturity securities of Ukraine, Russia and Argentina totaled \$768 million and \$961 million, at estimated fair value, respectively, at June 30, 2015. See also — "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — Selected Country and Sector Investments" included in the 2014 Annual Report for further information by country.

There have also been increased concerns about the economic stability of Puerto Rico. We have general account investments in Puerto Rico through our global portfolio diversification. Our exposure to political subdivision fixed maturities (all revenue bonds and no general obligation bonds) and total fixed maturity securities of Puerto Rico totaled \$16 million and \$136 million, at estimated fair value, respectively, at June 30, 2015.

There also has been an increased focus on energy sector investments as a result of lower oil prices. Our net exposure to energy sector fixed maturity securities was \$14.0 billion (comprised of fixed maturity securities of \$13.8 billion at estimated fair value and related net written credit default swaps of \$210 million at notional value), of which 84% were investment grade, with an unrealized gain of \$852 million at June 30, 2015.

We manage direct and indirect investment exposure in these countries and the energy sector through fundamental credit analysis and we continually monitor and adjust our level of investment exposure. We do not expect general account investments in these countries or the energy sector to have a material adverse effect on our results of operations or financial condition.

Current Environment — Summary

All of these factors have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. Such global economic conditions, as well as the global financial markets, continue to impact our net investment income, net investment gains (losses), net derivative gains (losses), and level of unrealized gains (losses) within the various asset classes in our investment portfolio and our level of investment in lower yielding cash equivalents, short-term investments and government securities. See "— Industry Trends" included elsewhere herein and "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period" included in the 2014 Annual Report.

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Investment Portfolio Results

The following yield table presents the yield and investment income (loss) for our investment portfolio for the periods indicated. As described in the footnotes below, this table reflects certain differences from the presentation of net investment income presented in the GAAP consolidated statements of operations. This yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

	At or For the Three Months Ended June 30,				At or For the Six Months Ended June 30,			
	2015		2014		2015		2014	
	Yield %	(1) Amount (In millions)	Yield %	(1) Amount (In millions)	Yield %	(1) Amount (In millions)	Yield %	(1) Amount (In millions)
Fixed maturity securities (2),(3)	4.79	% \$ 3,665	4.90	% \$ 3,796	4.72	% \$ 7,234	4.83	% \$ 7,481
Mortgage loans (3)	5.10	% 801	5.05	% 708	4.95	% 1,531	5.06	% 1,417
Real estate and real estate joint ventures	7.40	% 189	4.54	% 114	5.23	% 270	3.98	% 203
Policy loans	5.22	% 151	5.36	% 158	5.23	% 303	5.35	% 315
Equity securities	4.58	% 35	4.72	% 37	4.30	% 66	4.30	% 67
Other limited partnerships	12.38	% 250	10.46	% 206	11.50	% 465	13.81	% 535
Cash and short-term investments	1.05	% 33	1.05	% 39	1.02	% 66	1.11	% 84
Other invested assets		223		200		550		420
Total before investment fees and expenses	5.08	% 5,347	5.01	% 5,258	4.99	% 10,485	5.02	% 10,522
Investment fees and expenses	(0.15	) (162	) (0.13	) (139	) (0.15	) (318	) (0.13	) (275
Net investment income including divested businesses (4), (5)	4.93	% 5,185	4.88	% 5,119	4.84	% 10,167	4.89	% 10,247
Less: net investment income from divested businesses (4), (5)		—		24		—		67
Net investment income (5)		\$ 5,185		\$ 5,095		\$ 10,167		\$ 10,180

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses and reflects GAAP adjustments presented in footnote (5) below. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, collateral received from derivative counterparties, the effects of consolidating certain variable interest entities (“VIEs”) under GAAP that are treated as consolidated securitization

entities (“CSEs”) and contractholder-directed unit-linked investments. A yield is not presented for other invested assets, as it is not considered a meaningful measure of performance for this asset class.

Investment income (loss) includes amounts for FVO and trading securities of \$2 million and \$39 million for the (2) three months and six months ended June 30, 2015, respectively, and \$44 million and \$81 million for the three months and six months ended June 30, 2014, respectively.

(3) Investment income from fixed maturity securities and mortgage loans includes prepayment fees.

Yield calculations include the net investment income and ending carrying values of the divested businesses. The net investment income adjustment for divested businesses for the three months and six months ended June 30, 2014 was \$24 million and \$67 million, respectively. These amounts include scheduled periodic settlement payments on derivatives not qualifying for hedge accounting adjustment that are excluded in the scheduled periodic settlement (4) payments on derivatives not qualifying for hedge accounting line in the GAAP net investment income reconciliation presented below. The scheduled periodic settlement payments excluded were \$4 million and \$1 million for the three months and six months ended June 30, 2014, respectively. There were no net investment income adjustments for divested businesses or excluded scheduled periodic settlement payments on derivatives for the three months and six months ended June 30, 2015.

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- (5) Net investment income presented in the yield table varies from the most directly comparable GAAP measure due to certain reclassifications and excludes the effects of consolidating certain VIEs under GAAP that are treated as CSEs and contractholder-directed unit-linked investments. Such reclassifications are presented in the table below.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	2014	2014	2014	2014
	(In millions)			
Net investment income — in the above yield table	\$5,185	\$5,095	\$10,167	\$10,180
Real estate discontinued operations	—	—	—	(1)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting	(180)	(169)	(380)	(344)
Contractholder-directed unit-linked investments	(55)	295	622	360
Divested businesses	—	24	—	67
Operating joint venture adjustments	(4)	1	(3)	1
Incremental net investment income from CSEs	1	13	2	31
Net investment income — GAAP consolidated statements of operations	\$4,947	\$5,259	\$10,408	\$10,294

See “— Results of Operations — Consolidated Results — Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014” and “— Results of Operations — Consolidated Results — Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014” for an analysis of the period over period changes in net investment income.

Fixed Maturity and Equity Securities AFS

The following table presents fixed maturity and equity securities available-for-sale (“AFS”) by type (public or private) and information about perpetual and redeemable securities held at:

	June 30, 2015		December 31, 2014	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
Fixed maturity securities				
Publicly-traded	\$305,884	87.1 %	\$315,167	86.2 %
Privately-placed	45,469	12.9 %	50,258	13.8 %
Total fixed maturity securities	\$351,353	100.0 %	\$365,425	100.0 %
Percentage of cash and invested assets	69.1 %		70.7 %	
Equity securities				
Publicly-traded	\$2,552	69.4 %	\$2,569	70.8 %
Privately-held	1,125	30.6 %	1,062	29.2 %
Total equity securities	\$3,677	100.0 %	\$3,631	100.0 %
Percentage of cash and invested assets	0.7 %		0.7 %	
Perpetual securities included within fixed maturity and equity securities AFS	\$879		\$1,009	
Redeemable preferred stock with a stated maturity included within fixed maturity securities AFS	\$1,029		\$1,265	

Included within fixed maturity and equity securities are perpetual securities. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed maturity securities if the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the securities have more debt-like characteristics; while those with more equity-like characteristics are classified as equity securities. Many of such securities, commonly referred to as “perpetual hybrid securities,” have been issued by non-U.S. financial institutions that are accorded the highest two capital treatment categories by their respective regulatory bodies (i.e. core capital, or “Tier

1 capital” and perpetual deferrable securities, or “Upper Tier 2 capital”).

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Included within fixed maturity securities is redeemable preferred stock with a stated maturity. These securities, which are commonly referred to as “capital securities,” primarily have cumulative interest deferral features and are primarily issued by U.S. financial institutions.

In connection with our investment management business, we manage privately-placed and infrastructure fixed maturity securities on behalf of institutional clients, which are unaffiliated investors. These privately-placed and infrastructure fixed maturity securities had an estimated fair value of \$4.6 billion and \$4.1 billion at June 30, 2015 and December 31, 2014, respectively. These assets are not included in our interim condensed consolidated financial statements.

Also in connection with our investment management business, we manage index investment portfolios that track the return of standard industry fixed income and equity market indices such as the Barclay’s U.S. Aggregate Bond Index and S&P 500® Index. These assets had an estimated fair value of \$27.3 billion and \$27.7 billion at June 30, 2015 and December 31, 2014, respectively, and are included within separate account assets in our interim condensed consolidated financial statements.

See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity and Equity Securities Available-for-Sale — Valuation of Securities” included in the 2014 Annual Report for further information on the processes used to value securities and the related controls.

Fair Value of Fixed Maturity and Equity Securities – AFS

Fixed maturity and equity securities AFS measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources are as follows:

	June 30, 2015				Equity Securities	
	Fixed Maturity Securities				(In millions)	
	(In millions)				(In millions)	
Level 1						
Quoted prices in active markets for identical assets	\$35,430	10.1 %			\$1,514	41.2 %
Level 2						
Independent pricing source	258,403	73.5			688	18.7
Internal matrix pricing or discounted cash flow techniques	35,536	10.1			986	26.8
Significant other observable inputs	293,939	83.6			1,674	45.5
Level 3						
Independent pricing source	6,240	1.8			302	8.2
Internal matrix pricing or discounted cash flow techniques	13,728	3.9			146	4.0
Independent broker quotations	2,016	0.6			41	1.1
Significant unobservable inputs	21,984	6.3			489	13.3
Total estimated fair value	\$351,353	100.0 %			\$3,677	100.0 %

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for the fixed maturity securities and equity securities AFS fair value hierarchy.

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The composition of fair value pricing sources for and significant changes in Level 3 securities at June 30, 2015 are as follows:

The majority of the Level 3 fixed maturity and equity securities AFS were concentrated in four sectors: U.S. and foreign corporate securities, residential mortgage-backed securities (“RMBS”), and asset-backed securities (“ABS”). Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing services and, to a much lesser extent, independent non-binding broker quotations using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consist of less liquid securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies. Level 3 fixed maturity securities include: alternative residential mortgage loan (“Alt-A”) and sub-prime RMBS; certain below investment grade private securities and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities); less liquid collateralized obligation ABS and foreign government securities.

During the three months ended June 30, 2015, Level 3 fixed maturity securities decreased by \$773 million, or 3%.

The decrease was driven by net transfers out of Level 3 and a decrease in estimated fair value recognized in other comprehensive income (loss) (“OCI”), partially offset by purchases in excess of sales. The net transfers out of Level 3 were concentrated in ABS and RMBS and the decrease in estimated fair value recognized in OCI was concentrated in U.S. and foreign corporate securities. The purchases in excess of sales were concentrated in ABS and RMBS.

During the six months ended June 30, 2015, Level 3 fixed maturity securities decreased by \$151 million, or 1%. The decrease was driven by net transfers out of Level 3 and a decrease in estimated fair value recognized in OCI, partially offset by purchases in excess of sales. The net transfers out of Level 3 were concentrated in ABS and RMBS and the decrease in estimated fair value recognized in OCI was concentrated in U.S. and foreign corporate securities. The purchases in excess of sales were concentrated in ABS, RMBS, and U.S. and foreign corporate securities.

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for fixed maturity securities and equity securities AFS measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs; analysis of transfers into and/or out of Level 3; and further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Estimated Fair Value of Investments” included in the 2014 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

Fixed Maturity Securities AFS

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

Fixed Maturity Securities Credit Quality — Ratings

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity and Equity Securities Available-for-Sale — Fixed Maturity Securities Credit Quality — Ratings” included in the 2014 Annual Report for a discussion of the credit quality ratings assigned by rating agencies and credit quality designations assigned by and methodologies used by the Securities Valuation Office of the National Association of Insurance Commissioners (“NAIC”) for fixed maturity securities.

The NAIC has adopted revised methodologies for certain structured securities comprised of non-agency RMBS, commercial mortgage-backed securities (“CMBS”) and ABS. The NAIC’s objective with the revised methodologies for these structured securities was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from structured securities. We apply the revised NAIC methodologies to structured securities held by MetLife, Inc.’s insurance subsidiaries that maintain the NAIC statutory basis of accounting. The NAIC’s present methodology is to evaluate structured securities held by insurers using the revised NAIC methodologies on an annual basis. If MetLife, Inc.’s insurance subsidiaries acquire structured securities that have not been previously evaluated by the NAIC, but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed designation is used until a final designation becomes available.

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The following table presents total fixed maturity securities by Nationally Recognized Statistical Ratings Organizations (“NRSRO”) rating and the equivalent designations of the NAIC, except for certain structured securities, which are presented using the revised NAIC methodologies as described above, as well as the percentage, based on estimated fair value that each designation is comprised of at:

NAIC Designation	NRSRO Rating	June 30, 2015				December 31, 2014			
		Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(In millions)				(In millions)			
1	Aaa/Aa/A	\$230,944	\$17,820	\$248,764	70.8 %	\$233,246	\$23,837	\$257,083	70.4 %
2	Baa	75,184	4,485	79,669	22.7	76,754	6,654	83,408	22.8
	Subtotal investment grade	306,128	22,305	328,433	93.5	310,000	30,491	340,491	93.2
3	Ba	15,480	141	15,621	4.4	14,967	178	15,145	4.1
4	B	5,979	(24)	5,955	1.7	8,481	(96)	8,385	2.3
5	Caa and lower	1,193	67	1,260	0.4	1,296	44	1,340	0.4
6	In or near default	53	31	84	—	36	28	64	—
	Subtotal below investment grade	22,705	215	22,920	6.5	24,780	154	24,934	6.8
	Total fixed maturity securities	\$328,833	\$22,520	\$351,353	100.0%	\$334,780	\$30,645	\$365,425	100.0%

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO rating and the equivalent designations of the NAIC, except for certain structured securities, which are presented using the NAIC methodologies as described above:

NAIC Designation	Fixed Maturity Securities — by Sector & Credit Quality Rating							Total Estimated Fair Value
	1	2	3	4	5	6		
NRSRO Rating	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default		
	(In millions)							
	June 30, 2015							
U.S. corporate	\$43,456	\$43,147	\$9,890	\$4,083	\$561	\$9	\$101,146	
Foreign corporate	24,103	30,160	3,642	1,055	137	1	59,098	
U.S. Treasury and agency	57,538	—	—	—	—	—	57,538	
Foreign government	44,664	4,218	1,347	424	356	48	51,057	
RMBS	39,428	807	703	386	173	21	41,518	
State and political subdivision	14,565	573	10	—	16	—	15,164	
CMBS	11,796	29	10	5	2	—	11,842	
ABS	13,214	735	19	2	15	5	13,990	
Total fixed maturity securities	\$248,764	\$79,669	\$15,621	\$5,955	\$1,260	\$84	\$351,353	
Percentage of total	70.8 %	22.7 %	4.4 %	1.7 %	0.4 %	— %	100.0 %	
	December 31, 2014							
U.S. corporate	\$46,043	\$44,174	\$9,627	\$5,602	\$497	\$11	\$105,954	
Foreign corporate	25,368	31,084	3,775	1,358	89	1	61,675	
U.S. Treasury and agency	61,516	—	—	—	—	—	61,516	
Foreign government	44,837	5,763	744	863	418	41	52,666	

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RMBS	37,156	1,049	766	551	318	6	39,846	
State and political subdivision	14,656	501	30	—	—	—	15,187	
CMBS	14,124	30	166	9	3	—	14,332	
ABS	13,383	807	37	2	15	5	14,249	
Total fixed maturity securities	\$257,083	\$83,408	\$15,145	\$8,385	\$1,340	\$64	\$365,425	
Percentage of total	70.4	% 22.8	% 4.1	% 2.3	% 0.4	% —	% 100.0	%

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U.S. and Foreign Corporate Fixed Maturity Securities

We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have any exposure to any single issuer in excess of 1% of total investments and the top ten holdings comprise 2% of total investments at both June 30, 2015 and December 31, 2014. The tables below present our U.S. and foreign corporate securities holdings at:

	June 30, 2015		December 31, 2014		
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total	
Corporate fixed maturity securities — by sector:					
Foreign corporate (1)	\$59,098	36.9	% \$61,675	36.8	%
U.S. corporate fixed maturity securities — by industry:					
Consumer	26,767	16.7	27,808	16.6	
Industrial	26,091	16.3	27,221	16.2	
Utility	19,262	12.0	20,029	12.0	
Finance	18,022	11.2	18,688	11.1	
Communications	7,290	4.6	8,071	4.8	
Other	3,714	2.3	4,137	2.5	
Total	\$160,244	100.0	% \$167,629	100.0	%

(1)Includes both U.S. dollar and foreign denominated securities.

Structured Securities

We held \$67.4 billion and \$68.4 billion of structured securities, at estimated fair value, at June 30, 2015 and December 31, 2014, respectively, as presented in the RMBS, CMBS and ABS sections below.

RMBS

The table below presents our RMBS holdings at:

	June 30, 2015			December 31, 2014		
	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)
By security type:						
Collateralized mortgage obligations	\$20,156	48.5 %	\$ 953	\$20,269	50.9 %	\$ 1,083
Pass-through securities	21,362	51.5	377	19,577	49.1	699
Total RMBS	\$41,518	100.0 %	\$ 1,330	\$39,846	100.0 %	\$ 1,782
By risk profile:						
Agency	\$28,950	69.7 %	\$ 1,019	\$26,818	67.3 %	\$ 1,469
Prime	2,261	5.4	66	2,648	6.6	68
Alt-A	5,628	13.6	93	5,540	13.9	85
Sub-prime	4,679	11.3	152	4,840	12.2	160
Total RMBS	\$41,518	100.0 %	\$ 1,330	\$39,846	100.0 %	\$ 1,782
Ratings profile:						
Rated Aaa/AAA	\$29,359	70.7 %		\$27,362	68.7 %	
Designated NAIC 1	\$39,428	95.0 %		\$37,156	93.2 %	

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See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity and Equity Securities Available-for-Sale — Structured Securities” included in the 2014 Annual Report for further information about collateralized mortgage obligations and pass-through mortgage-backed securities, as well as agency, prime, Alt-A and sub-prime RMBS.

Historically, we have managed our exposure to sub-prime RMBS holdings by: acquiring older vintage year securities that benefit from better underwriting, improved credit enhancement and higher levels of residential property price appreciation; reducing our overall exposure; stress testing the portfolio with severe loss assumptions; and closely monitoring the performance of the portfolio. Since 2012, we have increased our exposure by purchasing sub-prime RMBS at significant discounts to the expected principal recovery value of these securities. The estimated fair value of our sub-prime RMBS holdings purchased since 2012 was \$3.9 billion at both June 30, 2015 and December 31, 2014, with unrealized gains (losses) of \$125 million and \$130 million at June 30, 2015 and December 31, 2014, respectively.

CMBS

Our CMBS holdings are diversified by vintage year. The following tables present our CMBS holdings by rating agency rating and by vintage year at:

June 30, 2015

	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003 - 2005	\$750	\$768	\$283	\$297	\$135	\$137	\$125	\$128	\$14	\$15	\$1,307	\$1,345
2006	1,602	1,633	82	83	113	116	51	58	—	—	1,848	1,890
2007	502	519	23	24	175	181	—	—	123	126	823	850
2008 - 2010	5	5	—	—	14	14	—	—	—	—	19	19
2011	528	567	22	24	63	65	—	—	—	—	613	656
2012	257	288	252	258	850	870	—	—	2	2	1,361	1,418
2013	727	777	476	516	1,330	1,396	13	10	—	—	2,546	2,699
2014	513	520	1,021	1,026	699	717	—	—	—	—	2,233	2,263
2015	410	394	167	163	122	121	23	24	—	—	722	702
Total	\$5,294	\$5,471	\$2,326	\$2,391	\$3,501	\$3,617	\$212	\$220	\$139	\$143	\$11,472	\$11,842
Ratings Distribution	46.2 %		20.2 %		30.5 %		1.9 %		1.2 %		100.0 %	

December 31, 2014

	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003 - 2004	\$251	\$258	\$25	\$27	\$54	\$56	\$40	\$40	\$17	\$17	\$387	\$398
2005	2,278	2,300	412	426	243	253	111	115	9	13	3,053	3,107
2006	1,983	2,056	103	106	107	110	66	73	—	—	2,259	2,345
2007	694	720	64	67	195	205	41	43	129	131	1,123	1,166
2008 - 2010	5	5	—	—	25	25	—	—	—	—	30	30

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2011	561	603	23	24	63	65	—	—	4	4	651	696	
2012	467	559	245	255	842	866	—	—	3	3	1,557	1,683	
2013	802	854	467	505	1,330	1,393	13	11	—	—	2,612	2,763	
2014	466	480	883	900	652	677	13	14	76	73	2,090	2,144	
Total	\$7,507	\$7,835	\$2,222	\$2,310	\$3,511	\$3,650	\$284	\$296	\$238	\$241	\$13,762	\$14,332	
Ratings Distribution		54.7	%	16.1	%	25.5	%	2.0	%	1.7	%	100.0	%

The tables above reflect rating agency ratings assigned by NRSROs including Moody's Investors Service, S&P, Fitch Ratings and Morningstar Credit Ratings, LLC. CMBS designated NAIC 1 were 99.6% and 98.5% of total CMBS at June 30, 2015 and December 31, 2014, respectively.

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ABS

Our ABS are diversified both by collateral type and by issuer. The following table presents our ABS holdings at:

	June 30, 2015		Net Unrealized Gains (Losses) (In millions)	December 31, 2014		Net Unrealized Gains (Losses) (In millions)
	Estimated Fair Value (In millions)	% of Total		Estimated Fair Value (In millions)	% of Total	
By collateral type:						
Collateralized obligations	\$6,555	46.9	% \$ (37)	\$5,262	36.9	% \$ (46)
Foreign residential loans	1,768	12.6	34	2,146	15.1	63
Student loans	1,762	12.6	21	1,997	14.0	42
Automobile loans	1,091	7.8	6	1,625	11.4	10
Credit card loans	911	6.5	39	1,195	8.4	44
Other loans	1,903	13.6	30	2,024	14.2	15
Total	\$13,990	100.0	% \$ 93	\$14,249	100.0	% \$ 128
Ratings profile:						
Rated Aaa/AAA	\$7,703	55.1	%	\$7,950	55.8	%
Designated NAIC 1	\$13,214	94.5	%	\$13,383	93.9	%

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

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the evaluation of fixed maturity securities and equity securities AFS for OTTI and evaluation of temporarily impaired AFS securities.

OTTI Losses on Fixed Maturity and Equity Securities AFS Recognized in Earnings

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information about OTTI losses and gross gains and gross losses on AFS securities sold.

Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings

Impairments of fixed maturity and equity securities were \$11 million and \$29 million for the three months and six months ended June 30, 2015, respectively, and \$48 million and \$59 million for the three months and six months ended June 30, 2014, respectively. Impairments of fixed maturity securities were \$2 million and \$20 million for the three months and six months ended June 30, 2015, respectively, and \$15 million and \$25 million for the three months and six months ended June 30, 2014, respectively. Impairments of equity securities were \$9 million and \$9 million for the three months and six months ended June 30, 2015, respectively, and \$33 million and \$34 million for the three months and six months ended June 30, 2014, respectively.

Credit-related impairments of fixed maturity securities were \$2 million and \$20 million for the three months and six months ended June 30, 2015, respectively, and \$15 million and \$25 million for the three months and six months ended June 30, 2014, respectively.

Explanations of changes in fixed maturity and equity securities impairments are as follows:

Three Months Ended June 30, 2015 Compared with the Three Months Ended June 30, 2014

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$11 million for the three months ended June 30, 2015 as compared to \$48 million in the prior period. The decrease in OTTI losses in the current period was concentrated in non-redeemable preferred stock, which comprised \$0 for the three months ended June 30, 2015, as compared to \$23 million for the three months ended June 30, 2014, and was primarily attributable to finance industry non-redeemable preferred stocks. The decrease in OTTI losses also included ABS, which comprised \$0 for the three months ended June 30, 2015, as compared to \$7 million for the three months ended June 30, 2014.

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Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were \$29 million for the six months ended June 30, 2015 as compared to \$59 million in the prior period. The most significant decrease was in non-redeemable preferred stock, which comprised \$0 for the six months ended June 30, 2015, as compared to \$23 million for the six months ended June 30, 2014, and was primarily attributable to finance industry non-redeemable preferred stocks.

Future Impairments

Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and 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.

FVO and Trading Securities

FVO and trading securities are primarily comprised of securities for which the FVO has been elected (“FVO Securities”). FVO Securities include certain fixed maturity and equity securities held-for-investment by the general account to support ALM strategies for certain insurance products and investments in certain separate accounts. FVO Securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity 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. FVO Securities also include securities held by CSEs. We have a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and sale of actively traded securities and the execution of short sale agreements. FVO and trading securities were \$16.5 billion and \$16.7 billion at estimated fair value, at June 30, 2015 and December 31, 2014, respectively, or 3.2% of total cash and invested assets, at both June 30, 2015 and December 31, 2014. See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for the FVO and trading securities fair value hierarchy and a rollforward of the fair value measurements for FVO and trading securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned at inception of the loan. We monitor the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necessary throughout the duration of the loan. Securities loaned under such transactions may be sold or re-pledged by the transferee. We are liable to return to our counterparties the cash collateral under our control. Security collateral on deposit from counterparties may not be sold or re-pledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements. These transactions are treated as financing arrangements and the associated cash collateral liability is recorded at the amount of the cash received.

See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending” and Note 5 of Notes to the Interim Condensed Consolidated Financial Statements for information regarding our securities lending program. See “— Off-Balance Sheet Arrangements — Collateral for Securities Lending, Repurchase Agreement Transactions, Third-Party Custodian Administered Repurchase Program and Derivatives” for information on non-cash collateral.

Repurchase Agreement Transactions

We participate in repurchase and reverse repurchase agreement transactions whereby fixed maturity securities are loaned to unaffiliated financial institutions, and contemporaneously other fixed maturity securities are borrowed from the unaffiliated financial institutions. We obtain cash collateral in an amount greater than or equal to 95% of the estimated fair value of the securities loaned, and pledge cash collateral in an amount generally equal to 98% of the estimated fair value of the borrowed securities at the inception of the transaction. We monitor the estimated fair value

of the securities loaned and borrowed on a daily basis with additional collateral obtained as necessary throughout the duration of the transaction. Securities loaned under such transactions may be sold or re-pledged by the transferee. Securities borrowed under such transactions may be re-pledged, and are not reflected in the consolidated financial statements. These transactions are treated as collateralized borrowing and lending and the Company has elected to offset amounts recognized as receivables and payables resulting from these transactions.

See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for additional information regarding our repurchase and reverse repurchase agreement transactions.

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Mortgage Loans

Our mortgage loans are principally collateralized by commercial real estate, agricultural real estate and residential properties. Mortgage loans and the related valuation allowances are summarized as follows at:

	June 30, 2015				December 31, 2014			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(Dollars in millions)				(Dollars in millions)			
Commercial	\$42,953	67.4 %	\$ 228	0.5 %	\$41,088	68.7 %	\$ 224	0.5 %
Agricultural	12,498	19.6	41	0.3	12,378	20.7	39	0.3
Residential	8,273	13.0	56	0.7	6,369	10.6	42	0.7
Total	\$63,724	100.0 %	\$ 325	0.5 %	\$59,835	100.0 %	\$ 305	0.5 %

The information presented in the tables herein exclude mortgage loans where we elected the FVO. Such amounts are presented in Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements.

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of our commercial and agricultural mortgage loan portfolios, 85% are collateralized by properties located in the U.S., with the remaining 15% collateralized by properties located outside the U.S., at June 30, 2015. The carrying value of our commercial and agricultural mortgage loans located in California, New York and Texas were 19%, 12% and 8%, respectively, of total mortgage loans at June 30, 2015. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending up to 75% of the estimated fair value of the underlying real estate collateral.

The residential loan portfolio is managed in a similar manner to reduce risk of concentration, with 89% collateralized by properties located in the U.S., and the remaining 11% collateralized by properties located outside the U.S., as of June 30, 2015. The carrying value of our residential mortgage loans located in California, Florida, and New York were 37%, 7%, and 5%, respectively.

In connection with our investment management business, we manage commercial mortgage loans on behalf of institutional clients, which are unaffiliated investors. These commercial mortgage loans had an estimated fair value of \$1.5 billion and \$1.2 billion at June 30, 2015 and December 31, 2014, respectively. These assets are not included in our interim condensed consolidated financial statements.

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Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class. The tables below present the diversification across geographic regions and property types of commercial mortgage loans:

	June 30, 2015		December 31, 2014		
	Amount (In millions)	% of Total	Amount (In millions)	% of Total	
Region					
Pacific	\$9,221	21.5	% \$8,620	21.0	%
Middle Atlantic	7,864	18.3	7,689	18.7	
International	7,222	16.8	7,251	17.7	
South Atlantic	6,355	14.8	6,384	15.5	
West South Central	4,404	10.3	3,990	9.7	
East North Central	2,260	5.3	2,430	5.9	
New England	1,352	3.1	1,155	2.8	
Mountain	1,168	2.7	932	2.3	
East South Central	390	0.9	424	1.0	
West North Central	150	0.3	140	0.3	
Multi-Region and Other	2,567	6.0	2,073	5.1	
Total recorded investment	42,953	100.0	% 41,088	100.0	%
Less: valuation allowances	228		224		
Carrying value, net of valuation allowances	\$42,725		\$40,864		
Property Type					
Office	\$21,334	49.7	% \$21,400	52.1	%
Retail	9,982	23.2	9,389	22.9	
Hotel	4,431	10.3	4,196	10.2	
Apartment	4,806	11.2	3,786	9.2	
Industrial	2,205	5.1	2,133	5.2	
Other	195	0.5	184	0.4	
Total recorded investment	42,953	100.0	% 41,088	100.0	%
Less: valuation allowances	228		224		
Carrying value, net of valuation allowances	\$42,725		\$40,864		

Mortgage Loan Credit Quality - Monitoring Process. We monitor our mortgage loan investments on an ongoing basis, including reviewing loans that are current, past due, restructured and under foreclosure. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for tables that present mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, as well as impaired mortgage loans. See “— Real Estate and Real Estate Joint Ventures” for real estate acquired through foreclosure.

Commercial and Agricultural Mortgage Loans. We review our commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and sector basis.

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Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 52% at both June 30, 2015 and December 31, 2014, and our average debt service coverage ratio was 2.6x at both June 30, 2015 and December 31, 2014. The commercial mortgage loan debt service coverage ratio and loan-to-value ratio, as well as the values utilized in calculating these ratios, are updated annually, on a rolling basis, with a portion of the commercial mortgage loan portfolio updated each quarter. For our agricultural mortgage loans, our average loan-to-value ratio was 44% at both June 30, 2015 and December 31, 2014. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated. Mortgage Loan Valuation Allowances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Mortgage Loans — Mortgage Loan Valuation Allowances" included in the 2014 Annual Report for further information on our mortgage loan valuation allowance policy.

See Notes 5 and 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how valuation allowances are established and monitored, activity in and balances of the valuation allowance, and the estimated fair value of impaired mortgage loans and related impairments included within net investment gains (losses) as of and for the three months ended June 30, 2015 and 2014.

Real Estate and Real Estate Joint Ventures

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. Of our real estate investments, 84% were located in the United States, with the remaining 16% located outside the United States, at June 30, 2015. The carrying value of our real estate investments located in California, Japan and Florida were 19%, 13% and 10%, respectively, of total real estate investments at June 30, 2015.

Real estate investments by type consisted of the following at:

	June 30, 2015		December 31, 2014		
	Carrying Value	% of Total	Carrying Value	% of Total	
	(In millions)		(In millions)		
Traditional	\$8,692	85.2	% \$9,386	89.2	%
Real estate joint ventures and funds	577	5.6	647	6.2	
Subtotal	9,269	90.8	10,033	95.4	
Foreclosed (commercial, agricultural and residential)	40	0.4	320	3.0	
Real estate held-for-investment	9,309	91.2	10,353	98.4	
Real estate held-for-sale	898	8.8	172	1.6	
Total real estate and real estate joint ventures	\$10,207	100.0	% \$10,525	100.0	%

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Real Estate and Real Estate Joint Ventures" included in the 2014 Annual Report for a discussion of the types of investments reported within traditional real estate and real estate joint ventures and funds. The estimated fair value of the traditional and held-for-sale real estate investment portfolios was \$13.9 billion and \$13.3 billion at June 30, 2015 and December 31, 2014, respectively.

In connection with our investment management business, we manage real estate investments on behalf of institutional clients, which are unaffiliated investors. These real estate investments had an estimated fair value of \$3.0 billion and \$2.8 billion at June 30, 2015 and December 31, 2014, respectively. These assets are not included in our interim condensed consolidated financial statements.

Other Limited Partnership Interests

The carrying value of other limited partnership interests was \$8.1 billion at both June 30, 2015 and December 31, 2014, which included \$2.5 billion and \$2.4 billion of hedge funds, at June 30, 2015 and December 31, 2014, respectively.

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Other Invested Assets

The following table presents the carrying value of our other invested assets by type:

	June 30, 2015		December 31, 2014		
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total	
Freestanding derivatives with positive estimated fair values	\$12,494	61.2	% \$13,452	63.2	%
Tax credit and renewable energy partnerships	2,956	14.5	2,752	12.9	
Leveraged leases, net of non-recourse debt	1,760	8.6	1,785	8.4	
Direct financing leases	1,067	5.2	1,119	5.3	
Funds withheld	747	3.7	763	3.6	
Operating joint ventures	534	2.6	513	2.4	
Other	851	4.2	899	4.2	
Total	\$20,409	100.0	% \$21,283	100.0	%

Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was \$14.6 billion and \$8.6 billion, or 2.9% and 1.7% of total cash and invested assets, at June 30, 2015 and December 31, 2014, respectively. The carrying value of cash equivalents, which approximates estimated fair value, was \$2.7 billion and \$4.5 billion at June 30, 2015 and December 31, 2014, respectively, or 0.5% and 0.9% of total cash and invested assets, at June 30, 2015 and December 31, 2014, respectively.

Derivatives

Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for:

• A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.

• Information about the gross notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at June 30, 2015 and December 31, 2014.

• The statement of operations effects of derivatives in net investments in foreign operations, cash flow, fair value, or non-qualifying hedge relationships for the three months and six months ended June 30, 2015 and 2014.

See “Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities” included in the 2014 Annual Report for more information about our use of derivatives by major hedge program.

Fair Value Hierarchy

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

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Derivatives categorized as Level 3 at June 30, 2015 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; cancellable foreign currency swaps with unobservable currency correlation inputs; foreign currency swaps and forwards with certain unobservable inputs, including the unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity index options with unobservable correlation inputs. At June 30, 2015, less than 1% of the estimated fair value of our derivatives was priced through independent broker quotations.

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

The gain (loss) on Level 3 derivatives primarily relates to certain purchased equity index options that are valued using models dependent on an unobservable market correlation input, equity variance swaps that are valued using observable equity volatility data plus an unobservable equity variance spread and foreign currency swaps and forwards that are valued using an unobservable portion of the swap yield curve. The unobservable equity variance spread is calculated from a comparison between broker offered equity variance swap volatility and observable equity index option volatility. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curve. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations.

The gain (loss) on Level 3 derivatives, percentage of gain (loss) attributable to observable and unobservable inputs, and the primary drivers of observable gain (loss) are summarized as follows:

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Gain (loss) recognized in net income (loss)	(\$2) million	(\$68) million
Percentage of gain (loss) attributable to observable inputs	11%	29%
Primary drivers of observable gain (loss)	Strengthening of certain foreign currencies against inflation indices on receive foreign currency, pay inflation forwards; increases in broker quoted equity volatility; and decreases in equity index levels.	Strengthening of U.S. dollar versus foreign currencies on receive foreign currency, pay-U.S. dollar forwards; increases in broker quoted equity volatility; and increases in equity index levels.
Percentage of gain (loss) attributable to unobservable inputs	89%	71%

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2014 Annual Report for further information on the estimates and assumptions that affect derivatives.

Credit Risk

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives in the consolidated balance sheets, and does not affect our legal right of offset.

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Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

Credit Default Swaps	June 30, 2015		December 31, 2014	
	Gross Notional Amount (In millions)	Estimated Fair Value	Gross Notional Amount	Estimated Fair Value
Purchased (1)	\$2,622	\$(27)	\$2,830	\$(26)
Written (2)	10,594	158	10,527	175
Total	\$13,216	\$131	\$13,357	\$149

(1) The gross notional amount and estimated fair value for purchased credit default swaps in the trading portfolio were \$345 million and (\$5) million, respectively, at June 30, 2015 and \$250 million and (\$6) million, respectively, at December 31, 2014.

(2) The gross notional amount and estimated fair value for written credit default swaps in the trading portfolio were \$104 million and \$4 million, respectively, at June 30, 2015 and \$15 million and \$1 million, respectively, at December 31, 2014.

The following table presents the gross gains, gross losses and net gain (losses) recognized in income for credit default swaps as follows:

Credit Default Swaps	Three Months Ended June 30, 2015			2014			Six Months Ended June 30, 2015			2014		
	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)
Purchased (2), (4)	\$3	\$2	\$5	\$3	\$(11)	\$(8)	\$12	\$(19)	\$(7)	\$12	\$(18)	\$(6)
Written (3), (4)	(1)	(33)	(34)	28	(6)	22	18	(48)	(30)	35	(22)	13
Total	\$2	\$(31)	\$(29)	\$31	\$(17)	\$14	\$30	\$(67)	\$(37)	\$47	\$(40)	\$7

(1) Gains (losses) are reported in net derivative gains (losses), except for gains (losses) on the trading portfolio, which are reported in net investment income.

(2) The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were \$2 million and (\$1) million, respectively, for the three months ended June 30, 2015 and \$3 million and (\$3) million, respectively, for the six months ended June 30, 2015. The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were \$1 million and (\$2) million, respectively, for the three months ended June 30, 2014 and \$3 million and (\$3) million, respectively, for the six months ended June 30, 2014.

(3) The gross gains and gross (losses) for written credit default swaps in the trading portfolio were not significant for the three months ended June 30, 2015 and \$1 million and \$0, respectively, for the six months ended June 30, 2015. The gross gains and gross (losses) for written credit default swaps in our trading portfolio were not significant for both the three months and six months ended June 30, 2014.

(4) Gains (losses) do not include earned income (expense) on credit default swaps.

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The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by insurance regulators and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we will seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we, at times, can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long-dated corporate bond, we have more flexibility in managing our credit exposures.

Embedded Derivatives

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2014 Annual Report for further information on the estimates and assumptions that affect embedded derivatives.

Off-Balance Sheet Arrangements**Credit and Committed Facilities**

We maintain an unsecured credit facility and certain committed facilities with various financial institutions. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” for further descriptions of such arrangements.

Collateral for Securities Lending, Repurchase Agreement Transactions, Third-Party Custodian Administered Repurchase Program and Derivatives

We participate in a securities lending program in the normal course of business for the purpose of enhancing the total return on our investment portfolio. Periodically, we receive non-cash collateral for securities lending from counterparties, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was \$99 million and \$83 million at estimated fair value at June 30, 2015 and December 31, 2014, respectively. See Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements and “— Investments — Securities Lending,” as well as “Summary of Significant Accounting Policies — Investments — Securities Lending Program” in Note 1 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for discussion of our securities lending program, the classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

We participate in repurchase and reverse repurchase agreement transactions. In connection with these transactions, we obtain fixed maturity securities as collateral from unaffiliated financial institutions, which can be re-pledged, and which have not been recorded on our consolidated balance sheets. The amount of these securities and the amount which were re-pledged was \$506 million and \$217 million, respectively, at estimated fair value at June 30, 2015. We had no such securities as of December 31, 2014. See “— Investments — Repurchase Agreement Transactions” and Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for discussion of our repurchase and reverse repurchase agreements, and the classification of the associated net receivable/payable and expense.

We also participate in third-party custodian administered repurchase programs for the purpose of enhancing the total return on our investment portfolio. We loan certain of our fixed maturity securities to financial institutions and, in exchange, non-cash collateral is put on deposit by the financial institutions on our behalf with third-party custodians.

The estimated fair value of securities loaned in connection with these transactions was \$672 million and \$642 million at June 30, 2015 and December 31, 2014, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was \$720 million and \$682 million at June 30, 2015 and December 31, 2014, respectively, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets.

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We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which has not been recorded on our consolidated balance sheets. The amount of this non-cash collateral was \$2.1 billion and \$4.2 billion at June 30, 2015 and December 31, 2014, respectively. In certain instances, cash collateral pledged to the Company as initial margin for “OTC-bilateral” derivatives (over-the-counter (“OTC”) bilateral contracts between two counterparties) is held in separate custodial accounts and is not recorded on the Company’s balance sheet because the account title is in the name of the counterparty (but segregated for the benefit of the Company). The amount of this cash collateral was \$0 and \$263 million at June 30, 2015 and December 31, 2014, respectively. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral” and Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Other

Additionally, we make mortgage loan commitments and commitments to fund partnerships, bank credit facilities, bridge loans and private corporate bond investments in the normal course of business for the purpose of enhancing the total return on our investment portfolio. Other than these investment-related commitments which are disclosed in Note 13 of the Notes to the Interim Condensed Consolidated Financial Statements, there are no other material obligations or liabilities arising from these investment-related commitments. For further information on these investment-related commitments see “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Contractual Obligations.”

See “Net Investment Income” and “Net Investment Gains (Losses)” in Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments. See also “— Investments — Fixed Maturity and Equity Securities Available-for-Sale,” “— Investments — Mortgage Loans,” “— Investments — Real Estate and Real Estate Joint Ventures” and “— Investments — Other Limited Partnership Interests” for information on our investments in fixed maturity and equity securities, mortgage loans and partnerships.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the interim condensed consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates” included in the 2014 Annual Report.

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of actuarial liabilities, we cannot precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition. We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations, and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils.

Insurance regulators in many of the non-U.S. countries in which we operate require certain MetLife entities to prepare a sufficiency analysis of the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities. See “Business — Regulation — International Regulation” included in the 2014

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Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for additional information. See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment — Interest Rate Stress Scenario” included in the 2014 Annual Report and “— Variable Annuity Guarantees.” A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

Retail

Future policy benefits for the life business are comprised mainly of liabilities for traditional life and for universal and variable life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. The reinsurance programs are routinely evaluated and this may result in increases or decreases to existing coverage. We have entered into various derivative positions, primarily interest rate swaps and swaptions, to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For our property & casualty business, future policy benefits include unearned premium reserves and liabilities for unpaid claims and claim expenses and represent the amount estimated for claims that have been reported but not settled and claims incurred but not reported. For the annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.

Group, Voluntary & Worksite Benefits

With the exception of our property & casualty business, future policy benefits for our Group and Voluntary & Worksite businesses are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, long-term care policies, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. The future policy benefits for the property & casualty products offered by the Voluntary & Worksite and Retail property & casualty businesses are the same. Liabilities for unpaid claims are estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analyses of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Corporate Benefit Funding

Liabilities for this segment are primarily related to payout annuities, including pension closeouts and structured settlement annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies, including the use of various derivative positions, primarily interest rate floors and interest rate swaps, to mitigate the risks associated with such a scenario.

Latin America

Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditional life contracts mainly in Brazil and Mexico. There are also liabilities held for total return pass-through provisions included in certain universal life and savings products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by applying various ALM strategies.

Asia

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by applying various ALM strategies.

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EMEA

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, and by applying various ALM strategies.

Corporate & Other

Future policy benefits primarily include liabilities for certain run-off long-term care and workers' compensation business written by MetLife Insurance Company USA. Additionally, future policy benefits include liabilities for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as insurance.

Policyholder Account Balances

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment — Interest Rate Stress Scenario" included in the 2014 Annual Report and "— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for additional information. A discussion of policyholder account balances by segment (as well as Corporate & Other) follows.

Retail

Life & Other policyholder account balances are held for retained asset accounts, universal life policies and the fixed account of variable life insurance policies. For Annuities, policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities, and non-life contingent income annuities. Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario. Additionally, policyholder account balances are held for variable annuity guaranteed minimum living benefits that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Retail:

Guaranteed Minimum Crediting Rate	June 30, 2015	
	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Life & Other		
Greater than 0% but less than 2%	\$99	\$99
Equal to 2% but less than 4%	\$12,235	\$5,176
Equal to or greater than 4%	\$10,638	\$6,361
Annuities		
Greater than 0% but less than 2%	\$3,242	\$2,814
Equal to 2% but less than 4%	\$31,489	\$26,140
Equal to or greater than 4%	\$2,421	\$2,379

(1) These amounts are not adjusted for policy loans.

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. At June 30, 2015, excess interest reserves were \$115 million and \$339 million for Life & Other and Annuities, respectively.

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Group, Voluntary & Worksite Benefits

Policyholder account balances in this segment are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. Policyholder account balances are credited interest at a rate we determine, which are influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group, Voluntary & Worksite Benefits:

	June 30, 2015	
	Account Value (1)	Account Value at Guarantee (1)
Guaranteed Minimum Crediting Rate	(In millions)	
Greater than 0% but less than 2%	\$4,879	\$4,879
Equal to 2% but less than 4%	\$2,080	\$2,058
Equal to or greater than 4%	\$668	\$642

(1) These amounts are not adjusted for policy loans.

Corporate Benefit Funding

Policyholder account balances in this segment are comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) London InterBank Offered Rate ("LIBOR"). We are exposed to interest rate risks, as well as foreign currency exchange rate risk when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as caps, to mitigate the impact of changes in market interest rates. We also mitigate our risks by applying various ALM strategies and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

Latin America

Policyholder account balances in this segment are held largely for investment-type products and universal life products in Mexico, and deferred annuities in Brazil. Some of the deferred annuities in Brazil are unit-linked-type funds that do not meet the GAAP definition of separate accounts. The rest of the deferred annuities have minimum credited rate guarantees, and these liabilities and the universal life liabilities are generally impacted by sustained periods of low interest rates. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Asia

Policyholder account balances in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for unit-linked-type funds that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within policyholder account balances. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. We mitigate our risks by applying various ALM strategies and with reinsurance. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

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The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

	June 30, 2015	
	Account Value (2)	Account Value at Guarantee (2)
Guaranteed Minimum Crediting Rate (1)	(In millions)	
Annuities		
Greater than 0% but less than 2%	\$19,715	\$3,179
Equal to 2% but less than 4%	\$1,061	\$259
Equal to or greater than 4%	\$2	\$2
Life & Other		
Greater than 0% but less than 2%	\$5,933	\$5,603
Equal to 2% but less than 4%	\$17,493	\$7,870
Equal to or greater than 4%	\$265	\$—

Excludes negative VOBA liabilities of \$1.4 billion at June 30, 2015, primarily held in Japan. These liabilities were established in instances where the estimated fair value of contract obligations exceeded the book value of assumed (1) insurance policy liabilities associated with the acquisition of American Life and DeLAm (collectively, "ALICO").

These negative liabilities were established primarily for decreased market interest rates subsequent to the issuance of the policy contracts.

(2) These amounts are not adjusted for policy loans.

EMEA

Policyholder account balances in this segment are held mostly for universal life, deferred annuity, pension products, and unit-linked-type funds that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. Where there are interest rate guarantees, these liabilities are generally impacted by sustained periods of low interest rates. We mitigate our risks by applying various ALM strategies. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Corporate & Other

Policyholder account balances in Corporate & Other are held for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

Variable Annuity Guarantees

We issue, directly and through assumed business, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report, as well as Note 3 of the Interim Condensed Consolidated Financial Statements for additional information. Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDBs, the life-contingent portion of certain guaranteed minimum withdrawal benefits ("GMWBs"), and the portions of both guaranteed minimum income benefits ("GMIBs") and non-life contingent GMWBs that require annuitization. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than that previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period

charge or increase to earnings.

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Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in policyholder account balances. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits (“GMABs”), and the portions of both non-life contingent GMWBs and GMIBs that do not require annuitization. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk-free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements.

The table below contains the carrying value for guarantees at:

	Future Policy Benefits		Policyholder Account Balances	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
	(In millions)			
Americas				
GMDB	\$768	\$710	\$—	\$—
GMIB	2,113	1,993	(1,428	) (1,278
GMAB	—	—	(2	) 2
GMWB	115	104	16	38
Asia				
GMDB	29	29	—	—
GMAB	—	—	23	22
GMWB	96	91	127	129
EMEA				
GMDB	2	2	—	—
GMAB	—	—	25	23
GMWB	27	26	(94	) (61
Corporate & Other				
GMDB	11	17	—	—
GMAB	—	—	9	23
GMWB	89	74	764	949
Total	\$3,250	\$3,046	\$(560	) \$(153

The carrying amounts for guarantees included in policyholder account balances above include nonperformance risk adjustments of \$269 million and \$299 million at June 30, 2015 and December 31, 2014, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk neutral cash flows to determine the estimated fair values. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior, including lapse rates.

As discussed below, we use a combination of product design, reinsurance, hedging strategies, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms

are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching.

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The sections below provide further detail by total contract account value for certain of our most popular guarantees. Total contract account values include amounts not reported in the consolidated balance sheets from assumed business, contractholder-directed investments which do not qualify for presentation as separate account assets, and amounts included in our general account. The total contract account values and the net amounts at risk include direct and assumed business, but exclude offsets from hedging or ceded reinsurance, if any.

GMDBs

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at June 30, 2015:

	Total Contract Account Value (1)		
	Americas	Asia & EMEA	Corporate & Other
	(In millions)		
Return of premium or five to seven year step-up	\$105,469	\$11,040	\$11,948
Annual step-up	30,150	—	—
Roll-up and step-up combination	39,103	—	—
Total	\$174,722	\$11,040	\$11,948

(1) Total contract account value excludes \$2.1 billion for contracts with no GMDBs.

Based on total contract account value, less than 40% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

As part of our risk management of the GMDB business, we have been opportunistically reinsuring in-force blocks, taking advantage of favorable capital market conditions. Our approach for such treaties has been to seek coverage for the enhanced GMDBs, such as the annual step-up and the roll-up and step-up combination. These treaties tend to cover long periods until claims start running off, and are written either on a first dollar basis or with a deductible.

Living Benefit Guarantees

The table below presents our living benefit guarantees based on total contract account values at June 30, 2015:

	Total Contract Account Value (1)		
	Americas	Asia & EMEA	Corporate & Other
	(In millions)		
GMIB	\$96,842	\$—	\$—
GMWB - non-life contingent (2)	6,334	2,816	2,860
GMWB - life-contingent	22,103	5,004	7,923
GMAB	558	1,503	1,165
	\$125,837	\$9,323	\$11,948

(1) Total contract account value excludes \$51.0 billion for contracts with no living benefit guarantees.

(2) The Asia and EMEA segments include the non-life contingent portion of the GMWB total contract account value of \$930 million with a guarantee at annuitization.

In terms of total contract account value, GMIBs are our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance agreements covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business.

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The table below presents our GMIB associated total contract account values, by their guaranteed payout basis, at June 30, 2015:

	Total Contract Account Value (In millions)
7-year setback, 2.5% interest rate	\$35,136
7-year setback, 1.5% interest rate	5,984
10-year setback, 1.5% interest rate	19,683
10-year mortality projection, 10-year setback, 1.0% interest rate	31,563
10-year mortality projection, 10-year setback, 0.5% interest rate	4,476
	\$96,842

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the recent introduction of the 10-year mortality projection. We expect new contracts to have comparable guarantee features for the foreseeable future.

Additionally, 33% of the GMIB total contract account value has been invested in managed volatility funds as of June 30, 2015. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques translate to a reduction or elimination of the need for us to manage the funds' volatility through hedging or reinsurance. We expect the proportion of total contract account value invested in these funds to increase for the foreseeable future, as new contracts with GMIB are required to invest in these funds.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of June 30, 2015, only 13% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of seven years.

Once eligible for annuitization, contractholders would only be expected to annuitize if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements, by comparing the contractholders' income benefits based on total contract account values and current annuity rates versus the guaranteed income benefits. The net amount at risk was \$1,821 million at June 30, 2015, of which \$1,697 million was related to GMIB guarantees. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the-money at June 30, 2015:

	In-the- Moneyness	Total Contract Account Value (In millions)	% of Total	
In-the-money	30% +	\$1,545	1.6	%
	20% to 30%	1,172	1.2	%
	10% to 20%	2,529	2.6	%
	0% to 10%	5,001	5.2	%
		10,247		
Out-of-the-money	-10% to 0%	8,666	8.9	%
	-20% to -10%	18,808	19.5	%
	-20% +	59,121	61.0	%
		86,595		
Total GMIBs		\$96,842		

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Derivatives Hedging Variable Annuity Guarantees

In addition to reinsurance and our risk mitigating steps described above, we have a hedging strategy that uses various OTC and exchanged traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underlying risk exposure of the derivatives hedging our variable annuity guarantees:

Primary Underlying Risk Exposure	Instrument Type	June 30, 2015			December 31, 2014		
		Gross Notional Amount	Estimated Fair Value Assets	Estimated Fair Value Liabilities	Gross Notional Amount	Estimated Fair Value Assets	Estimated Fair Value Liabilities
(In millions)							
Interest rate	Interest rate swaps	\$23,293	\$1,616	\$756	\$22,794	\$1,881	\$834
	Interest rate futures	2,998	9	12	2,707	3	9
	Interest rate options	25,260	707	53	36,510	908	26
Foreign currency exchange rate	Foreign currency forwards	2,018	1	81	2,241	1	137
	Foreign currency futures	228	1	—	522	2	—
Equity market	Equity futures	6,333	46	15	6,065	65	2
	Equity options	41,576	1,438	1,104	37,427	1,422	1,035
	Variance swaps	24,826	286	719	24,598	196	639
	Total rate of return swaps	3,558	77	3	3,297	22	101
	Total	\$130,090	\$4,181	\$2,743	\$136,161	\$4,500	\$2,783

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if they are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if they are hedging guarantees included in policyholder account balances.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and most derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. The global markets and economy continue to experience volatility that may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see “— Industry Trends” and “— Investments — Current Environment.”

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of market

conditions, as well as changing needs and opportunities.

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Short-term Liquidity

We maintain a substantial short-term liquidity position, which was \$12.8 billion and \$14.0 billion at June 30, 2015 and December 31, 2014, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed including: (i) amounts related to cash collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in connection with derivatives; (iii) cash held in the closed block; and (iv) cash committed for preferred stock redemption.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was \$227.6 billion and \$237.4 billion at June 30, 2015 and December 31, 2014, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include: (i) amounts related to cash collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in connection with derivatives; (iii) cash and investments held in the closed block, in regulatory custodial accounts or on deposit with regulatory agencies; (iv) investments held in trust in support of collateral financing arrangements; (v) investments pledged in support of funding agreements, derivatives and short sale agreements; and (vi) cash committed for preferred stock redemption.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee (“ERC”), regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our annual capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc.’s Chief Financial Officer, Treasurer and Chief Risk Officer (“CRO”). The ERC is also comprised of members of senior management, including MetLife, Inc.’s Chief Financial Officer, CRO and Chief Investment Officer.

Our Board and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the annual capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board prior to obtaining full Board approval. The Board approves the capital policy and the annual capital plan and authorizes capital actions, as required. For information regarding restrictions on payment of dividends and stock repurchases, see “Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish” included in the 2014 Annual Report, as amended or supplemented by the information under the similarly named section in MetLife, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, as well as Note 16 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report. See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” for information regarding MetLife, Inc.’s common stock repurchase authorizations.

The Company

Liquidity

Liquidity refers to a company’s ability to generate adequate amounts of cash to meet its needs. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternatives include cash flows from operations, sales of liquid assets, global funding sources and various credit facilities.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

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Summary of the Company's Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

	Six Months Ended June 30,	
	2015	2014
	(In millions)	
Sources:		
Operating activities, net	\$6,888	\$6,921
Changes in payables for collateral under securities loaned and other transactions, net	205	2,891
Long-term debt issued	1,492	1,000
Preferred stock issuance	1,485	—
Other, net	52	—
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	21
Total sources	10,122	10,833
Uses:		
Investing activities, net	6,760	6,700
Changes in policyholder account balances, net	1,939	774
Short-term debt repayments, net	—	75
Long-term debt repaid	1,020	2,484
Collateral financing arrangements repaid	32	—
Treasury stock acquired in connection with share repurchases	1,000	4
Repurchase of preferred stock	905	—
Preferred stock repurchase premium	27	—
Dividends on preferred stock	61	61
Dividends on common stock	814	706
Other, net	—	221
Effect of change in foreign currency exchange rates on cash and cash equivalents	298	—
Total uses	12,856	11,025
Net increase (decrease) in cash and cash equivalents	\$(2,734)	\$(192)

Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, net investment income, annuity considerations and deposit funds. The principal cash outflows relate to various life insurance, property & casualty, annuity and pension products, operating expenses and income tax, as well as interest expense. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Cash Flows from Investments

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows relate to purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Table of Contents**Cash Flows from Financing**

The principal cash inflows from our financing activities come from issuances of debt and other securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt, payments of dividends on and repurchases of MetLife, Inc.'s securities, withdrawals associated with policyholder account balances and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early contractholder and policyholder withdrawal.

Liquidity and Capital Sources

In addition to the general description of liquidity and capital sources in “— Summary of the Company’s Primary Sources and Uses of Liquidity and Capital,” the following additional information is provided regarding our primary sources of liquidity and capital:

Global Funding Sources

Liquidity is provided by a variety of global funding sources, including funding agreements, credit facilities and commercial paper. Capital is provided by a variety of global funding sources, including short-term and long-term debt, collateral financing arrangements, junior subordinated debt securities, preferred securities, equity securities and equity-linked securities. The diversity of our global funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Preferred Stock

In June 2015, MetLife, Inc. issued 1,500,000 shares of 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, with a \$0.01 par value per share and a liquidation preference of \$1,000 per share, for aggregate proceeds of \$1.5 billion. See “— Liquidity and Capital Uses — Preferred Stock Repurchase,” and Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

Common Stock

During the six months ended June 30, 2015 and 2014, MetLife, Inc. issued 5,002,977 and 4,621,866 new shares of its common stock for \$196 million and \$173 million, respectively, to satisfy various stock option exercises and other stock-based awards.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding, Inc. (“MetLife Funding”) each have a commercial paper program which are both supported by the \$4.0 billion general corporate credit facility (see “— Credit and Committed Facilities”). MetLife Funding, a subsidiary of Metropolitan Life Insurance Company (“MLIC”), serves as our centralized finance unit. MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans through MetLife Credit Corp., another subsidiary of MLIC, to affiliates in order to enhance the financial flexibility and liquidity of these companies. Outstanding balances for the commercial paper programs fluctuate in line with changes to affiliates’ financing arrangements.

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances

Certain of our domestic insurance subsidiaries are members of a regional Federal Home Loan Bank (“FHLB”). During the six months ended June 30, 2015 and 2014, we issued \$8.2 billion and \$5.8 billion, respectively, and repaid \$7.7 billion and \$5.8 billion, respectively, under funding agreements with certain regional FHLBs. At June 30, 2015 and December 31, 2014, total obligations outstanding under these funding agreements were \$15.5 billion and \$15.0 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances

We issue fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities (“SPEs”) that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the six months ended June 30, 2015 and 2014, we issued \$24.7 billion and \$24.4 billion, respectively, and repaid \$25.7 billion and \$24.1 billion, respectively, under such funding agreements. At June 30, 2015 and December 31, 2014, total obligations outstanding under these funding agreements were \$32.8 billion and \$33.9 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

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Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances

We have issued funding agreements to the Federal Agricultural Mortgage Corporation (“Farmer Mac”), as well as to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans. There were no issuances or repayments under such funding agreements during the six months ended June 30, 2015 and 2014. At both June 30, 2015 and December 31, 2014, total obligations outstanding under these funding agreements were \$2.8 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

Debt Issuances

In March 2015, MetLife, Inc. issued \$1.5 billion of senior notes for general corporate purposes, which included repayment of certain senior notes due in 2015. See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

Credit and Committed Facilities

At June 30, 2015, we maintained a \$4.0 billion unsecured credit facility and certain committed facilities aggregating \$12.2 billion. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured credit facility is used for general corporate purposes, to support the borrowers’ commercial paper programs and for the issuance of letters of credit. At June 30, 2015, we had outstanding \$427 million in letters of credit and no drawdowns against this facility. Remaining availability was \$3.6 billion at June 30, 2015.

The committed facilities are used for collateral for certain of our affiliated reinsurance liabilities. At June 30, 2015, \$6.7 billion in letters of credit and \$2.8 billion in aggregate drawdowns under collateral financing arrangements were outstanding against these facilities. Remaining availability was \$2.7 billion at June 30, 2015.

See Note 12 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for further information about these facilities.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations under these facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect our actual future cash funding requirements.

Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt at:

	June 30, 2015	December 31, 2014
	(In millions)	
Short-term debt	\$100	\$100
Long-term debt (1)	\$16,636	\$16,135
Collateral financing arrangements	\$4,164	\$4,196
Junior subordinated debt securities	\$3,193	\$3,193

(1) Excludes \$134 million and \$151 million at June 30, 2015 and December 31, 2014, respectively, of long-term debt relating to CSEs — FVO (see Note 5 of the Notes to the Interim Condensed Consolidated Financial Statements).

Debt and Facility Covenants

Certain of our debt instruments and committed facilities, as well as our unsecured credit facility, contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all such covenants at June 30, 2015.

Dispositions

Cash proceeds from dispositions during the six months ended June 30, 2015 and 2014 were \$0 and \$714 million, respectively.

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Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in “— Summary of the Company’s Primary Sources and Uses of Liquidity and Capital” the following additional information is provided regarding our primary uses of liquidity and capital:

Preferred Stock Repurchase

In June 2015, MetLife, Inc. conducted a tender offer for up to 59,850,000 of its 60,000,000 shares of 6.500% Non-Cumulative Preferred Stock, Series B (the “Series B preferred shares”), at a purchase price of \$25 per Series B preferred share, plus an amount equal to accrued, unpaid and undeclared dividends from, and including, June 15, 2015 to, but excluding, June 29, 2015, the settlement date of the tender offer. In June 2015, MetLife, Inc. also delivered a notice of redemption to the holders of the Series B preferred shares, pursuant to which it would redeem any Series B preferred shares not purchased by it in the tender offer at a redemption price of \$25 per Series B preferred share, without any payment for accrued, unpaid and undeclared dividends on the Series B preferred shares from, and including, June 15, 2015 to, but excluding July 1, 2015, the redemption date. On June 29, 2015, MetLife, Inc. repurchased and canceled 37,192,413 Series B preferred shares in the tender offer for \$932 million in cash, resulting in a remaining liability of \$570 million, which was included in other liabilities at June 30, 2015. On July 1, 2015, MetLife, Inc. redeemed and canceled the remaining 22,807,587 Series B preferred shares not tendered in the tender offer for an aggregate redemption price of \$570 million in cash. In connection with the tender offer and redemption, MetLife, Inc. recognized a preferred stock repurchase premium of \$42 million (calculated as the difference between the carrying value of the Series B preferred shares and the total amount paid by MetLife, Inc. to the holders of the Series B preferred shares in connection with the tender offer and redemption), which was recorded as a reduction to retained earnings at June 30, 2015. See Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements.

Common Stock Repurchases

Utilizing existing authorizations from the MetLife, Inc. Board of Directors, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 (“Exchange Act”)) and in privately negotiated transactions. See “Unregistered Sales of Equity Securities and Use of Proceeds — Issuer Purchases of Equity Securities.”

During the six months ended June 30, 2015 and 2014, MetLife, Inc. repurchased 20,176,185 shares and 80,662 shares of common stock in the open market purchases for \$1.0 billion and \$4 million, respectively.

At June 30, 2015, MetLife, Inc. had \$261 million remaining under its common stock repurchase authorization. Future common stock repurchases will be dependent upon several factors, including our 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.

Preferred Stock Dividends

Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.’s preferred stock was as follows for the six months ended June 30, 2015 and 2014:

Declaration Date	Record Date	Payment Date	Preferred Stock Dividend			
			Series A Per Share (In millions, except per share data)	Series A Aggregate	Series B Per Share	Series B Aggregate
May 15, 2015	May 31, 2015	June 15, 2015	\$0.256	\$7	\$0.406	\$24
March 5, 2015	February 28, 2015	March 16, 2015	\$0.250	6 \$13	\$0.406	24 \$48
May 15, 2014	May 31, 2014	June 16, 2014	\$0.256	\$7	\$0.406	\$24
March 5, 2014	February 28, 2014	March 17, 2014	\$0.250	6 \$13	\$0.406	24 \$48

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Preferred stock dividends are paid quarterly in accordance with the terms of MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A, and Series B preferred shares. See Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the Series C preferred shares.

Common Stock Dividends

Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.'s common stock was as follows for the six months ended June 30, 2015 and 2014:

Declaration Date	Record Date	Payment Date	Common Stock Dividend	
			Per Share	Aggregate
(In millions, except per share data)				
April 28, 2015	May 11, 2015	June 12, 2015	\$0.375	\$420
January 6, 2015	February 6, 2015	March 13, 2015	\$0.350	394
				\$814
April 22, 2014	May 9, 2014	June 13, 2014	\$0.350	\$395
January 6, 2014	February 6, 2014	March 13, 2014	\$0.275	311
				\$706

The declaration and payment of common stock dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board. On July 7, 2015, the MetLife, Inc. Board of Directors declared a third quarter 2015 common stock dividend of \$0.375 per share, payable on September 11, 2015 to shareholders of record as of August 7, 2015. The Company estimates that the aggregate dividend payment will be \$420 million.

Dividend Restrictions

The payment of dividends and other distributions by MetLife, Inc. to its security holders may be subject to regulation by the Federal Reserve as a result of MetLife, Inc.'s designation as a non-bank SIFI. See "Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI" included in the 2014 Annual Report, as supplemented by discussions of regulatory developments in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulation — Regulation as a Non-Bank SIFI." In addition, if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends could be reduced by any such additional capital requirements that might be imposed. See "— Industry Trends — Regulatory Developments — International Regulation — Global Systemically Important Insurers." The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See "Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish" included in the 2014 Annual Report, as amended or supplemented by the information under the similarly named section in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, as well as Note 16 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

Debt Repayments

In June 2015, MetLife, Inc. repaid at maturity its \$1.0 billion 5.0% senior notes.

In June 2015, following regulatory approval, MetLife Reinsurance Company of Charleston, a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled \$32 million in aggregate principal amount of its surplus notes. See Note 13 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

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We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase any debt and the size and timing of any such repurchases will be determined at our discretion.

Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an “Obligor”) are parties to various capital support commitments and guarantees with subsidiaries. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. We anticipate that in the event that these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet anticipated demands. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Uses — Support Agreements” included in the 2014 Annual Report.

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property & casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse behavior differs somewhat by segment. In the Retail segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the six months ended June 30, 2015 and 2014, general account surrenders and withdrawals from annuity products were \$1.8 billion and \$2.1 billion, respectively. In the Corporate Benefit Funding segment, which includes pension closeouts, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the Corporate Benefit Funding segment liabilities that provide customers with limited rights to accelerate payments, there were \$135 million at June 30, 2015 of funding agreements and other capital market products that could be put back to the Company after a period of 90 days.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At June 30, 2015 and December 31, 2014, we were obligated to return cash collateral pledged to the Company of \$4.9 billion and \$4.6 billion, respectively. At June 30, 2015 and December 31, 2014, we had pledged cash collateral of \$427 million and \$391 million, respectively. With respect to OTC-bilateral derivatives in a net liability position that have credit contingent provisions, a one-notch downgrade in the Company’s credit rating would have required \$5 million of additional collateral be provided to our counterparties as of June 30, 2015. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisions.

We pledged collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with collateral financing arrangements related to the reinsurance of closed block and universal life secondary guarantee liabilities.

We pledged collateral from time to time in connection with funding agreements. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of \$30.5 billion and \$30.8 billion at June 30, 2015 and December 31, 2014, respectively. Of these amounts, \$10.6 billion and \$10.7 billion at June 30, 2015 and December 31, 2014, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at June 30, 2015 was \$10.3 billion, over 99% of which were U.S. Treasury and agency securities which, if put to

us, could be immediately sold to satisfy the cash requirements to immediately return the cash collateral. See “— Investments — Securities Lending” for further information.

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Litigation

Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discussed elsewhere herein and those otherwise provided for in the consolidated financial statements, have arisen in the course of our business, including, but not limited to, in connection with our activities as an insurer, employer, investor, investment advisor, taxpayer and, formerly, a mortgage lending bank. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. See Note 13 of the Notes to the Interim Condensed Consolidated Financial Statements.

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict or determine the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations, it is possible that an adverse outcome in certain cases could have a material adverse effect upon our financial position, based on information currently known by us, in our opinion, the outcome of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods.

Acquisitions

During the six months ended June 30, 2015 and 2014, there were \$0 and \$249 million cash outflows for acquisitions, respectively.

Contractual Obligations

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Contractual Obligations” included in the 2014 Annual Report for additional information on the Company’s contractual obligations.

MetLife, Inc.

Liquidity and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc.’s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc.’s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc.’s access to liquidity.

MetLife, Inc.’s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings.

Liquidity

For a summary of MetLife, Inc.’s liquidity, see “— The Company — Liquidity.”

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Capital

For a summary of MetLife, Inc.'s capital, see “— The Company — Capital.” For further information regarding potential capital restrictions and limitations on MetLife, Inc. as a non-bank SIFI and G-SII, see “Business — Regulation — U.S. Regulation — Regulation as a Non-Bank SIFI” included in the 2014 Annual Report, as supplemented by discussions of regulatory developments in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulation — Regulation as a Non-Bank SIFI,” as well as “— Industry Trends — Regulatory Developments — International Regulation — Global Systemically Important Insurers.” See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” and “— The Company — Liquidity and Capital Uses — Preferred Stock Repurchase” for information regarding MetLife, Inc.'s common and preferred stock repurchases, respectively.

Liquid Assets

At June 30, 2015 and December 31, 2014, MetLife, Inc. and other MetLife holding companies had \$6.2 billion and \$6.1 billion, respectively, in liquid assets. Of these amounts, \$5.6 billion and \$5.4 billion were held by MetLife, Inc. and \$646 million and \$681 million were held by other MetLife holding companies, at June 30, 2015 and December 31, 2014, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include: (i) amounts related to cash collateral received from counterparties in connection with derivatives; (ii) investments held in trust in support of collateral financing arrangements; (iii) investments pledged in support of derivatives; and (iv) cash committed for preferred stock redemption.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations. Such dividends are subject to local insurance regulatory requirements, as discussed in “— Liquidity and Capital Sources — Dividends from Subsidiaries.” The cumulative earnings of certain active non-U.S. operations have been reinvested indefinitely in such non-U.S. operations, as described in Note 19 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report. Under current tax laws, should we repatriate such earnings, we may be subject to additional U.S. income taxes and foreign withholding taxes.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquid Assets” included in the 2014 Annual Report for additional information on the sources and uses of liquid assets for MetLife, Inc. and other MetLife holding companies.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in “— The Company — Summary of the Company’s Primary Sources and Uses of Liquidity and Capital” and “— The Company — Liquidity and Capital Sources,” the following additional information is provided regarding MetLife, Inc.'s primary sources of liquidity and capital:

Dividends from Subsidiaries

MetLife, Inc. relies, in part, on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc.'s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

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The table below sets forth the dividends permitted to be paid in 2015 by MetLife, Inc.'s primary insurance subsidiaries without insurance regulatory approval and the respective dividends paid during the six months ended June 30, 2015:

Company	2015	
	Paid	Permitted w/o Approval (1)
	(In millions)	
Metropolitan Life Insurance Company	\$600	\$1,200
American Life Insurance Company	\$—	\$—
MetLife Insurance Company USA	\$500	\$3,056
Metropolitan Property and Casualty Insurance Company	\$—	\$239
Metropolitan Tower Life Insurance Company	\$—	\$102

Reflects dividend amounts that may be paid during 2015 without prior regulatory approval. However, because (1) dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2015, some or all of such dividends may require regulatory approval.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit the dividend payments to the parent to a portion of the prior year's statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including Japan's Financial Services Agency, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of the non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to the first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

We actively manage target and excess capital levels and dividend flows on a proactive basis and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. We cannot provide assurance that MetLife, Inc.'s subsidiaries will have statutory earnings to support payment of dividends to MetLife, Inc. in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable regulators will not disapprove any dividends that such subsidiaries must submit for approval. See "Risk Factors — Capital-Related Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Transfer Funds to It to Meet Its Obligations and Pay Dividends" included in the 2014 Annual Report and Note 16 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

Short-term Debt

MetLife, Inc. maintains a commercial paper program, the proceeds of which can be used to finance the general liquidity needs of MetLife, Inc. and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at both June 30, 2015 and December 31, 2014.

Preferred Stock

For information on MetLife, Inc.'s preferred stock issuance, see "— The Company — Liquidity and Capital Sources — Global Funding Sources — Preferred Stock."

Debt Issuances

For information on MetLife, Inc.'s unaffiliated debt issuances and other borrowings, see "— The Company — Liquidity and Capital Sources — Global Funding Sources — Debt Issuances."

Credit and Committed Facilities

See "— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities" for information about MetLife, Inc.'s unsecured credit facility.

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MetLife, Inc. maintains a committed facility with a capacity of \$470 million. At June 30, 2015, MetLife, Inc. had outstanding \$470 million in letters of credit and no drawdowns against this facility. In addition, MetLife, Inc. is a party and/or guarantor to committed facilities of certain of its subsidiaries, which aggregated \$11.7 billion at June 30, 2015. The committed facilities are used as collateral for certain of the Company's affiliated reinsurance liabilities. See "— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities" for further information regarding these facilities.

Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

	June 30, 2015	December 31, 2014
	(In millions)	
Long-term debt — unaffiliated	\$15,820	\$15,317
Long-term debt — affiliated	\$3,600	\$3,600
Collateral financing arrangements	\$2,797	\$2,797
Junior subordinated debt securities	\$1,748	\$1,748

Debt and Facility Covenants

Certain of MetLife, Inc.'s debt instruments, committed facilities and our credit facility contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all such covenants at June 30, 2015.

Dispositions

During each of the six months ended June 30, 2015 and 2014, there were no cash proceeds from dispositions.

Liquidity and Capital Uses

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, common and preferred stock repurchases, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, pay cash dividends on its common and preferred stock, contribute capital to its subsidiaries, repurchase its common and preferred stock, pay all general operating expenses and meet its cash needs.

In addition to the description of liquidity and capital uses in "— The Company — Liquidity and Capital Uses," the following additional information is provided regarding MetLife, Inc.'s primary uses of liquidity and capital:

Affiliated Capital Transactions

During the six months ended June 30, 2015 and 2014, MetLife, Inc. invested an aggregate of \$176 million and \$222 million, respectively, in various subsidiaries.

MetLife, Inc. lends funds, as necessary, to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements. MetLife, Inc. had loans to subsidiaries outstanding of \$1.5 billion and \$1.7 billion at June 30, 2015 and December 31, 2014, respectively.

In June 2015, MetLife Ireland Treasury Limited made a loan payment of the Chilean peso equivalent of \$231 million to MetLife, Inc. The loan bears interest at a fixed rate of 8.5%, payable annually. At June 30, 2015, the remaining balance on the loan was \$254 million.

In May 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in June 2015. The short-term note bore interest at six-month LIBOR plus 1.00%.

In April 2015, American Life issued a \$150 million short-term note to MetLife, Inc. which was repaid in May 2015. The short-term note bore interest at six-month LIBOR plus 0.875%.

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Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. See “— The Company — Liquidity and Capital Uses — Support Agreements.”

Acquisitions

During each of the six months ended June 30, 2015 and 2014, there were no cash outflows from MetLife, Inc. for acquisitions.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

Operating earnings is defined as operating revenues less operating expenses, both net of income tax. Operating earnings available to common shareholders is defined as operating earnings less preferred stock dividends.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

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

• Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees (“GMIB Fees”);

• Net investment income: (i) includes amounts for scheduled periodic settlement payments 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) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and

• Other revenues are adjusted for settlements of foreign currency earnings hedges.

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

Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments (“Inflation and 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 scheduled periodic settlement payments 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 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 and integration costs.

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance. In addition to the tax impact of the adjustments mentioned above, provision for income tax expense (benefit) also includes the impact related to the timing of certain tax credits, as well as certain tax reforms. We believe the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Operating revenues, operating expenses, operating earnings, and operating earnings available to common shareholders should not be viewed as substitutes for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses, income (loss) from continuing operations, net of income tax, and net income (loss) available to MetLife, Inc.’s common shareholders, respectively. Reconciliations of these measures to the most directly comparable GAAP measures are included in “— Results of Operations.”

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. The following additional information is relevant to an understanding of our financial results:

Operating ROE is defined as operating earnings available to common shareholders, divided by average GAAP common stockholders’ equity;

Operating ROE, excluding AOCI other than FCTA, is defined as operating earnings available to common shareholders divided by average GAAP common stockholders’ equity, excluding AOCI other than FCTA;

- Allocated equity is defined as the portion of common stockholders’ equity that management allocates to each of its segments and sub-segments based on our economic capital model, coupled with considerations of local capital requirements. See “— Economic Capital;”

The impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current period and is applied to each of the comparable periods; and

Asymmetrical and non-economic accounting for insurance contracts refers to Inflation and Pass Through Adjustments as noted above within the definition of operating expenses.

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In this discussion, we also provide forward-looking guidance on an operating, or non-GAAP, basis. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it is not possible to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a significant impact on GAAP net income.

Subsequent Events

See Note 14 of the Notes to the Interim Condensed Consolidated Financial Statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and changes in the equity markets. We have exposure to market risk through our insurance operations and investment activities. We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives. A description of our market risk exposures may be found under “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A, of the 2014 Annual Report. There have been no material changes to our market risk exposures from the market risk exposures previously disclosed in the 2014 Annual Report.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes to the Company’s internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

The following should be read in conjunction with (i) Part I, Item 3, of the 2014 Annual Report; (ii) Part II, Item 1, of MetLife, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015; and (iii) Note 13 of the Notes to the Interim Condensed Consolidated Financial Statements in Part I of this report.

Asbestos-Related Claims

MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damages.

As reported in the 2014 Annual Report, MLIC received approximately 4,636 asbestos-related claims in 2014. During the six months ended June 30, 2015 and 2014, MLIC received approximately 2,022 and 2,569 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report for historical information concerning asbestos claims and MLIC’s increase in its recorded liability at December 31, 2014. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through June 30, 2015.

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Regulatory Matters

New York Licensing Inquiry

The Company entered into a consent order with the Department of Financial Services to resolve its inquiry into whether American Life and DeLAm conducted business in New York without a license and whether representatives acting on behalf of those companies solicited, sold or negotiated insurance products in New York without a license. The Company entered into a deferred prosecution agreement with the District Attorney, New York County, regarding the same conduct. Pursuant to these agreements, in the first quarter of 2014, the Company paid \$50 million to the Department of Financial Services and \$10 million to the District Attorney, New York County. The Department of Financial Services consent order allowed certain activities in New York related to American Life and other entities to continue through June 30, 2015. On July 2, 2015, New York Insurance Law Section 2117 was amended to allow certain activities to take place in New York that relate to a policy or contract of group life, group annuity, or group accident and health insurance where the policyholder or proposed policyholder is a multinational entity resident outside the United States. The Company is continuing to cooperate with the New York State Office of the Attorney General Taxpayer Protection Bureau as to its inquiry concerning American Life's and DeLAm's New York State tax filings.

Unclaimed Property Litigation

West Virginia Lawsuits

On September 20, 2012, the West Virginia Treasurer filed an action against MLIC in West Virginia state court (West Virginia ex rel. John D. Perdue v. Metropolitan Life Insurance Company, Circuit Court of Putnam County, Civil Action No. 12-C-295) alleging that MLIC violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking payment of unclaimed property, interest, and penalties. On November 14, 2012, November 21, 2012, December 28, 2012, and January 9, 2013, the Treasurer filed substantially identical suits against MetLife Investors USA Insurance Company, New England Life Insurance Company, MetLife Insurance Company of Connecticut and General American Life Insurance Company, respectively. On June 16, 2015, the West Virginia Supreme Court of Appeals reversed the Circuit Court's order that had granted defendants' motions to dismiss the actions and remanded them to the Circuit Court for further proceedings. The defendants intend to defend these actions vigorously.

Total Control Accounts Litigation

Keife, et al. v. Metropolitan Life Insurance Company (D. Nev., filed in state court on July 30, 2010 and removed to federal court on September 7, 2010); and Simon v. Metropolitan Life Insurance Company (D. Nev., filed November 3, 2011)

These putative class action lawsuits, which have been consolidated, raise breach of contract claims arising from MLIC's use of the total control accounts to pay life insurance benefits under the Federal Employees' Group Life Insurance program. On March 8, 2013, the court granted MLIC's motion for summary judgment. On June 12, 2015, the United States Court of Appeals for the Ninth Circuit affirmed the order granting summary judgment to MLIC.

Summary

Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to those discussed previously and those otherwise provided for in the Company's consolidated financial statements, have arisen in the course of the Company's business, including, but not limited to, in connection with its activities as an insurer, mortgage lending bank, employer, investor, investment advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations. It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to previously, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financial position, based on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to

time, have a material effect on the Company's net income or cash flows in particular quarterly or annual periods.

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Item 1A. Risk Factors

Certain factors that may affect the Company's business or operations are described under "Risk Factors" in Part I, Item 1A, of the 2014 Annual Report, as amended or supplemented by the information under "Risk Factors" in Part II, Item 1A, of MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. There have been no other material changes to our risk factors from the risk factors previously disclosed in the 2014 Annual Report, as amended or supplemented by such information in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Purchases of common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended June 30, 2015 are set forth below:

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2)
April 1 — April 30, 2015	285,712	\$50.60	282,901	\$ 260,735,204
May 1 — May 31, 2015	4,320	\$53.01	—	\$ 260,735,204
June 1 — June 30, 2015	11,671	\$52.60	—	\$ 260,735,204

During the periods April 1 through April 30, 2015, May 1 through May 31, 2015 and June 1 through June 30, 2015, separate account index funds purchased 2,811 shares, 4,320 shares and 11,671 shares, respectively, of (1) common stock on the open market in nondiscretionary transactions. Except for the foregoing, there were no shares of common stock which were repurchased by MetLife, Inc. other than through a publicly announced plan or program.

On April 22, 2008, MetLife, Inc. announced that its Board of Directors authorized \$1.0 billion of common stock repurchases, which were completed in January 2015. On December 12, 2014, MetLife, Inc. announced that its Board of Directors authorized an additional \$1.0 billion of common stock repurchases under which purchases commenced in January 2015. At June 30, 2015, MetLife, Inc. had \$261 million remaining under the December 2014 authorization. Under the April 2008 and December 2014 authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act) and in privately negotiated (2) transactions. Future common stock repurchases will be dependent upon several factors, including our 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 "Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish" included in the 2014 Annual Report, as amended or supplemented by the information under the similarly named section in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, as well as Note 16 of the Notes to the Consolidated Financial Statements included in the 2014 Annual Report.

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Item 5. Other Information

The MetLife, Inc. Board of Directors has scheduled the 2016 annual meeting of shareholders (the “2016 Meeting”) for June 14, 2016 at a time of day and location to be determined at a later time.

An otherwise-eligible MetLife, Inc. shareholder must submit any proposal the shareholder wishes MetLife, Inc. to include in its proxy materials for the 2016 Meeting under Rule 14a-8 under the Exchange Act by January 15, 2016. The shareholder must also satisfy all other requirements for such inclusion under that rule.

MetLife, Inc.’s By-Laws (the “By-Laws”) allow shareholders to bring director nominations or present other business at an annual meeting of shareholders without requesting that the nomination or business be included in MetLife, Inc.’s proxy materials. The deadline for shareholders to provide notice to MetLife, Inc. of the intent to do so with respect to the 2016 Meeting is February 15, 2016, which is 120 days before the date of that meeting. A shareholder must also satisfy all of the other requirements in the By-Laws in order to bring director nominations or present other business at the 2016 Meeting. A copy of the By-Laws is available at www.metlife.com/corporategovernance.

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Item 6. Exhibits

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife, Inc.'s other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of MetLife, Inc. (Incorporated by reference to Exhibit 3.1 to MetLife, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the "2011 Annual Report")).
3.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on April 7, 2000. (Incorporated by reference to Exhibit 3.2 to the 2011 Annual Report).
3.3	Certificate of Designations of Floating Rate Non-Cumulative Preferred Stock, Series A, of MetLife, Inc., filed with the Secretary of State of Delaware on June 10, 2005. (Incorporated by reference to Exhibit 3.3 to the 2011 Annual Report).
3.4	Certificate of Designations of 6.50% Non-Cumulative Preferred Stock, Series B, of MetLife, Inc., filed with the Secretary of State of Delaware on June 14, 2005. (Incorporated by reference to Exhibit 3.4 to the 2011 Annual Report).
3.5	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated April 29, 2011. (Incorporated by reference to Exhibit 3.6 to the 2011 Annual Report).
3.6	Certificate of Retirement of Series B Contingent Convertible Junior Participating Non-Cumulative Perpetual Preferred Stock of MetLife, Inc., filed with the Secretary of State of Delaware on November 5, 2013. (Incorporated by reference to Exhibit 3.6 to MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013).
3.7	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MetLife, Inc., dated April 29, 2015. (Incorporated by reference to Exhibit 3.1 to MetLife, Inc.'s Current Report on Form 8-K dated April 30, 2015).
3.8	Certificate of Designations of 5.250% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, of MetLife, Inc., filed with the Secretary of State of Delaware on May 28, 2015. (Incorporated by reference to Exhibit 3.1 to MetLife, Inc.'s Current Report on Form 8 K dated May 28, 2015).
4.1	Certain instruments defining the rights of holders of long-term debt of MetLife, Inc. and its consolidated subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. MetLife, Inc. hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments.
10.1	Tax Equalization Agreement dated June 10, 2015 between MetLife, Inc. and Michel Khalaf.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METLIFE, INC.

By: /s/ Peter M. Carlson
Name: Peter M. Carlson
Title: Executive Vice President
and Chief Accounting Officer
(Authorized Signatory and Principal
Accounting Officer)

Date: August 6, 2015

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Exhibit Index

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