METLIFE INC
Form 10-Q
November 06, 2014

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

Form 10-Q
(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014
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)	10166-0188 (Zip Code)

(212) 578-2211
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 þ	Accelerated filer o
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company o

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

At October 31, 2014, 1,136,042,027 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 (the "SEC"). 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; (4) impact of comprehensive financial services regulation reform on us, as a potential 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, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company, and integrating and managing the growth of such acquired businesses, or arising from dispositions of businesses or legal entity reorganizations; (25) the dilutive impact on our stockholders resulting from the settlement of our outstanding common equity units; (26) regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (27) 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; (28) 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; (29) changes in accounting standards, practices and/or policies; (30) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (31) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (32) inability to attract and retain sales representatives; (33) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (34) 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; (35) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (36) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the SEC.

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 SEC.

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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 SEC 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 SEC, 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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MetLife, Inc.
Interim Condensed Consolidated Balance Sheets
September 30, 2014 (Unaudited) and December 31, 2013
(In millions, except share and per share data)

Part I — Financial Information
Item 1. Financial Statements

	September 30, 2014	December 31, 2013
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $341,198 and $333,599, respectively; includes $4,097 and $4,005, respectively, relating to variable interest entities)	$ 368,070	$ 350,187
Equity securities available-for-sale, at estimated fair value (cost: $3,111 and $3,012, respectively)	3,689	3,402
Fair value option and trading securities, at estimated fair value (includes $690 and $662, respectively, of actively traded securities; and $67 and $92, respectively, relating to variable interest entities)	17,246	17,423
Mortgage loans (net of valuation allowances of $307 and $322, respectively; includes $313 and $1,621, respectively, at estimated fair value, relating to variable interest entities; includes $298 and $338, respectively, under the fair value option)	58,038	57,706
Policy loans (includes $3 and $2, respectively, relating to variable interest entities)	11,756	11,764
Real estate and real estate joint ventures (includes $8 and $1,141, respectively, relating to variable interest entities, includes $173 and $186, respectively, of real estate held-for-sale)	10,393	10,712
Other limited partnership interests (includes $53 and $53, respectively, relating to variable interest entities)	8,214	7,401
Short-term investments, principally at estimated fair value (includes $35 and $8, respectively, relating to variable interest entities)	12,240	13,955
Other invested assets, principally at estimated fair value (includes $56 and $78, respectively, relating to variable interest entities)	17,905	16,229
Total investments	507,551	488,779
Cash and cash equivalents, principally at estimated fair value (includes $61 and $70, respectively, relating to variable interest entities)	8,783	7,585
Accrued investment income (includes $23 and $26, respectively, relating to variable interest entities)	4,380	4,255
Premiums, reinsurance and other receivables (includes $33 and $22, respectively, relating to variable interest entities)	23,814	21,859
Deferred policy acquisition costs and value of business acquired (includes $240 and $255, respectively, relating to variable interest entities)	25,503	26,706
Goodwill	10,216	10,542
Other assets (includes $135 and $152, respectively, relating to variable interest entities)	8,900	8,369
Separate account assets (includes $1,140 and $1,033, respectively, relating to variable interest entities)	319,480	317,201
Total assets	$ 908,627	$ 885,296
Liabilities and Equity		
Liabilities		
Future policy benefits (includes $557 and $516, respectively, relating to variable interest entities)	$ 189,282	$ 187,942

Policyholder account balances (includes $63 and $56, respectively, relating to variable interest entities)	215,226	212,885
Other policy-related balances (includes $197 and $123, respectively, relating to variable interest entities)	15,026	15,214
Policyholder dividends payable	710	675
Policyholder dividend obligation	2,825	1,771
Payables for collateral under securities loaned and other transactions	33,776	30,411
Short-term debt	100	175
Long-term debt (includes $186 and $1,868, respectively, at estimated fair value, relating to variable interest entities)	16,389	18,653
Collateral financing arrangements	4,196	4,196
Junior subordinated debt securities	3,193	3,193
Current income tax payable	293	186
Deferred income tax liability	11,357	6,643
Other liabilities (includes $75 and $88, respectively, relating to variable interest entities)	25,373	23,168
Separate account liabilities (includes $1,140 and $1,033, respectively, relating to variable interest entities)	319,480	317,201
Total liabilities	837,226	822,313
Contingencies, Commitments and Guarantees (Note 14)		
Redeemable noncontrolling interests	102	887
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized: 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference	1	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,130,449,364 and 1,125,224,024 shares issued at September 30, 2014 and December 31, 2013, respectively; 1,119,087,159 and 1,122,030,137 shares outstanding at September 30, 2014 and December 31, 2013, respectively	11	11
Additional paid-in capital	29,488	29,277
Retained earnings	30,928	27,332
Treasury stock, at cost; 11,362,205 and 3,193,887 shares at September 30, 2014 and December 31, 2013, respectively	(615)	(172)
Accumulated other comprehensive income (loss)	10,992	5,104
Total MetLife, Inc.'s stockholders' equity	70,805	61,553
Noncontrolling interests	494	543
Total equity	71,299	62,096
Total liabilities and equity	$ 908,627	$ 885,296

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Nine Months Ended September 30, 2014 and 2013 (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues				
Premiums	$9,703	$9,094	$28,795	$27,403
Universal life and investment-type product policy fees	2,628	2,372	7,507	7,034
Net investment income	5,410	5,026	15,704	16,385
Other revenues	518	476	1,486	1,446
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(17)	(13)	(40)	(77)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(14)	(21)	(16)	(56)
Other net investment gains (losses)	140	(51)	(371)	472
Total net investment gains (losses)	109	(85)	(427)	339
Net derivative gains (losses)	478	(546)	1,132	(2,866)
Total revenues	18,846	16,337	54,197	49,741
Expenses				
Policyholder benefits and claims	9,512	9,472	28,824	27,827
Interest credited to policyholder account balances	1,817	1,600	4,995	6,036
Policyholder dividends	347	312	1,047	954
Other expenses	4,218	3,977	12,603	12,140
Total expenses	15,894	15,361	47,469	46,957
Income (loss) from continuing operations before provision for income tax	2,952	976	6,728	2,784
Provision for income tax expense (benefit)	858	3	1,916	308
Income (loss) from continuing operations, net of income tax	2,094	973	4,812	2,476
Income (loss) from discontinued operations, net of income tax	—	2	(3)	1
Net income (loss)	2,094	975	4,809	2,477
Less: Net income (loss) attributable to noncontrolling interests	—	3	21	17
Net income (loss) attributable to MetLife, Inc.	2,094	972	4,788	2,460
Less: Preferred stock dividends	30	30	91	91
Net income (loss) available to MetLife, Inc.'s common shareholders	$2,064	$942	$4,697	$2,369
Comprehensive income (loss)	$1,972	$(188)	$10,682	$(3,891)
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	(56)	(58)	6	(54)
Comprehensive income (loss) attributable to MetLife, Inc.	$2,028	$(130)	$10,676	$(3,837)
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:				
Basic	$1.83	$0.85	$4.17	$2.15
Diluted	$1.81	$0.84	$4.12	$2.14
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:				
Basic	$1.83	$0.85	$4.17	$2.15

Diluted	$1.81	$0.84	$4.12	$2.14
Cash dividends declared per common share	$0.350	$—	$0.975	$0.735

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Nine Months Ended September 30, 2014 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss) Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2013	$1	$11	$29,277	$27,332	$(172)	$8,553	$(139)	$(1,659)	$(1,651)	$61,553	$543	$62,096
Treasury stock acquired in connection with share repurchases					(443)					(443)		(443)
Stock-based compensation			211							211		211
Dividends on preferred stock				(91)						(91)		(91)
Dividends on common stock				(1,101)						(1,101)		(1,101)
Change in equity of noncontrolling interests										—	(55)	(55)
Net income (loss)				4,788						4,788	21	4,809
Other comprehensive income (loss), net of income tax						6,206	69	(501)	114	5,888	(15)	5,873
Balance at September 30, 2014	$1	$11	$29,488	$30,928	$(615)	$14,759	$(70)	$(2,160)	$(1,537)	$70,805	$494	$71,299

(1) Net income (loss) attributable to noncontrolling interests excludes losses of redeemable noncontrolling interests of less than $1 million.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity — (Continued)
For the Nine Months Ended September 30, 2013 (Unaudited)
(In millions)

						Accumulated Other Comprehensive Income (Loss)						
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2012	$1	$11	$28,011	$25,205	$(172)	$14,642	$(223)	$(533)	$(2,489)	$64,453	$384	$64,837
Common stock issuance		—	1,000							1,000		1,000
Stock-based compensation			249							249		249
Dividends on preferred stock				(91)						(91)		(91)
Dividends on common stock				(808)						(808)		(808)
Change in equity of noncontrolling interests			(39)							(39)	11	(28)
Net income (loss)				2,460						2,460	17	2,477
Other comprehensive income (loss), net of income tax						(5,389)	70	(1,085)	107	(6,297)	(71)	(6,368)
Balance at September 30, 2013	$1	$11	$29,221	$26,766	$(172)	$9,253	$(153)	$(1,618)	$(2,382)	$60,927	$341	$61,268

(1) Net income (loss) attributable to noncontrolling interests excludes gains of redeemable noncontrolling interests of less than $1 million.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2014 and 2013 (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2014	2013
Net cash provided by (used in) operating activities	$10,950	$9,984
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	85,187	95,972
Equity securities	455	567
Mortgage loans	10,917	8,000
Real estate and real estate joint ventures	532	323
Other limited partnership interests	555	546
Purchases of:		
Fixed maturity securities	(94,085)	(93,304)
Equity securities	(455)	(812)
Mortgage loans	(11,772)	(9,570)
Real estate and real estate joint ventures	(1,382)	(991)
Other limited partnership interests	(1,338)	(1,077)
Cash received in connection with freestanding derivatives	977	1,333
Cash paid in connection with freestanding derivatives	(2,530)	(5,593)
Sales of businesses, net of cash and cash equivalents disposed of $262 and $13, respectively	452	386
Sale of bank deposits	—	(6,395)
Purchases of investments in insurance joint ventures	(277)	—
Net change in policy loans	(19)	(93)
Net change in short-term investments	1,496	4,272
Net change in other invested assets	(251)	(121)
Other, net	(131)	(18)
Net cash provided by (used in) investing activities	(11,669)	(6,575)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	73,855	60,168
Withdrawals	(71,301)	(65,141)
Net change in payables for collateral under securities loaned and other transactions	3,481	(1,821)
Net change in bank deposits	—	8
Net change in short-term debt	(75)	—
Long-term debt issued	1,000	—
Long-term debt repaid	(2,802)	(765)
Common stock issued, net of issuance costs	—	1,000
Treasury stock acquired in connection with share repurchases	(443)	—
Dividends on preferred stock	(91)	(91)
Dividends on common stock	(1,101)	(808)
Other, net	(546)	(134)
Net cash provided by (used in) financing activities	1,977	(7,584)
	(60)	(187)

Effect of change in foreign currency exchange rates on cash and cash equivalents balances		
Change in cash and cash equivalents	1,198	(4,362)
Cash and cash equivalents, beginning of period	7,585	15,738
Cash and cash equivalents, end of period	$8,783	$11,376
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$841	$891
Income tax	$413	$539
Non-cash transactions:		
Real estate and real estate joint ventures acquired in satisfaction of debt	$3	$55
Deconsolidation of MetLife Core Property Fund (see Note 6):		
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" or the "Company" refers 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 30. Accordingly, the Company's interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of August 31, 2014 and November 30, 2013 and the operating results of such subsidiaries for the three months and nine months ended August 31, 2014 and 2013.

The Company uses the equity method of accounting for investments in equity securities when it has significant influence or at least 20% interest and for investments in 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 2014 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, 2013 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, 2013 (the "2013 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 2013 Annual Report.

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

Adoption of New Accounting Pronouncements

Effective January 1, 2014, the Company adopted new guidance regarding reporting of discontinued operations and disclosures of disposals of components of an entity. The guidance increases the threshold for a disposal to qualify as a discontinued operation, expands the disclosures for discontinued operations and requires new disclosures for certain disposals that do not meet the definition of a discontinued operation. Disposals must now represent a strategic shift that has or will have a major effect on the entity’s operations and financial results to qualify as discontinued operations. As discussed in Note 3, the Company sold its wholly-owned subsidiary, MetLife Assurance Limited (“MAL”). As a result of the adoption of this new guidance, the results of operations of MAL and the loss on sale have been included in income from continuing operations.

Effective January 1, 2014, the Company adopted new guidance regarding the presentation of an unrecognized tax benefit. The new guidance requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, when the carryforwards are not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or the applicable tax law does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset. The adoption was prospectively applied and resulted in a reduction to other liabilities and a corresponding increase to deferred income tax liability in the amount of $277 million.

Effective January 1, 2014, the Company adopted new guidance regarding foreign currency that requires an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The new guidance did not have a material impact on the financial statements upon adoption.

Effective January 1, 2014, the Company adopted new guidance regarding liabilities that requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligation. The new guidance did not have a material impact on the financial statements upon adoption.

Effective January 1, 2014, the Company adopted new guidance on other expenses which address how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. The amendments in this standard specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using the straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. In accordance with the adoption of the new accounting pronouncement on January 1, 2014, the Company recorded $57 million in other liabilities, and a corresponding deferred cost, in other assets.

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

Future Adoption of New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued new guidance on transfers and servicing (Accounting Standards Update ("ASU") 2014 11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosure), effective prospectively for fiscal years beginning after December 15, 2014 and interim periods within those years. The new guidance requires that repurchase-to-maturity transactions and repurchase financing arrangements be accounted for as secured borrowings and provides 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 are not required until the second quarter of 2015. 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 retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those years. 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 to, in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In January 2014, the FASB issued new guidance regarding investments (ASU 2014 01, Investments — Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects), effective retrospectively for fiscal years beginning after December 15, 2014 and interim reporting periods within those years. The new guidance is applicable to investments in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. Under the guidance, an entity that meets certain conditions is permitted to make an accounting policy election to amortize the initial cost of its investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance on the statement of operations as a component of income tax expense (benefit). The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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.

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 insurance products

and services include variable life, universal life and term life products. Group insurance products and services also include dental, group short- and long-term disability and accidental death and dismemberment (“AD&D”) coverages. Voluntary & Worksite products and services include personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance offered to employees on a voluntary basis. The Voluntary & Worksite business also includes long-term care, prepaid legal plans and critical illness products.

2. Segment Information (continued)

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. sponsored direct business, comprised of group and individual products sold through sponsoring organizations and affinity groups. 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.

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, and various business activities such as start-up and certain run-off businesses. Start-up businesses include expatriate benefits insurance, as well as direct and digital marketing products. 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. Corporate & Other also includes the investment management business through which the Company offers fee-based investment management services to institutional clients. 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.

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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 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.

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 ("PABs") 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 2014, MetLife, Inc. began reporting the operations of MAL as divested business. See Note 3. Consequently, the results for Corporate Benefit Funding decreased by $2 million, net of $0 of income tax, and $11 million, net of $5 million of income tax, for the three months and nine months ended September 30, 2013, respectively. Also, the results for Corporate & Other decreased by $3 million, net of $2 million of income tax, and $10 million, net of $6 million of income tax, for the three months and nine months ended September 30, 2013, 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 nine months ended September 30, 2014 and 2013. The segment accounting policies are the same as those used to prepare the Company's consolidated financial statements, except for

operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

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2. Segment Information (continued)

The Company's economic capital model 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 and applying an industry standard method for the inclusion of diversification benefits among risk types.
For the Company's domestic segments, 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 September 30, 2014	Operating Earnings Americas Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,869	$4,010	$451	$794	$7,124	$1,939	$581	$41	$9,685	$18	$9,703
Universal life and investment-type product policy fees	1,311	180	60	328	1,879	487	127	29	2,522	106	2,628
Net investment income	1,983	473	1,493	346	4,295	730	131	37	5,193	217	5,410
Other revenues	275	103	71	7	456	27	22	13	518	—	518
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	109	109
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	478	478
Total revenues	5,438	4,766	2,075	1,475	13,754	3,183	861	120	17,918	928	18,846
Expenses											
Policyholder benefits and claims and policyholder dividends	2,555	3,729	1,033	719	8,036	1,535	252	31	9,854	5	9,859
Interest credited to policyholder account balances	567	38	279	97	981	394	43	8	1,426	391	1,817
Capitalization of DAC	(239)	(37)	(11)	(97)	(384)	(507)	(165)	(15)	(1,071)	—	(1,071)
Amortization of DAC and VOBA	335	38	5	101	479	367	152	1	999	55	1,054
Amortization of negative VOBA	—	—	—	—	—	(89)	(7)	—	(96)	(11)	(107)
Interest expense on debt	(1)	—	2	—	1	—	—	291	292	3	295
Other expenses	1,156	634	139	417	2,346	1,026	454	177	4,003	44	4,047
Total expenses	4,373	4,402	1,447	1,237	11,459	2,726	729	493	15,407	487	15,894
Provision for income tax expense (benefit)	366	127	220	86	799	151	36	(330)	656	202	858
Operating earnings	$699	$237	$408	$152	$1,496	$306	$96	$(43)	1,855		
Adjustments to:											
Total revenues									928		
Total expenses									(487)		
Provision for income tax (expense) benefit									(202)		
Income (loss) from continuing operations, net of income tax									$2,094		$2,094

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

2. Segment Information (continued)

Three Months Ended September 30, 2013	Operating Earnings										
	Americas										
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,607	$3,767	$450	$692	$6,516	$1,922	$586	$30	$9,054	$40	$9,094
Universal life and investment-type product policy fees	1,257	171	54	222	1,704	438	100	34	2,276	96	2,372
Net investment income	1,928	459	1,384	354	4,125	696	124	53	4,998	28	5,026
Other revenues	267	103	68	—	438	22	21	5	486	(10)	476
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(85)	(85)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(546)	(546)
Total revenues	5,059	4,500	1,956	1,268	12,783	3,078	831	122	16,814	(477)	16,337
Expenses											
Policyholder benefits and claims and policyholder dividends	2,234	3,527	1,071	637	7,469	1,506	243	25	9,243	541	9,784
Interest credited to policyholder account balances	582	38	292	106	1,018	407	37	10	1,472	128	1,600
Capitalization of DAC	(318)	(37)	(2)	(103)	(460)	(515)	(173)	(5)	(1,153)	—	(1,153)
Amortization of DAC and VOBA	315	37	4	63	419	393	166	1	979	(138)	841
Amortization of negative VOBA	—	—	—	(1)	(1)	(99)	(13)	—	(113)	(13)	(126)
Interest expense on debt	(1)	—	3	—	2	—	—	286	288	29	317
Other expenses	1,245	595	129	395	2,364	1,040	443	179	4,026	72	4,098
Total expenses	4,057	4,160	1,497	1,097	10,811	2,732	703	496	14,742	619	15,361
Provision for income tax expense (benefit)	343	114	161	38	656	89	43	(241)	547	(544)	3
Operating earnings	$659	$226	$298	$133	$1,316	$257	$85	$(133)	1,525		
Adjustments to:											
Total revenues									(477)		
Total expenses									(619)		
Provision for income tax (expense) benefit									544		
Income (loss) from continuing operations, net of income tax									$973		$973

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

2. Segment Information (continued)

Nine Months Ended September 30, 2014	Operating Earnings										
	Americas										
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolida
	(In millions)										
Revenues											
Premiums	$5,405	$12,050	$1,438	$2,242	$21,135	$5,742	$1,762	$116	$28,755	$40	$28,795
Universal life and investment-type product policy fees	3,814	538	172	956	5,480	1,276	353	96	7,205	302	7,507
Net investment income	5,960	1,384	4,346	1,003	12,693	2,140	388	152	15,373	331	15,704
Other revenues	785	314	214	23	1,336	78	49	39	1,502	(16)	1,486
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(427)	(427)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	1,132	1,132
Total revenues	15,964	14,286	6,170	4,224	40,644	9,236	2,552	403	52,835	1,362	54,197
Expenses											
Policyholder benefits and claims and policyholder dividends	7,400	11,299	3,194	2,066	23,959	4,357	784	91	29,191	680	29,871
Interest credited to policyholder account balances	1,683	117	844	295	2,939	1,175	112	26	4,252	743	4,995
Capitalization of DAC	(722)	(107)	(30)	(279)	(1,138)	(1,458)	(511)	(41)	(3,148)	(1)	(3,149)
Amortization of DAC and VOBA	1,142	109	15	261	1,527	1,067	476	4	3,074	100	3,174
Amortization of negative VOBA	—	—	—	(1)	(1)	(275)	(22)	—	(298)	(35)	(333)
Interest expense on debt	(1)	—	6	—	5	—	—	880	885	34	919
Other expenses	3,475	1,900	393	1,231	6,999	2,992	1,356	586	11,933	59	11,992
Total expenses	12,977	13,318	4,422	3,573	34,290	7,858	2,195	1,546	45,889	1,580	47,469
Provision for income tax expense (benefit)	1,024	338	611	156	2,129	425	80	(756)	1,878	38	1,916
Operating earnings	$1,963	$630	$1,137	$495	$4,225	$953	$277	$(387)	5,068		
Adjustments to:											
Total revenues									1,362		
Total expenses									(1,580)		
Provision for income tax (expense) benefit									(38)		
Income (loss) from continuing operations, net of income tax									$4,812		$4,812

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

2. Segment Information (continued)

Nine Months Ended September 30, 2013	Operating Earnings Americas Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjus
	(In millions)									
Revenues										
Premiums	$4,735	$11,438	$1,369	$2,077	$19,619	$5,900	$1,711	$84	$27,314	$89
Universal life and investment-type product policy fees	3,662	521	187	682	5,052	1,324	287	105	6,768	266
Net investment income	5,876	1,384	4,176	912	12,348	2,151	372	266	15,137	1,248
Other revenues	767	316	208	9	1,300	63	82	22	1,467	(21)
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	339
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(2,866)
Total revenues	15,040	13,659	5,940	3,680	38,319	9,438	2,452	477	50,686	(945)
Expenses										
Policyholder benefits and claims and policyholder dividends	6,659	10,681	3,168	1,792	22,300	4,354	736	52	27,442	1,339
Interest credited to policyholder account balances	1,750	116	940	313	3,119	1,286	109	33	4,547	1,489
Capitalization of DAC	(1,036)	(105)	(25)	(316)	(1,482)	(1,583)	(542)	(14)	(3,621)	—
Amortization of DAC and VOBA	1,042	104	21	220	1,387	1,186	526	1	3,100	(477)
Amortization of negative VOBA	—	—	—	(2)	(2)	(325)	(41)	—	(368)	(42)
Interest expense on debt	—	1	7	—	8	—	—	855	863	96
Other expenses	3,788	1,761	384	1,157	7,090	3,188	1,351	489	12,118	471
Total expenses	12,203	12,558	4,495	3,164	32,420	8,106	2,139	1,416	44,081	2,876
Provision for income tax expense (benefit)	971	370	507	115	1,963	412	73	(641)	1,807	(1,499)
Operating earnings	$1,866	$731	$938	$401	$3,936	$920	$240	$(298)	4,798	
Adjustments to:										
Total revenues									(945)	
Total expenses									(2,876)	
Provision for income tax (expense) benefit									1,499	
Income (loss) from continuing operations, net of income tax									$2,476	

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

2. Segment Information (continued)

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

	September 30, 2014	December 31, 2013
	(In millions)	
Retail	$354,857	$349,516
Group, Voluntary & Worksite Benefits	44,797	43,404
Corporate Benefit Funding	231,996	220,612
Latin America	73,317	69,874
Asia	124,127	119,717
EMEA	29,713	33,382
Corporate & Other	49,820	48,791
Total	$908,627	$885,296

3. Disposition

In May 2014, the Company completed the sale of its wholly-owned subsidiary, MAL, for $702 million (£418 million) in net cash consideration. As a result of the sale, a loss of $633 million ($442 million, net of income tax), was recorded for the nine months ended September 30, 2014, which includes a reduction to goodwill of $60 million ($51 million, net of income tax), as well as $77 million ($50 million, net of income tax) related to net investments in foreign operation hedges. The loss is reflected within net investment gains (losses) on the consolidated statements of operations and comprehensive income (loss). The loss on the sale was increased by net income from MAL of $77 million for the nine months ended September 30, 2014. MAL's results of operations are included in continuing operations. They were historically included in the Corporate Benefit Funding segment. See Note 2.

4. Insurance

Guarantees

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report, the Company issues variable annuity products with guaranteed minimum benefits. The non-life-contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in PABs and are further discussed in Note 7.

The Company also issues annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize ("two tier annuities"). These guarantees include benefits that are payable in the event of death, maturity or at annuitization. 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 reinsurance, if any.

Variable Annuity Guarantees

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.

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4. Insurance (continued)

Two Tier Annuities
Defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. These contracts apply a lower rate on funds if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize.
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:

	September 30, 2014		December 31, 2013	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuity Guarantees				
Total contract account value (2)	$197,533	$99,800	$201,395	$100,527
Separate account value	$163,022	$95,823	$164,500	$96,459
Net amount at risk	$4,588	$1,755	$4,203	$1,219
Average attained age of contractholders	64 years	64 years	63 years	63 years
Two Tier Annuities				
General account value	N/A	$1,014	N/A	$880
Net amount at risk	N/A	$305	N/A	$234
Average attained age of contractholders	N/A	50 years	N/A	50 years

	September 30, 2014		December 31, 2013	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	$16,765	$3,610	$16,048	$3,700
Net amount at risk	$182,946	$20,681	$185,920	$21,737
Average attained age of policyholders	56 years	61 years	55 years	60 years

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

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

5. Closed Block

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

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

	September 30, 2014	December 31, 2013
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$41,683	$42,076
Other policy-related balances	282	298
Policyholder dividends payable	493	456
Policyholder dividend obligation	2,825	1,771
Current income tax payable	23	18
Other liabilities	629	582
Total closed block liabilities	45,935	45,201
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	28,976	28,374
Equity securities available-for-sale, at estimated fair value	90	86
Mortgage loans	6,091	6,155
Policy loans	4,651	4,669
Real estate and real estate joint ventures	586	492
Other invested assets	882	814
Total investments	41,276	40,590
Cash and cash equivalents	349	238
Accrued investment income	501	477
Premiums, reinsurance and other receivables	91	98
Deferred income tax assets	301	293
Total assets designated to the closed block	42,518	41,696
Excess of closed block liabilities over assets designated to the closed block	3,417	3,505
Amounts included in accumulated other comprehensive income (loss) (“AOCI”)		
Unrealized investment gains (losses), net of income tax	2,109	1,502
Unrealized gains (losses) on derivatives, net of income tax	12	(3)
Allocated to policyholder dividend obligation, net of income tax	(1,836)	(1,151)
Total amounts included in AOCI	285	348
Maximum future earnings to be recognized from closed block assets and liabilities	$3,702	$3,853

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

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
	(In millions)	
Balance, beginning of period	$1,771	$3,828
Change in unrealized investment and derivative gains (losses)	1,054	(2,057)
Balance, end of period	$2,825	$1,771

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5. Closed Block (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Revenues				
Premiums	$461	$478	$1,380	$1,431
Net investment income	516	514	1,568	1,576
Net investment gains (losses)	—	(7)	8	20
Net derivative gains (losses)	17	(16)	13	(1)
Total revenues	994	969	2,969	3,026
Expenses				
Policyholder benefits and claims	620	651	1,889	1,963
Policyholder dividends	255	251	731	740
Other expenses	39	39	118	124
Total expenses	914	941	2,738	2,827
Revenues, net of expenses before provision for income tax expense (benefit)	80	28	231	199
Provision for income tax expense (benefit)	28	10	81	70
Revenues, net of expenses and provision for income tax expense (benefit)	$52	$18	$150	$129

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. MLIC also charges the closed block for expenses of maintaining the policies included in the closed block.

6. Investments

Fixed Maturity and Equity Securities Available-for-Sale

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

The following table presents the fixed maturity and equity securities 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”).

	September 30, 2014					December 31, 2013				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities										
U.S. corporate	$99,000	$9,522	$548	$—	$107,974	$100,203	$7,495	$1,229	$—	$106,469
Foreign corporate	57,799	4,477	392	7	61,877	59,778	3,939	565	—	63,152
Foreign government	51,267	5,319	190	—	56,396	50,717	4,107	387	—	54,437
U.S. Treasury and agency	52,275	4,660	73	—	56,862	43,928	2,251	1,056	—	45,123

RMBS	39,011	1,950	244	98	40,619	34,167	1,584	490	206	35,055
CMBS	14,224	482	57	—	14,649	16,115	605	170	—	16,550
ABS	14,656	265	68	—	14,853	15,458	296	171	12	15,571
State and political subdivision	12,966	1,921	47	—	14,840	13,233	903	306	—	13,830
Total fixed maturity securities	$341,198	$28,596	$1,619	$105	$368,070	$333,599	$21,180	$4,374	$218	$350,187
Equity securities										
Common stock	$2,027	$550	$3	$—	$2,574	$1,927	$431	$5	$—	$2,353
Non-redeemable preferred stock	1,084	68	37	—	1,115	1,085	76	112	—	1,049
Total equity securities	$3,111	$618	$40	$—	$3,689	$3,012	$507	$117	$—	$3,402

The Company held non-income producing fixed maturity securities with an estimated fair value of $96 million and $74 million with unrealized gains (losses) of $52 million and $23 million at September 30, 2014 and December 31, 2013, respectively.

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MetLife, Inc.
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6. Investments (continued)

Maturities of Fixed Maturity Securities
The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at:

	September 30, 2014		December 31, 2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$14,389	$14,603	$15,828	$16,030
Due after one year through five years	76,630	80,212	70,467	74,229
Due after five years through ten years	79,346	85,438	78,159	83,223
Due after ten years	102,942	117,696	103,405	109,529
Subtotal	273,307	297,949	267,859	283,011
Structured securities (RMBS, CMBS and ABS)	67,891	70,121	65,740	67,176
Total fixed maturity securities	$341,198	$368,070	$333,599	$350,187

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. 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.

	September 30, 2014				December 31, 2013			
	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	$11,929	$212	$5,070	$336	$13,889	$808	$3,807	$421
Foreign corporate	7,043	251	2,275	148	9,019	402	2,320	163
Foreign government	1,707	66	1,478	124	5,052	336	1,846	51
U.S. Treasury and agency	9,654	25	2,025	48	15,225	1,037	357	19
RMBS	5,543	79	3,669	263	10,754	363	2,302	333
CMBS	1,579	26	864	31	3,696	142	631	28
ABS	4,159	28	801	40	3,772	59	978	124
State and political subdivision	159	2	678	45	3,109	225	351	81
Total fixed maturity securities	$41,773	$689	$16,860	$1,035	$64,516	$3,372	$12,592	$1,220
Equity securities								
Common stock	$97	$3	$2	$—	$81	$4	$16	$1
Non-redeemable preferred stock	188	2	244	35	364	65	191	47

Total equity securities	$285	$5	$246	$35	$445	$69	$207	$48
Total number of securities in an unrealized loss position	2,644		1,667		4,480		1,571	

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 2013 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.

6. Investments (continued)

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 has concluded that these securities are not other-than-temporarily impaired at September 30, 2014. Future other-than-temporary impairment ("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.

Gross unrealized losses on fixed maturity securities decreased $2.9 billion during the nine months ended September 30, 2014 from $4.6 billion to $1.7 billion. The decrease in gross unrealized losses for the nine months ended September 30, 2014, was primarily attributable to a decrease in interest rates, and to a lesser extent narrowing credit spreads.

At September 30, 2014, $154 million of the total $1.7 billion of gross unrealized losses were from 58 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 $154 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, $82 million, or 53%, are related to gross unrealized losses on 31 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.

Below Investment Grade Fixed Maturity Securities

Of the $154 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, $72 million, or 47%, are related to gross unrealized losses on 27 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans), foreign corporate securities (primarily financial services industry securities) and ABS (primarily foreign ABS) 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 and ABS 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 securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuer.

Equity Securities

Gross unrealized losses on equity securities decreased $77 million during the nine months ended September 30, 2014 from $117 million to $40 million. Of the $40 million, $24 million were from seven equity securities with gross unrealized losses of 20% or more of cost for 12 months or greater, all of which were financial services industry investment grade non-redeemable preferred stock, of which 25% were rated A or better.

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MetLife, Inc.
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6. Investments (continued)

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

	September 30, 2014		December 31, 2013	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)		(In millions)	
Mortgage loans held-for-investment:				
Commercial	$40,540	69.8 %	$40,926	70.9 %
Agricultural	11,929	20.6	12,391	21.5
Residential	5,265	9.1	2,772	4.8
Subtotal (1)	57,734	99.5	56,089	97.2
Valuation allowances	(307)	(0.5)	(322)	(0.6)
Subtotal mortgage loans held-for-investment, net	57,427	99.0	55,767	96.6
Residential — fair value option (“FVO”)	298	0.5	338	0.6
Commercial mortgage loans held by CSEs — FVO	313	0.5	1,598	2.8
Total mortgage loans held-for-investment, net	58,038	100.0	57,703	100.0
Mortgage loans held-for-sale	—	—	3	—
Total mortgage loans, net	$58,038	100.0 %	$57,706	100.0 %

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(1) Purchases of mortgage loans were $2.1 billion and $3.5 billion for the three months and nine months ended September 30, 2014, respectively. Purchases of mortgage loans were $676 million and $1.6 billion for the three months and nine months ended September 30, 2013, respectively.

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

Mortgage Loans and Valuation Allowance by Portfolio Segment

The carrying value prior to valuation allowance (“recorded investment”) in mortgage loans held-for-investment, by portfolio segment, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, were as follows at:

	September 30, 2014				December 31, 2013			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Mortgage loans:								
Evaluated individually for credit losses	$189	$ 62	$ 24	$275	$506	$ 100	$ 16	$622
Evaluated collectively for credit losses	40,351	11,867	5,241	57,459	40,420	12,291	2,756	55,467
Total mortgage loans	40,540	11,929	5,265	57,734	40,926	12,391	2,772	56,089
Valuation allowances:								
Specific credit losses	24	2	—	26	58	7	1	66
Non-specifically identified credit losses	203	36	42	281	200	37	19	256
Total valuation allowances	227	38	42	307	258	44	20	322
Mortgage loans, net of valuation allowance	$40,313	$ 11,891	$ 5,223	$57,427	$40,668	$ 12,347	$ 2,752	$55,767

6. Investments (continued)

Valuation Allowance Rollforward by Portfolio Segment

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

	Three Months Ended September 30,							
	2014				2013			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$230	$ 42	$ 22	$294	$242	$ 49	$ 11	$302
Provision (release)	(4)	(3)	22	15	17	1	6	24
Charge-offs, net of recoveries	1	(1)	(2)	(2)	—	—	—	—
Balance, end of period	$227	$ 38	$ 42	$307	$259	$ 50	$ 17	$326

	Nine Months Ended September 30,							
	2014				2013			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$258	$ 44	$ 20	$322	$293	$ 52	$ 2	$347
Provision (release)	(8)	(5)	25	12	(34)	8	15	(11)
Charge-offs, net of recoveries	(23)	(1)	(3)	(27)	—	(10)	—	(10)
Balance, end of period	$227	$ 38	$ 42	$307	$259	$ 50	$ 17	$326

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans held-for-investment were as follows at:

	Recorded Investment					Estimated Fair Value	% of Total
	Debt Service Coverage Ratios				% of Total		
	> 1.20x	1.00x - 1.20x	< 1.00x	Total			
	(In millions)					(In millions)	
September 30, 2014							
Loan-to-value ratios:							
Less than 65%	$32,361	$ 825	$899	$34,085	84.1 %	$ 35,851	84.6 %
65% to 75%	4,438	670	57	5,165	12.7	5,249	12.4
76% to 80%	139	192	57	388	1.0	396	0.9
Greater than 80%	411	276	215	902	2.2	874	2.1
Total	$37,349	$ 1,963	$1,228	$40,540	100.0 %	$ 42,370	100.0 %
December 31, 2013							
Loan-to-value ratios:							
Less than 65%	$30,552	$ 614	$841	$32,007	78.2 %	$ 33,519	78.9 %
65% to 75%	6,360	438	149	6,947	17.0	7,039	16.6
76% to 80%	525	192	189	906	2.2	892	2.1
Greater than 80%	661	242	163	1,066	2.6	1,006	2.4

Total	$38,098	$ 1,486	$1,342	$40,926	100.0 %	$42,456	100.0 %

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans held-for-investment were as follows at:

	September 30, 2014		December 31, 2013	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Loan-to-value ratios:				
Less than 65%	$11,280	94.6 %	$11,461	92.5 %
65% to 75%	519	4.4	729	5.9
76% to 80%	52	0.4	84	0.7
Greater than 80%	78	0.6	117	0.9
Total	$11,929	100.0 %	$12,391	100.0 %

The estimated fair value of agricultural mortgage loans held-for-investment was $12.3 billion and $12.7 billion at September 30, 2014 and December 31, 2013, respectively.

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

6. Investments (continued)

Credit Quality of Residential Mortgage Loans
The credit quality of residential mortgage loans held-for-investment were as follows at:

	September 30, 2014		December 31, 2013	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Performance indicators:				
Performing	$5,133	97.5 %	$2,693	97.1 %
Nonperforming	132	2.5	79	2.9
Total	$5,265	100.0 %	$2,772	100.0 %

The estimated fair value of residential mortgage loans held-for-investment was $5.6 billion and $2.8 billion at September 30, 2014 and December 31, 2013, 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 September 30, 2014 and December 31, 2013. 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		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual Status	
	September 30, 2014 (In millions)	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Commercial	$12	$12	$12	$12	$85	$191
Agricultural	17	44	1	—	42	47
Residential	132	79	—	—	123	65
Total	$161	$135	$13	$12	$250	$303

Impaired Mortgage Loans
Impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, by portfolio segment, were as follows at:

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans	
	Unpaid Principal Balance (In millions)	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Carrying Value
September 30, 2014								
Commercial	$85	$85	$24	$61	$105	$104	$190	$165
Agricultural	50	47	2	45	16	15	66	60
Residential	—	—	—	—	26	24	26	24
Total	$135	$132	$26	$106	$147	$143	$282	$249
December 31, 2013								

Commercial	$214	$210	$58	$152	$299	$296	$513	$448
Agricultural	68	66	7	59	35	34	103	93
Residential	12	12	1	11	5	4	17	15
Total	$294	$288	$66	$222	$339	$334	$633	$556

Unpaid principal balance is generally prior to any charge-offs.

6. Investments (continued)

The average recorded investment in impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, and the related interest income, which is primarily recognized on a cash basis, by portfolio segment, was:

	Impaired Mortgage Loans							
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014		2013		2014		2013	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
	(In millions)							
Commercial	$302	$—	$525	$4	$405	$7	$530	$11
Agricultural	69	1	165	5	84	7	167	8
Residential	17	1	14	—	15	1	14	—
Total	$388	$2	$704	$9	$504	$15	$711	$19

Mortgage Loans Modified in a Troubled Debt Restructuring

The number of mortgage loans and carrying value after specific valuation allowance of mortgage loans modified during the period in a troubled debt restructuring were as follows:

	Three Months Ended September 30,					
	2014			2013		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance		Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance	
		Pre-Modification	Post-Modification		Pre-Modification	Post-Modification
		(In millions)			(In millions)	
Commercial	—	$—	$ —	1	$49	$ 49
Agricultural	—	—	—	2	24	24
Residential	57	15	13	5	1	1
Total	57	$15	$ 13	8	$74	$ 74

	Nine Months Ended September 30,					
	2014			2013		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance		Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance	
		Pre-Modification	Post-Modification		Pre-Modification	Post-Modification
		(In millions)			(In millions)	
Commercial	—	$—	$ —	1	$49	$ 49
Agricultural	1	1	1	3	28	28
Residential	101	24	20	11	2	2
Total	102	$25	$ 21	15	$79	$ 79

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6. Investments (continued)

During the three months and nine months ended September 30, 2014 and 2013, the Company held no commercial or agricultural mortgage loans that were modified in a troubled debt restructuring during the 12 months before September 30, 2014 and 2013, respectively, and became subject to a payment default after the restructuring. The number of residential mortgage loans and carrying value of residential mortgage loans with subsequent payment defaults that were modified in a troubled debt restructuring during the previous 12 months were as follows:

	Three Months Ended September 30,			
	2014		2013	
	Number of Mortgage Loans	Carrying Value	Number of Mortgage Loans	Carrying Value
		(In millions)		(In millions)
Residential (1)	2	$—	—	$—

	Nine Months Ended September 30,			
	2014		2013	
	Number of Mortgage Loans	Carrying Value	Number of Mortgage Loans	Carrying Value
		(In millions)		(In millions)
Residential	4	$1	—	$—

(1) Residential mortgage loans for the three months ended September 30, 2014 had a carrying value of less than $1 million.

Payment default is determined in the same manner as delinquency status as described above.

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 $3.7 billion and $3.8 billion at September 30, 2014 and December 31, 2013, respectively.

Net Unrealized Investment Gains (Losses)

The components of net unrealized investment gains (losses), included in AOCI, were as follows:

	September 30, 2014	December 31, 2013
	(In millions)	
Fixed maturity securities	$26,848	$16,672
Fixed maturity securities with noncredit OTTI losses in AOCI	(105)	(218)
Total fixed maturity securities	26,743	16,454
Equity securities	602	390
Derivatives	1,326	375
Other	24	(73)
Subtotal	28,695	17,146
Amounts allocated from:		
Insurance liability loss recognition	(1,515)	(898)

DAC and VOBA related to noncredit OTTI losses recognized in AOCI	2	6
DAC and VOBA	(1,866)	(1,190)
Policyholder dividend obligation	(2,825)	(1,771)
Subtotal	(6,204)	(3,853)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	33	73
Deferred income tax benefit (expense)	(7,835)	(4,956)
Net unrealized investment gains (losses)	14,689	8,410
Net unrealized investment gains (losses) attributable to noncontrolling interests	—	4
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$14,689	$8,414

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

6. Investments (continued)

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

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013
	(In millions)	
Balance, beginning of period	$(218)	$(361)
Noncredit OTTI losses and subsequent changes recognized (1)	16	60
Securities sold with previous noncredit OTTI loss	42	149
Subsequent changes in estimated fair value	55	(66)
Balance, end of period	$(105)	$(218)

(1) Noncredit OTTI losses and subsequent changes recognized, net of DAC, were $8 million and $52 million for the nine months ended September 30, 2014 and the year ended December 31, 2013, respectively.

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

	Nine Months Ended September 30, 2014
	(In millions)
Balance, beginning of period	$8,414
Fixed maturity securities on which noncredit OTTI losses have been recognized	113
Unrealized investment gains (losses) during the period	11,436
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(617)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(4)
DAC and VOBA	(676)
Policyholder dividend obligation	(1,054)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(40)
Deferred income tax benefit (expense)	(2,879)
Net unrealized investment gains (losses)	14,693
Net unrealized investment gains (losses) attributable to noncontrolling interests	(4)
Balance, end of period	$14,689
Change in net unrealized investment gains (losses)	$6,279
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	(4)
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$6,275

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 $22.1 billion and $21.7 billion at September 30, 2014 and December 31, 2013, 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 $27.5 billion and $26.9 billion at September 30, 2014 and December 31, 2013, respectively.

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

6. Investments (continued)

Securities Lending

Elements of the securities lending program are presented below at:

	September 30, 2014	December 31, 2013
	(In millions)	
Securities on loan: (1)		
Amortized cost	$27,930	$27,094
Estimated fair value	$30,269	$27,595
Cash collateral on deposit from counterparties (2)	$30,943	$28,319
Security collateral on deposit from counterparties (3)	$67	$—
Reinvestment portfolio — estimated fair value	$31,306	$28,481

(1) Included within fixed maturity securities, cash and cash equivalents, short-term investments and equity securities.
(2) Included within payables for collateral under securities loaned and other transactions.
(3) Security collateral on deposit from counterparties may not be sold or repledged, unless the counterparty is in default, and is not reflected in the consolidated financial statements.

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 cash and cash equivalents, short-term investments, fixed maturity and equity securities and FVO and trading securities, and at carrying value for mortgage loans at:

	September 30, 2014	December 31, 2013
	(In millions)	
Invested assets on deposit (regulatory deposits) (1)	$9,140	$2,153
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	11,259	11,004
Invested assets pledged as collateral (2)	23,442	23,770
Total invested assets on deposit, held in trust and pledged as collateral	$43,841	$36,927

(1) MetLife Insurance Company of Connecticut (“MICC”) received all regulatory approvals to merge three U.S.-based life insurance companies and a former offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company (the “Mergers”). The Mergers are expected to occur in the fourth quarter of 2014. The companies to be merged are MICC, MetLife Investors USA Insurance Company (“MLI-USA”) and MetLife Investors Insurance Company, each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. (“Exeter”), a reinsurance company that mainly reinsures guarantees associated with variable annuity products. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. In October 2014, MICC received regulatory approval from the Connecticut Insurance Department and the Delaware Department of Insurance to re-domesticate from Connecticut to Delaware, immediately prior to the Mergers. Exeter, formerly a Cayman Islands company, was re-domesticated to Delaware in October 2013. Effective January 1, 2014, following receipt of New York State Department of Financial Services (the “Department of Financial Services”) approval, MICC withdrew its license to issue insurance policies and annuity contracts in New York. Also effective January 1, 2014, MICC reinsured with an affiliate all existing New York insurance policies and annuity contracts that include a separate account feature and deposited investments with an estimated fair market value of $6.3 billion into a custodial account to secure MICC’s remaining New York policyholder liabilities not covered by the reinsurance.

(2) 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 2013 Annual Report), collateral financing arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report) and derivative transactions (see Note 7).

See "— Securities Lending" for securities on loan and Note 5 for 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.

6. 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 September 30, 2014 and December 31, 2013. 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.

	September 30, 2014		December 31, 2013	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,373	$—	$3,440	$—
Operating joint venture (2)	2,380	2,014	2,095	1,777
CSEs (assets (primarily loans) and liabilities (primarily debt)) (3)	333	189	1,630	1,457
Investments:				
Real estate and real estate joint ventures (4)	9	15	1,181	443
Other invested assets	59	—	82	7
FVO and trading securities	49	—	69	—
Other limited partnership interests	61	—	61	—
Total	$6,264	$2,218	$8,558	$3,684

(1) See Note 13 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for a description of the MetLife Reinsurance Company of South Carolina ("MRSC") collateral financing arrangement.

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

(3) The Company consolidates entities that are structured as CMBS and as collateralized loan 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 $125 million and $154 million at estimated fair value at September 30, 2014 and December 31, 2013, 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 $3 million and $34 million for the three months and nine months ended September 30, 2014, respectively, and $29 million and $96 million for the three months and nine months ended September 30, 2013, respectively.

(4) At December 31, 2013, the Company consolidated an open ended core real estate fund formed in the fourth quarter of 2013 (the “MetLife Core Property Fund”), which represented the majority of the balances at December 31, 2013. As a result of the quarterly reassessment in the first quarter of 2014, the Company no longer consolidates the MetLife Core Property Fund, effective March 31, 2014, based on the terms of the revised partnership agreement. The Company accounts for its retained interest in the real estate fund under the equity method. Assets of the real estate fund are a real estate investment trust which holds primarily traditional core income-producing real estate which has associated liabilities that are primarily non-recourse debt secured by certain real estate assets of the fund. 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 investment in the real estate fund of $178 million at carrying value at December 31, 2013. The long-term debt bore interest primarily at fixed rates ranging from 1.39% to 4.45%, payable primarily on a monthly basis.

6. Investments (continued)

Unconsolidated VIEs

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

	September 30, 2014		December 31, 2013	
	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)	$70,121	$70,121	$67,176	$67,176
U.S. and foreign corporate	3,881	3,881	3,966	3,966
Other limited partnership interests	5,320	7,044	5,041	6,994
Other invested assets	1,614	1,822	1,509	1,897
FVO and trading securities	590	590	619	619
Mortgage loans	106	106	106	106
Real estate joint ventures	65	67	70	71
Equity securities AFS:				
Non-redeemable preferred stock	41	41	35	35
Total	$81,738	$83,672	$78,522	$80,864

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(1) 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 of the Company. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $224 million and $257 million at September 30, 2014 and December 31, 2013, 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 14, 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 the nine months ended September 30, 2014 and 2013.

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

6. Investments (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Investment income:				
Fixed maturity securities	$3,695	$3,784	$11,106	$11,319
Equity securities	31	28	98	88
FVO and trading securities — Actively Traded Securities and FVO general account securities (1)	14	14	95	24
Mortgage loans	775	725	2,192	2,179
Policy loans	158	158	473	465
Real estate and real estate joint ventures	245	227	724	663
Other limited partnership interests	299	144	834	665
Cash, cash equivalents and short-term investments	42	42	130	136
International joint ventures	2	16	5	7
Other	60	25	136	137
Subtotal	5,321	5,163	15,793	15,683
Less: Investment expenses	298	302	873	889
Subtotal, net	5,023	4,861	14,920	14,794
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	379	132	739	1,485
FVO CSEs — interest income:				
Commercial mortgage loans	8	33	44	104
Securities	—	—	1	2
Subtotal	387	165	784	1,591
Net investment income	$5,410	$5,026	$15,704	$16,385

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(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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Actively Traded Securities and FVO general account securities	$(18)	$2	$7	$(14)
FVO contractholder-directed unit-linked investments	$248	$(9)	$329	$1,069

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

6. Investments (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(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:				
Utility	$—	$(1)	$—	$(33)
Consumer	—	(3)	(7)	(11)
Finance	—	—	—	(10)
Transportation	—	(3)	(2)	(3)
Communications	—	—	—	(2)
Total U.S. and foreign corporate securities	—	(7)	(9)	(59)
RMBS	(18)	(27)	(27)	(74)
ABS	—	—	(7)	—
CMBS	(13)	—	(13)	—
OTTI losses on fixed maturity securities recognized in earnings	(31)	(34)	(56)	(133)
Fixed maturity securities — net gains (losses) on sales and disposals	184	(44)	349	504
Total gains (losses) on fixed maturity securities	153	(78)	293	371
Total gains (losses) on equity securities:				
Total OTTI losses recognized — by sector:				
Non-redeemable preferred stock	—	—	(23)	(20)
Common stock	(1)	—	(12)	(2)
OTTI losses on equity securities recognized in earnings	(1)	—	(35)	(22)
Equity securities — net gains (losses) on sales and disposals	15	3	99	2
Total gains (losses) on equity securities	14	3	64	(20)
FVO and trading securities — FVO general account securities	—	1	8	9
Mortgage loans	(30)	(13)	(25)	22
Real estate and real estate joint ventures	86	4	150	(19)
Other limited partnership interests	(14)	—	(52)	(41)
Other investment portfolio gains (losses)	(20)	12	(26)	46
Subtotal — investment portfolio gains (losses)	189	(71)	412	368
FVO CSEs:				
Commercial mortgage loans	1	(14)	(14)	(46)
Securities	—	1	—	1
Long-term debt — related to commercial mortgage loans	3	18	21	66
Long-term debt — related to securities	(1)	(1)	(1)	(1)
Non-investment portfolio gains (losses) (1)	(83)	(18)	(845)	(49)
Subtotal FVO CSEs and non-investment portfolio gains (losses)	(80)	(14)	(839)	(29)
Total net investment gains (losses)	$109	$(85)	$(427)	$339

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(1) There were no non-investment portfolio gains (losses) for the three months ended September 30, 2014 related to the disposition of MAL. Non-investment portfolio gains (losses) for the nine months ended September 30, 2014 includes a loss of ($633) million related to the disposition of MAL. See Note 3.

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

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($118) million and ($225) million for the three months and nine months ended September 30, 2014, respectively, and $90 million and $165 million for the three months and nine months ended September 30, 2013, respectively.

6. Investments (continued)

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) are as shown in the tables below. Investment gains and losses on sales of securities are determined on a specific identification basis.

	Three Months Ended September 30,					
	2014	2013	2014	2013	2014	2013
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$20,105	$20,003	$96	$173	$20,201	$20,176
Gross investment gains	$297	$238	$21	$5	$318	$243
Gross investment losses	(113)	(282)	(6)	(2)	(119)	(284)
Total OTTI losses:						
Credit-related	(31)	(33)	—	—	(31)	(33)
Other (1)	—	(1)	(1)	—	(1)	(1)
Total OTTI losses	(31)	(34)	(1)	—	(32)	(34)
Net investment gains (losses)	$153	$(78)	$14	$3	$167	$(75)

	Nine Months Ended September 30,					
	2014	2013	2014	2013	2014	2013
	Fixed Maturity Securities		Equity Securities		Total	
	(In millions)					
Proceeds	$62,096	$61,625	$523	$528	$62,619	$62,153
Gross investment gains	$787	$1,061	$108	$23	$895	$1,084
Gross investment losses	(438)	(557)	(9)	(21)	(447)	(578)
Total OTTI losses:						
Credit-related	(56)	(114)	—	—	(56)	(114)
Other (1)	—	(19)	(35)	(22)	(35)	(41)
Total OTTI losses	(56)	(133)	(35)	(22)	(91)	(155)
Net investment gains (losses)	$293	$371	$64	$(20)	$357	$351

(1) Other OTTI losses recognized in earnings include impairments on (i) equity securities, (ii) perpetual hybrid securities classified within fixed maturity securities where the primary reason for the impairment was the severity and/or the duration of an unrealized loss position and (iii) fixed maturity securities where there is an intent to sell or it is more likely than not that the Company will be required to sell the security before recovery of the decline in estimated fair value.

6. 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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Balance, beginning of period	$359	$381	$378	$392
Additions:				
Initial impairments — credit loss OTTI recognized on securities not previously impaired	1	3	1	5
Additional impairments — credit loss OTTI recognized on securities previously impaired	15	23	23	64
Reductions:				
Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(11)	(21)	(31)	(75)
Securities impaired to net present value of expected future cash flows	—	—	(7)	—
Increase in cash flows accretion of previous credit loss OTTI	—	(1)	—	(1)
Balance, end of period	$364	$385	$364	$385

7. Derivatives

Accounting for Derivatives

Freestanding Derivatives

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

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

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

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

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7. 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 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).

7. 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 fair value with changes in fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses), except for those in policyholder benefits and claims related to ceded reinsurance of GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent “excess” fees and are reported in universal life and investment-type product policy fees.
See Note 8 for information about the fair value hierarchy for derivatives.
Derivative Strategies
The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.
Derivatives are financial instruments whose values are 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. Structured interest rate swaps are not designated as hedging instruments.

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 and to hedge against changes in interest rates on anticipated liability issuances by replicating Treasury or swap curve performance. The Company utilizes exchange-traded interest rate futures in non-qualifying hedging relationships.

7. Derivatives (continued)

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 and currency options, 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. The Company utilizes exchange traded currency futures in non-qualifying hedging relationships.

Credit Derivatives

The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments. In a credit default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities of the referenced investment equal to the specified swap notional 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, 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, 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.

7. Derivatives (continued)

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

7. 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	September 30, 2014			December 31, 2013		
		Notional Amount	Estimated Fair Value Assets	Liabilities	Notional Amount	Estimated Fair Value Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments							
Fair value hedges:							
Interest rate swaps	Interest rate	$6,215	$1,737	$24	$6,419	$1,282	$78
Foreign currency swaps	Foreign currency exchange rate	1,772	116	42	2,713	252	135
Foreign currency forwards	Foreign currency exchange rate	2,360	—	48	2,935	—	77
Subtotal		10,347	1,853	114	12,067	1,534	290
Cash flow hedges:							
Interest rate swaps	Interest rate	2,733	320	4	3,121	83	141
Interest rate forwards	Interest rate	280	49	—	450	7	7
Foreign currency swaps	Foreign currency exchange rate	17,693	444	578	12,452	401	660
Subtotal		20,706	813	582	16,023	491	808
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	3,250	147	—	3,182	82	47
Currency options	Foreign currency exchange rate	6,569	121	1	7,362	318	—
Subtotal		9,819	268	1	10,544	400	47
Total qualifying hedges		40,872	2,934	697	38,634	2,425	1,145
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	94,771	3,535	1,538	107,354	3,330	1,767
Interest rate floors	Interest rate	62,645	391	214	63,064	451	346
Interest rate caps	Interest rate	36,605	116	—	39,460	177	—
Interest rate futures	Interest rate	5,503	4	5	6,011	9	9
Interest rate options	Interest rate	44,701	671	132	40,978	255	243
Synthetic GICs	Interest rate	4,315	—	—	4,409	—	—
Foreign currency swaps	Foreign currency exchange rate	10,844	281	432	9,307	133	684
Foreign currency forwards	Foreign currency exchange rate	13,802	134	272	11,311	69	359
Currency futures	Foreign currency exchange rate	455	—	2	1,316	1	1
Currency options	Foreign currency exchange rate	8,136	301	110	2,265	53	48

Credit default swaps — purchased	Credit	2,773	9	33	3,725	7	51
Credit default swaps — written	Credit	10,929	154	7	9,055	166	1
Equity futures	Equity market	6,010	24	5	5,157	1	43
Equity options	Equity market	37,892	1,349	1,063	37,411	1,344	1,068
Variance swaps	Equity market	22,272	195	643	21,636	174	577
TRRs	Equity market	3,496	73	13	3,802	—	179
Total non-designated or non-qualifying derivatives		365,149	7,237	4,469	366,261	6,170	5,376
Total		$406,021	$10,171	$5,166	$404,895	$8,595	$6,521

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7. Derivatives (continued)

Based on notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship at both September 30, 2014 and December 31, 2013. 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.

Net Derivative Gains (Losses)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Derivatives and hedging gains (losses) (1)	$543	$(1,444)	$1,077	$(6,527)
Embedded derivatives	(65)	898	55	3,661
Total net derivative gains (losses)	$478	$(546)	$1,132	$(2,866)

(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 Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Qualifying hedges:				
Net investment income	$44	$31	$111	$102
Interest credited to policyholder account balances	24	39	88	110
Other expenses	(1)	(1)	(2)	(5)
Non-qualifying hedges:				
Net investment income	(1)	(2)	(3)	(5)
Net derivative gains (losses)	282	62	650	277
Policyholder benefits and claims	74	(147)	10	(203)
Total	$422	$(18)	$854	$276

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

7. 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)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
	(In millions)		
Three Months Ended September 30, 2014			
Interest rate derivatives	$13	$—	$3
Foreign currency exchange rate derivatives	211	—	—
Credit derivatives — purchased	5	1	—
Credit derivatives — written	(32)	—	—
Equity derivatives	160	(1)	12
Total	$357	$—	$15
Three Months Ended September 30, 2013			
Interest rate derivatives	$(487)	$—	$—
Foreign currency exchange rate derivatives	(259)	—	—
Credit derivatives — purchased	(3)	(5)	—
Credit derivatives — written	45	1	—
Equity derivatives	(884)	(11)	(160)
Total	$(1,588)	$(15)	$(160)
Nine Months Ended September 30, 2014			
Interest rate derivatives	$616	$—	$25
Foreign currency exchange rate derivatives	199	—	—
Credit derivatives — purchased	(1)	1	—
Credit derivatives — written	(19)	—	—
Equity derivatives	(446)	(13)	(145)
Total	$349	$(12)	$(120)
Nine Months Ended September 30, 2013			
Interest rate derivatives	$(2,848)	$—	$(17)
Foreign currency exchange rate derivatives	(1,243)	—	—
Credit derivatives — purchased	(8)	(9)	—
Credit derivatives — written	72	1	—
Equity derivatives	(2,766)	(22)	(516)
Total	$(6,793)	$(30)	$(533)

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(1) Changes in estimated fair value related to economic hedges of equity method investments in joint ventures; changes in estimated fair value related to derivatives held in relation to trading portfolios; and changes in estimated fair value related to 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.

7. 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	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
		(In millions)		
Three Months Ended September 30, 2014				
Interest rate swaps:	Fixed maturity securities	$9	$ (8)	$ 1
	Policyholder liabilities (1)	43	(44)	(1)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	12	(12)	—
	Foreign-denominated PABs (2)	(134)	129	(5)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(49)	45	(4)
Total		$(119)	$ 110	$ (9)
Three Months Ended September 30, 2013				
Interest rate swaps:	Fixed maturity securities	$(3)	$ 3	$ —
	Policyholder liabilities (1)	(102)	105	3
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(7)	6	(1)
	Foreign-denominated PABs (2)	103	(100)	3
Foreign currency forwards:	Foreign-denominated fixed maturity securities	—	—	—
Total		$(9)	$ 14	$ 5
Nine Months Ended September 30, 2014				
Interest rate swaps:	Fixed maturity securities	$7	$ (5)	$ 2
	Policyholder liabilities (1)	389	(379)	10
Foreign currency swaps:	Foreign-denominated fixed maturity securities	5	(5)	—
	Foreign-denominated PABs (2)	(160)	158	(2)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(33)	31	(2)
Total		$208	$ (200)	$ 8
Nine Months Ended September 30, 2013				
Interest rate swaps:	Fixed maturity securities	$35	$ (35)	$ —
	Policyholder liabilities (1)	(638)	638	—
Foreign currency swaps:	Foreign-denominated fixed maturity securities	10	(10)	—
	Foreign-denominated PABs (2)	(91)	96	5
Foreign currency forwards:	Foreign-denominated fixed maturity securities	—	—	—
Total		$(684)	$ 689	$ 5

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(1) Fixed rate liabilities reported in PABs or future policy benefits.
(2) Fixed rate or floating rate liabilities.

For the Company’s foreign currency forwards, the change in the fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative’s gain or loss were included in the assessment of hedge effectiveness. For the three months and nine months ended September 30, 2014, ($2) million and $3 million, respectively, of the change in fair value of derivatives was excluded from the assessment of effectiveness. For both the three months and nine months ended September 30, 2013, no component of the change in fair value of derivatives was excluded from the assessment of hedge effectiveness.

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.

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7. Derivatives (continued)

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 certain amounts from AOCI into net derivative gains (losses). These amounts were ($11) million and ($15) million for the three months and nine months ended September 30, 2014, respectively, and were not significant for both the three months and nine months ended September 30, 2013.
At both September 30, 2014 and December 31, 2013, 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 seven years.
At September 30, 2014 and December 31, 2013, the balance in AOCI associated with cash flow hedges was $1.3 billion and $375 million, respectively.
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
	(Effective Portion)	(Effective Portion)			(Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
	(In millions)				
Three Months Ended September 30, 2014					
Interest rate swaps	$96	$1	$ 3	$—	$6
Interest rate forwards	9	(10)	—	1	(1)
Foreign currency swaps	13	(466)	(1)	—	2
Credit forwards	—	—	1	—	—
Total	$118	$(475)	$ 3	$1	$7
Three Months Ended September 30, 2013					
Interest rate swaps	$(110)	$3	$ 2	$—	$(4)
Interest rate forwards	(11)	2	1	(1)	—
Foreign currency swaps	(165)	216	—	1	(2)
Credit forwards	(1)	—	—	—	—
Total	$(287)	$221	$ 3	$—	$(6)
Nine Months Ended September 30, 2014					
Interest rate swaps	$458	$28	$ 7	$—	$6
Interest rate forwards	61	(8)	2	2	—
Foreign currency swaps	95	(368)	(2)	1	1
Credit forwards	—	—	1	—	—

Total	$614	$(348)	$8	$3	$7
Nine Months Ended September 30, 2013					
Interest rate swaps	$(507)	$17	$6	$—	$—
Interest rate forwards	(41)	8	2	(2)	1
Foreign currency swaps	(108)	(41)	(2)	1	4
Credit forwards	(4)	—	1	—	—
Total	$(660)	$(16)	$7	$(1)	$5

All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.
At September 30, 2014, $106 million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

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MetLife, Inc.
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7. Derivatives (continued)

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 September 30, 2014		
Foreign currency forwards	$ 227	
Currency options	163	
Total	$ 390	
Three Months Ended September 30, 2013		
Foreign currency forwards	$ (154	)
Currency options	(122	)
Total	$ (276	)
Nine Months Ended September 30, 2014		
Foreign currency forwards	$ 148	
Currency options	(75	)
Total	$ 73	
Nine Months Ended September 30, 2013		
Foreign currency forwards	$ 11	
Currency options	99	
Total	$ 110	

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(1) In May 2014, the Company sold its interest in MAL, which was a hedged item in a net investment hedging relationship. See Note 3. As a result, during the nine months ended September 30, 2014, the Company released losses of $77 million from accumulated other comprehensive income (loss) into earnings upon the sale. During the three months ended September 30, 2014, 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. During both the three months and nine months ended September 30, 2013, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.

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

At September 30, 2014 and December 31, 2013, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $383 million and $233 million, respectively.

7. 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 $10.9 billion and $9.1 billion at September 30, 2014 and December 31, 2013, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current fair value of the credit default swaps. At September 30, 2014 and December 31, 2013, the Company would have received $147 million and $165 million, respectively, to terminate all of these contracts.
The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of written credit default swaps at:

Rating Agency Designation of Referenced Credit Obligations (1)	September 30, 2014			December 31, 2013		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$9	$ 690	2.4	$10	$ 545	2.6
Credit default swaps referencing indices	7	2,877	1.7	26	2,739	1.5
Subtotal	16	3,567	1.8	36	3,284	1.6
Baa						
Single name credit default swaps (corporate)	24	1,632	2.9	24	1,320	3.1
Credit default swaps referencing indices	84	5,074	4.5	73	4,071	4.7
Subtotal	108	6,706	4.1	97	5,391	4.3
Ba						
Single name credit default swaps (corporate)	—	55	3.0	—	5	3.8
Credit default swaps referencing indices	—	100	2.5	—	—	—
Subtotal	—	155	2.7	—	5	3.8
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	23	501	4.1	32	375	4.9

Subtotal	23	501	4.1	32	375	4.9
Total	$ 147	$ 10,929	3.3	$ 165	$ 9,055	3.4

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(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investors Service ("Moody's"), 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 notional amounts.

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 $10.9 billion and $9.1 billion from the table above were $75 million and $90 million at September 30, 2014 and December 31, 2013, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $45 million in notional and $2 million in fair value at September 30, 2014. Written credit default swaps held in relation to the trading portfolio amounted to $10 million in notional and $0 in fair value at December 31, 2013.

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7. Derivatives (continued)

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

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	September 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$10,053	$4,797	$8,537	$6,367
OTC-cleared (1)	271	394	302	129
Exchange-traded	28	12	11	53
Total gross estimated fair value of derivatives (1)	10,352	5,203	8,850	6,549
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (1)	10,352	5,203	8,850	6,549
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(3,849)	(3,849)	(4,631)	(4,631)
OTC-cleared	(183)	(183)	(122)	(122)
Exchange-traded	(4)	(4)	(5)	(5)
Cash collateral: (3), (4)				
OTC-bilateral	(2,797)	(89)	(1,679)	(3)
OTC-cleared	(83)	(210)	(169)	(7)
Exchange-traded	—	(7)	—	(44)
Securities collateral: (5)				
OTC-bilateral	(3,084)	(731)	(2,105)	(1,464)
OTC-cleared	—	(1)	—	—

Exchange-traded	—	(1)	—	(4)
Net amount after application of master netting agreements and collateral	$352	$128	$139	$269

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(1) At September 30, 2014 and December 31, 2013, derivative assets include income or expense accruals reported in accrued investment income or in other liabilities of $181 million and $255 million, respectively, and derivative liabilities include income or expense accruals reported in accrued investment income or in other liabilities of $37 million and $28 million, respectively.

7. Derivatives (continued)

(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 ring-fenced for the benefit of the Company). The amount of this off-balance sheet collateral was $249 million and $0 at September 30, 2014 and December 31, 2013, respectively.

(4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At September 30, 2014 and December 31, 2013, the Company received excess cash collateral of $158 million (including $113 million off-balance sheet cash collateral held in separate custodial accounts) and $104 million, respectively, and provided excess cash collateral of $159 million and $236 million, respectively, which is not included in the table above due to the foregoing limitation.

(5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at September 30, 2014 none of the collateral had been sold or repledged. 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 repledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At September 30, 2014 and December 31, 2013, the Company received excess securities collateral with an estimated fair value of $260 million and $238 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At September 30, 2014 and December 31, 2013, the Company provided excess securities collateral with an estimated fair value of $51 million and $66 million, respectively, for its OTC-bilateral derivatives, and $131 million and $141 million, respectively, for its OTC-cleared derivatives, and $220 million and $81 million, respectively, for its exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

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 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.
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7. 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	
		Fixed Maturity Securities	Cash	One Notch Downgrade in the Company's Credit Rating	Downgrade in the Company's Credit Rating to a Level that Triggers Full Overnight Collateralization or Termination of the Derivative Position
	(In millions)				
September 30, 2014					
Derivatives subject to credit-contingent provisions	$849	$746	$94	$12	$ 17
Derivatives not subject to credit-contingent provisions	60	36	3	—	—
Total	$909	$782	$97	$12	$ 17
December 31, 2013					
Derivatives subject to credit-contingent provisions	$1,674	$1,530	$—	$27	$ 34
Derivatives not subject to credit-contingent provisions	20	—	3	—	—
Total	$1,694	$1,530	$3	$27	$ 34

(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	September 30, 2014	December 31, 2013
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$314	$247
Funds withheld on assumed reinsurance	Other invested assets	47	38

Options embedded in debt or equity securities	Investments	(176)	(145)
Net embedded derivatives within asset host contracts		$185	$140
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	PABs and Future policy benefits	$(1,827)	$(2,296)
Assumed guaranteed minimum benefits	PABs	1,234	1,262
Funds withheld on ceded reinsurance	Other liabilities	77	60
Other	PABs	19	5
Net embedded derivatives within liability host contracts		$(497)	$(969)

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

7. Derivatives (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Net derivative gains (losses) (1)	$(65)	$898	$55	$3,661
Policyholder benefits and claims	$32	$(30)	$55	$(110)

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses), in connection with this adjustment, were $5 million and ($3) million for the three months and nine months ended September 30, 2014, respectively, and ($145) million and ($795) million for the three months and nine months ended September 30, 2013, respectively.

8. 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)

8. Fair Value (continued)

	September 30, 2014 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$100,634	$7,340	$107,974
Foreign corporate	—	55,644	6,233	61,877
Foreign government	—	55,118	1,278	56,396
U.S. Treasury and agency	34,150	22,712	—	56,862
RMBS	1,513	35,100	4,006	40,619
CMBS	—	14,015	634	14,649
ABS	—	11,574	3,279	14,853
State and political subdivision	—	14,836	4	14,840
Total fixed maturity securities	35,663	309,633	22,774	368,070
Equity securities:				
Common stock	1,606	867	101	2,574
Non-redeemable preferred stock	—	868	247	1,115
Total equity securities	1,606	1,735	348	3,689
FVO and trading securities:				
Actively Traded Securities	—	664	8	672
FVO general account securities	528	63	99	690
FVO contractholder-directed unit-linked investments	11,174	4,204	488	15,866
FVO securities held by CSEs	—	6	12	18
Total FVO and trading securities	11,702	4,937	607	17,246
Short-term investments (1)	4,066	6,483	155	10,704
Mortgage loans:				
Residential mortgage loans — FVO	—	—	298	298
Commercial mortgage loans held by CSEs — FVO	—	313	—	313
Total mortgage loans	—	313	298	611
Other invested assets:				
Other investments	241	65	—	306
Derivative assets: (2)				
Interest rate	4	6,770	49	6,823
Foreign currency exchange rate	—	1,517	27	1,544
Credit	—	150	13	163
Equity market	24	1,294	323	1,641
Total derivative assets	28	9,731	412	10,171
Total other invested assets	269	9,796	412	10,477
Net embedded derivatives within asset host contracts (3)	—	—	361	361
Separate account assets (4)	87,799	229,790	1,891	319,480
Total assets	$141,105	$562,687	$26,846	$730,638

Liabilities				
Derivative liabilities: (2)				
Interest rate	$5	$1,910	$2	$1,917
Foreign currency exchange rate	2	1,402	81	1,485
Credit	—	35	5	40
Equity market	5	1,050	669	1,724
Total derivative liabilities	12	4,397	757	5,166
Net embedded derivatives within liability host contracts (3)	—	7	(504)	(497)
Long-term debt of CSEs — FVO	—	171	15	186
Trading liabilities (5)	118	78	—	196
Total liabilities	$130	$4,653	$268	$5,051

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MetLife, Inc.

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

8. Fair Value (continued)

	December 31, 2013			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$99,321	$7,148	$106,469
Foreign corporate	—	56,448	6,704	63,152
Foreign government	—	52,202	2,235	54,437
U.S. Treasury and agency	25,061	20,000	62	45,123
RMBS	—	32,098	2,957	35,055
CMBS	—	15,578	972	16,550
ABS	—	11,361	4,210	15,571
State and political subdivision	—	13,820	10	13,830
Total fixed maturity securities	25,061	300,828	24,298	350,187
Equity securities:				
Common stock	1,186	990	177	2,353
Non-redeemable preferred stock	—	654	395	1,049
Total equity securities	1,186	1,644	572	3,402
FVO and trading securities:				
Actively Traded Securities	2	648	12	662
FVO general account securities	518	80	29	627
FVO contractholder-directed unit-linked investments	10,702	4,806	603	16,111
FVO securities held by CSEs	—	23	—	23
Total FVO and trading securities	11,222	5,557	644	17,423
Short-term investments (1)	5,915	6,943	254	13,112
Mortgage loans:				
Residential mortgage loans — FVO	—	—	338	338
Commercial mortgage loans held by CSEs — FVO	—	1,598	—	1,598
Total mortgage loans	—	1,598	338	1,936
Other invested assets:				
Other investments	188	71	—	259
Derivative assets: (2)				
Interest rate	10	5,557	27	5,594
Foreign currency exchange rate	1	1,280	28	1,309
Credit	—	144	29	173
Equity market	1	1,233	285	1,519
Total derivative assets	12	8,214	369	8,595
Total other invested assets	200	8,285	369	8,854
Net embedded derivatives within asset host contracts (3)	—	—	285	285
Separate account assets (4)	89,960	225,776	1,465	317,201
Total assets	$133,544	$550,631	$28,225	$712,400

Liabilities				
Derivative liabilities: (2)				
Interest rate	$9	$2,568	$14	$2,591
Foreign currency exchange rate	1	1,971	39	2,011
Credit	—	52	—	52
Equity market	43	1,222	602	1,867
Total derivative liabilities	53	5,813	655	6,521
Net embedded derivatives within liability host contracts (3)	—	4	(973)	(969)
Long-term debt of CSEs — FVO	—	1,427	28	1,455
Trading liabilities (5)	260	2	—	262
Total liabilities	$313	$7,246	$(290)	$7,269

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

8. Fair Value (continued)

(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.
(2) 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.
(3) 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 PABs, future policy benefits and other liabilities on the consolidated balance sheets. At September 30, 2014 and December 31, 2013, equity securities also included embedded derivatives of ($176) million and ($145) million, respectively.
(4) 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.
(5) 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 14% of the total estimated fair

value of Level 3 fixed maturity securities.

8. 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 general account securities, 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.

Level 2 Valuation Techniques and Key Inputs:

This level includes securities priced principally by independent pricing services using observable inputs. FVO and trading securities, short-term investments and other investments within this level are of a similar nature and class to the Level 2 fixed maturity securities and equity securities. Contractholder-directed unit-linked investments reported within FVO and trading securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported net asset value ("NAV") provided by the fund managers, which were based on observable inputs.

U.S. corporate and foreign corporate securities

These securities are principally valued using the market and income approaches. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques that use standard market observable inputs such as benchmark yields, spreads off benchmark yields, new issuances, issuer rating, duration, and trades of identical or comparable securities. Privately-placed securities are valued using matrix pricing methodologies using standard market observable inputs, and inputs derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer, and in certain cases, delta spread adjustments to reflect specific credit-related issues.

Foreign government and state and political subdivision securities

These securities are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques using standard market observable inputs, including a benchmark U.S. Treasury yield or other

yields, issuer ratings, broker-dealer quotes, issuer spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit rating.

8. Fair Value (continued)

U.S. Treasury and agency securities
These securities are principally valued using the market approach. Valuations are based primarily on quoted prices in markets that are not active, or using matrix pricing or other similar techniques using standard market observable inputs such as a benchmark U.S. Treasury yield curve, the spread off the U.S. Treasury yield curve for the identical security and comparable securities that are actively traded.
Structured securities comprised of RMBS, CMBS and ABS
These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using standard market inputs, including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and 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 and vintage of loans.
Common and non-redeemable preferred stock
These securities are principally valued using the market approach. Valuations are based principally on observable inputs, including quoted prices in markets that are not considered active.
Level 3 Valuation Techniques and Key Inputs:
In general, securities classified within Level 3 use many of the same valuation techniques and inputs as described previously for Level 2. However, if key inputs are unobservable, or if the investments are less liquid and there is very limited trading activity, the investments are generally classified as Level 3. The use of independent non-binding broker quotations to value investments generally indicates there is a lack of liquidity or a lack of transparency in the process to develop the valuation estimates, generally causing these investments to be classified in Level 3.
FVO and trading securities and short-term investments within this level are of a similar nature and class to the Level 3 securities described below; accordingly, the valuation techniques and significant market standard observable inputs used in their valuation are also similar to those described below.
U.S. corporate and foreign corporate securities
These securities, including financial services industry hybrid securities classified within fixed maturity securities, are principally valued using the market approach. Valuations are based primarily on matrix pricing or other similar techniques that utilize unobservable inputs or inputs that cannot be derived principally from, or corroborated by, observable market data, including illiquidity premium, delta spread adjustments to reflect specific credit-related issues, credit spreads; and inputs including 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. Certain valuations are based on independent non-binding broker quotations.
Foreign government, U.S. Treasury and agency and state and political subdivision securities
These securities are principally valued using the market approach. Valuations are based primarily on independent non-binding broker quotations and inputs, including 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. Certain valuations are based on matrix pricing that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads.
Structured securities comprised of RMBS, CMBS and ABS
These securities are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data, including credit spreads. Below investment grade securities and sub-prime RMBS included in this level are valued based on inputs including 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. Certain of these valuations are based on independent non-binding broker quotations.

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8. Fair Value (continued)

Common and non-redeemable preferred stock
These securities, including privately-held securities and financial services industry hybrid securities classified within equity securities, are principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash flow methodologies or other similar techniques using inputs such as comparable credit ratings and issuance structures. Certain of these securities are valued based on inputs including 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 and independent non-binding broker quotations.
Mortgage Loans
The Company has elected the FVO for commercial mortgage loans held by CSEs and certain residential mortgage loans held-for-investment.
Level 2 Valuation Techniques and Key Inputs:
Commercial mortgage loans held by CSEs — FVO
These investments are principally valued using the market approach. The principal market for these investments is the securitization market. The Company uses the quoted securitization market price of the obligations of the CSEs to determine the estimated fair value of these commercial loan portfolios. These market prices are determined principally by independent pricing services using observable inputs.
Level 3 Valuation Techniques and Key Inputs:
Residential mortgage loans — FVO
For these investments, the estimated fair values are based primarily on matrix pricing or other similar techniques that utilize inputs that are unobservable or cannot be derived principally from, or corroborated by, observable market data.
Separate Account Assets
Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance sheets. The estimated fair value of separate account assets is based on the estimated fair value of the underlying assets. Separate account assets include: mutual funds, fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments and cash and cash equivalents.
Level 2 Valuation Techniques and Key Inputs:
These assets are comprised of investments that 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." Also included are certain mutual funds and hedge funds without readily determinable fair values as prices are not published publicly. Valuation of the mutual funds and hedge funds is based upon quoted prices or reported NAV provided by the fund managers.
Level 3 Valuation Techniques and Key Inputs:
These assets are comprised of investments that 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." Also included are other limited partnership interests, which are valued giving consideration to the value of the underlying holdings of the partnerships and by applying a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manager or other relevant variables that may impact the exit value of the particular partnership interest.

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8. Fair Value (continued)

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

Foreign currency exchange rate

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, basis curves, currency spot rates and cross currency basis curves.

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, basis curves, currency spot rates, cross currency basis curves and currency volatility.

8. Fair Value (continued)

Credit
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, credit curves and recovery rates.
Equity market
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curve, spot equity index levels and dividend yield curves.
Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curve, spot equity index levels, dividend yield curves and equity volatility.
Level 3 Valuation Techniques and Key Inputs:
These 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. These valuation methodologies generally use the same inputs as described in the corresponding sections above 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.
Interest rate
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve and basis curves.
Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, basis curves and interest rate volatility.
Foreign currency exchange rate
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve, basis curves, cross currency basis curves and currency correlation.
Option-based. Significant unobservable inputs may include currency correlation and the extrapolation beyond observable limits of the swap yield curve, basis curves, cross currency basis curves and currency volatility.
Credit
Non-option-based. Significant unobservable inputs may include credit spreads, repurchase rates and the extrapolation beyond observable limits of the swap yield curve and credit curves. Certain of these derivatives are valued based on independent non-binding broker quotations.
Equity market
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves and equity volatility.
Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curves, equity volatility and unobservable correlation between model inputs.

8. Fair Value (continued)

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees and equity or bond indexed crediting rates within certain funding agreements and within certain annuity contracts. 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 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 PABs and future policy benefits on the consolidated balance sheets.

The fair value of these embedded derivatives, 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, is calculated by the Company's actuarial department. 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.

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.

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8. Fair Value (continued)

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 PABs 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 PABs on the consolidated balance sheets.

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

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation 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.

8. Fair Value (continued)

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 September 30, 2014, transfers between Levels 1 and 2 were not significant. For assets and liabilities measured at estimated fair value and still held at December 31, 2013, transfers between Levels 1 and 2 were $101 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, FVO and trading securities and separate account assets 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, FVO and trading securities 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.

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:

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8. Fair Value (continued)

	Valuation Techniques	Significant Unobservable Inputs	September 30, 2014 Range		Weighted Average (1)	December 31, 2013 Range		Weighted Average (1)	Impac Increa on Es Fair V
Fixed maturity securities (3)									
U.S. corporate and foreign corporate	•Matrix pricing	•Delta spread adjustments (4)	(20)	-250	51	(10)	-240	46	Decre
		•Illiquidity premium (4)	30	-30	30	30	-30	30	Decre
		•Credit spreads (4)	(1,471)	-3,117	184	(1,489)	-876	174	Decre
		•Offered quotes (5)	—	-121	92	4	-145	100	Increa
	•Market pricing	•Quoted prices (5)	—	-750	158				Increa
	•Consensus pricing	•Offered quotes (5)	31	-126	107	33	-145	95	Increa
Foreign government	•Matrix pricing	•Credit spreads (4)	48	-48	48	4	-72	32	Decre
	•Market pricing	•Quoted prices (5)	1	-163	81	64	-156	100	Increa
	•Consensus pricing	•Offered quotes (5)	66	-122	108	84	-156	107	Increa
RMBS	•Matrix pricing and discounted cash flow	•Credit spreads (4)	45	-413	225	(136)	-3,609	288	Decre
	•Market pricing	•Quoted prices (5)	22	-120	95	10	-109	98	Increa
	•Consensus pricing	•Offered quotes (5)	1	-116	93	69	-101	93	Increa
CMBS	•Matrix pricing and discounted cash flow	•Credit spreads (4)				215	-2,025	409	Decre
	•Market pricing	•Quoted prices (5)	5	-112	101	70	-104	97	Increa
	•Consensus pricing	•Offered quotes (5)	100	-100	100	90	-101	95	Increa
ABS	•Matrix pricing and discounted cash flow	•Credit spreads (4)	31	-1,878	152	30	-1,878	145	Decre
	•Market pricing	•Quoted prices (5)	—	-110	100	—	-110	101	Increa
	•Consensus pricing	•Offered quotes (5)	100	-100	100	56	-106	98	Increa

Derivatives							
Interest rate	•Present value techniques	•Swap yield (7)	324	-351	248	-450	Increa
Foreign currency exchange rate	•Present value techniques	•Swap yield (7)	(12)	-1,012	97	-767	Increa
		•Correlation (8)	43%	-55%	38%	-47%	
Credit	•Present value techniques	•Credit spreads (9)	98	-101	98	-101	Decre
	•Consensus pricing	•Offered quotes (10)					
Equity market	•Present value techniques or option pricing models	•Volatility (11)	14%	-28%	13%	-28%	Increa
		•Correlation (8)	65%	-65%	60%	-60%	
Embedded derivatives							
Direct and assumed guaranteed minimum benefits	•Option pricing techniques	•Mortality rates:					
		Ages 0 - 40	0%	-0.28%	0%	-0.14%	Decre
		Ages 41 - 60	0.04%	-0.88%	0.04%	-0.88%	Decre
		Ages 61 - 115	0.26%	-100%	0.26%	-100%	Decre
		•Lapse rates:					
		Durations 1 - 10	0.50%	-100%	0.50%	-100%	Decre
		Durations 11 - 20	2%	-100%	2%	-100%	Decre
		Durations 21 - 116	2%	-100%	2%	-100%	Decre
		•Utilization rates	20%	-50%	20%	-50%	Increa
		•Withdrawal rates	0%	-20%	0%	-40%	(16)
		•Long-term equity volatilities	7.30%	-33%	9.14%	-40%	Increa
		•Nonperformance risk spread	(0.16)%	-0.77%	(1.08)%	-0.83%	Decre

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8. Fair Value (continued)

(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.
(6) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.
(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is 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.
(8) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a range of correlation factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolation will increase (decrease) the significance of the change in valuations.
(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with significant unobservable inputs are primarily comprised of written credit default swaps.
(10) At both September 30, 2014 and December 31, 2013, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.
(11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a range of inputs across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable input used in the valuation.
(12) 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.
(15) 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, the amount by which the guaranteed amount is greater than the account value, the contract’s withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(16)

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

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

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8. Fair Value (continued)

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

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, 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	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended September 30, 2014								
Balance, beginning of period	$7,369	$ 6,612	$ 1,672	$ 320	$3,945	$595	$3,786	$ 35
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	2	7	4	—	11	2	1	—
Net investment gains (losses)	(1)	(5)	—	—	—	(13)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	14	(179)	(32)	—	28	9	(5)	(1)
Purchases (3)	645	449	114	—	708	58	1,164	—
Sales (3)	(198)	(145)	(29)	—	(340)	(64)	(177)	(7)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	10	124	167	—	—	62	74	—
Transfers out of Level 3 (4)	(501)	(630)	(618)	(320)	(346)	(15)	(1,564)	(23)
Balance, end of period	$7,340	$ 6,233	$ 1,278	$ —	$4,006	$634	$3,279	$ 4
Changes in unrealized gains (losses) included in net income (loss): (5)								

Net investment income	$2	$7	$4	$—	$10	$—	$1	$—
Net investment gains (losses)	$—	$—	$—	$—	$—	$(13)	$—	$—
Net derivative gains (losses)	$—	$—	$—	$—	$—	$—	$—	$—
Policyholder benefits and claims	$—	$—	$—	$—	$—	$—	$—	$—

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8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities		FVO and Trading Securities					Mortgage Loans	
	Common Stock	Non-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	Mortgage Loans Held-for-sale
	(In millions)								
Three Months Ended September 30, 2014									
Balance, beginning of period	$186	$ 263	$20	$ 109	$ 571	$ 11	$ 246	$367	$ —
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	(4)	(22)	—	1	4	—
Net investment gains (losses)	—	2	—	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—	—
OCI	(37)	(5)	—	—	—	—	—	—	—
Purchases (3)	3	—	3	—	169	—	114	3	—
Sales (3)	(10)	(13)	(15)	(6)	(288)	—	(131)	(63)	—
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(13)	—
Transfers into Level 3 (4)	1	—	—	—	89	1	—	—	—
Transfers out of Level 3 (4)	(42)	—	—	—	(31)	—	(75)	—	—
Balance, end of period	$101	$ 247	$8	$ 99	$ 488	$ 12	$ 155	$298	$ —
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$ —	$ (16)	$—	$ 1	$4	$ —
Net investment gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$ —
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$ —
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$ —

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8. 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
	(In millions)						
Three Months Ended September 30, 2014							
Balance, beginning of period	$36	$(3)	$17	$(395)	$ 1,020	$1,691	$(15)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	30	(1)
Net derivative gains (losses)	(9)	(68)	(8)	50	(58)	—	—
Policyholder benefits and claims	—	—	—	(3)	32	—	—
OCI	20	2	—	2	102	—	—
Purchases (3)	—	—	—	—	—	117	—
Sales (3)	—	—	—	—	—	(129)	—
Issuances (3)	(2)	—	(1)	—	—	1	—
Settlements (3)	2	15	—	—	(231)	—	1
Transfers into Level 3 (4)	—	—	—	—	—	219	—
Transfers out of Level 3 (4)	—	—	—	—	—	(38)	—
Balance, end of period	$47	$(54)	$8	$(346)	$ 865	$1,891	$(15)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$ —	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—	$(1)
Net derivative gains (losses)	$1	$(52)	$(8)	$50	$ (65)	$—	$—
Policyholder benefits and claims	$—	$—	$—	$(3)	$ 31	$—	$—

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MetLife, Inc.
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8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Three Months Ended September 30, 2013								
Balance, beginning of period	$5,918	$ 6,008	$ 1,971	$ 82	$2,735	$1,050	$3,758	$ 41
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	3	5	(6)	—	9	4	3	—
Net investment gains (losses)	4	(14)	2	—	1	(1)	5	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	(32)	71	(42)	—	(16)	22	(4)	—
Purchases (3)	297	684	209	—	563	305	636	—
Sales (3)	(249)	(273)	(61)	(2)	(138)	(71)	(309)	(1)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	117	173	68	—	—	—	—	—
Transfers out of Level 3 (4)	(172)	(390)	(78)	(15)	(136)	(133)	(26)	(24)
Balance, end of period	$5,886	$ 6,264	$ 2,063	$ 65	$3,018	$1,176	$4,063	$ 16
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$2	$ 5	$ (6)	$ —	$9	$4	$3	$ —
Net investment gains (losses)	$—	$ (3)	$ —	$ —	$—	$—	$—	$ —
Net derivative gains (losses)	$—	$ —	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$ —	$ —	$ —	$—	$—	$—	$ —

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MetLife, Inc.
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8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities		FVO and Trading Securities					Mortgage Loans	
	Common Stock	Non-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	Mortgage Loans Held-for-sale
	(In millions)								
Three Months Ended September 30, 2013									
Balance, beginning of period	$183	$ 408	$11	$ 46	$ 593	$—	$ 344	$150	$—
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	1	(43)	—	3	(2)	—
Net investment gains (losses)	1	(4)	—	—	—	—	(2)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—	—
OCI	6	11	—	—	—	—	7	—	—
Purchases (3)	6	52	6	—	308	—	106	67	—
Sales (3)	(11)	(42)	(1)	—	(232)	—	(266)	—	—
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(3)	—
Transfers into Level 3 (4)	1	—	—	—	—	—	—	—	—
Transfers out of Level 3 (4)	(1)	(20)	(5)	—	(20)	—	—	—	—
Balance, end of period	$185	$ 405	$11	$ 47	$ 606	$—	$ 192	$212	$—
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$ 1	$ (1)	$—	$ 2	$(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)

8. 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
	(In millions)						
Three Months Ended September 30, 2013							
Balance, beginning of period	$98	$6	$25	$(171)	$(678)	$1,225	$(31)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	4	—
Net derivative gains (losses)	5	3	3	(85)	888	—	—
Policyholder benefits and claims	—	—	—	5	(30)	—	—
OCI	(11)	—	(1)	—	(16)	—	—
Purchases (3)	—	—	—	—	—	106	—
Sales (3)	—	—	—	—	—	(84)	—
Issuances (3)	—	—	—	—	—	51	—
Settlements (3)	(47)	1	4	—	(217)	(2)	5
Transfers into Level 3 (4)	—	—	—	—	—	162	—
Transfers out of Level 3 (4)	—	(1)	—	—	—	(45)	—
Balance, end of period	$45	$9	$31	$(251)	$(53)	$1,417	$(26)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$—	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$—	$—	$—
Net derivative gains (losses)	$5	$6	$3	$(86)	$882	$—	$—
Policyholder benefits and claims	$—	$—	$—	$6	$(29)	$—	$—

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Nine Months Ended September 30, 2014								
Balance, beginning of period	$7,148	$ 6,704	$ 2,235	$ 62	$2,957	$972	$4,210	$ 10
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	7	16	106	—	34	2	6	—
Net investment gains (losses)	(6)	(8)	(4)	—	8	(14)	(39)	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	276	277	(104)	—	96	(21)	56	—
Purchases (3)	1,213	893	265	—	1,278	133	2,369	—
Sales (3)	(746)	(516)	(160)	—	(443)	(270)	(793)	—
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	261	281	189	—	146	73	37	4
Transfers out of Level 3 (4)	(813)	(1,414)	(1,249)	(62)	(70)	(241)	(2,567)	(10)
Balance, end of period	$7,340	$ 6,233	$ 1,278	$ —	$4,006	$634	$3,279	$ 4
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$4	$ 15	$ 7	$ —	$34	$(1)	$2	$ —
Net investment gains (losses)	$(7)	$ (2)	$ —	$ —	$(1)	$(13)	$—	$ —
Net derivative gains (losses)	$—	$ —	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$ —	$ —	$ —	$—	$—	$—	$ —

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities		FVO and Trading Securities						
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Mortgage Loans Residential Mortgage Loans - FVO	Mortgage Loans Held-for-sale
	(In millions)								
Nine Months Ended September 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	—	—	—	7	6	—	3	15	—
Net investment gains (losses)	13	4	—	—	—	—	(2)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—	—
OCI	(78)	6	—	—	—	—	(1)	—	—
Purchases (3)	28	—	8	—	290	—	126	49	—
Sales (3)	(40)	(58)	(7)	(6)	(449)	(2)	(205)	(78)	—
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(26)	—
Transfers into Level 3 (4)	1	—	—	69	60	14	—	—	—
Transfers out of Level 3 (4)	—	(100)	(5)	—	(22)	—	(20)	—	—
Balance, end of period	$101	$ 247	$8	$ 99	$ 488	$12	$ 155	$298	$—
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$ 11	$ —	$—	$ 1	$15	$—
Net investment gains (losses)	$(2)	$ (3)	$—	$ —	$ —	$—	$ —	$—	$—
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$—
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$—	$—

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MetLife, Inc.
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8. 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
	(In millions)						
Nine Months Ended September 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)	—	—	—	—	—	99	(1)
Net derivative gains (losses)	16	(59)	(17)	(39)	102	—	—
Policyholder benefits and claims	—	—	—	4	55	—	—
OCI	69	2	—	2	78	—	—
Purchases (3)	—	—	—	4	—	510	—
Sales (3)	—	—	—	—	—	(337)	—
Issuances (3)	(2)	—	(4)	—	—	82	—
Settlements (3)	(49)	14	—	—	(628)	(28)	14
Transfers into Level 3 (4)	—	—	—	—	—	147	—
Transfers out of Level 3 (4)	—	—	—	—	—	(47)	—
Balance, end of period	$47	$(54)	$8	$(346)	$ 865	$1,891	$ (15)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$ —	$—	$ —
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—	$ (1)
Net derivative gains (losses)	$1	$(45)	$(15)	$(38)	$ 103	$—	$ —
Policyholder benefits and claims	$—	$—	$—	$4	$ 55	$—	$ —

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities							
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS	State and Political Subdivision
	(In millions)							
Nine Months Ended September 30, 2013								
Balance, beginning of period	$7,433	$ 6,208	$ 1,814	$ 71	$2,037	$1,147	$3,656	$ 54
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	10	11	3	—	20	2	12	—
Net investment gains (losses)	(27)	(34)	8	—	4	(2)	5	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	(38)	(97)	(104)	(2)	108	(28)	(60)	(1)
Purchases (3)	824	1,364	551	—	1,155	549	1,510	1
Sales (3)	(907)	(714)	(105)	(4)	(242)	(339)	(651)	(6)
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	324	254	91	—	12	113	—	—
Transfers out of Level 3 (4)	(1,733)	(728)	(195)	—	(76)	(266)	(409)	(32)
Balance, end of period	$5,886	$ 6,264	$ 2,063	$ 65	$3,018	$1,176	$4,063	$ 16
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$9	$ 10	$ 3	$ —	$26	$2	$10	$ —
Net investment gains (losses)	$(34)	$ (3)	$ —	$ —	$(1)	$—	$—	$ —
Net derivative gains (losses)	$—	$ —	$ —	$ —	$—	$—	$—	$ —
Policyholder benefits and claims	$—	$ —	$ —	$ —	$—	$—	$—	$ —

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MetLife, Inc.
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8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)								
	Equity Securities		FVO and Trading Securities					Mortgage Loans	
	Common Stock	Non-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	Mortgage Loans Held-for-sale
	(In millions)								
Nine Months Ended September 30, 2013									
Balance, beginning of period	$190	$ 419	$6	$ 32	$ 937	$—	$ 429	$—	$ 49
Total realized/unrealized gains (losses) included in:									
Net income (loss): (1), (2)									
Net investment income	—	—	—	6	(12)	—	3	(2)	—
Net investment gains (losses)	2	(28)	—	—	—	—	(24)	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—	—
OCI	—	77	—	—	—	—	15	—	—
Purchases (3)	11	55	8	—	348	—	189	214	—
Sales (3)	(15)	(118)	—	(5)	(430)	—	(414)	—	(45)
Issuances (3)	—	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—	(4)
Transfers into Level 3 (4)	1	—	—	14	57	—	—	—	—
Transfers out of Level 3 (4)	(4)	—	(3)	—	(294)	—	(6)	—	—
Balance, end of period	$185	$ 405	$11	$ 47	$ 606	$—	$ 192	$212	$—
Changes in unrealized gains (losses) included in net income (loss): (5)									
Net investment income	$—	$ —	$—	$ 6	$ (5)	$—	$ 2	$(2)	$—
Net investment gains (losses)	$(1)	$ (17)	$—	$ —	$ —	$—	$ (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)

8. 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
	(In millions)						
Nine Months Ended September 30, 2013							
Balance, beginning of period	$177	$37	$43	$128	$(3,162)	$1,205	$(44)
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	25	(1)
Net derivative gains (losses)	(23)	(30)	(12)	(390)	3,609	—	—
Policyholder benefits and claims	—	—	—	15	(110)	—	—
OCI	(83)	—	—	(1)	193	—	—
Purchases (3)	—	—	—	4	—	249	—
Sales (3)	—	—	—	—	—	(223)	—
Issuances (3)	—	—	—	—	—	71	—
Settlements (3)	(27)	2	—	(7)	(583)	—	19
Transfers into Level 3 (4)	—	—	—	—	—	161	—
Transfers out of Level 3 (4)	1	—	—	—	—	(71)	—
Balance, end of period	$45	$9	$31	$(251)	$(53)	$1,417	$(26)
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$—	$—	$—	$—	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$—	$—	$(1)
Net derivative gains (losses)	$(14)	$(28)	$(11)	$(390)	$3,589	$—	$—
Policyholder benefits and claims	$—	$—	$—	$15	$(106)	$—	$—

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(1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities and mortgage loans held-for-sale are included in net investment gains (losses), while changes in estimated fair value of mortgage loans - FVO are included in net investment income. Lapses associated with net embedded derivatives are included in net derivative gains (losses).

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

(3) 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.

(4) 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.

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

(6) 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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8. 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 (1)		Certain Assets and Liabilities of CSEs — FVO (2)	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(In millions)			
Assets				
Unpaid principal balance	$438	$508	$257	$1,528
Difference between estimated fair value and unpaid principal balance	(140)	(170)	56	70
Carrying value at estimated fair value	$298	$338	$313	$1,598
Loans in non-accrual status	$109	$—	$—	$—
Loans more than 90 days past due	$74	$81	$—	$—
Loans in non-accrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance	$(82)	$(82)	$—	$—
Liabilities				
Contractual principal balance			$195	$1,445
Difference between estimated fair value and contractual principal balance			(9)	10
Carrying value at estimated fair value			$186	$1,455

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(1) Interest income, changes in estimated fair value and gains or losses on sales are recognized in net investment income. Changes in estimated fair value for these loans were due to the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$3	$—	$8	$—
Other changes in estimated fair value	1	(2)	5	(2)
Total gains (losses) recognized in net investment income	$4	$(2)	$13	$(2)

(2) 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.

8. Fair Value (continued)

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 September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013	2014	2013
	Carrying Value After Measurement (In millions)		Gains (Losses)			
Mortgage loans, net (1)	$106	$232	$4	$(4)	$3	$13
Other limited partnership interests (2)	$92	$70	$(14)	$—	$(51)	$(39)
Real estate joint ventures (3)	$—	$3	$(1)	$—	$(1)	$(2)

(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 September 30, 2014 and 2013 were not significant.

(3) 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 several real estate funds that typically invest primarily in commercial real estate and mezzanine debt. 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 one to 10 years. Unfunded commitments for these investments at both September 30, 2014 and 2013 were not significant.

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.

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8. Fair Value (continued)

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

	September 30, 2014				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$57,427	$—	$—	$60,226	$60,226
Policy loans	$11,756	$—	$1,684	$11,744	$13,428
Real estate joint ventures	$83	$—	$—	$162	$162
Other limited partnership interests	$774	$—	$—	$1,047	$1,047
Other invested assets	$603	$202	$74	$327	$603
Premiums, reinsurance and other receivables	$3,726	$—	$1,380	$2,402	$3,782
Other assets	$710	$—	$626	$74	$700
Liabilities					
PABs	$139,278	$—	$—	$145,619	$145,619
Long-term debt	$16,174	$—	$18,042	$—	$18,042
Collateral financing arrangements	$4,196	$—	$—	$3,993	$3,993
Junior subordinated debt securities	$3,193	$—	$4,176	$—	$4,176
Other liabilities	$6,274	$—	$4,981	$1,294	$6,275
Separate account liabilities	$119,328	$—	$119,328	$—	$119,328

	December 31, 2013				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$55,770	$—	$—	$57,924	$57,924
Policy loans	$11,764	$—	$1,694	$11,512	$13,206
Real estate joint ventures	$102	$—	$—	$169	$169
Other limited partnership interests	$950	$—	$—	$1,109	$1,109
Other invested assets	$844	$322	$163	$359	$844
Premiums, reinsurance and other receivables	$3,116	$—	$728	$2,382	$3,110
Other assets	$324	$—	$210	$142	$352
Liabilities					
PABs	$139,735	$—	$—	$144,631	$144,631
Long-term debt	$17,170	$—	$18,564	$—	$18,564
Collateral financing arrangements	$4,196	$—	$—	$3,984	$3,984
Junior subordinated debt securities	$3,193	$—	$3,789	$—	$3,789
Other liabilities	$2,239	$—	$948	$1,292	$2,240

Separate account liabilities	$117,562	$—	$117,562	$—	$117,562

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8. 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.

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 2013 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.

8. Fair Value (continued)

PABs
These PABs 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. 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 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.

9. Long-term Debt

Senior Notes

In April 2014, MetLife, Inc. issued $1.0 billion of senior notes due in April 2024 which bear interest at a fixed rate of 3.60%, payable semi-annually. In May 2014, MetLife, Inc. redeemed $200 million aggregate principal amount of its 5.875% senior notes due in November 2033 at par.

See Note 15 for information about the remarketing of senior debt securities in October 2014.

Credit Facilities

In May 2014, MetLife, Inc. and MetLife Funding, Inc. entered into a $4.0 billion five-year unsecured credit agreement, which amended and restated both the five-year $3.0 billion and the five-year $1.0 billion unsecured credit agreements in their entireties into a single agreement (the "2014 Five-Year Credit Agreement"). The facility made available by the 2014 Five-Year Credit Agreement may be used for general corporate purposes (including in the case of loans, to back up commercial paper and, in the case of letters of credit, to support variable annuity policy and reinsurance reserve requirements). All borrowings under the 2014 Five-Year Credit Agreement must be repaid by May 30, 2019, except that letters of credit outstanding on that date may remain outstanding until no later than May 30, 2020. MetLife, Inc. incurred costs of $6 million related to the 2014 Five-Year Credit Agreement, which were capitalized and included in other assets. These costs are being amortized over the remaining term of the 2014 Five-Year Credit Agreement.

10. Equity

Common Stock

In June 2014, MetLife, Inc. announced its plans to resume common stock repurchases and repurchase up to $1.0 billion of MetLife, Inc. common stock. It is utilizing existing authorizations from the MetLife, Inc. Board of Directors to repurchase its common stock. Under these 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 Securities Exchange Act of 1934 ("Exchange Act")) and in privately negotiated transactions.

During the nine months ended September 30, 2014, MetLife, Inc. repurchased 8,168,318 shares through open market purchases for $443 million. MetLife, Inc. did not repurchase shares during the nine months ended September 30, 2013.

At September 30, 2014, MetLife, Inc. had $818 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.

See Note 15 for information about issuances of common stock related to the settlement of stock purchase contracts in October 2014.

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 will be multiplied by a performance factor of 0.0 to 2.0 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.

For outstanding awards granted for the January 1, 2013 – December 31, 2015 and later performance periods, the vested Performance Shares and Performance Units will be multiplied by a performance factor of 0.00 to 1.75. 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.

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

10. Equity (continued)

Payout of 2011 – 2013 Performance Shares
Final Performance Shares are paid in shares of MetLife, Inc. common stock. The performance factor for the January 1, 2011 – December 31, 2013 performance period was 0.80. This factor has been applied to the 1,544,120 Performance Shares associated with that performance period that vested on December 31, 2013 and, as a result, 1,235,296 shares of MetLife, Inc.'s common stock (less withholding for taxes and other items, as applicable) were issued, aside from shares that payees choose to defer, in April 2014.
Payout of 2011 – 2013 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, 2011 – December 31, 2013 performance period was 0.80. This factor has been applied to the 98,060 Performance Units associated with that performance period that vested on December 31, 2013 and, as a result, the cash value of 78,448 units (less withholding for taxes and other items, as applicable) was paid in April 2014.

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

10. Equity (continued)

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

	Three Months Ended September 30, 2014				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$13,909	$476	$(1,739)	$(1,588)	$11,058
OCI before reclassifications	(56)	118	(264)	28	(174)
Deferred income tax benefit (expense)	130	(49)	(157)	(9)	(85)
OCI before reclassifications, net of income tax	13,983	545	(2,160)	(1,569)	10,799
Amounts reclassified from AOCI	(214)	471	—	45	302
Deferred income tax benefit (expense)	62	(158)	—	(13)	(109)
Amounts reclassified from AOCI, net of income tax	(152)	313	—	32	193
Sale of subsidiary (2)	—	—	—	—	—
Deferred income tax benefit (expense)	—	—	—	—	—
Sale of subsidiary, net of income tax	—	—	—	—	—
Balance, end of period	$13,831	$858	$(2,160)	$(1,537)	$10,992

	Three Months Ended September 30, 2013				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$9,709	$734	$(1,825)	$(2,416)	$6,202
OCI before reclassifications	(1,437)	(287)	107	(1)	(1,618)
Deferred income tax benefit (expense)	377	103	100	—	580
OCI before reclassifications, net of income tax	8,649	550	(1,618)	(2,417)	5,164
Amounts reclassified from AOCI	95	(224)	—	54	(75)
Deferred income tax benefit (expense)	(40)	70	—	(19)	11
Amounts reclassified from AOCI, net of income tax	55	(154)	—	35	(64)
Balance, end of period	$8,704	$396	$(1,618)	$(2,382)	$5,100

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

10. Equity (continued)

	Nine Months Ended September 30, 2014				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$8,183	$231	$(1,659)	$(1,651)	$5,104
OCI before reclassifications	9,126	614	(486)	34	9,288
Deferred income tax benefit (expense)	(2,851)	(210)	(71)	(11)	(3,143)
OCI before reclassifications, net of income tax	14,458	635	(2,216)	(1,628)	11,249
Amounts reclassified from AOCI	(563)	337	77	136	(13)
Deferred income tax benefit (expense)	176	(114)	(27)	(45)	(10)
Amounts reclassified from AOCI, net of income tax	(387)	223	50	91	(23)
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	$13,831	$858	$(2,160)	$(1,537)	$10,992

	Nine Months Ended September 30, 2013				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$13,590	$829	$(533)	$(2,489)	$11,397
OCI before reclassifications	(6,931)	(660)	(1,123)	1	(8,713)
Deferred income tax benefit (expense)	2,296	221	38	—	2,555
OCI before reclassifications, net of income tax	8,955	390	(1,618)	(2,488)	5,239
Amounts reclassified from AOCI	(374)	10	—	161	(203)
Deferred income tax benefit (expense)	123	(4)	—	(55)	64
Amounts reclassified from AOCI, net of income tax	(251)	6	—	106	(139)
Balance, end of period	$8,704	$396	$(1,618)	$(2,382)	$5,100

(1) See Note 6 for information on offsets to investments related to insurance liabilities, DAC and VOBA and the policyholder dividend obligation.
(2) See Note 3.

10. Equity (continued)

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

AOCI Components	Amounts Reclassified from AOCI				Statement of Operations and Comprehensive Income (Loss) Location
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
	(In millions)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	$181	$(96)	$375	$365	Net investment gains (losses)
Net unrealized investment gains (losses)	14	22	99	65	Net investment income
Net unrealized investment gains (losses)	33	—	105	—	Net derivative gains (losses)
OTTI	(14)	(21)	(16)	(56)	Net investment gains (losses)
Net unrealized investment gains (losses), before income tax	214	(95)	563	374	
Income tax (expense) benefit	(62)	40	(176)	(123)	
Net unrealized investment gains (losses), net of income tax	152	(55)	387	251	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate swaps	1	3	28	17	Net derivative gains (losses)
Interest rate swaps	3	2	7	6	Net investment income
Interest rate forwards	(10)	2	(8)	8	Net derivative gains (losses)
Interest rate forwards	—	1	2	2	Net investment income
Interest rate forwards	1	(1)	2	(2)	Other expenses
Foreign currency swaps	(466)	216	(368)	(41)	Net derivative gains (losses)
Foreign currency swaps	(1)	—	(2)	(2)	Net investment income
Foreign currency swaps	—	1	1	1	Other expenses
Credit forwards	1	—	1	1	Net investment income
Gains (losses) on cash flow hedges, before income tax	(471)	224	(337)	(10)	
Income tax (expense) benefit	158	(70)	114	4	
Gains (losses) on cash flow hedges, net of income tax	(313)	154	(223)	(6)	
Foreign translation adjustment	—	—	(77)	—	Net investment gains (losses)
Income tax (expense) benefit	—	—	27	—	
Foreign translation adjustment, net of income tax	—	—	(50)	—	
Defined benefit plans adjustment: (1)					
Amortization of net actuarial gains (losses)	(45)	(71)	(136)	(212)	
Amortization of prior service (costs) credit	—	17	—	51	
Amortization of defined benefit plan items, before income tax	(45)	(54)	(136)	(161)	

Income tax (expense) benefit	13	19	45	55
Amortization of defined benefit plan items, net of income tax	(32)	(35)	(91)	(106)
Total reclassifications, net of income tax	$(193)	$64	$23	$139

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(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 12.

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

11. Other Expenses

Information on other expenses was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Compensation	$1,221	$1,310	$3,636	$3,828
Pension, postretirement and postemployment benefit costs	131	122	368	367
Commissions	1,294	1,309	3,884	4,084
Volume-related costs	227	239	639	618
Capitalization of DAC	(1,071)	(1,153)	(3,149)	(3,621)
Amortization of DAC and VOBA	1,054	841	3,174	2,623
Amortization of negative VOBA	(107)	(126)	(333)	(410)
Interest expense on debt	295	317	919	959
Premium taxes, licenses and fees	192	173	612	498
Professional services	348	349	1,035	976
Rent and related expenses, net of sublease income	95	89	273	283
Other	539	507	1,545	1,935
Total other expenses	$4,218	$3,977	$12,603	$12,140

Restructuring Charges

The Company commenced in 2012 an enterprise-wide strategic initiative. This global strategy focuses on leveraging the Company's scale to improve the value it provides to customers and shareholders in order to reduce costs, enhance revenues, achieve efficiencies and reinvest in its technology, platforms and functionality to improve its current operations and develop new capabilities. These restructuring charges are included in other expenses. As the expenses relate to an enterprise-wide initiative, they are reported in Corporate & Other. Estimated restructuring costs may change as management continues to execute this enterprise-wide strategic initiative. Such restructuring charges were as follows:

	Three Months Ended September 30,					
	2014			2013		
	Severance	Lease and Asset Impairment	Total	Severance	Lease and Asset Impairment	Total
	(In millions)					
Balance, beginning of period	$16	$7	$23	$12	$9	$21
Restructuring charges	20	2	22	14	2	16
Cash payments	(22)	(2)	(24)	(13)	(4)	(17)
Balance, end of period	$14	$7	$21	$13	$7	$20

	Nine Months Ended September 30,					
	2014			2013		
	Severance	Lease and Asset	Total	Severance	Lease and Asset	Total

		Impairment			Impairment	
	(In millions)					
Balance, beginning of period	$40	$6	$46	$23	$—	$23
Restructuring charges	46	7	53	51	14	65
Cash payments	(72)	(6)	(78)	(61)	(7)	(68)
Balance, end of period	$14	$7	$21	$13	$7	$20
Total restructuring charges incurred since inception of initiative	$287	$41	$328	$192	$32	$224

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MetLife, Inc.
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11. Other Expenses (continued)

Management anticipates further restructuring charges including severance, as well as lease and asset impairments, through the year ending December 31, 2016. However, such restructuring plans were not sufficiently developed to enable management to make an estimate of such restructuring charges at September 30, 2014.

12. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of MetLife, Inc. (the "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. The 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 September 30,							
	2014				2013			
	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	$50	$17	$3	$—	$59	$16	$5	$—
Interest costs	109	3	23	1	98	4	23	1
Settlement and curtailment costs	14	—	—	—	—	—	—	—
Expected return on plan assets	(119)	(2)	(19)	—	(121)	(2)	(18)	(1)
Amortization of net actuarial (gains) losses	42	—	3	—	57	—	14	—
Amortization of prior service costs (credit)	—	—	—	—	2	—	(19)	—
Net periodic benefit costs	$96	$18	$10	$1	$95	$18	$5	$—

	Nine Months Ended September 30,							
	2014				2013			
	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	$150	$51	$10	$1	$177	$50	$15	$1
Interest costs	327	10	69	2	292	11	69	2
Settlement and curtailment costs	14	—	—	—	—	—	—	—
Expected return on plan assets	(356)	(6)	(56)	(1)	(363)	(5)	(56)	(1)

Amortization of net actuarial (gains) losses	127	—	9	—	171	—	41	—
Amortization of prior service costs (credit)	1	—	(1)	—	5	—	(56)	—
Net periodic benefit costs	$263	$55	$31	$2	$282	$56	$13	$2

As disclosed in Note 18 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report, no contributions are required to be made to the Subsidiaries' U.S. qualified pension plans during 2014; however, during the nine months ended September 30, 2014, $303 million of discretionary contributions were made by the Subsidiaries to those plans.

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

13. 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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions, except share and per share data)			
Weighted Average Shares				
Weighted average common stock outstanding for basic earnings per common share	1,125,165,772	1,104,892,638	1,126,280,770	1,099,496,305
Incremental common shares from assumed:				
Stock purchase contracts underlying common equity units	4,572,193	1,886,275	3,904,760	628,758
Exercise or issuance of stock-based awards	11,308,766	10,517,925	10,662,053	8,756,239
Weighted average common stock outstanding for diluted earnings per common share	1,141,046,731	1,117,296,838	1,140,847,583	1,108,881,302
Income (Loss) from Continuing Operations				
Income (loss) from continuing operations, net of income tax	$2,094	$973	$4,812	$2,476
Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests	—	3	21	17
Less: Preferred stock dividends	30	30	91	91
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	$2,064	$940	$4,700	$2,368
Basic	$1.83	$0.85	$4.17	$2.15
Diluted	$1.81	$0.84	$4.12	$2.14
Income (Loss) from Discontinued Operations				
Income (loss) from discontinued operations, net of income tax	$—	$2	$(3)	$1
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	$—	$2	$(3)	$1
Basic	$—	$—	$—	$—
Diluted	$—	$—	$—	$—
Net Income (Loss)				
Net income (loss)	$2,094	$975	$4,809	$2,477
Less: Net income (loss) attributable to noncontrolling interests	—	3	21	17
Less: Preferred stock dividends	30	30	91	91
Net income (loss) available to MetLife, Inc.'s common shareholders	$2,064	$942	$4,697	$2,369
Basic	$1.83	$0.85	$4.17	$2.15
Diluted	$1.81	$0.84	$4.12	$2.14

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14. 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 September 30, 2014. 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 September 30, 2014, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $390 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.

14. 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 2013 Annual Report, MLIC received approximately 5,898 asbestos-related claims in 2013. During the nine months ended September 30, 2014 and 2013, MLIC received approximately 3,641 and 4,256 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for historical information concerning asbestos claims and MLIC's increase in its recorded liability at December 31, 2013. 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.

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.

14. Contingencies, Commitments and Guarantees (continued)

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 September 30, 2014.

Regulatory Matters

The Company receives and responds to subpoenas or other inquiries from regulators in the United States, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the U.S. Securities and Exchange Commission (the “SEC”); federal governmental authorities, including congressional committees; 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. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for information regarding the exiting of the MetLife Bank businesses. 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. MetLife Bank has met with the U.S. Department of Justice to discuss the allegations and possible resolution of the FHA False Claims Act investigation. The Company believes that, although the matter may settle for an amount that could exceed the current accrued liability, the estimated amount of any such potential additional liability is included in the aggregate estimate of reasonably possible loss provided above, and the Company believes that any such potential additional amount would not have a material impact on the Company’s 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.

14. 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 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 Life Insurance Company) 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 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 these 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 allows the Company, through an authorized insurer, to continue activities in New York related to its global employee benefits business through June 30, 2015. The Company is seeking legislation to allow for such activities beyond that date. 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, MICC, New England Life Insurance Company ("NELICO"), General American Life Insurance Company ("GALIC"), MetLife Securities, Inc. and New England Securities Corporation. 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
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 the Company 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 MLI USA, NELICO, MICC and GALIC, respectively. On December 30, 2013, the court granted defendants' motions to dismiss all of the West Virginia Treasurer's actions. The Treasurer has filed a notice to appeal the dismissal order.

Total Asset Recovery Services, LLC on behalf of the State of Florida v. MetLife, Inc., et. al. (Cir. Ct. Leon County, FL, filed October 27, 2010)

Alleging that MLIC violated the Florida Disposition of Unclaimed Property law by failing to escheat to Florida benefits of 9,022 life insurance contracts, Total Asset Recovery Services, LLC ("Relator") brought an action under the Florida False Claims Act seeking to recover damages on behalf of Florida. The Relator alleged that the aggregate damages attributable to MLIC, including statutory damages and treble damages, were $767 million. On August 20, 2013, the court granted MLIC's motion to dismiss the action. On September 19, 2014, the District Court of Appeal affirmed the decision granting the dismissal.

14. 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 executive officers of MetLife, Inc. violated the Securities Act of 1933, as well as the Exchange Act 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. (N.D. Alabama, filed in state court on July 5, 2012 and removed to federal court on August 3, 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 of 1933 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. Defendants removed this action to federal court, and plaintiff has moved to remand the action to state court. The magistrate judge recommended granting the motion to remand to state court and the defendants have objected to that recommendation. The defendants intend to defend this action vigorously.
Derivative Actions and Demands
Seeking to sue derivatively on behalf of MetLife, Inc., four 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 state court actions (Fishbaum v. Kandarian, et al. (Sup. Ct., New York County, filed January 27, 2012) and Batchelder v. Burwell, et al. (Sup. Ct., New York County, filed March 6, 2012)), have been consolidated under the caption In re: MetLife Shareholder Derivative Action. On January 22, 2014, the state court issued an order granting defendants' motion to dismiss on the basis that plaintiffs had not established that their failure to make the required pre-suit demand to the Board of Directors should be excused. On May 16, 2014, the state court denied plaintiffs' motion for leave to reargue the January 22, 2014 order, granting defendants' motion to dismiss. The two actions filed in federal court (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 this action vigorously.
Total Control Accounts Litigation
MLIC is a defendant in lawsuits related to its use of retained asset accounts, known as Total Control Accounts ("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. Plaintiffs have appealed that decision to the United States Court of Appeals for the Ninth Circuit.
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.

14. Contingencies, Commitments and Guarantees (continued)

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 September 26, 2012, the court denied MLIC's motion to dismiss the complaint. The trial has been scheduled for February 2015.

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.

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. MLIC has agreed to pay up to $23 million to resolve claims as to fax ads sent between August 23, 2008 and the date of the court's preliminary approval of the settlement. Following this agreement, the Fauley case was filed in Illinois, seeking certification of a nationwide class of plaintiffs and the C-Mart and Cadenasso cases were voluntarily dismissed. In August 2014, the Fauley court preliminarily approved the settlement, certified a nationwide settlement class, and scheduled the final approval hearing for November 2014.

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 vigorously defend 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.

14. Contingencies, Commitments and Guarantees (continued)

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.

Commitments

Mortgage Loan Commitments

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $4.0 billion and $3.4 billion at September 30, 2014 and December 31, 2013, respectively.

Commitments to Fund Partnerships 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 $5.0 billion and $5.3 billion at September 30, 2014 and December 31, 2013, respectively.

15. Subsequent Events

Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts

In October 2014, MetLife, Inc. closed the successful remarketing of the Series E portion of the senior debt securities underlying common equity units issued in November 2010 in connection with the acquisition of American Life and DelAm, (collectively, ALICO). The Series E senior debt securities were remarketed as 1.903% Series E senior debt securities Tranche 1 and 4.721% Series E senior debt securities Tranche 2, which are due December 2017 and 2044, respectively. MetLife, Inc. did not receive any proceeds from the remarketing. Most common equity unit holders used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. The subsequent settlement of the stock purchase contracts provided proceeds to MetLife, Inc. of $1.0 billion in exchange for shares of MetLife, Inc.'s common stock. MetLife, Inc. delivered 22,907,960 shares of its newly issued common stock to settle the stock purchase contracts. See Notes 12 and 15 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for additional information.

Common Stock Dividend

On October 28, 2014, MetLife, Inc.'s Board of Directors declared a fourth quarter 2014 common stock dividend of $0.35 per share payable on December 12, 2014 to shareholders of record as of November 7, 2014. The Company estimates the aggregate dividend payment to be $399 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
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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 corporatio 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, 2013 (the "2013 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.

Executive Summary

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, which includes MetLife Home Loans LLC ("MLHL"), the surviving, non-bank entity of the merger of MetLife Bank, National Association ("MetLife Bank") with and into MLHL. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for information regarding the Company's exit from the MetLife Bank businesses and other business activities. 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 for further information on the Company's segments and Corporate & Other.

Certain international subsidiaries have a fiscal year cutoff of November 30. Accordingly, the Company's interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of August 31, 2014 and November 30, 2013 and the operating results of such subsidiaries for the three months and nine months ended August 31, 2014 and 2013. The Company is in the process of converting to calendar year reporting for these subsidiaries. We expect to substantially complete these conversions by 2016. Amounts relating to the conversions to date have been de minimis and, therefore, have been reported in net income in the quarter of conversion.

In the first quarter of 2014, the Company entered into a definitive agreement to sell its wholly-owned subsidiary, MetLife Assurance Limited ("MAL") and, as a result, began reporting the operations of MAL as divested business. The sale of MAL was completed in May 2014. See Note 3 of the Notes to the Interim Condensed Consolidated Financial

Statements. Consequently, the results for Corporate Benefit Funding decreased by $2 million, net of $0 of income tax, and $11 million, net of $5 million of income tax, for the three months and nine months ended September 30, 2013, respectively. Also, the results for Corporate & Other decreased by $3 million, net of $2 million of income tax, and $10 million, net of $6 million of income tax, for the three months and nine months ended September 30, 2013, respectively.

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In October 2013, MetLife, Inc. completed its previously announced acquisition of Administradora de Fondos de Pensiones Provida S.A. ("ProVida"), the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of ProVida supports the Company's growth strategy in emerging markets and further strengthens the Company's overall position in Chile. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for further information on the acquisition of ProVida.

MetLife Insurance Company of Connecticut ("MICC") received all regulatory approvals to merge three U.S.-based life insurance companies and a former offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company (the "Mergers"). The Mergers are expected to occur in the fourth quarter of 2014. The companies to be merged are MICC, MetLife Investors USA Insurance Company and MetLife Investors Insurance Company, each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. ("Exeter"), a reinsurance company that mainly reinsures guarantees associated with variable annuity products. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. In October 2014, MICC received regulatory approval from the Connecticut Insurance Department and the Delaware Department of Insurance to re-domesticate from Connecticut to Delaware immediately prior to the Mergers. Exeter, formerly a Cayman Islands company, was re-domesticated to Delaware in October 2013. Effective January 1, 2014, following receipt of New York State Department of Financial Services (the "Department of Financial Services") approval, MICC withdrew its license to issue insurance policies and annuity contracts in New York. Also effective January 1, 2014, MICC reinsured with an affiliate all existing New York insurance policies and annuity contracts that include a separate account feature and deposited investments with an estimated fair market value of $6.3 billion into a custodial account to secure MICC's remaining New York policyholder liabilities not covered by such reinsurance.

The Mergers (i) may mitigate to some degree the impact of any restrictions on the use of captive reinsurers that could be adopted by the Department of Financial Services or other state insurance regulators by reducing our exposure to and use of captive reinsurers; (ii) will reduce the reliance on MetLife, Inc. for cash to fund derivative collateral requirements; (iii) will increase transparency relative to our capital allocation and variable annuity risk management; and (iv) may impact the aggregate amount of dividends permitted to be paid without insurance regulatory approval. See "— Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries," " Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Uses — Affiliated Capital Transactions" and Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements included herein for further information on the Mergers, and see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Insurance Regulatory Examinations" included in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions" included in the 2013 Annual Report for information on our use of captive reinsurers.

Sales experience was mixed across our businesses for the three months ended September 30, 2014 as compared to the same period of 2013. As a result of our continued focus on pricing discipline and risk management, sales of our variable annuity and Japan life and accident & health products declined. Higher investment income was driven by growth in our investment portfolio, as well as improved yields, despite the sustained low interest rate environment. In addition, a strengthening of the U.S. dollar relative to other key currencies and changes in long-term interest rates resulted in derivative gains for the current period compared with losses in the prior period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Income (loss) from continuing operations, net of income tax	$2,094	$973	$4,812	$2,476
Less: Net investment gains (losses)	109	(85)	(427)	339
Less: Net derivative gains (losses)	478	(546)	1,132	(2,866)

Less: Other adjustments to continuing operations (1)	(146)	(465)	(923)	(1,294)
Less: Provision for income tax (expense) benefit	(202)	544	(38)	1,499
Operating earnings	1,855	1,525	5,068	4,798
Less: Preferred stock dividends	30	30	91	91
Operating earnings available to common shareholders	$1,825	$1,495	$4,977	$4,707

(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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Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

During the three months ended September 30, 2014, income (loss) from continuing operations, net of income tax, increased $1.1 billion over the prior period. The change was predominantly due to a favorable change in net derivative gains (losses) of $1.0 billion ($666 million, net of income tax) driven by the strengthening of the U.S. dollar relative to other key currencies and changes in interest rates. Also included in income (loss) from continuing operations, before provision for income tax, is a $262 million ($174 million, net of income tax) increase as a result of our annual assumption review related to reserves and DAC.

Operating earnings available to common shareholders increased $330 million over the prior period. This increase is the result of higher net investment income from portfolio growth and improved yields, despite the sustained low interest rate environment, higher asset-based fee revenues from business growth and a decline in expenses. A tax reform bill was enacted in Chile on September 29, 2014 which includes, among other things, a gradual increase in the corporate tax rate. Our Chile businesses, including ProVida, incurred a one-time tax charge of $41 million as a result of this legislation. Excluding the impact of this tax reform, the fourth quarter 2013 acquisition of ProVida in Chile increased operating earnings available to common shareholders by $54 million, net of income tax. Results for the current period also include a $32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return. Effective January 1, 2014, the Patient Protection and Affordable Care Act ("PPACA") mandated that an annual fee be imposed on health insurers. This fee, which was not deductible for income tax purposes, reduced operating earnings by $15 million in the current period. In addition, the prior period included a $57 million reserve strengthening in Australia.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

During the nine months ended September 30, 2014, income (loss) from continuing operations, net of income tax, increased $2.3 billion over the prior period. The change was predominantly due to a favorable change in net derivative gains (losses) of $4.0 billion ($2.6 billion, net of income tax) driven by changes in interest rates and foreign currency exchange rates. This was offset by an unfavorable change in net investment gains (losses) of $766 million ($498 million, net of income tax) primarily driven by a loss on the disposition of MAL. Also included in income (loss) from continuing operations, before provision for income tax, is a $262 million ($174 million, net of income tax) increase as a result of our annual assumption review related to reserves and DAC.

Operating earnings available to common shareholders increased $270 million over the prior period. This increase reflects higher net investment income from portfolio growth, higher asset-based fee revenues from continued strong equity market performance and a decrease in interest credited expense, partially offset by unfavorable mortality, morbidity and claims experience and a decrease in investment yields. Our results for the current period include charges totaling $57 million for a settlement with the Department of Financial Services and the District Attorney, New York County, in relation to their respective inquiries 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 the companies solicited, sold or negotiated insurance products in New York without a license. Our results for the current period also include a $56 million, net of income tax, favorable reserve adjustment related to disability premium waivers in our retail life business. Excluding the impact of the aforementioned tax reform, the fourth quarter 2013 acquisition of ProVida in Chile increased operating earnings available to common shareholders by $165 million, net of income tax. Results for the current period also include a $32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return. The PPACA fee, which was not deductible for income tax purposes, reduced operating earnings by $44 million in the current period. In addition, the prior period included a $57 million reserve strengthening in Australia.

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Consolidated Company Outlook

As part of an enterprise-wide strategic initiative, by 2016, we expect to increase our operating return on common equity, excluding accumulated other comprehensive income ("AOCI"), to the 12% to 14% range, driven by higher operating earnings. This target assumes 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. If we are unable to repurchase a sufficient amount of shares, we expect the range of our operating return on common equity, excluding AOCI, to be 11% to 13%. Also, as part of this initiative, we will leverage our scale to improve the value we provide to customers and shareholders in order to achieve $1 billion in efficiencies, $600 million of which is related to net pre-tax expense savings, and $400 million of which we expect to be primarily reinvested in our technology, platforms and functionality to improve our current operations and develop new capabilities. We also continue to shift our product mix toward protection products and away from more capital-intensive products, in order to generate more predictable operating earnings and cash flows, and improve our risk profile and free cash flow. Finally, we plan to grow our investment management business which provides asset management products and services to our customers.

We expect to achieve the 2016 target range on our operating return on common equity 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 of our multichannel distribution network.
- Expanding our presence in emerging markets, including potential merger and acquisition activity. We expect that by 2016, 20% or more of our operating earnings will come from emerging markets, with the acquisition of ProVida contributing to this increase.
- Focus on 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.
- Focus on expense management in the light of the low interest rate environment, and continued focus on expense control throughout the Company.
- Continued disciplined approach to investing and asset/liability management ("ALM"), through our enterprise risk and ALM governance process.

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 2013 Annual Report and in Part I, Item 2, of MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014.

We continue to be impacted by the unstable global financial and economic environment that has been affecting the industry.

Financial and Economic Environment

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. Global market factors, including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect the business and economic environment and, ultimately, the amount and profitability of our business. Disruptions in one market or asset class can also spread to other markets or asset classes. Upheavals in the financial markets can also affect our business through their effects on general levels of economic activity, employment and customer behavior. While our diversified business mix and geographically diverse business operations partially mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification. Financial markets have also been affected periodically by concerns over U.S. fiscal policy, although these concerns have abated since late 2013. However, unless long-term steps are taken to raise the debt ceiling and reduce the federal deficit, rating agencies have warned of the possibility of future downgrades of U.S. Treasury securities. These issues could, on their own, or combined with the possible slowing of the global economy generally, have severe repercussions to the U.S. and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and disrupt economic activity in the U.S. and elsewhere.

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”), 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. However, after several tumultuous years, 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. This, combined with greater European Central Bank (“ECB”) support and gradually improving macroeconomic conditions at the country level, has reduced the risk of default on the sovereign debt of certain countries in Europe’s perimeter region and the risk of possible withdrawal of one or more countries from the Euro zone. See “— Investments — Current Environment” for information regarding credit ratings downgrades, support programs for Europe’s perimeter region and our exposure to obligations of European governments and private obligors.

The financial markets have also been affected by concerns that other EU member states could experience similar financial troubles or that some 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 unlimited quantities 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 succeeded in reducing investor concerns over the possible withdrawal of one or more countries from the Euro zone and helped to lower sovereign yields in Europe’s perimeter region. However, in October 2014, the Court of Justice of the European Union heard arguments relating to a lawsuit challenging the legality of the OMT. While a decision is not expected until 2015, the outcome could affect the ECB’s plan to purchase sovereign bonds and undermine economic stability in Europe. See “— Impact of a Sustained Low Interest Rate Environment” for information regarding the accommodative monetary policy taken by the ECB, as well as countries outside the EU, including the U.S. and Japan. Economic growth in the Euro zone continues to be weak, with concerns over low inflation becoming more pronounced as countries in Europe’s perimeter region in particular continue to pursue policies to reduce their relative cost of production and reduce macroeconomic imbalances. In addition, concerns about the political and economic stability of countries in regions outside the EU, including Ukraine, Russia, Argentina and the Middle East, 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 2013 Annual Report. See also "— Investments — Current Environment — Selected Country Investments" for information regarding our investments in Ukraine, Russia, and Argentina.

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We face substantial exposure to the Japanese economy given our operations there. Despite some recovery in Gross Domestic Product ("GDP") growth and rising inflation over the last year, structural weaknesses and debt sustainability have yet to be addressed effectively, which leaves the economy vulnerable to further disruption. 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 announcement of a supplementary budget stimulus program totaling 2% of GDP and 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. While this was a positive step, the fiscal impact is likely to be neutral in the short term given the current stimulus spending package. 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 support spending. Despite continued weakness in the yen, inflation is not expected to rise materially given still weak GDP growth. Japan's public debt trajectory could continue to rise until a strategy to consolidate public finances and growth-enhancing reforms are implemented.

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 by keeping interest rates low and 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.

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 the current asset purchase program, decided to conclude the program. The end of the Federal Reserve Board's quantitative easing program could potentially increase U.S. interest rates from recent historically low levels, with uncertain impacts on U.S. risk markets, and may affect interest rates and risk markets in other developed and emerging economies. Even after the economy strengthens, the FOMC reaffirmed that it anticipates keeping the target range for the federal funds rate at 0 to 0.25% for a considerable time, subject to labor market conditions and inflation indicators and expectations.

Despite expectations for the end of the Federal Reserve Board's quantitative easing program and the potential for future raises in interest rates in the U.S., central banks in other parts of the world, including the ECB and the Bank of Japan, have pursued accommodative monetary policies. In June 2014, the ECB adopted an array of stimulus measures, including a negative rate on bank deposits. In September 2014, the ECB lowered its main lending rate and further reduced the negative rate on bank deposits. The ECB commenced a program to purchase covered bank bonds in October 2014 and plans to commence purchase of asset-backed securities in November 2014. These stimulus measures are intended to lessen the risk of a prolonged period of deflation and support economic recovery in the Euro zone, including Europe's perimeter region. The Bank of Japan is continuing the monetary easing program it introduced in April 2013. In October 2014, the Bank of Japan announced plans to further increase its purchases of government bonds. However, we cannot predict with certainty the effect of these programs and policies on interest rates or the impact on the pricing levels of risk-bearing investments at this time. See "— Investments — Current Environment."

In periods of declining interest rates, we may have to invest insurance cash flows and reinvest the cash flows we received as interest or return of principal on our investments in lower yielding instruments. Moreover, borrowers may prepay or redeem the fixed income securities, commercial, agricultural or residential mortgage loans and mortgage-backed securities in our investment portfolio with greater frequency in order to borrow at lower market rates. Therefore, some of our products expose us to the risk that a reduction in interest rates will reduce the difference between the amounts that we are required to credit on contracts in our general account and the rate of return we are

able to earn on investments intended to support obligations under these contracts. This difference between interest earned and interest credited, or margin, is a key metric for the management of, and reporting for, many of our businesses.

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Our expectations regarding future margins are an important component impacting the amortization of certain intangible assets such as deferred policy acquisition costs ("DAC") and value of business acquired ("VOBA"). Significantly lower margins may cause us to accelerate the amortization, thereby reducing net income in the affected reporting period. Additionally, lower margins may also impact the recoverability of intangible assets such as goodwill, require the establishment of additional liabilities or trigger loss recognition events on certain policyholder liabilities. We review this long-term margin assumption, along with other assumptions, as part of our annual assumption review.

Regulatory Developments

The U.S. life insurance industry is regulated primarily at the state level, with some products and services also subject to federal regulation. As life insurers introduce new and often more complex products, regulators refine capital requirements and introduce new reserving standards for the life insurance industry. Regulations recently adopted or currently under review can potentially impact the statutory reserve and capital requirements of the industry. In addition, regulators have undertaken market and sales practices reviews of several markets or products, including equity-indexed annuities, variable annuities and group products, as well as reviews of the utilization of affiliated captive reinsurers or offshore entities to reinsure insurance risks.

The regulation of the global financial services industry has received renewed scrutiny as a result of the disruptions in the financial markets. Significant regulatory reforms have been recently adopted and additional reforms proposed, and these or other reforms could be implemented. See "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" included elsewhere herein, as well as "Business — U.S. Regulation," "Business — International Regulation," "Risk Factors — Risks Related to Our Business — Our Statutory Life Insurance Reser 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 2013 Annual Report. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which was signed by President Obama in July 2010, effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank which are in various stages of implementation, many of which are not likely to be completed for some time.

U.S. Regulatory Developments

NAIC

The National Association of Insurance Commissioners ("NAIC") is an organization, the mission of which is to assist state insurance regulatory authorities in serving the public interest and achieving the insurance regulatory goals of its members, the state insurance regulatory officials. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer reviews, and coordinate their regulatory oversight. The NAIC provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the "Manual"). However, statutory accounting principles continue to be established by individual state laws, regulations and permitted practices. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of MetLife, Inc.'s U.S. insurance subsidiaries.

The NAIC currently has in place its "Solvency Modernization Initiative," which is designed to review the U.S. financial regulatory system and all aspects of financial regulation affecting insurance companies. Though broad in scope, the NAIC has stated that the Solvency Modernization Initiative will focus on: (1) capital requirements; (2) corporate governance and risk management; (3) group supervision; (4) statutory accounting and financial reporting; and (5) reinsurance. In furtherance of this initiative, the NAIC adopted the Corporate Governance Annual Filing Model Act and Regulation at its August 2014 meeting. The new model, which requires insurers to make an annual confidential filing regarding their corporate governance policies, is expected to become effective in 2016. In addition, in September 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act ("ORSA"), which has been or is expected to be enacted by our insurance subsidiaries' domiciliary states in the near future. ORSA requires that insurers maintain a risk management framework and conduct an internal own risk and solvency assessment of the insurer's material risks in normal and stressed environments. The assessment must be

documented in a confidential annual summary report, a copy of which must be made available to regulators as required or upon request. MetLife's first ORSA summary report, which will be submitted on behalf of the enterprise, must be prepared beginning in 2015.

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In December 2012, the NAIC approved a new valuation manual containing a principles-based approach to life insurance company reserves. Principles-based reserving is designed to better address reserving for products, including the current generation of products for which the current formulaic basis for reserve determination does not work effectively. The principles-based approach will not become effective unless it is enacted into law by a minimum number of state legislatures. Insurance commissioners of certain states oppose (e.g., New York) or do not actively support the principles-based reserve approach.

We cannot predict the additional capital requirements or compliance costs, if any, that may result from the above initiatives.

The NAIC adopted revisions to the NAIC Insurance Holding Company System Model Act and Insurance Holding Company System Model Regulation in December 2010. The revised models include a new requirement that the ultimate controlling person of a U.S. insurer file an annual enterprise risk report with the lead state of the insurer identifying risks likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. To date, several states where MetLife has domestic insurers have enacted a version of the revised NAIC model act, including the enterprise risk reporting requirement.

Regulation of Over-the-Counter Derivatives

Dodd-Frank includes a new framework of regulation of the over-the-counter ("OTC") derivatives markets which requires clearing of certain types of transactions currently traded OTC and imposes additional costs, including new reporting and margin requirements, and will likely impose additional regulation on the Company, including new capital requirements. Our costs of risk mitigation are increasing under Dodd-Frank. For example, Dodd-Frank imposes requirements, including the requirement to pledge initial margin (i) for "OTC-cleared" transactions (OTC derivatives that are cleared and settled through central clearing counterparties) entered into after June 10, 2013, and (ii) for "OTC-bilateral" transactions (OTC derivatives that are bilateral contracts between two counterparties) entered into after the phase-in period; these requirements would be applicable to us in 2019 if the Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation ("FDIC"), Farm Credit Administration and Federal Housing Finance Agency (collectively, the "Prudential Regulators"), U.S. Commodity Futures Trading Commission ("CFTC") and the U.S. Securities and Exchange Commission adopt the final margin requirements for non-centrally cleared derivatives published by the Bank of International Settlements and International Organization of Securities Commissions in September 2013 and re-proposed by the Prudential Regulators and CFTC in September 2014. These increased margin requirements, combined with restrictions on securities that will qualify as eligible collateral, will require increased holdings of cash and highly liquid securities with lower yields causing a reduction in income. Centralized clearing of certain OTC derivatives exposes us to the risk of a default by a clearing member or clearinghouse with respect to our cleared derivative transactions. We use derivatives to mitigate a wide range of risks in connection with our businesses, including the impact of increased benefit exposures from our annuity products that offer guaranteed benefits. We have always been subject to the risk that hedging and other management procedures might prove ineffective in reducing the risks to which insurance policies expose us or that unanticipated policyholder behavior or mortality, combined with adverse market events, could produce economic losses beyond the scope of the risk management techniques employed. Any such losses could be increased by higher costs of writing derivatives (including customized derivatives) and the reduced availability of customized derivatives that might result from the implementation of Dodd-Frank and comparable international derivatives regulations.

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Potential Regulation as a Non-Bank SIFI

On January 11, 2013, MetLife Bank and MetLife, Inc. completed the sale of the depository business of MetLife Bank to GE Capital Retail Bank. Subsequently, MetLife Bank terminated its deposit insurance and MetLife, Inc. deregistered as a bank holding company. Additionally, in August 2013, MetLife Bank merged with and into MLHL, a non-bank affiliate. As a result, MetLife, Inc. is no longer regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the Financial Stability Oversight Council ("FSOC") as a non-bank systemically important financial institution ("non-bank SIFI"), it could once again be subject to regulation by the Federal Reserve Board and to enhanced supervision and prudential standards. See "— Enhanced Prudential Standards for Non-Bank SIFIs."

Regulation of MetLife, Inc. as a non-bank SIFI could affect our business. For example, enhanced capital requirements that would be applicable if MetLife, Inc. is designated as a non-bank SIFI, may adversely affect our ability to compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained. In addition, if MetLife, Inc. is designated as a non-bank SIFI, it would need to obtain Federal Reserve Bank of New York (collectively, with the Federal Reserve Board, the "Federal Reserve") approval before directly or indirectly acquiring, merging or consolidating with a financial company having more than $10 billion of assets or acquiring 5% or more of any voting class of securities of a bank or bank holding company and, depending on the extent of the combined company's liabilities, could be subject to additional restrictions regarding its ability to merge. The Federal Reserve Board would also have the right to require any of our insurance companies, or insurance company affiliates, to take prompt action to correct any financial weaknesses.

On September 4, 2014, the FSOC notified MetLife, Inc. that it has been preliminarily designated as a non-bank SIFI. On October 3, 2014, MetLife, Inc. delivered notice to the FSOC requesting a written and oral evidentiary hearing to contest the FSOC's proposed determination. In accordance with its regulations, the FSOC held an evidentiary hearing on November 3, 2014 and will make a final determination on MetLife, Inc.'s status as a non-bank SIFI within 60 days after the hearing.

If MetLife, Inc. is designated as a non-bank SIFI, it will be subject to a number of Dodd-Frank requirements that are also applicable to bank holding companies with assets of $50 billion or more, including responsibility to pay assessments and other charges equal to the total expenses the Federal Reserve Board thinks is necessary for its supervision of bank holding companies and savings and loan holding companies with assets of $50 billion or more and non-bank SIFIs, as well as enhanced prudential standards.

Enhanced Prudential Standards for Non-Bank SIFIs

Regulation of MetLife, Inc. as a non-bank SIFI could materially and adversely affect our business. In December 2011, in accordance with the requirements of section 165 of Dodd-Frank, the Federal Reserve Board proposed a set of prudential standards ("Regulation YY") that would apply to non-bank SIFIs, including enhanced risk-based capital ("RBC") requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures, and recovery and resolution planning. The Federal Reserve Board's proposal contemplates that these standards would be subject to the authority of the Federal Reserve Board to determine, on its own or in response to a recommendation by the FSOC, to tailor the application of the enhanced standards to different companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Federal Reserve Board deems appropriate. As described below, the Federal Reserve Board has finalized a number of these requirements for bank holding companies and foreign banking organizations with total consolidated assets of $50 billion or more, but generally has not taken further action to implement most of these requirements for non-bank SIFIs.

In October 2013, the Federal Reserve Board proposed specific regulations relating to liquidity requirements for banking organizations and some non-bank SIFIs, although the rules would not apply to non-bank SIFIs with substantial insurance operations. On February 18, 2014, the Federal Reserve Board adopted amendments to Regulation YY to implement certain of the enhanced prudential standards for bank holding companies and foreign banking organizations with total consolidated assets of $50 billion or more. The enhanced prudential standards include risk-based and leverage capital requirements, liquidity standards, requirements for overall risk management (including establishing a risk committee), stress-test requirements, and a 15-to-1 debt-to-equity limit for these companies. The amendments also establish risk committee requirements and capital stress testing requirements for certain bank holding companies and foreign banking organizations with total consolidated assets of $10 billion or more. While Regulation YY, as originally proposed, would have applied to non-bank SIFIs, the final rule does not. The Federal Reserve Board indicated that it plans to apply enhanced prudential standards to non-bank SIFIs by rule or order, enabling it to more appropriately tailor the standards to non-bank SIFIs and will provide affected non-bank SIFIs with notice and the opportunity to comment prior to determination of their enhanced prudential standards. Accordingly, the manner in which MetLife, Inc. would be regulated, if it is designated as a non-bank SIFI, remains unclear.
The Federal Reserve Board has stated that it believes other provisions of Dodd-Frank, known as the Collins Amendment, constrain its ability to tailor capital standards for non-bank SIFIs. If the Federal Reserve Board requires insurers that are non-bank SIFIs to comply with capital standards or regimes (such as the Basel capital rules that were developed for banks) that do not take into account the insurance business model and the differences between banks and insurers, the business and competitive position of such insurer non-bank SIFIs could be materially and adversely affected. See “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 — Insurance Regulation — U.S. — Federal Regulatory Agencies.” On September 30, 2014, the Federal Reserve Board announced that it will begin a quantitative impact study (“QIS”) to evaluate the potential effects of its revised regulatory capital framework on savings and loan holding companies and non-bank financial companies supervised by the Federal Reserve Board that are substantially engaged in insurance underwriting activity (insurance holding companies). The Federal Reserve Board is conducting the QIS in order to enable it to design a capital framework for insurance holding companies it supervises that is in compliance with the Collins Amendment. Legislation that would clarify that the Federal Reserve Board may tailor capital rules for insurer non-bank SIFIs has been adopted by the U.S. Senate and the House of Representatives; however, the bills passed by the Senate and House of Representatives differ, and Congress must take action to reconcile the bills before they can be sent to the President for signature.
The stress testing requirements have been implemented and require non-bank SIFIs (as well as bank holding companies with $50 billion or more of assets) to undergo three stress tests each year: an annual supervisory stress test conducted by the Federal Reserve Board and two company-run stress tests (an annual test which coincides with the timing of the supervisory stress test, and a mid-cycle test). Companies will be required to take the results of the stress tests into consideration in their annual capital planning and resolution and recovery planning. If MetLife, Inc. is designated by the FSOC as a non-bank SIFI, its competitive position and its ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be adversely affected by any additional capital requirements that might be imposed as a result of the stress testing requirements, as well as enhanced prudential standards, other measures imposed as a result of the enactment of Dodd-Frank and other regulatory initiatives.
Non-bank SIFIs would also be required to submit a resolution plan setting forth how the company could be resolved under the Bankruptcy Code in the event of material financial distress. Resolution plans would have to be resubmitted annually and promptly following any event, occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be foreseen to have, a material effect on the resolution plan. A failure to submit a “credible” resolution plan could result in the imposition of a variety of measures, including additional capital, leverage, or liquidity requirements, and forced divestiture of assets or operations. If the FSOC determines to make a final designation of MetLife, Inc. as a non-bank SIFI, MetLife, Inc. would be required to submit a resolution plan by July 1, 2016, unless the Federal Reserve Board and FDIC require a different due date.

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In addition, if it were determined that MetLife, Inc. posed a substantial threat to U.S. financial stability, the applicable federal regulators would have the right to require it to take one or more other mitigating actions to reduce that risk, including limiting its ability to merge with or acquire another company, terminating activities, restricting its ability to offer financial products or requiring it to sell assets or off-balance sheet items to unaffiliated entities. Enhanced standards would also permit, but not require, regulators to establish requirements with respect to contingent capital, enhanced public disclosures and short-term debt limits. These standards are described as being more stringent than those otherwise imposed on bank holding companies; however, the Federal Reserve Board is permitted to apply them on an institution-by-institution basis, depending on its determination of the institution's level of risk.

International Regulatory Developments

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate and are exposed to increased political, legal, financial, operational and other risks. A significant portion of our revenues is generated through operations in foreign jurisdictions, including many countries in early stages of economic and political development. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as through nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations), their application or interpretation, political instability (including any resulting economic or trade sanctions), dividend limitations, price controls, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold into U.S. dollars or other currencies, as well as other adverse actions by foreign governmental authorities and regulators. Changes in the laws and regulations that affect our customers and independent sales intermediaries or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Such actions may negatively affect our business in these jurisdictions.

For example, legislation in Poland became effective on February 1, 2014, enacting significant changes to the country's pension system, including redemption of Polish government bonds held by pension funds. This legislation will have a negative impact on our pension business in Poland, but will not have a material impact on our overall pension business. In addition, a tax reform bill was enacted in Chile on September 29, 2014 which includes, among other things, a gradual increase in the corporate tax rate from 20% to 27%, with a taxpayer election that limits the corporate tax rate to 25% but eliminates the taxable profits fund, an exemption on taxes on corporate income that is reinvested. See "— Results of Operations — Segment Results and Corporate & Other — EMEA" for a discussion of a write-down of DAC and VOBA associated with our EMEA business and "— Results of Operations — Segment Results and Corporate & Other — Latin America" for information regarding the impact on our Latin America business of the new tax legislation in Chile.

Also pending in Chile are changes to its pension system: a bill to create a state-owned pension company was introduced and a Presidential Advisory Committee was created to draft a reform proposal of the pension system. Both proposals are not finalized and may still change further if a bill results from their recommendations. It is premature to predict the impact of such reforms on our pension business in Chile.

We expect the scope and extent of regulation outside of the U.S., as well as regulatory oversight generally, to continue to increase. The regulatory environment in the countries in which we operate and changes in laws could have a material adverse effect on our results of operations. See "Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability" included in the 2013 Annual Report.

Solvency II

Our insurance business throughout the European Economic Area will be subject to the Solvency II package, consisting of two inter-linked directives: Solvency II and Omnibus II, which have been adopted separately. Solvency II was adopted by European authorities in 2009. It codifies and harmonizes regulation for insurance undertakings established in the EU. It provides a framework for new risk management practices, solvency capital standards and disclosure requirements. Omnibus II was adopted in April 2014. It contains provisions that adapt Solvency II to the new supervisory architecture establishing the European Insurance and Occupational Pensions Authority ("EIOPA") and includes a package of measures to facilitate the provision of insurance products with long-term guarantees. Both

directives will become effective on January 1, 2016.

Leading up to Solvency II's effective date, EIOPA has published Interim Guidelines aimed at increasing preparedness of both supervisors and insurers. The Interim Guidelines have been applicable since January 1, 2014 and include certain reporting and organizational requirements with which we are complying in accordance with the requirements of our local regulators. Between 2014 and the effective date of both directives in 2016, the European authorities will establish supporting rules and guidance that implement the legislation.

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In addition, our insurance business in Mexico will be impacted by Mexico's insurance law reform, adopted in February 2013 (effective in April 2015). The reform envisions a Solvency II-type regulatory framework, instituting changes to reserve and capital requirements and corporate governance and fostering greater transparency. The new regime includes secondary regulations subject to a 16-month consultation period, during which quantitative and qualitative impact studies will be performed and input from affected companies will be reviewed. In Chile, the law implementing Solvency II-like regulation is currently in the studies stage. However, the Chilean insurance regulator has already issued two resolutions, one for governance, and the other for risk management and control framework requirements. MetLife Chile has already implemented governance changes and risk policies to comply with these resolutions. The impact study considering the second draft of the regulation for RBC requirements was completed in May 2014. The law is expected to be published and approved in 2015, with the RBC regulation in force in 2016. In China, the business of our joint venture will be impacted by a new risk-based solvency regime which is expected to be finalized by the China Insurance Regulatory Commission ("CIRC") in 2014 and implemented in 2016, although it is likely there will be transitional arrangements applying from 2015. Like Solvency II, the new regime focuses on risk management and has three pillars (strengthened quantitative capital requirements, enhanced qualitative supervision and establishing a governance and market discipline process). A second quantitative impact study was announced by CIRC on September 22, 2014 to further review the first pillar of the framework.

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 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 global systemically important insurers ("G-SIIs"). In July 2013, the FSB published its initial list of nine G-SIIs, based on the IAIS' assessment methodology, which includes MetLife, Inc. The FSB will update the list annually beginning in November 2014.

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"). On October 23, 2014, the IAIS released the final BCR approved by the FSB for submission to the Group of Twenty (20 major world economies) leaders in November 2014. The BCR will apply to G-SIIs in 2015. Work on HLA development is in very early stages and how the HLA requirements will be computed remains unclear. The HLA requirements are required to be finalized by the end of 2015. From 2015 to 2018, reporting will be on a confidential basis and subject to refinement by the IAIS. HLA requirements are to be applied in 2019 to companies designated as G-SIIs in 2017. In addition, the IAIS proposes to develop a risk-based global insurance capital standard by 2016 which will apply to all internationally active insurance groups, including G-SIIs, with implementation to begin in 2019 after two years of testing and refinement. 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 14 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding our mortgage and foreclosure-related exposures.

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Notwithstanding its exit from the origination and servicing businesses, MetLife Bank remained 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 $104 million at both September 30, 2014 and December 31, 2013. 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 $45 million and $46 million at September 30, 2014 and December 31, 2013, 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.

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 2013 Annual Report.

Goodwill

Goodwill is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition.

In the third quarter of 2014, the Company performed its annual goodwill impairment testing on all of its reporting units based upon data as of June 30, 2014. The Company determined that the fair values of its reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

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 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 and 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 management is responsible for the on-going production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

For our domestic segments, 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.

Acquisitions and Dispositions

In July 2014, all regulatory approvals necessary to establish the previously announced life insurance joint venture in Vietnam among MetLife, Inc. (through MetLife Limited), Joint Stock Commercial Bank for Investment & Development of Vietnam and Bank for Investment & Development of Vietnam Insurance Joint Stock Corporation were received. Operations of the joint venture (BIDV MetLife Life Insurance Limited Liability Company) are expected to commence in the fourth quarter of 2014.

In April 2014, MetLife, Inc. and Malaysia’s AMMB Holdings Bhd successfully completed the formation of their previously announced strategic partnership, in which each now holds approximately 50% of both AmMetLife Insurance Berhad and AmMetTakaful Berhad, each of which are parties to new exclusive 20-year distribution agreements with AMMB Holdings Bhd bank affiliates.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Acquisitions and Dispositions” included in the 2013 Annual Report for additional information.

See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding the Company’s disposition.

Results of Operations

Consolidated Results

Sales experience was mixed across our businesses for the three months ended September 30, 2014 as compared to the same period of 2013. Despite the slow economic recovery in the U.S., our group term life, disability and dental businesses generated premium growth through stronger sales and improved persistency, with the dental business also benefiting from the positive impact of pricing actions on existing business. The introduction of new products also drove growth in our voluntary benefits business. The sustained low interest rate environment has contributed to the underfunding of pension plans; as a result, we experienced a decrease in sales of pension closeouts. Competitive pricing and a relative increase in participation drove an increase in structured settlement sales. Income annuity sales were strong in the current period, rebounding from the discontinuance of one contract in the prior period. Sales of domestic variable annuities and Japan life and accident & health products declined as we continue to focus on pricing discipline and risk management. Sales in the majority of our other businesses abroad have improved. In our Retail segment, higher fixed and indexed annuity sales were partially offset by lower sales of life products, mainly driven by the discontinuance of all but one of our secondary guarantees on universal life products.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Revenues				
Premiums	$9,703	$9,094	$28,795	$27,403
Universal life and investment-type product policy fees	2,628	2,372	7,507	7,034
Net investment income	5,410	5,026	15,704	16,385
Other revenues	518	476	1,486	1,446
Net investment gains (losses)	109	(85)	(427)	339
Net derivative gains (losses)	478	(546)	1,132	(2,866)
Total revenues	18,846	16,337	54,197	49,741
Expenses				
Policyholder benefits and claims and policyholder dividends	9,859	9,784	29,871	28,781
Interest credited to policyholder account balances	1,817	1,600	4,995	6,036
Capitalization of DAC	(1,071)	(1,153)	(3,149)	(3,621)
Amortization of DAC and VOBA	1,054	841	3,174	2,623
Amortization of negative VOBA	(107)	(126)	(333)	(410)
Interest expense on debt	295	317	919	959
Other expenses	4,047	4,098	11,992	12,589
Total expenses	15,894	15,361	47,469	46,957
Income (loss) from continuing operations before provision for income tax	2,952	976	6,728	2,784
Provision for income tax expense (benefit)	858	3	1,916	308
Income (loss) from continuing operations, net of income tax	2,094	973	4,812	2,476
Income (loss) from discontinued operations, net of income tax	—	2	(3)	1
Net income (loss)	2,094	975	4,809	2,477
Less: Net income (loss) attributable to noncontrolling interests	—	3	21	17
Net income (loss) attributable to MetLife, Inc.	2,094	972	4,788	2,460
Less: Preferred stock dividends	30	30	91	91
Net income (loss) available to MetLife, Inc.'s common shareholders	$2,064	$942	$4,697	$2,369

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

During the three months ended September 30, 2014, income (loss) from continuing operations, before provision for income tax, increased $2.0 billion ($1.1 billion, net of income tax) from the prior period primarily driven by favorable changes in net derivative gains (losses), operating earnings and net investment gains (losses). Also included in income (loss) from continuing operations, before provision for income tax, is a $262 million ($174 million, net of income tax) increase as a result of our annual assumption review related to reserves and DAC.

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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. Other invested asset classes, including, but not limited to, equity securities, other limited partnership interests and real estate and real estate joint ventures, provide additional diversification and opportunity for long-term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. 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. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our specific mix of products and business segments. In addition, the 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 ("PABs") through interest credited to policyholder account balances.

The composition of the investment portfolio of each business segment is tailored to the specific characteristics of its insurance liabilities, causing certain portfolios to be shorter in duration and others to be longer in duration. Accordingly, certain portfolios are more heavily weighted in longer duration, higher yielding fixed maturity securities, or certain sub-sectors of fixed maturity securities, than other portfolios.

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.

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:

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	Three Months Ended September 30,	
	2014	2013
	(In millions)	
Non-VA program derivatives		
Interest rate	$82	$(286)
Foreign currency exchange rate	199	(176)
Credit	(8)	65
Equity	(4)	(54)
Non-VA embedded derivatives	17	6
Total non-VA program derivatives	286	(445)
VA program derivatives		
Market risks in embedded derivatives	(119)	1,247
Nonperformance risk on embedded derivatives	5	(145)
Other risks in embedded derivatives	32	(210)
Total embedded derivatives	(82)	892
Freestanding derivatives hedging embedded derivatives	274	(993)
Total VA program derivatives	192	(101)
Net derivative gains (losses)	$478	$(546)

The favorable change in net derivative gains (losses) on non-VA program derivatives was $731 million ($475 million, net of income tax). This was primarily due to 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. In addition, long-term interest rates decreased in the current period but increased in the prior period favorably impacting receive-fixed interest rate swaps and interest rate swaptions. These freestanding derivatives were primarily hedging long duration liability portfolios. 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 favorable change in net derivative gains (losses) on VA program derivatives was $293 million ($190 million, net of income tax). This was due to a favorable change of $242 million ($157 million, net of income tax) on other risks in embedded derivatives and a favorable change of $150 million ($98 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives, partially offset by an unfavorable change of $99 million ($65 million, net of income tax) on market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The foregoing $242 million ($157 million, net of income tax) favorable change in other risks in embedded derivatives was primarily due to the following:

- Refinements in the valuation model, including an update to the actuarial assumptions, resulted in a favorable period over period change in the valuation of embedded derivatives.
- In-force changes and the mismatch of fund performance between actual and modeled funds resulted in a favorable period over period change in the valuation of the embedded derivatives.
- Foreign currency translation adjustments caused by a strengthening of the U.S. dollar against the Japanese yen resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- An increase in the risk margin adjustment caused by higher policyholder behavior risks, along with updates to the actuarial assumptions, resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- A combination of other factors, including the cross effect of capital markets changes resulted in a favorable period over period change in the valuation of the embedded derivatives.

The aforementioned $150 million ($98 million, net of income tax) favorable change in the nonperformance risk adjustment was due to a favorable change of $144 million, before income tax, in our own credit spread and a favorable change of $6 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. 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 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.

The foregoing $99 million ($65 million, net of income tax) unfavorable change was comprised of a $1.4 billion ($889 million, net of income tax) unfavorable change in market risks in embedded derivatives, which was largely offset by a $1.3 billion ($824 million, net of income tax) favorable change in freestanding derivatives hedging market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

- Long-term interest rates decreased in the current period and increased in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.
- Key equity index levels were mixed in the current period but increased in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.
- Key equity volatility measures 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.
- Changes in foreign currency exchange rates contributed to a favorable change in our embedded derivatives and an unfavorable change in our freestanding derivatives.

The favorable change in net investment gains (losses) of $194 million ($126 million, net of income tax) primarily reflects gains on sales of fixed maturity securities and real estate and real estate joint ventures, partially offset by an unfavorable change in other gains (losses), primarily driven by the impact of changes in foreign currency exchange rates.

Results for the current period include a $161 million ($105 million, net of income tax) benefit associated with our annual assumption review related to reserves and DAC, of which $137 million ($89 million, net of income tax) was recognized in net derivative gains (losses). Of the $161 million benefit, $82 million ($53 million, net of income tax) was related to DAC and $79 million ($52 million, net of income tax) was associated with reserves.

The $137 million gain recognized in net derivative gains (losses) associated with our annual assumption review was included within the other risks in embedded derivatives caption in the table above.

As a result of our annual assumption review, changes were made to economic, policyholder behavior, mortality and other assumptions. The most significant impacts were in the Retail Life and Annuity blocks of businesses and are summarized as follows:

- Changes in economic assumptions resulted in a decrease in reserves, offset by unfavorable DAC, resulting in a net benefit of $229 million ($149 million, net of income tax).
- Changes to policyholder behavior and mortality assumptions resulted in reserve increases, offset by favorable DAC, resulting in a net loss of $175 million ($114 million, net of income tax).

- The remaining updates resulted in a decrease in reserves, coupled with favorable DAC, resulting in a benefit of $107 million ($70 million, net of income tax). The most notable update was related to our projection of closed block results.

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Results for the prior period include a $101 million ($69 million, net of income tax) charge associated with our annual assumption review related to reserves and DAC, of which $138 million ($90 million, net of income tax) was recognized in net derivative gains (losses). Of the $101 million charge, $228 million ($150 million, net of income tax) was related to reserves, offset by $127 million ($81 million, net of income tax) associated with DAC. The $138 million loss recorded in net derivative gains (losses) associated with our annual assumption review was included within the other risks in embedded derivatives caption in the table above.

Income (loss) from continuing operations, before provision for income tax, related to the divested businesses, excluding net investment gains (losses) and net derivative gains (losses), increased $12 million to a loss of $12 million in the current period from a loss of $24 million in the prior period. Included in this improvement was a decrease in total revenues of $64 million, before income tax, and a decrease in total expenses of $76 million, before income tax.

Income tax expense for the three months ended September 30, 2014 was $858 million, or 29% of income (loss) from continuing operations before provision for income tax, compared with $3 million, or less than 1% of income (loss) from continuing operations before provision for income tax, for the three months ended September 30, 2013. The Company's third quarter 2014 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 third quarter 2013 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, and foreign earnings taxed at lower rates than the U.S. statutory rate, including tax benefits in Japan related to the 2012 branch restructuring and the estimated reversal of temporary differences. The current period includes a $54 million tax charge related to tax reform in Chile, a $5 million tax charge related to the fee imposed by the PPACA, which was not deductible for income tax purposes, and a $32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return.

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 $330 million, net of income tax, to $1.8 billion, net of income tax, for the three months ended September 30, 2014 from $1.5 billion, net of income tax, for the three months ended September 30, 2013.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

During the nine months ended September 30, 2014, income (loss) from continuing operations, before provision for income tax, increased $3.9 billion ($2.3 billion, net of income tax) from the prior period primarily driven by a favorable change in net derivative gains (losses), partially offset by an unfavorable change in net investment gains (losses). Also included in income (loss) from continuing operations, before provision for income tax, is a $262 million ($174 million, net of income tax) increase as a result of our annual assumption review related to reserves and DAC.

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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:

	Nine Months Ended September 30,	
	2014	2013
	(In millions)	
Non-VA program derivatives		
Interest rate	$502	$(1,452)
Foreign currency exchange rate	207	(988)
Credit	36	124
Equity	(44)	(37)
Non-VA embedded derivatives	(62)	108
Total non-VA program derivatives	639	(2,245)
VA program derivatives		
Market risks in embedded derivatives	235	4,433
Nonperformance risk on embedded derivatives	(3)	(795)
Other risks in embedded derivatives	(115)	(85)
Total embedded derivatives	117	3,553
Freestanding derivatives hedging embedded derivatives	376	(4,174)
Total VA program derivatives	493	(621)
Net derivative gains (losses)	$1,132	$(2,866)

The favorable change in net derivative gains (losses) on non-VA program derivatives was $2.9 billion ($1.9 billion, net of income tax). This was primarily due to long-term interest rates decreasing in the current period and increasing in the prior period, favorably impacting receive-fixed interest rate swaps and interest rate swaptions. These freestanding derivatives were primarily hedging long duration liability portfolios. The strengthening of the U.S. dollar relative to other key currencies, as well as the U.S. dollar strengthening less against the Japanese yen in the current period versus the prior period, favorably impacted foreign currency forwards and 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 favorable change in net derivative gains (losses) on VA program derivatives was $1.1 billion ($723 million, net of income tax). This was due to a favorable change of $792 million ($515 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives and a favorable change of $352 million ($228 million, net of income tax) on market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks, partially offset by an unfavorable change of $30 million ($20 million, net of income tax) on other risks in embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The aforementioned $792 million ($515 million, net of income tax) favorable change in the nonperformance risk adjustment was due to a favorable change of $529 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, as well as a favorable change of $263 million, before income tax, related to changes in our own credit spread.

The foregoing $352 million ($228 million, net of income tax) favorable change is comprised of a $4.6 billion ($2.9 billion, net of income tax) favorable change in freestanding derivatives hedging market risks in embedded derivatives, which was largely offset by a $4.2 billion ($2.7 billion, net of income tax) unfavorable 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 decreased in the current period and increased in the prior period, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.
- 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. Changes in foreign currency exchange rates contributed to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.

The foregoing $30 million ($20 million, net of income tax) unfavorable change in other risks in embedded derivatives was primarily due to the following:

- An increase in the risk margin adjustment caused by higher policyholder behavior risks, along with updates to the actuarial assumptions, resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- In-force changes and the mismatch of fund performance between actual and modeled funds resulted in an unfavorable period over period change in the valuation of the embedded derivatives.
- The cross effect of capital markets changes resulted in a favorable period over period change in the valuation of embedded derivatives.
- Foreign currency translation adjustments caused by the Japanese yen weakening less against the U.S. dollar in the current period than in the prior period, resulted in a favorable change in the valuation of the embedded derivatives.
- Refinements in the valuation model, including an update to the actuarial assumptions, resulted in a favorable period over period change in the valuation of embedded derivatives.
- Other factors, including reserve changes influenced by benefit features and policyholder behavior, resulted in an unfavorable period over period change in the valuation of embedded derivatives.

The unfavorable change in net investment gains (losses) of $766 million ($498 million, net of income tax) primarily reflects a loss on the disposition of MAL and lower net gains on sales of fixed maturity securities in the current period.

Results for the current period include a $161 million ($105 million, net of income tax) benefit associated with our annual assumption review related to reserves and DAC, of which $137 million ($89 million, net of income tax) was recognized in net derivative gains (losses). Of the $161 million benefit, $82 million ($53 million, net of income tax) was related to DAC and $79 million ($52 million, net of income tax) associated with reserves.

The $137 million gain recognized in net derivative gains (losses) associated with our annual assumption review was included within the other risks in embedded derivatives caption in the table above.

As a result of our annual assumption review, changes were made to economic, policyholder behavior, mortality and other assumptions. The most significant impacts were in the Retail Life and Annuity blocks of businesses and are summarized as follows:

- Changes in economic assumptions resulted in a decrease in reserves, offset by unfavorable DAC, resulting in a net benefit of $229 million ($149 million, net of income tax).
- Changes to policyholder behavior and mortality assumptions resulted in reserve increases, offset by favorable DAC, resulting in a net loss of $175 million ($114 million, net of income tax).

- The remaining updates resulted in a decrease in reserves, coupled with favorable DAC, resulting in a benefit of $107 million ($70 million, net of income tax). The most notable update was related to our projection of closed block results.

Results for the prior period include a $101 million ($69 million, net of income tax) charge associated with our annual assumption review related to reserves and DAC, of which $138 million ($90 million, net of income tax) was recognized in net derivative gains (losses). Of the $101 million charge, $228 million ($150 million, net of income tax) was related to reserves, offset by $127 million ($81 million, net of income tax) associated with DAC. The $138 million loss recorded in net derivative gains (losses) associated with our annual assumption review was included within the other risks in embedded derivatives caption in the table above.

Income (loss) from continuing operations, before provision for income tax, related to the divested businesses, excluding net investment gains (losses) and net derivative gains (losses), increased $166 million to income of $8

million in the current period from a loss of $158 million in the prior period. Included in this improvement was a decrease in total revenues of $118 million, before income tax, and a decrease in total expenses of $284 million, before income tax.

Income tax expense for the nine months ended September 30, 2014 was $1.9 billion, or 28% of income (loss) from continuing operations before provision for income tax, compared with $308 million, or 11% of income (loss) from continuing operations before provision for income tax, for the nine months ended September 30, 2013. The Company's 2014 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, foreign earnings taxed at lower rates than the U.S. statutory rate and the tax effects of the MAL divestiture. The Company's 2013 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, and foreign earnings taxed at lower rates than the U.S. statutory rate, including tax benefits in Japan related to the 2012 branch restructuring and the estimated reversal of temporary differences. The 2014 period includes a $54 million tax charge related to tax reform in Chile, a $33 million tax charge related to a portion of the aforementioned settlement of a licensing matter and the PPACA fee, both of which were not deductible for income tax purposes, and a $45 million tax charge related to the repatriation of earnings from Japan. These charges were partially offset by a $32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return. In addition, in 2013, the Company received an income tax refund from the Japanese tax authority and recorded a $119 million reduction to income tax expense.

On June 11, 2014, the Internal Revenue Service ("IRS") concluded its audit of the Company's tax returns for the years 2003 through 2006 and issued a Revenue Agent's Report. The Company agreed with certain tax adjustments and protested other tax adjustments to IRS Appeals. The protest was filed on July 10, 2014. Management believes it has established adequate tax liabilities and final resolution of the audit for the years 2003 through 2006 is not expected to have a material impact on the Company's financial statements.

Operating earnings available to common shareholders increased $270 million, net of income tax, to $5.0 billion, net of income tax, for the nine months ended September 30, 2014 from $4.7 billion, net of income tax, for the nine months ended September 30, 2013.

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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 September 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	$823	$274	$522	$149	$334	$95	$(103)	$2,094
Less: Net investment gains (losses)	9	(9)	180	(4)	136	(9)	(194)	109
Less: Net derivative gains (losses)	283	106	28	(61)	(80)	16	186	478
Less: Other adjustments to continuing operations (1)	(100)	(41)	(31)	87	(32)	1	(30)	(146)
Less: Provision for income tax (expense) benefit	(68)	(19)	(63)	(25)	4	(9)	(22)	(202)
Operating earnings	$699	$237	$408	$152	$306	$96	(43)	1,855
Less: Preferred stock dividends							30	30
Operating earnings available to common shareholders							$(73)	$1,825

Three Months Ended September 30, 2013

	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	$313	$84	$193	$116	$536	$117	$(386)	$973
Less: Net investment gains (losses)	(28)	(3)	(15)	(5)	52	10	(96)	(85)
Less: Net derivative gains (losses)	(202)	(173)	(140)	3	164	30	(228)	(546)
Less: Other adjustments to continuing operations (1)	(302)	(44)	(7)	(18)	(31)	9	(72)	(465)
Less: Provision for income tax (expense) benefit	186	78	57	3	94	(17)	143	544
Operating earnings	$659	$226	$298	$133	$257	$85	(133)	1,525
Less: Preferred stock dividends							30	30
Operating earnings available to common shareholders							$(163)	$1,495

(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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Nine Months Ended September 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	$2,017	$ 735	$891	$335	$1,092	$335	$(593)	$4,812
Less: Net investment gains (losses)	25	(10)	(556)	11	375	(16)	(256)	(427)
Less: Net derivative gains (losses)	579	293	256	(57)	(122)	103	80	1,132
Less: Other adjustments to continuing operations (1)	(521)	(122)	(55)	(146)	(50)	31	(60)	(923)
Less: Provision for income tax (expense) benefit	(29)	(56)	109	32	(64)	(60)	30	(38)
Operating earnings	$1,963	$ 630	$1,137	$495	$953	$277	(387)	5,068
Less: Preferred stock dividends							91	91
Operating earnings available to common shareholders							$(478)	$4,977

Nine Months Ended September 30, 2013

	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	$1,015	$ 241	$832	$450	$425	$269	$(756)	$2,476
Less: Net investment gains (losses)	68	(14)	4	4	265	49	(37)	339
Less: Net derivative gains (losses)	(779)	(612)	(244)	(16)	(874)	20	(361)	(2,866)
Less: Other adjustments to continuing operations (1)	(598)	(129)	77	88	(417)	(4)	(311)	(1,294)
Less: Provision for income tax (expense) benefit	458	265	57	(27)	531	(36)	251	1,499
Operating earnings	$1,866	$ 731	$938	$401	$920	$240	(298)	4,798
Less: Preferred stock dividends							91	91
Operating earnings available to common shareholders							$(389)	$4,707

(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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Reconciliation of GAAP revenues to operating revenues and GAAP expenses to operating expenses

Three Months Ended September 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$5,717	$ 4,822	$2,268	$1,425	$3,391	$1,107	$116	$18,846
Less: Net investment gains (losses)	9	(9)	180	(4)	136	(9)	(194)	109
Less: Net derivative gains (losses)	283	106	28	(61)	(80)	16	186	478
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	—	—	—	—	7	1	—	8
Less: Other adjustments to revenues (1)	(13)	(41)	(15)	15	145	238	4	333
Total operating revenues	$5,438	$ 4,766	$2,075	$1,475	$3,183	$861	$120	$17,918
Total expenses	$4,460	$ 4,402	$1,463	$1,165	$2,910	$967	$527	$15,894
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(28)	—	—	—	(1)	2	—	(27)
Less: Other adjustments to expenses (1)	115	—	16	(72)	185	236	34	514
Total operating expenses	$4,373	$ 4,402	$1,447	$1,237	$2,726	$729	$493	$15,407

Three Months Ended September 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$4,803	$4,280	$1,881	$1,310	$3,220	$1,022	$(179)	$16,337
Less: Net investment gains (losses)	(28)	(3)	(15)	(5)	52	10	(96)	(85)
Less: Net derivative gains (losses)	(202)	(173)	(140)	3	164	30	(228)	(546)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(3)	—	—	—	1	—	—	(2)
Less: Other adjustments to revenues (1)	(23)	(44)	80	44	(75)	151	23	156
Total operating revenues	$5,059	$4,500	$1,956	$1,268	$3,078	$831	$122	$16,814
Total expenses	$4,333	$4,160	$1,584	$1,159	$2,689	$845	$591	$15,361
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(52)	—	—	—	(1)	—	—	(53)
Less: Other adjustments to expenses (1)	328	—	87	62	(42)	142	95	672
Total operating expenses	$4,057	$4,160	$1,497	$1,097	$2,732	$703	$496	$14,742

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(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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Nine Months Ended September 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$16,509	$ 14,447	$5,909	$4,217	$9,592	$3,266	$257	$54,197
Less: Net investment gains (losses)	25	(10)	(556)	11	375	(16)	(256)	(427)
Less: Net derivative gains (losses)	579	293	256	(57)	(122)	103	80	1,132
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	—	—	—	8	7	—	14
Less: Other adjustments to revenues (1)	(58)	(122)	39	39	95	620	30	643
Total operating revenues	$15,964	$ 14,286	$6,170	$4,224	$9,236	$2,552	$403	$52,835
Total expenses	$13,439	$ 13,318	$4,516	$3,758	$8,011	$2,791	$1,636	$47,469
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	33	—	—	—	(5)	9	—	37
Less: Other adjustments to expenses (1)	429	—	94	185	158	587	90	1,543
Total operating expenses	$12,977	$ 13,318	$4,422	$3,573	$7,858	$2,195	$1,546	$45,889

Nine Months Ended September 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
	(In millions)							
Total revenues	$14,226	$ 12,904	$5,949	$3,725	$9,832	$2,938	$167	$49,741
Less: Net investment gains (losses)	68	(14)	4	4	265	49	(37)	339
Less: Net derivative gains (losses)	(779)	(612)	(244)	(16)	(874)	20	(361)	(2,866)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(9)	—	—	—	4	5	—	—
Less: Other adjustments to revenues (1)	(94)	(129)	249	57	999	412	88	1,582
Total operating revenues	$15,040	$ 13,659	$5,940	$3,680	$9,438	$2,452	$477	$50,686
Total expenses	$12,698	$ 12,558	$4,667	$3,133	$9,526	$2,560	$1,815	$46,957
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(228)	—	—	—	(12)	5	—	(235)
Less: Other adjustments to expenses (1)	723	—	172	(31)	1,432	416	399	3,111
Total operating expenses	$12,203	$ 12,558	$4,495	$3,164	$8,106	$2,139	$1,416	$44,081

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(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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$9,685	$9,054	$28,755	$27,314
Universal life and investment-type product policy fees	2,522	2,276	7,205	6,768
Net investment income	5,193	4,998	15,373	15,137
Other revenues	518	486	1,502	1,467
Total operating revenues	17,918	16,814	52,835	50,686
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	9,854	9,243	29,191	27,442
Interest credited to policyholder account balances	1,426	1,472	4,252	4,547
Capitalization of DAC	(1,071)	(1,153)	(3,148)	(3,621)
Amortization of DAC and VOBA	999	979	3,074	3,100
Amortization of negative VOBA	(96)	(113)	(298)	(368)
Interest expense on debt	292	288	885	863
Other expenses	4,003	4,026	11,933	12,118
Total operating expenses	15,407	14,742	45,889	44,081
Provision for income tax expense (benefit)	656	547	1,878	1,807
Operating earnings	1,855	1,525	5,068	4,798
Less: Preferred stock dividends	30	30	91	91
Operating earnings available to common shareholders	$1,825	$1,495	$4,977	$4,707

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

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

The increase in operating earnings was the result of higher net investment income from portfolio growth and improved yields, despite the sustained low interest rate environment, higher asset-based fee revenues from business growth and a decline in expenses. Excluding the impact of the aforementioned tax reform, the fourth quarter 2013 acquisition of ProVida in Chile increased operating earnings by $54 million. Changes in foreign currency exchange rates had an $11 million negative impact on results compared to the prior period.

We benefited from strong sales and business growth across many of our products. However, we continue to focus on pricing discipline and risk management which resulted in a decrease in sales of our variable annuity and Japan life and accident & health products. Excluding the impact of the divested businesses and the acquisition of ProVida, growth in our investment portfolios in the majority of our segments generated higher net investment income. Growth in our businesses resulted in higher asset-based fees, but also increased DAC amortization. The changes in business growth discussed above resulted in a $137 million increase in operating earnings.

Market factors, including the improved equity markets and the sustained low interest rate environment, continued to impact our investment yields, as well as our crediting rates. Excluding the results of the divested businesses, the acquisition of ProVida and the impact of inflation-indexed investments in the Latin America segment, investment yields increased. Certain of our inflation-indexed products are backed by inflation-indexed investments. Changes in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in a minimal impact to operating earnings. Investment yields were positively impacted by higher returns on other limited partnership interests and real estate joint ventures, increased prepayment fees and higher income on interest rate and currency derivatives. Yields were also favorably impacted by increased foreign currency-denominated fixed annuities in Japan resulting in increased holdings of higher yielding foreign currency-denominated fixed maturity securities. These increases in yields were partially offset by the adverse impacts of the sustained low interest rate environment on fixed maturity securities and mortgage loan yields, as well as increased holdings of lower yielding Japanese government securities in the Japan fixed annuity business. The sustained low interest rate environment also resulted in lower interest credited expense as we set interest credited rates lower on both new business and certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. Very favorable equity market returns in the prior period drove lower DAC amortization in that period as compared to the current period where equity returns were much less favorable. Continued strong equity market performance since the last period increased our average separate account balances, which drove higher asset-based fees, partially offset by asset-based commissions, which are also driven, in part, by separate account balances. The changes in market factors discussed above resulted in a $14 million increase in operating earnings.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both periods, resulted in a $12 million decrease in operating earnings. In addition to our annual updates, refinements to DAC and certain insurance-related liabilities that were recorded in both periods increased operating earnings by $36 million. Also, the prior period includes a reserve strengthening in Australia within our Asia segment of $57 million, net of reinsurance.

A decrease of $47 million in other operating expenses, primarily driven by lower employee-related costs, was partially offset by the fee imposed by the PPACA, which reduced operating earnings by $15 million in the current period.

Favorable mortality in our Corporate Benefit Funding segment was more than offset by less favorable mortality experience in our Retail and Group, Voluntary & Worksite Benefits segments. Favorable morbidity experience in our Retail segment was partially offset by unfavorable experience in our Group, Voluntary & Worksite Benefits segment. In addition, we had unfavorable claims experience in our Asia segment. The combined impact of mortality, morbidity and claims experience decreased operating earnings by $5 million.

The Company's 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. In the current period, the Company realized a $32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return, as well as additional tax benefits of $27 million related to the separate account dividends received deduction and $12 million primarily related to the repatriation of earnings from Japan and other foreign tax benefits. This was slightly offset by a $5 million tax charge related to the PPACA fee, which is not deductible for income tax purposes.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

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

The primary drivers of the increase in operating earnings were higher net investment income from portfolio growth, higher asset-based fee revenues from continued strong equity market performance and a decrease in interest credited expense, partially offset by unfavorable mortality, morbidity and claims experience and a decrease in investment yields. Excluding the impact of the aforementioned tax reform charge in Chile, the fourth quarter 2013 acquisition of ProVida increased operating earnings by $165 million. Changes in foreign currency exchange rates had a $75 million negative impact on results compared to the prior period.

We benefited from strong sales and business growth across many of our products. However, we continue to focus on pricing discipline and risk management which resulted in a decrease in sales of our variable annuity and Japan life and

accident & health products. Excluding the impact of the divested businesses and the acquisition of ProVida, growth in our investment portfolios in the majority of our segments generated higher net investment income. Our property & casualty businesses benefited from an increase in average premium per policy. These positive results were partially offset by an associated increase in DAC amortization. The changes in business growth discussed above resulted in a $255 million increase in operating earnings.

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Market factors, including the sustained low interest rate environment, continued to impact our investment yields, as well as our crediting rates. Excluding the results of the divested businesses, the acquisition of ProVida and the impact of inflation-indexed investments in the Latin America segment, investment yields decreased. Certain of our inflation-indexed products are backed by inflation-indexed investments. Changes in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in a minimal impact to operating earnings. Investment yields were negatively impacted by the adverse impact of the sustained low interest rate environment on fixed maturity securities and mortgage loans yields, as well as increased holdings of lower yielding Japanese government securities in the Japan fixed annuity business. These decreases were partially offset by higher returns on other limited partnership interests and real estate joint ventures, increased prepayment fees and higher income on interest rate derivatives. Yields were also favorably impacted by increased sales of foreign currency-denominated fixed annuities in Japan, resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities. The sustained low interest rate environment also resulted in lower interest credited expense as we set interest credited rates lower on both new business and certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. Our average separate account balances grew with the equity markets driving higher fee income in our annuity business. However, this was partially offset by higher DAC amortization due to the significant prior period equity market increase, as well as higher asset-based commissions and costs associated with our variable annuity guaranteed minimum death benefits (“GMDBs”). The changes in market factors discussed above resulted in a $49 million increase in operating earnings.
Less favorable mortality and morbidity was driven by our Group, Voluntary & Worksite Benefits segment. In addition, in our property & casualty businesses, catastrophe-related losses increased due to severe storm activity in the current period. Non-catastrophe related claim costs also increased as a result of severe winter weather in the current period. Claims experience in our Latin America and Asia segments was also unfavorable. The combined impact of mortality, morbidity and claims experience decreased operating earnings by $194 million.
On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both periods, resulted in a $12 million decrease in operating earnings. In addition to our annual updates, refinements to DAC and certain insurance-related liabilities that were recorded in both periods increased operating earnings by $71 million. Such refinements include a favorable reserve adjustment in the current period related to disability premium waivers in our life business within our Retail segment and a write-down of DAC and VOBA in the prior period related to pension reform in Poland within our EMEA segment. Also, the prior period includes a reserve strengthening in Australia within our Asia segment of $57 million, net of reinsurance.
A $59 million decrease in expenses was primarily driven by lower employee-related costs. In addition, our results for the current period include charges totaling $57 million related to the aforementioned settlement of a licensing matter with the Department of Financial Services and the District Attorney, New York County. The PPACA fee reduced operating earnings by $44 million in the current period.
The Company’s 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. In the current period, the Company realized a $32 million one-time tax benefit related to the filing of the Company’s U.S. federal tax return, as well as additional tax benefits of $27 million related to the separate account dividends received deduction and $31 million primarily related to foreign earnings taxed at rates lower than the U.S. and other tax preference items. However, this was partially offset by a $33 million tax charge related to a portion of the aforementioned settlement of a licensing matter and the PPACA fee, both of which were not deductible for income tax purposes. The Company also recorded an $8 million tax charge related to the repatriation of earnings from Japan.

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Segment Results and Corporate & Other

Retail

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$1,869	$1,607	$5,405	$4,735
Universal life and investment-type product policy fees	1,311	1,257	3,814	3,662
Net investment income	1,983	1,928	5,960	5,876
Other revenues	275	267	785	767
Total operating revenues	5,438	5,059	15,964	15,040
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	2,555	2,234	7,400	6,659
Interest credited to policyholder account balances	567	582	1,683	1,750
Capitalization of DAC	(239)	(318)	(722)	(1,036)
Amortization of DAC and VOBA	335	315	1,142	1,042
Interest expense on debt	(1)	(1)	(1)	—
Other expenses	1,156	1,245	3,475	3,788
Total operating expenses	4,373	4,057	12,977	12,203
Provision for income tax expense (benefit)	366	343	1,024	971
Operating earnings	$699	$659	$1,963	$1,866

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

Unless otherwise stated, all amounts (with the exception of sales data) discussed below are net of income tax.

Changes to our guarantee features since 2012, along with continued management of sales in the current period by focusing on pricing discipline and risk management, drove a $1.2 billion, or 43%, decrease in variable annuity sales. Life sales were also lower, mainly driven by the discontinuance of all but one of our secondary guarantees on universal life products. These declines were partially offset by an increase in fixed and indexed annuity sales.

A $40 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows, despite a decline in universal life sales, which resulted in higher net investment income. This favorable impact was partially offset by lower fees as the prior period benefited from the first year fees received on the now discontinued secondary guarantees on our universal life products. In our deferred annuities business, surrenders and withdrawals exceeded sales for the period, resulting in negative cash flows contributing to a reduction in interest credited expenses in the general account and a decrease in average separate account balances and, consequently, asset-based fees. Additionally, costs associated with our variable annuity GMDBs were lower. In our property & casualty business, an increase in average premium per policy in both our auto and homeowners businesses contributed to the increase in operating earnings. In addition, we earned more income on a larger invested asset base, which resulted from a higher amount of allocated equity as compared to the prior period.

A $10 million decrease in operating earnings was attributable to changes in market factors, including equity markets and interest rates. Very favorable equity market returns in the prior period drove lower DAC amortization in that period as compared to the current period where equity returns were much less favorable. Also, equity markets drove higher net investment income from other limited partnership interests. Continued strong equity market performance since the last period increased our average separate account balances, which drove higher asset-based fees, partially offset by asset-based commissions, which are also driven, in part, by separate account balances. The sustained low interest rate environment resulted in a decline in net investment income on our fixed maturity securities as proceeds from maturing investments were reinvested at lower yields. This negative interest rate impact was partially offset by lower interest credited expense as we reduced interest credited rates on contracts with discretionary rate reset provisions.

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Favorable morbidity experience in our individual disability income business resulted in an $8 million increase in operating earnings. Less favorable mortality experience in our variable and universal life business, partially offset by favorable mortality experience in the traditional life business, resulted in a $15 million decrease in operating earnings. In our property & casualty business, catastrophe-related losses decreased by $6 million compared to the prior period. On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates which occurred in both periods resulted in a net operating earnings decrease of $11 million and were primarily related to unfavorable DAC unlockings in the variable annuity business, partially offset by favorable DAC unlockings in our traditional and universal life businesses. A decline in expenses of $29 million contributed to the increase in operating earnings, mainly the result of lower employee-related costs.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

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

An $89 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows, despite a decline in universal life sales, which resulted in higher net investment income. This favorable impact was partially offset by increases in DAC amortization and interest credited expenses, as well as lower fees as the prior period benefited from the first year fees received on the now discontinued secondary guarantees on our universal life products. In our deferred annuities business, surrenders and withdrawals exceeded sales for the period, resulting in negative cash flows contributing to a decrease in average separate account balances and, consequently, asset-based fees, partially offset by a reduction in interest credited expenses in the general account. Additionally, costs associated with our variable annuity GMDBs were lower. In our property & casualty business, an increase in average premium per policy in both our auto and homeowners businesses contributed to the increase in operating earnings. In addition, we earned more income on a larger invested asset base, which resulted from a higher amount of allocated equity as compared to the prior period.

Changes in market factors, including equity markets and interest rates, resulted in a slight net increase in operating earnings. Strong equity market performance increased our average separate account balances, driving an increase in asset-based fee income. This positive equity market performance also drove higher net investment income from private equity investments. These positive impacts were partially offset by higher asset-based commissions, which are, in part, driven by separate account balances, costs associated with our variable annuity GMDBs, and higher DAC amortization. The more favorable equity market returns in the prior period drove lower DAC amortization in that period compared to the current period where equity returns were much less favorable. 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 negative interest rate impact was partially offset by lower interest credited expense as we reduced interest credited rates on contracts with discretionary rate reset provisions, and lower DAC amortization in our life business. Lower returns in our hedge funds also decreased operating earnings and were partially offset by higher income from real estate joint ventures.

Less favorable mortality experience in our variable and universal life business, primarily driven by three large, unreinsured claims, partially offset by favorable experience in the immediate annuities and traditional life businesses, resulted in a $27 million decrease in operating earnings.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both periods, resulted in a net operating earnings decrease of $11 million and were primarily related to unfavorable DAC unlockings in the variable annuity business, partially offset by favorable DAC unlockings in our traditional and universal life businesses. Refinements to DAC and certain insurance-related liabilities that were recorded in both periods resulted in an $8 million decrease in operating earnings, which included a $56 million favorable reserve adjustment in the current period related to disability premium waivers in our life business. Operating earnings increased due to a decline in expenses of $59 million, mainly the result of lower employee-related costs.

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Group, Voluntary & Worksite Benefits

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$4,010	$3,767	$12,050	$11,438
Universal life and investment-type product policy fees	180	171	538	521
Net investment income	473	459	1,384	1,384
Other revenues	103	103	314	316
Total operating revenues	4,766	4,500	14,286	13,659
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	3,729	3,527	11,299	10,681
Interest credited to policyholder account balances	38	38	117	116
Capitalization of DAC	(37)	(37)	(107)	(105)
Amortization of DAC and VOBA	38	37	109	104
Interest expense on debt	—	—	—	1
Other expenses	634	595	1,900	1,761
Total operating expenses	4,402	4,160	13,318	12,558
Provision for income tax expense (benefit)	127	114	338	370
Operating earnings	$237	$226	$630	$731

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

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

The macroeconomic environment continues to signal stronger growth and is likely to instill further confidence in the U.S. economy. The improvement in the U.S. economy and overall employment remain slow and steady. In the current period, premiums increased across the segment. Our term life, dental and disability businesses generated premium growth through stronger sales and improved persistency, with the dental business also benefiting from pricing actions on existing business. In addition, premiums in our term life business increased due to the impact of experience adjustments on our participating contracts; however, changes in premiums for these contracts were almost entirely offset by the related changes in policyholder benefits. The introduction of new products also drove growth in the voluntary benefits business. Although we have discontinued selling our long-term care (“LTC”) product, we continue to collect premiums and administer the existing block of business, contributing to asset growth in the segment.

Favorable claims experience in accidental death and dismemberment, within our group life business, and in our disability business was partially offset by increased utilization of services across most channels of our dental business, resulting in a $7 million increase in operating earnings. Operating earnings from our term life business increased by $17 million as a result of a favorable reserve refinement in the current period; however, this was largely offset by a $15 million decrease due to increased claims severity, primarily in our group universal life business. In our LTC business, increases in new and pending claims resulted in an $11 million decrease in operating earnings; however, this was almost entirely offset by a $10 million favorable reserve refinement in the current period. In our property & casualty business, catastrophe-related losses increased by $5 million as compared to the prior period, mainly due to severe storm activity in the current period.

The impact of changes in market factors, including higher returns on other limited partnership interests, real estate joint ventures and increased prepayment fee income, partially offset by lower yields on our fixed maturity securities, resulted in higher investment yields. Unlike in the Retail and Corporate Benefit Funding segments, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The increase in investment yields, along with a slight decrease in crediting rates, improved operating earnings by $5 million.

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The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $12 million. Growth in premiums and deposits in the current period, partially offset by a reduction in PABs and allocated equity, resulted in an increase in our average invested assets, increasing operating earnings by $7 million. Consistent with the growth in average invested assets from premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts increased by $8 million. The PPACA fee increased other expenses by $15 million in the current period; however, the impact of the assessment was mostly offset by a related increase in premiums in the dental business. The remaining increase in other operating expenses, including higher marketing and sales support costs in our property & casualty business, was more than offset by the remaining increase in premiums, fees and other revenues.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

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

Our life business experienced less favorable mortality in the current period, mainly due to increased claims incidence and severity in the group universal life business and an increase in claims severity in the term life business, which resulted in a $52 million decrease in operating earnings. Unfavorable claims experience in our disability business, driven by higher approvals and lower net closures, coupled with increased utilization of services across most channels of our dental business, were partially offset by a decline in new and pending claims in our LTC business, resulting in a $56 million decrease in operating earnings. The impact of favorable reserve refinements in the current period resulted in an increase in operating earnings of $50 million. In our property & casualty business, catastrophe-related losses increased $19 million as compared to the prior period, mainly due to severe storm activity in the current period. In addition, severe winter weather in the current period increased non-catastrophe claim costs by $10 million, which was the result of higher frequencies in both our auto and homeowners businesses, as well as higher severities in our homeowners business, partially offset by lower severities in our auto business. These unfavorable results were partially offset by additional favorable development of prior year non-catastrophe losses, which improved operating earnings by $8 million.

The impact of changes in market factors, including lower returns on our fixed maturity securities and mortgage loans, and decreased income on alternative investments and interest rate derivatives, partially offset by higher returns on our real estate joint ventures and private equity investments, resulted in lower investment yields. The decrease in investment yields, slightly offset by lower crediting rates in the current period, reduced operating earnings by $25 million.

The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $32 million. Growth in premiums and deposits in the current period, partially offset by a reduction in PABs and allocated equity, resulted in an increase in our average invested assets, increasing operating earnings by $27 million. Consistent with the growth in average invested assets from premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts and PABs increased by $19 million. The PPACA fee increased other expenses by $44 million in the current period; however, the impact of the assessment was mostly offset by a related increase in premiums in the dental business. The remaining increase in other operating expenses, including higher marketing and sales support costs in our property & casualty business, was partially offset by the remaining increase in premiums, fees and other revenues.

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Corporate Benefit Funding

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$451	$450	$1,438	$1,369
Universal life and investment-type product policy fees	60	54	172	187
Net investment income	1,493	1,384	4,346	4,176
Other revenues	71	68	214	208
Total operating revenues	2,075	1,956	6,170	5,940
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	1,033	1,071	3,194	3,168
Interest credited to policyholder account balances	279	292	844	940
Capitalization of DAC	(11)	(2)	(30)	(25)
Amortization of DAC and VOBA	5	4	15	21
Interest expense on debt	2	3	6	7
Other expenses	139	129	393	384
Total operating expenses	1,447	1,497	4,422	4,495
Provision for income tax expense (benefit)	220	161	611	507
Operating earnings	$408	$298	$1,137	$938

In the first quarter of 2014, the Company entered into a definitive agreement to sell MAL and began reporting such operations as divested business. The sale of MAL was completed in the second quarter of 2014. See "— Executive Summary" for further information.

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

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

The sustained low interest rate environment has contributed to the underfunding of pension plans, which limits our customers' ability to engage in full pension plan closeout terminations. However, we expect that customers may choose to close out portions of pension plans over time, at costs reflecting current interest rates and availability of capital. Lower pension plan closeouts in the current period resulted in a decrease in premiums. However, competitive pricing and a relative increase in participation drove an increase in structured settlement sales in the current period. Income annuity sales were also strong in the current period, rebounding from the discontinuance of one contract in the prior period. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits.

The impact of changes in market factors drove higher investment yields, including higher returns on other limited partnership interests and real estate joint ventures, and higher income on interest rate derivatives. These favorable changes were partially offset by the impact of the sustained low interest rate environment on fixed maturity securities. Many of our funding agreement 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 impact of lower interest credited expense and higher investment returns resulted in an increase in operating earnings of $24 million.

Increases in allocated equity and funding agreement issuances resulted in higher invested assets, which drove an increase in net investment income that was slightly offset by the related increase in interest credited expense and resulted in a $50 million increase in operating earnings. In addition, strong investment performance and large case sales for our separate account products drove higher average account balances which resulted in a slight increase in separate account fees.

Favorable mortality in both periods, spread across products, resulted in a $20 million increase in operating earnings. The net impact of insurance liability refinements that were recorded in both periods resulted in an $11 million increase

in operating earnings.

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Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

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

The impact of changes in market factors drove higher investment yields, including higher income on interest rate derivatives, improved returns on real estate joint ventures and private equity investments, and increased prepayment fees. These favorable changes were partially offset by the impact of the sustained low interest rate environment on fixed maturity securities and mortgage loans. 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 impact of lower interest credited expense and higher investment returns resulted in an increase in operating earnings of $95 million.

Increases in allocated equity and other liabilities resulted in higher invested assets, which drove an increase in net investment income that was slightly offset by the related increase in interest credited expense and resulted in a $64 million increase in operating earnings. In addition, strong investment performance and large case sales for our separate account products drove higher average account balances which resulted in an increase in separate account fees of $6 million.

Favorable mortality in the current period, primarily in our structured settlements business, resulted in a $14 million increase in operating earnings. The net impact of insurance liability refinements that were recorded in both periods increased operating earnings by $16 million.

Latin America

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$794	$692	$2,242	$2,077
Universal life and investment-type product policy fees	328	222	956	682
Net investment income	346	354	1,003	912
Other revenues	7	—	23	9
Total operating revenues	1,475	1,268	4,224	3,680
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	719	637	2,066	1,792
Interest credited to policyholder account balances	97	106	295	313
Capitalization of DAC	(97)	(103)	(279)	(316)
Amortization of DAC and VOBA	101	63	261	220
Amortization of negative VOBA	—	(1)	(1)	(2)
Interest expense on debt	—	—	—	—
Other expenses	417	395	1,231	1,157
Total operating expenses	1,237	1,097	3,573	3,164
Provision for income tax expense (benefit)	86	38	156	115
Operating earnings	$152	$133	$495	$401

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

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

Operating earnings increased by $19 million over the prior period. The impact of changes in foreign currency exchange rates decreased operating earnings by $7 million for the third quarter of 2014 compared to the prior period. A tax reform bill was enacted in Chile on September 29, 2014 which includes, among other things, a gradual increase in the corporate tax rate. Our Chile businesses, including ProVida, incurred a one-time tax charge of $41 million as a result of this legislation. The fourth quarter 2013 acquisition of ProVida increased operating earnings by $54 million, which excludes the impact of the aforementioned tax reform.

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Latin America also experienced organic growth and increased sales of retirement, life and accident & health products in several countries. The increase in premiums for these products was partially offset by related changes in policyholder benefits. Growth in our businesses and the impact of inflation drove an increase in average invested assets, which generated higher net investment income and higher policy fee income, partially offset by a corresponding increase in interest credited on certain insurance liabilities. Increases in marketing costs and commissions resulted in higher operating expenses. The items discussed above were the primary drivers of a $12 million increase in operating earnings.

The net impact of changes in market factors resulted in a $12 million decrease in operating earnings. This decrease was primarily driven by the unfavorable impact of inflation, lower investment yields from alternative investments and lower income on derivatives in Chile, partially offset by higher investment yields on fixed income securities in Chile. Higher interest credited expense also decreased operating earnings.

Lower employee- and information technology-related costs across several countries increased operating earnings by $8 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings decrease of $7 million. In addition to our annual updates, refinements to DAC and other adjustments recorded in both periods resulted in an $11 million increase in operating earnings.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

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

Operating earnings increased by $94 million over the prior period. The impact of changes in foreign currency exchange rates decreased operating earnings by $33 million compared to the prior period.

Our Chile businesses, including ProVida, incurred a one-time tax charge of $41 million as a result of the aforementioned tax reform. The fourth quarter 2013 acquisition of ProVida increased operating earnings by $165 million, which excludes the impact of the aforementioned tax reform.

Latin America experienced organic growth and increased sales of life and accident & health products in several countries, as well as in our U.S. sponsored direct business. This was partially offset by decreased pension sales in Mexico and Brazil. The increase in premiums for these products was partially offset by related changes in policyholder benefits. Growth in our businesses and the impact of inflation drove an increase in average invested assets, which generated higher net investment income and higher policy fee income, partially offset by a corresponding increase in interest credited on certain insurance liabilities. Increases in marketing costs and commissions resulted in higher operating expenses. Business growth also drove an increase in DAC amortization. The items discussed above were the primary drivers of a $61 million increase in operating earnings.

The net impact of changes in market factors resulted in an $11 million decrease in operating earnings. This decrease was primarily driven by the unfavorable impact of inflation, higher interest credited expense and lower yields from alternative investments in Chile, partially offset by higher investment yields on fixed income securities in Chile, Argentina and Brazil.

Higher expenses, primarily generated by employee- and information technology-related costs across several countries, decreased operating earnings by $24 million. In addition, unfavorable claims experience in Mexico, Chile, Brazil, Argentina and Uruguay resulted in a $28 million decrease in operating earnings. These decreases were partially offset by increased operating earnings of $17 million primarily related to a tax benefit in Argentina due to the devaluation of the peso.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings decrease of $7 million.

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Asia

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$1,939	$1,922	$5,742	$5,900
Universal life and investment-type product policy fees	487	438	1,276	1,324
Net investment income	730	696	2,140	2,151
Other revenues	27	22	78	63
Total operating revenues	3,183	3,078	9,236	9,438
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	1,535	1,506	4,357	4,354
Interest credited to policyholder account balances	394	407	1,175	1,286
Capitalization of DAC	(507)	(515)	(1,458)	(1,583)
Amortization of DAC and VOBA	367	393	1,067	1,186
Amortization of negative VOBA	(89)	(99)	(275)	(325)
Other expenses	1,026	1,040	2,992	3,188
Total operating expenses	2,726	2,732	7,858	8,106
Provision for income tax expense (benefit)	151	89	425	412
Operating earnings	$306	$257	$953	$920

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

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

Operating earnings increased by $49 million over the prior period. The impact of changes in foreign currency exchange rates increased operating earnings by $1 million for the third quarter of 2014 compared to the prior period.

Asia sales grew compared to the prior period mainly driven by strong group sales in Australia, continued accident & health sales growth in China and strong agency sales in Korea. This was partially offset by lower sales of life and accident & health products in Japan consistent with our focus on disciplined pricing and risk management. Asia's premiums, fees and other revenues increased from the prior period primarily driven by growth in our group business in Australia and higher surrender fee income in Japan. Positive net flows in Japan and Korea, combined with growth in our life businesses in India and Bangladesh, resulted in higher average invested assets and generated an increase in net investment income. Changes in premiums for these businesses were offset by related changes in policyholder benefits and DAC amortization. The combined impact of the items discussed above improved operating earnings by $38 million.

Investment yields were positively impacted by increased sales of foreign currency-denominated fixed annuities resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities in Japan and increased prepayment fee income. These increases in yields were partially offset by the adverse impact of the low interest rate environment on mortgage loans and an increase in lower yielding Japanese government securities combined with lower returns on our real estate investments. Increases in investment yields, combined with the impact of foreign currency hedges, resulted in a $7 million increase in operating earnings.

The prior period results included a strengthening of group and permanent disability claim reserves of $57 million, net of reinsurance, in Australia and a favorable liability refinement of $13 million in China. In addition, refinements to DAC and certain insurance-related liabilities that were recorded in both periods resulted in an $8 million decrease in operating earnings.

Current period results include $6 million of unfavorable claims experience primarily in our life business and due to regulatory changes in Korea.

Prior period results include a $17 million tax benefit in Japan related to the estimated reversal of temporary differences.

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Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013
Unless otherwise stated, all amounts discussed below are net of income tax.

Operating earnings increased by $33 million over the prior period. The impact of changes in foreign currency exchange rates reduced operating earnings by $34 million for the first nine months of 2014 compared to the prior period and resulted in significant variances in the financial statement line items.
Asia’s premiums, fees and other revenues increased over the prior period primarily driven by broad based in-force growth across the region, including in our ordinary life business in Japan and our group insurance business in Australia. This was partially offset by lower surrender fee income in Japan. Positive net flows in Korea and Japan, combined with growth in our life business in India and Bangladesh, resulted in higher average invested assets and generated an increase in net investment income. Changes in premiums for these businesses were offset by related changes in policyholder benefits. The combined impact of the items discussed above improved operating earnings by $53 million.
Investment returns were negatively impacted by the adverse impact of the low interest rate environment on mortgage loans and an increase in lower yielding Japanese government securities, combined with lower returns on our other limited partnership interests and decreased prepayment fee income. These declines in yields were partially offset 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. Declines in yields, combined with the impact of foreign currency hedges, resulted in an $8 million decrease in operating earnings.
The prior period results include a strengthening of group and permanent disability claim reserves of $57 million, net of reinsurance, in Australia. In addition, refinements to DAC and certain insurance-related liabilities that were recorded in both periods resulted in a $7 million decrease in operating earnings.
Current period results include $21 million of unfavorable claims experience, primarily in our accident & health business in Japan and our life business in Korea, as well as due to regulatory changes in Korea. Current period results include a $9 million tax benefit related to U.S. taxation of dividends from Japan and a $4 million tax benefit resulting from a tax rate change in Japan. Prior period results include a $17 million tax benefit in Japan related to the estimated reversal of temporary differences and a one-time tax benefit of $6 million related to the disposal of our interest in a Korean asset management company at the beginning of 2013.

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EMEA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$581	$586	$1,762	$1,711
Universal life and investment-type product policy fees	127	100	353	287
Net investment income	131	124	388	372
Other revenues	22	21	49	82
Total operating revenues	861	831	2,552	2,452
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	252	243	784	736
Interest credited to policyholder account balances	43	37	112	109
Capitalization of DAC	(165)	(173)	(511)	(542)
Amortization of DAC and VOBA	152	166	476	526
Amortization of negative VOBA	(7)	(13)	(22)	(41)
Interest expense on debt	—	—	—	—
Other expenses	454	443	1,356	1,351
Total operating expenses	729	703	2,195	2,139
Provision for income tax expense (benefit)	36	43	80	73
Operating earnings	$96	$85	$277	$240

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

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

Operating earnings increased by $11 million over the prior period. The impact of changes in foreign currency exchange rates reduced operating earnings by $5 million for the third quarter of 2014 compared to the prior period. In the current period, we converted to calendar year reporting for certain of our subsidiaries, which increased operating earnings by $5 million. In addition, the current period includes a $4 million increase in operating earnings due to a one-time benefit related to the pension reform in Poland. A $5 million increase in operating earnings was the result of a prior period tax charge in Slovakia.

An increase in sales over the prior period, primarily in the Middle East and Central and Eastern Europe, was partially offset by the impact of regulatory changes in the United Kingdom ("U.K."). Net investment income also increased driven by an increase in average invested assets from business growth in Egypt and the Persian Gulf, as well as a slight increase in yields from the lengthening of the Ireland and Greece shorter-term portfolios into higher yielding longer duration fixed maturity securities. The amortization, or release, of negative VOBA associated with the conversion of certain policies generally results in an increase in operating earnings. In the current period, the number of policies converted declined and so, relative to the prior period, this reduced operating earnings. The combined impact of the items discussed above decreased operating earnings by $4 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both periods, resulted in a net operating earnings increase of $6 million.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

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

Operating earnings increased by $37 million over the prior period. The impact of changes in foreign currency exchange rates reduced operating earnings by $7 million for the first nine months of 2014 compared to the prior period.

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The Company received tax benefits of $17 million and $47 million in the current and prior periods, respectively, as a result of its decision to permanently reinvest certain foreign earnings. Prior period operating earnings were negatively impacted as a result of a $30 million tax charge related to the write-off of a U.K. tax loss carryforward and by a $26 million write-down of DAC and VOBA related to pension reform in Poland. This was partially offset by the prior period impact of a change in the local corporate tax rate in Greece, which increased operating earnings by $4 million in the first quarter of 2013. Operating earnings in the prior period were also higher due to liability refinements totaling $4 million in our ordinary and deferred annuity businesses in Greece. In addition, in the current period, we converted to calendar year reporting for certain of our subsidiaries, which resulted in a $10 million increase to operating earnings.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates, which occurred in both periods, resulted in a net operating earnings increase of $6 million.

An increase in sales over the prior period, primarily in the Middle East and Central Europe, was partially offset by the impact of regulatory changes in the U.K. and pension reform in Poland. An increase in average invested assets from business growth in Egypt, the Persian Gulf and Russia was offset by the unfavorable impact of the sustained low interest rate environment on our fixed maturity securities. The amortization, or release, of negative VOBA associated with the conversion of certain policies generally results in an increase in operating earnings. In the current period, the number of policies converted declined and so, relative to the prior period, this reduced operating earnings. Operating earnings in the current period benefited as a result of a review of certain tax liabilities. The combined impact of the items discussed above increased operating earnings by $10 million.

Corporate & Other

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
OPERATING REVENUES				
Premiums	$41	$30	$116	$84
Universal life and investment-type product policy fees	29	34	96	105
Net investment income	37	53	152	266
Other revenues	13	5	39	22
Total operating revenues	120	122	403	477
OPERATING EXPENSES				
Policyholder benefits and claims and policyholder dividends	31	25	91	52
Interest credited to policyholder account balances	8	10	26	33
Capitalization of DAC	(15)	(5)	(41)	(14)
Amortization for DAC and VOBA	1	1	4	1
Interest expense on debt	291	286	880	855
Other expenses	177	179	586	489
Total operating expenses	493	496	1,546	1,416
Provision for income tax expense (benefit)	(330)	(241)	(756)	(641)
Operating earnings	(43)	(133)	(387)	(298)
Less: Preferred stock dividends	30	30	91	91
Operating earnings available to common shareholders	$(73)	$(163)	$(478)	$(389)

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The table below presents operating earnings available to common shareholders by source on an after-tax basis:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Various business activities	$11	$7	$34	$40
Other net investment income	24	35	99	174
Interest expense on debt	(189)	(186)	(572)	(556)
Preferred stock dividends	(30)	(30)	(91)	(91)
Acquisition costs	—	(5)	(5)	(17)
Corporate initiatives and projects	(38)	(24)	(106)	(68)
Incremental tax benefit	199	110	356	312
Other	(50)	(70)	(193)	(183)
Operating earnings available to common shareholders	$(73)	$(163)	$(478)	$(389)

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

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

Operating earnings available to common shareholders and operating earnings each increased by $90 million, primarily due to higher incremental tax benefits.

Operating earnings from various business activities increased by $4 million primarily as a result of higher returns from the assumed reinsurance from our former operating joint venture in Japan.

Other net investment income decreased by $11 million. This decrease 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 mark-to-market income on trading securities and the adverse impact of the sustained low interest rate environment on yields from our fixed maturity securities. These decreases were partially offset by improved returns on other limited partnership interests and higher mark-to-market income on residential mortgage loans carried at fair value.

Expenses related to corporate initiatives and projects increased by $14 million, primarily due to higher relocation costs, severance and consulting expenses.

Other expenses in the current period decreased by $20 million, primarily driven by lower employee-related costs and lower interest on uncertain tax positions totaling $13 million.

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 third quarter of 2014 includes a $32 million one-time tax benefit related to the filing of the Company's U.S. federal tax return, as well as additional tax benefits of $27 million related to the separate account dividends received deduction and $12 million relating to the timing of certain tax credits. In addition, we had higher utilization of tax preferenced investments and other benefits which increased our operating earnings by $12 million over the prior period.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

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

Operating earnings available to common shareholders and operating earnings each decreased by $89 million, primarily due to lower net investment income, higher interest on debt and higher expenses related to corporate initiatives and projects, partially offset by higher incremental tax benefits.

Operating earnings from various business activities decreased by $6 million. Lower operating earnings from the assumed reinsurance from our former operating joint venture in Japan, primarily due to lower returns in the current period, were partially offset by higher operating earnings from start-up operations.

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Other net investment income decreased by $75 million. This decrease 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, the adverse impact of the sustained low interest rate environment on yields from our fixed maturity securities and lower returns on real estate investments. These decreases were partially offset by improved returns on other limited partnership interests and higher mark-to-market income on residential mortgage loans carried at fair value.

Interest expense on debt increased by $16 million, mainly due to the issuance of $1.0 billion of senior notes in April 2014 and the recognition of issuance costs related to the early redemption of senior notes in May 2014.

Acquisition costs decreased by $12 million due to lower internal resource costs for associates committed to certain acquisition activities.

Expenses related to corporate initiatives and projects increased by $38 million, primarily due to higher relocation costs, severance and consulting expenses. These expenses include an $8 million decrease in restructuring charges, the majority of which related to severance.

Our results for the current period include charges totaling $57 million related to the aforementioned 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 increase in operating earnings resulting from net adjustments to certain reinsurance assets and liabilities. In addition, declines in interest on uncertain tax positions and employee-related costs, totaling $21 million, improved operating earnings.

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 tax benefit in 2014 includes a $32 million one-time tax benefit related to the filing of the Company’s U.S. federal tax return, additional tax benefits relating to the separate account dividends received deduction, 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 and a $16 million tax charge related to the timing of certain tax credits. In addition, we had higher utilization of tax preferenced investments and other benefits which increased our operating earnings by $18 million over 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 of our Global Risk Management Department ("GRM") reviews, monitors and reports 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, concerns about the political and economic stability of countries in regions outside the EU, including Ukraine, Russia, Argentina and the Middle East, have contributed to global market volatility. As a global insurance company, we are also 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. 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, by keeping interest rates low and, more recently, through its asset purchase programs. The ECB has also recently adopted an array of stimulus measures, including a negative rate on bank deposits. In October 2014, the ECB commenced a program to purchase covered bank bonds and expects to begin purchases of asset-backed securities in November 2014. These actions are intended to lessen the risk of a prolonged period of deflation and support economic recovery in the Euro zone. See "— Industry Trends — Impact of a Sustained Low Interest Rate Environment" for information on actions taken by the Federal Reserve Board and central banks around the world to support the economic recovery. See "— Industry Trends — Financial and Economic Environment" for information on 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 and other central banks around the world 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 is 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 U.K., 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. 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. Sovereign debt issued by countries outside of Europe's perimeter region and Cyprus comprised $9.0 billion, or 99% of our European Region sovereign fixed maturity securities, at estimated fair value, at September 30, 2014. 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, which comprised $23.6 billion, or 73% of European Region total corporate securities, at estimated fair value, at September 30, 2014. Of these European Region sovereign fixed maturity and corporate securities, 92% were investment grade and, for the 8% that were below investment grade, the majority was comprised of non-financial services corporate securities at September 30, 2014. European Region financial services corporate securities, at estimated fair value, were $8.6 billion, including $6.2 billion within the banking sector, with 95% invested in investment grade corporate securities, at September 30, 2014.

Selected Country Investments

Concerns about the 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. However, after several tumultuous years, 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. This, combined with greater ECB support and gradually improving macroeconomic conditions at the country level, has reduced the risk of default on the sovereign debt of certain countries in Europe's perimeter region and Cyprus and the risk of possible withdrawal of one or more countries from the Euro zone.

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As presented in the table below, our exposure to the sovereign debt of Europe's perimeter region and Cyprus is not significant. Accordingly, we do not expect such investments to have a material adverse effect on our results of operations or financial condition. We manage direct and indirect investment exposure in these countries through fundamental credit analysis and we continually monitor and adjust our level of investment exposure in these countries. The following table presents a summary of investments by invested asset class across Europe's perimeter region, by country, and Cyprus. The Company has written credit default swaps where the underlying is an index comprised of companies across various sectors in the European Region. At September 30, 2014, the written credit default swaps exposure to Europe's perimeter region and Cyprus was $68 million in notional amount and less than $1 million in estimated fair value. The information below is presented at carrying value and on a country of risk basis (i.e. the country where the issuer primarily conducts business).

Summary of Selected European Country Investment Exposure at September 30, 2014

	Fixed Maturity Securities (1)						
	Sovereign	Financial Services	Non-Financial Services	Total	All Other General Account Investment Exposure (2)	Total Exposure (3)	%
	(In millions)						
Europe's perimeter region:							
Portugal	$—	$—	$ —	$—	$6	$6	— %
Italy	35	148	578	761	75	836	31
Ireland	—	12	50	62	838	900	33
Greece	—	—	—	—	152	152	6
Spain	25	101	531	657	72	729	27
Total Europe's perimeter region	60	261	1,159	1,480	1,143	2,623	97
Cyprus	44	—	11	55	20	75	3
Total	$104	$261	$ 1,170	$1,535	$1,163	$2,698	100 %
As percent of total cash and invested assets	0.0 %	0.1 %	0.2 %	0.3 %	0.2 %	0.5 %	
Investment grade %	58 %	91 %	81 %	81 %			
Non-investment grade %	42 %	9 %	19 %	19 %			

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(1) The par value and amortized cost of the fixed maturity securities were $1.3 billion and $1.4 billion, respectively, at September 30, 2014.

(2) Comprised of equity securities, mortgage loans, real estate and real estate joint ventures, other limited partnership interests, cash, cash equivalents and short-term investments, and other invested assets at carrying value. See Note 1 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for an explanation of the carrying value for these invested asset classes. Excludes FVO contractholder-directed unit-linked investments of $907 million. See "— FVO and Trading Securities."

(3) We had $1 million of commitments to fund partnership investments in Greece at September 30, 2014.

Recently 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. As of September 30, 2014, cash, cash equivalents, short-term investments and available-for-sale ("AFS") securities invested in Ukraine, Russia and Argentina, at estimated fair value, were $97 million, $680 million and $727 million, respectively, which were comprised primarily of local sovereign debt and corporate debt securities. We manage direct and indirect investment exposure in these countries through fundamental credit analysis and we continually monitor and adjust our level of investment exposure in these countries. We do not expect exposure to the general account investments in these countries to have a material adverse effect on

our results of operations or financial condition.

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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 2013 Annual Report.

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 September 30,				At or For the Nine Months Ended September 30,			
	2014		2013		2014		2013	
	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)	4.73 %	$ 3,704	4.92 %	$ 3,792	4.80 %	$ 11,185	4.82 %	$ 11,312
Mortgage loans (3)	5.44 %	774	5.34 %	725	5.19 %	2,191	5.42 %	2,179
Real estate and real estate joint ventures	3.69 %	94	3.09 %	77	3.88 %	297	3.25 %	243
Policy loans	5.37 %	158	5.38 %	158	5.36 %	473	5.26 %	465
Equity securities	3.95 %	31	3.87 %	28	4.18 %	98	4.14 %	88
Other limited partnerships	14.77 %	299	7.95 %	144	14.14 %	834	12.50 %	665
Cash and short-term investments	1.06 %	40	0.97 %	39	1.09 %	124	0.98 %	126
Other invested assets		233		217		653		618
Total before investment fees and expenses	5.03 %	5,333	4.98 %	5,180	5.02 %	15,855	4.97 %	15,696
Investment fees and expenses	(0.13)	(137)	(0.13)	(137)	(0.13)	(412)	(0.13)	(411)
Net investment income including divested businesses (4), (5)	4.90 %	5,196	4.85 %	5,043	4.89 %	15,443	4.84 %	15,285
		3		45		70		148

Less: net investment income from divested businesses (4), (5)				
Net investment income (6)	$ 5,193	$ 4,998	$ 15,373	$ 15,137

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(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 (6) 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.

(2) Investment income (loss) includes amounts for FVO and trading securities of $14 million and $95 million for the three months and nine months ended September 30, 2014, respectively, and $14 million and $24 million for the three months and nine months ended September 30, 2013, respectively.

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

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(4) 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 nine months ended September 30, 2014 was $3 million and $70 million, respectively, and $45 million and $148 million for the three months and nine months ended September 30, 2013, respectively. The net investment income adjustment includes scheduled periodic settlement payments on derivatives not qualifying for hedge accounting adjustment that are excluded in the scheduled periodic settlement 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 $0 and $1 million for the three months and nine months ended September 30, 2014, respectively, and $1 million and $8 million for the three months and nine months ended September 30, 2013, respectively.

(5) Certain amounts in the prior periods have been reclassified to conform with the current period segment presentation. In the first quarter of 2014, MetLife, Inc. began reporting the operations of MAL as divested business. See "— Executive Summary."

(6) 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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In millions)			
Net investment income — in the above yield table	$5,193	$4,998	$15,373	$15,137
Real estate discontinued operations	—	(3)	(1)	(7)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting	(169)	(175)	(513)	(473)
Equity method operating joint ventures	1	—	2	(1)
Contractholder-directed unit-linked investments	379	132	739	1,485
Divested businesses	3	45	70	148
Incremental net investment income from CSEs	3	29	34	96
Net investment income — GAAP consolidated statements of operations	$5,410	$5,026	$15,704	$16,385

See "— Results of Operations — Consolidated Results — Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013" and "— Results of Operations — Consolidated Results — Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013" for an analysis of the period over period changes in net investment income.

Fixed Maturity and Equity Securities Available-for-Sale

Fixed maturity securities AFS, which consisted principally of publicly-traded and privately-placed fixed maturity securities and redeemable preferred stock, were $368.1 billion and $350.2 billion, at estimated fair value, at September 30, 2014 and December 31, 2013, respectively, or 71% of total cash and invested assets at both September 30, 2014 and December 31, 2013. Publicly-traded fixed maturity securities represented $317.7 billion and $302.3 billion, at estimated fair value, at September 30, 2014 and December 31, 2013, respectively, or 86% of total fixed maturity securities at both September 30, 2014 and December 31, 2013. Privately placed fixed maturity securities represented $50.4 billion and $47.9 billion, at estimated fair value, at September 30, 2014 and December 31, 2013, respectively, or 14% of total fixed maturity securities at both September 30, 2014 and December 31, 2013.

Equity securities AFS, which consisted principally of publicly-traded and privately-held common and non-redeemable preferred stock, including certain perpetual hybrid securities and mutual fund interests, were $3.7 billion and $3.4 billion, at estimated fair value, at September 30, 2014 and December 31, 2013, respectively, or 0.7% of total cash and invested assets at both September 30, 2014 and December 31, 2013. Publicly-traded equity securities represented $2.6 billion and $2.4 billion, at estimated fair value, or 70% and 71% of total equity securities, at September 30, 2014 and December 31, 2013, respectively. Privately-held equity securities represented $1.1 billion and $1.0 billion, at

estimated fair value, or 30% and 29% of total equity securities, at September 30, 2014 and December 31, 2013, respectively.

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Included within fixed maturity and equity securities were $1.0 billion and $1.1 billion of perpetual securities, at estimated fair value, at September 30, 2014 and December 31, 2013, respectively. 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").

Included within fixed maturity securities were $1.2 billion and $1.5 billion of redeemable preferred stock with a stated maturity, at estimated fair value, at September 30, 2014 and December 31, 2013, respectively. 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.

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 2013 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:

	September 30, 2014					
	Fixed Maturity Securities (In millions)			Equity Securities (In millions)		
Level 1						
Quoted prices in active markets for identical assets	$35,663	9.7	%	$1,606	43.5	%
Level 2						
Independent pricing source	272,862	74.1		764	20.7	
Internal matrix pricing or discounted cash flow techniques	36,771	10.0		971	26.3	
Significant other observable inputs	309,633	84.1		1,735	47.0	
Level 3						
Independent pricing source	5,847	1.6		231	6.3	
Internal matrix pricing or discounted cash flow techniques	13,792	3.7		101	2.7	
Independent broker quotations	3,135	0.9		16	0.5	
Significant unobservable inputs	22,774	6.2		348	9.5	
Total estimated fair value	$368,070	100.0	%	$3,689	100.0	%

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for the fixed maturity securities and equity securities AFS fair value hierarchy.

The composition of fair value pricing sources for and significant changes in Level 3 securities at September 30, 2014 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 debt obligation ABS and foreign government securities.
- During the three months ended September 30, 2014, Level 3 fixed maturity securities decreased by $1.6 billion, or 6%. 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, U.S. and foreign corporate securities, foreign government securities and RMBS and the decrease in estimated fair value recognized in OCI was concentrated in foreign corporate securities. The purchases in excess of sales were concentrated in ABS, U.S. and foreign corporate securities and RMBS.
- During the nine months ended September 30, 2014, Level 3 fixed maturity securities decreased by $1.5 billion, or 6%. The decrease was driven by net transfers out of Level 3, partially offset by purchases in excess of sales and an increase in estimated fair value recognized in OCI. The net transfers out of Level 3 were concentrated in ABS, U.S. and foreign corporate securities and foreign government securities. The purchases in excess of sales were concentrated in ABS, U.S. and foreign corporate securities and RMBS and the increase in estimated fair value recognized in OCI were concentrated in U.S. and foreign corporate securities.

See Note 8 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 2013 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

Fixed Maturity Securities AFS

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about fixed maturity securities AFS.

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 2013 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 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:

		September 30, 2014				December 31, 2013			
NAIC Designation	NRSRO Rating	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	$237,340	$19,780	$257,120	69.9 %	$230,429	$11,640	$242,069	69.1 %
2	Baa	79,045	6,640	85,685	23.3	79,732	4,382	84,114	24.0
	Subtotal investment grade	316,385	26,420	342,805	93.2	310,161	16,022	326,183	93.1
3	Ba	14,790	255	15,045	4.1	13,239	358	13,597	3.9
4	B	8,553	36	8,589	2.3	9,216	162	9,378	2.7
5	Caa and lower	1,426	109	1,535	0.4	932	23	955	0.3
6	In or near default	44	52	96	—	51	23	74	—
	Subtotal below investment grade	24,813	452	25,265	6.8	23,438	566	24,004	6.9
	Total fixed maturity securities	$341,198	$26,872	$368,070	100.0 %	$333,599	$16,588	$350,187	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:

	Fixed Maturity Securities — by Sector & Credit Quality Rating						
NAIC Designation:	1	2	3	4	5	6	Total
NRSRO Rating:	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	Estimated Fair Value
	(In millions)						
September 30, 2014							
U.S. corporate	$46,480	$45,602	$9,879	$5,495	$502	$16	$107,974
Foreign corporate	25,792	31,187	3,270	1,522	105	1	61,877
Foreign government	48,299	6,011	671	865	490	60	56,396
U.S. Treasury and agency	56,862	—	—	—	—	—	56,862
RMBS	36,948	1,594	953	691	418	15	40,619
CMBS	14,474	58	99	14	4	—	14,649
ABS	13,950	738	143	2	16	4	14,853
State and political subdivision	14,315	495	30	—	—	—	14,840
Total fixed maturity securities	$257,120	$85,685	$15,045	$8,589	$1,535	$96	$368,070
Percentage of total	69.9 %	23.3 %	4.1 %	2.3 %	0.4 %	— %	100.0 %
December 31, 2013							
U.S. corporate	$46,038	$45,639	$9,349	$4,998	$415	$30	$106,469
Foreign corporate	27,957	30,477	2,762	1,910	45	1	63,152
Foreign government	47,767	4,481	648	1,363	178	—	54,437

U.S. Treasury and agency	45,123	—	—	—	—	—	45,123
RMBS	31,385	1,657	753	974	248	38	35,055
CMBS	16,393	47	45	14	51	—	16,550
ABS	14,184	1,215	30	119	18	5	15,571
State and political subdivision	13,222	598	10	—	—	—	13,830
Total fixed maturity securities	$242,069	$84,114	$13,597	$9,378	$955	$74	$350,187
Percentage of total	69.1 %	24.0 %	3.9 %	2.7 %	0.3 %	— %	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 September 30, 2014 and December 31, 2013. The tables below present our U.S. and foreign corporate securities holdings at:

	September 30, 2014			December 31, 2013		
	Estimated Fair Value (In millions)	% of Total		Estimated Fair Value (In millions)	% of Total	
Corporate fixed maturity securities — by sector:						
Foreign corporate (1)	$61,877	36.4	%	$63,152	37.2	%
U.S. corporate fixed maturity securities — by industry:						
Consumer	28,068	16.5		27,953	16.5	
Industrial	28,056	16.5		27,462	16.2	
Finance	20,062	11.8		20,135	11.9	
Utility	19,702	11.6		19,066	11.2	
Communications	8,041	4.8		8,074	4.8	
Other	4,045	2.4		3,779	2.2	
Total	$169,851	100.0	%	$169,621	100.0	%

(1) Includes both U.S. dollar and foreign denominated securities.

Structured Securities

We held $70.1 billion and $67.2 billion of structured securities, at estimated fair value, at September 30, 2014 and December 31, 2013, respectively, as presented in the RMBS, CMBS and ABS sections below.

RMBS

The table below presents our RMBS holdings at:

	September 30, 2014				December 31, 2013				
	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	$19,977	49.2	%	$ 1,107	$19,046	54.3	%	$ 705	
Pass-through securities	20,642	50.8		501	16,009	45.7		183	
Total RMBS	$40,619	100.0	%	$ 1,608	$35,055	100.0	%	$ 888	
By risk profile:									
Agency	$28,068	69.1	%	$ 1,229	$23,686	67.6	%	$ 762	
Prime	2,796	6.9		77	2,935	8.4		71	
Alt-A	5,480	13.5		130	4,986	14.2		(25	)
Sub-prime	4,275	10.5		172	3,448	9.8		80	
Total RMBS	$40,619	100.0	%	$ 1,608	$35,055	100.0	%	$ 888	
Ratings profile:									
Rated Aaa/AAA	$28,825	71.0	%		$24,764	70.6	%		
Designated NAIC 1	$36,948	91.0	%		$31,385	89.5	%		

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 2013 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.

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The Company’s Alt-A RMBS portfolio has performed within our expectations and is comprised primarily of fixed rate mortgage loans (95% and 94% at September 30, 2014 and December 31, 2013, respectively) and has an insignificant amount of option adjustable rate mortgage loans ($235 million and $34 million, at estimated fair value, or 4% and less than 1%, at September 30, 2014 and December 31, 2013, respectively). These option adjustable rate mortgage loans backing these securities are past the initial period that allowed negative amortization of principal and are now traditional amortizing adjustable rate mortgage loans.

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 increased our exposure by purchasing sub-prime RMBS at significant discounts to the expected principal recovery value of these securities. The sub-prime RMBS purchases since 2012 of $3.4 billion and $2.5 billion, at estimated fair value, are performing within our expectations and were in an unrealized gain position of $144 million and $96 million at September 30, 2014 and December 31, 2013, 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:

	September 30, 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	$540	$550	$101	$104	$72	$75	$41	$41	$17	$17	$771	$787
2005	2,827	2,884	419	436	273	284	111	117	12	16	3,642	3,737
2006	2,036	2,121	121	126	95	98	44	51	22	22	2,318	2,418
2007	717	742	64	68	195	207	71	76	121	118	1,168	1,211
2008 - 2011	570	604	24	24	89	90	—	—	4	4	687	722
2012	447	504	228	232	921	928	—	—	4	4	1,600	1,668
2013	740	759	409	425	1,512	1,533	12	12	—	—	2,673	2,729
2014	288	289	475	478	589	597	13	13	—	—	1,365	1,377
Total	$8,165	$8,453	$1,841	$1,893	$3,746	$3,812	$292	$310	$180	$181	$14,224	$14,649
Ratings Distribution		57.7 %		12.9 %		26.0 %		2.1 %		1.3 %		100.0 %

	December 31, 2013											
	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	$2,483	$2,522	$227	$236	$118	$124	$92	$95	$22	$21	$2,942	$2,998
2005	3,294	3,442	363	387	372	393	102	110	29	36	4,160	4,368
2006	2,355	2,466	246	260	145	156	16	21	36	37	2,798	2,940
2007	782	814	65	70	208	220	184	187	75	69	1,314	1,360

2008 - 2011	587	613	25	24	142	139	1	1	13	13	768	790
2012	439	477	271	264	937	892	—	—	17	51	1,664	1,684
2013	719	715	396	384	1,354	1,311	—	—	—	—	2,469	2,410
Total	$10,659	$11,049	$1,593	$1,625	$3,276	$3,235	$395	$414	$192	$227	$16,115	$16,550
Ratings Distribution		66.8 %		9.8 %		19.5 %		2.5 %		1.4 %		100.0 %

The tables above reflect rating agency ratings assigned by NRSROs including Moody’s Investors Service, Standard & Poor’s Ratings Services, Fitch Ratings and Morningstar, Inc. CMBS designated NAIC 1 were 98.8% and 99.1% of total CMBS at September 30, 2014 and December 31, 2013, 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:

	September 30, 2014			December 31, 2013		
	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 collateral type:						
Foreign residential loans	$2,516	16.9 %	$ 79	$3,415	21.9 %	$ 80
Collateralized loan obligations	5,031	33.9	(13)	2,960	19.0	(6)
Automobile loans	1,755	11.8	12	2,635	16.9	12
Student loans	2,042	13.8	51	2,332	15.0	17
Credit card loans	1,489	10.0	51	2,187	14.1	20
Equipment loans	289	1.9	4	427	2.7	6
Other loans	1,731	11.7	13	1,615	10.4	(16)
Total	$14,853	100.0 %	$ 197	$15,571	100.0 %	$ 113
Ratings profile:						
Rated Aaa/AAA	$8,726	58.7 %		$9,616	61.8 %	
Designated NAIC 1	$13,950	93.9 %		$14,184	91.1 %	

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

See Note 6 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 6 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 $32 million and $91 million for the three months and nine months ended September 30, 2014, respectively, and $34 million and $155 million for the three months and nine months ended September 30, 2013, respectively. Impairments of fixed maturity securities were $31 million and $56 million for the three months and nine months ended September 30, 2014, respectively, and $34 million and $133 million for the three months and nine months ended September 30, 2013, respectively. Impairments of equity securities were $1 million and $35 million for the three months and nine months ended September 30, 2014, respectively, and less than $1 million and $22 million for the three months and nine months ended September 30, 2013, respectively.

Credit-related impairments of fixed maturity securities were $31 million and $56 million for the three months and nine months ended September 30, 2014, respectively, and $33 million and $114 million for the three months and nine months ended September 30, 2013, respectively.

Explanations of changes in fixed maturity and equity securities impairments are as follows:

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $32 million for the three months ended September 30, 2014 as compared to $34 million in the prior period. The most significant decreases were in RMBS and U.S. and foreign corporate securities, which comprised $18 million for the three months ended September 30, 2014, as compared to $34 million for the three months ended September 30, 2013. A decrease of $9 million in OTTI losses on RMBS and $7 million on U.S. and foreign corporate securities reflect improving economic fundamentals. The $7 million decrease on U.S. and foreign corporate securities was concentrated in the consumer and transportation services industries. These decreases were partially offset by an increase in OTTI losses of $13 million on CMBS.

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Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013
Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $91 million for the nine months ended September 30, 2014 as compared to $155 million in the prior period. The most significant decreases were in U.S. and foreign corporate securities and RMBS, which comprised $36 million for the nine months ended September 30, 2014, as compared to $133 million for the nine months ended September 30, 2013. A decrease of $50 million in OTTI losses on U.S. and foreign corporate securities and a $47 million decrease on RMBS reflect improving economic fundamentals. The $50 million decrease on U.S. and foreign corporate securities was concentrated in the utility and financial services industries.

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 PABs 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 $17.2 and $17.4 billion at estimated fair value, or 3.3% and 3.5% of total cash and invested assets, at September 30, 2014 and December 31, 2013, respectively. See Note 8 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 repledged 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 repledged, 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 6 of Notes to the Interim Condensed Consolidated Financial Statements for information regarding our securities lending program.

Mortgage Loans

Our mortgage loans held-for-investment are principally collateralized by commercial real estate, agricultural real estate and residential properties. Mortgage loans held-for-investment and related valuation allowances are summarized as follows at:

	September 30, 2014				December 31, 2013			
	Recorded Investment	% of Total	Valuation Allowance	% of	Recorded Investment	% of Total	Valuation Allowance	% of

				Recorded Investment						Recorded Investment	
	(Dollars in millions)					(Dollars in millions)					
Commercial	$40,540	70.2	%	$ 227	0.6	%	$ 40,926	73.0	%	$ 258	0.6	%
Agricultural	11,929	20.7		38	0.3	%	12,391	22.1		44	0.4	%
Residential	5,265	9.1		42	0.8	%	2,772	4.9		20	0.7	%
Total	$57,734	100.0	%	$ 307	0.5	%	$ 56,089	100.0	%	$ 322	0.6	%

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Excluded from the table above are mortgage loans for which the FVO has been elected and mortgage loans held-for-sale. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about these mortgage loans.

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, 86% are collateralized by properties located in the U.S., with the remaining 14% collateralized by properties located outside the U.S., calculated as a percent of the total commercial and agricultural mortgage loans held-for-investment at September 30, 2014. 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 commercial and agricultural mortgage loans held-for-investment at September 30, 2014. 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.

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class, as such loans represented over 70% of total mortgage loans held-for-investment at both September 30, 2014 and December 31, 2013. The tables below present the diversification across geographic regions and property types of commercial mortgage loans held-for-investment:

	September 30, 2014			December 31, 2013		
	Amount	% of Total		Amount	% of Total	
	(In millions)			(In millions)		
Region						
Pacific	$8,815	21.7	%	$8,961	21.9	%
Middle Atlantic	7,582	18.7		7,367	18.0	
South Atlantic	6,705	16.5		6,977	17.1	
International	6,636	16.4		6,709	16.4	
West South Central	3,763	9.3		3,619	8.8	
East North Central	2,589	6.4		2,717	6.6	
New England	1,197	3.0		1,404	3.4	
Mountain	933	2.3		834	2.0	
East South Central	384	0.9		471	1.2	
West North Central	142	0.4		148	0.4	
Multi-Region and Other	1,794	4.4		1,719	4.2	
Total recorded investment	40,540	100.0	%	40,926	100.0	%
Less: valuation allowances	227			258		
Carrying value, net of valuation allowances	$40,313			$40,668		
Property Type:						
Office	$21,160	52.2	%	$20,629	50.4	%
Retail	9,263	22.8		9,245	22.6	
Hotel	4,317	10.6		4,219	10.3	
Apartment	3,392	8.4		3,724	9.1	
Industrial	2,178	5.4		2,897	7.1	
Other	230	0.6		212	0.5	
Total recorded investment	40,540	100.0	%	40,926	100.0	%
Less: valuation allowances	227			258		
Carrying value, net of valuation allowances	$40,313			$40,668		

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 6 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, impaired mortgage loans, as well as loans modified in a troubled debt restructuring. 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 53% and 55% at September 30, 2014 and December 31, 2013, respectively, and our average debt service coverage ratio was 2.5x and 2.4x at September 30, 2014 and December 31, 2013, respectively. The debt service coverage ratio, as well as the values utilized in calculating the ratio, is updated annually on a rolling basis, with a portion of the portfolio updated each quarter. The loan-to-value ratio is routinely updated for all but the lowest risk loans as part of our ongoing review of our commercial mortgage loan portfolios. For our agricultural mortgage loans, our average loan-to-value ratio was 44% and 45% at September 30, 2014 and December 31, 2013, respectively. The values utilized in calculating the loan-to-value ratio are developed in connection with the ongoing review of the agricultural mortgage 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 2013 Annual Report for further information on our mortgage loan valuation allowance policy.

See Notes 6 and 8 of the Notes to the Interim Condensed Consolidated Financial Statements for information about 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 and nine months ended September 30, 2014 and 2013.

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, 83% were located in the United States, with the remaining 17% located outside the United States at September 30, 2014. The three locations with the largest real estate investments were California, Japan and Florida at 16%, 14% and 10%, respectively, at September 30, 2014.

Real estate investments by type consisted of the following at:

	September 30, 2014			December 31, 2013		
	Carrying Value	% of Total		Carrying Value	% of Total	
	(In millions)			(In millions)		
Traditional	$9,100	87.6	%	$9,312	86.9	%
Real estate joint ventures and funds	691	6.6		769	7.2	
Subtotal	9,791	94.2		10,081	94.1	
Foreclosed (commercial, agricultural and residential)	429	4.1		445	4.2	
Real estate held-for-investment	10,220	98.3		10,526	98.3	
Real estate held-for-sale	173	1.7		186	1.7	
Total real estate and real estate joint ventures	$10,393	100.0	%	$10,712	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 2013 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 $12.8 billion and $12.5 billion at September 30, 2014 and December 31, 2013, respectively.

In connection with our investment management business, in the fourth quarter of 2013, we contributed real estate investments with an estimated fair value of $1.4 billion to the MetLife Core Property Fund, our newly formed open ended core real estate fund, in return for the issuance of ownership interests in that fund. As part of the initial closing

on December 31, 2013, we redeemed 76% of our interest in this fund as new third party investors were admitted. The MetLife Core Property Fund was consolidated as of December 31, 2013. As a result of our quarterly reassessment in the first quarter of 2014, we no longer consolidate the MetLife Core Property Fund, effective March 31, 2014. See Note 6 of the Notes to Interim Condensed Consolidated Financial Statements for further information.

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Other Limited Partnership Interests

The carrying value of other limited partnership interests was $8.2 billion and $7.4 billion at September 30, 2014 and December 31, 2013, respectively, which included $2.4 billion and $1.9 billion of hedge funds, at September 30, 2014 and December 31, 2013, respectively.

Other Invested Assets

The following table presents the carrying value of our other invested assets by type:

	September 30, 2014		December 31, 2013	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)		(In millions)	
Freestanding derivatives with positive estimated fair values	$10,171	56.8 %	$8,595	53.0 %
Tax credit and renewable energy partnerships	2,702	15.1	2,657	16.3
Leveraged leases, net of non-recourse debt	1,816	10.1	1,946	12.0
Funds withheld	694	3.9	649	4.0
Joint venture investments	415	2.3	113	0.7
Other	2,107	11.8	2,269	14.0
Total	$17,905	100.0 %	$16,229	100.0 %

Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was $12.2 billion and $14.0 billion, or 2.4% and 2.8% of total cash and invested assets, at September 30, 2014 and December 31, 2013, respectively. The carrying value of cash equivalents, which approximates estimated fair value, was $3.7 billion and $3.8 billion at September 30, 2014 and December 31, 2013, respectively, or 0.7% and 0.8% of total cash and invested assets, at September 30, 2014 and December 31, 2013, 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 7 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 September 30, 2014 and December 31, 2013.
- The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the three months and nine months ended September 30, 2014 and 2013.

See “Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities” for more information about our use of derivatives by major hedge program.

Fair Value Hierarchy

See Note 8 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 September 30, 2014 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 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 options with unobservable correlation inputs. At both September 30, 2014 and December 31, 2013, less than 1% of the net derivative estimated fair value was priced through independent broker quotations.
See Note 8 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.
Level 3 derivatives had a ($38) million and ($95) million gain (loss) recognized in net income (loss) for the three months and nine months ended September 30, 2014, respectively. This gain (loss) primarily relates to certain purchased equity 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 unobservable swap yield curve. The unobservable equity variance spread is calculated from a comparison between broker offered variance swap volatility and observable equity 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 primary drivers of the net loss during the three months ended September 30, 2014 were strengthening of U.S. dollar versus foreign currencies on receive-foreign, pay-U.S. dollar forwards and swaps, largely offset by increases in equity volatility which, in total, accounted for 296% of the loss. Changes in the unobservable inputs accounted for an offsetting reduction in the loss of 196%. The primary drivers of the loss during the nine months ended September 30, 2014 were strengthening of U.S. dollar versus foreign currencies on receive-foreign, pay-U.S. dollar forwards and swaps, and decreases in equity volatility which, in total, accounted for 136% of the loss. Changes in the unobservable inputs accounted for an offsetting reduction in the loss of 36%.
See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives" included in the 2013 Annual Report for further information on the estimates and assumptions that affect derivatives.
Credit Risk
See Note 7 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.
Credit Derivatives
The following table presents the gross notional amount and estimated fair value of credit default swaps at:

Credit Default Swaps	September 30, 2014		December 31, 2013	
	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
	(In millions)			
Purchased (1)	$2,773	$(24)	$3,725	$(44)
Written (2)	10,929	147	9,055	165
Total	$13,702	$123	$12,780	$121

(1) The notional amount and estimated fair value for purchased credit default swaps in the trading portfolio were $245 million and ($5) million, respectively, at September 30, 2014 and $355 million and ($10) million, respectively, at December 31, 2013.

(2) The notional amount and estimated fair value for written credit default swaps in the trading portfolio were $45 million and $2 million, respectively, at September 30, 2014 and $10 million and $0, respectively, at December 31, 2013.

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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 September 30,						Nine Months Ended September 30,					
	2014			2013			2014			2013		
	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)
	(In millions)											
Purchased (2), (4)	$6	$—	$ 6	$2	$(10)	$ (8)	$18	$(18)	$ —	$12	$(29)	$ (17)
Written (3), (4)	(15)	(17)	(32)	43	3	46	20	(39)	(19)	95	(22)	73
Total	$(9)	$(17)	$ (26)	$45	$(7)	$ 38	$38	$(57)	$ (19)	$107	$(51)	$ 56

(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 $1 million and $0, respectively, for the three months ended September 30, 2014 and $4 million and ($3) million, respectively, for the nine months ended September 30, 2014. The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were $0 and ($5) million, respectively, for the three months ended September 30, 2013 and $2 million and ($11) million, respectively, for the nine months ended September 30, 2013.

(3) The gross gains and gross (losses) for written credit default swaps in the trading portfolio were not significant for both the three months and nine months ended September 30, 2014. The gross gains and gross (losses) for written credit default swaps in the trading portfolio were $1 million and $0, respectively, for both the three months and nine months ended September 30, 2013.

(4) Gains (losses) do not include earned income (expense) on credit default swaps.

Three Months Ended September 30, 2014 Compared with the Three Months Ended September 30, 2013

The favorable change in net gains (losses) on purchased credit default swaps of $14 million was due to credit spreads widening in the current period as compared to credit spreads narrowing in the prior period on credit default swaps hedging certain bonds. The unfavorable change in net gains (losses) on written credit default swaps of ($78) million was due to certain credit spreads being mixed in the current period compared to credit spreads narrowing in the prior period on certain credit default swaps used as replications.

Nine Months Ended September 30, 2014 Compared with the Nine Months Ended September 30, 2013

The favorable change in net gains (losses) on purchased credit default swaps of $17 million was due to credit spreads widening in the current period as compared to credit spreads narrowing in the prior period on credit default swaps hedging certain bonds. The unfavorable change in net gains (losses) on written credit default swaps of ($92) million was due to certain credit spreads being mixed in the current period compared to credit spreads narrowing in the prior period on certain credit default swaps used as replications.

The maximum amount at risk related to our written credit default swaps is equal to the corresponding notional amount. The increase in the notional amount of written credit default swaps is primarily a result of our decision to add to our credit replication holdings within the Company. 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.

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Embedded Derivatives

See Note 8 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 8 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 7 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 2013 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 Committed Facilities" for further descriptions of such arrangements.

Collateral for Securities Lending, 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 repledged, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was $67 million at estimated fair value at September 30, 2014. We had no such collateral as of December 31, 2013. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Securities Lending" and "Summary of Significant Accounting Policies — Investments — Securities Lending Program" in Note 1 of the Notes to the Consolidated Financial Statements included in the 2013 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 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 $764 million and $231 million at September 30, 2014 and December 31, 2013, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was $832 million and $256 million at September 30, 2014 and December 31, 2013, respectively, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets.

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 $3.3 billion and $2.3 billion at September 30, 2014 and December 31, 2013, respectively. 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 ring-fenced for the benefit of the Company). The amount of this cash collateral was $249 million at September 30, 2014. No cash collateral of this type was held at December 31, 2013. See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral" and Note 7 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.

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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 14 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 6 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 2013 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.

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 — International Regulation" included in the 2013 Annual Report.

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.

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 2013 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 2013 Annual Report and "— Variable Annuity Guarantees." A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

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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 products, 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 products, 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, LTC policies, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. The future policy benefits of the property & casualty products offered by the Voluntary & Worksite business are the same as those of the Retail property & casualty business. 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.

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 sustained periods of lower yields than rates established at issue, 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.

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Corporate & Other

Future policy benefits primarily include liabilities for quota-share reinsurance agreements for certain run-off LTC and workers' compensation business written by MICC. 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

PABs 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 2013 Annual Report and "— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for additional information. A discussion of PABs by segment (as well as Corporate & Other) follows.

Retail

Life & Other PABs are held for retained asset accounts, universal life policies and the fixed account of variable life insurance policies. For Annuities, PABs 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 PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario. Additionally, PABs 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:

	September 30, 2014	
Guaranteed Minimum Crediting Rate	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Life & Other		
Greater than 0% but less than 2%	$121	$121
Equal to 2% but less than 4%	$11,798	$4,935
Equal to or greater than 4%	$10,721	$6,767
Annuities		
Greater than 0% but less than 2%	$3,291	$2,715
Equal to 2% but less than 4%	$32,720	$26,917
Equal to or greater than 4%	$2,578	$2,532

(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 September 30, 2014, excess interest reserves were $124 million and $352 million for Life & Other and Annuities, respectively.

Group, Voluntary & Worksite Benefits

PABs 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. PABs 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 PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

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The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group, Voluntary & Worksite Benefits:

Guaranteed Minimum Crediting Rate	September 30, 2014	
	Account Value (1)	Account Value at Guarantee (1)
	(In millions)	
Greater than 0% but less than 2%	$4,915	$4,913
Equal to 2% but less than 4%	$2,195	$2,173
Equal to or greater than 4%	$646	$620

(1) These amounts are not adjusted for policy loans.

Corporate Benefit Funding

PABs 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 the (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

PABs 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

PABs 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 PABs. 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:

	September 30, 2014	
Guaranteed Minimum Crediting Rate (1)	Account Value (2)	Account Value at Guarantee (2)
	(In millions)	
Annuities		
Greater than 0% but less than 2%	$25,741	$2,644
Equal to 2% but less than 4%	$1,064	$329
Equal to or greater than 4%	$2	$2
Life & Other		
Greater than 0% but less than 2%	$6,350	$5,939
Equal to 2% but less than 4%	$17,933	$8,709
Equal to or greater than 4%	$265	$—

(1) Excludes negative VOBA liabilities of $1.8 billion at September 30, 2014, primarily held in Japan. These liabilities were established in instances where the estimated fair value of contract obligations exceeded the book value of assumed insurance policy liabilities in the acquisition of American Life Insurance Company and Delaware American Life Insurance Company (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

PABs 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

PABs 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 reinsurance, 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 2013 Annual Report 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 portion of guaranteed minimum income benefit ("GMIBs") that requires 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 PABs. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of GMWBs and the portion of certain 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 8 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	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(In millions)			
Americas				
GMDB	$677	$495	$—	$—
GMIB	1,920	1,608	(1,717)	(1,904)
GMAB	—	—	2	2
GMWB	97	62	(172)	(441)
Asia				
GMDB	35	33	—	—
GMAB	—	—	11	3
GMWB	205	204	149	129
EMEA				
GMDB	(5)	6	—	—
GMAB	—	—	13	11
GMWB	30	19	(113)	(102)
Corporate & Other				
GMDB	13	11	—	—
GMAB	—	—	50	83
GMWB	89	109	1,184	1,179
Total	$3,061	$2,547	$(593)	$(1,040)

The carrying amounts for guarantees included in PABs above include nonperformance risk adjustments of $262 million and $267 million at September 30, 2014 and December 31, 2013, 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.

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 reinsurance, contractholder-directed investments which do not qualify for presentation as separate account assets, and amounts included in our general account.

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GMDBs

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at September 30, 2014:

	Total Contract Account Value (1)	
	Americas	Corporate & Other
	(In millions)	
Return of premium or five to seven year step-up	$105,268	$14,261
Annual step-up	31,184	—
Roll-up and step-up combination	39,655	—
Total	$176,107	$14,261

(1) Total contract account value excludes $2.2 billion for contracts with no GMDBs and $11.6 billion of total contract account value in the EMEA and Asia segments.

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 September 30, 2014:

	Total Contract Account Value (1)	
	Americas	Corporate & Other
	(In millions)	
GMIB	$98,374	$—
GMWB - non-life contingent	6,713	3,576
GMWB - life-contingent	20,945	9,034
GMAB	257	1,651
	$126,289	$14,261

(1) Total contract account value excludes $52.1 billion for contracts with no living benefit guarantees and $9.4 billion of total contract account value in the EMEA and Asia segments.

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 GMIBs, by their guaranteed payout basis, at September 30, 2014:

	Total Contract Account Value (In millions)
7-year setback, 2.5% interest rate	$36,148
7-year setback, 1.5% interest rate	6,055
10-year setback, 1.5% interest rate	20,233
10-year mortality projection, 10-year setback, 1.0% interest rate	31,360
10-year mortality projection, 10-year setback, 0.5% interest rate	4,578
	$98,374

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, 32% of the $98.4 billion of GMIB total contract account value has been invested in managed volatility funds as of September 30, 2014. 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 September 30, 2014, only 10% 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 4 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. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the-money at September 30, 2014:

	In-the-Moneyness	Total Contract Account Value (In millions)	% of Total	
In-the-money	30% +	$1,204	1.2	%
	20% to 30%	974	1.0	%
	10% to 20%	2,171	2.2	%
	0% to 10%	4,780	4.9	%
		9,129		
Out-of-the-money	-10% to 0%	8,473	8.6	%
	-20% to -10%	17,932	18.2	%
	-20% +	62,840	63.9	%
		89,245		
Total GMIBs		$98,374		

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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:

		September 30, 2014			December 31, 2013		
Primary Underlying Risk Exposure	Instrument Type	Notional Amount	Estimated Fair Value Assets	Liabilities	Notional Amount	Estimated Fair Value Assets	Liabilities
		(In millions)					
Interest rate	Interest rate swaps	$25,473	$1,546	$693	$25,474	$1,108	$669
	Interest rate futures	5,503	4	5	5,888	9	9
	Interest rate options	32,260	451	94	17,690	131	236
Foreign currency exchange rate	Foreign currency forwards	2,293	5	56	2,324	1	171
	Foreign currency futures	455	—	2	365	1	1
Equity market	Equity futures	6,000	24	5	5,144	1	43
	Equity options	35,919	1,345	1,063	35,445	1,344	1,068
	Variance swaps	22,272	195	643	21,636	174	577
	Total rate of return swaps	3,496	73	13	3,802	—	179
	Total	$133,671	$3,643	$2,574	$117,768	$2,769	$2,953

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 PABs.

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, changing needs and opportunities.

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Short-term Liquidity

We maintain a substantial short-term liquidity position, which was $15.4 billion and $15.8 billion at September 30, 2014 and December 31, 2013, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding: (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; and (iii) cash held in the closed block.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was $239.4 billion and $240.9 billion at September 30, 2014 and December 31, 2013, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding: (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; and (v) investments pledged in support of funding agreements, derivatives and short sale agreements.

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.

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 MetLife, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and Note 16 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for information regarding restrictions on payment of dividends and stock repurchases. See also “— The Company — Liquidity and Capital Uses — Common Stock Repurchases” for information regarding MetLife, Inc.’s common stock repurchase program.

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 Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

	Nine Months Ended September 30,	
	2014	2013
	(In millions)	
Sources:		
Operating activities, net	$10,950	$9,984
Changes in policyholder account balances, net	2,554	—
Changes in payables for collateral under securities loaned and other transactions, net	3,481	—
Changes in bank deposits, net	—	8
Long-term debt issued	1,000	—
Common stock issued, net of issuance costs	—	1,000
Total sources	17,985	10,992
Uses:		
Investing activities, net	11,669	6,575
Changes in policyholder account balances, net	—	4,973
Changes in payables for collateral under securities loaned and other transactions, net	—	1,821
Short-term debt repayments, net	75	—
Long-term debt repaid	2,802	765
Treasury stock acquired in connection with share repurchases	443	—
Dividends on preferred stock	91	91
Dividends on common stock	1,101	808
Other, net	546	134
Effect of change in foreign currency exchange rates on cash and cash equivalents	60	187
Total uses	16,787	15,354
Net increase (decrease) in cash and cash equivalents	$1,198	$(4,362)

Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, annuity considerations and deposit funds. The principal cash outflows relate to the liabilities associated with various life insurance, property & casualty, annuity and pension products, operating expenses and income tax, as well as interest on debt obligations. 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, settlements of freestanding derivatives and net investment income. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows include those related to our securities lending activities and 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.

Financing Cash Flows

The principal cash inflows from our financing activities come from issuances of debt and other securities and deposits of funds associated with PABs. The principal cash outflows come from repayments of debt, payments of dividends on and repurchase of MetLife, Inc.'s securities and withdrawals associated with PABs. 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 Primary Sources and Uses of Liquidity and Capital," the following additional information is provided regarding our primary sources of liquidity and capital:

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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:

Common Stock

During the nine months ended September 30, 2014 and 2013, MetLife, Inc. issued 5,225,340 and 6,478,671 new shares of its common stock for $196 million and $209 million, respectively, to satisfy various stock option exercises and other stock-based awards. See "— Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts" for information regarding the issuance of common stock in October 2014 in connection with the remarketing of the senior debt securities underlying MetLife, Inc.'s common equity units issued in November 2010.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding, Inc. ("MetLife Funding") each have commercial paper programs supported by a $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 MetLife, Inc., MLIC and other 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 PABs

Certain of our domestic insurance subsidiaries are members of a regional Federal Home Loan Bank ("FHLB"). During the nine months ended September 30, 2014 and 2013, we issued $9.3 billion and $10.5 billion, respectively, and repaid $9.3 billion and $10.9 billion, respectively, under funding agreements with certain regional FHLBs. At both September 30, 2014 and December 31, 2013, total obligations outstanding under these funding agreements were $15.0 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report.

Special Purpose Entity Funding Agreements, Reported in PABs

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 nine months ended September 30, 2014 and 2013, we issued $38.4 billion and $27.4 billion, respectively, and repaid $35.0 billion and $27.3 billion, respectively, under such funding agreements. At September 30, 2014 and December 31, 2013, total obligations outstanding under these funding agreements were $34.5 billion and $31.2 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in PABs

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. During the nine months ended September 30, 2014 and 2013, we issued $200 million and $0, respectively, and repaid $200 million and $0, respectively, under such funding agreements. At both September 30, 2014 and December 31, 2013, 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 2013 Annual Report.

Debt Issuance

In April 2014, MetLife, Inc. issued $1.0 billion of senior notes due in April 2024 which bear interest at a fixed rate of 3.60%, payable semi-annually.

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Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts

In October 2014, MetLife, Inc. closed the successful remarketing of the Series E portion of the senior debt securities underlying common equity units issued in November 2010 in connection with the acquisition of ALICO. The Series E senior debt securities were remarketed as 1.903% Series E senior debt securities Tranche 1 and 4.721% Series E senior debt securities Tranche 2, which are due December 2017 and 2044, respectively. MetLife, Inc. did not receive any proceeds from the remarketing. Most common equity unit holders used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. The subsequent settlement of the stock purchase contracts provided proceeds to MetLife, Inc. of $1.0 billion in exchange for shares of MetLife, Inc.'s common stock. MetLife, Inc. delivered 22,907,960 shares of its newly issued common stock to settle the stock purchase contracts. See Notes 12 and 15 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for additional information.

Credit and Committed Facilities

At September 30, 2014, we maintained a $4.0 billion unsecured credit facility and certain committed facilities aggregating $12.1 billion. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

In May 2014, MetLife, Inc. and MetLife Funding entered into a $4.0 billion five-year unsecured credit agreement, which amended and restated both the five-year $3.0 billion and the five-year $1.0 billion unsecured credit agreements in their entireties into a single agreement (the "2014 Five-Year Credit Agreement"). The facility made available by the 2014 Five-Year Credit Agreement may be used for general corporate purposes (including, in the case of loans, to back up commercial paper and, in the case of letters of credit, to support variable annuity policy and reinsurance reserve requirements). All borrowings under the 2014 Five-Year Credit Agreement must be repaid by May 30, 2019, except that letters of credit outstanding on that date may remain outstanding until no later than May 30, 2020. MetLife, Inc. incurred costs of $6 million related to the 2014 Five-Year Credit Agreement, which were capitalized and included in other assets. These costs are being amortized over the remaining term of the 2014 Five-Year Credit Agreement. At September 30, 2014, we had outstanding $364 million in letters of credit and no drawdowns against this facility. Remaining availability was $3.6 billion at September 30, 2014.

The committed facilities are used for collateral for certain of our affiliated reinsurance liabilities. At September 30, 2014, $6.6 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 September 30, 2014.

See Note 12 of the Notes to the Consolidated Financial Statements included in the 2013 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:

	September 30, 2014	December 31, 2013
	(In millions)	
Short-term debt	$100	$175
Long-term debt (1)	$16,203	$17,198
Collateral financing arrangements	$4,196	$4,196
Junior subordinated debt securities	$3,193	$3,193

(1) Excludes $186 million and $1.5 billion at September 30, 2014 and December 31, 2013, respectively, of long-term debt relating to CSEs — FVO (see Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements).

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Dispositions

Cash proceeds from dispositions during the nine months ended September 30, 2014 and 2013 were $714 million and $399 million, respectively. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the disposition of MAL. During the nine months ended September 30, 2013, the sale of MetLife Bank's depository business resulted in cash outflows of $6.4 billion as a result of the buyer's assumption of the bank deposits liability in exchange for our cash payment. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for information regarding the sale of MetLife Bank's depository business.

Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in "— Summary of Primary Sources and Uses of Liquidity and Capital" the following additional information is provided regarding our primary uses of liquidity and capital:

Common Stock Repurchases

In June 2014, MetLife, Inc. announced its plans to resume common stock repurchases and repurchase up to $1.0 billion of MetLife, Inc. common stock. It is utilizing existing authorizations from the MetLife, Inc. Board of Directors to repurchase its common stock. Under these 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 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 nine months ended September 30, 2014, MetLife, Inc. repurchased 8,168,318 shares through open market purchases for $443 million. MetLife, Inc. did not repurchase shares during the nine months ended September 30, 2013.

At September 30, 2014, MetLife, Inc. had $818 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 nine months ended September 30, 2014 and 2013:

			Preferred Stock Dividend			
Declaration Date	Record Date	Payment Date	Series A Per Share	Series A Aggregate	Series B Per Share	Series B Aggregate
			(In millions, except per share data)			
August 15, 2014	August 31, 2014	September 15, 2014	$0.256	$6	$0.406	$24
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	$0.406	24
				$19		$72
August 15, 2013	August 31, 2013	September 16, 2013	$0.256	$6	$0.406	$24
May 15, 2013	May 31, 2013	June 17, 2013	$0.256	7	$0.406	24
March 5, 2013	February 28, 2013	March 15, 2013	$0.250	6	$0.406	24
				$19		$72

Preferred stock dividends are paid quarterly in accordance with the terms of MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A, and 6.50% Non-Cumulative Preferred Stock, Series B.

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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 nine months ended September 30, 2014 and 2013:

Declaration Date	Record Date	Payment Date	Common Stock Dividend	
			Per Share	Aggregate
			(In millions, except per share data)	
July 7, 2014	August 8, 2014	September 12, 2014	$0.350	$395
April 22, 2014	May 9, 2014	June 13, 2014	$0.350	395
January 6, 2014	February 6, 2014	March 13, 2014	$0.275	311
				$1,101
June 25, 2013	August 9, 2013	September 13, 2013	$0.275	$303
April 23, 2013	May 9, 2013	June 13, 2013	$0.275	302
January 4, 2013	February 6, 2013	March 13, 2013	$0.185	203
				$808

The declaration and payment of common stock dividends are subject to the discretion of MetLife, Inc.'s 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 to MetLife, Inc. by its insurance subsidiaries and other factors deemed relevant by the Board. On October 28, 2014, MetLife, Inc.'s Board of Directors declared a fourth quarter 2014 common stock dividend of $0.35 per share payable on December 12, 2014 to shareholders of record as of November 7, 2014. The Company estimates the aggregate dividend payment to be $399 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 Board, if, in the future, MetLife, Inc. is designated as a non-bank SIFI. See "— Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Potential 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 Regulatory Developments — 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 MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and Note 16 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report.

Debt Repayments

In June 2014, MetLife, Inc. repaid at maturity its $350 million 5.50% senior notes.

In May 2014, MetLife, Inc. redeemed $200 million aggregate principal amount of its 5.875% senior notes due in November 2033 at par.

In February 2014, MetLife, Inc. repaid at maturity its $1.0 billion 2.375% senior notes.

Debt and Facility Covenants

Certain of our debt instruments, committed facilities and our credit facility contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all such covenants at September 30, 2014.

Debt Repurchases

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.

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Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an "Obligor") are parties to various capital support commitments, guarantees and contingent reinsurance agreements with certain subsidiaries of MetLife, Inc. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or has agreed to provide, upon the occurrence of certain contingencies, reinsurance for such entity's insurance liabilities. 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. In November 2014, certain foreign risks reinsured by Exeter were recaptured and then reinsured to a new insurance affiliate in Bermuda. At that time, MetLife, Inc.'s guarantee of Exeter's former reinsurance obligations was replaced by a guarantee of the Bermuda insurance affiliate's reinsurance obligations. Further, MetLife, Inc. now also guarantees obligations of the new Bermuda insurance affiliate arising from derivatives. 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 2013 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 nine months ended September 30, 2014 and 2013, general account surrenders and withdrawals from annuity products were $3.0 billion and $2.9 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 $1.2 billion at September 30, 2014 of funding agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilities, $135 million were subject to a notice period of 90 days. The remaining liabilities are subject to a notice period of five months or greater.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At September 30, 2014 and December 31, 2013, we were obligated to return cash collateral under our control of $3.0 billion and $2.0 billion, respectively. At September 30, 2014 and December 31, 2013, we had pledged cash collateral of $97 million and $3 million, respectively, for OTC bilateral derivative contracts between two counterparties in a net liability position. 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 require $12 million of additional collateral be provided to our counterparties as of September 30, 2014. See Note 7 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. In addition, we have 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 liabilities and universal life secondary guarantee liabilities.

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 $30.9 billion and $28.3 billion at September 30, 2014 and December 31, 2013, respectively. Of these amounts, $7.7 billion and $6.0 billion at September 30, 2014 and December 31, 2013, 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 September 30, 2014 was $7.5 billion, of which $6.9 billion 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 14 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 nine months ended September 30, 2014 and 2013, there were $277 million and $0 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 2013 Annual Report for additional information on the Company’s contractual obligations.

MetLife, Inc.

Liquidity Management 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.

Liquid Assets

At September 30, 2014 and December 31, 2013, MetLife, Inc. and other MetLife holding companies had $6.0 billion and $5.9 billion, respectively, in liquid assets. Of these amounts, $5.6 billion and $5.5 billion were held by MetLife, Inc. and $422 million and $453 million were held by other MetLife holding companies, at September 30, 2014 and December 31, 2013, respectively. Liquid assets include cash and cash equivalents, short-term investments and

publicly-traded securities, excluding: (i) amounts related to cash collateral received from counterparties in connection with derivatives; (ii) investments held in trust in support of collateral financing arrangements; and (iii) investments pledged in support of derivatives.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations determined to be available after application of local insurance regulatory requirements, as discussed in "— MetLife, Inc. — 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 2013 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.

Liquidity

For a summary of MetLife, Inc.'s liquidity, see "— The Company — Liquidity."

Capital

Potential Restrictions and Limitations on Non-Bank SIFIs and Global Systemically Important Insurers

MetLife Bank terminated its FDIC insurance and MetLife, Inc. de-registered as a bank holding company. As a result, MetLife, Inc. is no longer subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank SIFI, it could once again be subject to regulation by the Federal Reserve Board and enhanced supervision and prudential standards. In addition, if MetLife, Inc. is designated as a non-bank SIFI or if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be reduced by any such additional capital requirements that might be imposed. See "— Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Potential Regulation as a Non-Bank SIFI" and "— Industry Trends — Regulatory Developments — International Regulatory Developments — Global Systemically Important Insurers." See also "— The Company — Liquidity and Capital Uses — Common Stock Repurchases" for information regarding the resumption of our common stock repurchase program.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in "— The Company — Summary of 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 2014 by the respective insurance subsidiary without insurance regulatory approval and the respective dividends paid during the nine months ended September 30, 2014:

Company	2014	
	Paid	Permitted w/o Approval (1)
	(In millions)	
Metropolitan Life Insurance Company	$558	$1,163
MetLife Insurance Company of Connecticut (2)	$—	$1,013
Metropolitan Property and Casualty Insurance Company	$—	$218
MetLife Investors Insurance Company	$—	$120
Metropolitan Tower Life Insurance Company	$—	$73
Delaware American Life Insurance Company	$—	$16
American Life Insurance Company	$—	$—

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(1) Reflects dividend amounts that may be paid during 2014 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2014, some or all of such dividends may require regulatory approval.

(2) We do not expect MICC to pay any dividends during 2014. See "— Liquidity and Capital Uses — Affiliated Capital Transactions" for information regarding MICC's redemption and retirement of its common stock formerly held by MetLife Investors Group, LLC ("MLIG") and MLIG's $1.4 billion dividend to MetLife, Inc. in connection with the Mergers.

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.

In 2013, MetLife, Inc. announced its plans for the Mergers. As a result, the aggregate amount of dividends permitted to be paid without insurance regulatory approval may be impacted. See "— Executive Summary" for further information on the Mergers.

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" and Note 16 of the Notes to the Consolidated Financial Statements included in the 2013 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 September 30, 2014 and December 31, 2013.

Credit and Committed Facilities

At September 30, 2014, MetLife, Inc., along with MetLife Funding, maintained a $4.0 billion unsecured credit facility, the proceeds of which are available for general corporate purposes (including, in the case of loans, to back up commercial paper and, in the case of letters of credit, to support variable annuity policy and reinsurance reserve

requirements). At September 30, 2014, MetLife, Inc. had outstanding $364 million in letters of credit and no drawdowns against this facility. Remaining availability was $3.6 billion at September 30, 2014.

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In addition, MetLife, Inc. is a party and/or guarantor to committed facilities of certain of its subsidiaries, which aggregated $12.1 billion at September 30, 2014. 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," as w as Note 12 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for further information regarding these facilities.

Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

	September 30, 2014	December 31, 2013
	(In millions)	
Long-term debt — unaffiliated	$15,363	$15,938
Long-term debt — affiliated (1)	$3,600	$3,600
Collateral financing arrangements	$2,797	$2,797
Junior subordinated debt securities	$1,748	$1,748

(1) In June 2014, a $500 million senior note issued by MetLife, Inc. to MLIC matured and a new $500 million senior note was issued by MetLife, Inc. to MLIC. The new senior note matures in June 2019 and bears interest at a fixed rate of 3.54%, payable semi-annually.

Dispositions

Cash proceeds from dispositions during the nine months ended September 30, 2014 and 2013, were $0 and $17 million, respectively.

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 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 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 nine months ended September 30, 2014 and 2013, MetLife, Inc. invested an aggregate of $520 million and $835 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 $2.2 billion and $2.3 billion at September 30, 2014 and December 31, 2013, respectively.

In anticipation of the Mergers, in August 2014, MICC paid to MLIG $1.4 billion to redeem and retire MICC's common stock owned by MLIG; as a result, all of the outstanding shares of common stock of MICC are now directly held by MetLife, Inc. Following the redemption, in August 2014, MLIG paid a dividend of $1.4 billion to MetLife, Inc., and MetLife, Inc. made a capital contribution to MICC of $231 million.

In August 2014, American Life issued a $120 million short-term note to MetLife, Inc. The short-term note bears interest at six-month LIBOR plus 0.875% and matures in June 2015.

In June 2014, MetLife Ireland Treasury Limited made a payment of the Chilean peso equivalent of $69 million on a loan issued by MetLife, Inc. which bears interest at a fixed rate of 8.5%. At September 30, 2014, the remaining balance on the loan was $1.0 billion.

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In February 2014, American Life issued a $150 million short-term note to MetLife, Inc. which was repaid in June 2014. The short-term note bore interest at six-month LIBOR plus 0.875%.

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 September 30, 2014.

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 nine months ended September 30, 2014 and 2013, 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 PABs 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. In addition, operating return on common equity is defined as operating earnings available to common shareholders, divided by average GAAP common equity. Additionally, the impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current year and is applied to each of the comparable years. Further, asymmetrical GAAP accounting treatment for insurance contracts refers to Inflation and Pass Through Adjustments as noted above within the definition of operating expenses.

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 15 of the Notes to the Interim Condensed Consolidated Financial Statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We have developed an integrated process for managing risk, which we conduct through multiple Board and senior management committees (financial and non-financial) within the GRM, ALM Unit, Treasury Department and Investments Department. The risk committee structure is designed to provide a consolidated enterprise-wide assessment and management of risk. The ERC is responsible for reviewing all material risks to the enterprise and deciding on actions, if necessary, in the event risks exceed desired tolerances, taking into consideration industry best practices and the current environment to resolve or mitigate those risks. Additional committees at the MetLife, Inc. and subsidiary insurance company level that manage capital and risk positions, approve ALM strategies and establish corporate business standards, report to the ERC.

Global Risk Management

Independent from the lines of business, the centralized GRM, led by the CRO collaborates and coordinates across all committees to ensure that all material risks are properly identified, measured, aggregated and reported across the Company. The CRO reports to the CEO and is primarily responsible for maintaining and communicating the Company's enterprise risk policies and for monitoring and analyzing all material risks.

GRM considers and monitors a full range of risks against the Company's solvency, liquidity, earnings, business operations and reputation. GRM's primary responsibilities consist of:

- implementing a corporate risk framework, which outlines our enterprise approach for managing risk;
- developing policies and procedures for managing, measuring, monitoring and controlling those risks identified in the corporate risk framework;
- establishing appropriate corporate risk tolerance levels;
- deploying capital on an economic basis;
- recommending capital allocations on an economic capital basis; and
- reporting to (i) the Finance and Risk Committee of MetLife, Inc.'s Board of Directors; (ii) the Investment Committee of MLIC's Board of Directors, which assists MetLife, Inc.'s Board of Directors in overseeing certain investment activities of the enterprise; and (iii) the financial and non-financial senior management committees on various aspects of risk.

Asset/Liability Management

We actively manage our assets using an approach that balances quality, diversification, asset/liability matching, liquidity, concentration and investment return. The goals of the investment process are to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are reasonably managed on a cash flow and duration basis. The ALM process is the shared responsibility of the ALM Unit, GRM, the Portfolio Management Unit, and the senior members of the business segments and is governed by the ALM Committees. The ALM Committees' duties include reviewing and approving target portfolios, establishing investment guidelines and limits and providing oversight of the ALM process on a periodic basis. The directives of the ALM Committees are carried out and monitored through ALM Working Groups which are set up to manage by product type. In addition, our ALM Steering Committee oversees the activities of the underlying ALM Committees. The ALM Steering Committee reports to the ERC.

We establish target asset portfolios for each major insurance product, which represent the investment strategies used to profitably fund our liabilities within acceptable levels of risk. These strategies are monitored through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, liquidity, asset sector concentration and credit quality by the ALM Working Groups.

Market Risk Exposures

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. For purposes of this disclosure, "market risk" is defined as the risk of loss resulting from changes in interest rates, foreign currency exchange rates and equity markets.

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Interest Rates

Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our interest rate sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed securities and ABS, all of which are mainly exposed to changes in medium- and long-term interest rates. The interest rate sensitive liabilities for purposes of this disclosure include debt, PABs related to certain investment type contracts, and net embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate exposure (medium- and long-term interest rates) as fixed maturity securities. We employ product design, pricing and ALM strategies to reduce the potential effects of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives and duration mismatch limits. 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" included in the 2013 Annual Report.

Foreign Currency Exchange Rates

Our exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through our investments in foreign subsidiaries. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro, the Japanese yen and the British pound. Selectively, we use U.S. dollar assets to support certain long duration foreign currency liabilities. Through our investments in foreign subsidiaries and joint ventures, we are primarily exposed to the Japanese yen, the Polish zloty, the Australian dollar, the Mexican peso, Chilean peso and the Korean won. In addition to hedging with foreign currency swaps, forwards and options, local surplus in some countries is held entirely or in part in U.S. dollar assets which further minimizes exposure to foreign currency exchange rate fluctuation risk. We have matched 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. See "Risk Factors — Risks Related to Our Business — Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability" included in the 2013 Annual Report.

Equity Market

Along with investments in equity securities, we have exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as net embedded derivatives on variable annuities with guaranteed minimum benefits and certain PABs. We manage this risk on an integrated basis with other risks through our ALM strategies including the dynamic hedging of certain variable annuity guarantee benefits. We also manage equity market risk exposure in our investment portfolio through the use of derivatives. Equity exposures associated with other limited partnership interests are excluded from this discussion as they are not considered financial instruments under GAAP.

Management of Market Risk Exposures

We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives.

Interest Rate Risk Management

To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The Department of Financial Services regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the allocation of investment income to product lines. For each segment, invested assets greater than or equal to the GAAP liabilities and any non-invested assets allocated to the segment are maintained, with any excess allocated to Corporate & Other. The business segments may reflect differences in legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy with respect to duration, liquidity or

credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts for which the investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortgage loan prepayments and defaults.

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Common industry metrics, such as duration and convexity, are also used to measure the relative sensitivity of assets and liability values to changes in interest rates. In computing the duration of liabilities, consideration is given to all policyholder guarantees and to how we intend to set indeterminate policy elements such as interest credits or dividends. Each asset portfolio has a duration target based on the liability duration and the investment objectives of that portfolio. Where a liability cash flow may exceed the maturity of available assets, as is the case with certain retirement and group products, we may support such liabilities with equity investments, derivatives or interest rate curve mismatch strategies.

Foreign Currency Exchange Rate Risk Management

We assume foreign currency exchange rate risk primarily in three ways: investments in foreign subsidiaries, purchases of foreign currency denominated investments and the sale of certain insurance products.

- GRM's Foreign Exchange Committee, in coordination with the Treasury Department, is responsible for managing our exposure to investments in foreign subsidiaries. Exposure limits are established by the Treasury Department and monitored by GRM. The Investments Department manages such exposure.
- The Investments Department is responsible for managing the exposure to foreign currency denominated investments. Exposure limits to unhedged foreign currency investments are incorporated into the standing authorizations granted to management by the Board of Directors and are reported to the Board of Directors on a periodic basis.
- Management of each of the Company's segments, with oversight from the Foreign Exchange Committee, is responsible for establishing limits and managing any foreign currency exchange rate exposure caused by the sale or issuance of insurance products.

We use foreign currency swaps, forwards and options to mitigate the liability exposure, risk of loss and financial statement volatility associated with our investments in foreign subsidiaries, foreign currency denominated fixed income investments and the sale of certain insurance products.

Equity Market Risk Management

The issuance of variable annuities exposes us to market risk. This risk is managed by our ALM Unit in partnership with the Investments Department. Equity market risk is also assumed through our investment in equity securities and is managed by our Investments Department. We use derivatives to mitigate our equity exposure both in certain liability guarantees such as variable annuities with guaranteed minimum benefit and equity securities. These derivatives include exchange-traded equity futures, equity index options contracts and equity variance swaps. We also employ reinsurance to manage these exposures.

Hedging Activities

We use derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency exchange rate risk, and equity market risk. Derivative hedges are designed to reduce risk on an economic basis while considering their impact on accounting results and GAAP and statutory capital. Our derivative hedge programs vary depending on the type of risk being hedged. Some hedge programs are asset or liability specific while others are portfolio hedges that reduce risk related to a group of liabilities or assets. Our use of derivatives by major hedge programs is as follows:

- Risks Related to Living Guarantee Benefits — We use a wide range of derivative contracts to mitigate the risk associated with variable annuity living guarantee benefits. These derivatives include equity and interest rate futures, interest rate swaps, currency futures/forwards, equity indexed options and interest rate option contracts and equity variance swaps.
- Minimum Interest Rate Guarantees — For certain liability contracts, we provide the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors to reduce risk associated with these liability guarantees.
- Reinvestment Risk in Long Duration Liability Contracts — Derivatives are used to hedge interest rate risk related to certain long duration liability contracts. Hedges include interest rate swaps and swaptions.
- Foreign Currency Exchange Rate Risk — We use currency swaps, forwards and options to hedge foreign currency exchange rate risk. These hedges primarily swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to U.S. dollars.
-

General ALM Hedging Strategies — In the ordinary course of managing our asset/liability risks, we use interest rate futures, interest rate swaps, interest rate caps, interest rate floors and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk related to the existing assets or liabilities or related to expected future cash flows.

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Risk Measurement: Sensitivity Analysis

We measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, equity market prices and foreign currency exchange rates utilizing a sensitivity analysis. This analysis estimates the potential changes in estimated fair value based on a hypothetical 10% change (increase or decrease) in interest rates, equity market prices and foreign currency exchange rates. We believe that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near term. In performing the analysis summarized below, we used market rates at September 30, 2014. The sensitivity analysis separately calculates each of our market risk exposures (interest rate, equity market and foreign currency exchange rate) relating to our trading and non-trading assets and liabilities. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the net present values of our interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;
- the U.S. dollar equivalent estimated fair values of our foreign currency exposures due to a 10% change (increase or decrease) in foreign currency exchange rates; and
- the estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that our actual losses in any particular period will not exceed the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;
- for the derivatives that qualify as hedges, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes liabilities pursuant to insurance contracts and real estate holdings; and
- the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management. Based on our analysis of the impact of a 10% change (increase or decrease) in market rates and prices, we have determined that such a change could have a material adverse effect on the estimated fair value of certain assets and liabilities from interest rate, foreign currency exchange rate and equity market exposures.

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities at September 30, 2014:

	September 30, 2014
	(In millions)
Non-trading:	
Interest rate risk	$5,819
Foreign currency exchange rate risk	$6,577
Equity market risk	$31
Trading:	
Interest rate risk	$5
Foreign currency exchange rate risk	$—

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The table below provides additional detail regarding the potential loss in estimated fair value of our trading and non-trading interest sensitive financial instruments at September 30, 2014 by type of asset or liability:

	September 30, 2014		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Yield Curve
	(In millions)		
Assets			
Fixed maturity securities		$368,070	$(5,885)
Equity securities		$3,689	—
Fair value option and trading securities:			
Actively Traded Securities		$672	(9)
Fair value option general account securities		$690	(1)
Total fair value option and trading securities		$1,362	(10)
Mortgage loans		$60,226	(392)
Policy loans		$13,428	(114)
Short-term investments		$12,240	(1)
Other invested assets		$909	—
Cash and cash equivalents		$8,783	—
Accrued investment income		$4,380	—
Premiums, reinsurance and other receivables		$3,782	(155)
Other assets		$700	(4)
Net embedded derivatives within asset host contracts (2)		$361	(23)
Total assets			$(6,584)
Liabilities (3)			
Policyholder account balances		$139,111	$630
Payables for collateral under securities loaned and other transactions		$33,776	—
Short-term debt		$100	—
Long-term debt		$18,042	333
Collateral financing arrangements		$3,993	—
Junior subordinated debt securities		$4,176	118
Other liabilities:			
Trading liabilities		$196	4
Other		$6,275	124
Net embedded derivatives within liability host contracts (2)		$(497)	493
Total liabilities			$1,702
Derivative Instruments			
Interest rate swaps	$103,719	$4,026	$(663)
Interest rate floors	$62,645	$177	(26)
Interest rate caps	$36,605	$116	32
Interest rate futures	$5,503	$(1)	3
Interest rate options	$44,701	$539	(186)
Interest rate forwards	$280	$49	(19)
Synthetic GICs	$4,315	$—	—
Foreign currency swaps	$30,309	$(211)	(16)
Foreign currency forwards	$19,412	$(39)	(7)
Currency futures	$455	$(2)	—
Currency options	$14,705	$311	(13)

Credit default swaps	$13,702	$123	—
Equity futures	$6,010	$19	—
Equity options	$37,892	$286	(50)
Variance swaps	$22,272	$(448)	3
Total rate of return swaps	$3,496	$60	—
Total derivative instruments			$(942)
Net Change			$(5,824)

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Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contractholder.

(1) Mortgage loans, FVO and trading securities and long-term debt exclude $313 million, $18 million and $186 million, respectively, related to CSEs. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding CSEs.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $204.3 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the yield curve.

Interest rate risk decreased by $964 million, or 14%, to $5.8 billion at September 30, 2014 from $6.8 billion at December 31, 2013. This change was primarily due to a decrease in interest rates across the swap and U.S. Treasury curves of $289 million, a change in the asset base of $329 million and a change in duration of $157 million. Additionally, the use of derivatives by the Company, primarily due to the sale of MAL, contributed to the decline by $202 million.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in foreign currency exchange rates at September 30, 2014 by type of asset or liability:

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	September 30, 2014		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Foreign Exchange Rate
	(In millions)		
Assets			
Fixed maturity securities		$368,070	$(8,628)
Equity securities		$3,689	(104)
Fair value option and trading securities:			
Actively Traded Securities		$672	—
Fair value option general account securities		$690	(78)
Total fair value option and trading securities		$1,362	(78)
Mortgage loans		$60,226	(626)
Policy loans		$13,428	(164)
Short-term investments		$12,240	(201)
Other invested assets		$909	(127)
Cash and cash equivalents		$8,783	(427)
Accrued investment income		$4,380	(100)
Premiums, reinsurance and other receivables		$3,782	(64)
Other assets		$700	(7)
Net embedded derivatives within asset host contracts (2)		$361	(13)
Total assets			$(10,539)
Liabilities (3)			
Policyholder account balances		$139,111	$3,272
Payables for collateral under securities loaned and other transactions		$33,776	107
Long-term debt		$18,042	139
Other liabilities		$6,471	19
Net embedded derivatives within liability host contracts (2)		$(497)	129
Total liabilities			$3,666
Derivative Instruments			
Interest rate swaps	$103,719	$4,026	$(26)
Interest rate floors	$62,645	$177	—
Interest rate caps	$36,605	$116	—
Interest rate futures	$5,503	$(1)	1
Interest rate options	$44,701	$539	(20)
Interest rate forwards	$280	$49	—
Synthetic GICs	$4,315	$—	—
Foreign currency swaps	$30,309	$(211)	435
Foreign currency forwards	$19,412	$(39)	(366)
Currency futures	$455	$(2)	(119)
Currency options	$14,705	$311	404
Credit default swaps	$13,702	$123	(1)
Equity futures	$6,010	$19	2
Equity options	$37,892	$286	(16)
Variance swaps	$22,272	$(448)	2
Total rate of return swaps	$3,496	$60	—
Total derivative instruments			$296

Net Change	$(6,577)

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(1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are foreign currency exchange rate sensitive, are not included herein as any foreign currency exchange rate risk is borne by the contractholder. Mortgage loans, fair value option and trading securities and long-term debt exclude $313 million, $18 million and $186 million, respectively, related to CSEs. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding CSEs.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $204.3 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in foreign currency exchange rates.

Foreign currency exchange rate risk was $6.6 billion at both September 30, 2014 and December 31, 2013.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in equity at September 30, 2014 by type of asset or liability:

	September 30, 2014		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in Equity Prices
	(In millions)		
Assets			
Equity securities		$3,689	$369
Net embedded derivatives within asset host contracts (2)		$361	(19)
Total assets			$350
Liabilities			
Policyholder account balances		$139,111	$—
Net embedded derivatives within liability host contracts (2)		$(497)	747
Total liabilities			$747
Derivative Instruments			
Interest rate swaps	$103,719	$4,026	$—
Interest rate floors	$62,645	$177	—
Interest rate caps	$36,605	$116	—
Interest rate futures	$5,503	$(1)	—
Interest rate options	$44,701	$539	—
Interest rate forwards	$280	$49	—
Synthetic GICs	$4,315	$—	—
Foreign currency swaps	$30,309	$(211)	—
Foreign currency forwards	$19,412	$(39)	—
Currency futures	$455	$(2)	—
Currency options	$14,705	$311	—
Credit default swaps	$13,702	$123	—
Equity futures	$6,010	$19	(537)
Equity options	$37,892	$286	(259)
Variance swaps	$22,272	$(448)	11
Total rate of return swaps	$3,496	$60	(343)
Total derivative instruments			$(1,128)
Net Change			$(31)

(1) Does not necessarily represent those financial instruments solely subject to equity price risk. Additionally, separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are equity market sensitive, are not included herein as any equity market risk is borne by the contractholder.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

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Equity price risk decreased by $64 million to $31 million at September 30, 2014 from $95 million at December 31, 2013. This decline was due to the use of derivatives by the Company and a change in equity securities.

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 Rule 13a-15(e) under the Exchange Act, 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 September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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Part II — Other Information

Item 1. Legal Proceedings

The following should be read in conjunction with (i) Part I, Item 3, of MetLife, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Annual Report"); (ii) Part II, Item 1, of MetLife, Inc.'s Quarterly Report on Form 10 Q for the quarters ended March 31, 2014 and June 30, 2014; and (iii) Note 14 of the Notes to the Interim Condensed Consolidated Financial Statements in Part I of this report.

Asbestos-Related Claims

Metropolitan Life Insurance Company ("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 2013 Annual Report, MLIC received approximately 5,898 asbestos-related claims in 2013. During the nine months ended September 30, 2014 and 2013, MLIC received approximately 3,641 and 4,256 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for historical information concerning asbestos claims and MLIC's increase in its recorded liability at December 31, 2013. 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 September 30, 2014.

Regulatory Matters

Mortgage Regulatory and Law Enforcement Authorities' Inquiries

In April and May 2012, MetLife Bank, National Association ("MetLife Bank") received two subpoenas issued by the Office of Inspector General for the U.S. Department of Housing and Urban Development 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. MetLife Bank has met with the U.S. Department of Justice to discuss the allegations and possible resolution of the FHA False Claims Act investigation. The Company believes that, although the matter may settle for an amount that could exceed the current accrued liability, the estimated amount of any such potential additional liability is included in the aggregate estimate of reasonably possible loss provided above, and the Company believes that any such potential additional amount would not have a material impact on the Company's consolidated financial statements.

Unclaimed Property Litigation

Total Asset Recovery Services, LLC on behalf of the State of Florida v. MetLife, Inc., et. al. (Cir. Ct. Leon County, FL, filed October 27, 2010)

Alleging that MLIC violated the Florida Disposition of Unclaimed Property law by failing to escheat to Florida benefits of 9,022 life insurance contracts, Total Asset Recovery Services, LLC ("Relator") brought an action under the Florida False Claims Act seeking to recover damages on behalf of Florida. The Relator alleged that the aggregate damages attributable to MLIC, including statutory damages and treble damages, were $767 million. On August 20, 2013, the court granted MLIC's motion to dismiss the action. On September 19, 2014, the District Court of Appeal affirmed the decision granting the dismissal.

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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 Employee Retirement Income Security Act ("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 September 26, 2012, the court denied MLIC's motion to dismiss the complaint. The trial has been scheduled for February 2015.

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.

Item 1A. Risk Factors

The following should be read in conjunction with, and supplements and amends, the factors that may affect the Company's business or operations described under "Risk Factors" in Part I, Item 1A, of the 2013 Annual Report, as supplemented and amended by the information under "Risk Factors" in Part II, Item 1A of MetLife, Inc.'s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014, which are incorporated herein by reference.

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

Our insurance operations and brokerage businesses are subject to a wide variety of insurance and other laws and regulations. See "Business — U.S. Regulation" and "Business — International Regulation" included in the 2013 Annual Report, as supplemented by discussions of regulatory developments 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 as further supplemented below.

Insurance Regulation - U.S.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, that are made for the benefit of the consumer sometimes lead to additional expense for the insurer and, thus, could have a material adverse effect on our financial condition and results of operations. State insurance regulators and the NAIC are investigating the use of affiliated captive reinsurers and offshore entities to reinsure insurance risk. Like many life insurance companies, we utilize captive reinsurers to satisfy reserve and capital requirements related to universal life and term life insurance policies. We also cede most of the variable annuity guarantee risks to a captive reinsurer, which allows us to consolidate hedging and other risk management programs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary" for information regarding MetLife, Inc.'s plans to merge three U.S.-based life insurance companies and a former offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company. If state insurance regulators restrict the use of such captive reinsurers by following the lead of the New York State Department of Financial Services which has recommended a moratorium on such transactions, or if we otherwise are unable to continue to use captive reinsurers in the future, our ability to write certain products or to hedge the associated risks efficiently, and/or our risk-based capital ("RBC") ratios and ability to deploy excess capital, could be adversely affected or we may need to increase prices on those products, which could adversely impact our competitive position and our results of operations. See Note 16 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report. For more information on our use of captive reinsurers, see also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions."

The NAIC is also reviewing life insurers' use of non-variable separate accounts that are insulated from general account claims in the event of an insurance company insolvency, and adopted recommendations, subject to further review and development of guidance as a working group, on July 1, 2014. We are currently evaluating the impact, if any, that these recommendations may have on our business.

U.S. Federal Regulation Affecting Insurance

Currently, the U.S. federal government does not directly regulate the business of insurance. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") established the Federal Insurance Office ("FIO") within the Department of the Treasury, which has the authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as to collect information about the insurance industry and recommend prudential standards. On December 12, 2013, the FIO issued a report, mandated by Dodd-Frank, setting forth recommendations with respect to modernization of insurance regulation in the United States. The report raised the possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations. We cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on our business, financial condition or results of operations. See "Business — U.S. Regulation — Holding

Company Regulation — Federal Initiatives” included in the 2013 Annual Report.

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Federal legislation and administrative policies can significantly and adversely affect insurance companies, including policies regarding financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed from time to time, including proposals for the establishment of an optional federal charter for insurance companies. Other aspects of our insurance operations could also be affected by Dodd-Frank. For example, Dodd-Frank subjects any entity designated as a non-bank systemically important financial institution ("non-bank SIFI") to enhanced prudential supervision and authorizes the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to impose additional capital requirements. In addition, under the so-called Volcker Rule, the Federal Reserve Board could impose additional capital requirements and quantitative limits on certain trading and investment activities of a non-bank SIFI. MetLife, Inc. could be subject to such requirements and limits were it to be designated as a non-bank SIFI. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Potential Regulation as a Non-Bank SIFI" included elsewhere herein.

Non-bank SIFIs and certain other large financial companies can be assessed under Dodd-Frank for any uncovered costs arising in connection with the resolution of a systemically important financial company and to cover the expenses of the Office of Financial Research, an agency established by Dodd-Frank to improve the quality of financial data available to policymakers and facilitate more robust and sophisticated analysis of the financial system.

Federal Regulatory Agencies

Dodd-Frank established the Consumer Financial Protection Bureau ("CFPB"), which supervises and regulates institutions providing certain financial products and services to consumers. Although the consumer financial services to which this legislation applies exclude insurance business of the kind in which we engage, the CFPB has authority to regulate non-insurance consumer services provided by MetLife. See "Business — U.S. Regulation — Consumer Protection Laws" included in the 2013 Annual Report. MetLife, Inc.'s subsidiary, MetLife Home Loans LLC, which merged with MetLife, Inc.'s former subsidiary, MetLife Bank, is regulated by the CFPB.

While MetLife, Inc. has de-registered as a bank holding company, it may, in the future, be designated by the Financial Stability Oversight Council ("FSOC") as a non-bank SIFI, and could once again be subject to regulation by the Federal Reserve Board and subject to enhanced supervision and prudential standards. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Potential Regulation as a Non-Bank SIFI" included elsewhere herein.

On September 4, 2014, the FSOC notified MetLife, Inc. that it has been preliminarily designated as a non-bank SIFI. On October 3, 2014, MetLife, Inc. delivered notice to the FSOC requesting a written and oral evidentiary hearing to contest the FSOC's proposed determination. In accordance with its regulations, the FSOC held an evidentiary hearing on November 3, 2014 and will make a final determination on MetLife, Inc.'s status as a non-bank SIFI within 60 days after the hearing.

Regulation of MetLife, Inc. as a non-bank SIFI could materially and adversely affect our business. In December 2011, the Federal Reserve Board proposed a set of prudential standards (“Regulation YY”) that would apply a set of prudential standards to non-bank SIFIs, including enhanced RBC requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures, and recovery and resolution planning. The Federal Reserve Board’s proposal contemplates that these standards would be subject to the authority of the Federal Reserve Board to determine, on its own or in response to a recommendation by the FSOC, to tailor the application of the enhanced standards to different companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Federal Reserve Board deems appropriate. On February 18, 2014, the Federal Reserve Board adopted amendments to Regulation YY to implement certain of the enhanced prudential standards for bank holding companies and foreign banking organizations with total consolidated assets of $50 billion or more. While Regulation YY, as originally proposed, would have applied to non-bank SIFIs, the final rule does not, but the Federal Reserve Board has indicated that it plans to apply enhanced prudential standards to non-bank SIFIs by rule or order. If the Federal Reserve Board requires insurers that are non-bank SIFIs to comply with capital standards or regimes (such as the Basel capital rules that were developed for banks) that do not take into account the insurance business model and the differences between banks and insurers, the business and competitive position of such insurer non-bank SIFIs could be materially and adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Potential Regulation as a Non-Bank SIFI” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Enhanced Prudential Standards for Non-Bank SIFIs” included elsewhere herein. Accordingly, the manner in which these proposed standards might apply to MetLife, Inc. remains unclear. The Federal Reserve Board has stated that it believes other provisions of Dodd-Frank, known as the Collins Amendment, constrain its ability to tailor capital standards for non-bank SIFIs. Legislation that would clarify that the Federal Reserve Board may tailor capital rules for insurer member bank systemically important financial institutions has been adopted by the U.S. Senate and the House of Representatives; however, the bills passed by the Senate and House of Representatives differ, and Congress must take action to reconcile the bills before they can be sent to the President for signature.

In the wake of the recent financial crisis, other national and international authorities have also proposed measures intended to increase the intensity of regulation of large financial institutions, requiring greater coordination among regulators and efforts to harmonize regulatory regimes. For example, the International Association of Insurance Supervisors (“IAIS”) is participating in the Financial Stability Board’s (“FSB”) initiative to identify global systemically important financial institutions. To this end, the IAIS devised and published a methodology to assess the systemic relevance of global insurers and a framework of policy measures to be applied to global systemically important insurers (“G-SIIs”). In July 2013, the FSB published its initial list of nine G-SIIs, based on the IAIS’ assessment methodology, which includes MetLife, Inc. The FSB will update the list annually beginning in November 2014. 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 the HLA for insurers, the FSB directed the IAIS to develop basic capital requirements (“BCR”). On October 23, 2014, the IAIS released the final BCR approved by the FSB for submission to the Group of Twenty (20 major world economies) leaders in November 2014. The BCR will apply to G-SIIs in 2015. Work on HLA development is in very early stages and how the HLA requirements will be computed remains unclear. The HLA requirements are required to be finalized by the end of 2015. From 2015 to 2018, reporting will be on a confidential basis and subject to refinement by the IAIS. HLA requirements are to be applied in 2019 to companies designated as G-SIIs in 2017. In addition, the IAIS proposes to develop a risk-based global insurance capital standard by 2016 which will apply to all internationally active insurance groups, including G-SIIs, with implementation to begin in 2019 after two years of testing and refinement. 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. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry

Trends — Regulatory Developments — International Regulatory Developments — Global Systemically Important Insurers." If such measures were adopted, including as a result of our potential designation as a non-bank SIFI, they could materially adversely affect our ability to conduct business, our results of operations and financial condition and our ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect our capital. Enhanced capital requirements could adversely affect our ability to compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained. We could have to raise the price of the products we offer, reduce the amount of risk we take on, or stop offering certain products altogether. Further, counterparty exposure limits could affect our ability to engage in hedging activities. The Federal Reserve Board would also have the right to require any of our insurance companies, or insurance company affiliates, to take prompt action to correct any financial weaknesses.

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In the event that MetLife, Inc. is designated as a non-bank SIFI, we may elect to contest such designation using all available remedies under Dodd-Frank or otherwise. If ultimately designated as a non-bank SIFI, we will consider such structural and other business alternatives that may be available to us in response to such a designation, and we cannot predict the impact that any such alternatives, if implemented, may have on the Company or its security holders.

Mortgage and Foreclosure-Related Exposures

State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations and examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry, mortgage origination and mortgage servicing practices. While we have reached settlements with some regulators relating to our mortgage servicing activities, it is possible that pending or additional inquiries, investigations or examinations may result in further monetary payments or other measures against us. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Mortgage and Foreclosure-Related Exposures.”

Regulation of Brokers and Dealers

Dodd-Frank also authorizes the U.S. Securities and Exchange Commission (the “SEC”) to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail and other customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice. See “Business — U.S. Regulation — Securities, Broker-Dealer and Investment Adviser Regulation” included in the 2013 Annual Report.

Employee Retirement Income Security Act of 1974 (“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”). Consequently, our activities are likewise subject to the restrictions imposed by ERISA and the Code, including the requirement that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and the requirement under ERISA and the Code that fiduciaries may not cause a plan to engage in prohibited transactions with persons who have certain relationships with respect to those plans.

The prohibited transaction rules 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. Regulations adopted in October 2011 in this area provide some relief from these investment advice restrictions. If additional relief is not provided, the ability of our affiliated broker-dealers and their registered representatives to provide investment advice to ERISA plans and participants and IRAs would likely be significantly restricted. Other proposed regulations in this area may negatively impact the current business model of our broker-dealers, including proposed changes to broaden the definition of “fiduciary,” thereby increasing the regulation of persons providing investment advice to ERISA plans and IRAs. These proposed regulations are expected in 2015. See “Business — U.S. Regulation — Employee Retirement Income Security Act of 1974 (“ERISA”) Considerations” included in the 2013 Annual Report.

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International Regulation

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. A significant portion of our revenues is generated through operations in foreign jurisdictions, including many countries in early stages of economic and political development. Our international operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as through nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (including tax laws and regulations), their application or interpretation, political instability (including any resulting economic or trade sanctions), dividend limitations, price controls, changes in applicable currency, currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countries in which they operate or converting local currencies we hold to U.S. dollars or other currencies, as well as other adverse actions by foreign governmental authorities or regulators. This may also impact many of our customers and independent sales intermediaries. Changes in the laws and regulations that affect these customers and independent sales intermediaries or their operations also may affect our business relationships with them and their ability to purchase or distribute our products. Accordingly, these changes and actions may negatively affect our business in these jurisdictions. We expect the scope and extent of regulation outside of the U.S., as well as regulatory oversight, generally, to continue to increase. The authority of our international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. The regulatory environment in the countries in which we operate and changes in laws could have a material adverse effect on our results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — International Regulatory Developments,” as well as “Business — International Regulation” and “Risk Factors — Risks Related to Our Business — Our International Operations Face Political, Legal, Operational and Other Risks, Including Exposure to Local and Regional Economic Conditions, That Could Negatively Affect Those Operations or Our Profitability” included in the 2013 Annual Report.

We are also subject to the evolving Solvency II insurance regulatory directive established by the European Parliament in 2009 for our insurance business throughout the European Economic Area, and may be subject to similar solvency regulations in other regions, such as Mexico, Chile and China. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — International Regulatory Developments — Solvency II.” As requirements are finalized by the regulators, capital requirements might be impacted in a number of jurisdictions. In addition, our legal entity structure throughout Europe may impact our capital requirements, risk management infrastructure and reporting by country.

General

From time to time, regulators raise issues during examinations or audits of MetLife, Inc.’s regulated subsidiaries that could, if determined adversely, have a material impact on us. In addition, the interpretations of regulations by regulators may change and statutes may be enacted with retroactive impact, particularly in areas such as accounting or statutory reserve requirements. We are also subject to other regulations and may in the future become subject to additional regulations. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on our financial condition and results of operations.

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Legislative and Regulatory Activity in Health Care and Other Employee Benefits Could Affect our Profitability As a Provider of Life Insurance, Annuities, and Non-Medical Health Insurance Benefit Products

The Patient Protection and Affordable Care Act, signed into law on March 23, 2010, and The Health Care and Education Reconciliation Act of 2010, signed into law on March 30, 2010 (together, the "Health Care Act"), may lead to fundamental changes in the way that employers, including us, provide health care benefits, other benefits, and other forms of compensation to their employees and former employees. The Health Care Act also imposes requirements on us as a provider of non-medical health insurance benefit and other products and on the purchasers of certain of these products. In 2014 we are subject to a new excise tax called the "health insurer fee," the cost of which will primarily be passed on to group purchasers of certain of our dental and vision insurance products. Additionally, with respect to dental insurance products sold to groups with fifty or fewer employees, we have changed certain of our product offerings. The cost of these product changes will also be reflected in our pricing of such products. The Health Care Act or any other related regulations or regulatory actions could adversely affect our ability to offer certain of these products in the same manner as we do today. They could also result in increased or unpredictable costs to provide certain products, and could harm our competitive position if the Health Care Act has a disparate impact on our products compared to products offered by our competitors.

On July 14, 2014, the District of Columbia ("DC") adopted a law that imposes an assessment on health insurers doing business in DC, including those that issue policies covering the Health Insurance Portability and Accountability Act excepted benefits (which includes critical illness, accident, dental, vision, disability income, long-term care and hospital indemnity insurance, among other products the Company sells). This assessment will spread the funding of the DC public healthcare exchange's $26 million budget across all health insurers, including those that do not and/or could not sell insurance on the exchange. An insurance trade group has filed suit on behalf of the industry challenging this assessment, arguing that it is preempted by the Health Care Act, and that it is unconstitutional. The Company has received assessments totaling approximately $433,000. The court has not yet ruled on this matter and the assessments were paid on September 30, 2014. While the financial impact to the Company of DC's action will be minimal, if other states successfully adopt this model, there could be an impact on product pricing and sales.

In addition, we employ a substantial number of employees, including sales agents, in the United States to whom we offer employment-related benefits. We also currently provide benefits to certain of our retirees. These benefits are provided under complex plans that are subject to a variety of regulatory requirements. The Health Care Act or related regulations or regulatory actions could adversely affect our ability to attract, retain and motivate our associates. They could also result in increased or unpredictable costs to provide employee benefits, and could harm our competitive position if we are subject to fees, penalties, tax provisions or other limitations in the Health Care Act and our competitors are not.

The Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 also includes certain provisions for defined benefit pension plan funding relief. These provisions may impact the likelihood and/or timing of corporate plan sponsors terminating their plans and/or engaging in transactions to partially or fully transfer pension obligations to an insurance company. As part of our Corporate Benefit Funding segment, we offer general account and separate account group annuity products that enable a plan sponsor to transfer these risks, often in connection with the termination of defined benefit pension plans. Consequently, this legislation could indirectly affect the mix of our business, with fewer closeouts and more non-guaranteed funding products, and adversely impact our results of operations.

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Investments-Related Risks

Our Requirements to Pledge Collateral or Make Payments Related to Declines in Estimated Fair Value of Derivatives Transactions or Specified Assets in Connection with OTC-Cleared and OTC-Bilateral Transactions May Adversely Affect Our Liquidity, Expose Us to Central Clearinghouse and Counterparty Credit Risk, and Increase our Costs of Hedging

Substantially all of our derivatives transactions require us to pledge collateral related to any decline in the net estimated fair value of such derivatives transactions executed through a specific broker at a clearinghouse or entered into with a specific counterparty on a bilateral basis. Certain derivatives financing transactions require us to pledge collateral or make payments related to declines in the estimated fair value of the specified assets under certain circumstances to central clearinghouses or our counterparties. The amount of collateral we may be required to pledge and the payments we may be required to make under our derivatives transactions may increase under certain circumstances and will likely increase under Dodd-Frank as a result of the requirement to pledge initial margin for over-the-counter ("OTC") derivatives that are cleared and settled through central clearing counterparties ("OTC-cleared") transactions entered into after June 10, 2013 and for OTC derivatives that are bilateral contracts between two counterparties ("OTC-bilateral") transactions entered into after the phase-in period, which would be applicable to us in 2019 if the Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, Farm Credit Administration and Federal Housing Finance Agency (collectively, the "Prudential Regulators"), U.S. Commodity Futures Trading Commission ("CFTC") and the SEC adopt the final margin requirements for non-centrally cleared derivatives published by the Bank of International Settlements and International Organization of Securities Commissions in September 2013 and re-proposed by the Prudential Regulators and CFTC in September 2014. Each of these items could also adversely affect our liquidity. The Prudential Regulators, CFTC, central clearinghouses and counterparties may also restrict or eliminate certain types of previously eligible collateral, which could also adversely affect our liquidity or charge us to pledge such collateral which would increase our costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Regulation of Over-the-Counter Derivatives," "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral," and Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements included elsewhere herein.

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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 September 30, 2014 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)
July 1 — July 31, 2014	2,022,996	$55.61	2,022,996	$ 1,143,732,756
August 1 — August 31, 2014	3,576,783	$52.85	3,576,058	$ 954,733,156
September 1 — September 30, 2014	2,490,172	$54.96	2,488,602	$ 817,953,610

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(1) During the periods July 1 through July 31, 2014, August 1 through August 31, 2014 and September 1 through September 30, 2014, separate account and other affiliates of MetLife, Inc. purchased 0 shares, 725 shares and 1,570 shares, respectively, of common stock on the open market in nondiscretionary transactions by index funds. 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.

(2) At September 30, 2014, MetLife, Inc. had $818 million remaining under its common stock repurchase program authorization. In January 2008, MetLife, Inc.'s Board of Directors authorized a $1.0 billion common stock repurchase program, which was completed in August 2014. In April 2008, MetLife, Inc.'s Board of Directors authorized an additional $1.0 billion common stock repurchase program under which purchases commenced in August 2014. Under this authorization, 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) and in privately negotiated 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 MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and Note 16 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report.

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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 SEC's website at www.sec.gov.)

Exhibit No.	Description
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.
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.
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: November 6, 2014

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Exhibit Index

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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.