**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# Form 10-Q

**(Mark One)**

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

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2019**

**or**

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

**FOR THE TRANSITION PERIOD FROM TO**

**Commission file number: 001-15787**

# MetLife, Inc.

***(Exact name of registrant as specified in its charter)***

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

**( 212 ) 578-9500**

***(Registrant's telephone number, including area code)***

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 | MET | New York Stock Exchange |
| Floating Rate Non-Cumulative Preferred Stock, Series A, par value $0.01 | METPRA | New York Stock Exchange |
| Depositary Shares each representing a 1/1000th interest in a share of 5.625% Non-Cumulative Preferred Stock, Series E | METPRE | New York Stock Exchange |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

At July 31, 2019, 936,447,592 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

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

**Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, may contain or incorporate by reference information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words and terms such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “will,” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future performance. In particular, these include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Many factors will be important in determining the results of MetLife, Inc., its subsidiaries and affiliates. Forward-looking statements are based on our assumptions and current expectations, which may be inaccurate, and on the current economic environment, which may change. These statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict. Results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.’s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult economic conditions, including risks relating to interest rates, credit spreads, equity, real estate, obligors and counterparties, currency exchange rates, derivatives, and terrorism and security; (2) adverse global capital and credit market conditions, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities; (3) downgrades in our claims paying ability, financial strength or credit ratings; (4) availability and effectiveness of reinsurance, hedging or indemnification arrangements; (5) increasing cost and limited market capacity for statutory life insurance reserve financings; (6) the impact on us of changes to and implementation of the wide variety of laws and regulations to which we are subject; (7) regulatory, legislative or tax changes relating to our operations that may affect the cost of, or demand for, our products or services; (8) adverse results or other consequences from litigation, arbitration or regulatory investigations; (9) legal, regulatory and other restrictions affecting MetLife, Inc.’s ability to pay dividends and repurchase common stock; (10) MetLife, Inc.’s primary reliance, as a holding company, on dividends from subsidiaries to meet free cash flow targets and debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (11) investment losses, defaults and volatility; (12) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (13) changes to investment valuations, allowances and impairments taken on investments, and methodologies, estimates and assumptions; (14) differences between actual claims experience and underwriting and reserving assumptions; (15) political, legal, operational, economic and other risks relating to our global operations; (16) competitive pressures, 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; (17) the impact of technological changes on our businesses; (18) catastrophe losses; (19) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (20) impairment of goodwill or other long-lived assets, or the establishment of a valuation allowance against our deferred income tax asset; (21) changes in assumptions related to deferred policy acquisition costs, deferred sales inducements or value of business acquired; (22) exposure to losses related to guarantees in certain products; (23) ineffectiveness of risk management policies and procedures or models; (24) a failure in our cybersecurity systems or other information security systems or our disaster recovery plans; (25) any failure to protect the confidentiality of client information; (26) changes in accounting standards; (27) our associates taking excessive risks; (28) difficulties in marketing and distributing products through our distribution channels; (29) increased expenses relating to pension and other postretirement benefit plans; (30) inability to protect our intellectual property rights or claims of infringement of others’ intellectual property rights; (31) difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from business acquisitions and dispositions, joint ventures, or other legal entity reorganizations; (32) unanticipated or adverse developments that could adversely affect our expected operational or other benefits from the separation of Brighthouse Financial, Inc. and its subsidiaries; (33) 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; (34) provisions of laws and our incorporation documents that may delay, deter or prevent takeovers and corporate combinations involving MetLife; and (35) other risks and uncertainties described from time to time in MetLife, Inc.’s filings with the U.S. Securities and Exchange Commission.

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

**Corporate Information**

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

**Note Regarding Reliance on Statements in Our Contracts**

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

**Part I — Financial Information**

*Item 1. Financial Statements*

**MetLife, Inc.**

**Interim Condensed Consolidated Balance Sheets**
**June 30, 2019 and December 31, 2018 (Unaudited)**

**(In millions, except share and per share data)**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $291,229 and $286,816, respectively) | $ 318,689 | $ 298,265 |
| Equity securities, at estimated fair value | 1,476 | 1,440 |
| Contractholder-directed equity securities and fair value option securities, at estimated fair value (includes $3 and $4, respectively, relating to variable interest entities) | 13,000 | 12,616 |
| Mortgage loans (net of valuation allowances of $357 and $342, respectively; includes $262 and $299, respectively, under the fair value option) | 77,997 | 75,752 |
| Policy loans | 9,705 | 9,699 |
| Real estate and real estate joint ventures (includes $22 and $0, respectively, of real estate held-for-sale) | 10,326 | 9,698 |
| Other limited partnership interests | 7,054 | 6,613 |
| Short-term investments, principally at estimated fair value | 2,811 | 3,937 |
| Other invested assets (includes $2,440 and $2,300, respectively, of leveraged and direct financing leases and $237 and $141, respectively, relating to variable interest entities) | 20,036 | 18,190 |
| Total investments | 461,094 | 436,210 |
| Cash and cash equivalents, principally at estimated fair value (includes $11 and $52, respectively, relating to variable interest entities) | 18,435 | 15,821 |
| Accrued investment income | 3,535 | 3,582 |
| Premiums, reinsurance and other receivables (includes $4 and $3, respectively, relating to variable interest entities) | 20,425 | 19,644 |
| Deferred policy acquisition costs and value of business acquired | 17,880 | 18,895 |
| Current income tax recoverable | 97 | — |
| Goodwill | 9,408 | 9,422 |
| Other assets (includes $2 and $2, respectively, relating to variable interest entities) | 10,029 | 8,408 |
| Separate account assets | 191,264 | 175,556 |
| Total assets | $ 732,167 | $ 687,538 |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Future policy benefits | $ 191,139 | $ 186,780 |
| Policyholder account balances | 190,033 | 183,693 |
| Other policy-related balances | 16,815 | 16,529 |
| Policyholder dividends payable | 689 | 677 |
| Policyholder dividend obligation | 1,834 | 428 |
| Payables for collateral under securities loaned and other transactions | 25,354 | 24,794 |
| Short-term debt | 158 | 268 |
| Long-term debt (includes $5 and $5, respectively, at estimated fair value, relating to variable interest entities) | 13,346 | 12,829 |
| Collateral financing arrangement | 1,026 | 1,060 |
| Junior subordinated debt securities | 3,149 | 3,147 |
| Current income tax payable | — | 441 |
| Deferred income tax liability | 8,766 | 5,414 |
| Other liabilities (includes $1 and $1, respectively, relating to variable interest entities) | 24,548 | 22,964 |
| Separate account liabilities | 191,264 | 175,556 |
| Total liabilities | 668,121 | 634,580 |
| **Contingencies, Commitments and Guarantees (Note 16)** | | |
| **Equity** | | |
| MetLife, Inc.'s stockholders' equity: | | |
| Preferred stock, par value $0.01 per share; $3,405 aggregate liquidation preference | — | — |
| Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,176,087,431 and 1,171,824,242 shares issued, respectively; 935,921,796 and 958,613,542 shares outstanding, respectively | 12 | 12 |
| Additional paid-in capital | 32,602 | 32,474 |
| Retained earnings | 31,209 | 28,926 |
| Treasury stock, at cost; 240,165,635 and 213,210,700 shares, respectively | (11,643) | (10,393) |
| Accumulated other comprehensive income (loss) | 11,631 | 1,722 |

| | | |
|---|---|---|
| Total MetLife, Inc.'s stockholders' equity | 63,811 | 52,741 |
| Noncontrolling interests | 235 | 217 |
| Total equity | 64,046 | 52,958 |
| Total liabilities and equity | $ 732,167 | $ 687,538 |

**See accompanying notes to the interim condensed consolidated financial statements.**

MetLife, Inc.

**Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**
**For the Three Months and Six Months Ended June 30, 2019 and 2018 (Unaudited)**

**(In millions, except per share data)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Revenues** | | | | |
| Premiums | $ 10,129 | $ 15,153 | $ 19,534 | $ 24,331 |
| Universal life and investment-type product policy fees | 1,412 | 1,370 | 2,777 | 2,762 |
| Net investment income | 4,693 | 4,473 | 9,601 | 8,218 |
| Other revenues | 478 | 475 | 972 | 949 |
| Net investment gains (losses) | 61 | (227) | 76 | (560) |
| Net derivative gains (losses) | 724 | (59) | 839 | 290 |
| Total revenues | 17,497 | 21,185 | 33,799 | 35,990 |
| **Expenses** | | | | |
| Policyholder benefits and claims | 9,993 | 14,866 | 19,065 | 23,584 |
| Interest credited to policyholder account balances | 1,515 | 1,424 | 3,476 | 2,193 |
| Policyholder dividends | 302 | 309 | 602 | 606 |
| Other expenses | 3,390 | 3,485 | 6,615 | 6,850 |
| Total expenses | 15,200 | 20,084 | 29,758 | 33,233 |
| Income (loss) before provision for income tax | 2,297 | 1,101 | 4,041 | 2,757 |
| Provision for income tax expense (benefit) | 551 | 207 | 910 | 606 |
| Net income (loss) | 1,746 | 894 | 3,131 | 2,151 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 3 | 9 | 7 |
| Net income (loss) attributable to MetLife, Inc. | 1,741 | 891 | 3,122 | 2,144 |
| Less: Preferred stock dividends | 57 | 46 | 89 | 52 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,684 | $ 845 | $ 3,033 | $ 2,092 |
| Comprehensive income (loss) | $ 6,466 | $ (1,885) | $ 13,021 | $ (3,333) |
| Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax | 5 | 4 | 11 | 8 |
| Comprehensive income (loss) attributable to MetLife, Inc. | $ 6,461 | $ (1,889) | $ 13,010 | $ (3,341) |
| Net income (loss) available to MetLife, Inc.'s common shareholders per common share: | | | | |
| Basic | $ 1.78 | $ 0.83 | $ 3.19 | $ 2.04 |
| Diluted | $ 1.77 | $ 0.83 | $ 3.17 | $ 2.02 |

**See accompanying notes to the interim condensed consolidated financial statements.**

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MetLife, Inc.

**Interim Condensed Consolidated Statements of Equity**
**For the Six Months Ended June 30, 2019 and 2018 (Unaudited)**

**(In millions)**

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Stock at Cost | Accumulated Other Comprehensive Income (Loss) | Total MetLife, Inc.'s Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2018 | $ — | $ 12 | $ 32,474 | $ 28,926 | $ (10,393) | $ 1,722 | $ 52,741 | $ 217 | $ 52,958 |
| Cumulative effects of changes in accounting principles, net of income tax (Note 1) | | | | 74 | | 21 | 95 | | 95 |
| Balance at January 1, 2019 | — | 12 | 32,474 | 29,000 | (10,393) | 1,743 | 52,836 | 217 | 53,053 |
| Treasury stock acquired in connection with share repurchases | | | | | (500) | | (500) | | (500) |
| Stock-based compensation | | | 61 | | | | 61 | | 61 |
| Dividends on preferred stock | | | | (32) | | | (32) | | (32) |
| Dividends on common stock | | | | (405) | | | (405) | | (405) |
| Change in equity of noncontrolling interests | | | | | | | — | 6 | 6 |
| Net income (loss) | | | | 1,381 | | | 1,381 | 4 | 1,385 |
| Other comprehensive income (loss), net of income tax | | | | | | 5,168 | 5,168 | 2 | 5,170 |
| Balance at March 31, 2019 | — | 12 | 32,535 | 29,944 | (10,893) | 6,911 | 58,509 | 229 | 58,738 |
| Treasury stock acquired in connection with share repurchases | | | | | (750) | | (750) | | (750) |
| Stock-based compensation | | | 67 | | | | 67 | | 67 |
| Dividends on preferred stock | | | | (57) | | | (57) | | (57) |
| Dividends on common stock | | | | (419) | | | (419) | | (419) |
| Change in equity of noncontrolling interests | | | | | | | — | 1 | 1 |
| Net income (loss) | | | | 1,741 | | | 1,741 | 5 | 1,746 |
| Other comprehensive income (loss), net of income tax | | | | | | 4,720 | 4,720 | — | 4,720 |
| Balance at June 30, 2019 | $ — | $ 12 | $ 32,602 | $ 31,209 | $ (11,643) | $ 11,631 | $ 63,811 | $ 235 | $ 64,046 |

| | Preferred Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Stock at Cost | Accumulated Other Comprehensive Income (Loss) | Total MetLife, Inc.'s Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2017 | $ — | $ 12 | $ 31,111 | $ 26,527 | $ (6,401) | $ 7,427 | $ 58,676 | $ 194 | $ 58,870 |
| Cumulative effects of changes in accounting principles, net of income tax | | | | (905) | | 912 | 7 | | 7 |
| Balance at January 1, 2018 | — | 12 | 31,111 | 25,622 | (6,401) | 8,339 | 58,683 | 194 | 58,877 |
| Preferred stock issuance | | | 494 | | | | 494 | | 494 |
| Treasury stock acquired in connection with share repurchases | | | | | (1,041) | | (1,041) | | (1,041) |
| Stock-based compensation | | | 48 | | | | 48 | | 48 |
| Dividends on preferred stock | | | | (6) | | | (6) | | (6) |
| Dividends on common stock | | | | (416) | | | (416) | | (416) |
| Change in equity of noncontrolling interests | | | | | | | — | — | — |
| Net income (loss) | | | | 1,253 | | | 1,253 | 4 | 1,257 |
| Other comprehensive income (loss), net of income tax | | | | | | (2,705) | (2,705) | — | (2,705) |
| Balance at March 31, 2018 | — | 12 | 31,653 | 26,453 | (7,442) | 5,634 | 56,310 | 198 | 56,508 |
| Preferred stock issuance | | | 780 | | | | 780 | | 780 |
| Treasury stock acquired in connection with share repurchases | | | | | (1,115) | | (1,115) | | (1,115) |
| Stock-based compensation | | | 21 | | | | 21 | | 21 |
| Dividends on preferred stock | | | | (46) | | | (46) | | (46) |
| Dividends on common stock | | | | (428) | | | (428) | | (428) |
| Change in equity of noncontrolling interests | | | | | | | — | (3) | (3) |
| Net income (loss) | | | | 891 | | | 891 | 3 | 894 |
| Other comprehensive income (loss), net of income tax | | | | | | (2,780) | (2,780) | 1 | (2,779) |
| Balance at June 30, 2018 | $ — | $ 12 | $ 32,454 | $ 26,870 | $ (8,557) | $ 2,854 | $ 53,633 | $ 199 | $ 53,832 |

**See accompanying notes to the interim condensed consolidated financial statements.**

**MetLife, Inc.**

**Interim Condensed Consolidated Statements of Cash Flows**
**For the Six Months Ended June 30, 2019 and 2018 (Unaudited)**

**(In millions)**

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **Net cash provided by (used in) operating activities** | $ 4,459 | $ 6,904 |
| **Cash flows from investing activities** | | |
| Sales, maturities and repayments of: | | |
| Fixed maturity securities available-for-sale | 42,055 | 54,497 |
| Equity securities | 183 | 280 |
| Mortgage loans | 5,065 | 4,341 |
| Real estate and real estate joint ventures | 138 | 422 |
| Other limited partnership interests | 402 | 337 |
| Purchases and originations of: | | |
| Fixed maturity securities available-for-sale | (44,504) | (58,061) |
| Equity securities | (76) | (64) |
| Mortgage loans | (7,236) | (6,380) |
| Real estate and real estate joint ventures | (804) | (495) |
| Other limited partnership interests | (798) | (568) |
| Cash received in connection with freestanding derivatives | 1,724 | 2,376 |
| Cash paid in connection with freestanding derivatives | (2,462) | (2,638) |
| Net change in policy loans | (4) | (42) |
| Net change in short-term investments | 1,202 | 1,055 |
| Net change in other invested assets | 65 | 164 |
| Other, net | (92) | 12 |
| Net cash provided by (used in) investing activities | (5,142) | (4,764) |
| **Cash flows from financing activities** | | |
| Policyholder account balances: | | |
| Deposits | 45,511 | 46,858 |
| Withdrawals | (40,945) | (44,976) |
| Payables for collateral under securities loaned and other transactions: | | |
| Net change in payables for collateral under securities loaned and other transactions | 725 | 1,558 |
| Cash received for other transactions with tenors greater than three months | — | 75 |
| Cash paid for other transactions with tenors greater than three months | (200) | — |
| Long-term debt issued | 1,382 | 14 |
| Long-term debt repaid | (895) | (200) |
| Collateral financing arrangement repaid | (34) | (36) |
| Financing element on certain derivative instruments and other derivative related transactions, net | (14) | 12 |
| Treasury stock acquired in connection with share repurchases | (1,250) | (2,156) |
| Preferred stock issued, net of issuance costs | — | 1,274 |
| Dividends on preferred stock | (89) | (52) |
| Dividends on common stock | (824) | (844) |
| Other, net | (117) | 85 |
| Net cash provided by (used in) financing activities | 3,250 | 1,612 |
| Effect of change in foreign currency exchange rates on cash and cash equivalents balances | 47 | (141) |
| Change in cash and cash equivalents | 2,614 | 3,611 |
| Cash and cash equivalents, beginning of period | 15,821 | 12,701 |
| **Cash and cash equivalents, end of period** | $ 18,435 | $ 16,312 |
| **Supplemental disclosures of cash flow information** | | |
| Net cash paid (received) for: | | |
| Interest | $ 510 | $ 592 |
| Income tax | $ 756 | $ 577 |

| | | |
|---|---|---|
| Non-cash transactions: | | |
| Fixed maturity securities available-for-sale received in connection with pension risk transfer transactions | $ 410 | $ 3,016 |
| Brighthouse common stock exchange transaction: | | |
| Reduction of long-term debt | $ — | $ 944 |
| Reduction of fair value option securities | $ — | $ 1,030 |
| Reclassification of certain equity securities to other invested assets | $ — | $ 791 |

**See accompanying notes to the interim condensed consolidated financial statements.**

**MetLife, Inc.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

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

### *Business*

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

### *Basis of Presentation*

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

The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2018 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, 2018 (the "2018 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 2018 Annual Report.

#### *Consolidation*

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

The Company uses the equity method of accounting for real estate joint ventures and other limited partnership interests ("investee") when it has more than a minor ownership interest or more than a minor influence over the investee's operations. The Company generally recognizes its share of the investee's earnings in net investment income 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.

#### *Reclassifications*

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform to the 2019 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

### *Recent Accounting Pronouncements*

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. The following tables provide a description of new ASUs issued by the FASB and the impact of the adoption on the Company's consolidated financial statements.

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

***Adoption of New Accounting Pronouncements***

Except as noted below, the ASUs adopted by the Company effective January 1, 2019 did not have a material impact on its consolidated financial statements.

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
|---|---|---|---|
| ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,* as clarified and amended by ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* | The new guidance simplifies the application of hedge accounting in certain situations and amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in their financial statements. | January 1, 2019. The Company adopted using a modified retrospective approach. | The adoption of the guidance resulted in an $18 million, net of income tax, increase to accumulated other comprehensive income (loss) (“AOCI”) with a corresponding decrease to retained earnings due to the reclassification of hedge ineffectiveness for cash flow hedging relationships existing as of January 1, 2019. The Company has included the expanded disclosures within Note 7. |
| ASU 2016-02, *Leases (Topic 842),* as clarified and amended by ASU 2018-10, *Codification Improvements to Topic 842, Leases,* ASU 2018-11 , *Leases (Topic 842): Targeted Improvements,* and ASU 2018-20 , *Leases (Topic 842): Narrow-Scope Improvements for Lessors* | The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Leases are classified as finance or operating leases and both types of leases are recognized on the balance sheet. Lessor accounting remains largely unchanged from previous guidance except for certain targeted changes. The new guidance also requires new qualitative and quantitative disclosures. In July 2018, two amendments to the new guidance were issued. The amendments provide the option to adopt the new guidance prospectively without adjusting comparative periods. Also, the amendments provide lessors with a practical expedient not to separate lease and non-lease components for certain operating leases. In December 2018, an amendment was issued to clarify lessor accounting relating to taxes, certain lessor’s costs and variable payments related to both lease and non-lease components. | January 1, 2019. The Company adopted using a modified retrospective approach. | The Company elected the package of practical expedients allowed under the transition guidance. This allowed the Company to carry forward its historical lease classification. In addition, the Company elected all other practical expedients that were allowed under the new guidance and were applicable, including the practical expedient to combine lease and non-lease components into one lease component for certain real estate leases.<br><br>The adoption of this guidance resulted in the recording of additional net right-of-use (“ROU”) assets and lease liabilities of approximately $1.5 billion and $1.7 billion, respectively, as of January 1, 2019. The reduction of the ROU assets was a result of adjustments for prepaid/deferred rent, unamortized initial direct costs and impairment of certain ROU assets based on the net present value of the remaining minimum lease payments and sublease revenues. In addition, retained earnings increased by $95 million, net of income tax, as a result of the recognition of deferred gains on previous sale leaseback transactions. The guidance did not have a material impact on the Company’s consolidated net income and cash flows. The Company has included expanded disclosures on the consolidated balance sheets and in Notes 6 and 9. |

### *Future Adoption of New Accounting Pronouncements*

ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company's consolidated financial statements. ASUs issued but not yet adopted as of June 30, 2019 that are currently being assessed and may or may not have a material impact on the Company's consolidated financial statements are summarized in the table below.

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
|---|---|---|---|
| ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* | The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance to determine which implementation costs to capitalize as an asset and which costs to expense as incurred. Implementation costs that are capitalized under the new guidance are required to be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. | January 1, 2020. The new guidance can be applied either prospectively to eligible costs incurred on or after the guidance is first applied, or retrospectively to all periods presented. | The new guidance will not have a material impact on the Company's consolidated financial statements and will be adopted prospectively. |
| ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* | The new guidance removes certain disclosures that no longer are considered cost beneficial, clarifies the specific requirements of disclosures, and adds disclosure requirements identified as relevant for employers that sponsor defined benefit pension or other postretirement plans. | December 31, 2020, to be applied on a retrospective basis to all periods presented (with early adoption permitted). | The new guidance will not have a material impact on the Company's consolidated financial statements. |
| ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* | The new guidance modifies the disclosure requirements on fair value by removing some requirements, modifying others, adding changes in unrealized gains and losses included in other comprehensive income (loss) ("OCI") for recurring Level 3 fair value measurements, and under certain circumstances, providing the option to disclose certain other quantitative information with respect to significant unobservable inputs in lieu of a weighted average. | January 1, 2020. Amendments related to changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively. | As of December 31, 2018, the Company early adopted the provisions of the guidance that removed the requirements relating to transfers between fair value hierarchy levels and certain disclosures about valuation processes for Level 3 fair value measurements. The Company will adopt the remainder of the new guidance at the effective date. The new guidance will not have a material impact on the Company's consolidated financial statements. |
| ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* | The new guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) simplifies the amortization of deferred policy acquisition costs ("DAC") for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. | January 1, 2021, to be applied retrospectively to January 1, 2019 (with early adoption permitted). | The Company has started its implementation efforts and is currently evaluating the impact of the new guidance. Given the nature and extent of the required changes to a significant portion of the Company's operations, the adoption of this guidance is expected to have a material impact on its consolidated financial statements. |

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

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
| --- | --- | --- | --- |
| ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* | The new guidance simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. The new guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if any. | January 1, 2020, to be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. | The new guidance will reduce the complexity involved with the evaluation of goodwill for impairment. The impact of the new guidance will depend on the outcomes of future goodwill impairment tests. |
| ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as clarified and amended by ASU 2018-19 , *Codification Improvements to Topic 326, Financial Instruments—Credit Losses,* ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* and ASU 2019-05 , *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief* | This new guidance requires an allowance for credit losses based on the expectation of lifetime credit losses on financing receivables carried at amortized cost, including, but not limited to, mortgage loans, premium receivables, reinsurance receivables and certain leases.<br><br>The current model for other-than-temporary impairment ("OTTI") on available-for-sale ("AFS") debt securities has been modified and requires the recording of an allowance for credit losses rather than a reduction of the carrying value. Any improvements in expected future cash flows will no longer be reflected as a prospective yield adjustment, but rather as a reduction in the allowance. The new guidance also replaces the model for purchased credit impaired debt securities and financing receivables and requires the establishment of an allowance for credit losses at acquisition, which is added to the purchase price to establish the initial amortized cost.<br><br>The new guidance also requires enhanced disclosures. | January 1, 2020, to be applied on a modified retrospective basis, which requires transition adjustments to be recorded as a cumulative effect adjustment to retained earnings. | The Company continues to evaluate the impact of the new guidance on its consolidated financial statements.<br><br>The Company is finalizing the development of the credit loss models for its financing receivables carried at amortized cost that are within the scope of the new guidance. The development of these credit loss models has resulted in data input validations, enhanced policies and controls and continued updates to information systems. The Company will begin testing these models and information systems in the second half of 2019.<br><br>The Company is in the process of preparing the required disclosures. |

**2. Segment Information**

MetLife is organized into five segments: U.S.; Asia; Latin America; EMEA; and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other.

***U.S.***

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

- The Group Benefits business offers life, dental, group short- and long-term disability, individual disability, accidental death and dismemberment, vision and accident & health coverages, as well as prepaid legal plans. This business also sells administrative services-only arrangements to some employers.
- The RIS business offers a broad range of life and annuity-based insurance and investment products, including stable value and pension risk transfer products, institutional income annuities, tort settlements, and capital markets investment products, as well as solutions for funding postretirement benefits and company-, bank- or trust-owned life insurance.
- The Property & Casualty business offers personal and commercial lines of property and casualty insurance, including private passenger automobile, homeowners' and personal excess liability insurance. In addition, Property & Casualty offers to small business owners property, liability and business interruption insurance.

**2. Segment Information (continued)**

***Asia***

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

***Latin America***

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

***EMEA***

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

***MetLife Holdings***

The MetLife Holdings segment consists of operations relating to products and businesses, previously included in MetLife's former retail business, that the Company no longer actively markets in the United States, such as variable, universal, term and whole life insurance, variable, fixed and index-linked annuities, and long-term care insurance, as well as the assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

***Corporate & Other***

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration and disposition costs, internal resource costs for associates committed to acquisitions and dispositions, enterprise-wide strategic initiative restructuring charges and various start-up and developing businesses (including the investment management business through which the Company, as a manager of assets such as global fixed income and real estate, provides differentiated investment solutions to institutional investors worldwide). Additionally, Corporate & Other includes run-off businesses. Corporate & Other also includes interest expense related to the majority of the Company's outstanding debt, as well as expenses associated with certain legal proceedings and income tax audit issues. In addition, Corporate & Other includes the elimination of intersegment amounts, which generally relate to affiliated reinsurance, investment expenses and intersegment loans, which bear interest rates commensurate with related borrowings.

***Financial Measures and Segment Accounting Policies***

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

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

The financial measures of adjusted revenues and adjusted expenses focus on the Company's primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

**2. Segment Information (continued)**

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

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB fees");
- Net investment income: (i) includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) excludes post-tax adjusted earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed equity securities, (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP and (v) includes distributions of profits from certain other limited partnership interests that were previously accounted for under the cost method, but are now accounted for at estimated fair value, where the change in estimated fair value is recognized in net investment gains (losses) under GAAP; and
- Other revenues is adjusted for settlements of foreign currency earnings hedges and excludes fees received in association with services provided under transition service agreements ("TSA fees").

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

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

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

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

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the three months and six months ended June 30, 2019 and 2018 . The segment accounting policies are the same as those used to prepare the Company's consolidated financial statements, except for adjusted earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

**2. Segment Information (continued)**

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

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact the Company's consolidated net investment income, net income (loss), or adjusted earnings.

Net investment income is based upon the actual results of each segment's specifically identifiable investment portfolios adjusted for allocated equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature of such costs; (ii) time studies analyzing the amount of employee compensation costs incurred by each segment; and (iii) cost estimates included in the Company's product pricing.

MetLife, Inc.

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

## 2. Segment Information (continued)

| Three Months Ended June 30, 2019 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 6,234 | $ 1,631 | $ 773 | $ 551 | $ 924 | $ 16 | $ 10,129 | $ — | $ 10,129 |
| Universal life and investment-type product policy fees | 274 | 419 | 280 | 105 | 286 | — | 1,364 | 48 | 1,412 |
| Net investment income | 1,795 | 944 | 360 | 73 | 1,338 | 44 | 4,554 | 139 | 4,693 |
| Other revenues | 223 | 13 | 11 | 13 | 65 | 82 | 407 | 71 | 478 |
| Net investment gains (losses) | — | — | — | — | — | — | — | 61 | 61 |
| Net derivative gains (losses) | — | — | — | — | — | — | — | 724 | 724 |
| Total revenues | 8,526 | 3,007 | 1,424 | 742 | 2,613 | 142 | 16,454 | 1,043 | 17,497 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 6,101 | 1,279 | 790 | 292 | 1,703 | 18 | 10,183 | 112 | 10,295 |
| Interest credited to policyholder account balances | 504 | 424 | 86 | 23 | 227 | — | 1,264 | 251 | 1,515 |
| Capitalization of DAC | (127) | (472) | (100) | (126) | (8) | (4) | (837) | — | (837) |
| Amortization of DAC and VOBA | 117 | 312 | 79 | 107 | 80 | 2 | 697 | (8) | 689 |
| Amortization of negative VOBA | — | (7) | — | (3) | — | — | (10) | — | (10) |
| Interest expense on debt | 3 | — | 1 | — | 2 | 268 | 274 | — | 274 |
| Other expenses | 1,009 | 955 | 352 | 350 | 237 | 289 | 3,192 | 82 | 3,274 |
| Total expenses | 7,607 | 2,491 | 1,208 | 643 | 2,241 | 573 | 14,763 | 437 | 15,200 |
| Provision for income tax expense (benefit) | 187 | 157 | 57 | 22 | 73 | (181) | 315 | 236 | 551 |
| Adjusted earnings | $ 732 | $ 359 | $ 159 | $ 77 | $ 299 | $ (250) | 1,376 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | 1,043 | | |
| Total expenses | | | | | | | (437) | | |
| Provision for income tax (expense) benefit | | | | | | | (236) | | |
| Net income (loss) | | | | | | | $ 1,746 | | $ 1,746 |

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## 2. Segment Information (continued)

| Three Months Ended June 30, 2018 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 11,302 | $ 1,654 | $ 688 | $ 546 | $ 957 | $ 6 | $ 15,153 | $ — | $ 15,153 |
| Universal life and investment-type product policy fees | 262 | 399 | 275 | 107 | 301 | — | 1,344 | 26 | 1,370 |
| Net investment income | 1,719 | 839 | 327 | 73 | 1,329 | 40 | 4,327 | 146 | 4,473 |
| Other revenues | 203 | 13 | 9 | 20 | 68 | 79 | 392 | 83 | 475 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (227) | (227) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (59) | (59) |
| Total revenues | 13,486 | 2,905 | 1,299 | 746 | 2,655 | 125 | 21,216 | (31) | 21,185 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 11,233 | 1,237 | 660 | 286 | 1,706 | 3 | 15,125 | 50 | 15,175 |
| Interest credited to policyholder account balances | 439 | 362 | 95 | 26 | 235 | — | 1,157 | 267 | 1,424 |
| Capitalization of DAC | (114) | (495) | (91) | (121) | (10) | (3) | (834) | — | (834) |
| Amortization of DAC and VOBA | 114 | 313 | 71 | 108 | 101 | 1 | 708 | (1) | 707 |
| Amortization of negative VOBA | — | (12) | — | (4) | — | — | (16) | — | (16) |
| Interest expense on debt | 4 | — | 1 | — | 2 | 272 | 279 | 30 | 309 |
| Other expenses | 965 | 976 | 363 | 339 | 275 | 259 | 3,177 | 142 | 3,319 |
| Total expenses | 12,641 | 2,381 | 1,099 | 634 | 2,309 | 532 | 19,596 | 488 | 20,084 |
| Provision for income tax expense (benefit) | 174 | 161 | 55 | 26 | 66 | (234) | 248 | (41) | 207 |
| Adjusted earnings | $ 671 | $ 363 | $ 145 | $ 86 | $ 280 | $ (173) | 1,372 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (31) | | |
| Total expenses | | | | | | | (488) | | |
| Provision for income tax (expense) benefit | | | | | | | 41 | | |
| Net income (loss) | | | | | | | $ 894 | | $ 894 |

## 2. Segment Information (continued)

| Six Months Ended June 30, 2019 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 11,801 | $ 3,330 | $ 1,419 | $ 1,093 | $ 1,851 | $ 40 | $ 19,534 | $ — | $ 19,534 |
| Universal life and investment-type product policy fees | 544 | 825 | 564 | 208 | 560 | 1 | 2,702 | 75 | 2,777 |
| Net investment income | 3,514 | 1,824 | 656 | 147 | 2,625 | 69 | 8,835 | 766 | 9,601 |
| Other revenues | 444 | 29 | 23 | 27 | 132 | 176 | 831 | 141 | 972 |
| Net investment gains (losses) | — | — | — | — | — | — | — | 76 | 76 |
| Net derivative gains (losses) | — | — | — | — | — | — | — | 839 | 839 |
| Total revenues | 16,303 | 6,008 | 2,662 | 1,475 | 5,168 | 286 | 31,902 | 1,897 | 33,799 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 11,474 | 2,598 | 1,387 | 576 | 3,351 | 38 | 19,424 | 243 | 19,667 |
| Interest credited to policyholder account balances | 1,005 | 827 | 180 | 47 | 453 | — | 2,512 | 964 | 3,476 |
| Capitalization of DAC | (241) | (951) | (194) | (243) | (14) | (6) | (1,649) | — | (1,649) |
| Amortization of DAC and VOBA | 231 | 619 | 157 | 199 | 143 | 3 | 1,352 | (39) | 1,313 |
| Amortization of negative VOBA | — | (16) | — | (4) | — | — | (20) | — | (20) |
| Interest expense on debt | 5 | — | 2 | — | 4 | 497 | 508 | — | 508 |
| Other expenses | 2,002 | 1,910 | 718 | 688 | 464 | 511 | 6,293 | 170 | 6,463 |
| Total expenses | 14,476 | 4,987 | 2,250 | 1,263 | 4,401 | 1,043 | 28,420 | 1,338 | 29,758 |
| Provision for income tax expense (benefit) | 371 | 306 | 119 | 49 | 151 | (346) | 650 | 260 | 910 |
| Adjusted earnings | $ 1,456 | $ 715 | $ 293 | $ 163 | $ 616 | $ (411) | 2,832 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | 1,897 | | |
| Total expenses | | | | | | | (1,338) | | |
| Provision for income tax (expense) benefit | | | | | | | (260) | | |
| Net income (loss) | | | | | | | $ 3,131 | | $ 3,131 |

MetLife, Inc.

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

## 2. Segment Information (continued)

| Six Months Ended June 30, 2018 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 16,519 | $ 3,402 | $ 1,387 | $ 1,097 | $ 1,907 | $ 19 | $ 24,331 | $ — | $ 24,331 |
| Universal life and investment-type product policy fees | 520 | 793 | 557 | 219 | 615 | — | 2,704 | 58 | 2,762 |
| Net investment income | 3,381 | 1,634 | 603 | 148 | 2,681 | 99 | 8,546 | (328) | 8,218 |
| Other revenues | 407 | 28 | 17 | 36 | 135 | 160 | 783 | 166 | 949 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (560) | (560) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | 290 | 290 |
| Total revenues | 20,827 | 5,857 | 2,564 | 1,500 | 5,338 | 278 | 36,364 | (374) | 35,990 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 16,371 | 2,580 | 1,306 | 580 | 3,256 | — | 24,093 | 97 | 24,190 |
| Interest credited to policyholder account balances | 846 | 713 | 193 | 51 | 471 | — | 2,274 | (81) | 2,193 |
| Capitalization of DAC | (220) | (960) | (185) | (239) | (20) | (5) | (1,629) | (1) | (1,630) |
| Amortization of DAC and VOBA | 229 | 627 | 131 | 214 | 201 | 3 | 1,405 | (5) | 1,400 |
| Amortization of negative VOBA | — | (27) | — | (10) | — | — | (37) | (1) | (38) |
| Interest expense on debt | 6 | — | 3 | — | 4 | 552 | 565 | 30 | 595 |
| Other expenses | 1,926 | 1,928 | 701 | 690 | 551 | 491 | 6,287 | 236 | 6,523 |
| Total expenses | 19,158 | 4,861 | 2,149 | 1,286 | 4,463 | 1,041 | 32,958 | 275 | 33,233 |
| Provision for income tax expense (benefit) | 345 | 306 | 130 | 47 | 170 | (393) | 605 | 1 | 606 |
| Adjusted earnings | $ 1,324 | $ 690 | $ 285 | $ 167 | $ 705 | $ (370) | 2,801 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (374) | | |
| Total expenses | | | | | | | (275) | | |
| Provision for income tax (expense) benefit | | | | | | | (1) | | |
| Net income (loss) | | | | | | | $ 2,151 | | $ 2,151 |

**2. Segment Information (continued)**

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (In millions) | |
| U.S. | $ 263,410 | $ 248,174 |
| Asia | 157,743 | 146,278 |
| Latin America | 76,881 | 70,417 |
| EMEA | 27,462 | 27,829 |
| MetLife Holdings | 172,957 | 166,872 |
| Corporate & Other | 33,714 | 27,968 |
| Total | $ 732,167 | $ 687,538 |

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the three months and six months ended June 30, 2019 . Revenues derived from one U.S. segment customer were $6.0 billion for both the three months and six months ended June 30, 2018 , which represented 35% and 21% , respectively, of consolidated premiums, universal life and investment-type product policy fees and other revenues. The revenue was from a single premium received for a pension risk transfer. Revenues derived from any other customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the three months and six months ended June 30, 2018 .

**3. Pending Disposition**

In June 2019, the Company entered into a definitive agreement to sell its two wholly-owned subsidiaries, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited (collectively, "MetLife Hong Kong"). As a result of the agreement, a loss of $140 million , net of income tax, was recorded for the three months and six months ended June 30, 2019 . This loss is comprised of an expected $100 million pre-tax loss, which is reflected in net investment gains (losses) and includes allocated goodwill of $75 million . Additionally, the $140 million loss includes a $40 million net tax charge, which was recorded in the provision for income tax expense (benefit) and includes previously deferred tax items and losses which are not recognized for tax purposes. At June 30, 2019 , MetLife Hong Kong reported $2.9 billion of total assets. MetLife Hong Kong's results of operations, which are included in continuing operations, and balance sheet data are reported in the Asia segment. The transaction is expected to close in 2020 and is subject to regulatory approvals and satisfaction of other closing conditions.

**4. Insurance**

***Guarantees***

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report, the Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits. Guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of guaranteed minimum withdrawal benefits ("GMWBs") and certain non-life contingent portions of GMIBs are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 7 .

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

**4. Insurance (continued)**

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

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | In the Event of Death | At Annuitization | In the Event of Death (8) | At Annuitization (8) |
| | (Dollars in millions) | | | |
| Annuity Contracts: | | | | |
| Variable Annuity Guarantees: | | | | |
| Total account value (1), (2), (3) | $ 65,393 | $ 24,353 | $ 63,381 | $ 23,174 |
| Separate account value (1) | $ 41,563 | $ 22,562 | $ 38,888 | $ 21,385 |
| Net amount at risk (2) | $ 1,767 (4) | $ 449 (5) | $ 3,197 (4) | $ 511 (5) |
| Average attained age of contractholders | 67 years | 65 years | 66 years | 64 years |
| Other Annuity Guarantees: | | | | |
| Total account value (1), (3) | N/A | $ 5,739 | N/A | $ 5,787 |
| Net amount at risk | N/A | $ 444 (6) | N/A | $ 549 (6) |
| Average attained age of contractholders | N/A | 51 years | N/A | 50 years |

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Secondary Guarantees | Paid-Up Guarantees | Secondary Guarantees (8) | Paid-Up Guarantees |
| | (Dollars in millions) | | | |
| Universal and Variable Life Contracts: | | | | |
| Total account value (1), (3) | $ 11,367 | $ 3,000 | $ 11,205 | $ 3,070 |
| Net amount at risk (7) | $ 89,502 | $ 15,012 | $ 93,028 | $ 15,539 |
| Average attained age of policyholders | 53 years | 64 years | 52 years | 64 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 interim condensed consolidated balance sheets, from assumed variable annuity guarantees from the Company's former operating joint venture in Japan.

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

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

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

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

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

**4. Insurance (continued)**

(8) The Company’s guarantee exposure amounts at December 31, 2018 as reported in the 2018 Annual Report have been revised. They conform to the 2019 presentation, which includes certain contracts with guarantees that were previously excluded. They include the following increases from the amounts reported in the 2018 Annual Report: (i) variable annuity guarantees in the event of death: $7.1 billion from $56.2 billion for total account value, $1.5 billion from $37.3 billion for separate account value and $429 million from $2.8 billion for net amount at risk; (ii) variable annuity guarantees at annuitization: $1.5 billion from $21.6 billion for total account value, $1.5 billion from $19.8 billion for separate account value and $28 million from $483 million for net amount at risk; (iii) other annuity guarantees: $4.5 billion from $1.3 billion for total account value and $60 million from $489 million for net amount at risk; and (iv) universal and variable life contract secondary guarantees: $2.3 billion from $8.9 billion for total account value and $28.9 billion from $64.2 billion for net amount at risk.

Additionally, the average attained age of contractholders at annuitization for variable annuity guarantees decreased by one year from 65 years and the average attained age of policyholders with universal and variable life contract secondary guarantees decreased by five years from 57 years.

***Liabilities for Unpaid Claims and Claim Expenses***

***Rollforward of Claims and Claim Adjustment Expenses***

Information regarding the liabilities for unpaid claims and claim adjustment expenses was as follows:

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| | (In millions) | |
| Balance, beginning of period | $ 17,788 | $ 17,094 |
| Less: Reinsurance recoverables | 2,332 | 2,198 |
| Net balance, beginning of period | 15,456 | 14,896 |
| Incurred related to: | | |
| Current period | 13,521 | 12,257 |
| Prior periods (1) | 78 | 200 |
| Total incurred | 13,599 | 12,457 |
| Paid related to: | | |
| Current period | (9,098) | (8,021) |
| Prior periods | (4,034) | (4,146) |
| Total paid | (13,132) | (12,167) |
| Net balance, end of period | 15,923 | 15,186 |
| Add: Reinsurance recoverables | 2,393 | 2,289 |
| Balance, end of period (included in future policy benefits and other policy-related balances) | $ 18,316 | $ 17,475 |

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(1) For both the six months ended June 30, 2019 and 2018 , claims and claim adjustment expenses associated with prior periods increased due to events incurred in prior periods but reported in the current period.

**5. Closed Block**

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

**5. Closed Block (continued)**

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:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (In millions) | |
| **Closed Block Liabilities** | | |
| Future policy benefits | $ 39,608 | $ 40,032 |
| Other policy-related balances | 395 | 317 |
| Policyholder dividends payable | 457 | 431 |
| Policyholder dividend obligation | 1,834 | 428 |
| Deferred income tax liability | 51 | 28 |
| Other liabilities | 137 | 328 |
| Total closed block liabilities | 42,482 | 41,564 |
| **Assets Designated to the Closed Block** | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value | 26,132 | 25,354 |
| Equity securities, at estimated fair value | 64 | 61 |
| Contractholder-directed equity securities and fair value option securities, at estimated fair value | 49 | 43 |
| Mortgage loans | 6,900 | 6,778 |
| Policy loans | 4,498 | 4,527 |
| Real estate and real estate joint ventures | 550 | 544 |
| Other invested assets | 657 | 643 |
| Total investments | 38,850 | 37,950 |
| Cash and cash equivalents | 75 | — |
| Accrued investment income | 434 | 443 |
| Premiums, reinsurance and other receivables | 85 | 83 |
| Current income tax recoverable | 78 | 69 |
| Total assets designated to the closed block | 39,522 | 38,545 |
| Excess of closed block liabilities over assets designated to the closed block | 2,960 | 3,019 |
| Amounts included in AOCI: | | |
| Unrealized investment gains (losses), net of income tax | 2,226 | 1,089 |
| Unrealized gains (losses) on derivatives, net of income tax | 103 | 86 |
| Allocated to policyholder dividend obligation, net of income tax | (1,449) | (338) |
| Total amounts included in AOCI | 880 | 837 |
| Maximum future earnings to be recognized from closed block assets and liabilities | $ 3,840 | $ 3,856 |

## 5. Closed Block (continued)

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

| | Six Months Ended June 30, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| | (In millions) | |
| Balance, beginning of period | $ 428 | $ 2,121 |
| Change in unrealized investment and derivative gains (losses) | 1,406 | (1,693) |
| Balance, end of period | $ 1,834 | $ 428 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Revenues** | | | | |
| Premiums | $ 390 | $ 410 | $ 757 | $ 797 |
| Net investment income | 447 | 431 | 875 | 875 |
| Net investment gains (losses) | (4) | (24) | (5) | (53) |
| Net derivative gains (losses) | 9 | 13 | 12 | 10 |
| Total revenues | 842 | 830 | 1,639 | 1,629 |
| **Expenses** | | | | |
| Policyholder benefits and claims | 563 | 596 | 1,102 | 1,167 |
| Policyholder dividends | 231 | 238 | 459 | 482 |
| Other expenses | 28 | 30 | 57 | 59 |
| Total expenses | 822 | 864 | 1,618 | 1,708 |
| Revenues, net of expenses before provision for income tax expense (benefit) | 20 | (34) | 21 | (79) |
| Provision for income tax expense (benefit) | 4 | (7) | 4 | (17) |
| Revenues, net of expenses and provision for income tax expense (benefit) | $ 16 | $ (27) | $ 17 | $ (62) |

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

## 6. Investments

### *Fixed Maturity Securities Available-for-Sale*

***Fixed Maturity Securities Available-for-Sale by Sector***

The following table presents the fixed maturity securities AFS by sector. U.S. corporate and foreign corporate sectors include redeemable preferred stock. Residential mortgage-backed securities (“RMBS”) includes Agency, prime, alternative and sub-prime mortgage-backed securities. Asset-backed securities (“ABS”) includes securities collateralized by corporate loans and consumer loans. Municipals includes taxable and tax-exempt revenue bonds and, to a much lesser extent, general obligations of states, municipalities and political subdivisions. Commercial mortgage-backed securities (“CMBS”) primarily includes securities collateralized by multiple properties. RMBS, ABS and CMBS are collectively, “Structured Securities.”

| | June 30, 2019 | | | | | December 31, 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Gross Unrealized | | | | | Gross Unrealized | | | |
| | Amortized Cost | Gains | Temporary Losses | OTTI Losses (1) | Estimated Fair Value | Amortized Cost | Gains | Temporary Losses | OTTI Losses (1) | Estimated Fair Value |
| | (In millions) | | | | | | | | | |
| U.S. corporate | $ 76,928 | $ 7,216 | $ 432 | $ — | $ 83,712 | $ 77,761 | $ 3,467 | $ 2,280 | $ — | $ 78,948 |
| Foreign government | 58,605 | 9,205 | 256 | — | 67,554 | 56,353 | 6,406 | 471 | — | 62,288 |
| Foreign corporate | 58,682 | 4,730 | 1,014 | — | 62,398 | 56,290 | 2,438 | 2,025 | — | 56,703 |
| U.S. government and agency | 35,727 | 4,326 | 50 | — | 40,003 | 37,030 | 2,756 | 464 | — | 39,322 |
| RMBS | 27,635 | 1,465 | 88 | (37) | 29,049 | 27,409 | 920 | 394 | (26) | 27,961 |
| ABS | 13,687 | 98 | 72 | 1 | 13,712 | 12,552 | 74 | 153 | 1 | 12,472 |
| Municipals | 10,339 | 1,920 | 4 | — | 12,255 | 10,376 | 1,228 | 71 | — | 11,533 |
| CMBS | 9,626 | 413 | 33 | — | 10,006 | 9,045 | 115 | 122 | — | 9,038 |
| Total fixed maturity securities AFS | $ 291,229 | $ 29,373 | $ 1,949 | $ (36) | $ 318,689 | $ 286,816 | $ 17,404 | $ 5,980 | $ (25) | $ 298,265 |

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

The Company held non-income producing fixed maturity securities AFS with an estimated fair value of $35 million and $15 million , and unrealized gains (losses) of $2 million and ($1) million at June 30, 2019 and December 31, 2018 , respectively.

***Maturities of Fixed Maturity Securities AFS***

The amortized cost and estimated fair value of fixed maturity securities AFS, by contractual maturity date, were as follows at June 30, 2019 :

| | Due in One Year or Less | Due After One Year Through Five Years | Due After Five Years Through Ten Years | Due After Ten Years | Structured Securities | Total Fixed Maturity Securities AFS |
|---|---|---|---|---|---|---|
| | (In millions) | | | | | |
| Amortized cost | $ 16,336 | $ 51,147 | $ 57,849 | $ 114,949 | $ 50,948 | $ 291,229 |
| Estimated fair value | $ 16,415 | $ 53,234 | $ 62,407 | $ 133,866 | $ 52,767 | $ 318,689 |

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

**6. Investments (continued)**

***Continuous Gross Unrealized Losses for Fixed Maturity Securities AFS by Sector***

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

| | June 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 12 Months | | Equal to or Greater than 12 Months | | Less than 12 Months | | Equal to or Greater than 12 Months | |
| | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| | (Dollars in millions) | | | | | | | |
| U.S. corporate | $ 4,058 | $ 105 | $ 5,190 | $ 327 | $ 32,430 | $ 1,663 | $ 5,826 | $ 617 |
| Foreign government | 1,469 | 110 | 1,863 | 146 | 4,392 | 243 | 2,902 | 228 |
| Foreign corporate | 3,425 | 157 | 8,628 | 857 | 19,564 | 1,230 | 5,765 | 795 |
| U.S. government and agency | 2,155 | 9 | 2,634 | 41 | 6,813 | 58 | 8,937 | 406 |
| RMBS | 1,686 | 14 | 3,138 | 37 | 6,506 | 120 | 6,423 | 248 |
| ABS | 5,336 | 45 | 2,012 | 28 | 8,230 | 138 | 392 | 16 |
| Municipals | 64 | — | 124 | 4 | 1,380 | 46 | 349 | 25 |
| CMBS | 768 | 2 | 534 | 31 | 3,893 | 67 | 707 | 55 |
| Total fixed maturity securities AFS | $ 18,961 | $ 442 | $ 24,123 | $ 1,471 | $ 83,208 | $ 3,565 | $ 31,301 | $ 2,390 |
| Total number of securities in an unrealized loss position | 1,743 | | 1,992 | | 6,913 | | 2,335 | |

***Evaluation of Fixed Maturity Securities AFS for OTTI and Evaluating Temporarily Impaired Fixed Maturity Securities AFS***

As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities AFS and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

*Current Period Evaluation*

Based on the Company's current evaluation of its securities in an unrealized loss position in accordance with its impairment policy, and the Company's current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at June 30, 2019 . 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 and foreign currency exchange rates. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities AFS decreased $4.0 billion for the six months ended June 30, 2019 to $1.9 billion . The decrease in gross unrealized losses for the six months ended June 30, 2019 was primarily attributable to decreases in interest rates and narrowing credit spreads.

At June 30, 2019 , $156 million of the total $1.9 billion of gross unrealized losses were from 48 fixed maturity securities AFS with an unrealized loss position of 20% or more of amortized cost for six months or greater.

**6. Investments (continued)**

*Investment Grade Fixed Maturity Securities AFS*

Of the $156 million of gross unrealized losses on fixed maturity securities AFS with an unrealized loss of 20% or more of amortized cost for six months or greater, $97 million , or 62% , were related to gross unrealized losses on 18 investment grade fixed maturity securities AFS. Unrealized losses on investment grade fixed maturity securities AFS are principally related to widening credit spreads since purchase and, with respect to fixed-rate fixed maturity securities AFS, rising interest rates since purchase.

*Below Investment Grade Fixed Maturity Securities AFS*

Of the $156 million of gross unrealized losses on fixed maturity securities AFS with an unrealized loss of 20% or more of amortized cost for six months or greater, $59 million , or 38% , were related to gross unrealized losses on 30 below investment grade fixed maturity securities AFS. Unrealized losses on below investment grade fixed maturity securities AFS are principally related to U.S. and foreign corporate securities (primarily industrial and financial institutions) and foreign government securities and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty. Management evaluates U.S. corporate and foreign corporate securities based on factors such as expected cash flows, financial condition and near-term and long-term prospects of the issuers. Management evaluates foreign government securities based on factors impacting the issuers such as expected cash flows, financial condition and any country-specific economic or public sector programs.

***Equity Securities***

Equity securities are summarized as follows at:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | |
| Common stock | $ 1,067 | 72.3% | $ 1,037 | 72.0% |
| Non-redeemable preferred stock | 409 | 27.7 | 403 | 28.0 |
| Total equity securities | $ 1,476 | 100.0% | $ 1,440 | 100.0% |

***Contractholder-Directed Equity Securities and Fair Value Option Securities***

As described more fully in Note 1 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report, contractholder-directed equity securities and fair value option (“FVO”) securities (“FVO Securities”) (collectively, “Unit-linked and FVO Securities”) include three categories of investments for which the FVO has been elected, or are otherwise required to be carried at estimated fair value.

**6. Investments (continued)**

***Mortgage Loans***

***Mortgage Loans by Portfolio Segment***

Mortgage loans are summarized as follows at:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Carrying Value | % of Total | Carrying Value | % of Total |
| | (Dollars in millions) | | | |
| Mortgage loans: | | | | |
| Commercial | $ 49,570 | 63.6 % | $ 48,463 | 64.0 % |
| Agricultural | 15,334 | 19.7 | 14,905 | 19.7 |
| Residential | 13,188 | 16.9 | 12,427 | 16.4 |
| Total recorded investment | 78,092 | 100.2 | 75,795 | 100.1 |
| Valuation allowances | (357) | (0.5) | (342) | (0.5) |
| Subtotal mortgage loans, net | 77,735 | 99.7 | 75,453 | 99.6 |
| Residential — FVO (1) | 262 | 0.3 | 299 | 0.4 |
| Total mortgage loans, net | $ 77,997 | 100.0 % | $ 75,752 | 100.0 % |

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(1) Information on residential mortgage loans — FVO is presented in Note 8 . The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis.

The amount of net discounts, included within total recorded investment, primarily residential, was $935 million and $944 million at June 30, 2019 and December 31, 2018 , respectively.

Purchases of mortgage loans, primarily residential, were $567 million and $1.9 billion for the three months and six months ended June 30, 2019 , respectively, and $666 million and $973 million for the three months and six months ended June 30, 2018 , respectively.

***Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment***

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

| | Evaluated Individually for Credit Losses | | | | | Evaluated Collectively for Credit Losses | | Impaired Loans |
|---|---|---|---|---|---|---|---|---|
| | Impaired Loans with a Valuation Allowance | | | Impaired Loans without a Valuation Allowance | | | | |
| | Unpaid Principal Balance | Recorded Investment | Valuation Allowances | Unpaid Principal Balance | Recorded Investment | Recorded Investment | Valuation Allowances | Carrying Value |
| | (In millions) | | | | | | | |
| **June 30, 2019** | | | | | | | | |
| Commercial | $ — | $ — | $ — | $ — | $ — | $ 49,570 | $ 246 | $ — |
| Agricultural | 31 | 31 | 3 | 191 | 190 | 15,113 | 45 | 218 |
| Residential | — | — | — | 504 | 403 | 12,785 | 63 | 403 |
| Total | $ 31 | $ 31 | $ 3 | $ 695 | $ 593 | $ 77,468 | $ 354 | $ 621 |
| **December 31, 2018** | | | | | | | | |
| Commercial | $ — | $ — | $ — | $ — | $ — | $ 48,463 | $ 238 | $ — |
| Agricultural | 31 | 31 | 3 | 169 | 169 | 14,705 | 43 | 197 |
| Residential | — | — | — | 431 | 386 | 12,041 | 58 | 386 |
| Total | $ 31 | $ 31 | $ 3 | $ 600 | $ 555 | $ 75,209 | $ 339 | $ 583 |

**6. Investments (continued)**

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $0 , $172 million and $401 million , respectively, for the three months ended June 30, 2019 , and $0 , $181 million and $396 million , respectively, for the six months ended June 30, 2019 .

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $0 , $122 million and $351 million , respectively, for the three months ended June 30, 2018 , and $0 , $97 million and $342 million , respectively, for the six months ended June 30, 2018 .

***Valuation Allowance Rollforward by Portfolio Segment***

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

| | Six Months Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | |
| | Commercial | Agricultural | Residential | Total | Commercial | Agricultural | Residential | Total |
| | (In millions) | | | | | | | |
| Balance, beginning of period | $ 238 | $ 46 | $ 58 | $ 342 | $ 214 | $ 41 | $ 59 | $ 314 |
| Provision (release) | 8 | 2 | 9 | 19 | 13 | — | 2 | 15 |
| Charge-offs, net of recoveries | — | — | (4) | (4) | — | — | (4) | (4) |
| Balance, end of period | $ 246 | $ 48 | $ 63 | $ 357 | $ 227 | $ 41 | $ 57 | $ 325 |

***Credit Quality of Commercial Mortgage Loans***

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

| | Recorded Investment | | | | | | |
|---|---|---|---|---|---|---|---|
| | Debt Service Coverage Ratios | | | | | | |
| | > 1.20x | 1.00x - 1.20x | < 1.00x | Total | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | | | | |
| **June 30, 2019** | | | | | | | |
| Loan-to-value ratios: | | | | | | | |
| Less than 65% | $ 41,424 | $ 773 | $ 156 | $ 42,353 | 85.4% | $ 43,922 | 85.7% |
| 65% to 75% | 5,649 | 26 | 166 | 5,841 | 11.8 | 5,975 | 11.7 |
| 76% to 80% | 377 | 228 | 55 | 660 | 1.3 | 645 | 1.3 |
| Greater than 80% | 482 | 234 | — | 716 | 1.5 | 690 | 1.3 |
| Total | $ 47,932 | $ 1,261 | $ 377 | $ 49,570 | 100.0% | $ 51,232 | 100.0% |
| **December 31, 2018** | | | | | | | |
| Loan-to-value ratios: | | | | | | | |
| Less than 65% | $ 40,360 | $ 827 | $ 101 | $ 41,288 | 85.2% | $ 41,599 | 85.3% |
| 65% to 75% | 5,790 | — | 25 | 5,815 | 12.0 | 5,849 | 12.0 |
| 76% to 80% | 423 | 209 | 56 | 688 | 1.4 | 664 | 1.4 |
| Greater than 80% | 496 | 176 | — | 672 | 1.4 | 635 | 1.3 |
| Total | $ 47,069 | $ 1,212 | $ 182 | $ 48,463 | 100.0% | $ 48,747 | 100.0% |

**6. Investments (continued)**

***Credit Quality of Agricultural Mortgage Loans***

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

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Recorded Investment | % of Total | Recorded Investment | % of Total |
| | (Dollars in millions) | | | |
| Loan-to-value ratios: | | | | |
| Less than 65% | $ 14,250 | 92.9% | $ 13,704 | 92.0% |
| 65% to 75% | 992 | 6.5 | 1,145 | 7.7 |
| 76% to 80% | 69 | 0.4 | 33 | 0.2 |
| Greater than 80% | 23 | 0.2 | 23 | 0.1 |
| Total | $ 15,334 | 100.0% | $ 14,905 | 100.0% |

***Credit Quality of Residential Mortgage Loans***

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

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Recorded Investment | % of Total | Recorded Investment | % of Total |
| | (Dollars in millions) | | | |
| Performance indicators: | | | | |
| Performing | $ 12,755 | 96.7% | $ 11,956 | 96.2% |
| Nonperforming (1) | 433 | 3.3 | 471 | 3.8 |
| Total | $ 13,188 | 100.0% | $ 12,427 | 100.0% |

(1) Includes residential mortgage loans in process of foreclosure of $124 million a nd $140 million at June 30, 2019 and December 31, 2018 , respectively.

***Past Due and Nonaccrual Mortgage Loans***

The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both June 30, 2019 and December 31, 2018 . The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due and nonaccrual mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

| | Past Due | | Greater than 90 Days Past Due and Still Accruing Interest | | Nonaccrual | |
|---|---|---|---|---|---|---|
| | June 30, 2019 | December 31, 2018 | June 30, 2019 | December 31, 2018 | June 30, 2019 | December 31, 2018 |
| | (In millions) | | | | | |
| Commercial | $ 4 | $ 9 | $ 4 | $ 9 | $ 176 | $ 176 |
| Agricultural | 134 | 204 | 52 | 109 | 105 | 105 |
| Residential | 433 | 471 | 38 | 35 | 395 | 436 |
| Total | $ 571 | $ 684 | $ 94 | $ 153 | $ 676 | $ 717 |

**6. Investments (continued)**

***Real Estate and Real Estate Joint Ventures***

The Company's real estate investment portfolio is diversified by property type, geography and income stream, including income from operating leases, operating income and equity method income from real estate joint ventures. Real estate investments, by income type, as well as income earned, are as follows at and for the periods indicated:

| | June 30, 2019 | December 31, 2018 | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|---|---|
| | Carrying Value | | Income | | | |
| | (In millions) | | | | | |
| Leased real estate investments | $ 4,502 | $ 4,132 | $ 90 | $ 104 | $ 182 | $ 208 |
| Other real estate investments | 479 | 461 | 56 | 57 | 90 | 90 |
| Real estate joint ventures | 5,345 | 5,105 | 33 | 34 | 37 | 65 |
| Total real estate and real estate joint ventures | $ 10,326 | $ 9,698 | $ 179 | $ 195 | $ 309 | $ 363 |

The carrying value of real estate investments acquired through foreclosure was $44 million and $45 million at June 30, 2019 and December 31, 2018 , respectively. Depreciation expense on real estate investments was $25 million and $48 million for the three months and six months ended June 30, 2019 , respectively, and $21 million and $47 million for the three months and six months ended June 30, 2018 , respectively. Real estate investments were net of accumulated depreciation of $991 million and $931 million at June 30, 2019 and December 31, 2018 , respectively.

***Leases***

***Leased Real Estate Investments - Operating Leases***

The Company, as lessor, leases investment real estate, principally commercial real estate for office and retail use, through a variety of operating lease arrangements, which typically include tenant reimbursement for property operating costs and options to renew or extend the lease. In some circumstances, leases may include an option for the lessee to purchase the property. In addition, certain leases of retail space may stipulate that a portion of the income earned is contingent upon the level of the tenants' revenues. The Company has elected a practical expedient of not separating non-lease components related to reimbursement of property operating costs from associated lease components. These property operating costs have the same timing and pattern of transfer as the related lease component, because they are incurred over the same period of time as the operating lease. Therefore, the combined component is accounted for as an operating lease. Risk is managed through lessee credit analysis, property type diversification, and geographic diversification, primarily across the United States. Leased real estate investments and income earned, by property type, are as follows at and for the periods indicated:

| | June 30, 2019 | December 31, 2018 | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|---|---|
| | Carrying Value | | Income | | | |
| | (In millions) | | | | | |
| Leased real estate investments: | | | | | | |
| Office | $ 2,205 | $ 1,999 | $ 42 | $ 44 | $ 86 | $ 89 |
| Retail | 1,096 | 1,006 | 25 | 25 | 49 | 51 |
| Apartment | 256 | 253 | 5 | 19 | 10 | 37 |
| Industrial | 276 | 223 | 11 | 10 | 22 | 19 |
| Land | 505 | 489 | 5 | 4 | 10 | 9 |
| Hotel | 95 | 94 | 1 | — | 3 | — |
| Other | 69 | 68 | 1 | 2 | 2 | 3 |
| Total leased real estate investments | $ 4,502 | $ 4,132 | $ 90 | $ 104 | $ 182 | $ 208 |

**6. Investments (continued)**

Future contractual receipts under operating leases at June 30, 2019 are $154 million for the remainder of 2019, $246 million in 2020, $193 million in 2021, $163 million in 2022, $142 million in 2023, $992 million thereafter, and in total are $1.9 billion .

***Leveraged and Direct Financing Leases***

The Company has diversified leveraged lease and direct financing lease portfolios. Its leveraged leases principally include renewable energy generation facilities, rail cars, commercial real estate and commercial aircraft, and its direct financing leases principally include commercial real estate. These assets are leased through a variety of lease arrangements, which may include options to renew or extend the lease and options for the lessee to purchase the property. Residual values are estimated using available third-party data at inception of the lease. Risk is managed through lessee credit analysis, asset allocation, geographic diversification, and ongoing reviews of estimated residual values, using available third-party data and, in certain leases, linking the amount of future rental receipts to changes in inflation rates. Generally, estimated residual values are not guaranteed by the lessee or a third party.

Investment in leveraged and direct financing leases consisted of the following at:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Leveraged Leases | Direct Financing Leases | Leveraged Leases | Direct Financing Leases |
| | (In millions) | | | |
| Lease receivables, net (1) | $ 707 | $ 2,017 | $ 715 | $ 1,855 |
| Estimated residual values | 807 | 42 | 807 | 42 |
| Subtotal | 1,514 | 2,059 | 1,522 | 1,897 |
| Unearned income | (391) | (742) | (414) | (705) |
| Investment in leases | $ 1,123 | $ 1,317 | $ 1,108 | $ 1,192 |

(1) Future contractual receipts under direct financing leases at June 30, 2019 are $62 million for the remainder of 2019, $109 million in 2020, $108 million in 2021, $132 million in 2022, $104 million in 2023, $1.5 billion thereafter, and in total $2.0 billion .

Lease receivables are generally due in periodic installments. The payment periods for leveraged leases generally range from one to 15 years but in certain circumstances can be over 25 years, while the payment periods for direct financing leases generally range from one to 25 years but in certain circumstances can be over 25 years . For lease receivables, the primary credit quality indicator is whether the lease receivable is performing or nonperforming, which is assessed monthly. The Company generally defines nonperforming lease receivables as those that are 90 days or more past due. At both June 30, 2019 and December 31, 2018 , all leveraged lease receivables were performing and over 99% of direct financing lease receivables were performing.

The Company's deferred income tax liability related to leveraged leases was $510 million and $519 million at June 30, 2019 and December 31, 2018 , respectively.

**6. Investments (continued)**

The components of income from investment in leveraged and direct financing leases, excluding net investment gains (losses), were as follows:

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Leveraged Leases | Direct Financing Leases | Leveraged Leases | Direct Financing Leases | Leveraged Leases | Direct Financing Leases | Leveraged Leases | Direct Financing Leases |
| | (In millions) | | | | | | | |
| Lease investment income | $ 12 | $ 27 | $ 12 | $ 27 | $ 24 | $ 47 | $ 23 | $ 47 |
| Less: Income tax expense | 3 | 6 | 2 | 6 | 5 | 10 | 5 | 10 |
| Lease investment income, net of income tax | $ 9 | $ 21 | $ 10 | $ 21 | $ 19 | $ 37 | $ 18 | $ 37 |

***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 $11.4 billion and $9.0 billion at June 30, 2019 and December 31, 2018 , respectively.

***Net Unrealized Investment Gains (Losses)***

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

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (In millions) | |
| Fixed maturity securities AFS | $ 27,390 | $ 11,356 |
| Fixed maturity securities AFS with noncredit OTTI losses included in AOCI | 36 | 25 |
| Total fixed maturity securities AFS | 27,426 | 11,381 |
| Derivatives | 2,680 | 2,127 |
| Other | 265 | 290 |
| Subtotal | 30,371 | 13,798 |
| Amounts allocated from: | | |
| Future policy benefits | (1,054) | 31 |
| DAC, VOBA and DSI | (2,683) | (1,231) |
| Policyholder dividend obligation | (1,834) | (428) |
| Subtotal | (5,571) | (1,628) |
| Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI | (5) | (3) |
| Deferred income tax benefit (expense) | (6,401) | (3,502) |
| Net unrealized investment gains (losses) | 18,394 | 8,665 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (13) | (10) |
| Net unrealized investment gains (losses) attributable to MetLife, Inc. | $ 18,381 | $ 8,655 |

**6. Investments (continued)**

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

| | Six Months Ended June 30, 2019 |
|---|---|
| | (In millions) |
| Balance, beginning of period | $ 8,655 |
| Cumulative effects of changes in accounting principles, net of income tax (Note 1) | 21 |
| Fixed maturity securities AFS on which noncredit OTTI losses have been recognized | 11 |
| Unrealized investment gains (losses) during the period | 16,536 |
| Unrealized investment gains (losses) relating to: | |
| Future policy benefits | (1,085) |
| DAC, VOBA and DSI | (1,452) |
| Policyholder dividend obligation | (1,406) |
| Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI | (2) |
| Deferred income tax benefit (expense) | (2,894) |
| Net unrealized investment gains (losses) | 18,384 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (3) |
| Balance, end of period | $ 18,381 |
| Change in net unrealized investment gains (losses) | $ 9,729 |
| Change in net unrealized investment gains (losses) attributable to noncontrolling interests | (3) |
| Change in net unrealized investment gains (losses) attributable to MetLife, Inc. | $ 9,726 |

***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, at estimated fair value at June 30, 2019 and December 31, 2018 , were in fixed income securities of the Japanese government and its agencies of $33.2 billion and $30.2 billion , respectively, and in fixed income securities of the South Korean government and its agencies of $7.4 billion and $7.1 billion , respectively.

***Securities Lending and Repurchase Agreements***

*Securities, Collateral and Reinvestment Portfolio*

A summary of the securities lending and repurchase agreements transactions is as follows:

| | June 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Securities on Loan (1) | | | | Securities on Loan (1) | | | |
| | Amortized Cost | Estimated Fair Value | Cash Collateral Received from Counterparties (2), (3) | Reinvestment Portfolio at Estimated Fair Value | Amortized Cost | Estimated Fair Value | Cash Collateral Received from Counterparties (2), (3) | Reinvestment Portfolio at Estimated Fair Value |
| | (In millions) | | | | | | | |
| Securities lending | $ 15,472 | $ 17,396 | $ 17,782 | $ 17,952 | $ 16,969 | $ 17,724 | $ 18,005 | $ 18,074 |
| Repurchase agreements | $ 1,520 | $ 1,648 | $ 1,612 | $ 1,629 | $ 1,033 | $ 1,093 | $ 1,067 | $ 1,069 |

(1) Securities on loan in connection with securities lending are included within fixed maturities securities AFS and cash equivalents and securities on loan in connection with repurchase agreements are included within fixed maturities securities AFS, short-term investments and cash equivalents.

**6. Investments (continued)**

(2) In connection with securities lending, in addition to cash collateral received, the Company received from counterparties security collateral of $10 million and $78 million at June 30, 2019 and December 31, 2018 , respectively , which may not be sold or re-pledged, unless the counterparty is in default, and is not reflected on the consolidated financial statements.

(3) The securities lending liability for cash collateral is included within payables for collateral under securities loaned and other transactions, and the repurchase agreements liability for cash collateral is included within payables for collateral under securities loaned and other transactions and other liabilities.

*Contractual Maturities*

A summary of the remaining contractual maturities of securities lending agreements and repurchase agreements is as follows:

| | June 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Remaining Maturities | | | | Remaining Maturities | | | |
| | Open (1) | 1 Month or Less | Over 1 to 6 Months | Total | Open (1) | 1 Month or Less | Over 1 to 6 Months | Total |
| | (In millions) | | | | | | | |
| Cash collateral liability by loaned security type: | | | | | | | | |
| Securities lending: | | | | | | | | |
| U.S. government and agency | $ 3,440 | $ 4,147 | $ 9,081 | $ 16,668 | $ 2,736 | $ 8,995 | $ 5,220 | $ 16,951 |
| Foreign government | — | 380 | 666 | 1,046 | — | 214 | 761 | 975 |
| Agency RMBS | — | 68 | — | 68 | — | 79 | — | 79 |
| Total | $ 3,440 | $ 4,595 | $ 9,747 | $ 17,782 | $ 2,736 | $ 9,288 | $ 5,981 | $ 18,005 |
| Repurchase agreements: | | | | | | | | |
| U.S. government and agency | $ — | $ 1,535 | $ — | $ 1,535 | $ — | $ 1,000 | $ — | $ 1,000 |
| All other corporate and government | — | 6 | 71 | 77 | — | — | 67 | 67 |
| Total | $ — | $ 1,541 | $ 71 | $ 1,612 | $ — | $ 1,000 | $ 67 | $ 1,067 |

(1) The related loaned security could be returned to the Company on the next business day, which would require the Company to immediately return the cash collateral. The estimated fair value of the securities on loan related to this cash collateral at June 30, 2019 was $3.4 billion , all of which were U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both.

The securities lending and repurchase agreements reinvestment portfolios acquired with the cash collateral consist principally of high quality, liquid, publicly-traded fixed maturity securities AFS, short-term investments, cash equivalents or held in cash. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

**6. Investments (continued)**

***Federal Home Loan Bank of Boston Advance Agreements***

At June 30, 2019 and December 31, 2018 , a subsidiary of the Company had pledged municipals with an estimated fair value of $1.1 billion and $1.2 billion , respectively, as collateral, and at both June 30, 2019 and December 31, 2018, received $800 million in cash advances under short-term advance agreements with the Federal Home Loan Bank ("FHLB") of Boston. The liability to return the cash advances is included within payables for collateral under securities loaned and other transactions. The estimated fair value of the reinvestment portfolio acquired with the cash advances was $833 million and $799 million at June 30, 2019 and December 31, 2018 , respectively, and consisted primarily of Structured Securities, U.S. and foreign c orporate securities and U.S. government and agency securities. At both June 30, 2019 and December 31, 2018 , the reinvestment portfolio also included a $33 million , at redemption value, required investment in FHLB of Boston common stock. The subsidiary is permitted to withdraw any portion of the pledged collateral over the minimum collateral requirement at any time, other than in the event of a default by the subsidiary.

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

| | June 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Remaining Maturities | | | | Remaining Maturities | | | |
| | 1 Month or Less | Over 1 to 6 Months | 6 Months to 1 Year | Total | 1 Month or Less | Over 1 to 6 Months | 6 Months to 1 Year | Total |
| | (In millions) | | | | | | | |
| Cash advance liability by loaned security type: | | | | | | | | |
| Municipals | $ 200 | $ 600 | $ — | $ 800 | $ 150 | $ 650 | $ — | $ 800 |

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

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (In millions) | |
| Invested assets on deposit (regulatory deposits) | $ 1,940 | $ 1,788 |
| Invested assets held in trust (collateral financing arrangement and reinsurance agreements) | 3,241 | 2,971 |
| Invested assets pledged as collateral (1) | 24,237 | 24,168 |
| Total invested assets on deposit, held in trust and pledged as collateral | $ 29,418 | $ 28,927 |

(1) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements, secured debt, a collateral financing arrangement (see Notes 4, 12 and 13 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report) and derivative transactions (see Note 7 ).

See "— Securities Lending and Repurchase Agreements" for information regarding securities supporting securities lending and repurchase agreement transactions and Note 5 for information regarding investments designated to the closed block. In addition, the restricted investment in FHLB common stock was $800 million and $793 million , at redemption value, at June 30, 2019 and December 31, 2018 , respectively.

***Variable Interest Entities***

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

**6. Investments (continued)**

***Consolidated VIEs***

Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment.

The following table presents the total assets and total liabilities relating to investment-related VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Total Assets | Total Liabilities | Total Assets | Total Liabilities |
| | (In millions) | | | |
| Renewable energy partnership (1) | $ 99 | $ — | $ 102 | $ — |
| Investment funds (2) | 138 | 1 | 79 | 1 |
| Other investments (1) | 20 | 5 | 21 | 5 |
| Total | $ 257 | $ 6 | $ 202 | $ 6 |

(1) Assets of the renewable energy partnership and other investments primarily consisted of other invested assets.

(2) Assets of the investment funds primarily consisted of other invested assets at June 30, 2019 and cash and cash equivalents at December 31, 2018 .

***Unconsolidated VIEs***

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

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Carrying Amount | Maximum Exposure to Loss (1) | Carrying Amount | Maximum Exposure to Loss (1) |
| | (In millions) | | | |
| Fixed maturity securities AFS: | | | | |
| Structured Securities (2) | $ 51,175 | $ 51,175 | $ 47,874 | $ 47,874 |
| U.S. and foreign corporate | 1,358 | 1,358 | 932 | 932 |
| Foreign government | 139 | 139 | — | — |
| Other limited partnership interests | 5,997 | 11,020 | 5,641 | 9,888 |
| Other invested assets | 1,762 | 1,875 | 1,906 | 2,063 |
| Other investments | 412 | 426 | 296 | 300 |
| Total | $ 60,843 | $ 65,993 | $ 56,649 | $ 61,057 |

(1) The maximum exposure to loss relating to fixed maturity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests is equal to the carrying amounts plus any unfunded commitments. For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are guaranteed by creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any unfunded commitments, reduced by income tax credits guaranteed by third parties of $73 million and $94 million at June 30, 2019 and December 31, 2018 , 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 16 , 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 for both the six months ended June 30, 2019 and 2018 .

**6. Investments (continued)**

For the three months ended June 30, 2019 , the Company securitized certain residential mortgage loans and acquired an interest in the related RMBS issued. While the Company has a variable interest in the issuer of the securities, it is not the primary beneficiary of the issuer of the securities since it does not have any rights to remove the servicer or veto rights over the servicer's actions. For the three months ended June 30, 2019 , the carrying value and the estimated fair value of mortgage loans securitized were $443 million and $467 million , respectively, resulting in a gain of $24 million , which was included within net investment gains (losses). The estimated fair value of the RMBS acquired in connection with the securitizations was $133 million , which was included in the carrying amount and maximum exposure to loss for Structured Securities presented above. See Note 8 for information on how the estimated fair value of mortgage loans and RMBS is determined, the valuation approaches and key inputs, their placement in the fair value hierarchy, and for certain RMBS, quantitative information about the significant unobservable inputs and the sensitivity of their estimated fair value to changes in those inputs.

***Net Investment Income***

The components of net investment income were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| Investment income: | | | | |
| Fixed maturity securities AFS | $ 3,024 | $ 3,014 | $ 5,963 | $ 5,910 |
| Equity securities | 15 | 15 | 32 | 31 |
| FVO Securities (1) | 38 | 8 | 93 | 14 |
| Mortgage loans | 943 | 815 | 1,855 | 1,607 |
| Policy loans | 129 | 127 | 257 | 251 |
| Real estate and real estate joint ventures | 179 | 195 | 309 | 363 |
| Other limited partnership interests | 243 | 120 | 366 | 327 |
| Cash, cash equivalents and short-term investments | 113 | 95 | 241 | 167 |
| Operating joint ventures | 38 | 19 | 56 | 32 |
| Other | 71 | 94 | 149 | 200 |
| Subtotal | 4,793 | 4,502 | 9,321 | 8,902 |
| Less: Investment expenses | 361 | 315 | 717 | 617 |
| Subtotal, net | 4,432 | 4,187 | 8,604 | 8,285 |
| Unit-linked investments (1) | 261 | 286 | 997 | (67) |
| Net investment income | $ 4,693 | $ 4,473 | $ 9,601 | $ 8,218 |

(1) Changes in estimated fair value subsequent to purchase for investments still held as of the end of the respective periods included in net investment income were principally from contractholder-directed equity securities supporting unit-linked variable annuity type liabilities ("Unit-linked investments"), and were $149 million and $757 million for the three months and six months ended June 30, 2019 , respectively, and $165 million and ($174) million for the three months and six months ended June 30, 2018 , respectively.

The Company invests in real estate joint ventures, other limited partnership interests and tax credit and renewable energy partnerships, and also does business through certain operating joint ventures, the majority of which are accounted for under the equity method. Net investment income from other limited partnership interests and operating joint ventures, accounted for under the equity method, and real estate joint ventures and tax credit and renewable energy partnerships, primarily accounted for under the equity method, totaled $241 million and $330 million for the three months and six months ended June 30, 2019 , respectively, and $97 million and $302 million for the three months and six months ended June 30, 2018 , respectively.

**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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| Total gains (losses) on fixed maturity securities AFS: | | | | |
| Total OTTI losses recognized — by sector and industry: | | | | |
| U.S. and foreign corporate securities — by industry: | | | | |
| Industrial | $ — | $ — | $ (8) | $ — |
| Total U.S. and foreign corporate securities | — | — | (8) | — |
| RMBS | — | — | (2) | — |
| OTTI losses on fixed maturity securities AFS recognized in earnings | — | — | (10) | — |
| Fixed maturity securities AFS — net gains (losses) on sales and disposals | 138 | (46) | 124 | (141) |
| Total gains (losses) on fixed maturity securities AFS | 138 | (46) | 114 | (141) |
| Total gains (losses) on equity securities: | | | | |
| Equity securities — net gains (losses) on sales and disposals | 4 | 14 | 47 | 116 |
| Change in estimated fair value of equity securities (1) | (6) | 20 | 58 | (113) |
| Total gains (losses) on equity securities | (2) | 34 | 105 | 3 |
| Mortgage loans | 14 | (15) | (1) | (36) |
| Real estate and real estate joint ventures | 1 | 89 | 6 | 114 |
| Other limited partnership interests | — | 8 | — | 8 |
| Other (2), (3) | (42) | (58) | (110) | (188) |
| Subtotal | 109 | 12 | 114 | (240) |
| Change in estimated fair value of other limited partnership interests and real estate joint ventures | 3 | (1) | (12) | (6) |
| Non-investment portfolio gains (losses) (4) | (51) | (238) | (26) | (314) |
| Subtotal | (48) | (239) | (38) | (320) |
| Total net investment gains (losses) | $ 61 | $ (227) | $ 76 | $ (560) |

______________

(1) Changes in estimated fair value subsequent to purchase for equity securities still held as of the end of the period included in net investment gains (losses) were ($1) million and $92 million for the three months and six months ended June 30, 2019 , respectively, and $31 million and ($5) million f or the three months and six months ended June 30, 2018 , respectively.

(2) Other gains (losses) for the three months and six months ended June 30, 2019 included tax credit partnership impairment losses of $14 million and $92 million , respectively, and a renewable energy partnership disposal gain of $46 million for the six months ended June 30, 2019 .

(3) Other gains (losses) included renewable energy partnership disposal losses of $83 million for both the three months and six months ended June 30, 2018 and leveraged lease impairment losses of $105 million for the six months ended June 30, 2018 .

(4) Non-investment portfolio gains (losses) for the three months and six months ended June 30, 2018 , included a loss of $159 million and $327 million , respectively, which represents both the change in estimated fair value of Brighthouse Financial, Inc. common stock ("FVO Brighthouse Common Stock") held by the Company through date of disposal and the loss on disposal in June 2018.

**6. Investments (continued)**

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $25 million and $39 million for the three months and six months ended June 30, 2019 , respectively, and ($47) million and $18 million f or the three months and six months ended June 30, 2018 , respectively.

***Sales or Disposals and Impairments of Fixed Maturity Securities AFS***

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| Proceeds | $ 13,895 | $ 20,183 | $ 29,720 | $ 39,253 |
| Gross investment gains | $ 262 | $ 149 | $ 467 | $ 255 |
| Gross investment losses | (124) | (195) | (343) | (396) |
| OTTI losses | — | — | (10) | — |
| Net investment gains (losses) | $ 138 | $ (46) | $ 114 | $ (141) |

***Credit Loss Rollforward of Fixed Maturity Securities AFS***

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| Balance, beginning of period | $ 85 | $ 128 | $ 89 | $ 138 |
| Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI | (8) | (17) | (11) | (26) |
| Increase in cash flows — accretion of previous credit loss OTTI | — | — | (1) | (1) |
| Balance, end of period | $ 77 | $ 111 | $ 77 | $ 111 |

## 7. Derivatives

### *Accounting for Derivatives*

#### ***Freestanding Derivatives***

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

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

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

| Statement of Operations Presentation: | Derivative: |
|---|---|
| Policyholder benefits and claims | • Economic hedges of variable annuity guarantees included in future policy benefits |
| Net investment income | • Economic hedges of equity method investments in joint ventures<br>• Derivatives held within Unit-linked investments |

#### ***Hedge Accounting***

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

- Fair value hedge - a hedge of the estimated fair value of a recognized asset or liability - in the same line item as the earnings effect of the hedged item. The carrying value of the hedged recognized asset or liability is adjusted for changes in its estimated fair value due to the hedged risk.
- 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 - in OCI and reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.
- Net investment in a foreign operation ("NIFO") hedge - in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation.

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. 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 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 occurring, 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 of occurring are recognized immediately in net investment gains (losses).

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the balance sheet, with changes in its estimated fair value recognized in the current period as net derivative gains (losses).

***Embedded Derivatives***

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

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

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

See Note 8 for information about the fair value hierarchy for derivatives.

***Derivative Strategies***

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.

Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties ("OTC-cleared"), while others are bilateral contracts between two counterparties ("OTC-bilateral"). The types of derivatives the Company uses include swaps, forwards, futures and option contracts. To a lesser extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and returns which are not readily available in the cash markets.

**7. Derivatives (continued)**

***Interest Rate Derivatives***

The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, interest rate total return swaps, caps, floors, swaptions, futures and forwards.

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed notional amount. The Company utilizes interest rate swaps in fair value, cash flow and nonqualifying hedging relationships.

The Company uses structured interest rate swaps to synthetically create investments that are either more expensive to acquire or otherwise unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. government and agency, or other fixed maturity securities AFS. Structured interest rate swaps are included in interest rate swaps and are not designated as hedging instruments.

Interest rate total return swaps are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of an asset or a market index and a benchmark interest rate, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. Interest rate total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). The Company utilizes interest rate total return swaps in nonqualifying hedging relationships.

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

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

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. The Company utilizes swaptions in nonqualifying hedging relationships. Swaptions are included in interest rate options.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow and nonqualifying hedging relationships.

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

***Foreign Currency Exchange Rate Derivatives***

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

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

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

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

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

***Credit Derivatives***

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

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

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

***Equity Derivatives***

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

**7. Derivatives (continued)**

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

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

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

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

## 7. Derivatives (continued)

### *Primary Risks Managed by Derivatives*

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

| | | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | | Gross Notional Amount | Estimated Fair Value | | Gross Notional Amount | Estimated Fair Value | |
| | Primary Underlying Risk Exposure | | Assets | Liabilities | | Assets | Liabilities |
| | | (In millions) | | | | | |
| Derivatives Designated as Hedging Instruments: | | | | | | | |
| Fair value hedges: | | | | | | | |
| Interest rate swaps | Interest rate | $ 2,315 | $ 2,590 | $ 3 | $ 2,446 | $ 2,197 | $ 2 |
| Foreign currency swaps | Foreign currency exchange rate | 1,182 | 41 | 5 | 1,233 | 54 | — |
| Foreign currency forwards | Foreign currency exchange rate | 2,412 | 28 | 8 | 2,140 | 28 | 18 |
| Subtotal | | 5,909 | 2,659 | 16 | 5,819 | 2,279 | 20 |
| Cash flow hedges: | | | | | | | |
| Interest rate swaps | Interest rate | 3,792 | 184 | 8 | 3,515 | 143 | 1 |
| Interest rate forwards | Interest rate | 2,855 | 39 | 19 | 3,022 | — | 216 |
| Foreign currency swaps | Foreign currency exchange rate | 35,457 | 1,937 | 1,444 | 35,931 | 1,796 | 1,831 |
| Subtotal | | 42,104 | 2,160 | 1,471 | 42,468 | 1,939 | 2,048 |
| NIFO hedges: | | | | | | | |
| Foreign currency forwards | Foreign currency exchange rate | 509 | 5 | 7 | 960 | 4 | 27 |
| Currency options | Foreign currency exchange rate | 3,500 | 18 | 88 | 5,137 | 3 | 202 |
| Subtotal | | 4,009 | 23 | 95 | 6,097 | 7 | 229 |
| Total qualifying hedges | | 52,022 | 4,842 | 1,582 | 54,384 | 4,225 | 2,297 |
| Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate swaps | Interest rate | 54,465 | 2,617 | 166 | 54,891 | 1,796 | 175 |
| Interest rate floors | Interest rate | 12,701 | 186 | — | 12,701 | 102 | — |
| Interest rate caps | Interest rate | 52,388 | 30 | 2 | 54,575 | 154 | 1 |
| Interest rate futures | Interest rate | 1,786 | — | — | 2,353 | 1 | 3 |
| Interest rate options | Interest rate | 30,780 | 932 | — | 26,690 | 416 | — |
| Interest rate forwards | Interest rate | 235 | 6 | 3 | 234 | 1 | 15 |
| Interest rate total return swaps | Interest rate | 1,048 | 65 | — | 1,048 | 33 | 2 |
| Synthetic GICs | Interest rate | 27,219 | — | — | 25,700 | — | — |
| Foreign currency swaps | Foreign currency exchange rate | 12,860 | 833 | 466 | 11,388 | 884 | 458 |
| Foreign currency forwards | Foreign currency exchange rate | 14,320 | 108 | 228 | 13,417 | 198 | 213 |
| Currency futures | Foreign currency exchange rate | 883 | — | 6 | 847 | 4 | — |
| Currency options | Foreign currency exchange rate | 1,920 | 1 | — | 2,040 | 7 | — |
| Credit default swaps — purchased | Credit | 2,483 | 17 | 74 | 1,903 | 25 | 39 |
| Credit default swaps — written | Credit | 12,340 | 257 | 1 | 11,391 | 95 | 13 |
| Equity futures | Equity market | 3,946 | 4 | 22 | 2,992 | 13 | 77 |
| Equity index options | Equity market | 27,763 | 692 | 666 | 27,707 | 884 | 550 |
| Equity variance swaps | Equity market | 2,173 | 41 | 94 | 2,269 | 40 | 87 |
| Equity total return swaps | Equity market | 769 | — | 13 | 929 | 91 | — |
| Total non-designated or nonqualifying derivatives | | 260,079 | 5,789 | 1,741 | 253,075 | 4,744 | 1,633 |
| Total | | $ 312,101 | $ 10,631 | $ 3,323 | $ 307,459 | $ 8,969 | $ 3,930 |

**7. Derivatives (continued)**

Based on gross notional amounts, a substantial portion of the Company’s derivatives was not designated or did not qualify as part of a hedging relationship at both June 30, 2019 and December 31, 2018 . The Company’s use of derivatives includes (i) derivatives that serve as macro hedges of the Company’s exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps and interest rate swaps that are used to synthetically create investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

**MetLife, Inc.**

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

**7. Derivatives (continued)**

***The Effects of Derivatives on the Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)***

The following table presents the consolidated financial statement location and amount of gain (loss) recognized on fair value, cash flow, NIFO, nonqualifying hedging relationships and embedded derivatives:

| | Three Months Ended June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | OCI |
| | | | | (In millions) | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ (1) | $ — | $ — | $ 205 | $ — | $ — | N/A |
| Hedged items | 2 | — | — | (206) | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | 10 | 59 | — | — | — | — | N/A |
| Hedged items | (11) | (54) | — | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | (22) | — | — | — | — | N/A |
| Subtotal | — | (17) | — | (1) | — | — | N/A |
| Gain (Loss) on Cash Flow Hedges: | | | | | | | |
| Interest rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | $ 358 |
| Amount of gains (losses) reclassified from AOCI into income | 6 | 4 | — | — | — | — | (10) |
| Foreign currency exchange rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | 300 |
| Amount of gains (losses) reclassified from AOCI into income | (1) | 83 | — | — | — | 1 | (83) |
| Foreign currency transaction gains (losses) on hedged items | — | (90) | — | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | — |
| Amount of gains (losses) reclassified from AOCI into income | — | (1) | — | — | — | — | 1 |
| Subtotal | 5 | (4) | — | — | — | 1 | 566 |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | (37) |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | (7) |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | (44) |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | (1) | — | 857 | 12 | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | 136 | (4) | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | (5) | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | 50 | — | — | — | N/A |
| Equity derivatives (1) | — | — | (182) | (30) | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | (111) | — | — | — | N/A |
| Subtotal | (1) | — | 745 | (22) | — | — | N/A |
| Earned income on derivatives | 60 | — | 125 | 33 | (36) | — | — |
| Embedded derivatives (2) | N/A | N/A | (146) | — | N/A | N/A | N/A |
| Total | $ 64 | $ (21) | $ 724 | $ 10 | $ (36) | $ 1 | $ 522 |

## 7. Derivatives (continued)

| | Three Months Ended June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | OCI |
| | (In millions) | | | | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ — | $ — | $ (68) | $ — | $ — | $ — | N/A |
| Hedged items | — | — | 70 | — | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | — | — | (57) | — | — | — | N/A |
| Hedged items | — | — | 51 | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | — | (12) | — | — | — | N/A |
| Subtotal | — | — | (16) | — | — | — | N/A |
| Gain (Loss) on Cash Flow Hedges: | | | | | | | |
| Interest rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | $ (57) |
| Amount of gains (losses) reclassified from AOCI into income | 6 | — | (1) | — | — | 1 | (6) |
| Foreign currency exchange rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | 198 |
| Amount of gains (losses) reclassified from AOCI into income | (1) | — | (475) | — | — | — | 476 |
| Foreign currency transaction gains (losses) on hedged items | — | — | 478 | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | — |
| Amount of gains (losses) reclassified from AOCI into income | — | — | — | — | — | — | — |
| Subtotal | 5 | — | 2 | — | — | 1 | 611 |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | 81 |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | — |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | 81 |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | — | — | (75) | (5) | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | (1) | (5) | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | 14 | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | (35) | — | — | — | N/A |
| Equity derivatives (1) | — | — | (174) | (33) | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | (58) | — | — | — | N/A |
| Subtotal | — | — | (329) | (43) | — | — | N/A |
| Earned income on derivatives | 93 | — | 133 | 3 | (28) | (4) | — |
| Embedded derivatives (2) | N/A | N/A | 151 | — | N/A | N/A | N/A |
| Total | $ 98 | $ — | $ (59) | $ (40) | $ (28) | $ (3) | $ 692 |

## 7. Derivatives (continued)

| | Six Months Ended June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | OCI |
| | (In millions) | | | | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ (4) | $ — | $ — | $ 332 | $ — | $ — | N/A |
| Hedged items | 5 | — | — | (334) | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | (20) | 45 | — | — | — | — | N/A |
| Hedged items | 18 | (42) | — | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | (38) | — | — | — | — | N/A |
| Subtotal | (1) | (35) | — | (2) | — | — | N/A |
| Gain (Loss) on Cash Flow Hedges: | | | | | | | |
| Interest rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | $ 610 |
| Amount of gains (losses) reclassified from AOCI into income | 11 | (2) | — | — | — | 1 | (10) |
| Foreign currency exchange rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | 59 |
| Amount of gains (losses) reclassified from AOCI into income | (3) | 108 | — | — | — | 1 | (106) |
| Foreign currency transaction gains (losses) on hedged items | — | (125) | — | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | — |
| Amount of gains (losses) reclassified from AOCI into income | — | — | — | — | — | — | — |
| Subtotal | 8 | (19) | — | — | — | 2 | 553 |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | (43) |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | (7) |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | (50) |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | (2) | — | 1,266 | 31 | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | (6) | (1) | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | (20) | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | 186 | — | — | — | N/A |
| Equity derivatives (1) | — | — | (849) | (126) | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | (29) | — | — | — | N/A |
| Subtotal | (2) | — | 548 | (96) | — | — | N/A |
| Earned income on derivatives | 116 | — | 244 | 65 | (68) | — | — |
| Embedded derivatives (2) | N/A | N/A | 47 | — | N/A | N/A | N/A |
| Total | $ 121 | $ (54) | $ 839 | $ (33) | $ (68) | $ 2 | $ 503 |

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## 7. Derivatives (continued)

| | Six Months Ended June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | OCI |
| | (In millions) | | | | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ — | $ — | $ (278) | $ — | $ — | $ — | N/A |
| Hedged items | — | — | 280 | — | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | — | — | 113 | — | — | — | N/A |
| Hedged items | — | — | (108) | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | — | (20) | — | — | — | N/A |
| Subtotal | — | — | (13) | — | — | — | N/A |
| Gain (Loss) on Cash Flow Hedges: | | | | | | | |
| Interest rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | $ (334) |
| Amount of gains (losses) reclassified from AOCI into income | 10 | — | 20 | — | — | 1 | (31) |
| Foreign currency exchange rate derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | 123 |
| Amount of gains (losses) reclassified from AOCI into income | (1) | — | (336) | — | — | 1 | 336 |
| Foreign currency transaction gains (losses) on hedged items | — | — | 340 | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | — |
| Amount of gains (losses) reclassified from AOCI into income | — | — | — | — | — | — | — |
| Subtotal | 9 | — | 24 | — | — | 2 | 94 |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | (76) |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | — |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | (76) |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | 4 | — | (310) | (12) | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | 386 | (3) | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | 11 | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | (79) | — | — | — | N/A |
| Equity derivatives (1) | 1 | — | (76) | (21) | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | (107) | — | — | — | N/A |
| Subtotal | 5 | — | (175) | (36) | — | — | N/A |
| Earned income on derivatives | 174 | — | 266 | 5 | (51) | (6) | — |
| Embedded derivatives (2) | N/A | N/A | 188 | — | N/A | N/A | N/A |
| Total | $ 188 | $ — | $ 290 | $ (31) | $ (51) | $ (4) | $ 18 |

(1) Excludes earned income on derivatives.

(2) The valuation of guaranteed minimum benefits include s a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were ($13) million and ($75) million for the three months and six months ended June 30, 2019 , respectively, and ($25) million and ($5) million for the three months and six months ended June 30, 2018 , respectively.

**7. Derivatives (continued)**

***Fair Value Hedges***

The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair value hedging: (i) interest rate swaps to convert fixed rate assets and liabilities to floating rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency fair value exposure of foreign currency denominated assets and liabilities; and (iii) foreign currency forwards to hedge the foreign currency fair value exposure of foreign currency denominated investments.

The following table presents the balance sheet classification, carrying amount and cumulative fair value hedging adjustments for items designated and qualifying as hedged items in fair value hedges:

| | June 30, 2019 | |
|---|---|---|
| Balance Sheet Line Item | Carrying Amount of the Hedged Assets/(Liabilities) | Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets/(Liabilities) (1) |
| | (In millions) | |
| Fixed maturity securities AFS | $ 2,613 | $ (1) |
| Mortgage loans | $ 1,096 | $ 6 |
| Future policy benefits | $ (4,286) | $ (873) |
| Policyholder account balances | $ (74) | $ — |

(1) Includes ($1) million of hedging adjustments on discontinued hedging relationships.

For the Company's foreign currency forwards, the change in the estimated fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. The Company has elected to record changes in estimated fair value of excluded components in earnings. For all other derivatives, all components of each derivative's gain or loss were included in 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.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net investment gains (losses). These amounts were $57 million and $58 million for the three months and six months ended June 30, 2019 , respectively, and $6 million for both the three months and six months ended June 30, 2018 .

At June 30, 2019 and December 31, 2018 , 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 nine years and four years , respectively.

At June 30, 2019 and December 31, 2018 , the balance in AOCI associated with cash flow hedges was $2.7 billion and $2.1 billion , respectively.

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

At June 30, 2019 , the Company expected to reclassify $115 million of deferred net gains (losses) on derivatives in AOCI to earnings within the next 12 months.

***NIFO Hedges***

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 also designates a portion of its foreign-denominated debt as a non-derivative hedging instrument of its net investments in foreign operations. The Company assesses hedge effectiveness of its derivatives based upon the change in forward rates and assesses its non-derivative hedging instruments based on changes in spot rates. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

At June 30, 2019 and December 31, 2018 , the cumulative foreign currency translation gain (loss) recorded in AOCI related to NIFO hedges was $134 million and $184 million , respectively. At June 30, 2019 and December 31, 2018 , the carrying amount of debt designated as a non-derivative hedging instrument was $390 million and $0 , respectively. See Note 10 for additional information on foreign-denominated debt.

*Credit Derivatives*

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $12.3 billion and $11.4 billion at June 30, 2019 and December 31, 2018 , respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At June 30, 2019 and December 31, 2018 , the Company would have received $256 million and $82 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:

| | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| **Rating Agency Designation of Referenced Credit Obligations (1)** | **Estimated Fair Value of Credit Default Swaps** | **Maximum Amount of Future Payments under Credit Default Swaps** | **Weighted Average Years to Maturity (2)** | **Estimated Fair Value of Credit Default Swaps** | **Maximum Amount of Future Payments under Credit Default Swaps** | **Weighted Average Years to Maturity (2)** |
| | | | (Dollars in millions) | | | |
| Aaa/Aa/A | | | | | | |
| Single name credit default swaps (3) | $ 5 | $ 386 | 1.5 | $ 4 | $ 354 | 1.7 |
| Credit default swaps referencing indices | 38 | 2,504 | 2.4 | 28 | 2,154 | 2.5 |
| Subtotal | 43 | 2,890 | 2.3 | 32 | 2,508 | 2.4 |
| Baa | | | | | | |
| Single name credit default swaps (3) | 3 | 368 | 1.3 | 3 | 482 | 1.5 |
| Credit default swaps referencing indices | 185 | 8,742 | 5.1 | 40 | 8,056 | 5.0 |
| Subtotal | 188 | 9,110 | 4.9 | 43 | 8,538 | 4.8 |
| Ba | | | | | | |
| Single name credit default swaps (3) | — | 10 | 1.0 | — | 15 | 2.0 |
| Credit default swaps referencing indices | — | — | — | — | — | — |
| Subtotal | — | 10 | 1.0 | — | 15 | 2.0 |
| B | | | | | | |
| Single name credit default swaps (3) | — | — | — | — | — | — |
| Credit default swaps referencing indices | 25 | 330 | 5.0 | 7 | 330 | 5.0 |
| Subtotal | 25 | 330 | 5.0 | 7 | 330 | 5.0 |
| Total | $ 256 | $ 12,340 | 4.3 | $ 82 | $ 11,391 | 4.3 |

**7. Derivatives (continued)**

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

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

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

***Credit Risk on Freestanding Derivatives***

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

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

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

See Note 8 for a description of the impact of credit risk on the valuation of derivatives.

**7. Derivatives (continued)**

The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| **Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| | (In millions) | | | |
| Gross estimated fair value of derivatives: | | | | |
| OTC-bilateral (1) | $ 10,134 | $ 3,224 | $ 8,805 | $ 3,758 |
| OTC-cleared (1) | 588 | 32 | 245 | 33 |
| Exchange-traded | 4 | 28 | 18 | 80 |
| Total gross estimated fair value of derivatives presented on the interim condensed consolidated balance sheets (1) | 10,726 | 3,284 | 9,068 | 3,871 |
| Gross amounts not offset on the interim condensed consolidated balance sheets: | | | | |
| Gross estimated fair value of derivatives: (2) | | | | |
| OTC-bilateral | (2,453) | (2,453) | (2,570) | (2,570) |
| OTC-cleared | (12) | (12) | (25) | (25) |
| Exchange-traded | — | — | (1) | (1) |
| Cash collateral: (3), (4) | | | | |
| OTC-bilateral | (4,476) | — | (4,709) | — |
| OTC-cleared | (540) | (4) | (145) | — |
| Exchange-traded | — | (15) | — | (57) |
| Securities collateral: (5) | | | | |
| OTC-bilateral | (3,002) | (738) | (1,266) | (1,134) |
| OTC-cleared | — | (10) | — | (8) |
| Exchange-traded | — | (13) | — | (7) |
| Net amount after application of master netting agreements and collateral | $ 243 | $ 39 | $ 352 | $ 69 |

______________

(1) At June 30, 2019 and December 31, 2018 , derivative assets included income or (expense) accruals reported in accrued investment income or in other liabilities of $95 million and $99 million , respectively, and derivative liabilities included (income) or expense accruals reported in accrued investment income or in other liabilities of ($39) million and ($59) million , respectively.

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

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

(4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At June 30, 2019 and December 31, 2018 , the Company received excess cash collateral of $221 million and $135 million , respectively, and provided excess cash collateral of $274 million and $226 million , respectively, which is not included in the table above due to the foregoing limitation.

**7. Derivatives (continued)**

(5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at June 30, 2019 , none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities AFS on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At June 30, 2019 and December 31, 2018 , the Company received excess securities collateral with an estimated fair value of $153 million and $70 million , respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At June 30, 2019 and December 31, 2018 , the Company provided excess securities collateral with an estimated fair value of $104 million and $212 million , respectively, for its OTC-bilateral derivatives, and $730 million and $601 million , respectively, for its OTC-cleared derivatives, and $126 million and $90 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 collateral amount owed by that counterparty reaches a minimum transfer amount. Substantially all of the Company's netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody's and S&P. If a party's credit or financial strength rating, as applicable, were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives. A small number of these arrangements also include credit-contingent provisions that include a threshold above which collateral must be posted. Such agreements provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of MetLife, Inc. and/or the counterparty. At June 30, 2019, the amount of collateral not provided by the Company due to the existence of these thresholds was $15 million .

The following table presents the estimated fair value of the Company's OTC-bilateral derivatives that were in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged. OTC-bilateral derivatives that are not subject to collateral agreements are excluded from this table.

| | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total |
| | (In millions) | | | | | |
| Estimated Fair Value of Derivatives in a Net Liability Position (1) | $ 757 | $ 14 | $ 771 | $ 1,148 | $ 40 | $ 1,188 |
| Estimated Fair Value of Collateral Provided: | | | | | | |
| Fixed maturity securities AFS | $ 822 | $ — | $ 822 | $ 1,218 | $ 9 | $ 1,227 |
| Cash | $ — | $ — | $ — | $ 6 | $ — | $ 6 |

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

***Embedded Derivatives***

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

**7. Derivatives (continued)**

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

| | Balance Sheet Location | June 30, 2019 | December 31, 2018 |
|---|---|---|---|
| | | (In millions) | |
| Embedded derivatives within asset host contracts: | | | |
| Ceded guaranteed minimum benefits | Premiums, reinsurance and other receivables | $ 75 | $ 71 |
| Embedded derivatives within liability host contracts: | | | |
| Direct guaranteed minimum benefits | Policyholder account balances | $ 323 | $ 298 |
| Assumed guaranteed minimum benefits | Policyholder account balances | 441 | 495 |
| Funds withheld on ceded reinsurance | Other liabilities | 39 | (41) |
| Fixed annuities with equity indexed returns | Policyholder account balances | 107 | 58 |
| Embedded derivatives within liability host contracts | | $ 910 | $ 810 |

**8. Fair Value**

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

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**8. Fair Value (continued)**

***Recurring Fair Value Measurements***

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

| | June 30, 2019 | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | |
| **Assets** | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $ — | $ 79,372 | $ 4,340 | $ 83,712 |
| Foreign government | — | 67,411 | 143 | 67,554 |
| Foreign corporate | — | 55,131 | 7,267 | 62,398 |
| U.S. government and agency | 20,447 | 19,556 | — | 40,003 |
| RMBS | 20 | 25,846 | 3,183 | 29,049 |
| ABS | — | 13,130 | 582 | 13,712 |
| Municipals | — | 12,248 | 7 | 12,255 |
| CMBS | — | 9,616 | 390 | 10,006 |
| Total fixed maturity securities AFS | 20,467 | 282,310 | 15,912 | 318,689 |
| Equity securities | 917 | 102 | 457 | 1,476 |
| Unit-linked and FVO Securities (1) | 10,513 | 1,993 | 494 | 13,000 |
| Short-term investments (2) | 783 | 1,233 | 123 | 2,139 |
| Residential mortgage loans — FVO | — | — | 262 | 262 |
| Other investments | 76 | 145 | 232 | 453 |
| Derivative assets: (3) | | | | |
| Interest rate | — | 6,546 | 103 | 6,649 |
| Foreign currency exchange rate | — | 2,892 | 79 | 2,971 |
| Credit | — | 238 | 36 | 274 |
| Equity market | 4 | 683 | 50 | 737 |
| Total derivative assets | 4 | 10,359 | 268 | 10,631 |
| Embedded derivatives within asset host contracts (4) | — | — | 75 | 75 |
| Separate account assets (5) | 88,675 | 101,657 | 932 | 191,264 |
| Total assets (6) | $ 121,435 | $ 397,799 | $ 18,755 | $ 537,989 |
| **Liabilities** | | | | |
| Derivative liabilities: (3) | | | | |
| Interest rate | $ — | $ 182 | $ 19 | $ 201 |
| Foreign currency exchange rate | 6 | 2,196 | 50 | 2,252 |
| Credit | — | 75 | — | 75 |
| Equity market | 22 | 679 | 94 | 795 |
| Total derivative liabilities | 28 | 3,132 | 163 | 3,323 |
| Embedded derivatives within liability host contracts (4) | — | — | 910 | 910 |
| Separate account liabilities (5) | 2 | 33 | 7 | 42 |
| Total liabilities | $ 30 | $ 3,165 | $ 1,080 | $ 4,275 |

**8. Fair Value (continued)**

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | |
| **Assets** | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $ — | $ 74,874 | $ 4,074 | $ 78,948 |
| Foreign government | — | 62,150 | 138 | 62,288 |
| Foreign corporate | — | 50,310 | 6,393 | 56,703 |
| U.S. government and agency | 19,656 | 19,666 | — | 39,322 |
| RMBS | — | 24,734 | 3,227 | 27,961 |
| ABS | — | 11,775 | 697 | 12,472 |
| Municipals | — | 11,533 | — | 11,533 |
| CMBS | — | 8,696 | 342 | 9,038 |
| Total fixed maturity securities AFS | 19,656 | 263,738 | 14,871 | 298,265 |
| Equity securities | 916 | 105 | 419 | 1,440 |
| Unit-linked and FVO Securities (1) | 10,216 | 1,995 | 405 | 12,616 |
| Short-term investments (2) | 1,470 | 1,746 | 33 | 3,249 |
| Residential mortgage loans — FVO | — | — | 299 | 299 |
| Other investments | 80 | 118 | 39 | 237 |
| Derivative assets: (3) | | | | |
| Interest rate | 1 | 4,809 | 33 | 4,843 |
| Foreign currency exchange rate | 4 | 2,922 | 52 | 2,978 |
| Credit | — | 91 | 29 | 120 |
| Equity market | 13 | 956 | 59 | 1,028 |
| Total derivative assets | 18 | 8,778 | 173 | 8,969 |
| Embedded derivatives within asset host contracts (4) | — | — | 71 | 71 |
| Separate account assets (5) | 79,726 | 94,886 | 944 | 175,556 |
| Total assets (6) | $ 112,082 | $ 371,366 | $ 17,254 | $ 500,702 |
| **Liabilities** | | | | |
| Derivative liabilities: (3) | | | | |
| Interest rate | $ 3 | $ 194 | $ 218 | $ 415 |
| Foreign currency exchange rate | — | 2,660 | 89 | 2,749 |
| Credit | — | 48 | 4 | 52 |
| Equity market | 77 | 550 | 87 | 714 |
| Total derivative liabilities | 80 | 3,452 | 398 | 3,930 |
| Embedded derivatives within liability host contracts (4) | — | — | 810 | 810 |
| Separate account liabilities (5) | 1 | 20 | 7 | 28 |
| Total liabilities | $ 81 | $ 3,472 | $ 1,215 | $ 4,768 |

(1) Unit-linked and FVO Securities were primarily comprised of Unit-linked investments at both June 30, 2019 and December 31, 2018.

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

**8. Fair Value (continued)**

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

(4) Embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the interim condensed consolidated balance sheets. Embedded derivatives within liability host contracts are presented within policyholder account balances and other liabilities on the interim condensed consolidated balance sheets.

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

(6) Total assets included in the fair value hierarchy excluded other limited partnership interests that are measured at estimated fair value using the net asset value (“NAV”) per share (or its equivalent) practical expedient. At June 30, 2019 and December 31, 2018, the estimated fair value of such investments was $110 million and $145 million , respectively.

The following describes the valuation methodologies used to measure assets and liabilities at fair value.

***Investments***

*Securities, Short-term Investments and Other Investments*

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

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

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

The valuation approaches and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy are presented below. The primary valuation approaches are the market approach, which considers recent prices from market transactions involving identical or similar assets or liabilities, and the income approach, which converts expected future amounts (i.e., cash flows) to a single current, discounted amount. The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

## 8. Fair Value (continued)

<table>
<tr><th>Instrument</th><th>Level 2<br>Observable Inputs</th><th>Level 3<br>Unobservable Inputs</th></tr>
<tr><td colspan="3">Fixed maturity securities AFS</td></tr>
<tr><td colspan="3">U.S. corporate and Foreign corporate securities</td></tr>
<tr><td></td><td>Valuation Approaches: Principally the market and income approaches.<br><br>Key Inputs:<br>• quoted prices in markets that are not active<br>• benchmark yields; spreads off benchmark yields; new issuances; issuer rating<br>• trades of identical or comparable securities; duration<br>• Privately-placed securities are valued using the additional key inputs:<br>  • market yield curve; call provisions<br>  • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer<br>  • delta spread adjustments to reflect specific credit-related issues</td><td>Valuation Approaches: Principally the market approach.<br><br>Key Inputs:<br>• illiquidity premium<br>• delta spread adjustments to reflect specific credit-related issues<br>• credit spreads<br>• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2<br>• independent non-binding broker quotations</td></tr>
<tr><td colspan="3">Foreign government securities, U.S. government and agency securities and Municipals</td></tr>
<tr><td></td><td>Valuation Approaches: Principally the market approach.<br><br>Key Inputs:<br>• quoted prices in markets that are not active<br>• benchmark U.S. Treasury yield or other yields<br>• the spread off the U.S. Treasury yield curve for the identical security<br>• issuer ratings and issuer spreads; broker-dealer quotes<br>• comparable securities that are actively traded</td><td>Valuation Approaches: Principally the market approach.<br><br>Key Inputs:<br>• independent non-binding broker quotations<br>• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2<br>• credit spreads</td></tr>
<tr><td colspan="3">Structured Securities</td></tr>
<tr><td></td><td>Valuation Approaches: Principally the market and income approaches.<br><br>Key Inputs:<br>• quoted prices in markets that are not active<br>• spreads for actively traded securities; spreads off benchmark yields<br>• expected prepayment speeds and volumes<br>• current and forecasted loss severity; ratings; geographic region<br>• weighted average coupon and weighted average maturity<br>• average delinquency rates; debt-service coverage ratios<br>• issuance-specific information, including, but not limited to:<br>  • collateral type; structure of the security; vintage of the loans<br>  • payment terms of the underlying assets<br>  • payment priority within the tranche; deal performance</td><td>Valuation Approaches: Principally the market and income approaches.<br><br>Key Inputs:<br>• credit spreads<br>• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2<br>• independent non-binding broker quotations</td></tr>
</table>

## 8. Fair Value (continued)

| Instrument | Level 2<br>Observable Inputs | Level 3<br>Unobservable Inputs |
|---|---|---|
| **Equity securities** | | |
| | Valuation Approaches: Principally the market approach.<br>Key Input:<br>• quoted prices in markets that are not considered active | Valuation Approaches: Principally the market and income approaches.<br>Key Inputs:<br>• credit ratings; issuance structures<br>• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2<br>• independent non-binding broker quotations |
| **Unit-linked and FVO Securities, Short-term investments and Other investments** | | |
| | • Unit-linked and FVO Securities include mutual fund interests without readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted prices or reported NAV provided by the fund managers, which were based on observable inputs.<br>• Short-term investments and other investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and observable inputs used in their valuation are also similar to those described above. | • Unit-linked and FVO Securities, short-term investments and other investments are of a similar nature and class to the fixed maturity securities AFS and equity securities described above; accordingly, the valuation approaches and unobservable inputs used in their valuation are also similar to those described above. |
| **Residential mortgage loans — FVO** | | |
| | • N/A | Valuation Approaches: Principally the market approach.<br>Valuation Techniques and Key Inputs: These investments are based primarily on matrix pricing or other similar techniques that utilize inputs from mortgage servicers that are unobservable or cannot be derived principally from, or corroborated by, observable market data. |
| **Separate account assets and Separate account liabilities (1)** | | |
| **Mutual funds and hedge funds without readily determinable fair values as prices are not published publicly** | | |
| | Key Input:<br>• quoted prices or reported NAV provided by the fund managers | • N/A |
| **Other limited partnership interests** | | |
| | • N/A | Valued giving consideration to the underlying holdings of the partnerships and adjusting, if appropriate.<br>Key Inputs:<br>• liquidity; bid/ask spreads; performance record of the fund manager<br>• other relevant variables that may impact the exit value of the particular partnership interest |

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

## 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 significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. Certain OTC-bilateral and OTC-cleared derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what other market participants would use when pricing such instruments.

Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs, may have a material effect on the estimated fair values of the Company's derivatives and could materially affect net income.

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company's ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

#### *Freestanding Derivatives*

Level 2 Valuation Approaches and Key Inputs:

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1 and those derivatives with unobservable inputs as described in Level 3.

Level 3 Valuation Approaches and Key Inputs:

These valuation methodologies generally use the same inputs as described in the corresponding sections for Level 2 measurements of derivatives. However, these derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data.

**8. Fair Value (continued)**

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

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

(1) Option-based only.

(2) Extrapolation beyond the observable limits of the curve(s).

***Embedded Derivatives***

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

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

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

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

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

**8. Fair Value (continued)**

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

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

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

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

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

*Embedded Derivatives Within Asset and Liability Host Contracts*

Level 3 Valuation Approaches and Key Inputs:

*Direct and assumed guaranteed minimum benefits*

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

*Reinsurance ceded on certain guaranteed minimum benefits*

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

**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 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.

## 8. Fair Value (continued)

***Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)***

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

| | Valuation Techniques | Significant Unobservable Inputs | June 30, 2019 Range | | | June 30, 2019 Weighted Average (1) | December 31, 2018 Range | | | December 31, 2018 Weighted Average (1) | Impact of Increase in Input on Estimated Fair Value (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fixed maturity securities AFS (3)** | | | | | | | | | | | |
| U.S. corporate and foreign corporate | • Matrix pricing | • Offered quotes (4) | 63 | - | 142 | 111 | 85 | - | 134 | 104 | Increase |
| | • Market pricing | • Quoted prices (4) | 25 | - | 434 | 116 | 25 | - | 638 | 110 | Increase |
| | • Consensus pricing | • Offered quotes (4) | 98 | - | 110 | 102 | 100 | - | 110 | 102 | Increase |
| RMBS | • Market pricing | • Quoted prices (4) | — | - | 111 | 95 | — | - | 106 | 94 | Increase (5) |
| ABS | • Market pricing | • Quoted prices (4) | 3 | - | 121 | 98 | 3 | - | 116 | 97 | Increase (5) |
| | • Consensus pricing | • Offered quotes (4) | 100 | - | 105 | 102 | 100 | - | 103 | 101 | Increase (5) |
| **Derivatives** | | | | | | | | | | | |
| Interest rate | • Present value techniques | • Swap yield (6) | 197 | - | 259 | | 268 | - | 317 | | Increase (7) |
| | | • Repurchase rates (8) | (25) | - | 1 | | (5) | - | 6 | | Decrease (7) |
| Foreign currency exchange rate | • Present value techniques | • Swap yield (6) | (64) | - | 328 | | (20) | - | 328 | | Increase (7) |
| Credit | • Present value techniques | • Credit spreads (9) | 96 | - | 100 | | 97 | - | 103 | | Decrease (7) |
| | • Consensus pricing | • Offered quotes (10) | | | | | | | | | |
| Equity market | • Present value techniques or option pricing models | • Volatility (11) | 16% | - | 23% | | 21% | - | 26% | | Increase (7) |
| | | • Correlation (12) | 10% | - | 30% | | 10% | - | 30% | | |
| **Embedded derivatives** | | | | | | | | | | | |
| Direct, assumed and ceded guaranteed minimum benefits | • Option pricing techniques | • Mortality rates: | | | | | | | | | |
| | | Ages 0 - 40 | 0% | - | 0.18% | | 0% | - | 0.18% | | Decrease (13) |
| | | Ages 41 - 60 | 0.03% | - | 0.80% | | 0.03% | - | 0.80% | | Decrease (13) |
| | | Ages 61 - 115 | 0.12% | - | 100% | | 0.12% | - | 100% | | Decrease (13) |
| | | • Lapse rates: | | | | | | | | | |
| | | Durations 1 - 10 | 0.25% | - | 100% | | 0.25% | - | 100% | | Decrease (14) |
| | | Durations 11 - 20 | 2% | - | 100% | | 2% | - | 100% | | Decrease (14) |
| | | Durations 21 - 116 | 1.25% | - | 100% | | 1.25% | - | 100% | | Decrease (14) |
| | | • Utilization rates | 0% | - | 25% | | 0% | - | 25% | | Increase (15) |
| | | • Withdrawal rates | 0% | - | 20% | | 0% | - | 20% | | (16) |
| | | • Long-term equity volatilities | 6.13% | - | 30% | | 7.16% | - | 30% | | Increase (17) |
| | | • Nonperformance risk spread | 0.03% | - | 1.35% | | 0.04% | - | 1.77% | | Decrease (18) |

______________

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

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

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

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

**8. Fair Value (continued)**

(5) Changes in the assumptions used for the probability of default would have been 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.

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

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

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

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

(10) At both June 30, 2019 and December 31, 2018 , independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

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

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

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

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

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

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

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

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

## 8. Fair Value (continued)

The following is a summary of the valuation techniques and significant unobservable inputs used in the fair value measurement of assets and liabilities classified within Level 3 that are not included in the preceding table. Generally, all other classes of securities classified within Level 3, including those within separate account assets, embedded derivatives within funds withheld related to certain ceded reinsurance, and other investments, use the same valuation techniques and significant unobservable inputs as previously described for Level 3 securities. This includes matrix pricing and discounted cash flow methodologies, inputs such as quoted prices for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2, as well as independent non-binding broker quotations. The residential mortgage loans — FVO are valued using independent non-binding broker quotations and internal models including matrix pricing and discounted cash flow methodologies using current interest rates. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table.

The following tables summarize the change of all assets 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 AFS | | | | | |
| | Corporate (1) | Foreign Government | Structured Securities | Municipals | Equity Securities | Unit-linked and FVO Securities |
| | (In millions) | | | | | |
| **Three Months Ended June 30, 2019** | | | | | | |
| Balance, beginning of period | $ 10,962 | $ 157 | $ 4,069 | $ — | $ 434 | $ 457 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | — | — | 12 | — | (2) | 10 |
| Total realized/unrealized gains (losses) included in AOCI | 226 | (1) | 41 | — | — | — |
| Purchases (4) | 705 | 2 | 401 | 7 | 41 | 38 |
| Sales (4) | (264) | (5) | (205) | — | (16) | (5) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 104 | 12 | 6 | — | — | 1 |
| Transfers out of Level 3 (5) | (126) | (22) | (169) | — | — | (7) |
| Balance, end of period | $ 11,607 | $ 143 | $ 4,155 | $ 7 | $ 457 | $ 494 |
| **Three Months Ended June 30, 2018** | | | | | | |
| Balance, beginning of period | $ 10,810 | $ 179 | $ 4,582 | $ — | $ 422 | $ 286 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | 1 | 1 | 21 | — | (5) | (11) |
| Total realized/unrealized gains (losses) included in AOCI | (369) | (9) | (12) | — | — | — |
| Purchases (4) | 806 | — | 998 | 8 | 7 | 84 |
| Sales (4) | (512) | (14) | (275) | — | (16) | (81) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 1 | — | 2 | — | — | — |
| Transfers out of Level 3 (5) | (116) | (1) | (639) | — | — | (9) |
| Balance, end of period | $ 10,621 | $ 156 | $ 4,677 | $ 8 | $ 408 | $ 269 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (6) | $ (3) | $ 1 | $ 11 | $ — | $ (3) | $ 10 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2018 (6) | $ 1 | $ — | $ 19 | $ — | $ — | $ (10) |

## 8. Fair Value (continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Short-term Investments | Residential Mortgage Loans — FVO | Other Investments | Net Derivatives (7) | Net Embedded Derivatives (8) | Separate Accounts (9) |
| | (In millions) | | | | | |
| **Three Months Ended June 30, 2019** | | | | | | |
| Balance, beginning of period | $ 138 | $ 276 | $ 168 | $ (69) | $ (605) | $ 897 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | — | 4 | — | 75 | (146) | 2 |
| Total realized/unrealized gains (losses) included in AOCI | — | — | — | 136 | (15) | — |
| Purchases (4) | 15 | — | 64 | 4 | — | 101 |
| Sales (4) | (25) | (9) | — | — | — | (75) |
| Issuances (4) | — | — | — | (1) | — | 3 |
| Settlements (4) | — | (9) | — | (40) | (69) | (3) |
| Transfers into Level 3 (5) | 2 | — | — | — | — | — |
| Transfers out of Level 3 (5) | (7) | — | — | — | — | — |
| Balance, end of period | $ 123 | $ 262 | $ 232 | $ 105 | $ (835) | $ 925 |
| **Three Months Ended June 30, 2018** | | | | | | |
| Balance, beginning of period | $ 615 | $ 438 | $ — | $ (182) | $ (328) | $ 1,224 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | — | 1 | — | (106) | 152 | (1) |
| Total realized/unrealized gains (losses) included in AOCI | (3) | — | — | (19) | 13 | — |
| Purchases (4) | 4 | — | — | 4 | — | 270 |
| Sales (4) | (33) | (17) | — | — | — | (323) |
| Issuances (4) | — | — | — | — | — | (2) |
| Settlements (4) | — | (17) | — | 36 | (77) | 2 |
| Transfers into Level 3 (5) | — | — | — | — | — | 71 |
| Transfers out of Level 3 (5) | (24) | — | — | — | — | (103) |
| Balance, end of period | $ 559 | $ 405 | $ — | $ (267) | $ (240) | $ 1,138 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (6) | $ — | $ 1 | $ — | $ 69 | $ (146) | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2018 (6) | $ — | $ (1) | $ — | $ (86) | $ 153 | $ — |

## 8. Fair Value (continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Fixed Maturity Securities AFS | | | | | |
| | Corporate (1) | Foreign Government | Structured Securities | Municipals | Equity Securities | Unit-linked and FVO Securities |
| | (In millions) | | | | | |
| **Six Months Ended June 30, 2019** | | | | | | |
| Balance, beginning of period | $ 10,467 | $ 138 | $ 4,266 | $ — | $ 419 | $ 405 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | 6 | 1 | 25 | — | 28 | 29 |
| Total realized/unrealized gains (losses) included in AOCI | 595 | (2) | 62 | — | — | — |
| Purchases (4) | 1,030 | 3 | 592 | 7 | 48 | 70 |
| Sales (4) | (351) | (6) | (335) | — | (38) | (7) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 245 | 13 | 7 | — | — | 2 |
| Transfers out of Level 3 (5) | (385) | (4) | (462) | — | — | (5) |
| Balance, end of period | $ 11,607 | $ 143 | $ 4,155 | $ 7 | $ 457 | $ 494 |
| **Six Months Ended June 30, 2018** | | | | | | |
| Balance, beginning of period | $ 11,219 | $ 209 | $ 4,841 | $ — | $ 428 | $ 362 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | 9 | 2 | 43 | — | (10) | (6) |
| Total realized/unrealized gains (losses) included in AOCI | (433) | (12) | 12 | — | — | — |
| Purchases (4) | 1,321 | 1 | 1,022 | 8 | 5 | 104 |
| Sales (4) | (1,221) | (16) | (539) | — | (15) | (141) |
| Issuances (4) | — | — | — | — | — | — |
| Settlements (4) | — | — | — | — | — | — |
| Transfers into Level 3 (5) | 140 | — | 51 | — | — | — |
| Transfers out of Level 3 (5) | (414) | (28) | (753) | — | — | (50) |
| Balance, end of period | $ 10,621 | $ 156 | $ 4,677 | $ 8 | $ 408 | $ 269 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (6) | $ (4) | $ 1 | $ 25 | $ — | $ 15 | $ 29 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2018 (6) | $ 2 | $ 1 | $ 39 | $ — | $ — | $ (7) |

## 8. Fair Value (continued)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Short-term Investments | Residential Mortgage Loans — FVO | Other Investments | Net Derivatives (7) | Net Embedded Derivatives (8) | Separate Accounts (9) |
| | (In millions) | | | | | |
| **Six Months Ended June 30, 2019** | | | | | | |
| Balance, beginning of period | $ 33 | $ 299 | $ 39 | $ (225) | $ (739) | $ 937 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | 1 | 6 | — | 125 | 47 | 6 |
| Total realized/unrealized gains (losses) included in AOCI | (1) | — | — | 223 | (8) | — |
| Purchases (4) | 119 | — | 193 | 4 | — | 124 |
| Sales (4) | (31) | (25) | — | — | — | (140) |
| Issuances (4) | — | — | — | (1) | — | 2 |
| Settlements (4) | — | (18) | — | (21) | (135) | (2) |
| Transfers into Level 3 (5) | 2 | — | — | — | — | — |
| Transfers out of Level 3 (5) | — | — | — | — | — | (2) |
| Balance, end of period | $ 123 | $ 262 | $ 232 | $ 105 | $ (835) | $ 925 |
| **Six Months Ended June 30, 2018** | | | | | | |
| Balance, beginning of period | $ 33 | $ 520 | $ — | $ (132) | $ (274) | $ 959 |
| Total realized/unrealized gains (losses) included in net income (loss) (2), (3) | — | 3 | — | (94) | 188 | 1 |
| Total realized/unrealized gains (losses) included in AOCI | (3) | — | — | (123) | (3) | — |
| Purchases (4) | 560 | — | — | 4 | — | 307 |
| Sales (4) | (11) | (81) | — | — | — | (147) |
| Issuances (4) | — | — | — | — | — | (3) |
| Settlements (4) | — | (37) | — | 78 | (151) | 1 |
| Transfers into Level 3 (5) | — | — | — | — | — | 99 |
| Transfers out of Level 3 (5) | (20) | — | — | — | — | (79) |
| Balance, end of period | $ 559 | $ 405 | $ — | $ (267) | $ (240) | $ 1,138 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2019 (6) | $ 1 | $ 1 | $ — | $ 104 | $ 46 | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at June 30, 2018 (6) | $ — | $ (8) | $ — | $ (18) | $ 184 | $ — |

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

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

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

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

(5) Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

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

**8. Fair Value (continued)**

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

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

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

***Fair Value Option***

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (In millions) | |
| Unpaid principal balance | $ 309 | $ 344 |
| Difference between estimated fair value and unpaid principal balance | (47) | (45) |
| Carrying value at estimated fair value | $ 262 | $ 299 |
| Loans in nonaccrual status | $ 71 | $ 89 |
| Loans more than 90 days past due | $ 28 | $ 41 |
| Loans in nonaccrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance | $ (33) | $ (36) |

***Fair Value of Financial Instruments Carried at Other Than Fair Value***

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

**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:

| | June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| **Assets** | | | | | |
| Mortgage loans | $ 77,735 | $ — | $ — | $ 80,295 | $ 80,295 |
| Policy loans | $ 9,705 | $ — | $ 336 | $ 11,382 | $ 11,718 |
| Other invested assets | $ 1,172 | $ — | $ 800 | $ 372 | $ 1,172 |
| Premiums, reinsurance and other receivables | $ 3,773 | $ — | $ 1,039 | $ 2,923 | $ 3,962 |
| Other assets | $ 311 | $ — | $ 162 | $ 177 | $ 339 |
| **Liabilities** | | | | | |
| Policyholder account balances | $ 118,190 | $ — | $ — | $ 121,897 | $ 121,897 |
| Long-term debt | $ 13,332 | $ — | $ 15,387 | $ — | $ 15,387 |
| Collateral financing arrangement | $ 1,026 | $ — | $ — | $ 836 | $ 836 |
| Junior subordinated debt securities | $ 3,149 | $ — | $ 4,154 | $ — | $ 4,154 |
| Other liabilities | $ 3,229 | $ — | $ 1,616 | $ 2,362 | $ 3,978 |
| Separate account liabilities | $ 114,106 | $ — | $ 114,106 | $ — | $ 114,106 |

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| **Assets** | | | | | |
| Mortgage loans | $ 75,453 | $ — | $ — | $ 76,379 | $ 76,379 |
| Policy loans | $ 9,699 | $ — | $ 338 | $ 11,028 | $ 11,366 |
| Other invested assets | $ 1,177 | $ — | $ 793 | $ 383 | $ 1,176 |
| Premiums, reinsurance and other receivables | $ 3,658 | $ — | $ 903 | $ 2,894 | $ 3,797 |
| Other assets | $ 326 | $ — | $ 164 | $ 186 | $ 350 |
| **Liabilities** | | | | | |
| Policyholder account balances | $ 114,040 | $ — | $ — | $ 114,924 | $ 114,924 |
| Long-term debt | $ 12,820 | $ — | $ 13,611 | $ — | $ 13,611 |
| Collateral financing arrangement | $ 1,060 | $ — | $ — | $ 853 | $ 853 |
| Junior subordinated debt securities | $ 3,147 | $ — | $ 3,738 | $ — | $ 3,738 |
| Other liabilities | $ 2,963 | $ — | $ 1,324 | $ 2,194 | $ 3,518 |
| Separate account liabilities | $ 104,010 | $ — | $ 104,010 | $ — | $ 104,010 |

## 9. Leases

The Company, as lessee, has entered into various lease and sublease agreements for office space and other equipment. At contract inception, the Company determines that an arrangement contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts that contain a lease, the Company recognizes the ROU asset in Other assets and the lease liability in Other liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are determined using the Company's incremental borrowing rate based upon information available at commencement date to recognize the present value of lease payments over the lease term. The ROU asset also includes lease payments and excludes lease incentives. Lease terms may include options to extend or terminate the lease and are included in the lease measurement when it is reasonably certain that the Company will exercise that option.

The Company has lease agreements with lease and non-lease components. The Company elected the practical expedient to not separate lease and non-lease components and accounted for these items as a single lease component for all asset classes.

The majority of the Company's leases and subleases are operating leases related to office space. The Company recognizes lease expense for operating leases on a straight-line basis over the lease term.

The Company has operating leases with remaining lease terms of less than one year to 12 years . The remaining lease terms for the subleases are less than one year to 10 years .

***ROU Asset and Lease Liability***

The ROU assets and lease liabilities for operating leases were:

| | June 30, 2019 |
|---|---|
| | (In millions) |
| ROU asset (1) | $ 1,494 |
| Lease liability (1) | $ 1,660 |

(1) Assets and liabilities include amounts recognized upon adoption of new guidance. See Note 1 .

***Lease Costs***

The components of operating lease costs were as follows:

| | Three Months Ended June 30, | Six Months Ended June 30, |
|---|---|---|
| | 2019 | |
| | (In millions) | |
| Operating lease cost | $ 72 | $ 144 |
| Variable lease cost | 15 | 23 |
| Sublease income | (22) | (43) |
| Net lease cost | $ 65 | $ 124 |

Operating lease expense was $85 million and $171 million for the three months and six months ended June 30, 2018 , respectively. Non-cancelable sublease income was $18 million and $30 million for the three months and six months ended June 30, 2018 , respectively.

**9. Leases (continued)**

***Other Information***

Supplemental other information related to operating leases was as follows:

| | June 30, 2019 |
|---|---|
| | (Dollars in millions) |
| Cash paid for amounts included in the measurement of lease liability - operating cash flows | $ 135 |
| ROU assets obtained in exchange for new lease liabilities | $ 216 |
| Weighted-average remaining lease term | 8 years |
| Weighted-average discount rate | 3.3% |

***Maturities of Lease Liabilities***

Maturities of operating lease liabilities were as follows:

| | June 30, 2019 |
|---|---|
| | (In millions) |
| Remainder of 2019 | $ 154 |
| 2020 | 274 |
| 2021 | 247 |
| 2022 | 213 |
| 2023 | 201 |
| Thereafter | 832 |
| Total undiscounted cash flows | 1,921 |
| Less: interest | 261 |
| Present value of lease liability | $ 1,660 |

Future minimum gross rental payments relating to lease arrangements in effect as determined prior to the adoption of ASU 2016-02 are as follows:

| | December 31, 2018 |
|---|---|
| | (In millions) |
| 2019 | $ 292 |
| 2020 | 282 |
| 2021 | 260 |
| 2022 | 224 |
| 2023 | 209 |
| Thereafter | 859 |
| Total | $ 2,126 |

See Note 6 for information about the Company’s investments in leased real estate, leveraged and direct financing leases.

## 10. Long Term Debt

### *Senior Notes*

In June 2019, MetLife, Inc. redeemed for cash and canceled its £400 million ( $509 million at repayment) aggregate principal amount 5.250% senior notes due June 2020 and the remaining $368 million aggregate principal amount of its 4.750% senior notes due February 2021 . The Company recorded a premium of $40 million paid in excess of the debt principal and accrued and unpaid interest to other expenses for the three months and six months ended June 30, 2019 .

In May 2019, MetLife, Inc. issued the following fixed rate senior notes ("Senior Notes"), interest on which is payable semi-annually beginning in November 2019:

- ¥25.2 billion ( $230 million at issuance) due May 2026 which bear interest annually at 0.495% ;
- ¥64.9 billion ( $591 million at issuance) due May 2029 which bear interest annually at 0.769% ;
- ¥10.7 billion ( $98 million at issuance) due May 2031 which bear interest annually at 0.898% ;
- ¥26.5 billion ( $241 million at issuance) due May 2034 which bear interest annually at 1.189% ; and
- ¥24.4 billion ( $222 million at issuance) due May 2039 which bear interest annually at 1.385% .

In connection with the issuances, MetLife, Inc. incurred $9 million of related costs which are amortized over the applicable term of each series of the Senior Notes. MetLife, Inc. may redeem each series of the Senior Notes at its option, in whole, but not in part, at a redemption price equal to 100% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest thereon, if certain events occur affecting the U.S. tax treatment of the Senior Notes.

## 11. Equity

### *Preferred Stock*

Preferred stock authorized, issued and outstanding was as follows at both June 30, 2019 and December 31, 2018 :

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

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.'s preferred stock were as follows for the six months ended June 30, 2019 and 2018 :

| | | | Preferred Stock Dividend | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Series A | | Series C | | Series D | | Series E | |
| Declaration Date | Record Date | Payment Date | Per Share | Aggregate | Per Share | Aggregate | Per Share | Aggregate | Per Share | Aggregate |
| | | | (In millions, except per share data) | | | | | | | |
| May 15, 2019 | May 31, 2019 | June 17, 2019 | $ 0.261 | $ 6 | $ 26.250 | $ 39 | $ — | $ — | $ 351.563 | $ 12 |
| March 5, 2019 | February 28, 2019 | March 15, 2019 | 0.250 | 6 | — | — | — | — | — | — |
| February 15, 2019 | February 28, 2019 | March 15, 2019 | — | — | — | — | 29.375 | 15 | 351.563 | 11 |
| Total | | | $ 0.511 | $ 12 | $ 26.250 | $ 39 | $ 29.375 | $ 15 | $ 703.126 | $ 23 |
| | | | | | | | | | | |
| May 15, 2018 | May 31, 2018 | June 15, 2018 | $ 0.256 | $ 7 | $ 26.250 | $ 39 | $ — | $ — | $ — | $ — |
| March 5, 2018 | February 28, 2018 | March 15, 2018 | 0.250 | 6 | — | — | — | — | — | — |
| Total | | | $ 0.506 | $ 13 | $ 26.250 | $ 39 | $ — | $ — | $ — | $ — |

**11. Equity (continued)**

***Common Stock***

For the six months ended June 30, 2019 and 2018 , MetLife, Inc. repurchased 26,954,935 shares and 45,540,491 shares of its common stock, respectively, through open market purchases for $1.3 billion and $2.2 billion , respectively.

MetLife, Inc. announced that its Board of Directors authorized common stock repurchases as follows:

| Announcement Date | Authorization Amount | Authorization Remaining at June 30, 2019 |
|---|---|---|
| | (In millions) | |
| November 1, 2018 | $ 2,000 | $ 20 |
| May 22, 2018 | $ 1,500 | $ — |
| November 1, 2017 | $ 2,000 | $ — |

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. Common stock repurchases are subject to the discretion of MetLife, Inc.’s Board of Directors and will depend upon the Company’s capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.’s common stock compared to management’s assessment of the stock’s underlying value, applicable regulatory approvals, and other legal and accounting factors.

See Note 17 for information on a subsequent common stock repurchase authorization.

The declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, Inc.’s common stock were as follows for the six months ended June 30, 2019 and 2018 :

| Declaration Date | Record Date | Payment Date | Common Stock Dividend Per Share | Common Stock Dividend Aggregate |
|---|---|---|---|---|
| | | | (In millions, except per share data) | |
| April 23, 2019 | May 7, 2019 | June 13, 2019 | $ 0.440 | $ 419 |
| January 7, 2019 | February 5, 2019 | March 13, 2019 | $ 0.420 | 405 |
| | | | | $ 824 |
| | | | | |
| April 24, 2018 | May 7, 2018 | June 13, 2018 | $ 0.420 | $ 428 |
| January 5, 2018 | February 5, 2018 | March 13, 2018 | $ 0.400 | 416 |
| | | | | $ 844 |

See Note 17 for information on a common stock dividend declared subsequent to June 30, 2019 .

***Stock-Based Compensation Plans***

***Performance Shares and Performance Units***

Final Performance Shares are paid in shares of MetLife, Inc. common stock. Final Performance Units are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the last day of the three-year performance period. The performance factor for the January 1, 2016 – December 31, 2018 performance period was 87.7% , which was determined within a possible range from 0% to 175% . This factor has been applied to the 1,594,846 Performance Shares and 212,464 Performance Units associated with that performance period that vested on December 31, 2018 . As a result, in the first quarter of 2019 , MetLife, Inc. issued 1,398,680 shares of its common stock (less withholding for taxes and other items, as applicable), excluding shares that payees choose to defer, and MetLife, Inc. or its affiliates paid the cash value of 186,331 Performance Units (less withholding for taxes and other items, as applicable).

**11. Equity (continued)**

### *Dividend Restrictions*

#### *Insurance Operations*

For the six months ended June 30, 2019 , American Life Insurance Company paid a dividend of $600 million to MetLife, Inc., for which regulatory approval was obtained as required.

See Note 15 of the Notes to Consolidated Financial Statements included in the 2018 Annual Report for additional information on dividend restrictions.

### *Accumulated Other Comprehensive Income (Loss)*

Information regarding changes in the balances of each component of AOCI attributable to MetLife, Inc. was as follows:

| | Three Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 12,248 | $ 1,614 | $ (4,947) | $ (2,004) | $ 6,911 |
| OCI before reclassifications | 5,478 | 658 | 174 | (3) | 6,307 |
| Deferred income tax benefit (expense) | (1,289) | (153) | 7 | — | (1,435) |
| AOCI before reclassifications, net of income tax | 16,437 | 2,119 | (4,766) | (2,007) | 11,783 |
| Amounts reclassified from AOCI | (127) | (92) | — | 30 | (189) |
| Deferred income tax benefit (expense) | 30 | 14 | — | (7) | 37 |
| Amounts reclassified from AOCI, net of income tax | (97) | (78) | — | 23 | (152) |
| Balance, end of period | $ 16,340 | $ 2,041 | $ (4,766) | $ (1,984) | $ 11,631 |

| | Three Months Ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Unrealized Investment Gains (Losses), Net of Related Offsets (1) | Unrealized Gains (Losses) on Derivatives | Foreign Currency Translation Adjustments | Defined Benefit Plans Adjustment | Total |
| | (In millions) | | | | |
| Balance, beginning of period | $ 10,864 | $ 683 | $ (3,707) | $ (2,206) | $ 5,634 |
| OCI before reclassifications | (3,096) | 141 | (969) | 3 | (3,921) |
| Deferred income tax benefit (expense) | 706 | 41 | 6 | (1) | 752 |
| AOCI before reclassifications, net of income tax | 8,474 | 865 | (4,670) | (2,204) | 2,465 |
| Amounts reclassified from AOCI | 83 | 470 | — | 31 | 584 |
| Deferred income tax benefit (expense) | (19) | (170) | — | (6) | (195) |
| Amounts reclassified from AOCI, net of income tax | 64 | 300 | — | 25 | 389 |
| Balance, end of period | $ 8,538 | $ 1,165 | $ (4,670) | $ (2,179) | $ 2,854 |

**11. Equity (continued)**

| | Six Months Ended June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 7,042 | $ 1,613 | $ (4,905) | $ (2,028) | $ 1,722 |
| OCI before reclassifications | 12,199 | 647 | 138 | (2) | 12,982 |
| Deferred income tax benefit (expense) | (2,805) | (147) | 1 | — | (2,951) |
| AOCI before reclassifications, net of income tax | 16,436 | 2,113 | (4,766) | (2,030) | 11,753 |
| Amounts reclassified from AOCI | (129) | (116) | — | 59 | (186) |
| Deferred income tax benefit (expense) | 30 | 26 | — | (13) | 43 |
| Amounts reclassified from AOCI, net of income tax | (99) | (90) | — | 46 | (143) |
| Cumulative effects of changes in accounting principles | 4 | 22 | — | — | 26 |
| Deferred income tax benefit (expense), cumulative effects of changes in accounting principles | (1) | (4) | — | — | (5) |
| Cumulative effects of changes in accounting principles, net of income tax (2) | 3 | 18 | — | — | 21 |
| Balance, end of period | $ 16,340 | $ 2,041 | $ (4,766) | $ (1,984) | $ 11,631 |

| | Six Months Ended June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Unrealized Investment Gains (Losses), Net of Related Offsets (1) | Unrealized Gains (Losses) on Derivatives | Foreign Currency Translation Adjustments | Defined Benefit Plans Adjustment | Total |
| | (In millions) | | | | |
| Balance, beginning of period | $ 12,757 | $ 905 | $ (4,390) | $ (1,845) | $ 7,427 |
| OCI before reclassifications | (6,907) | (211) | (417) | (1) | (7,536) |
| Deferred income tax benefit (expense) | 1,541 | 99 | 9 | — | 1,649 |
| AOCI before reclassifications, net of income tax | 7,391 | 793 | (4,798) | (1,846) | 1,540 |
| Amounts reclassified from AOCI | 128 | 305 | — | 62 | 495 |
| Deferred income tax benefit (expense) | (29) | (143) | — | (13) | (185) |
| Amounts reclassified from AOCI, net of income tax | 99 | 162 | — | 49 | 310 |
| Cumulative effects of changes in accounting principles | (425) | — | — | — | (425) |
| Deferred income tax benefit (expense), cumulative effects of changes in accounting principles | 1,473 | 210 | 36 | (382) | 1,337 |
| Cumulative effects of changes in accounting principles, net of income tax (3) | 1,048 | 210 | 36 | (382) | 912 |
| Sale of subsidiary (4) | — | — | 92 | — | 92 |
| Balance, end of period | $ 8,538 | $ 1,165 | $ (4,670) | $ (2,179) | $ 2,854 |

(1) See Note 6 for information on offsets to investments related to future policy benefits, DAC, VOBA and DSI, and the policyholder dividend obligation.

(2) See Note 1 for further information on adoption of new accounting pronouncements.

(3) See Note 1 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for further information on adoption of new accounting pronouncements.

(4) See Note 3 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

## 11. Equity (continued)

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

| AOCI Components | Amounts Reclassified from AOCI | | | | Consolidated Statements of Operations and Comprehensive Income (Loss) Locations |
|---|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | | |
| | 2019 | 2018 | 2019 | 2018 | |
| | (In millions) | | | | |
| Net unrealized investment gains (losses): | | | | | |
| Net unrealized investment gains (losses) | $ 140 | $ (36) | $ 116 | $ (137) | Net investment gains (losses) |
| Net unrealized investment gains (losses) | (7) | (3) | (3) | — | Net investment income |
| Net unrealized investment gains (losses) | (6) | (44) | 16 | 9 | Net derivative gains (losses) |
| Net unrealized investment gains (losses), before income tax | 127 | (83) | 129 | (128) | |
| Income tax (expense) benefit | (30) | 19 | (30) | 29 | |
| Net unrealized investment gains (losses), net of income tax | 97 | (64) | 99 | (99) | |
| Unrealized gains (losses) on derivatives - cash flow hedges: | | | | | |
| Interest rate derivatives | 6 | 6 | 11 | 10 | Net investment income |
| Interest rate derivatives | 4 | — | (2) | — | Net investment gains (losses) |
| Interest rate derivatives | — | (1) | — | 20 | Net derivative gains (losses) |
| Interest rate derivatives | — | 1 | 1 | 1 | Other expenses |
| Foreign currency exchange rate derivatives | (1) | (1) | (3) | (1) | Net investment income |
| Foreign currency exchange rate derivatives | 83 | — | 108 | — | Net investment gains (losses) |
| Foreign currency exchange rate derivatives | — | (475) | — | (336) | Net derivative gains (losses) |
| Foreign currency exchange rate derivatives | 1 | — | 1 | 1 | Other expenses |
| Credit derivatives | (1) | — | — | — | Net investment gains (losses) |
| Gains (losses) on cash flow hedges, before income tax | 92 | (470) | 116 | (305) | |
| Income tax (expense) benefit | (14) | 170 | (26) | 143 | |
| Gains (losses) on cash flow hedges, net of income tax | 78 | (300) | 90 | (162) | |
| Defined benefit plans adjustment: (1) | | | | | |
| Amortization of net actuarial gains (losses) | (36) | (35) | (72) | (71) | |
| Amortization of prior service (costs) credit | 6 | 4 | 13 | 9 | |
| Amortization of defined benefit plan items, before income tax | (30) | (31) | (59) | (62) | |
| Income tax (expense) benefit | 7 | 6 | 13 | 13 | |
| Amortization of defined benefit plan items, net of income tax | (23) | (25) | (46) | (49) | |
| Total reclassifications, net of income tax | $ 152 | $ (389) | $ 143 | $ (310) | |

(1) These AOCI components are included in the computation of net periodic benefit costs. See Note 13 .

## 12. Other Revenues and Other Expenses

### *Other Revenues*

Information on other revenues, which primarily includes fees related to service contracts from customers, was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| Prepaid legal plans | $ 86 | $ 73 | $ 172 | $ 146 |
| Fee-based investment management | 69 | 74 | 146 | 145 |
| Recordkeeping and administrative services (1) | 52 | 56 | 102 | 114 |
| Administrative services-only contracts | 53 | 53 | 106 | 109 |
| Other revenue from service contracts from customers | 64 | 72 | 135 | 136 |
| Total revenues from service contracts from customers | 324 | 328 | 661 | 650 |
| Other | 154 | 147 | 311 | 299 |
| Total other revenues | $ 478 | $ 475 | $ 972 | $ 949 |

(1) Related to products and businesses no longer actively marketed by the Company.

### *Other Expenses*

Information on other expenses was as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| Employee related costs | $ 916 | $ 894 | $ 1,838 | $ 1,831 |
| Third party staffing costs | 420 | 402 | 789 | 782 |
| General and administrative expenses | 237 | 351 | 460 | 594 |
| Pension, postretirement and postemployment benefit costs | 57 | 47 | 113 | 96 |
| Premium taxes, other taxes, and licenses & fees | 174 | 187 | 344 | 366 |
| Commissions and other variable expenses | 1,470 | 1,438 | 2,919 | 2,854 |
| Capitalization of DAC | (837) | (834) | (1,649) | (1,630) |
| Amortization of DAC and VOBA | 689 | 707 | 1,313 | 1,400 |
| Amortization of negative VOBA | (10) | (16) | (20) | (38) |
| Interest expense on debt | 274 | 309 | 508 | 595 |
| Total other expenses | $ 3,390 | $ 3,485 | $ 6,615 | $ 6,850 |

## 12. Other Revenues and Other Expenses (continued)

### *Restructuring Charges*

The Company commenced in 2016 a unit cost improvement program related to the Company's refreshed enterprise strategy. This global strategy focuses on transforming the Company to become more digital, driving efficiencies and innovation to achieve competitive advantage, and simplified, decreasing the costs and risks associated with the Company's highly complex industry to customers and shareholders. Restructuring charges related to this program are included in other expenses. As the expenses relate to an enterprise-wide initiative, they are reported in Corporate & Other. Such restructuring charges were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Severance | | | |
| | (In millions) | | | |
| Balance, beginning of period | $ 17 | $ 19 | $ 23 | $ 22 |
| Restructuring charges | 14 | 9 | 21 | 18 |
| Cash payments | (11) | (8) | (24) | (20) |
| Balance, end of period | $ 20 | $ 20 | $ 20 | $ 20 |
| Total restructuring charges incurred since inception of initiative | $ 157 | $ 91 | $ 157 | $ 91 |

Management anticipates further restructuring charges through the year ending December 31, 2019. However, such restructuring plans were not sufficiently developed to enable management to make an estimate of such restructuring charges at June 30, 2019 .

## 13. Employee Benefit Plans

### *Pension and Other Postretirement Benefit Plans*

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

The components of net periodic benefit costs, reported in other expenses, were as follows:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Pension Benefits | Other Postretirement Benefits | Pension Benefits | Other Postretirement Benefits |
| | (In millions) | | | |
| Service costs | $ 57 | $ 1 | $ 58 | $ 2 |
| Interest costs | 104 | 13 | 96 | 15 |
| Expected return on plan assets | (123) | (18) | (134) | (18) |
| Amortization of net actuarial (gains) losses | 48 | (12) | 44 | (9) |
| Amortization of prior service costs (credit) | (4) | (2) | — | (4) |
| Net periodic benefit costs (credit) | $ 82 | $ (18) | $ 64 | $ (14) |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Pension Benefits | Other Postretirement Benefits | Pension Benefits | Other Postretirement Benefits |
| | (In millions) | | | |
| Service costs | $ 115 | $ 2 | $ 118 | $ 3 |
| Interest costs | 208 | 26 | 192 | 26 |
| Expected return on plan assets | (245) | (34) | (267) | (36) |
| Amortization of net actuarial (gains) losses | 96 | (24) | 88 | (17) |

| | | | | |
|---|---|---|---|---|
| Amortization of prior service costs (credit) | (8) | (5) | — | (9) |
| Net periodic benefit costs (credit) | $ 166 | $ (35) | $ 131 | $ (33) |

**14. Income Tax**

For the three months and six months ended June 30, 2019 , the effective tax rate on income (loss) before provision for income tax was 24% and 23% , respectively. The Company's effective tax rate for both periods differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the impact from the definitive agreement to sell MetLife Hong Kong, partially offset by tax benefits related to non-taxable investment income and tax credits.

For the three months ended June 30, 2018 , the effective tax rate on income (loss) before provision for income tax was 19% . The Company's effective tax rate differed from the U.S. statutory rate primarily due to tax benefits related to non-taxable investment income, tax credits and a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and a non-deductible loss incurred on the mark-to-market and disposition of FVO Brighthouse Common Stock. For the six months ended June 30, 2018 , the effective tax rate on income (loss) before provision for income tax was 22% . The Company's effective tax rate differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, a non-deductible loss incurred on the mark-to-market and disposition of FVO Brighthouse Common Stock and a tax adjustment in Chile. These tax charges were partially offset by tax benefits related to non-taxable investment income, tax credits and a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent.

## 15. Earnings Per Common Share

The following table presents the weighted average shares, basic earnings per common share and diluted earnings per common share:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions, except per share data) | | | |
| Weighted Average Shares: | | | | |
| Weighted average common stock outstanding - basic | 946.2 | 1,015.6 | 951.3 | 1,025.7 |
| Incremental common shares from assumed exercise or issuance of stock-based awards | 6.7 | 8.2 | 6.8 | 8.3 |
| Weighted average common stock outstanding - diluted | 952.9 | 1,023.8 | 958.1 | 1,034.0 |
| Net Income (Loss): | | | | |
| Net income (loss) | $ 1,746 | $ 894 | $ 3,131 | $ 2,151 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 3 | 9 | 7 |
| Less: Preferred stock dividends | 57 | 46 | 89 | 52 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,684 | $ 845 | $ 3,033 | $ 2,092 |
| Basic | $ 1.78 | $ 0.83 | $ 3.19 | $ 2.04 |
| Diluted | $ 1.77 | $ 0.83 | $ 3.17 | $ 2.02 |

## 16. Contingencies, Commitments and Guarantees

### *Contingencies*

#### ***Litigation***

The Company is a defendant in a large number of litigation matters. Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to those discussed below 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, broker-dealer, and taxpayer.

The Company also receives and responds to subpoenas or other inquiries seeking a broad range of information from state regulators, including state insurance commissioners; state attorneys general or other state governmental authorities; federal regulators, including the U.S. Securities and Exchange Commission ("SEC"); federal governmental authorities, including congressional committees; and the Financial Industry Regulatory Authority, as well as from local and national regulators and government authorities in jurisdictions outside the United States where the Company conducts business. The issues involved in information requests and regulatory matters vary widely, but can include inquiries or investigations concerning the Company's compliance with applicable insurance and other laws and regulations. The Company cooperates in these inquiries.

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.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. 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 reasonably estimated at June 30, 2019 . 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. 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 consolidated net income or cash flows in particular quarterly or annual periods.

#### ***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 matters where a loss is believed to be reasonably possible, but not probable, the Company has not made an accrual. As of June 30, 2019 , the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $300 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.

**16. 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 2018 Annual Report, MLIC received approximately 3,359 asbestos-related claims in 2018 . For the six months ended June 30, 2019 and 2018 , MLIC received approximately 1,705 and 1,754 new asbestos-related claims, respectively. See Note 20 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for historical information concerning asbestos claims and MLIC's update in its recorded liability at December 31, 2018. 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.

**16. Contingencies, Commitments and Guarantees (continued)**

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

MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experience, reviewing external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liability and considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables include bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending claims involving serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pending. Based upon its regular reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims through June 30, 2019 .

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

In July 2010, the Environmental Protection Agency ("EPA") alleged that MLIC, as successor to New England Mutual Life Insurance Company, and a third party owed costs under 1989 and 1992 agreements for the oversight and cleanup of a Superfund site in Florida (the "Chemform Site"). In September 2012, the EPA, MLIC and the third party executed an agreement under which MLIC and the third party agreed to be responsible for certain on-going environmental testing at the Chemform Site. On July 19, 2019, the EPA, MLIC and the third party executed a settlement agreement to resolve the EPA's claims for costs incurred through that date in connection with the Chemform Site.

***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 that were subsequently transferred to Sun Life. 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. In September 2010, Sun Life notified MLIC that a purported class action lawsuit was filed against Sun Life in Toronto alleging sales practices claims regarding the policies sold by MLIC and transferred to Sun Life (the "Ontario Litigation"). On August 30, 2011, Sun Life notified MLIC that another purported class action lawsuit was filed against Sun Life in Vancouver, BC 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. In September 2018, the Court of Appeal for Ontario affirmed the lower court's decision to not certify the sales practices claims in the Ontario Litigation. 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.

***City of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (S.D.N.Y., filed January 12, 2012)***

Plaintiff filed this class action on behalf of a class of persons who either purchased MetLife, Inc. common shares between February 9, 2011, and October 6, 2011, or purchased or acquired MetLife, Inc. common stock in the Company's August 3, 2010 offering or the Company's March 4, 2011 offering. Plaintiff alleges that MetLife, Inc. and several current and former directors and 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 purportedly 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.

**16. Contingencies, Commitments and Guarantees (continued)**

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

Plaintiff filed this class action lawsuit on behalf of persons for whom MLIC established a Total Control Account ("TCA") to pay death benefits under an Employee Retirement Income Security Act of 1974 ("ERISA") plan. The action 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 ERISA. As damages, plaintiff seeks disgorgement of profits that MLIC realized on accounts owned by members of the class. In addition, plaintiff, on behalf of a subgroup of the class, seeks interest under Georgia's delayed settlement interest statute, alleging that the use of the TCA as the settlement option did not constitute payment. On September 27, 2016, the court denied MLIC's summary judgment motion in full and granted plaintiff's partial summary judgment motion. On September 29, 2017, the court certified a nationwide class. The court also certified a Georgia subclass. On July 29, 2019, the court preliminarily approved a proposed settlement in which MLIC has agreed to pay $80 million to resolve the claims of all class members. The settlement does not include or constitute an admission, concession, or finding of any fault, liability, or wrongdoing by MLIC. The Company accrued the full amount of the settlement payment in prior periods.

***Martin v. Metropolitan Life Insurance Company (Superior Court of the State of California, County of Contra Costa, filed December 17, 2015)***

Plaintiffs filed this putative class action lawsuit on behalf of themselves and all California persons who have been charged compound interest by MLIC in life insurance policy and/or premium loan balances within the last four years. Plaintiffs allege that MLIC has engaged in a pattern and practice of charging compound interest on life insurance policy and premium loans without the borrower authorizing such compounding, and that this constitutes an unlawful business practice under California law. Plaintiffs assert causes of action for declaratory relief, violation of California's Unfair Competition Law and Usury Law, and unjust enrichment. Plaintiffs seek declaratory and injunctive relief, restitution of interest, and damages in an unspecified amount. On April 12, 2016, the court granted MLIC's motion to dismiss. Plaintiffs appealed this ruling to the United States Court of Appeals for the Ninth Circuit. The Company intends to defend this action vigorously.

***Newman v. Metropolitan Life Insurance Company (N.D. Ill., filed March 23, 2016)***

Plaintiff filed this putative class action alleging causes of action for breach of contract, fraud, and violations of the Illinois Consumer Fraud and Deceptive Business Practices Act, on behalf of herself and all persons over age 65 who selected a Reduced Pay at Age 65 payment feature on their long-term care insurance policies and whose premium rates were increased after age 65. Plaintiff seeks unspecified compensatory, statutory and punitive damages, as well as recessionary and injunctive relief. On April 12, 2017, the court granted MLIC's motion to dismiss the action. Plaintiff appealed this ruling and the United States Court of Appeals for the Seventh Circuit reversed and remanded the case to the district court for further proceedings. The Company intends to defend this action vigorously.

***Julian & McKinney v. Metropolitan Life Insurance Company (S.D.N.Y., filed February 9, 2017)***

Plaintiffs filed this putative class and collective action on behalf of themselves and all current and former long-term disability ("LTD") claims specialists between February 2011 and the present for alleged wage and hour violations under the Fair Labor Standards Act, the New York Labor Law, and the Connecticut Minimum Wage Act. The suit alleges that MLIC improperly reclassified the plaintiffs and similarly situated LTD claims specialists from non-exempt to exempt from overtime pay in November 2013. As a result, they and members of the putative class were no longer eligible for overtime pay even though they allege they continued to work more than 40 hours per week. Plaintiffs seek unspecified compensatory and punitive damages, as well as other relief. On March 22, 2018, the Court conditionally certified the case as a collective action, requiring that notice be mailed to LTD claims specialists who worked for the Company from February 8, 2014 to the present. The Company intends to defend this action vigorously.

**16. Contingencies, Commitments and Guarantees (continued)**

***Total Asset Recovery Services, LLC. v. MetLife, Inc., et al. (Supreme Court of the State of New York, County of New York, filed December 27, 2017)***

Total Asset Recovery Services ("The Relator") brought an action under the qui tam provision of the New York False Claims Act (the "Act") on behalf of itself and the State of New York. The Relator originally filed this action under seal in 2010, and the complaint was unsealed on December 19, 2017. The Relator alleges that MetLife, Inc., MLIC, and several other insurance companies violated the Act by filing false unclaimed property reports with the State of New York from 1986 to 2017, to avoid having to escheat the proceeds of more than 25,000 life insurance policies, including policies for which the defendants escheated funds as part of their demutualizations in the late 1990s. The Relator seeks treble damages and other relief. On April 3, 2019, the Court granted MetLife, Inc.'s and MLIC's motion to dismiss and dismissed the complaint in its entirety. The Relator filed a notice of appeal with the Appellate Division of the New York State Supreme Court, First Division.

***Regulatory and Litigation Matters Related to Group Annuity Benefits***

In 2018, the Company announced that it identified a material weakness in its internal control over financial reporting related to the practices and procedures for estimating reserves for certain group annuity benefits. The Company is exposed to lawsuits and regulatory investigations, and could be exposed to additional legal actions relating to these issues. These may result in payments, including damages, fines, penalties, interest and other amounts assessed or awarded by courts or regulatory authorities under applicable escheat, tax, securities, ERISA, or other laws or regulations. The Company could incur significant costs in connection with these actions.

*Regulatory Matters*

The Division of Enforcement of the SEC is investigating this issue and several additional regulators have made similar inquiries. It is possible that other jurisdictions may pursue similar investigations or inquiries.

*Litigation Matters*

Parchmann v. MetLife, Inc., et. al. (E.D.N.Y., filed February 5, 2018)

Plaintiff filed this putative class action seeking to represent a class of persons who purchased MetLife, Inc. common stock from February 27, 2013 through January 29, 2018. Plaintiff alleges that MetLife, Inc., its Chief Executive Officer and Chairman of the Board, and its Chief Financial Officer violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by issuing materially false and/or misleading financial statements. Plaintiff alleges that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate, and that MetLife had inadequate internal control over financial reporting. Plaintiff seeks unspecified compensatory damages and other relief. Defendants intend to defend this action vigorously.

*Derivative Actions and Demands*

Shareholders, seeking to sue derivatively on behalf of MetLife, Inc., commenced three separate actions against certain current and former members of the MetLife, Inc. Board of Directors and/or certain current and former officers of MetLife, Inc., alleging that, among other things, they breached their fiduciary and other duties to the Company. In *Kates v. Kandarian, et al.* (E.D.N.Y., filed January 18, 2019) and *Felt, et al. v. Grise, et al.* (D. Del., filed April 29, 2019), plaintiffs allege that the defendants disseminated or approved public statements that failed to disclose that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate and that MetLife had inadequate internal control over financial reporting. In *Lifschitz v. Kandarian, et al.* (Del. Ch., filed June 19, 2019), plaintiff alleges that the MetLife, Inc. Board of Directors knew or should have known that MetLife's practices and procedures for estimating reserves for certain group annuity benefits were inadequate. In all three actions, 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 defendants intend to defend this action vigorously.

## 16. Contingencies, Commitments and Guarantees (continued)

The MetLife, Inc. Board of Directors received five letters, dated March 28, 2018, May 11, 2018, July 16, 2018, December 20, 2018 and February 5, 2019, written on behalf of individual stockholders, demanding that MetLife, Inc. take action against current and former directors and officers for alleged breaches of fiduciary duty and/or investigate, remediate, and recover damages allegedly suffered by the Company as a result of (i) the Company's allegedly inadequate practices and procedures for estimating reserves for certain group annuity benefits, (ii) the Company's allegedly inadequate internal controls over financial reporting and corporate governance practices and procedures, and (iii) the alleged dissemination of false or misleading information related to these issues. The MetLife, Inc. Board of Directors appointed a special committee to investigate the allegations set forth in these five letters.

***Regulatory Inquiry Related to Assumed Variable Annuity Guarantee Reserves***

In 2018, the Company announced that it identified a material weakness in its internal control over financial reporting related to the calculation of reserves associated with certain variable annuity guarantees assumed from the former operating joint venture in Japan. The Division of Enforcement of the SEC is investigating this issue and the Company has informed other regulators. It is possible that other regulators may pursue similar investigations or inquiries. The Company is exposed to lawsuits and regulatory investigations, and could be exposed to additional legal actions relating to these issues. These may result in payments, including damages, fines, penalties, interest and other amounts assessed or awarded by courts or regulatory authorities under applicable laws or regulations. The Company could incur significant costs in connection with these actions.

***Commitments***

***Mortgage Loan Commitments***

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $3.9 billion and $4.0 billion at June 30, 2019 and December 31, 2018 , respectively.

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

The Company commits to fund partnership investments and to lend funds under bank credit facilities, bridge loans and private corporate bond investments. The amounts of these unfunded commitments were $7.7 billion at both June 30, 2019 and December 31, 2018 .

***Guarantees***

In the normal course of its business, the Company has provided certain indemnities, guarantees and commitments to third parties such that it may be required to make payments now or in the future. In the context of acquisition, disposition, investment and other transactions, the Company has provided indemnities and guarantees, including those related to tax, environmental and other specific liabilities and other indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company. In addition, in the normal course of business, the Company provides indemnifications to counterparties in contracts with triggers similar to the foregoing, as well as for certain other liabilities, such as third-party lawsuits. These obligations are often subject to time limitations that vary in duration, including contractual limitations and those that arise by operation of law, such as applicable statutes of limitation. In some cases, the maximum potential obligation under the indemnities and guarantees is subject to a contractual limitation ranging from less than $1 million to $329 million , with a cumulative maximum of $766 million , while in other cases such limitations are not specified or applicable. Since certain of these obligations are not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future. Management believes that it is unlikely the Company will have to make any material payments under these indemnities, guarantees, or commitments.

In addition, the Company indemnifies its directors and officers as provided in its charters and by-laws. Also, the Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests. Since these indemnities are generally not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these indemnities in the future.

The Company also has minimum fund yield requirements on certain pension funds. Since these guarantees are not subject to limitation with respect to duration or amount, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.

The Company's recorded liabilities were $7 million at both June 30, 2019 and December 31, 2018 for indemnities, guarantees and commitments.

## 17. Subsequent Events

### *Common Stock Repurchase Authorization*

On July 31, 2019, MetLife, Inc. announced that its Board of Directors authorized an additional $2.0 billion of common stock repurchases.

### *Common Stock Dividend*

On July 8, 2019 , the MetLife, Inc. Board of Directors declared a third quarter 2019 common stock dividend of $0.44 per share payable on September 13, 2019 to shareholders of record as of August 6, 2019 . The Company estimates that the aggregate dividend payment will be $413 million .

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

**Forward-Looking Statements and Other Financial Information**

For purposes of this discussion, “MetLife,” the “Company,” “we,” “our” and “us” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. This discussion should be read in conjunction with MetLife, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 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. See “Note Regarding Forward-Looking Statements” for cautionary language regarding forward-looking statements.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes references to our performance measures, adjusted earnings and adjusted earnings available to common shareholders, that are not based on accounting principles generally accepted in the United States of America (“GAAP”). See “— Non-GAAP and Other Financial Disclosures” for definitions and a discussion of these measures, and “— Results of Operations” for reconciliations of historical non-GAAP financial measures to the most directly comparable GAAP measures.

**Executive Summary**

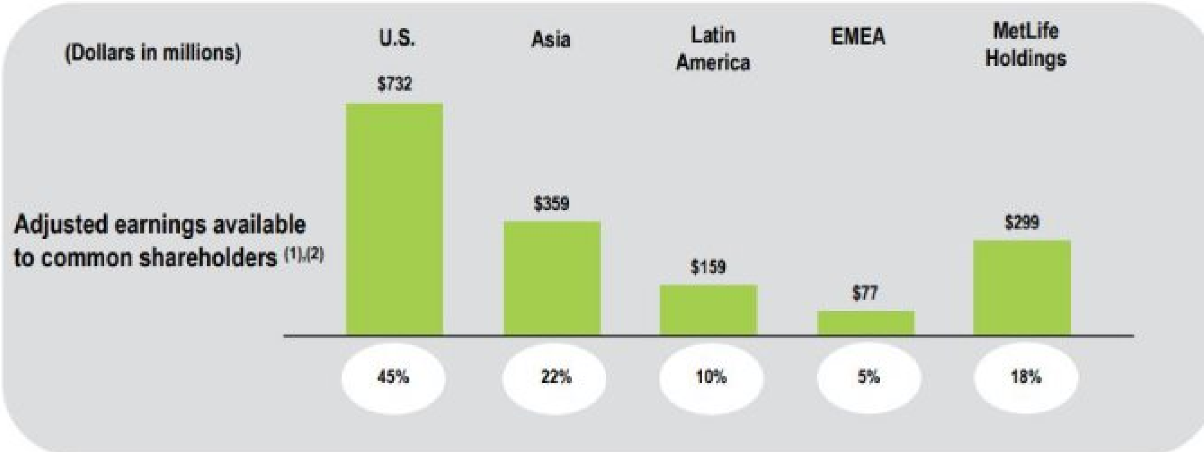
***Overview***

MetLife is one of the world’s leading financial services companies, providing insurance, annuities, employee benefits and asset management. MetLife is organized into five segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa (“EMEA”); and MetLife Holdings. In addition, the Company reports certain of its results of operations in Corporate & Other. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for further information on the Company’s segments and Corporate & Other. 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.

***Current Period Highlights***

During the three months ended June 30, 2019, overall sales decreased compared to the prior period primarily from lower sales in our Retirement and Income Solutions (“RIS”) business as a result of a large pension risk transfer transaction in the prior period. Positive net flows drove an increase in our investment portfolio and investment yields improved, however, interest credited rates were higher for the majority of our businesses. Underwriting experience was mixed, but overall, was unfavorable compared to the prior period. A favorable change in net derivative gains (losses) was primarily the result of a decline in interest rates. A favorable change in net investment gains (losses) was primarily due to prior period losses on fair value option (“FVO”) Brighthouse Financial, Inc. common stock (“FVO Brighthouse Common Stock”) disposed of in June 2018, as well as higher gains on sales of fixed maturity securities available-for-sale (“AFS”) in the current period versus the prior period, partially offset by lower gains on sales of real estate joint ventures.

The following represents segment level results and percentage contributions to total segment level adjusted earnings available to common shareholders for the three months ended June 30, 2019 :

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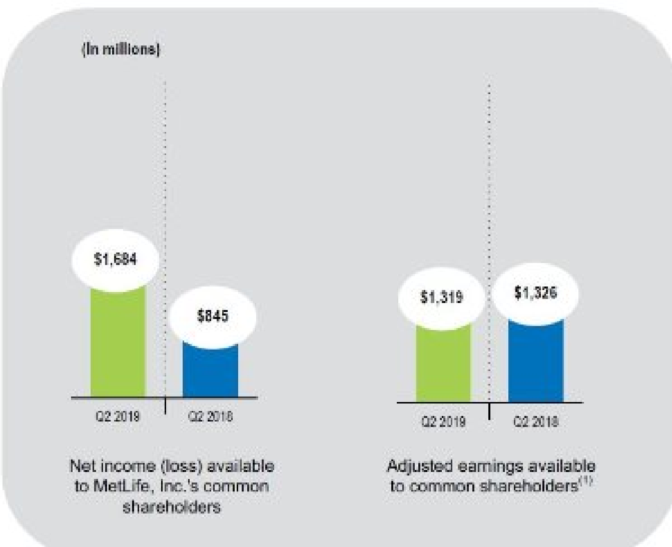
(1) Excludes Corporate & Other adjusted loss available to common shareholders of $307 million .

(2) Consistent with GAAP guidance for segment reporting, adjusted earnings is our GAAP measure of segment performance. For additional information, see Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

***Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018***




***Consolidated Results - Highlights***

Net income (loss) available to MetLife, Inc.'s common shareholders up $839 million:

- Favorable change in net derivative gains (losses) of $783 million ($619 million, net of income tax)
- Favorable change in net investment gains (losses) of $288 million ($228 million, net of income tax)

(1) See "— Results of Operations — Consolidated Results" and "— Non-GAAP and Other Financial Disclosures" for reconciliations and definitions of non-GAAP financial measures.

***Consolidated Results - Adjusted Earnings Highlights***

Adjusted earnings available to common shareholders remained relatively flat.

- Our results for the three months ended June 30, 2019 included the following:
  - expenses associated with our previously announced unit cost initiative of $70 million, net of income tax
- Our results for the three months ended June 30, 2018 included the following :
  - expenses associated with our previously announced unit cost initiative of $62 million, net of income tax

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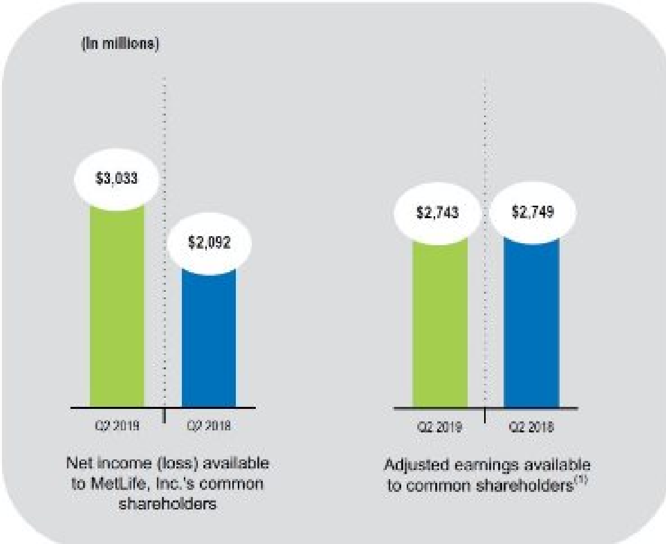
For a more in-depth discussion of our consolidated results, see "— Results of Operations — Consolidated Results," "— Results of Operations — Consolidated Results — Adjusted Earnings" and "— Results of Operations — Segment Results and Corporate & Other."

***Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018***




***Consolidated Results - Highlights***

Net income (loss) available to MetLife, Inc.'s common shareholders up $941 million:

- Favorable change in net investment gains (losses) of $636 million ($502 million, net of income tax)
- Favorable change in net derivative gains (losses) of $549 million ($434 million, net of income tax)

(1) See "— Results of Operations — Consolidated Results" and "— Non-GAAP and Other Financial Disclosures" for reconciliations and definitions of non-GAAP financial measures.

***Consolidated Results - Adjusted Earnings Highlights***

Adjusted earnings available to common shareholders remained relatively flat.

- Our results for the six months ended June 30, 2019 included the following:
  - expenses associated with our previously announced unit cost initiative of $125 million, net of income tax
- Our results for the six months ended June 30, 2018 included the following :
  - expenses associated with our previously announced unit cost initiative of $96 million, net of income tax
  - favorable reserve adjustment of $62 million, net of income tax, relating to certain variable annuity guarantees assumed from a former joint venture in Japan

For a more in-depth discussion of our consolidated results, see "— Results of Operations — Consolidated Results," "— Results of Operations — Consolidated Results — Adjusted Earnings" and "— Results of Operations — Segment Results and Corporate & Other."

***Consolidated Company Outlook***

The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Consolidated Company Outlook" in Part II, Item 7, of the 2018 Annual Report. There have been no material changes to our consolidated company outlook from that previously discussed in the 2018 Annual Report except as noted below.

Assuming interest rates follow the observable forward yield curves as of the year ended December 31, 2018, we expect the average ratio of free cash flow to adjusted earnings over the two-year period of 2019 and 2020 to be 65% to 75%, assuming a 10-year U.S. Treasury rate between 1.5% and 4.5%. We believe that free cash flow is a key determinant of common stock dividends and common stock repurchases.

**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 2018 Annual Report.

We continue to be impacted by the changing 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 and derivatives are sensitive to changing market factors. See “Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition” included in the 2018 Annual Report.

We have market presence in numerous countries and, therefore, our business operations are exposed to risks posed by local and regional economic conditions. For example, MetLife is the largest provider of benefits to Mexican federal government personnel and public officials, however, the new administration of President López Obrador of Mexico is implementing an austerity plan which, among other measures, has eliminated benefits such as major medical insurance and contributions to additional savings benefit insurance for such individuals. See “Business — Regulation — Fiscal Measures” and “Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition — Currency Exchange Rate Risk” included in the 2018 Annual Report.

We are closely monitoring political and economic conditions that might contribute to global market volatility and impact our business operations, investment portfolio and derivatives. For example, events following the United Kingdom’s (“U.K.”) referendum on June 23, 2016 and the uncertainties, including foreign currency exchange risks, associated with its planned withdrawal from the European Union (“EU”), have contributed to global market volatility. These factors could contribute to weakening Gross Domestic Product growth, primarily in the U.K. and, to a lesser degree, in continental Europe and beyond. The magnitude and longevity of the potential negative economic impacts would depend on the detailed agreements reached by the U.K. and the EU as a result of the negotiations regarding future trade and other arrangements. See “— Investments — Current Environment — Selected Country and Sector Investments.” We are also monitoring the imposition of tariffs or other barriers to international trade, changes to international trade agreements, and their potential impacts on our business, results of operations and financial condition. In addition, the possibility of additional government shutdowns or a failure to raise the debt ceiling, due to a policy impasse or otherwise, could adversely impact our business and liquidity. See “Business — Regulation — Cross-Border Trade” and “Business — Regulation — Fiscal Measures” included in the 2018 Annual Report. See also “Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition” and “Risk Factors — Business Risks — The Global Nature of Our Operations Exposes Us to a Variety of Political, Legal, Operational, Economic and Other Risks” included in the 2018 Annual Report.

Central banks around the world are using monetary policy to address regional economic conditions. In the United States, the Board of Governors of the Federal Reserve System, which had been tightening policy by raising the federal funds rate and shrinking the balance sheet, now has lowered rates to sustain the economic expansion. Similarly, the European Central Bank ended quantitative easing in December 2018 and left interest rates unchanged, but is now considering additional easing, if required. In Japan, the Japanese government and the Bank of Japan are maintaining stimulus measures in order to boost inflation expectations and achieve sustainable economic growth in Japan. Such measures include the imposition of a negative rate on commercial bank deposits, continued government bond purchases and tax reform, including the lowering of the Japanese corporate tax rate and the delay until October 2019 of an increase in the consumption tax to 10%. 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. Further actions by central banks in the future may affect interest rates and risk markets in the U.S., Europe, Japan and other developed and emerging economies, and may ultimately result in market volatility. We cannot predict with certainty the effect of these actions or the impact on our business operations, investment portfolio or derivatives. See “— Investments — Current Environment.”

***Impact of a Sustained Low Interest Rate Environment***

During sustained periods of low 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, 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.

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 actuarial assumption review.

Some of our separate account products, including variable annuities, have certain minimum guarantee benefits. Declining interest rates increase the reserves we need to set up to protect the guarantee benefits, thereby reducing net income in the affected reporting period.

In formulating economic assumptions for our insurance contract assumptions, we use projections that we make regarding interest rates. Included in these assumptions is the projection that the 10-year Treasury rate will rise to 4.25% by 2026. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario” included in the 2018 Annual Report for further information.

***Competitive Pressures***

The life insurance industry remains highly competitive. See “Business — Competition” included in the 2018 Annual Report. Product development is focused on differentiation leading to more intense competition with respect to product features and services. Several of the industry’s products can be quite homogeneous and subject to intense price competition. Cost reduction efforts are a priority for industry players, with benefits resulting in price adjustments to favor customers and reinvestment capacity. Larger companies have the ability to invest in brand equity, product development, technology optimization, risk management, and innovation, which are among the fundamentals for sustained profitable growth in the life insurance industry. Insurers are focused on their core businesses, specifically in markets where they can achieve scale. Insurers are increasingly seeking alternative sources of revenue; there is a focus on monetization of assets, fee-based services, and opportunities to offer comprehensive solutions, which include providing value-added services along with traditional products. Financial strength and flexibility and technology modernization are prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in analytics, distribution, and information technology and have the capability to engage with the new digital entrants. There is a shift in distribution from proprietary to third party models in mature markets, due to the lower cost structure. Evolving customer expectations are having a significant impact on the competitive environment as insurers strive to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the continued volatility of the financial markets and its impact on the capital position of many competitors will continue to strain the competitive environment. Legislative and other changes affecting the regulatory environment can also affect the competitive environment within the life insurance industry and within the broader financial services industry. See “— Industry Trends — Regulatory Developments,” as well as “Business — Regulation” included in the 2018 Annual Report, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments.” We believe that the aforementioned factors have highlighted financial strength, technology efficiency, and organizational agility as the most significant differentiators and, as a result, we believe the Company is well positioned to compete in this environment.

***Regulatory Developments***

The following discussion on regulatory developments should be read in conjunction with “Business — Regulation” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments” included in the 2018 Annual Report, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments.”

## ***Insurance Regulation***

*NAIC*

The National Association of Insurance Commissioners (“ NAIC”) has approved a new valuation manual containing a principle-based approach to the calculation of life insurance reserves. Principle-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 principle-based approach became effective on January 1, 2017 in the states where it had been adopted, to be followed by a three-year phase- in period (at the option of insurance companies on a product-by-product basis) for new business since it was enacted into law by the required number of state legislatures. To date, principle-based reserving has been adopted by all of the states where our insurance subsidiaries are domiciled. New York has enacted legislation that will require principle-based reserving by no later than January 1, 2020. In May 2019, the New York Department of Financial Services (“NYDFS”) formally adopted a regulation, which was initially promulgated as an emergency regulation in December 2018, under which the NYDFS is authorized to deviate from the reserve standards and valuation methods set forth in the NAIC Valuation Manual (the “Valuation Manual”), if the NYDFS determines that an alternative requirement would be in the best interest of the policyholders of New York. The NYDFS is currently developing an amended version of the regulation that will contain deviations from the Valuation Manual formulaic floor that will be a requirement in New York.

## ***ERISA, Fiduciary Considerations, and Other Pension and Retirement Regulation***

The U.S. Department of Labor (“DOL”) issued regulations that largely were applicable in 2017 that expanded the definition of “investment advice” and required an advisor to meet an impartial or “best interests” standard (“BICE”), but the regulations were formally vacated by the U.S. Court of Appeals for the Fifth Circuit in 2018. The Court of Appeals decision also vacated certain DOL amendments to prohibited transaction exemptions. The DOL has announced that it plans to issue revised fiduciary investment advice regulations in December 2019. At this time, we cannot predict what form those regulations may take or their potential impact on us.

In June 2019, the U.S Securities and Exchange Commission (“SEC”) adopted rules and interpretations addressing the standards of conduct applicable to broker-dealers and investment advisers and their associated persons. The conduct standards apply when providing brokerage and advisory products and services to benefit plans governed by the Employee Retirement Income Security Act of 1974 (“ERISA”) and Individual Retirement Accounts (“IRAs”), as well as non-benefit plan retail clients. Under the SEC rules, broker-dealers are not deemed to be fiduciaries to their clients by virtue of making recommendations but must act in the best interest of individual investor retail clients when making a recommendation. The SEC’s best interest standard is not intended to track the DOL’s former BICE standard. Unlike the DOL rule that was vacated in 2018, there is no private right of action for violation of these SEC rules. The DOL is expected to adopt a new rule that will be consistent with the SEC’s rules, including the new best interest standard.

State regulators and legislatures in Nevada, New Jersey, Maryland and New York have proposed measures that would make broker-dealers, sales agents, and investment advisers and their representatives subject to a fiduciary duty when providing products and services to customers, including pension plans and IRAs. The SEC did not indicate an intent to pre-empt state regulation in this area, and some of the state proposals would allow for a private right of action. As a result of these developments, it is possible that it may become more costly to provide our products and services to pension plans and IRAs operating in the states subject to the new rules.

In October 2018, Chilean President Sebastien Piñera submitted to Congress a new pension reform bill. In June 2019, the government agreed with the opposition party to introduce an amendment to the bill which would establish a single state-run entity to manage new 4% mandatory employer contributions through third-party financial institutions. While the proposed amendments would not impact the 10% mandatory employee contributions managed by our pension administration business in Chile, we are not able to predict with certainty the terms of the final bill and cannot currently identify all of the risks or opportunities, if any, that may be posed to our business in Chile. While President Piñera’s administration has emphasized the importance of accelerating debate on the pension reform bill, we expect that the Congressional debate may last through most of 2019.

***Derivatives Regulation***

In June 2019, the SEC adopted a set of rules that establish capital and margin requirements for security-based swaps. The rules are part of the larger regulatory framework that the SEC is establishing over security-based swap dealers and major security-based swap participants that imposes registration, disqualification, recordkeeping and reporting requirements, and cross-border regulation. The rules will become effective 18 months after the adoption by the SEC of rules on recordkeeping and cross-border regulation of security-based swap dealers and major security-based swap participants, which have been proposed and are pending. We are monitoring these developments and evaluating the potential effect these rules might have on our business.

***Securities, Broker-Dealer and Investment Adviser Regulation***

In June 2019, the SEC adopted rules and interpretations addressing the standards of conduct applicable to broker-dealers and investment advisers and their associated persons, including Regulation Best Interest, which are primarily focused on offerings of products and services to retail customers. As a result of the new rules, beginning June 30, 2020, broker-dealers recommending our variable products to retail customers will be required to comply with a "best interest" standard, which the SEC did not define but did confirm would be higher than the current suitability standard but not rise to the level of being a fiduciary, and provide disclosures about their standard of conduct and conflicts of interest, including on new Form CRS. Investment advisers to retail clients will also be required to file new Form CRS with the SEC and deliver copies of the Form to their retail clients. As noted above, the SEC rules do not include a private right of action. We are monitoring these developments and cannot at this time predict the effect they might have on our business.

**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 on 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 the aforementioned critical accounting estimates. 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 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 2018 Annual Report.

**Economic Capital**

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

Our economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. The model applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principles include calibrating required economic capital shock factors to a specific confidence level and time horizon while applying an industry standard method for the inclusion of diversification benefits among risk types. Economic capital-based risk estimation is an evolving science and industry best practices have emerged and continue to evolve. Areas of evolving industry best practices include stochastic liability valuation techniques, alternative methodologies for the calculation of diversification benefits, and the quantification of appropriate shock levels. MetLife’s management is responsible for the ongoing production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

Segment net investment income is credited or charged based on the level of allocated equity; however, changes in allocated equity do not impact our consolidated net investment income, net income (loss), or adjusted earnings.

Net investment income is based upon the actual results of each segment’s specifically identifiable investment portfolios adjusted for allocated equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature of such costs; (ii) time studies analyzing the amount of employee compensation costs incurred by each segment; and (iii) cost estimates included in the Company’s product pricing.

**Acquisitions and Dispositions**

For information regarding the Company's definitive agreement to sell its two wholly-owned subsidiaries, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited (collectively, “MetLife Hong Kong”), see Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

## Results of Operations

### *Consolidated Results*

*Business Overview.* Overall sales for the three months ended June 30, 2019 decreased from prior period levels despite higher sales in many of our businesses, due to a large pension risk transfer transaction in the prior period in our RIS business. Excluding this transaction, sales in our U.S. segment improved primarily as a result of an increase in funding agreement issuances, partially offset by lower sales of stable value products. In addition, sales improved in our Group Benefits business. Lower sales of foreign currency-denominated annuity products, partially offset by higher accident & health product sales, both in Japan, was the primary driver of lower sales in our Asia segment. Sales in our Latin America segment improved as a result of higher sales of individual and group life products in Brazil, Mexico and Chile and higher sales of individual accident & health and retirement products in Chile. In our EMEA segment, sales improved as a result of increases in our employee benefits business in the U.K. and Egypt and our credit life business in Turkey .

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Revenues** | | | | |
| Premiums | $ 10,129 | $ 15,153 | $ 19,534 | $ 24,331 |
| Universal life and investment-type product policy fees | 1,412 | 1,370 | 2,777 | 2,762 |
| Net investment income | 4,693 | 4,473 | 9,601 | 8,218 |
| Other revenues | 478 | 475 | 972 | 949 |
| Net investment gains (losses) | 61 | (227) | 76 | (560) |
| Net derivative gains (losses) | 724 | (59) | 839 | 290 |
| Total revenues | 17,497 | 21,185 | 33,799 | 35,990 |
| **Expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 10,295 | 15,175 | 19,667 | 24,190 |
| Interest credited to policyholder account balances | 1,515 | 1,424 | 3,476 | 2,193 |
| Capitalization of DAC | (837) | (834) | (1,649) | (1,630) |
| Amortization of DAC and VOBA | 689 | 707 | 1,313 | 1,400 |
| Amortization of negative VOBA | (10) | (16) | (20) | (38) |
| Interest expense on debt | 274 | 309 | 508 | 595 |
| Other expenses | 3,274 | 3,319 | 6,463 | 6,523 |
| Total expenses | 15,200 | 20,084 | 29,758 | 33,233 |
| Income (loss) before provision for income tax | 2,297 | 1,101 | 4,041 | 2,757 |
| Provision for income tax expense (benefit) | 551 | 207 | 910 | 606 |
| Net income (loss) | 1,746 | 894 | 3,131 | 2,151 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 3 | 9 | 7 |
| Net income (loss) attributable to MetLife, Inc. | 1,741 | 891 | 3,122 | 2,144 |
| Less: Preferred stock dividends | 57 | 46 | 89 | 52 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,684 | $ 845 | $ 3,033 | $ 2,092 |

***Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018***

During the three months ended June 30, 2019, net income (loss) increased $852 million from the prior period, primarily driven by favorable changes in net derivative gains (losses) and net investment gains (losses).

*Management of Investment Portfolio and Hedging Market Risks with Derivatives.* We manage our investment portfolio using disciplined asset/liability management ("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 available-for-sale ("AFS") 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. In addition, our general account investment portfolio includes, within contractholder-directed equity securities and FVO securities (collectively, "Unit-linked and FVO Securities"), contractholder-directed equity securities supporting unit-linked variable annuity type liabilities ("Unit-linked investments"), which do not qualify as separate account assets. Returns on these Unit-linked investments, which can vary significantly from period to period, include changes in estimated fair value subsequent to purchase, inure to contractholders and are offset in earnings by a corresponding change in policyholder account balances through interest credited to policyholder account balances.

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

We also use derivatives as an integral part of our management of the investment portfolio and insurance liabilities to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. A portion 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. We actively evaluate market risk hedging needs and strategies to ensure our free cash flow and capital objectives are met under a range of market conditions.

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. Ongoing refinement of the strategy may be required to take advantage of NAIC rules related to a statutory accounting election for derivatives that mitigate interest rate sensitivity related to variable annuity guarantees. The restructured hedge strategy is classified as a macro hedge program, included in the non-VA program derivatives section of the table below, to protect our overall statutory capital from significant adverse economic conditions. 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.

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

| | Three Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (In millions) | |
| **Non-VA program derivatives** | | |
| Interest rate | $ 884 | $ (2) |
| Foreign currency exchange rate | 56 | 2 |
| Credit | 64 | (4) |
| Equity | (52) | (18) |
| Non-VA embedded derivatives | (47) | (2) |
| Total non-VA program derivatives | 905 | (24) |
| **VA program derivatives** | | |
| Market risks in embedded derivatives | (19) | 256 |
| Nonperformance risk adjustment on embedded derivatives | (13) | (25) |
| Other risks in embedded derivatives | (67) | (78) |
| Total embedded derivatives | (99) | 153 |
| Freestanding derivatives hedging embedded derivatives | (82) | (188) |
| Total VA program derivatives | (181) | (35) |
| Net derivative gains (losses) | $ 724 | $ (59) |

The favorable change in net derivative gains (losses) on non-VA program derivatives was $929 million ($734 million, net of income tax). This was primarily due to long-term U.S. interest rates decreasing in the current period and increasing in the prior period, favorably impacting receive fixed interest rate swaps and options.

The unfavorable change in net derivative gains (losses) on VA program derivatives was $146 million ($115 million, net of income tax). This was due to an unfavorable change of $169 million ($134 million, net of income tax) in market risks in embedded derivatives, net of freestanding derivatives hedging market risks in embedded derivatives, partially offset by a favorable change of $12 million ($9 million, net of income tax) in the nonperformance risk adjustment on embedded derivatives, and a favorable change of $11 million, ($9 million, net of income tax) in 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 $169 million ($134 million, net of income tax) unfavorable change reflects a $275 million ($217 million, net of income tax) unfavorable change in market risks in embedded derivatives, partially offset by a $106 million ($84 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 U.S. 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. For example, the 30-year U.S. swap rate decreased 37 basis points in the current period and increased 11 basis points in the prior period.
- Changes in foreign currency exchange rates contributed to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives related to the assumed variable annuity guarantees from our former operating joint venture in Japan. For example, the Japanese yen strengthened against the U.S. dollar by 3% in the current period and weakened by 4% in the prior period.

The aforementioned $11 million ($9 million, net of income tax) favorable change in other risks in embedded derivatives reflects a combination of factors, which include fees being deducted from accounts, changes in the benefit base, premiums, lapses, withdrawals and deaths.

The aforementioned $12 million ($9 million, net of income tax) favorable change in the nonperformance risk adjustment on embedded derivatives resulted from a favorable change of $34 million, before income tax, as a result of model changes and changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees, partially offset by an unfavorable change of $22 million, before income tax, related to changes in our own credit spread.

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

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

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

*Net Investment Gains (Losses).* The favorable change in net investment gains (losses) of $288 million ($228 million, net of income tax) primarily reflects prior period losses on FVO Brighthouse Common Stock disposed of in June 2018, as well as higher gains on sales of fixed maturity securities AFS in the current period versus the prior period, partially offset by lower gains on sales of real estate joint ventures.

*Divested Businesses* . Income (loss) before provision for income tax related to the divested businesses, excluding net investment gains (losses) and net derivative gains (losses), increased $77 million ($61 million, net of income tax) to a loss of $6 million ($5 million, net of income tax) in the current period from a loss of $83 million ($66 million, net of income tax) in the prior period. Included in this increase was a decrease in total expenses of $77 million, before income tax. Divested businesses primarily include activity related to the separation of Brighthouse Financial, Inc. (the "Separation").

*Taxes.* For the three months ended June 30, 2019, our effective tax rate on income (loss) before provision for income tax was 24%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the impact from the definitive agreement to sell MetLife Hong Kong, partially offset by tax benefits related to non-taxable investment income and tax credits. For the three months ended June 30, 2018, our effective tax rate on income (loss) before provision for income tax was 19%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax benefits related to non-taxable investment income, tax credits and a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and a non-deductible loss incurred on the mark-to-market and disposition of FVO Brighthouse Common Stock.

*Adjusted Earnings* . As more fully described in "— Non-GAAP and Other Financial Disclosures," we use adjusted earnings, which does not equate to net income (loss), as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of adjusted earnings and other financial measures based on adjusted earnings, 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. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results. Adjusted earnings should not be viewed as a substitute for net income (loss). Adjusted earnings available to common shareholders and adjusted earnings available to common shareholders on a constant currency basis should not be viewed as substitutes for net income (loss) available to MetLife, Inc.'s common shareholders. Adjusted earnings available to common shareholders decreased $7 million, net of income tax, to $1,319 million, net of income tax, for the three months ended June 30, 2019 from $1,326 million, net of income tax, for the three months ended June 30, 2018.

***Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018***

During the six months ended June 30, 2019, net income (loss) increased $980 million from the prior period, primarily driven by favorable changes in net investment gains (losses) and net derivative gains (losses).

*Net Derivative Gains (Losses).* The table below presents the impact on net derivative gains (losses) from non-VA program derivatives and VA program derivatives:

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| | (In millions) | |
| **Non-VA program derivatives** | | |
| Interest rate | $ 1,311 | $ (99) |
| Foreign currency exchange rate | 54 | 289 |
| Credit | 201 | (33) |
| Equity | (278) | (1) |
| Non-VA embedded derivatives | (130) | 24 |
| Total non-VA program derivatives | 1,158 | 180 |
| **VA program derivatives** | | |
| Market risks in embedded derivatives | 366 | 252 |
| Nonperformance risk adjustment on embedded derivatives | (75) | (5) |
| Other risks in embedded derivatives | (114) | (83) |
| Total embedded derivatives | 177 | 164 |
| Freestanding derivatives hedging embedded derivatives | (496) | (54) |
| Total VA program derivatives | (319) | 110 |
| Net derivative gains (losses) | $ 839 | $ 290 |

The favorable change in net derivative gains (losses) on non-VA program derivatives was $978 million ($773 million, net of income tax). This was primarily due to a favorable change in interest rate impact due to: (i) long-term U.S. interest rates decreasing in the current period and increasing in the prior period, favorably impacting receive fixed interest rate swaps, options and total rate of return swaps; and (ii) mid-term rates decreasing in the current period and increasing in the prior period, negatively impacting interest rate caps. In addition, credit spreads narrowed in the current period and widened in the prior period, favorably impacting written credit default swaps used in replications. These favorable impacts were partially offset by the unfavorable impact of equity markets increasing more in the current period versus the prior period, unfavorably impacting equity options acquired primarily as part of our macro hedge program. Also, the weakening of the U.S. dollar in the current period versus the prior period relative to certain foreign currencies, unfavorably impacted foreign currency swaps and forwards that primarily hedge foreign currency-denominated bonds. There was also a change in the value of the underlying assets, unfavorably impacting non-VA embedded derivatives related to funds withheld on a certain reinsurance agreement. 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 items being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was $429 million ($339 million, net of income tax). This was due to an unfavorable change of $328 million ($259 million, net of income tax) in freestanding derivatives hedging market risks in embedded derivatives, net of market risks in embedded derivatives, an unfavorable change of $70 million ($55 million, net of income tax) in the nonperformance risk adjustment on embedded derivatives, and an unfavorable change of $31 million, ($24 million, net of income tax) in 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 $328 million ($259 million, net of income tax) unfavorable change reflects a $442 million ($349 million, net of income tax) unfavorable change in freestanding derivatives hedging market risks in embedded derivatives, partially offset by a $114 million ($90 million, net of income tax) favorable change in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

- Key equity index levels increased more in the current period versus the prior period, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives. For example, the S&P 500 Index increased 17% in the current period and 2% in the prior period.
- Long-term U.S. 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. For example, the 30-year U.S. swap rate decreased 62 basis points in the current period and increased 39 basis points in the prior period.
- Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives related to the assumed variable annuity guarantees from our former operating joint venture in Japan. For example, the Japanese yen strengthened against the euro by 2% in the current period and by 4% in the prior period.

The aforementioned $31 million ($24 million, net of income tax) unfavorable change in other risks in embedded derivatives reflects increased guarantee claims costs and a combination of other factors, which include fees being deducted from accounts, changes in the benefit base, premiums, lapses, withdrawals and deaths.

The aforementioned $70 million ($55 million, net of income tax) unfavorable change in the nonperformance risk adjustment on embedded derivatives resulted from an unfavorable change of $70 million, before income tax, related to changes in our own credit spread.

*Net Investment Gains (Losses).* The favorable change in net investment gains (losses) of $636 million ($502 million, net of income tax) primarily reflects prior period losses on FVO Brighthouse Common Stock disposed of in June 2018, as well as a decrease in mark-to-market losses on equity securities, both of which were measured at fair value through net income. Additionally, there were gains on sales of fixed maturity securities AFS in the current period versus losses in the prior period. These favorable changes were partially offset by lower gains on sales of real estate joint ventures.

*Divested Businesses* . Income (loss) before provision for income tax related to the divested businesses, excluding net investment gains (losses) and net derivative gains (losses), increased $79 million ($62 million, net of income tax) to a loss of $6 million ($5 million, net of income tax) in the current period from a loss of $85 million ($67 million, net of income tax) in the prior period. Included in this increase was a decrease in total revenues of $7 million, before income tax, and a decrease in total expenses of $86 million, before income tax. Divested businesses primarily include activity related to the Separation.

*Taxes.* For the six months ended June 30, 2019, our effective tax rate on income (loss) before provision for income tax was 23%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the impact from the definitive agreement to sell MetLife Hong Kong, partially offset by tax benefits related to non-taxable investment income and tax credits. For the six months ended June 30, 2018, our effective tax rate on income (loss) before provision for income tax was 22%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, a non-deductible loss incurred on the mark-to-market and disposition of FVO Brighthouse Common Stock and a tax adjustment in Chile. These tax charges were partially offset by tax benefits related to non-taxable investment income, tax credits and a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent.

*Adjusted Earnings* . Adjusted earnings available to common shareholders decreased $6 million, net of income tax, to $2,743 million, net of income tax, for the six months ended June 30, 2019 from $2,749 million, net of income tax, for the six months ended June 30, 2018.

***Reconciliation of net income (loss) to adjusted earnings available to common shareholders***

*Three Months Ended June 30, 2019*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate& Other | Total |
|---|---|---|---|---|---|---|---|
| | (In millions) | | | | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 858 | $ 501 | $ 98 | $ 101 | $ 557 | $ (431) | $ 1,684 |
| Add: Preferred stock dividends | — | — | — | — | — | 57 | 57 |
| Add: Net income (loss) attributable to noncontrolling interests | — | — | 3 | — | — | 2 | 5 |
| Net income (loss) | $ 858 | $ 501 | $ 101 | $ 101 | $ 557 | $ (372) | $ 1,746 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | 18 | 3 | (19) | 16 | 86 | (43) | 61 |
| Net derivative gains (losses) | 197 | 329 | 21 | 11 | 264 | (98) | 724 |
| Premiums | — | — | — | — | — | — | — |
| Universal life and investment-type product policy fees | — | 21 | — | 5 | 22 | — | 48 |
| Net investment income | (56) | (21) | (6) | 250 | (31) | 3 | 139 |
| Other revenues | — | 2 | — | — | — | 69 | 71 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | (6) | (3) | (62) | (2) | (42) | 3 | (112) |
| Interest credited to policyholder account balances | 6 | (5) | (10) | (242) | — | — | (251) |
| Capitalization of DAC | — | — | — | — | — | — | — |
| Amortization of DAC and VOBA | — | (19) | — | 1 | 26 | — | 8 |
| Amortization of negative VOBA | — | — | — | — | — | — | — |
| Interest expense on debt | — | — | — | — | — | — | — |
| Other expenses | — | — | 3 | (4) | — | (81) | (82) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | (33) | (165) | 15 | (11) | (67) | 25 | (236) |
| Adjusted earnings | $ 732 | $ 359 | $ 159 | $ 77 | $ 299 | $ (250) | $ 1,376 |
| Less: Preferred stock dividends | | | | | | 57 | 57 |
| Adjusted earnings available to common shareholders | | | | | | $ (307) | $ 1,319 |

*Three Months Ended June 30, 2018*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate& Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 783 | $ 234 | $ 52 | $ 71 | $ 205 | $ (500) | $ 845 |
| Add: Preferred stock dividends | — | — | — | — | — | 46 | 46 |
| Add: Net income (loss) attributable to noncontrolling interests | — | 1 | 2 | 1 | — | (1) | 3 |
| Net income (loss) | $ 783 | $ 235 | $ 54 | $ 72 | $ 205 | $ (455) | $ 894 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | 67 | 5 | 1 | 4 | (66) | (238) | (227) |
| Net derivative gains (losses) | 151 | (177) | (116) | (2) | 17 | 68 | (59) |
| Premiums | — | — | — | — | — | — | — |
| Universal life and investment-type product policy fees | — | (3) | — | 6 | 23 | — | 26 |
| Net investment income | (74) | 7 | (16) | 269 | (40) | — | 146 |
| Other revenues | — | 5 | — | — | — | 78 | 83 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | (2) | 1 | 2 | (24) | (27) | — | (50) |
| Interest credited to policyholder account balances | 1 | (16) | — | (252) | — | — | (267) |
| Capitalization of DAC | — | — | — | — | — | — | — |
| Amortization of DAC and VOBA | — | 1 | — | 1 | (1) | — | 1 |
| Amortization of negative VOBA | — | — | — | — | — | — | — |
| Interest expense on debt | — | — | — | — | — | (30) | (30) |
| Other expenses | — | — | 2 | (12) | — | (132) | (142) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | (31) | 49 | 36 | (4) | 19 | (28) | 41 |
| Adjusted earnings | $ 671 | $ 363 | $ 145 | $ 86 | $ 280 | $ (173) | $ 1,372 |
| Less: Preferred stock dividends | | | | | | 46 | 46 |
| Adjusted earnings available to common shareholders | | | | | | $ (219) | $ 1,326 |
| Adjusted earnings available to common shareholders on a constant currency basis (1) | $ 671 | $ 352 | $ 135 | $ 77 | $ 280 | $ (219) | $ 1,296 |

(1) Amounts on a reported basis for U.S., MetLife Holdings and Corporate & Other, as constant currency impact is not significant.

*Six Months Ended June 30, 2019*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate& Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,614 | $ 956 | $ 258 | $ 179 | $ 677 | $ (651) | $ 3,033 |
| Add: Preferred stock dividends | — | — | — | — | — | 89 | 89 |
| Add: Net income (loss) attributable to noncontrolling interests | — | — | 5 | 1 | — | 3 | 9 |
| Net income (loss) | $ 1,614 | $ 956 | $ 263 | $ 180 | $ 677 | $ (559) | $ 3,131 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | (19) | 10 | 12 | 5 | 110 | (42) | 76 |
| Net derivative gains (losses) | 334 | 494 | 96 | — | 44 | (129) | 839 |
| Premiums | — | — | — | — | — | — | — |
| Universal life and investment-type product policy fees | — | 22 | — | 9 | 44 | — | 75 |
| Net investment income | (112) | 92 | 3 | 840 | (63) | 6 | 766 |
| Other revenues | — | 4 | — | — | — | 137 | 141 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | (12) | (3) | (131) | 19 | (119) | 3 | (243) |
| Interest credited to policyholder account balances | 9 | (138) | (29) | (806) | — | — | (964) |
| Capitalization of DAC | — | — | — | — | — | — | — |
| Amortization of DAC and VOBA | — | (23) | — | 2 | 60 | — | 39 |
| Amortization of negative VOBA | — | — | — | — | — | — | — |
| Interest expense on debt | — | — | — | — | — | — | — |
| Other expenses | — | (1) | 6 | (25) | — | (150) | (170) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | (42) | (216) | 13 | (27) | (15) | 27 | (260) |
| Adjusted earnings | $ 1,456 | $ 715 | $ 293 | $ 163 | $ 616 | $ (411) | $ 2,832 |
| Less: Preferred stock dividends | | | | | | 89 | 89 |
| Adjusted earnings available to common shareholders | | | | | | $ (500) | $ 2,743 |

*Six Months Ended June 30, 2018*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate& Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,272 | $ 798 | $ 237 | $ 158 | $ 549 | $ (922) | $ 2,092 |
| Add: Preferred stock dividends | — | — | — | — | — | 52 | 52 |
| Add: Net income (loss) attributable to noncontrolling interests | — | 1 | 3 | 1 | — | 2 | 7 |
| Net income (loss) | $ 1,272 | $ 799 | $ 240 | $ 159 | $ 549 | $ (868) | $ 2,151 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | (43) | 83 | 4 | (2) | (172) | (430) | (560) |
| Net derivative gains (losses) | 97 | 82 | 33 | (1) | 51 | 28 | 290 |
| Premiums | — | — | — | — | — | — | — |
| Universal life and investment-type product policy fees | — | (7) | 7 | 12 | 46 | — | 58 |
| Net investment income | (128) | (79) | (23) | (24) | (79) | 5 | (328) |
| Other revenues | — | 9 | — | — | — | 157 | 166 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 6 | 1 | (47) | (19) | (38) | — | (97) |
| Interest credited to policyholder account balances | 2 | 58 | (16) | 37 | — | — | 81 |
| Capitalization of DAC | — | — | 1 | — | — | — | 1 |
| Amortization of DAC and VOBA | — | 8 | — | 2 | (5) | — | 5 |
| Amortization of negative VOBA | — | 1 | — | — | — | — | 1 |
| Interest expense on debt | — | — | — | — | — | (30) | (30) |
| Other expenses | — | (4) | 2 | (16) | — | (218) | (236) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | 14 | (43) | (6) | 3 | 41 | (10) | (1) |
| Adjusted earnings | $ 1,324 | $ 690 | $ 285 | $ 167 | $ 705 | $ (370) | $ 2,801 |
| Less: Preferred stock dividends | | | | | | 52 | 52 |
| Adjusted earnings available to common shareholders | | | | | | $ (422) | $ 2,749 |
| Adjusted earnings available to common shareholders on a constant currency basis (1) | $ 1,324 | $ 668 | $ 270 | $ 148 | $ 705 | $ (422) | $ 2,693 |

(1) Amounts on a reported basis for U.S., MetLife Holdings and Corporate & Other, as constant currency impact is not significant.

***Consolidated Results —Adjusted Earnings***

***Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018***

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

*Overview* . Adjusted earnings remained relatively flat as compared to the prior period due to offsetting variances as discussed below.

*Foreign Currency* . Changes in foreign currency exchange rates had a $ 30 million negative impact on adjusted earnings for the second quarter of 2019 compared to the prior period. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth.* We benefited from positive net flows from many of our businesses, which increased our invested asset base. Growth in the investment portfolios of our Asia, U.S. and Latin America segments resulted in higher net investment income. However, this was partially offset by a corresponding increase in interest credited expenses on certain insurance-related liabilities. Higher fee income in our Asia and Latin America segments was offset by lower fee income in our MetLife Holdings segment. A decrease in expenses was primarily due to the 2019 abatement of the annual health insurer fee under the Patient Protection and Affordable Care Act (“PPACA”). The combined impact of the items affecting our business growth, partially offset by higher DAC amortization, resulted in a $60 million increase in adjusted earnings.

*Market Factors.* Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Excluding the impact of changes in foreign currency exchange rates on net investment income in our non-U.S. segments and changes in inflation rates on our inflation-indexed investments, investment yields increased. Investment yields were positively affected by higher returns on private equities and FVO Securities, as well as higher prepayment fees. These increases were partially offset by lower yields on fixed income securities and lower income from derivatives. In addition, lower earnings on our securities lending program resulted primarily from lower margins, due to a flatter yield curve. Higher average interest credited rates on our deposit-type liabilities, partially offset by lower rates on our long-duration liabilities, drove a net increase in interest credited expenses. The changes in market factors discussed above resulted in a $ 24 million increase in adjusted earnings.

*Underwriting and Other Insurance Adjustments.* Unfavorable underwriting resulted in a $ 26 million decrease in adjusted earnings, primarily as a result of less favorable claims experience in our Group Benefits business, an increase in non-catastrophe claim costs in our Property & Casualty business and unfavorable mortality, driven by our MetLife Holdings segment. This decline in adjusted earnings was partially offset by lower catastrophe-related losses, favorable mortality in our U.S. segment and favorable morbidity in our MetLife Holdings segment. Refinements to DAC and certain insurance-related liabilities, which were recorded in both periods, resulted in a $ 31 million increase in adjusted earnings, primarily in our U.S. segment.

*Expenses and Taxes.* Expenses increased slightly as compared to the prior period, which reduced adjusted earnings by $6 million. For the three months ended June 30, 2019, our effective tax rate on adjusted earnings was 19%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax benefits from non-taxable investment income and tax credits, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate. For the three months ended June 30, 2018, our effective tax rate on adjusted earnings was 15%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax benefits from non-taxable investment income, tax credits and a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate.

***Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018***

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

*Overview* . Adjusted earnings remained relatively flat as compared to the prior period due to offsetting variances as discussed below.

*Foreign Currency* . Changes in foreign currency exchange rates had a $ 56 million negative impact on adjusted earnings for the first six months of 2019 compared to the prior period. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth.* We benefited from positive net flows from many of our businesses, which increased our invested asset base. Growth in the investment portfolios of our U.S., Asia, and Latin America segments resulted in higher net investment income. However, this was partially offset by a corresponding increase in interest credited expenses on certain insurance-related liabilities. Higher fee income in our Asia and Latin America segments was offset by lower fee income in our MetLife Holdings segment. Business growth also drove an increase in commissions, which was largely offset by higher DAC capitalization. A decrease in expenses was primarily due to the 2019 abatement of the annual health insurer fee under the PPACA. The combined impact of the items affecting our business growth, partially offset by higher DAC amortization, resulted in a $ 138 million increase in adjusted earnings.

*Market Factors.* Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Excluding the impact of changes in foreign currency exchange rates on net investment income in our non-U.S. segments and changes in inflation rates on our inflation-indexed investments, investment yields increased. Investment yields were positively affected by higher returns on FVO Securities, higher yields on mortgage loans and higher prepayment fees. These increases were partially offset by lower income from derivatives and lower returns on real estate investments. In addition, lower earnings on our securities lending program resulted primarily from lower margins, due to a flatter yield curve. Higher investment yields were more than offset by a net increase in interest credited expenses due to the impact of interest rate fluctuations, period over period, which resulted in an increase in our average interest credited rates on deposit-type liabilities, partially offset by lower rates on long-duration liabilities. The changes in market factors discussed above, partially offset by lower DAC amortization, resulted in a $ 16 million decrease in adjusted earnings .

*Underwriting and Other Insurance Adjustments.* Favorable underwriting resulted in a slight increase in adjusted earnings primarily as a result of favorable mortality in our U.S. segment, favorable morbidity in our Group Benefits business and lower catastrophe losses, partially offset by increases in non-catastrophe claim costs in our Property & Casualty business, unfavorable claims experience in our Asia segment and unfavorable mortality in our MetLife Holdings and Latin America segments. Refinements to DAC and certain insurance-related liabilities, which were recorded in both periods, resulted in a $ 33 million decrease in adjusted earnings, primarily driven by our MetLife Holdings segment, partially offset by our U.S. segment.

*Interest Expense on Debt.* Interest expense on debt decreased by $ 45 million , primarily due to the exchange of senior notes for Brighthouse Financial, Inc. common stock and the redemption of senior notes for cash in 2018, partially offset by a premium paid in excess of the debt principal and accrued and unpaid interest redeemed in the current period .

*Preferred Stock Dividends.* Preferred stock dividends increased $ 37 million as a result of the issuance of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D (“Series D preferred stock”) in March 2018 and Non-Cumulative Preferred Stock, Series E (“Series E preferred stock”) in June 2018 .

*Expenses.* Expenses increased $17 million as a result of higher costs associated with corporate initiatives and projects, including the continued investment in our unit cost initiative, partially offset by lower interest on uncertain tax positions.

*Taxes*. For the six months ended June 30, 2019, our effective tax rate on adjusted earnings was 19%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax benefits from non-taxable investment income and tax credits, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate. For the six months ended June 30, 2018, our effective tax rate on adjusted earnings was 18%. Our effective tax rate differed from the U.S. statutory rate primarily due to tax benefits from non-taxable investment income, tax credits and a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and a tax adjustment in Chile.

***Segment Results and Corporate & Other***

**U.S.**

*Business Overview.* Sales decreased for the segment for the three months ended June 30, 2019 compared to the prior period, primarily driven by a large pension risk transfer transaction in the prior period in our RIS business. Excluding this transaction, RIS sales improved primarily due to an increase in funding agreement issuances, partially offset by lower sales of stable value products. Changes in premiums for the RIS business were almost entirely offset by the related changes in policyholder benefits and claims. Sales increased in our Group Benefits and Property & Casualty businesses as compared to the prior period.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 6,234 | $ 11,302 | $ 11,801 | $ 16,519 |
| Universal life and investment-type product policy fees | 274 | 262 | 544 | 520 |
| Net investment income | 1,795 | 1,719 | 3,514 | 3,381 |
| Other revenues | 223 | 203 | 444 | 407 |
| Total adjusted revenues | 8,526 | 13,486 | 16,303 | 20,827 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 6,101 | 11,233 | 11,474 | 16,371 |
| Interest credited to policyholder account balances | 504 | 439 | 1,005 | 846 |
| Capitalization of DAC | (127) | (114) | (241) | (220) |
| Amortization of DAC and VOBA | 117 | 114 | 231 | 229 |
| Interest expense on debt | 3 | 4 | 5 | 6 |
| Other expenses | 1,009 | 965 | 2,002 | 1,926 |
| Total adjusted expenses | 7,607 | 12,641 | 14,476 | 19,158 |
| Provision for income tax expense (benefit) | 187 | 174 | 371 | 345 |
| Adjusted earnings | $ 732 | $ 671 | $ 1,456 | $ 1,324 |

*Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018*

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

*Business Growth* . The impact of positive net flows from funding agreement issuances in the current period and the impact of a large pension risk transfer transaction in the prior period resulted in higher average invested assets, improving net investment income. However, consistent with the growth in average invested assets, interest credited expenses on both long-duration and deposit-type liabilities increased. Higher volume-related and premium tax expenses were partially offset by lower direct expenses, including certain employee-related expenses. This net increase in expenses, mostly offset by the decrease due to the 2019 abatement of the annual health insurer fee under the PPACA, was more than offset by a corresponding increase in premiums, fees and other revenues. The combined impact of the items affecting our business growth increased adjusted earnings by $46 million.

*Market Factors* . Market factors, including interest rate levels, variability in equity market returns and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased slightly, primarily due to lower income from derivatives, lower yields from fixed income securities and real estate investments, and lower earnings on our securities lending program, primarily from lower margins due to a flatter yield curve. These decreases were partially offset by higher prepayment fees and higher yields on mortgage loans and private equities. However, net investment income increased slightly from the impact of an increased crediting rate on interest on economic capital. Higher average interest credited rates on our deposit-type liabilities, partially offset by lower rates on our long-duration liabilities, drove a net increase in interest credited expenses. The changes in market factors discussed above resulted in a $20 million decrease in adjusted earnings.

*Underwriting and Other Insurance Adjustments* . Mortality results improved $16 million as compared to the prior period as a result of favorable claims experience in our term life and accidental death & dismemberment businesses, primarily driven by lower severity, partially offset by less favorable mortality in our universal life, pension risk transfer and structured settlement businesses. Less favorable claims experience in our Group Benefits business resulted in a $20 million decrease in adjusted earnings. This was primarily driven by unfavorable prior period development coupled with an increase in utilization in our dental business. In addition, an increase in claims severity, which was partially offset by the impact of favorable renewal results and an increase in recoveries in our group disability business, contributed to this decrease. In our Property & Casualty business, lower catastrophe-related losses were partially offset by an increase in non-catastrophe claim costs, which resulted in a $7 million increase in adjusted earnings. Non-catastrophe claim costs were driven by higher severities and frequencies in both our auto and homeowner businesses. Refinements to certain insurance and other liabilities, which were recorded in both periods, resulted in a $32 million increase in adjusted earnings.

*Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018*

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

*Business Growth* . The impact of positive flows from funding agreement issuances in the current period and the impact of a large pension risk transfer transaction in the prior period resulted in higher average invested assets, improving net investment income. However, consistent with the growth in average invested assets, interest credited expenses on long-duration liabilities increased. Higher volume-related and premium tax expenses were partially offset by lower direct expenses, including certain employee-related expenses. This net increase in expenses, mostly offset by the decrease due to the 2019 abatement of the annual health insurer fee under the PPACA, was more than offset by a corresponding increase in premiums, fees and other revenues. The combined impact of the items affecting our business growth increased adjusted earnings by $90 million.

*Market Factors* . Market factors, including interest rate levels, variability in equity market returns and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased primarily due to lower income from derivatives, lower yields on fixed income securities, private equities and lower earnings on our securities lending program, primarily from lower margins due to a flatter yield curve. These decreases were partially offset by higher yields on mortgage loans and higher prepayment fees. In addition, net investment income increased as a result of the impact of an increased crediting rate on interest on economic capital. The impact of interest rate fluctuations, period over period, resulted in an increase in our average interest credited rates on deposit-type liabilities, partially offset by lower rates on our long-duration liabilities, which drove a net increase in interest credited expenses. The changes in market factors discussed above resulted in an $83 million decrease in adjusted earnings.

*Underwriting and Other Insurance Adjustments* . Mortality results improved $48 million as compared to the prior period, as a result of favorable claims experience in our term life business, primarily due to lower severity in the current period and the unfavorable impact of the influenza virus in the prior period, partially offset by less favorable mortality in our universal life, pension risk transfer and structured settlement businesses. Favorable claims experience and the impact of growth in our Group Benefits business resulted in a $27 million increase in adjusted earnings. This was primarily driven by lower claim severity, favorable renewal results and an increase in recoveries in our group disability business. The impact of growth in the business and favorable claims experience in both our accident & health and individual disability businesses also contributed to the increase in adjusted earnings. These favorable results were partially offset by less favorable dental results, driven by an increase in utilization and the impact of unfavorable prior period development in the current period. In our Property & Casualty business, lower catastrophe-related losses were largely offset by higher non-catastrophe claims costs. Non-catastrophe claim costs were driven by higher severities in both our auto and homeowner businesses. Refinements to certain insurance and other liabilities, which were recorded in both periods, resulted in a $54 million increase in adjusted earnings.

***Asia***

*Business Overview.* Sales for the three months ended June 30, 2019 decreased compared to the prior period, primarily driven by lower sales of foreign currency-denominated annuity products, partially offset by higher accident & health product sales, both in Japan.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 1,631 | $ 1,654 | $ 3,330 | $ 3,402 |
| Universal life and investment-type product policy fees | 419 | 399 | 825 | 793 |
| Net investment income | 944 | 839 | 1,824 | 1,634 |
| Other revenues | 13 | 13 | 29 | 28 |
| Total adjusted revenues | 3,007 | 2,905 | 6,008 | 5,857 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 1,279 | 1,237 | 2,598 | 2,580 |
| Interest credited to policyholder account balances | 424 | 362 | 827 | 713 |
| Capitalization of DAC | (472) | (495) | (951) | (960) |
| Amortization of DAC and VOBA | 312 | 313 | 619 | 627 |
| Amortization of negative VOBA | (7) | (12) | (16) | (27) |
| Other expenses | 955 | 976 | 1,910 | 1,928 |
| Total adjusted expenses | 2,491 | 2,381 | 4,987 | 4,861 |
| Provision for income tax expense (benefit) | 157 | 161 | 306 | 306 |
| Adjusted earnings | $ 359 | $ 363 | $ 715 | $ 690 |

*Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018*

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

*Foreign Currency* . Changes in foreign currency exchange rates decreased adjusted earnings by $11 million for the second quarter of 2019 compared to the prior period, primarily due to the weakening of the Japanese yen and Korean won against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth* . Asia’s premiums, fees and other revenues increased slightly as compared to the prior period as higher sales of accident & health and fee-based foreign currency-denominated life products were largely offset by a decline in sales of premium-based yen-denominated life products. The decrease in premiums from yen-denominated life products was partially offset by a related decline in policyholder benefits. Positive net flows in Japan and Korea resulted in higher average invested assets, which improved net investment income. The increase in net investment income was partially offset by a corresponding increase in interest credited expenses on certain insurance liabilities. The combined impact of the items affecting our business growth improved adjusted earnings by $22 million.

*Market Factors* . Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment results were favorably impacted by higher earnings from our operating joint venture in China (mainly driven by a regulatory change), higher returns from hedge funds and real estate investments, and higher derivative income. These increases were partially offset by lower returns on private equities, lower prepayment fees and lower yields on fixed income securities supporting U.S. dollar-denominated products sold in Japan. The changes in market factors discussed above increased adjusted earnings by $18 million.

*Underwriting and Other Insurance Adjustments.* Higher claims in Japan decreased adjusted earnings by $11 million. Refinements to certain insurance liabilities and other liabilities which were recorded in both periods resulted in a $14 million decrease in adjusted earnings. Our prior period results include a favorable liability refinement of $20 million in Japan, partially offset by an unfavorable liability refinement of $10 million in Bangladesh.

*Expenses and Taxes.* Expenses increased slightly as compared to the prior period. Our current period results include a charge of $4 million related to a withholding tax provision on dividends from our operating joint venture in China.

*Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018*

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

*Foreign Currency* . Changes in foreign currency exchange rates decreased adjusted earnings by $22 million for the first six months of 2019 compared to the prior period, primarily due to the weakening of the Japanese yen and Korean won against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth* . Asia's premiums, fees and other revenues increased slightly from the prior period mainly driven by growth in accident & health and foreign currency-denominated life products in Japan, as well as business growth across most Asia countries, partially offset by a decrease in premiums from yen-denominated life products. The decrease in premiums from yen-denominated life products was partially offset by a related decline in policyholder benefits. Positive net flows in Japan and Korea resulted in higher average invested assets, which improved net investment income. The increase in net investment income was partially offset by a corresponding increase in interest credited expenses on certain insurance liabilities. The combined impact of the items affecting our business growth improved adjusted earnings by $66 million.

*Market Factors* . Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment results were favorably impacted by higher earnings from our operating joint venture in China (mainly driven by a regulatory change), higher derivative income and higher returns from real estate investments and hedge funds. In addition, an increase in higher-yielding fixed income securities supporting U.S. dollar-denominated products sold in Japan, partially offset by lower yields on fixed income securities in Korea, improved net investment income. These increases were partially offset by lower returns on private equities. The changes in market factors discussed above increased adjusted earnings by $40 million.

*Underwriting and Other Insurance Adjustments.* Higher claims and lapses in Japan decreased adjusted earnings by $35 million. Refinements to certain insurance liabilities and other liabilities in both periods resulted in an $18 million decrease in adjusted earnings. Our prior period results include a favorable liability refinement of $20 million in Japan, partially offset by an unfavorable liability refinement of $10 million in Bangladesh.

*Expenses and Taxes.* Expenses increased slightly as compared to the prior period, which reduced adjusted earnings by $5 million. Our current period results include a charge of $4 million related to a withholding tax provision on dividends from our operating joint venture in China.

***Latin America***

*Business Overview.* Sales for the three months ended June 30, 2019 increased compared to the prior period, primarily driven by higher sales of individual and group life products in Brazil, Mexico and Chile and higher sales of individual accident & health and retirement products in Chile.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 773 | $ 688 | $ 1,419 | $ 1,387 |
| Universal life and investment-type product policy fees | 280 | 275 | 564 | 557 |
| Net investment income | 360 | 327 | 656 | 603 |
| Other revenues | 11 | 9 | 23 | 17 |
| Total adjusted revenues | 1,424 | 1,299 | 2,662 | 2,564 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 790 | 660 | 1,387 | 1,306 |
| Interest credited to policyholder account balances | 86 | 95 | 180 | 193 |
| Capitalization of DAC | (100) | (91) | (194) | (185) |
| Amortization of DAC and VOBA | 79 | 71 | 157 | 131 |
| Interest expense on debt | 1 | 1 | 2 | 3 |
| Other expenses | 352 | 363 | 718 | 701 |
| Total adjusted expenses | 1,208 | 1,099 | 2,250 | 2,149 |
| Provision for income tax expense (benefit) | 57 | 55 | 119 | 130 |
| Adjusted earnings | $ 159 | $ 145 | $ 293 | $ 285 |

*Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018*

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

*Foreign Currency* . Changes in foreign currency exchange rates decreased adjusted earnings by $10 million for the second quarter of 2019 compared to the prior period mainly due to the weakening of the Argentinian and Chilean pesos against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth* . Latin America experienced growth across several lines of business primarily within Chile and Mexico. This growth resulted in increased premiums and policy fee income, which was partially offset by related changes in policyholder benefits. Positive net flows, primarily from Chile and Argentina, resulted in an increase in average invested assets and generated higher net investment income. Although business growth drove an increase in commissions, net of DAC capitalization, this was more than offset by decreases in interest credited expense on certain insurance liabilities and other variable expenses. The combined impact of the items affecting business growth, partially offset by higher DAC amortization, increased adjusted earnings by $23 million.

*Market Factors* . Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields increased, driven by higher yields on FVO Securities, due to the favorable impact of equity markets on our Chilean encaje. These increases in investment yields were partially offset by lower derivative income in Mexico and Chile and lower yields on mortgage loans in Chile. The changes in market factors discussed above increased adjusted earnings by $14 million.

*Underwriting and Other Insurance Adjustments* . Unfavorable underwriting resulted in a $7 million decrease to adjusted earnings primarily driven by higher claims experience across the region. Refinements to certain insurance liabilities and other adjustments in both periods, primarily in Mexico, Brazil and Chile, resulted in a $4 million decrease to adjusted earnings.

*Expenses and Taxes* . Expenses increased slightly as compared to the prior period, which reduced adjusted earnings by $5 million. Certain tax-related adjustments in both periods resulted in a net increase in adjusted earnings of $4 million.

*Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018*

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

*Foreign Currency* . Changes in foreign currency exchange rates decreased adjusted earnings by $15 million for the first six months of 2019 compared to the prior period mainly due to the weakening of the Argentinian and Chilean pesos against the U.S. dollar. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth* . Latin America experienced growth across several lines of business primarily within Chile and Mexico. This growth resulted in increased premiums and policy fee income, which was partially offset by related changes in policyholder benefits. Positive net flows, primarily from Chile and Argentina, resulted in an increase in average invested assets and generated higher net investment income. Although business growth drove an increase in commissions, net of DAC capitalization, this was more than offset by decreases in interest credited expense on certain insurance liabilities and other variable expenses. The combined impact of the items affecting business growth, partially offset by higher DAC amortization, increased adjusted earnings by $37 million.

*Market Factors* . Market factors, including interest rate levels and variability in equity market returns, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields increased, driven by higher yields on FVO Securities, due to the favorable impact of equity markets on our Chilean encaje, and fixed income securities in Mexico and Argentina. These increases in investment yields were partially offset by lower derivative income in Mexico and Chile and lower yields on mortgage loans in Chile. The changes in market factors discussed above increased adjusted earnings by $44 million.

*Underwriting and Other Insurance Adjustments* . Unfavorable underwriting resulted in a $14 million decrease to adjusted earnings primarily driven by higher claims experience across the region. Refinements to certain insurance liabilities and other adjustments in both periods, primarily in Brazil, Chile and Mexico, resulted in a slight decrease to adjusted earnings.

*Expenses and Taxes* . A $50 million increase in expenses was primarily the result of a prior period reduction of a litigation reserve in Argentina, along with various other expense increases. T ax-related adjustments in both periods, primarily related to foreign exchange volatility in Argentina, resulted in a net decrease in adjusted earnings of $15 million. Prior period results also include tax expenses of $23 million primarily driven by a $17 million tax charge related to a tax adjustment in Chile and a $5 million tax charge in Colombia to establish a deferred tax liability due to a change in tax status.

***EMEA***

*Business Overview.* Sales for the three months ended June 30, 2019 increased compared to the prior period, primarily driven by increases in our employee benefits business in the U.K. and Egypt, as well as our credit life business in Turkey.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 551 | $ 546 | $ 1,093 | $ 1,097 |
| Universal life and investment-type product policy fees | 105 | 107 | 208 | 219 |
| Net investment income | 73 | 73 | 147 | 148 |
| Other revenues | 13 | 20 | 27 | 36 |
| Total adjusted revenues | 742 | 746 | 1,475 | 1,500 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 292 | 286 | 576 | 580 |
| Interest credited to policyholder account balances | 23 | 26 | 47 | 51 |
| Capitalization of DAC | (126) | (121) | (243) | (239) |
| Amortization of DAC and VOBA | 107 | 108 | 199 | 214 |
| Amortization of negative VOBA | (3) | (4) | (4) | (10) |
| Other expenses | 350 | 339 | 688 | 690 |
| Total adjusted expenses | 643 | 634 | 1,263 | 1,286 |
| Provision for income tax expense (benefit) | 22 | 26 | 49 | 47 |
| Adjusted earnings | $ 77 | $ 86 | $ 163 | $ 167 |

*Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018*

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

*Foreign Currency.* Changes in foreign currency exchange rates decreased adjusted earnings by $9 million for the second quarter of 2019 as compared to the prior period, primarily driven by the strengthening of the U.S. dollar against the Turkish lira and the euro. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth* . Growth from our accident & health and credit life businesses in Turkey and across several European markets, partially offset by a decrease in our pensions business in Romania due to regulatory changes, increased adjusted earnings by $2 million.

*Underwriting and Other Insurance Adjustments* . Favorable underwriting, primarily in our accident & health and employee benefits businesses in the Gulf, increased adjusted earnings by $6 million. Refinements to certain insurance-related assets and liabilities that were recorded in both periods resulted in a $4 million increase in adjusted earnings.

*Expenses.* Adjusted earnings decreased by $13 million, primarily due to the prior period release of provisions arising from the finalization of historic corporate tax filings.

*Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018*

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

*Foreign Currency.* Changes in foreign currency exchange rates decreased adjusted earnings by $19 million for the first six months of 2019 as compared to the prior period, primarily driven by the strengthening of the U.S. dollar against the Turkish lira, the euro, the British pound and the Polish zloty. Unless otherwise stated, all amounts discussed below are net of foreign currency fluctuations. Foreign currency fluctuations can result in significant variances in the financial statement line items.

*Business Growth* . Growth from our accident & health and credit life businesses in Turkey and across several European markets, partially offset by a decrease in our pensions business in Romania due to regulatory changes, increased adjusted earnings by $6 million.

*Market Factors* . Market factors, including interest rate levels and variability in equity market returns, impacted our results favorably by $7 million primarily due to higher investment yields in Turkey and Ukraine.

*Underwriting and Other Insurance Adjustments* . Favorable underwriting, primarily in our accident & health business in the Gulf and Turkey, as well as favorable underwriting in our employee benefits business in the Gulf, increased adjusted earnings by $14 million. Refinements to certain insurance-related assets and liabilities that were recorded in both periods resulted in a $7 million increase in adjusted earnings.

*Expenses and Taxes.* Adjusted earnings decreased by $15 million, primarily due to the prior period release of provisions arising from the finalization of historic corporate tax filings. Adjusted earnings decreased by $4 million due to an unfavorable revision to a tax asset in Greece.

***MetLife Holdings***

*Business Overview.* Our MetLife Holdings segment consists of operations relating to products and businesses, previously included in our former retail business, that we no longer actively market in the United States. We anticipate an average decline in premiums, fees and other revenues of approximately 5% per year from expected business run-off.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 924 | $ 957 | $ 1,851 | $ 1,907 |
| Universal life and investment-type product policy fees | 286 | 301 | 560 | 615 |
| Net investment income | 1,338 | 1,329 | 2,625 | 2,681 |
| Other revenues | 65 | 68 | 132 | 135 |
| Total adjusted revenues | 2,613 | 2,655 | 5,168 | 5,338 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 1,703 | 1,706 | 3,351 | 3,256 |
| Interest credited to policyholder account balances | 227 | 235 | 453 | 471 |
| Capitalization of DAC | (8) | (10) | (14) | (20) |
| Amortization of DAC and VOBA | 80 | 101 | 143 | 201 |
| Interest expense on debt | 2 | 2 | 4 | 4 |
| Other expenses | 237 | 275 | 464 | 551 |
| Total adjusted expenses | 2,241 | 2,309 | 4,401 | 4,463 |
| Provision for income tax expense (benefit) | 73 | 66 | 151 | 170 |
| Adjusted earnings | $ 299 | $ 280 | $ 616 | $ 705 |

*Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018*

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

*Business Growth* . The negative net flows in our deferred annuities business and a decrease in universal life deposits resulted in lower fee income. Slightly lower net investment income, resulting from a reduced invested asset base, also decreased adjusted earnings. The combined impact of the items affecting our business growth, partially offset by lower DAC amortization, resulted in a $24 million decrease in adjusted earnings.

*Market Factors* . Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields increased primarily due to higher returns on private equities and FVO Securities, as well as increased prepayments. The increase in investment yields was partially offset by a decline in yields on fixed income securities and lower returns on real estate investments. In our deferred annuity business, higher equity returns drove an increase in asset-based fee income. The changes in market factors discussed above resulted in a $9 million increase in adjusted earnings.

*Underwriting and Other Insurance Adjustments.* Adjusted earnings decreased $14 million, primarily driven by less favorable underwriting in our traditional life business. Refinements to DAC that were recorded in the current period resulted in a $13 million increase in adjusted earnings.

*Expenses* . Adjusted earnings increased by $33 million as a result of lower expenses, primarily as a result of enterprise-wide initiatives, as well as declines in employee-related costs.

*Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018*

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

*Business Growth* . The negative net flows in our deferred annuities business and a decrease in universal life deposits resulted in lower fee income. Lower net investment income, resulting from a reduced invested asset base, primarily in fixed income securities, decreased adjusted earnings. The reduced invested asset base is primarily the result of negative net flows in our deferred annuities and life businesses. This decline was partially offset by invested asset growth from our long-term care business. The combined impact of the items affecting our business growth, partially offset by lower DAC amortization, resulted in a $51 million decrease in adjusted earnings.

*Market Factors* . Market factors, including interest rate levels, variability in equity market returns, and foreign currency exchange rate fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields decreased primarily due to lower yields on fixed income securities and lower returns on real estate investments. The decline in investment yields was partially offset by increased prepayment fees and higher returns on FVO Securities. The changes in market factors discussed above, partially offset by lower DAC amortization, resulted in a $14 million decrease in adjusted earnings.

*Underwriting and Other Insurance Adjustments.* Adjusted earnings decreased $31 million, primarily driven by less favorable underwriting in our traditional life and annuity businesses. Refinements to DAC and certain insurance-related liabilities that were recorded in both periods resulted in an $75 million decrease in adjusted earnings. This includes a prior period favorable reserve adjustment relating to certain variable annuity guarantees assumed from a former joint venture in Japan.

*Expenses* . Adjusted earnings increased by $73 million as a result of lower expenses, primarily due to declines in employee-related costs, as well as lower expenses as a result of enterprise-wide initiatives.

***Corporate & Other***

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 16 | $ 6 | $ 40 | $ 19 |
| Universal life and investment-type product policy fees | — | — | 1 | — |
| Net investment income | 44 | 40 | 69 | 99 |
| Other revenues | 82 | 79 | 176 | 160 |
| Total adjusted revenues | 142 | 125 | 286 | 278 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 18 | 3 | 38 | — |
| Capitalization of DAC | (4) | (3) | (6) | (5) |
| Amortization of DAC and VOBA | 2 | 1 | 3 | 3 |
| Interest expense on debt | 268 | 272 | 497 | 552 |
| Other expenses | 289 | 259 | 511 | 491 |
| Total adjusted expenses | 573 | 532 | 1,043 | 1,041 |
| Provision for income tax expense (benefit) | (181) | (234) | (346) | (393) |
| Adjusted earnings | (250) | (173) | (411) | (370) |
| Less: Preferred stock dividends | 57 | 46 | 89 | 52 |
| Adjusted earnings available to common shareholders | $ (307) | $ (219) | $ (500) | $ (422) |

The table below presents adjusted earnings available to common shareholders by source:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | (In millions) | | | |
| Business activities | $ 12 | $ 12 | $ 25 | $ 18 |
| Net investment income | 46 | 50 | 75 | 107 |
| Interest expense on debt | (280) | (282) | (519) | (575) |
| Corporate initiatives and projects | (117) | (97) | (217) | (136) |
| Other | (92) | (90) | (121) | (177) |
| Provision for income tax (expense) benefit and other tax-related items | 181 | 234 | 346 | 393 |
| Preferred stock dividends | (57) | (46) | (89) | (52) |
| Adjusted earnings available to common shareholders | $ (307) | $ (219) | $ (500) | $ (422) |

Three Months Ended June 30, 2019 Compared with the Three Months Ended June 30, 2018

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

*Interest Expense on Debt.* Interest expense on debt decreased slightly, primarily due to the exchange of senior notes for FVO Brighthouse Common Stock and the redemption of senior notes for cash in 2018, largely offset by a premium paid in excess of the debt principal and accrued and unpaid interest redeemed in the current period.

*Corporate Initiatives and Projects* . Adjusted earnings decreased $16 million due to higher expenses associated with corporate initiatives and projects, most notably, costs associated with the continued investment in our unit cost initiative, partially offset by lower costs associated with certain other enterprise-wide initiatives.

*Provision for Income Tax (Expense) Benefit and Other Tax-Related Items.* An unfavorable change in Corporate & Other's effective tax rate was primarily due to a prior period tax benefit related to a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent and lower utilization of tax preferenced items, which include non-taxable investment income, tax credits, and foreign earnings taxed at different rates than the U.S. statutory rate.

*Other.* Adjusted earnings decreased slightly, primarily as a result of a loss related to the sale of a run-off business that was previously reinsured and increases in certain corporate-related and legal expenses, partially offset by lower interest expenses on tax positions.

*Preferred Stock Dividends* . Preferred stock dividends increased $11 million as a result of the issuance of Series E preferred stock in June 2018.

Six Months Ended June 30, 2019 Compared with the Six Months Ended June 30, 2018

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

*Business Activities.* Adjusted earnings from business activities increased $6 million. This was primarily related to improved results from our start-up operations.

*Net Investment Income.* Higher losses on tax credit partnerships and lower returns on private equities, hedge funds and real estate investments unfavorably impacted net investment income. These decreases were partially offset by an increase in income on fixed income securities, resulting in a decrease of $25 million in net investment income.

*Interest Expense on Debt.* Interest expense on debt decreased by $44 million, primarily due to the exchange of senior notes for FVO Brighthouse Common Stock and the redemption of senior notes for cash in 2018, partially offset by a premium paid in excess of the debt principal and accrued and unpaid interest redeemed in the current period.

*Corporate Initiatives and Projects* . Adjusted earnings decreased $64 million due to higher expenses associated with corporate initiatives and projects, most notably, costs associated with the continued investment in our unit cost initiative, partially offset by lower costs associated with certain other enterprise-wide initiatives.

*Provision for Income Tax (Expense) Benefit and Other Tax-Related Items.* An unfavorable change in Corporate & Other's effective tax rate was primarily due to a prior period tax benefit related to a non-cash transfer of assets from a wholly-owned U.K. investment subsidiary to its U.S. parent and lower utilization of tax preferenced items, which include non-taxable investment income, tax credits, and foreign earnings taxed at different rates than the U.S. statutory rate.

*Other*. Adjusted earnings increased $44 million, primarily as a result of lower interest expenses on tax positions, lower legal expenses and declines in various other expenses, partially offset by a loss related to the sale of a run-off business that was previously reinsured, as well as increases in certain corporate-related expenses.

*Preferred Stock Dividends* . Preferred stock dividends increased $37 million as a result of the issuance of Series D preferred stock in March 2018 and Series E preferred stock in June 2018.

## Investments

### *Investment Risks*

Our primary investment objective is to optimize, net of income tax, risk-adjusted net 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 through the Investments Risk Committee using a risk control framework comprised of policies, procedures and limits. This committee reviews and monitors investment risk limits and tolerances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks" included in the 2018 Annual Report for an explanation of investment risks and our risk control framework.

### *Current Environment*

As a global insurance company, we continue to be impacted by the changing global financial and economic environment, as well as the monetary policy of central banks around the world. See "— Industry Trends — Financial and Economic Environment." Measures taken by central banks, including with respect to the level of interest rates, may have an impact on the pricing levels of risk-bearing investments and may adversely impact our business operations, investment portfolio and derivatives. The current environment continues to impact our net investment income, net investment gains (losses), net derivative gains (losses), 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 "Risk Factors — Economic Environment and Capital Markets Risks — Difficult Economic Conditions May Adversely Affect Our Business, Results of Operations and Financial Condition" included in the 2018 Annual Report.

#### ***European Investments***

To support our European insurance operations and related policyholder liabilities, we maintain general account investments in Europe and certain of our non-European operations invest in Europe for diversification. We have proactively mitigated risk in both direct and indirect European exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries, including the U.K., France, Germany, the Netherlands, Poland, Ireland and Switzerland. The sovereign and agency debt of these countries have investment grade credit ratings from major rating agencies. European sovereign and agency fixed maturity securities AFS and perpetual hybrid securities classified as non-redeemable preferred stock are invested in a diversified portfolio of primarily non-financial services securities. At June 30, 2019 , our exposure to such securities, including loan-backed securities, totaled $43.3 billion , at estimated fair value, of which $8.5 billion was in sovereign and agency fixed maturity securities AFS. See "— Fixed Maturity Securities AFS and Equity Securities," as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Current Environment — European Investments" included in the 2018 Annual Report for further information.

#### ***Selected Country and Sector Investments***

We have exposure to country-specific volatility from both maintaining general account investments to support our insurance operations and related policyholder liabilities where we operate and through our global portfolio diversification. This includes exposure to country-specific volatility in the U.K., China, Argentina and Turkey. Our investment in sovereign fixed maturity securities AFS of these countries was $897 million at estimated fair value, at June 30, 2019. Our exposure to sovereign fixed maturity securities AFS of these countries net of purchased credit default swaps was $855 million at June 30, 2019. The notional value and estimated fair value of the sovereign purchased credit default swaps was $48 million and $6 million, respectively, at June 30, 2019 . Our exposure to total fixed maturity securities AFS on a country of risk basis, to those countries, including corporate and loan-backed securities was $17.7 billion, at estimated fair value, and $17.5 billion, at amortized cost, at June 30, 2019.

We also have sector specific exposure to volatility, including the impact of variability in oil prices on the energy sector. Our investment in energy sector fixed maturity securities AFS was $9.5 billion, at estimated fair value, and $8.8 billion, at amortized cost, at June 30, 2019. Our exposure to energy sector fixed maturity securities AFS inclusive of sold credit default swaps was $9.5 billion at June 30, 2019 . The notional value and estimated fair value of the energy sector sold credit default swaps was $30 million and less than $1 million, respectively, at June 30, 2019 .

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

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***Investment Portfolio Results***

The reconciliation of net investment income under GAAP to net investment income, as reported on an adjusted earnings basis, is presented below.

| | For the Three Months Ended June 30, 2019 | For the Three Months Ended June 30, 2018 | For the Six Months Ended June 30, 2019 | For the Six Months Ended June 30, 2018 |
|---|---|---|---|---|
| | (In millions) | | | |
| Net investment income — GAAP basis | $ 4,693 | $ 4,473 | $ 9,601 | $ 8,218 |
| Investment hedge adjustments | 118 | 119 | 223 | 229 |
| Unit-linked contract income | (261) | (286) | (997) | 67 |
| Other | 4 | 21 | 8 | 32 |
| Net investment income, as reported on an adjusted basis (1) | $ 4,554 | $ 4,327 | $ 8,835 | $ 8,546 |

(1) See "— Non-GAAP and Other Financial Disclosures — Adjusted earnings and related measures — Adjusted revenues and adjusted expenses — Net investment income" for a discussion of the adjustments made to net investment income under GAAP in calculating net investment income, as reported on an adjusted basis.

The following yield table presents our investment portfolio results for the periods indicated. We calculate yields on our investment portfolio using the non-GAAP performance metric of net investment income, as reported on an adjusted basis. Net investment income, as reported on an adjusted basis, includes the impact of changes in foreign currency exchange rates. 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.

| | For the Three Months Ended June 30, | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Yield % (1) | Amount | Yield % (1) | Amount | Yield % (1) | Amount | Yield % (1) | Amount |
| | (Dollars in millions) | | | | | | | |
| Fixed maturity securities AFS (2), (3) | 4.30 % | $ 2,975 | 4.30 % | $ 2,945 | 4.27 % | $ 5,877 | 4.24 % | $ 5,784 |
| Mortgage loans (3) | 4.82 % | 943 | 4.59 % | 815 | 4.77 % | 1,855 | 4.56 % | 1,607 |
| Real estate and real estate joint ventures | 3.62 % | 92 | 4.46 % | 109 | 2.84 % | 142 | 3.93 % | 192 |
| Policy loans | 5.34 % | 129 | 5.21 % | 127 | 5.31 % | 257 | 5.16 % | 251 |
| Equity securities | 5.15 % | 16 | 4.94 % | 15 | 5.29 % | 32 | 4.28 % | 31 |
| Other limited partnership interests | 14.28 % | 247 | 9.48 % | 141 | 10.99 % | 374 | 12.26 % | 360 |
| Cash and short-term investments | 2.39 % | 65 | 2.30 % | 61 | 2.73 % | 144 | 2.09 % | 107 |
| Other invested assets | | 225 | | 231 | | 428 | | 459 |
| Investment income | 4.66 % | 4,692 | 4.54 % | 4,444 | 4.55 % | 9,109 | 4.52 % % | 8,791 |
| Investment fees and expenses | (0.14) % | (138) | (0.12) % | (117) | (0.14) % | (274) | (0.13) % | (245) |
| Net investment income, as reported on an adjusted basis | 4.52 % | $ 4,554 | 4.42 % | $ 4,327 | 4.41 % | 8,835 | 4.39 % | 8,546 |

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, annuities funding structured settlement claims, 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 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 from fixed maturity securities AFS includes amounts from FVO Securities of $38 million and $93 million for the three months and six months ended June 30, 2019 , respectively, and $8 million and $14 million for the three months and six months ended June 30, 2018 , respectively.

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

See "— Results of Operations — Consolidated Results — Adjusted Earnings" for an analysis of the period over period changes in investment portfolio results.

***Fixed Maturity Securities AFS and Equity Securities***

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

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | |
| **Fixed maturity securities AFS** | | | | |
| Publicly-traded | $ 263,923 | 82.8 % | $ 249,595 | 83.7 % |
| Privately-placed | 54,766 | 17.2 | 48,670 | 16.3 |
| Total fixed maturity securities AFS | $ 318,689 | 100.0 % | $ 298,265 | 100.0 % |
| Percentage of cash and invested assets | 66.5% | | 66.0% | |
| **Equity securities** | | | | |
| Publicly-traded | $ 1,290 | 87.4 % | $ 1,282 | 89 % |
| Privately-held | 186 | 12.6 | 158 | 11 |
| Total equity securities | $ 1,476 | 100.0 % | $ 1,440 | 100.0 % |
| Percentage of cash and invested assets | 0.3% | | 0.3% | |
| **Perpetual and redeemable securities** | | | | |
| Perpetual securities included within fixed maturity securities AFS and equity securities | $ 371 | | $ 367 | |
| Redeemable preferred stock with a stated maturity included within fixed maturity securities AFS | $ 526 | | $ 911 | |

Included within fixed maturity securities AFS are structured securities including residential mortgage-backed securities ("RMBS"), asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS") (collectively, "Structured Securities").

Perpetual securities are included within fixed maturity securities AFS and equity securities. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed maturity securities AFS 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").

Redeemable preferred stock with a stated maturity is included within fixed maturity securities AFS. 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 Securities AFS and Equity Securities — Valuation of Securities" included in the 2018 Annual Report for further information on the processes used to value securities and the related controls.

***Fair Value of Fixed Maturity Securities AFS and Equity Securities***

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

| | June 30, 2019 | | | |
|---|---|---|---|---|
| | Fixed Maturity Securities AFS | | Equity Securities | |
| | (Dollars in millions) | | | |
| **Level 1** | | | | |
| Quoted prices in active markets for identical assets | $ 20,467 | 6.4 % | $ 917 | 62.1 % |
| **Level 2** | | | | |
| Independent pricing sources | 280,281 | 88.0 | 66 | 4.5 |
| Internal matrix pricing or discounted cash flow techniques | 2,029 | 0.6 | 36 | 2.4 |
| Significant other observable inputs | 282,310 | 88.6 | 102 | 6.9 |
| **Level 3** | | | | |
| Independent pricing sources | 11,738 | 3.7 | 341 | 23.1 |
| Internal matrix pricing or discounted cash flow techniques | 3,813 | 1.2 | 95 | 6.5 |
| Independent broker quotations | 361 | 0.1 | 21 | 1.4 |
| Significant unobservable inputs | 15,912 | 5.0 | 457 | 31.0 |
| Total estimated fair value | $ 318,689 | 100.0 % | $ 1,476 | 100.0 % |

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

The majority of the Level 3 fixed maturity securities AFS and equity securities were concentrated in three sectors at June 30, 2019: foreign corporate securities, U.S. corporate securities, and RMBS. During the three months ended June 30, 2019 , Level 3 fixed maturity securities AFS increased by $724 million , or 5% . The increase was driven by purchases in excess of sales and by an increase in estimated fair value recognized in other comprehensive income (loss) ("OCI"), partially offset by transfers out of Level 3 in excess of transfers into Level 3. During the six months ended June 30, 2019 , Level 3 fixed maturity securities AFS increased by $1.0 billion , or 7% . The increase was driven by purchases in excess of sales and by an increase in estimated fair value recognized in OCI, partially offset by transfers out of Level 3 in excess of transfers into Level 3.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measurements for securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs; transfers into and/or out of Level 3; and further information about the valuation approaches 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 2018 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 information about fixed maturity securities AFS by sector, contractual maturities, continuous gross unrealized losses, evaluation for other-than-temporary impairment ("OTTI"), evaluation of temporarily impaired securities, OTTI losses incurred and gross gains and gross losses on sales and disposals.

***Fixed Maturity Securities AFS Credit Quality — Ratings***

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities — Fixed Maturity Securities Credit Quality — Ratings" included in the 2018 Annual Report for a discussion of the credit quality ratings assigned by Nationally Recognized Statistical Rating Organizations ("NRSRO"), credit quality designations assigned by and methodologies used by the Securities Valuation Office of the NAIC for fixed maturity securities AFS and the revised methodologies adopted by the NAIC for certain Structured Securities.

The following table presents total fixed maturity securities AFS by NRSRO rating and the applicable NAIC designation from the NAIC published comparison of NRSRO ratings to NAIC designations, except for certain Structured Securities, which are presented using the revised NAIC methodologies, as well as the percentage, based on estimated fair value that each NAIC designation is comprised of at:

| | | June 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| NAIC Designation | NRSRO Rating | Amortized Cost | Unrealized Gain (Loss) | Estimated Fair Value | % of Total | Amortized Cost | Unrealized Gain (Loss) | Estimated Fair Value | % of Total |
| | | (Dollars in millions) | | | | | | | |
| 1 | Aaa/Aa/A | $ 201,799 | $ 21,795 | $ 223,594 | 70.2 % | $ 197,604 | $ 11,202 | $ 208,806 | 70.0 % |
| 2 | Baa | 73,519 | 5,424 | 78,943 | 24.8 | 72,482 | 659 | 73,141 | 24.5 |
| | Subtotal investment grade | 275,318 | 27,219 | 302,537 | 95.0 | 270,086 | 11,861 | 281,947 | 94.5 |
| 3 | Ba | 11,173 | 317 | 11,490 | 3.6 | 11,249 | (91) | 11,158 | 3.7 |
| 4 | B | 4,223 | (47) | 4,176 | 1.3 | 4,745 | (247) | 4,498 | 1.6 |
| 5 | Caa and lower | 482 | (31) | 451 | 0.1 | 720 | (73) | 647 | 0.2 |
| 6 | In or near default | 33 | 2 | 35 | — | 16 | (1) | 15 | — |
| | Subtotal below investment grade | 15,911 | 241 | 16,152 | 5.0 | 16,730 | (412) | 16,318 | 5.5 |
| | Total fixed maturity securities AFS | $ 291,229 | $ 27,460 | $ 318,689 | 100.0 % | $ 286,816 | $ 11,449 | $ 298,265 | 100.0 % |

The following tables present total fixed maturity securities AFS, based on estimated fair value, by sector classification and by NRSRO rating and the applicable NAIC designations from the NAIC published comparison of NRSRO ratings to NAIC designations, except for certain Structured Securities, which are presented using the revised NAIC methodologies:

| | Fixed Maturity Securities AFS — by Sector & Credit Quality Rating | | | | | | |
|---|---|---|---|---|---|---|---|
| NAIC Designation: | 1 | 2 | 3 | 4 | 5 | 6 | Total Estimated Fair Value |
| NRSRO Rating: | Aaa/Aa/A | Baa | Ba | B | Caa and Lower | In or Near Default | |
| | (Dollars in millions) | | | | | | |
| **June 30, 2019** | | | | | | | |
| U.S. corporate | $ 37,966 | $ 36,948 | $ 5,779 | $ 2,601 | $ 418 | $ — | $ 83,712 |
| Foreign government | 58,832 | 5,672 | 2,229 | 817 | 3 | 1 | 67,554 |
| Foreign corporate | 25,046 | 33,711 | 2,920 | 697 | 24 | — | 62,398 |
| U.S. government and agency | 39,575 | 428 | — | — | — | — | 40,003 |
| RMBS | 28,255 | 586 | 136 | 35 | 4 | 33 | 29,049 |
| ABS | 12,292 | 1,047 | 344 | 26 | 2 | 1 | 13,712 |
| Municipals | 11,756 | 467 | 32 | — | — | — | 12,255 |
| CMBS | 9,872 | 84 | 50 | — | — | — | 10,006 |
| Total fixed maturity securities AFS | $ 223,594 | $ 78,943 | $ 11,490 | $ 4,176 | $ 451 | $ 35 | $ 318,689 |
| Percentage of total | 70.2% | 24.8% | 3.6% | 1.3% | 0.1% | —% | 100.0% |
| **December 31, 2018** | | | | | | | |
| U.S. corporate | $ 34,363 | $ 35,081 | $ 5,850 | $ 3,102 | $ 544 | $ 8 | $ 78,948 |
| Foreign government | 54,149 | 5,140 | 2,389 | 604 | 5 | 1 | 62,288 |
| Foreign corporate | 22,602 | 30,849 | 2,534 | 669 | 49 | — | 56,703 |
| U.S. government and agency | 38,915 | 407 | — | — | — | — | 39,322 |
| RMBS | 27,370 | 350 | 138 | 94 | 3 | 6 | 27,961 |
| ABS | 11,467 | 772 | 204 | 26 | 3 | — | 12,472 |
| Municipals | 11,056 | 439 | 38 | — | — | — | 11,533 |
| CMBS | 8,884 | 103 | 5 | 3 | 43 | — | 9,038 |
| Total fixed maturity securities AFS | $ 208,806 | $ 73,141 | $ 11,158 | $ 4,498 | $ 647 | $ 15 | $ 298,265 |
| Percentage of total | 70.0% | 24.5% | 3.7% | 1.6% | 0.2% | —% | 100.0% |

***U.S. and Foreign Corporate Fixed Maturity Securities AFS***

We maintain a diversified portfolio of corporate fixed maturity securities AFS 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 10 holdings comprised 1% of total investments at both June 30, 2019 and December 31, 2018 . The tables below present our U.S. and foreign corporate securities holdings by industry at:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | |
| Industrial | $ 44,006 | 30.1% | $ 40,556 | 29.9% |
| Finance | 33,080 | 22.7 | 30,546 | 22.5 |
| Consumer | 32,083 | 22.0 | 30,140 | 22.2 |
| Utility | 24,010 | 16.4 | 22,206 | 16.4 |
| Communications | 10,989 | 7.5 | 10,406 | 7.7 |
| Other | 1,942 | 1.3 | 1,797 | 1.3 |
| Total | $ 146,110 | 100.0% | $ 135,651 | 100.0% |

***Structured Securities***

We held $52.8 billion and $49.5 billion of Structured Securities, at estimated fair value, at June 30, 2019 and December 31, 2018 , respectively, as presented in the RMBS, ABS and CMBS sections below.

*RMBS*

Our RMBS portfolio is diversified by security type and risk profile. The following table presents our RMBS portfolio by security type, risk profile and ratings profile at:

| | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) |
| | (Dollars in millions) | | | | | |
| By security type: | | | | | | |
| Collateralized mortgage obligations | $ 16,183 | 55.7% | $ 1,229 | $ 15,302 | 54.7% | $ 726 |
| Pass-through mortgage-backed securities | 12,866 | 44.3 | 185 | 12,659 | 45.3 | (174) |
| Total RMBS | $ 29,049 | 100.0% | $ 1,414 | $ 27,961 | 100.0% | $ 552 |
| By risk profile: | | | | | | |
| Agency | $ 20,390 | 70.2% | $ 693 | $ 19,834 | 70.9% | $ 5 |
| Prime | 1,164 | 4.0 | 69 | 1,123 | 4.0 | 47 |
| Alt-A | 3,261 | 11.2 | 348 | 3,361 | 12.0 | 277 |
| Sub-prime | 4,234 | 14.6 | 304 | 3,643 | 13.1 | 223 |
| Total RMBS | $ 29,049 | 100.0% | $ 1,414 | $ 27,961 | 100.0% | $ 552 |
| Ratings profile: | | | | | | |
| Rated Aaa/AAA | $ 21,862 | 75.3% | | $ 20,666 | 73.9% | |
| Designated NAIC 1 | $ 28,255 | 97.3% | | $ 27,370 | 97.9% | |

See also “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities — Structured Securities — RMBS” included in the 2018 Annual Report for further information about collateralized mortgage obligations and pass-through mortgage-backed securities, as well as agency, prime, alternative (“Alt-A”) and sub-prime RMBS.

Historically, we have managed our exposure to sub-prime RMBS holdings by focusing primarily on senior tranche securities, stress testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. Our sub-prime RMBS portfolio consists predominantly of securities that were purchased after 2012 at significant discounts to par value and discounts to the expected principal recovery value of these securities. The vast majority of these securities are investment grade under the NAIC designations (e.g., NAIC 1 and NAIC 2). At June 30, 2019 and December 31, 2018 , the estimated fair value of our sub-prime RMBS holdings purchased since 2012 was $4.0 billion and $3.4 billion and unrealized gains (losses) were $277 million and $201 million , respectively.

*ABS*

Our ABS portfolio is diversified by collateral type and issuer. The following table presents our ABS portfolio by collateral type and ratings profile at:

| | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) |
| | (Dollars in millions) | | | | | |
| By collateral type: | | | | | | |
| Collateralized obligations (1) | $ 7,377 | 53.8% | $ (46) | $ 6,724 | 53.9% | $ (112) |
| Student loans | 1,497 | 10.9 | 11 | 1,256 | 10.1 | 13 |
| Foreign residential loans | 1,054 | 7.7 | 18 | 1,066 | 8.5 | 11 |
| Automobile loans | 965 | 7.0 | 8 | 895 | 7.2 | 1 |
| Credit card loans | 603 | 4.4 | 3 | 668 | 5.3 | — |
| Consumer loans | 708 | 5.2 | 13 | 580 | 4.7 | 4 |
| Other loans | 1,508 | 11.0 | 18 | 1,283 | 10.3 | 3 |
| Total | $ 13,712 | 100.0% | $ 25 | $ 12,472 | 100.0% | $ (80) |
| Ratings profile: | | | | | | |
| Rated Aaa/AAA | $ 7,769 | 56.7% | | $ 7,142 | 57.3% | |
| Designated NAIC 1 | $ 12,292 | 89.6% | | $ 11,467 | 91.9% | |

(1) Includes collateralized loan obligations and collateralized debt obligations.

*CMBS*

Our CMBS portfolio is comprised primarily of securities collateralized by multiple properties and our portfolio is diversified by property type, borrower, geography and vintage year. The following tables present our CMBS portfolio by NRSRO rating and vintage year at:

| | June 30, 2019 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| | (Dollars in millions) | | | | | | | | | | | |
| 2003-2012 | $ 432 | $ 458 | $ 343 | $ 348 | $ 126 | $ 129 | $ 7 | $ 7 | $ — | $ — | $ 908 | $ 942 |
| 2013 | 713 | 753 | 645 | 676 | 280 | 286 | — | — | 55 | 41 | 1,693 | 1,756 |
| 2014 | 380 | 396 | 487 | 503 | 128 | 132 | — | — | — | — | 995 | 1,031 |
| 2015 | 439 | 457 | 89 | 93 | 34 | 36 | — | — | — | — | 562 | 586 |
| 2016 | 311 | 323 | 73 | 75 | 35 | 36 | — | — | — | — | 419 | 434 |
| 2017 | 825 | 847 | 639 | 657 | 183 | 185 | 40 | 40 | — | — | 1,687 | 1,729 |
| 2018 | 1,647 | 1,745 | 695 | 732 | 284 | 300 | 22 | 23 | — | — | 2,648 | 2,800 |
| 2019 | 438 | 447 | 75 | 75 | 201 | 206 | — | — | — | — | 714 | 728 |
| Total | $ 5,185 | $ 5,426 | $ 3,046 | $ 3,159 | $ 1,271 | $ 1,310 | $ 69 | $ 70 | $ 55 | $ 41 | $ 9,626 | $ 10,006 |
| Ratings Distribution | | 54.2% | | 31.6% | | 13.1% | | 0.7% | | 0.4% | | 100.0% |

| | December 31, 2018 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |
| | (Dollars in millions) | | | | | | | | | | | |
| 2003 - 2012 | $ 488 | $ 508 | $ 266 | $ 264 | $ 229 | $ 227 | $ 7 | $ 6 | $ — | $ — | $ 990 | $ 1,005 |
| 2013 | 723 | 746 | 644 | 655 | 279 | 277 | — | — | 59 | 43 | 1,705 | 1,721 |
| 2014 | 381 | 379 | 488 | 485 | 128 | 127 | — | — | — | — | 997 | 991 |
| 2015 | 523 | 514 | 81 | 80 | 34 | 34 | — | — | — | — | 638 | 628 |
| 2016 | 345 | 339 | 84 | 80 | 46 | 46 | — | — | — | — | 475 | 465 |
| 2017 | 862 | 851 | 666 | 654 | 234 | 228 | 39 | 39 | — | — | 1,801 | 1,772 |
| 2018 | 1,434 | 1,445 | 690 | 695 | 292 | 293 | 23 | 23 | — | — | 2,439 | 2,456 |
| Total | $ 4,756 | $ 4,782 | $ 2,919 | $ 2,913 | $ 1,242 | $ 1,232 | $ 69 | $ 68 | $ 59 | $ 43 | $ 9,045 | $ 9,038 |
| Ratings Distribution | | 52.9% | | 32.2% | | 13.6% | | 0.8% | | 0.5% | | 100.0% |

The tables above reflect NRSRO ratings including Moody’s Investors Service, S&P, Fitch Ratings and Morningstar, Inc. CMBS designated NAIC 1 were 98.7% and 98.3% of total CMBS at June 30, 2019 and December 31, 2018 , respectively.

***Evaluation of Fixed Maturity Securities AFS for OTTI and Evaluating Temporarily Impaired Fixed Maturity Securities AFS***

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the evaluation of fixed maturity securities AFS for OTTI and evaluation of temporarily impaired fixed maturity securities AFS.

***OTTI Losses on Fixed Maturity 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 fixed maturity securities AFS sold.

***Overview of Fixed Maturity Security AFS OTTI Losses Recognized in Earnings***

Total impairments and credit-related impairments of fixed maturity securities AFS were $0 and $10 million for the three months and six months ended June 30, 2019 , respectively, and less than $1 million for both the three months and six months ended June 30, 2018 .

Overall OTTI losses recognized in earnings on fixed maturity securities AFS were $0 and $10 million for the three months and six months ended June 30, 2019 , respectively, as compared to less than $1 million for both the three months and six months ended June 30, 2018 . The most significant increase in OTTI losses was in U.S. corporate securities, which comprised $8 million for the six months ended June 30, 2019 , concentrated in industrial securities.

***Future Impairments***

Future OTTI on fixed maturity securities AFS 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 and foreign currency exchange rates. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods. See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements for a description of new guidance to be adopted in 2020 regarding the measurement of credit losses on financial instruments.

***Contractholder-Directed Equity Securities and Fair Value Option Securities***

The estimated fair value of these investments, which are primarily comprised of Unit-linked investments, was $13.0 billion and $12.6 billion , or 2.7% and 2.8% of cash and invested assets, at June 30, 2019 and December 31, 2018 , respectively. See Notes 6 and 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a description of this portfolio, its fair value hierarchy and a rollforward of the fair value measurements for these investments measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

***Securities Lending and Repurchase Agreements***

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. In addition, we participate in short-term repurchase agreement transactions with unaffiliated financial institutions.

See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending," "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Repurchase Agreements" and Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding our securities lending program and our repurchase agreement transactions.

***FHLB of Boston Advance Agreements***

A subsidiary of the Company has entered into short-term advance agreements with the Federal Home Loan Bank of Boston ("FHLB of Boston").

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding our FHLB of Boston advance agreement transactions.

***Mortgage Loans***

Our mortgage loans are principally collateralized by commercial, agricultural and residential properties. Mortgage loans carried at amortized cost and the related valuation allowances are summarized as follows at:

| | June 30, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Recorded Investment | % of Total | Valuation Allowance | % of Recorded Investment | Recorded Investment | % of Total | Valuation Allowance | % of Recorded Investment |
| | (Dollars in millions) | | | | | | | |
| Commercial | $ 49,570 | 63.5% | $ 246 | 0.5% | $ 48,463 | 63.9% | $ 238 | 0.5% |
| Agricultural | 15,334 | 19.6 | 48 | 0.3% | 14,905 | 19.7 | 46 | 0.3% |
| Residential | 13,188 | 16.9 | 63 | 0.5% | 12,427 | 16.4 | 58 | 0.5% |
| Total | $ 78,092 | 100.0% | $ 357 | 0.5% | $ 75,795 | 100.0% | $ 342 | 0.5% |

The carrying value of all mortgage loans, net of valuation allowance, was 16.3% and 16.8% of cash and invested assets at June 30, 2019 and December 31, 2018 , respectively.

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, 84% are collateralized by properties located in the United States, with the remaining 16% collateralized by properties located outside the United States, which included 5% of properties located in the U.K., at June 30, 2019 . The carrying values of our commercial and agricultural mortgage loans located in California, New York and Texas were 18% , 11% and 7% , respectively, of total commercial and agricultural mortgage loans at June 30, 2019 . 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.

We manage our residential mortgage loan portfolio in a similar manner to reduce risk of concentration, with 91% collateralized by properties located in the United States and the remaining 9% collateralized by properties located outside the United States at June 30, 2019 . The carrying values of our residential mortgage loans located in California, Florida, and New York were 32% , 9% , and 6% , respectively, of total residential mortgage loans at June 30, 2019 .

*Commercial Mortgage Loans by Geographic Region and Property Type .* Commercial mortgage loans are the largest component of the mortgage loan invested asset class. The tables below present the diversification across geographic regions and property types of commercial mortgage loans at:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Amount | % of Total | Amount | % of Total |
| | (Dollars in millions) | | | |
| **Region** | | | | |
| Pacific | $ 10,511 | 21.2% | $ 10,884 | 22.5% |
| Non-U.S. | 9,463 | 19.1 | 9,281 | 19.1 |
| Middle Atlantic | 7,952 | 16.0 | 7,911 | 16.3 |
| South Atlantic | 6,459 | 13.0 | 6,347 | 13.1 |
| West South Central | 4,386 | 8.9 | 3,951 | 8.1 |
| East North Central | 3,245 | 6.6 | 2,840 | 5.9 |
| New England | 1,628 | 3.3 | 1,481 | 3.1 |
| Mountain | 1,729 | 3.5 | 1,387 | 2.9 |
| West North Central | 593 | 1.2 | 594 | 1.2 |
| East South Central | 563 | 1.1 | 564 | 1.2 |
| Multi-Region and Other | 3,041 | 6.1 | 3,223 | 6.6 |
| Total recorded investment | 49,570 | 100.0% | 48,463 | 100.0% |
| Less: valuation allowances | 246 | | 238 | |
| Carrying value, net of valuation allowances | $ 49,324 | | $ 48,225 | |
| **Property Type** | | | | |
| Office | $ 23,755 | 47.9% | $ 23,995 | 49.5% |
| Retail | 9,577 | 19.3 | 9,089 | 18.7 |
| Apartment | 6,960 | 14.1 | 7,018 | 14.5 |
| Industrial | 3,748 | 7.6 | 3,719 | 7.7 |
| Hotel | 3,688 | 7.4 | 3,479 | 7.2 |
| Other | 1,842 | 3.7 | 1,163 | 2.4 |
| Total recorded investment | 49,570 | 100.0% | 48,463 | 100.0% |
| Less: valuation allowances | 246 | | 238 | |
| Carrying value, net of valuation allowances | $ 49,324 | | $ 48,225 | |

*Mortgage Loan Credit Quality - Monitoring Process.* We monitor our mortgage loan investments on an ongoing basis, including a review of loans that are current, past due, restructured and under foreclosure. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, impaired mortgage loans, and carrying value of foreclosed 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. We review our residential mortgage loans on an ongoing basis. See Note 8 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for information on our evaluation of residential mortgage loans and related valuation allowance methodology.

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 55% at both June 30, 2019 and December 31, 2018 and our average debt service coverage ratio was 2.4x and 2.5x for June 30, 2019 and December 31, 2018 , 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. In addition, 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 portfolio. For our agricultural mortgage loans, our average loan-to-value ratio was 46% at both June 30, 2019 and December 31, 2018 . The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

*Mortgage Loan Valuation Allowances* . Our valuation allowances are established both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which we expect to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses.

The determination of the amount of valuation allowances is based upon our periodic evaluation and assessment of known and inherent risks associated with our loan portfolios. Such evaluations and assessments are based upon several factors, including our experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations and assessments are revised as conditions change and new information becomes available, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised. Negative credit migration, including an actual or expected increase in the level of problem loans, will result in an increase in the valuation allowance. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the valuation allowance.

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how valuation allowances are established and monitored, and activity in and balances of the valuation allowance, as of and for the six months ended June 30, 2019 and 2018 .

***Real Estate and Real Estate Joint Ventures***

Real estate and real estate joint ventures is comprised of wholly-owned real estate and joint ventures with interests in single property income-producing real estate and, to a lesser extent, joint ventures with interests in multi-property projects with varying strategies ranging from the development of properties to the operation of income-producing properties, as well as a runoff portfolio. We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. The carrying value of real estate and real estate joint ventures was $10.3 billion and $9.7 billion , or 2.2% and 2.1% of cash and invested assets, at June 30, 2019 and December 31, 2018 , respectively. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for a summary of real estate investments and income earned, as well as for the portion of our real estate investments leased under operating leases, a summary of the leased real estate investments, by property type, and the related operating lease income earned.

***Other Limited Partnership Interests***

Other limited partnership interests are comprised of investments in private funds, including private equity funds and hedge funds. At June 30, 2019 and December 31, 2018 , the carrying value of other limited partnership interests was $7.1 billion and $6.6 billion , which included $578 million and $634 million of hedge funds, respectively. Other limited partnership interests were 1.5% of cash and invested assets at both June 30, 2019 and December 31, 2018 . Cash distributions on these investments are generated from investment gains, operating income from the underlying investments of the funds and liquidation of the underlying investments of the funds.

***Other Invested Assets***

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

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Carrying Value | % of Total | Carrying Value | % of Total |
| | (In millions) | | (In millions) | |
| Freestanding derivatives with positive estimated fair values | $ 10,631 | 53.1% | $ 8,969 | 49.3% |
| Tax credit and renewable energy partnerships | 2,274 | 11.3 | 2,457 | 13.5 |
| Direct financing leases | 1,317 | 6.6 | 1,192 | 6.5 |
| Annuities funding structured settlement claims | 1,278 | 6.4 | 1,279 | 7.0 |
| Leveraged leases | 1,123 | 5.6 | 1,108 | 6.1 |
| Operating joint ventures | 841 | 4.2 | 796 | 4.4 |
| FHLB common stock | 800 | 4.0 | 793 | 4.4 |
| Funds withheld | 461 | 2.3 | 416 | 2.3 |
| Other | 1,311 | 6.5 | 1,180 | 6.5 |
| Total | $ 20,036 | 100.0% | $ 18,190 | 100.0% |
| Percentage of cash and invested assets | 4.2% | | 4.0% | |

For the three months and six months ended June 30, 2019 , tax credit partnership impairment losses were $14 million and $92 million , respectively, and renewable energy partnership disposal gains were $46 million for the six months ended June 30, 2019 .

Renewable energy partnership disposal losses were $83 million for both the three months and six months ended June 30, 2018 and leveraged lease impairment losses were $105 million for the six months ended June 30, 2018 .

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for information regarding the components of other invested assets. See Notes 7 and 8 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about freestanding derivatives with positive estimated fair values and lease investments.

## 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 primary underlying risk exposure, gross notional amount, and estimated fair value of our derivatives by type of hedge designation, excluding embedded derivatives held at June 30, 2019 and December 31, 2018 .
- The statement of operations effects of derivatives in net investments in foreign operations, cash flow, fair value, or nonqualifying hedge relationships for the three months and six months ended June 30, 2019 and 2018 .

See "Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities" included in the 2018 Annual Report 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.

Derivatives categorized as Level 3 at June 30, 2019 include: interest rate forwards with maturities which extend beyond the observable portion of the yield curve; interest rate total return swaps with unobservable repurchase rates; foreign currency swaps and forwards with certain unobservable inputs, including the unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity index options with unobservable correlation inputs. At June 30, 2019 , less than 1% of the estimated fair value of our derivatives 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.

The gain (loss) on Level 3 derivatives primarily relates to interest rate total return swaps with unobservable repurchase rates and foreign currency swaps and forwards that are valued using an unobservable portion of the swap yield curves. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curves. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations.

The gain (loss) on Level 3 derivatives, percentage of gain (loss) attributable to observable and unobservable inputs, and the primary drivers of observable gain (loss) are summarized as follows:

| | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|---|---|---|
| Gain (loss) recognized in net income (loss) | $75 million | $125 million |
| Approximate percentage of gain (loss) attributable to observable inputs | 72% | 50% |
| Primary drivers of observable gain (loss) | Decreases in interest rates on interest rate total return swaps, partially offset by increases in certain equity index levels on equity derivatives. | Decreases in interest rates on interest rate total return swaps, partially offset by increases in certain equity index levels on equity derivatives. |
| Approximate percentage of gain (loss) attributable to unobservable inputs | 28% | 50% |

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives” included in the 2018 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 on 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:

| | June 30, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Credit Default Swaps | Gross Notional Amount | Estimated Fair Value | Gross Notional Amount | Estimated Fair Value |
| | (In millions) | | | |
| Purchased | $ 2,483 | $ (57) | $ 1,903 | $ (14) |
| Written | 12,340 | 256 | 11,391 | 82 |
| Total | $ 14,823 | $ 199 | $ 13,294 | $ 68 |

The following table presents the gross gains, gross losses and net gains (losses) recognized in net derivative gains (losses) for credit default swaps as follows:

| | Three Months Ended June 30, | | | | | | Six Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | | 2019 | | | 2018 | | |
| Credit Default Swaps | Gross Gains | Gross Losses | Net Gains (Losses) | Gross Gains | Gross Losses | Net Gains (Losses) | Gross Gains | Gross Losses | Net Gains (Losses) | Gross Gains | Gross Losses | Net Gains (Losses) |
| | (In millions) | | | | | | (In millions) | | | | | |
| Purchased (1) | $ — | $ (5) | $ (5) | $ 14 | $ — | $ 14 | $ 3 | $ (23) | $ (20) | $ 13 | $ (2) | $ 11 |
| Written (1) | 52 | (2) | 50 | — | (35) | (35) | 189 | (3) | 186 | — | (79) | (79) |
| Total | $ 52 | $ (7) | $ 45 | $ 14 | $ (35) | $ (21) | $ 192 | $ (26) | $ 166 | $ 13 | $ (81) | $ (68) |

______________

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

The unfavorable change in net gains (losses) on purchased credit default swaps of $31 million for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was due to certain credit spreads on credit default swaps hedging certain bonds narrowing in the current period as compared to widening in the prior period. The favorable changes in net gains (losses) on written credit default swaps of $85 million and $265 million for the three months and six months ended June 30, 2019 compared to the three months and six months ended June 30, 2018, respectively, were due to certain credit spreads on certain credit default swaps used as replications narrowing in the current periods as compared to widening in the prior periods.

The maximum amount at risk related to our written credit default swaps is equal to the corresponding gross notional amount. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by state insurance regulators and the NAIC 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 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 can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long dated corporate bond, we have more flexibility in managing our credit exposures.

***Embedded Derivatives***

See Note 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 and a rollforward of the fair value measurements for 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 2018 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 revolving credit facility and certain committed facilities with various financial institutions. See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” for further descriptions of such arrangements. For the classification of expenses on such revolving credit and committed facilities and the nature of the associated liability for letters of credit issued and drawdowns on these facilities, see Note 12 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

***Collateral for Securities Lending, Third-Party Custodian Administered Repurchase Programs and Derivatives***

We participate in a securities lending program and third-party custodian administered repurchase programs in the normal course of business for the purpose of enhancing the total return on our investment portfolio. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as “Summary of Significant Accounting Policies — Investments— Securities Lending and Repurchase Agreements” in Note 1 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for further discussion of our securities lending program and repurchase agreement transactions, the classification of revenues and expenses, and the nature of the secured financing arrangements and associated liabilities.

Securities lending: Periodically we receive non-cash collateral for securities lending from counterparties, which cannot be sold or re-pledged, and which is not reflected on our consolidated balance sheets. The amount of this non-cash collateral was $10 million and $78 million at estimated fair value at June 30, 2019 and December 31, 2018 , respectively.

Third-party custodian administered repurchase programs: We loan certain of our fixed maturity securities AFS to unaffiliated financial institutions and, in exchange, non-cash collateral is put on deposit by the unaffiliated financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with these transactions was $63 million and $78 million at June 30, 2019 and December 31, 2018 , respectively. Non-cash collateral on deposit with third-party custodians on our behalf was $66 million and $84 million , at estimated fair value, at June 30, 2019 and December 31, 2018 , respectively, which cannot be sold or re-pledged, and which is not reflected on our consolidated balance sheets.

Derivatives: We enter into derivatives to manage various risks relating to our ongoing business operations. We receive non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which is not reflected on our consolidated balance sheets. The amount of this non-cash collateral was $3.2 billion and $1.3 billion , at estimated fair value, at June 30, 2019 and December 31, 2018 , respectively. 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 regarding the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

***Lease Commitments***

As lessee, we have entered into various lease and sublease agreements for office space and equipment. Our commitments under such lease agreements are included within the contractual obligations table in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Contractual Obligations" in the 2018 Annual Report. See also Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as Note 20 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

***Guarantees***

See "Guarantees" in Note 16 of the Notes to the Interim Condensed Consolidated Financial Statements.

***Other***

We enter into the following additional commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: mortgage loan commitments and commitments to fund partnerships, bank credit facilities, bridge loans and private corporate bond investments. 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, and gains and losses from such investments. See also "— Investments — Fixed Maturity Securities AFS and Equity Securities" and "— Investments — Mortgage Loans" for information on our investments in fixed maturity securities AFS and mortgage loans. See "— Investments — Real Estate and Real Estate Joint Ventures" and "— Investments — Other Limited Partnership Interests" for information on our partnership investments.

Other than the commitments disclosed in Note 16 of the Notes to the Interim Condensed Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund mortgage loans, partnerships, bank credit facilities, bridge loans, and private corporate bond investments.

**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 on 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 2018 Annual Report.

Due to the nature of the underlying risks and the uncertainty associated with the determination of actuarial liabilities, we cannot precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils. We also use hedging, reinsurance and other risk management activities to mitigate financial market volatility.

See “Business — Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis” included in the 2018 Annual Report for further information regarding required analyses of the adequacy of statutory reserves of our insurance operations.

***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 2018 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 — Low Interest Rate Scenario” included in the 2018 Annual Report and “— Variable Annuity Guarantees.” A discussion of future policy benefits by segment (as well as Corporate & Other) follows.

***U.S.***

Amounts payable under insurance policies for this segment are comprised of group insurance and annuities, as well as property and casualty policies. For group insurance, future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. For group annuity contracts, future policyholder benefits are primarily related to payout annuities, including pension risk transfers, structured settlement annuities and institutional income 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 interest rate derivative positions. The components of future policy benefits related to our property and casualty policies are liabilities for unpaid claims, 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 analysis of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and we consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

***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 yields lower than expected, 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 and by the use of reinsurance.

***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 Mexico, Brazil and Colombia. There are also liabilities held for total return pass-through provisions included in certain universal life and savings products in Mexico. There is limited interest rate crediting flexibility on the immediate annuity and traditional life liabilities. As a result, sustained periods of yields lower than expected could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies. Other factors impacting these liabilities are actual mortality resulting in higher than expected benefit payments and actual lapses resulting in lower than expected income.

***EMEA***

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, applying various ALM strategies and by the use of reinsurance.

***MetLife Holdings***

Future policy benefits for the life business are comprised mainly of liabilities for traditional life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. We routinely evaluate our reinsurance programs, which may result in increases or decreases to existing coverage. We have entered into various interest rate derivative positions 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 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 that are accounted for as insurance. Other future policyholder benefits are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, and active life policies. In addition, for our other products, future policyholder benefits related to the reinsurance of our former Japan joint venture are comprised of liabilities for the variable annuity guaranteed minimum benefits that are accounted for as insurance.

***Corporate & Other***

Future policy benefits primarily include liabilities for other reinsurance business.

***Policyholder Account Balances***

Policyholder account balances are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment — Low Interest Rate Scenario" included in the 2018 Annual Report and "— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for additional information. A discussion of policyholder account balances by segment follows.

***U.S.***

Policyholder account balances in this segment are comprised of funding agreements, retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs.

*Group Benefits*

Policyholder account balances in this business are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. Policyholder account balances are credited interest at a rate we determine, which is influenced by current market rates. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario.

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

| | June 30, 2019 | |
|---|---|---|
| **Guaranteed Minimum Crediting Rate** | **Account Value** | **Account Value at Guarantee** |
| | **(In millions)** | |
| Greater than 0% but less than 2% | $ 4,775 | $ 4,653 |
| Equal to or greater than 2% but less than 4% | $ 1,727 | $ 1,690 |
| Equal to or greater than 4% | $ 747 | $ 717 |

*Retirement and Income Solutions*

Policyholder account balances in this business are primarily comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) London Interbank Offered Rate. 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 interest rate 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.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for RIS:

| Guaranteed Minimum Crediting Rate | June 30, 2019 | |
|---|---|---|
| | Account Value | Account Value at Guarantee |
| | (In millions) | |
| Greater than 0% but less than 2% | $ 147 | $ — |
| Equal to or greater than 2% but less than 4% | $ 1,091 | $ 91 |
| Equal to or greater than 4% | $ 4,591 | $ 4,589 |

***Asia***

Policyholder account balances in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for Unit-linked investments that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within policyholder account balances. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We mitigate our risks by applying various ALM strategies and with reinsurance. Liabilities for Unit-linked investments 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.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

| Guaranteed Minimum Crediting Rate | June 30, 2019 | |
|---|---|---|
| | Account Value | Account Value at Guarantee |
| | (In millions) | |
| **Annuities** | | |
| Greater than 0% but less than 2% | $ 28,099 | $ 1,770 |
| Equal to or greater than 2% but less than 4% | $ 1,153 | $ 203 |
| Equal to or greater than 4% | $ 1 | $ 1 |
| **Life & Other** | | |
| Greater than 0% but less than 2% | $ 11,077 | $ 10,729 |
| Equal to or greater than 2% but less than 4% | $ 26,142 | $ 9,410 |
| Equal to or greater than 4% | $ 278 | $ 278 |

***Latin America***

Policyholder account balances in this segment are held largely for investment-type products and universal life products in Mexico and Chile, and deferred annuities in Brazil. Some of the deferred annuities in Brazil are Unit-linked investments that do not meet the GAAP definition of separate accounts. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder. Many of the other liabilities have minimum credited rate guarantees, which could adversely impact liabilities and earnings in a sustained low interest rate environment.

***EMEA***

Policyholder account balances in this segment are held mostly for universal life, deferred annuity, pension products, and Unit-linked investments that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. A sustained low interest rate environment could adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in many of these policyholder account balances. We mitigate our risks by applying various ALM strategies. Liabilities for Unit-linked investments are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

### *MetLife Holdings*

Life policyholder account balances are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies, and funding agreements. For annuities, policyholder account balances are held for fixed deferred annuities, the fixed account portion of variable annuities, non-life contingent income annuities, and embedded derivatives related to variable annuity guarantees. 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 adversely impact liabilities and earnings as a result of the minimum credited rate guarantees present in most of these policyholder account balances. We have various interest rate derivative positions to partially mitigate the risks associated with such a scenario. Additionally, for our other products, policyholder account balances are held for variable annuity guarantees assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for the MetLife Holdings segment:

| | June 30, 2019 | |
|---|---|---|
| **Guaranteed Minimum Crediting Rate** | **Account Value** | **Account Value at Guarantee** |
| | **(In millions)** | |
| Greater than 0% but less than 2% | $ 1,411 | $ 1,300 |
| Equal to or greater than 2% but less than 4% | $ 18,329 | $ 15,676 |
| Equal to or greater than 4% | $ 7,980 | $ 5,431 |

### *Variable Annuity Guarantees*

We issue, directly and through assumed business, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Note 4 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2018 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 Guaranteed Minimum Death Benefits ("GMDBs"), the life-contingent portion of guaranteed minimum withdrawal benefits ("GMWBs"), elective guaranteed minimum income benefit ("GMIB") annuitizations, and the life contingent portion of GMIBs that require annuitization when the account balance goes to zero. 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 those previously projected or when current estimates of future assessments exceed those previously projected. At the end of 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.

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in policyholder account balances. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits ("GMABs"), the non-life contingent portion of GMWBs and certain non-life contingent portions of GMIBs. 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 presents the carrying value for guarantees at:

| | Future Policy Benefits | | Policyholder Account Balances | |
|---|---|---|---|---|
| | June 30, 2019 | December 31, 2018 | June 30, 2019 | December 31, 2018 |
| | (In millions) | | | |
| **Asia** | | | | |
| GMDB | $ 3 | $ 3 | $ — | $ — |
| GMAB | — | — | 36 | 34 |
| GMWB | 80 | 81 | 179 | 143 |
| **EMEA** | | | | |
| GMDB | 3 | 7 | — | — |
| GMAB | — | — | 15 | 24 |
| GMWB | 46 | 70 | (82) | (82) |
| **MetLife Holdings** | | | | |
| GMDB | 303 | 289 | — | — |
| GMIB | 774 | 743 | 102 | 106 |
| GMAB | — | — | 1 | 5 |
| GMWB | 131 | 129 | 513 | 563 |
| Total | $ 1,340 | $ 1,322 | $ 764 | $ 793 |

The carrying amounts for guarantees included in policyholder account balances above include nonperformance risk adjustments of $188 million and $263 million at June 30, 2019 and December 31, 2018 , 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, hedging strategies, reinsurance, 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. We continue to diversify the concentration of income benefits in our portfolio by focusing on withdrawal benefits, variable annuities without living benefits and index-linked annuities.

The sections below provide further detail by total account value for certain of our most popular guarantees. Total account values include amounts not reported on the consolidated balance sheets from assumed business, Unit-linked investments that do not qualify for presentation as separate account assets, and amounts included in our general account. The total account values and the net amounts at risk include direct and assumed business, but exclude offsets from hedging or ceded reinsurance, if any.

***GMDBs***

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at June 30, 2019 :

| | Total Account Value (1) | |
|---|---|---|
| | Asia & EMEA | MetLife Holdings |
| | (In millions) | |
| Return of premium or five to seven year step-up | $ 7,990 | $ 48,164 |
| Annual step-up | — | 3,224 |
| Roll-up and step-up combination | — | 5,821 |
| Total | $ 7,990 | $ 57,209 |

(1) Total account value excludes $244 million for contracts with no GMDBs. The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed for GMDBs and for living benefit guarantees are not mutually exclusive.

Based on total account value, less than 19% 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.

***Living Benefit Guarantees***

The table below presents our living benefit guarantees based on total account values at June 30, 2019 :

| | Total Account Value (1) | |
|---|---|---|
| | Asia & EMEA | MetLife Holdings |
| | (In millions) | |
| GMIB | $ — | $ 21,826 |
| GMWB - non-life contingent (2) | 1,902 | 2,631 |
| GMWB - life-contingent | 3,810 | 9,579 |
| GMAB | 1,405 | 322 |
| Total | $ 7,117 | $ 34,358 |

(1) Total account value excludes $23.7 billion for contracts with no living benefit guarantees. The Company's annuity contracts with guarantees may offer more than one type of guarantee in each contract. Therefore, the amounts listed for GMDBs and for living benefit guarantee amounts are not mutually exclusive.

(2) The Asia and EMEA segments include the non-life contingent portion of the GMWB total account value of $1.2 billion with a guarantee at annuitization.

In terms of total 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. We stopped selling GMIBs in February 2016.

The table below presents our GMIB associated total account values, by their guaranteed payout basis, at June 30, 2019 :

| | Total Account Value |
|---|---|
| | (In millions) |
| 7-year setback, 2.5% interest rate | $ 5,912 |
| 7-year setback, 1.5% interest rate | 951 |
| 10-year setback, 1.5% interest rate | 4,479 |
| 10-year mortality projection, 10-year setback, 1.0% interest rate | 8,863 |
| 10-year mortality projection, 10-year setback, 0.5% interest rate | 1,621 |
| | $ 21,826 |

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 introduction of a 10-year mortality projection.

Additionally, 42% of the $21.8 billion of GMIB total account value has been invested in managed volatility funds as of June 30, 2019 . 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 reduce or eliminate the need for us to manage the funds' volatility through hedging or reinsurance.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of June 30, 2019 , only 20% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of four years.

Once eligible for annuitization, contractholders would be expected to annuitize only 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 account values and current annuity rates versus the guaranteed income benefits. The net amount at risk was $449 million at June 30, 2019 , of which $375 million was related to GMIBs. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the-money at June 30, 2019 :

| | In-the-Moneyness | Total Account Value | % of Total |
|---|---|---|---|
| | | (In millions) | |
| In-the-money | 30% + | $ 363 | 2% |
| | 20% to 30% | 238 | 1% |
| | 10% to 20% | 461 | 2% |
| | 0% to 10% | 910 | 4% |
| | | 1,972 | |
| Out-of-the-money | -10% to 0% | 1,857 | 9% |
| | -20% to -10% | 3,102 | 14% |
| | -20% + | 14,895 | 68% |
| | | 19,854 | |
| Total GMIBs | | $ 21,826 | |

***Derivatives Hedging Variable Annuity Guarantees***

Our risk mitigating hedging strategy uses various over-the-counter and exchange 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:

| | | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|
| | | | Estimated Fair Value | | | Estimated Fair Value | |
| Primary Underlying Risk Exposure | Instrument Type | Gross Notional Amount | Assets | Liabilities | Gross Notional Amount | Assets | Liabilities |
| | | (In millions) | | | | | |
| Interest rate | Interest rate swaps | $ 8,486 | $ 67 | $ 16 | $ 8,209 | $ 89 | $ 3 |
| | Interest rate futures | 1,338 | 1 | — | 1,559 | 1 | 3 |
| | Interest rate options | 838 | 209 | — | 838 | 163 | — |
| Foreign currency exchange rate | Foreign currency forwards | 2,248 | 23 | 12 | 1,815 | 44 | 9 |
| Equity market | Equity futures | 3,593 | 2 | 22 | 2,730 | 11 | 77 |
| | Equity index options | 9,513 | 417 | 659 | 9,933 | 408 | 546 |
| | Equity variance swaps | 2,173 | 41 | 94 | 2,269 | 40 | 87 |
| | Equity total return swaps | 769 | — | 13 | 929 | 91 | — |
| | Total | $ 28,958 | $ 760 | $ 816 | $ 28,282 | $ 847 | $ 725 |

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if such derivatives are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if such derivatives are hedging guarantees included in policyholder account balances.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and substantially all 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 and derivatives are sensitive to changing market factors. Changing conditions in the global capital markets and the economy may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see "— Industry Trends" and "— Investments — Current Environment."

***Liquidity Management***

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of market conditions, as well as changing needs and opportunities.

*Short-term Liquidity*

We maintain a substantial short-term liquidity position, which was $12.0 billion and $11.1 billion at June 30, 2019 and December 31, 2018 , respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding assets that are pledged or otherwise committed, including amounts received in connection with securities lending, repurchase agreements, derivatives, and secured borrowings, as well as amounts held in the closed block.

*Liquid Assets*

An integral part of our liquidity management includes managing our level of liquid assets, which was $218.3 billion and $202.7 billion at June 30, 2019 and December 31, 2018 , respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with securities lending, repurchase agreements, derivatives, regulatory deposits, the collateral financing arrangement, funding agreements and secured borrowings, as well as amounts held in the closed block.

***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 ("CFO"), Treasurer, and Chief Risk Officer ("CRO"). The ERC is also comprised of members of senior management, including MetLife, Inc.'s CFO, CRO and Chief Investment Officer.

MetLife, Inc.'s Board of Directors ("Board of Directors") 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 of Directors prior to obtaining full Board of Directors approval. The Board of Directors approves the capital policy and the annual capital plan and authorizes capital actions, as required.

See "Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock at the Level We Wish" and Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 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 authorization.

***The Company***

***Liquidity***

Liquidity refers to the ability to generate adequate amounts of cash to meet our 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 including commercial paper and various credit and committed 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.

***Summary of the Company's Primary Sources and Uses of Liquidity and Capital***

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (In millions) | |
| Sources: | | |
| Operating activities, net | $ 4,459 | $ 6,904 |
| Net change in policyholder account balances | 4,566 | 1,882 |
| Net change in payables for collateral under securities loaned and other transactions | 725 | 1,558 |
| Cash received for other transactions with tenors greater than three months | — | 75 |
| Long-term debt issued | 1,382 | 14 |
| Financing element on certain derivative instruments and other derivative related transactions, net | — | 12 |
| Preferred stock issued, net of issuance costs | — | 1,274 |
| Other, net | — | 85 |
| Effect of change in foreign currency exchange rates on cash and cash equivalents | 47 | — |
| Total sources | 11,179 | 11,804 |
| Uses: | | |
| Investing activities, net | 5,142 | 4,764 |
| Cash paid for other transactions with tenors greater than three months | 200 | — |
| Long-term debt repaid | 895 | 200 |
| Collateral financing arrangement repaid | 34 | 36 |
| Financing element on certain derivative instruments and other derivative related transactions, net | 14 | — |
| Treasury stock acquired in connection with share repurchases | 1,250 | 2,156 |
| Dividends on preferred stock | 89 | 52 |
| Dividends on common stock | 824 | 844 |
| Other, net | 117 | — |
| Effect of change in foreign currency exchange rates on cash and cash equivalents | — | 141 |
| Total uses | 8,565 | 8,193 |
| Net increase (decrease) in cash and cash equivalents | $ 2,614 | $ 3,611 |

*Cash Flows from Operations*

The principal cash inflows from our insurance activities come from insurance premiums, net investment income, annuity considerations and deposit funds. The principal cash outflows are the result of various life insurance, property and casualty, annuity and pension products, operating expenses and income tax, as well as interest expense. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

*Cash Flows from Investments*

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments and settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows relate to purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

*Cash Flows from Financing*

The principal cash inflows from our financing activities come from issuances of debt and other securities, deposits of funds associated with policyholder account balances and lending of securities. The principal cash outflows come from repayments of debt and the collateral financing arrangement, payments of dividends on and repurchases of MetLife, Inc.'s securities, withdrawals associated with policyholder account balances and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early contractholder and policyholder withdrawal.

***Liquidity and Capital Sources***

In addition to the general description of liquidity and capital sources in "— Summary of the Company's Primary Sources and Uses of Liquidity and Capital," the Company's primary sources of liquidity and capital are set forth below.

*Global Funding Sources*

Liquidity is provided by a variety of global funding sources, including funding agreements, credit and committed facilities and commercial paper. Capital is provided by a variety of global funding sources, including short-term and long-term debt, the collateral financing arrangement, junior subordinated debt securities, preferred securities, equity securities and equity-linked securities. MetLife, Inc. maintains a shelf registration statement with the U.S Securities and Exchange Commission ("SEC") that permits the issuance of public debt, equity and hybrid securities. As a "Well-Known Seasoned Issuer" under SEC rules, MetLife, Inc.'s shelf registration statement provides for automatic effectiveness upon filing and has no stated issuance capacity. The diversity of our global funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Preferred Stock

See Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

Common Stock

During the six months ended June 30, 2019 and 2018 , MetLife, Inc. issued 4,263,189 and 2,106,094 new shares of its common stock, respectively, for $142 million and $80 million , respectively, to satisfy various stock option exercises and other stock-based awards.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding, Inc. ("MetLife Funding"), a subsidiary of Metropolitan Life Insurance Company ("MLIC"), each have a commercial paper program that is supported by our unsecured revolving credit facility (see "—Credit and Committed Facilities"). MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans through MetLife Credit Corp., another subsidiary of MLIC, to affiliates in order to enhance the financial flexibility and liquidity of these companies.

Federal Home Loan Bank Funding Agreements, Reported in Policyholder Account Balances

Certain of our U.S. insurance subsidiaries are members of a regional Federal Home Loan Bank ("FHLB"). During the six months ended June 30, 2019 and 2018 , we issued $14.9 billion and $11.9 billion, respectively, and repaid $14.9 billion and $12.1 billion, respectively, under funding agreements with certain regional FHLBs. At both June 30, 2019 and December 31, 2018 , total obligations outstanding under these funding agreements were $15.1 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

Federal Home Loan Bank Advance Agreements, Reported in Payables for Collateral Under Securities Loaned and Other Transactions

During the six months ended June 30, 2019 and 2018 , we issued $1.5 billion and $1.5 billion, respectively, and repaid $1.5 billion and $1.0 billion, respectively, under advance agreements with a regional FHLB. At both June 30, 2019 and December 31, 2018 , total obligations outstanding under these advance agreements were $800 million. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements.

Special Purpose Entity Funding Agreements, Reported in Policyholder Account Balances

We issue fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities ("SPEs") that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the six months ended June 30, 2019 and 2018 , we issued $19.1 billion and $23.4 billion, respectively, and repaid $17.1 billion and $24.3 billion, respectively, under such funding agreements. At June 30, 2019 and December 31, 2018 , total obligations outstanding under these funding agreements were $35.1 billion and $32.3 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in Policyholder Account Balances

We have issued funding agreements to a subsidiary of 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 mortgage loans. During the six months ended June 30, 2019 and 2018 , we issued $575 million and $625 million, respectively, and repaid $575 million and $625 million, respectively, under such funding agreements. At both June 30, 2019 and December 31, 2018 , total obligations outstanding under these funding agreements were $2.6 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

Debt Issuances

In May 2019, MetLife, Inc. issued ¥151.7 billion ($1.4 billion at issuance) of senior notes for general corporate purposes and the repayment of indebtedness, which included the early redemption of certain senior notes. See "— Liquidity and Capital Uses — Debt Repurchases, Redemptions and Exchanges" and Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements.

Credit and Committed Facilities

At June 30, 2019 , we maintained a $3.0 billion unsecured revolving credit facility and certain committed facilities aggregating $3.3 billion, of which MetLife, Inc. is a party and/or guarantor. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured revolving credit facility is used for general corporate purposes, to support the borrowers' commercial paper programs and for the issuance of letters of credit. At June 30, 2019 , we had outstanding $455 million in letters of credit and no drawdowns against this facility. Remaining availability was $2.5 billion at June 30, 2019 .

The committed facilities are used as collateral for certain of our affiliated reinsurance liabilities. At June 30, 2019 , we had outstanding $2.8 billion in letters of credit and no drawdowns against these facilities. Remaining availability was $471 million at June 30, 2019 .

See Note 12 of the Notes to the Consolidated Financial Statements included in the 2018 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 under our credit and committed facilities 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, excluding long-term debt relating to CSEs, at:

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (In millions) | |
| Short-term debt (1) | $ 158 | $ 268 |
| Long-term debt (2) | $ 13,341 | $ 12,824 |
| Collateral financing arrangement | $ 1,026 | $ 1,060 |
| Junior subordinated debt securities | $ 3,149 | $ 3,147 |

(1) Includes $59 million and $168 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at June 30, 2019 and December 31, 2018 , respectively. Certain subsidiaries have pledged assets to secure this debt.

(2) Includes $409 million and $422 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at June 30, 2019 and December 31, 2018 , respectively. Certain investment subsidiaries have pledged assets to secure this debt.

*Debt and Facility Covenants*

Certain of our debt instruments and committed facilities, as well as our unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all applicable financial covenants at June 30, 2019 .

*Dispositions*

For information regarding the Company's definitive agreement to sell its two wholly-owned subsidiaries, MetLife Limited and Metropolitan Life Insurance Company of Hong Kong Limited, see Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

***Liquidity and Capital Uses***

In addition to the general description of liquidity and capital uses in "— Summary of the Company's Primary Sources and Uses of Liquidity and Capital," the Company's primary uses of liquidity and capital are set forth below.

*Common Stock Repurchases*

See Note 11 of the Notes to the Interim Condensed Consolidated Financial Statements for information relating to authorizations by the Board of Directors to repurchase MetLife, Inc. common stock, amounts of common stock repurchased pursuant to such authorizations during the six months ended June 30, 2019 and 2018 , and the amount remaining under such authorizations at June 30, 2019 .

On July 31, 2019, MetLife, Inc. announced that its Board of Directors authorized an additional $2.0 billion of common stock repurchases. See Note 17 of the Notes to the Interim Condensed Consolidated Financial Statements.

Common stock repurchases are subject to the discretion of our Board of Directors and will depend upon 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, applicable regulatory approvals, and other legal and accounting factors. Restrictions on the payment of dividends that may arise under so-called "Dividend Stopper" provisions would also restrict MetLife, Inc.'s ability to repurchase common stock. See "Business — Regulation," "Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock at the Level We Wish" and Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

*Dividends*

During the six months ended June 30, 2019 and 2018 , MetLife, Inc. paid dividends on its preferred stock of $89 million and $52 million , respectively. During the six months ended June 30, 2019 and 2018 , MetLife, Inc. paid $824 million and $844 million , respectively, of dividends on its common stock. See Note 11 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the calculation and timing of these dividend payments.

Dividends are paid quarterly on MetLife, Inc.'s Floating Rate Non-Cumulative Preferred Stock, Series A. Dividends are paid semi-annually on MetLife, Inc.'s 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C, until June 15, 2020 and, thereafter, will be paid quarterly. Dividends are paid semi-annually on MetLife, Inc.'s 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D, until March 15, 2028 and, thereafter, will be paid quarterly. Dividends are paid quarterly on MetLife, Inc.'s 5.625% Non-Cumulative Preferred Stock, Series E.

The declaration and payment of common stock dividends are subject to the discretion of our Board of Directors, and will depend on MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc.'s insurance subsidiaries and other factors deemed relevant by the Board of Directors. See Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for additional information. See also Note 17 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding a common stock dividend declared subsequent to June 30, 2019 .

Dividend Restrictions

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 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Dividends — 'Dividend Stopper' Provisions in MetLife's Preferred Stock and Junior Subordinated Debentures," "Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock at the Level We Wish" and Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

*Debt Repayments*

During the six months ended June 30, 2019 and 2018 , following regulatory approval, MetLife Reinsurance Company of Charleston, a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled $34 million and $36 million, respectively, in aggregate principal amount of its surplus notes, which were reported in collateral financing arrangement on the consolidated balance sheets.

*Debt Repurchases, Redemptions and Exchanges*

We may from time to time seek to retire or purchase our outstanding debt through cash purchases, redemptions and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases, redemptions, 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 or redeem any debt and the size and timing of any such repurchases or redemptions will be determined at our discretion.

In June 2019, MetLife, Inc. redeemed for cash and canceled its £400 million aggregate principal amount 5.250% senior notes due June 2020 and the remaining $368 million aggregate principal amount of its 4.750% senior notes due February 2021. See Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements.

*Support Agreements*

MetLife, Inc. and several of its subsidiaries (each, an "Obligor") are parties to various capital support commitments and guarantees with subsidiaries. Under these arrangements, each Obligor has agreed to cause the applicable entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations. We anticipate that in the event these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet such demands. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Uses — Support Agreements" included in the 2018 Annual Report.

*Insurance Liabilities*

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property and 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 MetLife Holdings segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. During the six months ended June 30, 2019 and 2018 , general account surrenders and withdrawals from annuity products were $911 million and $847 million, respectively. In the RIS business within the U.S. segment, which includes pension risk transfers, 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 RIS business products that provide customers with limited rights to accelerate payments, at June 30, 2019 there were funding agreements totaling $120 million that could be put back to the Company.

*Pledged Collateral*

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At June 30, 2019 and December 31, 2018 , we had received pledged cash collateral from counterparties of $5.2 billion and $5.0 billion , respectively. At June 30, 2019 and December 31, 2018 , we had pledged cash collateral to counterparties of $293 million and $283 million , respectively. 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.

We pledge 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 the collateral financing arrangement related to the reinsurance of closed block liabilities.

We pledge collateral from time to time in connection with funding agreements and advance agreements. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements, as well as Note 4 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

*Securities Lending*

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of $17.8 billion and $18.0 billion at June 30, 2019 and December 31, 2018 , respectively. Of these amounts, $3.4 billion and $2.7 billion at June 30, 2019 and December 31, 2018 , respectively, were on open, meaning that the related loaned security could be returned to us on the next business day, requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at June 30, 2019 was $3.4 billion , all of which were U.S. government and agency securities which, if put to us, could be immediately sold to satisfy the cash requirement. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements.

*Repurchase Agreements*

We participate in short-term repurchase agreements whereby securities are loaned to unaffiliated financial institutions. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under these repurchase agreements, we were liable for cash collateral under our control of $1.6 billion and $1.1 billion at June 30, 2019 and December 31, 2018 , respectively. The estimated fair value of the securities on loan at June 30, 2019 was $1.6 billion , which were primarily U.S. government and agency securities which, if put to us, could be immediately sold to satisfy the cash requirement. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements.

*Litigation*

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 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. 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. See Note 16 of the Notes to the Interim Condensed Consolidated Financial Statements.

***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 2018 Annual Report for additional information regarding the Company's contractual obligations.

***MetLife, Inc.***

***Liquidity and Capital Management***

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc.'s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc.'s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc.'s access to liquidity.

MetLife, Inc.'s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Rating Agencies" included in the 2018 Annual Report.

***Liquidity***

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

***Capital***

For a summary of MetLife, Inc.'s capital, see "— The Company — Capital." See also "— The Company — Liquidity and Capital Uses — Common Stock Repurchases" for information regarding MetLife, Inc.'s common stock repurchases.

***Liquid Assets***

At June 30, 2019 and December 31, 2018 , MetLife, Inc., collectively with other MetLife holding companies, had $4.2 billion and $3.0 billion, respectively, in liquid assets. Of these amounts, $3.3 billion and $2.4 billion were held by MetLife, Inc. and $889 million and $607 million were held by other MetLife holding companies at June 30, 2019 and December 31, 2018 , respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding assets that are pledged or otherwise committed. Assets pledged or otherwise committed include amounts received in connection with derivatives and a collateral financing arrangement.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations. Such dividends are subject to local insurance regulatory requirements, as discussed in "— Liquidity and Capital Sources — Dividends from Subsidiaries." The cumulative earnings of certain active non-U.S. operations have historically been reinvested indefinitely in such non-U.S. operations. Following a post-Separation review of our capital needs in the third quarter of 2017, we disclosed our intent to repatriate approximately $3.0 billion of pre-2017 earnings. See Note 18 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report for information on the taxation of such cumulative earnings. The Company repatriated $2.6 billion in the fourth quarter of 2017 and the remaining $400 million in the second quarter of 2018. As a result of the Tax Cuts and Jobs Act of 2017, we expect to repatriate future foreign earnings back to the U.S. with minimal or no additional U.S. tax.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquid Assets" included in the 2018 Annual Report for additional information on the sources and uses of liquid assets, as well as sources and uses of liquid assets included in free cash flow for MetLife, Inc. and other MetLife holding companies.

***Liquidity and Capital Sources***

In addition to the description of liquidity and capital sources in "— The Company — Summary of the Company's Primary Sources and Uses of Liquidity and Capital" and "— The Company — Liquidity and Capital Sources," MetLife, Inc.'s primary sources of liquidity and capital are set forth below.

*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.

The table below sets forth the dividends permitted to be paid in 2019 by MetLife, Inc.'s primary U.S. insurance subsidiaries without insurance regulatory approval and the actual dividends paid during the six months ended June 30, 2019 :

| Company | Paid (1) | Permitted Without Approval (2) |
|---|---|---|
| | (In millions) | |
| Metropolitan Life Insurance Company | $ 2,146 | $ 3,065 |
| American Life Insurance Company | $ 600 | $ — |
| Metropolitan Property and Casualty Insurance Company | $ — | $ 171 |
| Metropolitan Tower Life Insurance Company | $ — | $ 154 |

(1) Reflects all amounts paid, including those where regulatory approval was obtained as required.

(2) Reflects dividend amounts that may be paid during 2019 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 2019 , some or all of such dividends may require regulatory approval.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit dividend payments to the parent company to a portion of the subsidiary's prior year 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 our 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 our first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

We proactively manage target and excess capital levels and dividend flows 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. See “Risk Factors — Capital Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Pay Dividends, a Major Component of Holding Company Free Cash Flow” and Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 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 either June 30, 2019 or December 31, 2018 .

*Preferred Stock*

For information on MetLife, Inc.’s preferred stock, see “— The Company — Liquidity and Capital Uses — Dividends,” as well as Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

*Credit and Committed Facilities*

See “— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities” for further information regarding the Company’s unsecured revolving credit facility and certain committed facilities.

*Long-term Debt Outstanding*

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

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| | (In millions) | |
| Long-term debt — unaffiliated | $ 12,370 | $ 11,844 |
| Long-term debt — affiliated (1) | $ 1,993 | $ 1,957 |
| Junior subordinated debt securities | $ 2,457 | $ 2,456 |

(1) In July 2019, a ¥53.3 billion 1.448% senior note issued to MLIC matured and was refinanced with a ¥37.3 billion 1.602% senior note due July 2023 and a ¥16.0 billion 1.637% senior note due July 2026 issued to MLIC.

*Debt and Facility Covenants*

Certain of MetLife, Inc.’s debt instruments and committed facilities, as well as its unsecured revolving credit facility, contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all applicable financial covenants at June 30, 2019 .

***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, preferred stock and debt 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 certain of its common stock and other securities, 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,” MetLife, Inc.’s primary uses of liquidity and capital are set forth below.

*Affiliated Capital and Debt Transactions*

During the six months ended June 30, 2019 and 2018 , MetLife, Inc. invested a net amount of $42 million and $713 million, respectively, in various subsidiaries.

MetLife, Inc. lends funds, as necessary, through credit agreements or otherwise to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements or to provide liquidity. MetLife, Inc. had loans to subsidiaries outstanding of $100 million at both June 30, 2019 and December 31, 2018 .

*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."

**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**

In this report, the Company presents certain measures of its performance on a consolidated and segment basis that are not calculated in accordance with GAAP. We believe that these non-GAAP financial measures enhance the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Segment-specific financial measures are calculated using only the portion of consolidated results attributable to that specific segment.

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

| **Non-GAAP financial measures:** | | **Comparable GAAP financial measures:** | |
|---|---|---|---|
| (i) | adjusted earnings | (i) | net income (loss) |
| (ii) | adjusted earnings available to common shareholders | (ii) | net income (loss) available to MetLife, Inc.'s common shareholders |

Any of these financial measures shown on a constant currency basis reflect the impact of changes in foreign currency exchange rates and are calculated using the average foreign currency exchange rates for the most recent period and applied to the comparable prior period ("constant currency basis").

Reconciliations of these non-GAAP financial measures to the most directly comparable historical GAAP financial measures are included in the results of operations, see "— Results of Operations." Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are not accessible on a forward-looking basis because we believe it is not possible without unreasonable effort 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 material impact on net income.

Our definitions of the various non-GAAP and other financial measures discussed in this report may differ from those used by other companies.

***Adjusted earnings and related measures:***

- adjusted earnings;
- adjusted earnings available to common shareholders; and
- adjusted earnings available to common shareholders on a constant currency basis.

These measures are used by management to evaluate performance and allocate resources. Consistent with GAAP guidance for segment reporting, adjusted earnings and components of, or other financial measures based on, adjusted earnings are also our GAAP measures of segment performance. Adjusted earnings and other financial measures based on adjusted earnings are also the measures by which senior management's and many other employees' performance is evaluated for the purposes of determining their compensation under applicable compensation plans. Adjusted earnings and other financial measures based on adjusted earnings allow analysis of our performance relative to our business plan and facilitate comparisons to industry results.

Adjusted earnings is defined as adjusted revenues less adjusted expenses, net of income tax. Adjusted loss is defined as negative adjusted earnings. Adjusted earnings available to common shareholders is defined as adjusted earnings less preferred stock dividends.

***Adjusted revenues and adjusted expenses***

The financial measures of adjusted revenues and adjusted expenses focus on our primary businesses principally by excluding the impact of market volatility, which could distort trends, and revenues and costs related to non-core products and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations under GAAP and other businesses that have been or will be sold or exited by MetLife but do not meet the discontinued operations criteria under GAAP and are referred to as divested businesses. Divested businesses also includes the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

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

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("GMIB fees");
- Net investment income: (i) includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment ("Investment hedge adjustments"), (ii) excludes post-tax adjusted earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed equity securities ("Unit-linked contract income"), (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP and (v) includes distributions of profits from certain other limited partnership interests that were previously accounted for under the cost method, but are now accounted for at estimated fair value, where the change in estimated fair value is recognized in net investment gains (losses) under GAAP; and
- Other revenues is adjusted for settlements of foreign currency earnings hedges and excludes fees received in association with services provided under transition service agreements ("TSA fees").

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

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass-through adjustments, (iii) benefits and hedging costs related to GMIBs ("GMIB costs") and (iv) market value adjustments associated with surrenders or terminations of contracts ("Market value adjustments");
- Interest credited to policyholder account balances includes adjustments for earned income on derivatives and amortization of premium on derivatives that are hedges of policyholder account balances but do not qualify for hedge accounting treatment and excludes certain amounts related to net investment income earned on contractholder-directed equity securities;
- 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, integration and other costs. Other expenses includes TSA fees.

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

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

***Allocated equity:***

- Allocated equity is the portion of MetLife, Inc.'s common stockholders' equity that management allocates to each of its segments and sub-segments based on local capital requirements and economic capital. See "— Economic Capital." Allocated equity excludes the impact of accumulated other comprehensive income other than foreign currency translation adjustments.

The above measure represents a level of equity consistent with the view that, in the ordinary course of business, we do not plan to sell most investments for the sole purpose of realizing gains or losses. Also, refer to the utilization of adjusted earnings and other financial measures based on adjusted earnings mentioned above.

***The following additional information is relevant to an understanding of our performance results:***

- 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. Further, sales statistics for our Latin America, Asia and EMEA segments are on a constant currency basis.
- Asymmetrical and non-economic accounting refers to: (i) the portion of net derivative gains (losses) on embedded derivatives attributable to the inclusion of our credit spreads in the liability valuations, (ii) hedging activity that generates net derivative gains (losses) and creates fluctuations in net income because hedge accounting cannot be achieved and the item being hedged does not a have an offsetting gain or loss recognized in earnings, (iii) 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, and (iv) impact of changes in foreign currency exchange rates on the re-measurement of foreign denominated unhedged funding agreements and financing transactions to the U.S. dollar and the re-measurement of certain liabilities from non-functional currencies to functional currencies. We believe that excluding the impact of asymmetrical and non-economic accounting from total GAAP results enhances investor understanding of our performance by disclosing how these accounting practices affect reported GAAP results.
- The Company uses a measure of free cash flow to facilitate an understanding of its ability to generate cash for reinvestment into its businesses or use in non-mandatory capital actions. The Company defines free cash flow as the sum of cash available at MetLife's holding companies from dividends from operating subsidiaries, expenses and other net flows of the holding companies (including capital contributions to subsidiaries), and net contributions from debt to be at or below target leverage ratios. This measure of free cash flow is prior to capital actions, such as common stock dividends and repurchases, debt reduction and mergers and acquisitions. Free cash flow should not be viewed as a substitute for net cash provided by (used in) operating activities calculated in accordance with GAAP. The free cash flow ratio is typically expressed as a percentage of annual adjusted earnings available to common shareholders.

**Subsequent Events**

See Note 17 of the Notes to the Interim Condensed Consolidated Financial Statements.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and changes in the equity markets. We have exposure to market risk through our insurance operations and investment activities. We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives. A description of our market risk exposures may be found under "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A, of the 2018 Annual Report.

**Item 4. Controls and Procedures**

Management, with the participation of the Chief Executive Officer ("CEO") and CFO, 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 Securities Exchange Act of 1934 ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO have concluded that these disclosure controls and procedures are effective.

There were no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II — Other Information

### Item 1. Legal Proceedings

See Note 16 of the Notes to the Interim Condensed Consolidated Financial Statements.

### Item 1A. Risk Factors

Certain factors that may affect the Company's business or operations are described under "Risk Factors" in Part I, Item 1A, of the 2018 Annual Report, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under Item 1A. Risk Factors. There have been no material changes to our risk factors from the risk factors previously disclosed in the 2018 Annual Report.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

***Issuer Purchases of Equity Securities***

Purchases of MetLife, Inc. common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended June 30, 2019 are set forth below:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) |
|---|---|---|---|---|
| April 1 — April 30, 2019 | — | $ — | — | $ 770,341,529 |
| May 1 — May 31, 2019 | 10,038,637 | $ 47.46 | 10,026,913 | $ 294,439,277 |
| June 1 — June 30, 2019 | 5,729,388 | $ 47.84 | 5,729,388 | $ 20,341,538 |
| Total | 15,768,025 | | 15,756,301 | |

(1) Except for the foregoing, there were no shares of MetLife, Inc. common stock repurchased by MetLife, Inc. During the periods April 1 through April 30, 2019, May 1 through May 31, 2019 and June 1 through June 30, 2019, separate account index funds purchased 0 shares, 11,724 shares and 0 shares, respectively, of MetLife, Inc. common stock on the open market in non-discretionary transactions.

(2) In November 2018, MetLife, Inc. announced that its Board of Directors authorized $2.0 billion of common stock repurchases. At June 30, 2019 , MetLife, Inc. had $20 million of common stock repurchases remaining under this authorization. On July 31, 2019, MetLife, Inc. announced that its Board of Directors authorized an additional $2.0 billion of common stock repurchases. For more information on common stock repurchases, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Common Stock Repurchases." See also "Risk Factors — Capital Risks — Legal and Regulatory Restrictions May Prevent Us from Paying Dividends and Repurchasing Our Stock at the Level We Wish" and Note 15 of the Notes to the Consolidated Financial Statements included in the 2018 Annual Report.

## Item 6. Exhibits

***(Note Regarding Reliance on Statements in Our Contracts:*** *In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates may be found elsewhere in this Quarterly Report on Form 10-Q and MetLife, Inc.'s other public filings, which are available without charge through the U.S. Securities and Exchange Commission website at www.sec.gov.)*

| | | Incorporated by Reference | | | | |
|---|---|---|---|---|---|---|
| **Exhibit No.** | **Description** | **Form** | **File Number** | **Exhibit** | **Filing Date** | **Filed or Furnished Herewith** |
| 10.1 | Separation Agreement and General Release, effective June 16, 2019, between MetLife, Inc. and MetLife Group, Inc. and Martin Lippert.* | 8-K | 001-15787 | 10.1 | June 18, 2019 | |
| 10.2 | Description of Agreement between Kishore Ponnavolu and MetLife, Inc. dated April 23, 2019.* | | | | | X |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.1 | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 32.2 | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | | X |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document. | | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. | | | | | X |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101). | | | | | X |

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*Indicates management contracts or compensatory plans or arrangements.

**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/ Tamara L. Schock

Name: Tamara L. Schock
Title: Executive Vice President
and Chief Accounting Officer
(Authorized Signatory and Principal
Accounting Officer)

Date: August 5, 2019

**Exhibit 10.2**

## Description of Agreement between Kishore Ponnavolu and MetLife, Inc. dated April 23, 2019

In December 2019, MetLife, Inc. asked Kishore Ponnavolu, its President, Asia, to travel from the U.S. to Japan on short notice to cover urgent business matters, including meetings with regulators. Mr. Ponnavolu's family joined him in Asia for this period. On April 23, 2019 MetLife, Inc. agreed to reimburse Mr. Ponnavolu for his family travel expenses on this trip, at an incremental cost of approximately U.S. $75,000. MetLife, Inc. will not make Mr. Ponnavolu whole for any of his taxes on this item.

**Exhibit 31.1**

CERTIFICATIONS

I, Michel A. Khalaf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MetLife, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2019

/s/ Michel A. Khalaf

Michel A. Khalaf
President and
Chief Executive Officer

**Exhibit 31.2**

CERTIFICATIONS

I, John D. McCallion, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MetLife, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2019

/s/ John D. McCallion

John D. McCallion
Executive Vice President,
Chief Financial Officer and Treasurer

**Exhibit 32.1**

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Michel A. Khalaf, certify that (i) MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of MetLife, Inc.

Date: August 5, 2019

/s/ Michel A. Khalaf

Michel A. Khalaf
President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to MetLife, Inc. and will be retained by MetLife, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2**

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, John D. McCallion, certify that (i) MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of MetLife, Inc.

Date: August 5, 2019

/s/ John D. McCallion

John D. McCallion
Executive Vice President,
Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to MetLife, Inc. and will be retained by MetLife, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.