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 SEPTEMBER 30, 2021

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 | MET PRA | New York Stock Exchange |
| Depositary Shares, each representing a 1/1,000th interest in a share of 5.625% Non-Cumulative Preferred Stock, Series E | MET PRE | New York Stock Exchange |
| Depositary Shares, each representing a 1/1,000th interest in a share of 4.75% Non-Cumulative Preferred Stock, Series F | MET PRF | 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 October 29, 2021, 841,160,193 shares of the registrant's common stock were outstanding.

**Table of Contents**


| | | Page |
|---|---|---|
| **Part I — Financial Information** | | |
| **Item 1.** | Financial Statements (Unaudited) (at September 30, 2021 and December 31, 2020 and for the Three Months and Nine Months Ended September 30, 2021 and 2020) | |
| | Interim Condensed Consolidated Balance Sheets | 4 |
| | Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) | 5 |
| | Interim Condensed Consolidated Statements of Equity | 6 |
| | Interim Condensed Consolidated Statements of Cash Flows | 7 |
| | Notes to the Interim Condensed Consolidated Financial Statements: | |
| | Note 1 — Business, Basis of Presentation and Summary of Significant Accounting Policies | 8 |
| | Note 2 — Segment Information | 11 |
| | Note 3 — Dispositions | 18 |
| | Note 4 — Insurance | 20 |
| | Note 5 — Closed Block | 22 |
| | Note 6 — Investments | 25 |
| | Note 7 — Derivatives | 43 |
| | Note 8 — Fair Value | 55 |
| | Note 9 — Long-Term Debt | 73 |
| | Note 10 — Equity | 74 |
| | Note 11 — Other Revenues and Other Expenses | 79 |
| | Note 12 — Employee Benefit Plans | 80 |
| | Note 13 — Income Tax | 80 |
| | Note 14 — Earnings Per Common Share | 81 |
| | Note 15 — Contingencies, Commitments and Guarantees | 81 |
| **Item 2.** | **Management's Discussion and Analysis of Financial Condition and Results of Operations** | 86 |
| **Item 3.** | **Quantitative and Qualitative Disclosures About Market Risk** | 159 |
| **Item 4.** | **Controls and Procedures** | 160 |
| **Part II — Other Information** | | |
| **Item 1.** | **Legal Proceedings** | 161 |
| **Item 1A.** | **Risk Factors** | 161 |
| **Item 2.** | **Unregistered Sales of Equity Securities and Use of Proceeds** | 161 |
| **Item 6.** | **Exhibits** | 162 |
| **Signatures** | | 163 |

*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 and do not relate strictly to historical or current facts. They use words and terms such as "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "if," "intend," "likely," "may," "plan," "potential," "project," "should," "will," "would" and other words and terms of similar meaning or that are otherwise tied to future periods or future performance, in each case in all derivative forms. They include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, future sales efforts, future expenses, the outcome of contingencies such as legal proceedings, and future trends in operations and financial results.

Many factors determine Company results, and they involve unpredictable risks and uncertainties. Our forward-looking statements depend on our assumptions, our expectations, and our understanding of the economic environment, but they may be inaccurate and may change. We do not guarantee any future performance. Our results could differ materially from those we express or imply in forward-looking statements. The risks, uncertainties and other factors identified in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission, and others, may cause such differences. These factors include:

(1) economic condition difficulties, including risks relating to public health, interest rates, credit spreads, equity, real estate, obligors and counterparties, currency exchange rates, derivatives, and terrorism and security;

(2) global capital and credit market adversity;

(3) credit facility inaccessibility;

(4) financial strength or credit ratings downgrades;

(5) unavailability, unaffordability, or inadequate reinsurance;

(6) statutory life insurance reserve financing costs or limited market capacity;

(7) legal, regulatory, and supervisory and enforcement policy changes;

(8) changes in tax rates, tax laws or interpretations;

(9) litigation and regulatory investigations;

(10) London Interbank Offered Rate termination and transition to alternative reference rates;

(11) unsuccessful efforts to meet all environmental, social, and governance standards or to enhance our sustainability;

(12) MetLife, Inc.'s inability to pay dividends and repurchase common stock;

(13) MetLife, Inc.'s subsidiaries' inability to pay it dividends;

(14) investment defaults, downgrades, or volatility;

(15) investment sales or lending difficulties;

(16) collateral or derivative-related payments;

(17) investment valuations, allowances, or impairments changes;

(18) claims or other results that differ from our estimates, assumptions, or models;

(19) global political, legal, or operational risks;

(20) business competition;

(21) technological change;

(22) catastrophes;

(23) climate changes or responses to it;

(24) deficiencies in our closed block;

(25) goodwill or other asset impairment, or deferred income tax asset allowance;

(26) acceleration of amortization of deferred policy acquisition costs, deferred sales inducements, value of business acquired, or value of customer relationships acquired;

(27) product guarantee volatility, costs, and counterparty risks;

(28) risk management failures;

(29) insufficient protection from operational risks;

(30) confidential information protection or other cybersecurity or disaster recovery failures;

(31) accounting standards changes;

(32) excessive risk-taking;

(33) marketing and distribution difficulties;

(34) pension and other postretirement benefit assumption changes;

(35) inability to protect our intellectual property or avoid infringement claims;

(36) acquisition, integration, growth, disposition, or reorganization difficulties;

(37) Brighthouse Financial, Inc. separation risks;

(38) MetLife, Inc.'s Board of Directors influence over the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; and

(39) legal- and corporate governance-related effects on business combinations.

The Company will not publicly correct or update any forward-looking statements if we believe we are not likely to achieve them or for any other reasons. Please consult any further disclosures MetLife, Inc. makes on related subjects in subsequent 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**
**September 30, 2021 and December 31, 2020 (Unaudited)**

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $310,004 and $310,811, respectively; allowance for credit loss of $68 and $81, respectively) | $ 341,038 | $ 354,809 |
| Equity securities, at estimated fair value | 941 | 1,079 |
| Contractholder-directed equity securities and fair value option securities, at estimated fair value | 12,055 | 13,319 |
| Mortgage loans (net of allowance for credit loss of $563 and $590, respectively; includes $134 and $165, respectively, under the fair value option) | 80,964 | 83,919 |
| Policy loans | 9,186 | 9,493 |
| Real estate and real estate joint ventures (includes $225 and $169, respectively, under the fair value option and $0 and $128, respectively, of real estate held-for-sale) | 12,182 | 11,933 |
| Other limited partnership interests | 13,480 | 9,470 |
| Short-term investments, principally at estimated fair value | 7,150 | 3,904 |
| Other invested assets (includes $2,019 and $2,156, respectively, of leveraged and direct financing leases and $356 and $332, respectively, relating to variable interest entities) | 18,683 | 20,593 |
| Total investments | 495,679 | 508,519 |
| Cash and cash equivalents, principally at estimated fair value (includes $13 and $12, respectively, relating to variable interest entities) | 18,956 | 19,795 |
| Accrued investment income | 3,354 | 3,388 |
| Premiums, reinsurance and other receivables (includes $5 and $4, respectively, relating to variable interest entities) | 17,816 | 17,870 |
| Deferred policy acquisition costs and value of business acquired | 16,191 | 16,389 |
| Goodwill | 9,638 | 10,112 |
| Assets held-for-sale | 7,462 | 7,418 |
| Other assets (includes $1 and $1, respectively, relating to variable interest entities) | 11,614 | 11,685 |
| Separate account assets | 180,954 | 199,970 |
| Total assets | $ 761,664 | $ 795,146 |
| **Liabilities and Equity** | | |
| **Liabilities** | | |
| Future policy benefits | $ 197,086 | $ 206,656 |
| Policyholder account balances | 203,973 | 205,176 |
| Other policy-related balances | 17,735 | 17,101 |
| Policyholder dividends payable | 525 | 587 |
| Policyholder dividend obligation | 1,952 | 2,969 |
| Payables for collateral under securities loaned and other transactions | 31,382 | 29,475 |
| Short-term debt | 346 | 393 |
| Long-term debt (includes $0 and $5, respectively, relating to variable interest entities) | 14,010 | 14,603 |
| Collateral financing arrangement | 806 | 845 |
| Junior subordinated debt securities | 3,155 | 3,153 |
| Current income tax payable | 103 | 129 |
| Deferred income tax liability | 9,850 | 11,008 |
| Liabilities held-for-sale | 6,757 | 4,650 |
| Other liabilities (includes $1 and $1, respectively, relating to variable interest entities) | 23,697 | 23,614 |
| Separate account liabilities | 180,954 | 199,970 |
| Total liabilities | 692,331 | 720,329 |
| **Contingencies, Commitments and Guarantees (Note 15)** | | |
| **Equity** | | |
| MetLife, Inc.'s stockholders' equity: | | |
| Preferred stock, par value $0.01 per share; $3,905 and $4,405 aggregate liquidation preference | — | — |
| Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,186,092,767 and 1,181,614,288 shares issued, respectively; 844,531,818 and 892,910,600 shares outstanding, respectively | 12 | 12 |
| Additional paid-in capital | 33,457 | 33,812 |
| Retained earnings | 40,426 | 36,491 |
| Treasury stock, at cost; 341,560,949 and 288,703,688 shares, respectively | (16,956) | (13,829) |
| Accumulated other comprehensive income (loss) ("AOCI") | 12,111 | 18,072 |
| Total MetLife, Inc.'s stockholders' equity | 69,050 | 74,558 |
| Noncontrolling interests | 283 | 259 |
| Total equity | 69,333 | 74,817 |
| Total liabilities and equity | $ 761,664 | $ 795,146 |

**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 Nine Months Ended September 30, 2021 and 2020 (Unaudited)**

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Revenues** | | | | |
| Premiums | $ 9,455 | $ 9,935 | $ 28,914 | $ 28,137 |
| Universal life and investment-type product policy fees | 1,521 | 1,497 | 4,334 | 4,227 |
| Net investment income | 5,568 | 4,729 | 16,162 | 11,877 |
| Other revenues | 663 | 455 | 1,958 | 1,350 |
| Net investment gains (losses) | (84) | (20) | 1,655 | (77) |
| Net derivative gains (losses) | (218) | (581) | (2,032) | 2,910 |
| Total revenues | 16,905 | 16,015 | 50,991 | 48,424 |
| **Expenses** | | | | |
| Policyholder benefits and claims | 10,103 | 10,000 | 30,031 | 27,689 |
| Interest credited to policyholder account balances | 1,287 | 1,416 | 4,153 | 3,458 |
| Policyholder dividends | 189 | 206 | 672 | 788 |
| Other expenses | 3,284 | 3,470 | 9,315 | 9,726 |
| Total expenses | 14,863 | 15,092 | 44,171 | 41,661 |
| Income (loss) before provision for income tax | 2,042 | 923 | 6,820 | 6,763 |
| Provision for income tax expense (benefit) | 453 | 214 | 1,456 | 1,503 |
| Net income (loss) | 1,589 | 709 | 5,364 | 5,260 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 3 | 15 | 11 |
| Net income (loss) attributable to MetLife, Inc. | 1,584 | 706 | 5,349 | 5,249 |
| Less: Preferred stock dividends | 63 | 59 | 166 | 168 |
| Preferred stock redemption premium | — | 14 | 6 | 14 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,521 | $ 633 | $ 5,177 | $ 5,067 |
| Comprehensive income (loss) | $ 1,392 | $ (1,818) | $ (595) | $ 8,246 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax | 6 | 3 | 17 | 13 |
| Comprehensive income (loss) attributable to MetLife, Inc. | $ 1,386 | $ (1,821) | $ (612) | $ 8,233 |
| Net income (loss) available to MetLife, Inc.'s common shareholders per common share: | | | | |
| Basic | $ 1.78 | $ 0.70 | $ 5.94 | $ 5.57 |
| Diluted | $ 1.77 | $ 0.69 | $ 5.90 | $ 5.53 |

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

**MetLife, Inc.**

**Interim Condensed Consolidated Statements of Equity**
**For the Nine Months Ended September 30, 2021 and 2020 (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, 2020 | $ — | $ 12 | $ 33,812 | $ 36,491 | $ (13,829) | $ 18,072 | $ 74,558 | $ 259 | $ 74,817 |
| Redemption of preferred stock | | | (494) | | | | (494) | | (494) |
| Preferred stock redemption premium | | | | (6) | | | (6) | | (6) |
| Treasury stock acquired in connection with share repurchases | | | | | (2,112) | | (2,112) | | (2,112) |
| Stock-based compensation | | | 122 | | | | 122 | | 122 |
| Dividends on preferred stock | | | | (103) | | | (103) | | (103) |
| Dividends on common stock (declared per share of $0.940) | | | | (829) | | | (829) | | (829) |
| Change in equity of noncontrolling interests | | | | | | | — | 15 | 15 |
| Net income (loss) | | | | 3,765 | | | 3,765 | 10 | 3,775 |
| Other comprehensive income (loss), net of income tax | | | | | | (5,763) | (5,763) | 1 | (5,762) |
| Balance at June 30, 2021 | — | 12 | 33,440 | 39,318 | (15,941) | 12,309 | 69,138 | 285 | 69,423 |
| Treasury stock acquired in connection with share repurchases | | | | | (1,015) | | (1,015) | | (1,015) |
| Stock-based compensation | | | 17 | | | | 17 | | 17 |
| Dividends on preferred stock | | | | (63) | | | (63) | | (63) |
| Dividends on common stock (declared per share of $0.480) | | | | (413) | | | (413) | | (413) |
| Change in equity of noncontrolling interests | | | | | | | — | (8) | (8) |
| Net income (loss) | | | | 1,584 | | | 1,584 | 5 | 1,589 |
| Other comprehensive income (loss), net of income tax | | | | | | (198) | (198) | 1 | (197) |
| Balance at September 30, 2021 | $ — | $ 12 | $ 33,457 | $ 40,426 | $ (16,956) | $ 12,111 | $ 69,050 | $ 283 | $ 69,333 |

| | 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, 2019 | $ — | $ 12 | $ 32,680 | $ 33,078 | $ (12,678) | $ 13,052 | $ 66,144 | $ 238 | $ 66,382 |
| Cumulative effects of changes in accounting principles, net of income tax | | | | (121) | | | (121) | | (121) |
| Preferred stock issuance | | | 972 | | | | 972 | | 972 |
| Treasury stock acquired in connection with share repurchases | | | | | (500) | | (500) | | (500) |
| Stock-based compensation | | | 76 | | | | 76 | | 76 |
| Dividends on preferred stock | | | | (109) | | | (109) | | (109) |
| Dividends on common stock (declared per share of $0.900) | | | | (823) | | | (823) | | (823) |
| Change in equity of noncontrolling interests | | | | | | | — | (1) | (1) |
| Net income (loss) | | | | 4,543 | | | 4,543 | 8 | 4,551 |
| Other comprehensive income (loss), net of income tax | | | | | | 5,511 | 5,511 | 2 | 5,513 |
| Balance at June 30, 2020 | — | 12 | 33,728 | 36,568 | (13,178) | 18,563 | 75,693 | 247 | 75,940 |
| Redemption of preferred stock | | | (989) | | | | (989) | | (989) |
| Preferred stock redemption premium | | | | (14) | | | (14) | | (14) |
| Preferred stock issuance | | | 989 | | | | 989 | | 989 |
| Treasury stock acquired in connection with share repurchases | | | | | (80) | | (80) | | (80) |
| Stock-based compensation | | | 16 | | | | 16 | | 16 |
| Dividends on preferred stock | | | | (59) | | | (59) | | (59) |
| Dividends on common stock (declared per share of $0.460) | | | | (419) | | | (419) | | (419) |
| Change in equity of noncontrolling interests | | | | | | | — | 3 | 3 |
| Net income (loss) | | | | 706 | | | 706 | 3 | 709 |
| Other comprehensive income (loss), net of income tax | | | | | | (2,527) | (2,527) | — | (2,527) |
| Balance at September 30, 2020 | $ — | $ 12 | $ 33,744 | $ 36,782 | $ (13,258) | $ 16,036 | $ 73,316 | $ 253 | $ 73,569 |

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

**MetLife, Inc.**

**Interim Condensed Consolidated Statements of Cash Flows**
**For the Nine Months Ended September 30, 2021 and 2020 (Unaudited)**

**(In millions)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| **Net cash provided by (used in) operating activities** | $ 7,256 | $ 6,486 |
| **Cash flows from investing activities** | | |
| Sales, maturities and repayments of: | | |
| Fixed maturity securities available-for-sale | 63,778 | 56,872 |
| Equity securities | 476 | 262 |
| Mortgage loans | 12,692 | 7,848 |
| Real estate and real estate joint ventures | 1,160 | 110 |
| Other limited partnership interests | 512 | 305 |
| Purchases and originations of: | | |
| Fixed maturity securities available-for-sale | (69,525) | (71,503) |
| Equity securities | (57) | (154) |
| Mortgage loans | (9,909) | (10,137) |
| Real estate and real estate joint ventures | (1,174) | (1,106) |
| Other limited partnership interests | (2,092) | (1,279) |
| Cash received in connection with freestanding derivatives | 2,574 | 5,123 |
| Cash paid in connection with freestanding derivatives | (6,794) | (2,900) |
| Sales of businesses, net of cash and cash equivalents disposed of $611 and $0, respectively | 3,329 | — |
| Net change in policy loans | 179 | 106 |
| Net change in short-term investments | (3,165) | (35) |
| Net change in other invested assets | (267) | (55) |
| Other, net | (42) | 136 |
| Net cash provided by (used in) investing activities | (8,325) | (16,407) |
| **Cash flows from financing activities** | | |
| Policyholder account balances: | | |
| Deposits | 75,536 | 73,626 |
| Withdrawals | (71,495) | (64,856) |
| Payables for collateral under securities loaned and other transactions: | | |
| Net change in payables for collateral under securities loaned and other transactions | 1,279 | 8,025 |
| Cash received for other transactions with tenors greater than three months | — | 150 |
| Cash paid for other transactions with tenors greater than three months | (100) | (175) |
| Long-term debt issued | 29 | 1,124 |
| Long-term debt repaid | (540) | (95) |
| Collateral financing arrangement repaid | (39) | (69) |
| Financing element on certain derivative instruments and other derivative related transactions, net | 305 | (108) |
| Treasury stock acquired in connection with share repurchases | (3,127) | (580) |
| Preferred stock issued, net of issuance costs | — | 1,961 |
| Redemption of preferred stock | (494) | — |
| Preferred stock redemption premium | (6) | — |
| Dividends on preferred stock | (166) | (168) |
| Dividends on common stock | (1,242) | (1,242) |
| Other, net | 20 | 129 |
| Net cash provided by (used in) financing activities | (40) | 17,722 |
| Effect of change in foreign currency exchange rates on cash and cash equivalents balances | (392) | 6 |
| Change in cash and cash equivalents | (1,501) | 7,807 |
| Cash and cash equivalents, including subsidiary held-for-sale, beginning of period | 20,560 | 16,598 |
| **Cash and cash equivalents, including subsidiary held-for-sale, end of period** | $ 19,059 | $ 24,405 |
| Cash and cash equivalents, subsidiary held-for-sale, beginning of period | $ 765 | $ — |
| **Cash and cash equivalents, subsidiary held-for-sale, end of period** | $ 103 | $ — |
| Cash and cash equivalents, beginning of period | $ 19,795 | $ 16,598 |
| **Cash and cash equivalents, end of period** | $ 18,956 | $ 24,405 |
| | | |
| **Supplemental disclosures of cash flow information** | | |
| Net cash paid (received) for: | | |
| Interest | $ 606 | $ 579 |
| Income tax | $ 861 | $ 339 |
| Subsidiaries held-for-sale (Note 3): | | |
| Assets held-for-sale | $ 7,462 | $ — |
| Liabilities held-for-sale | 6,757 | — |
| Net assets held-for-sale | $ 705 | $ — |
| Non-cash transactions: | | |
| Real estate and real estate joint ventures acquired in satisfaction of debt | $ 172 | $ 9 |
| Increase in equity securities due to in-kind distributions received from other limited partnership interests | $ 273 | $ 66 |
| Reclassification of certain other invested assets to contractholder-directed equity securities and fair value option securities | $ 309 | $ — |
| Increase in other liabilities associated with the notice of redemption of preferred stock | $ — | $ 1,003 |

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

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

### *Business*

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

### *Basis of Presentation*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported on the interim condensed consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain, including uncertainties associated with the novel coronavirus COVID-19 pandemic (the "COVID-19 Pandemic"). 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, 2020 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, 2020 (the "2020 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 2020 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 or the fair value option ("FVO") 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.

#### ***Held-for-Sale***

The Company classifies a business as held-for-sale when management has approved or received approval to sell the business, the sale is probable to occur during the next 12 months at a price that is reasonable in relation to its current estimated fair value and certain other specified criteria are met. The business classified as held-for-sale is recorded at the lower of the carrying value and estimated fair value, less cost to sell. If the carrying value of the business exceeds its estimated fair value, less cost to sell, a loss is recognized and reported in net investment gains (losses). Assets and liabilities related to the business classified as held-for-sale are separately reported in the Company's consolidated balance sheets in the period in which the business is classified as held-for-sale. See Note 3. If a component of the Company has either been disposed of or is classified as held-for-sale and represents a strategic shift that has or will have a major effect on the Company's operations and financial results, the results of the component are reported in discontinued operations.

#### ***Reclassifications***

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform to the 2021 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 interim condensed consolidated financial statements.

***Adoption of New Accounting Pronouncements***

The table below describes the impacts of the ASUs recently adopted by the Company.

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
| --- | --- | --- | --- |
| ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*; as clarified and amended by ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* | The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, with certain exceptions. ASU 2021-01 amends the scope of the recent reference rate reform guidance. New optional expedients allow derivative instruments impacted by changes in the interest rate used for margining, discounting, or contract price alignment to qualify for certain optional relief. | Effective for contract modifications made between March 12, 2020 and December 31, 2022. | The new guidance reduces the operational and financial impacts of contract modifications that replace a reference rate, such as London Interbank Offered Rate ("LIBOR"), affected by reference rate reform. The adoption of the new guidance provides relief from current GAAP and is not expected to have a material impact on the Company's interim condensed consolidated financial statements. The Company will continue to evaluate the impacts of reference rate reform on contract modifications and hedging relationships through December 31, 2022. |
| ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* | The new guidance simplifies the accounting for income taxes by removing certain exceptions to the tax accounting guidance and providing clarification to other specific tax accounting guidance to eliminate variations in practice. Specifically, it removes the exceptions related to the a) incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, b) recognition of a deferred tax liability when foreign investment ownership changes from equity method investment to consolidated subsidiary and vice versa and c) use of interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance also simplifies the application of the income tax guidance for franchise taxes that are partially based on income and the accounting for tax law changes during interim periods, clarifies the accounting for transactions that result in a step-up in tax basis of goodwill, provides for the option to elect allocation of consolidated income taxes to entities disregarded by taxing authorities for their stand-alone reporting, and requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. | January 1, 2021. The Company adopted, using a prospective approach. | The adoption of the new guidance did not have a material impact on the Company's interim condensed consolidated financial statements. |

***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 interim condensed consolidated financial statements or disclosures. ASUs issued but not yet adopted as of September 30, 2021 that are currently being assessed and may or may not have a material impact on the Company's interim condensed consolidated financial statements or disclosures are summarized in the table below.

| Standard | Description | Effective Date and Method of Adoption | Impact on Financial Statements |
| --- | --- | --- | --- |
| ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* | The new guidance indicates how to determine whether a contract liability is recognized by the acquirer in a business combination and provides specific guidance on how to recognize and measure acquired contract assets and contract liabilities from revenue contracts in a business combination. | January 1, 2023, to be applied prospectively (with early adoption permitted). | The Company is currently evaluating the impact of the new guidance on its interim condensed consolidated financial statements. |
| ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts,* as amended by ASU 2019-09, *Financial Services—Insurance (Topic 944): Effective Date,* as amended by ASU 2020-11, *Financial Services—Insurance (Topic 944): Effective Date and Early Application* | The new guidance (i) prescribes the discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment long-duration contracts, and requires assumptions for those liability valuations to be updated after contract inception, (ii) requires more market-based product guarantees on certain separate account and other account balance long-duration contracts to be accounted for at fair value, (iii) simplifies the amortization of deferred policy acquisition costs ("DAC") for virtually all long-duration contracts, and (iv) introduces certain financial statement presentation requirements, as well as significant additional quantitative and qualitative disclosures. The amendments in ASU 2019-09 defer the effective date of ASU 2018-12 to January 1, 2022 for all entities, and the amendments in ASU 2020-11 further defer the effective date of ASU 2018-12 for an additional year to January 1, 2023 for all entities. | January 1, 2023, to be applied retrospectively to January 1, 2021 (with early adoption permitted). | The Company's implementation efforts and the evaluation of the impacts of the new guidance continue to progress. 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 financial position, results of operations, and disclosures, as well as systems, processes, and controls.<br><br>The Company expects to adopt the new guidance effective January 1, 2023 using the modified retrospective approach, except for market risk benefits where the Company will use the full retrospective approach. The Company continues to evaluate the impact of the new guidance on its interim condensed consolidated financial statements.<br><br>The Company has created a governance framework and is managing a detailed implementation plan to support timely application of the new guidance. The Company has made progress and continues to refine key accounting policy decisions, technology solutions and updates to internal controls. These activities include, but are not limited to, modifications of actuarial valuation systems, data sourcing, analytical procedures and reporting processes.<br><br>The most significant transition impacts are expected to be from: (i) the requirement to account for variable annuity guarantees as market risk benefits measured at fair value, (except for the changes in fair value already recognized under an existing accounting model) and (ii) adjustments to AOCI for the change in the current discount rate to be used in measuring the liability for future policy benefits for traditional and limited payment contracts and the removal of shadow account balances. |

## 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 two businesses: Group Benefits and Retirement and Income Solutions (“RIS”). Prior to its disposition, the Property & Casualty business was included in the U.S. segment. See Note 3.

- The Group Benefits business offers products such as term, variable and universal life insurance, dental, group and individual disability, vision and accident & health insurance.
- 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, structured settlements, and capital markets investment products, as well as solutions for funding postretirement benefits and company-, bank- and trust-owned life insurance.
- The Property & Casualty business offered personal lines of property and casualty insurance, including private passenger automobile and homeowners’ insurance.

***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 life insurance, accident & health insurance and retirement and savings.

***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, accident & health insurance and credit insurance.

***EMEA***

The EMEA segment offers products to individuals, corporations, other institutions, and their respective employees, which include life insurance, accident & health insurance, retirement and savings and credit insurance.

***MetLife Holdings***

The MetLife Holdings segment consists of operations relating to products and businesses that the Company no longer actively markets in the United States. These include variable, universal, term and whole life insurance, variable, fixed and index-linked annuities and long-term care insurance.

***Corporate & Other***

Corporate & Other contains various start-up, developing and run-off businesses. Also included in Corporate & Other are: 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 and enterprise-wide strategic initiative restructuring charges), interest expense related to the majority of the Company’s outstanding debt, expenses associated with certain legal proceedings and income tax audit issues, the elimination of intersegment amounts (which generally relate to affiliated reinsurance, investment expenses and intersegment loans, bearing interest rates commensurate with related borrowings), and the Company’s investment management business (through which the Company provides public fixed income, private capital and real estate investment solutions to institutional investors worldwide).

***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 include the net impact of transactions with exited businesses that have been eliminated in consolidation under GAAP and costs relating to businesses that have been or will be sold or exited by MetLife that do not meet the criteria to be included in results of discontinued operations under GAAP. Adjusted revenues also excludes net investment gains (losses) and net derivative gains (losses). Adjusted expenses also excludes goodwill impairments.

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

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

**2. Segment Information (continued)**

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

- Policyholder benefits and claims and policyholder dividends excludes: (i) amortization of basis adjustments associated with de-designated fair value hedges of future policy benefits, (ii) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (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, (iv) benefits and hedging costs related to GMIBs ("GMIB costs") and (v) 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: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements costs, and (iii) acquisition, integration and other costs. Other expenses includes TSA fees.

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

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

Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & Other, for the three months and nine months ended September 30, 2021 and 2020. The segment accounting policies are the same as those used to prepare the Company's interim condensed consolidated financial statements, except for adjusted earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

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

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

## 2. Segment Information (continued)

| Three Months Ended September 30, 2021 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 5,746 | $ 1,594 | $ 705 | $ 532 | $ 805 | $ 16 | $ 9,398 | $ 57 | $ 9,455 |
| Universal life and investment-type product policy fees | 279 | 477 | 274 | 128 | 279 | — | 1,437 | 84 | 1,521 |
| Net investment income | 2,098 | 1,354 | 306 | 46 | 1,771 | 93 | 5,668 | (100) | 5,568 |
| Other revenues | 383 | 17 | 9 | 10 | 57 | 108 | 584 | 79 | 663 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (84) | (84) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (218) | (218) |
| Total revenues | 8,506 | 3,442 | 1,294 | 716 | 2,912 | 217 | 17,087 | (182) | 16,905 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 6,118 | 1,220 | 885 | 268 | 1,611 | 9 | 10,111 | 181 | 10,292 |
| Interest credited to policyholder account balances | 362 | 513 | 63 | 17 | 212 | — | 1,167 | 120 | 1,287 |
| Capitalization of DAC | (17) | (373) | (109) | (110) | (8) | (3) | (620) | (15) | (635) |
| Amortization of DAC and VOBA | 26 | 470 | 62 | 118 | 80 | 2 | 758 | 58 | 816 |
| Amortization of negative VOBA | — | (5) | — | (1) | — | — | (6) | — | (6) |
| Interest expense on debt | 1 | — | 2 | — | 1 | 236 | 240 | — | 240 |
| Other expenses | 886 | 811 | 363 | 308 | 255 | 137 | 2,760 | 109 | 2,869 |
| Total expenses | 7,376 | 2,636 | 1,266 | 600 | 2,151 | 381 | 14,410 | 453 | 14,863 |
| Provision for income tax expense (benefit) | 235 | 237 | (1) | 22 | 155 | (96) | 552 | (99) | 453 |
| Adjusted earnings | $ 895 | $ 569 | $ 29 | $ 94 | $ 606 | $ (68) | 2,125 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (182) | | |
| Total expenses | | | | | | | (453) | | |
| Provision for income tax (expense) benefit | | | | | | | 99 | | |
| Net income (loss) | | | | | | | $ 1,589 | | $ 1,589 |

MetLife, Inc.

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

**2. Segment Information (continued)**

| Three Months Ended September 30, 2020 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 6,333 | $ 1,654 | $ 529 | $ 551 | $ 876 | $ (8) | $ 9,935 | $ — | $ 9,935 |
| Universal life and investment-type product policy fees | 263 | 595 | 225 | 116 | 269 | 1 | 1,469 | 28 | 1,497 |
| Net investment income | 1,827 | 1,088 | 221 | 67 | 1,427 | 58 | 4,688 | 41 | 4,729 |
| Other revenues | 237 | 16 | 7 | 13 | 61 | 82 | 416 | 39 | 455 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (20) | (20) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (581) | (581) |
| Total revenues | 8,660 | 3,353 | 982 | 747 | 2,633 | 133 | 16,508 | (493) | 16,015 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 6,108 | 1,291 | 575 | 304 | 1,697 | (6) | 9,969 | 237 | 10,206 |
| Interest credited to policyholder account balances | 381 | 470 | 52 | 29 | 217 | — | 1,149 | 267 | 1,416 |
| Capitalization of DAC | (119) | (431) | (84) | (122) | (5) | (3) | (764) | — | (764) |
| Amortization of DAC and VOBA | 123 | 506 | 62 | 125 | 177 | 2 | 995 | 71 | 1,066 |
| Amortization of negative VOBA | — | (14) | — | (1) | — | — | (15) | — | (15) |
| Interest expense on debt | 2 | — | 1 | — | 2 | 224 | 229 | — | 229 |
| Other expenses | 1,026 | 869 | 313 | 340 | 231 | 120 | 2,899 | 55 | 2,954 |
| Total expenses | 7,521 | 2,691 | 919 | 675 | 2,319 | 337 | 14,462 | 630 | 15,092 |
| Provision for income tax expense (benefit) | 239 | 197 | 24 | 20 | 61 | (132) | 409 | (195) | 214 |
| Adjusted earnings | $ 900 | $ 465 | $ 39 | $ 52 | $ 253 | $ (72) | 1,637 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | (493) | | |
| Total expenses | | | | | | | (630) | | |
| Provision for income tax (expense) benefit | | | | | | | 195 | | |
| Net income (loss) | | | | | | | $ 709 | | $ 709 |

## 2. Segment Information (continued)

| Nine Months Ended September 30, 2021 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 16,919 | $ 4,861 | $ 1,936 | $ 1,751 | $ 2,471 | $ 54 | $ 27,992 | $ 922 | $ 28,914 |
| Universal life and investment-type product policy fees | 858 | 1,371 | 831 | 302 | 826 | 1 | 4,189 | 145 | 4,334 |
| Net investment income | 6,106 | 3,776 | 913 | 171 | 4,960 | 153 | 16,079 | 83 | 16,162 |
| Other revenues | 1,159 | 54 | 30 | 39 | 188 | 303 | 1,773 | 185 | 1,958 |
| Net investment gains (losses) | — | — | — | — | — | — | — | 1,655 | 1,655 |
| Net derivative gains (losses) | — | — | — | — | — | — | — | (2,032) | (2,032) |
| Total revenues | 25,042 | 10,062 | 3,710 | 2,263 | 8,445 | 511 | 50,033 | 958 | 50,991 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 17,999 | 3,750 | 2,370 | 944 | 4,683 | 36 | 29,782 | 921 | 30,703 |
| Interest credited to policyholder account balances | 1,080 | 1,498 | 182 | 66 | 632 | — | 3,458 | 695 | 4,153 |
| Capitalization of DAC | (48) | (1,203) | (304) | (359) | (25) | (9) | (1,948) | (104) | (2,052) |
| Amortization of DAC and VOBA | 50 | 1,080 | 205 | 274 | 190 | 7 | 1,806 | 137 | 1,943 |
| Amortization of negative VOBA | — | (20) | — | (5) | — | — | (25) | — | (25) |
| Interest expense on debt | 4 | — | 4 | — | 4 | 683 | 695 | 1 | 696 |
| Other expenses | 2,695 | 2,542 | 1,041 | 1,006 | 752 | 278 | 8,314 | 439 | 8,753 |
| Total expenses | 21,780 | 7,647 | 3,498 | 1,926 | 6,236 | 995 | 42,082 | 2,089 | 44,171 |
| Provision for income tax expense (benefit) | 681 | 703 | 46 | 78 | 449 | (288) | 1,669 | (213) | 1,456 |
| Adjusted earnings | $ 2,581 | $ 1,712 | $ 166 | $ 259 | $ 1,760 | $ (196) | 6,282 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | 958 | | |
| Total expenses | | | | | | | (2,089) | | |
| Provision for income tax (expense) benefit | | | | | | | 213 | | |
| Net income (loss) | | | | | | | $ 5,364 | | $ 5,364 |

**MetLife, Inc.**

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

## 2. Segment Information (continued)

| Nine Months Ended September 30, 2020 | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total | Adjustments | Total Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (In millions) | | | | |
| **Revenues** | | | | | | | | | |
| Premiums | $ 17,191 | $ 4,874 | $ 1,658 | $ 1,676 | $ 2,669 | $ 17 | $ 28,085 | $ 52 | $ 28,137 |
| Universal life and investment-type product policy fees | 806 | 1,445 | 733 | 324 | 812 | 2 | 4,122 | 105 | 4,227 |
| Net investment income | 5,018 | 2,792 | 699 | 199 | 3,723 | 22 | 12,453 | (576) | 11,877 |
| Other revenues | 717 | 44 | 28 | 37 | 166 | 238 | 1,230 | 120 | 1,350 |
| Net investment gains (losses) | — | — | — | — | — | — | — | (77) | (77) |
| Net derivative gains (losses) | — | — | — | — | — | — | — | 2,910 | 2,910 |
| Total revenues | 23,732 | 9,155 | 3,118 | 2,236 | 7,370 | 279 | 45,890 | 2,534 | 48,424 |
| **Expenses** | | | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | 16,581 | 3,867 | 1,634 | 877 | 5,063 | 23 | 28,045 | 432 | 28,477 |
| Interest credited to policyholder account balances | 1,251 | 1,362 | 178 | 83 | 654 | — | 3,528 | (70) | 3,458 |
| Capitalization of DAC | (353) | (1,203) | (258) | (367) | (15) | (8) | (2,204) | (5) | (2,209) |
| Amortization of DAC and VOBA | 357 | 1,105 | 206 | 340 | 288 | 6 | 2,302 | 112 | 2,414 |
| Amortization of negative VOBA | — | (30) | — | (5) | — | — | (35) | — | (35) |
| Interest expense on debt | 6 | — | 3 | — | 5 | 669 | 683 | — | 683 |
| Other expenses | 3,104 | 2,540 | 965 | 1,000 | 698 | 390 | 8,697 | 176 | 8,873 |
| Total expenses | 20,946 | 7,641 | 2,728 | 1,928 | 6,693 | 1,080 | 41,016 | 645 | 41,661 |
| Provision for income tax expense (benefit) | 583 | 443 | 124 | 62 | 127 | (418) | 921 | 582 | 1,503 |
| Adjusted earnings | $ 2,203 | $ 1,071 | $ 266 | $ 246 | $ 550 | $ (383) | 3,953 | | |
| Adjustments to: | | | | | | | | | |
| Total revenues | | | | | | | 2,534 | | |
| Total expenses | | | | | | | (645) | | |
| Provision for income tax (expense) benefit | | | | | | | (582) | | |
| Net income (loss) | | | | | | | $ 5,260 | | $ 5,260 |

**2. Segment Information (continued)**

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | (In millions) | |
| U.S. | $ 282,606 | $ 291,483 |
| Asia | 169,699 | 173,884 |
| Latin America | 60,592 | 75,047 |
| EMEA | 27,523 | 28,372 |
| MetLife Holdings | 180,239 | 184,566 |
| Corporate & Other | 41,005 | 41,794 |
| Total | $ 761,664 | $ 795,146 |

**3. Dispositions**

***Disposition of MetLife Seguros S.A.***

In September 2021, the Company sold its wholly-owned Argentinian subsidiary, MetLife Seguros S.A. ("MetLife Seguros"). In connection with the sale, a loss of $205 million, net of income tax, was recorded for the three months and nine months ended September 30, 2021, which is reflected in net investment gains (losses). See Note 10 for the changes in AOCI related to the sale. At December 31, 2020, MetLife Seguros represented $201 million of total assets in the Latin America segment. MetLife Seguros results of operations are reported in the Latin America segment adjusted earnings through the date of sale.

***Pending Disposition of MetLife Poland and Greece***

In July 2021, the Company entered into definitive agreements to sell its wholly-owned subsidiaries in Poland and Greece (collectively, "MetLife Poland and Greece") to NN Group N.V. for $738 million in total consideration, including a pre-closing dividend of $43 million. In connection with the pending sale, an expected loss of $202 million, net of income tax, was recorded for the nine months ended September 30, 2021, which is reflected in net investment gains (losses). MetLife Poland and Greece results of operations are reported in the EMEA segment adjusted earnings through June 30, 2021. See Note 2 for information on accounting for divested business. The transaction is expected to close in the first half of 2022 and is subject to regulatory approvals and satisfaction of other customary closing conditions.

The pending disposition meets the criteria for held-for-sale accounting but does not meet the criteria to be classified as discontinued operations. As a result, the related assets and liabilities are included in the separate held-for-sale line items of the asset and liability sections of the interim condensed consolidated balance sheet.

**3. Dispositions (continued)**

The following table summarizes the assets and liabilities held-for-sale:

| | September 30, 2021 |
|---|---|
| | (In millions) |
| **Assets:** | |
| Fixed maturity securities available-for-sale | $ 2,143 |
| Contractholder-directed equity securities | 1,098 |
| Other investments | 136 |
| Total investments | 3,377 |
| Cash and cash equivalents | 103 |
| Deferred policy acquisition costs and value of business acquired | 139 |
| Other | 275 |
| Separate accounts assets | 3,568 |
| Total assets held-for-sale | $ 7,462 |
| | |
| **Liabilities:** | |
| Future policy benefits | $ 940 |
| Policyholder account balances | 2,013 |
| Other policy-related balances | 103 |
| Other | 133 |
| Separate account liabilities | 3,568 |
| Total liabilities held-for-sale | $ 6,757 |

MetLife Poland and Greece income (loss) before provision for income tax as reflected in the interim condensed consolidated statements of operations was $12 million and $40 million for the three months and nine months ended September 30, 2021, respectively, and ($5) million and $29 million for the three months and nine months ended September 30, 2020, respectively.

***Disposition of Metropolitan Property and Casualty Insurance Company***

In December 2020, the Company entered into a definitive agreement to sell its wholly-owned subsidiary, Metropolitan Property and Casualty Insurance Company and certain of its wholly-owned subsidiaries (collectively, "MetLife P&C") to Farmers Group, Inc. for $3.9 billion in cash. In addition, the Company and the Farmers Exchanges agreed to establish a 10-year strategic partnership through which the Farmers Insurance Group will offer its personal line products on MetLife's U.S. Group Benefits platform which commenced when the transaction closed. MetLife P&C results of operations are reported in the U.S. segment adjusted earnings through December 31, 2020. See Note 2 for more information on divested businesses. In April 2021, the Company completed the sale of MetLife P&C. As a result of the sale, the Company recognized a gain of $1.4 billion ($1.1 billion, net of income tax) in net investment gains (losses) for the nine months ended September 30, 2021.

The disposition met the criteria for held-for-sale accounting but did not meet the criteria to be classified as discontinued operations. As a result, the related assets and liabilities were included in the separate held-for-sale line items of the asset and liability sections of the interim condensed consolidated balance sheets at December 31, 2020.

**3. Dispositions (continued)**

The following table summarizes the assets and liabilities held-for-sale:

| | December 31, 2020 | |
|---|---|---|
| | (In millions) | |
| **Assets:** | | |
| Fixed maturity securities available-for-sale | $ | 4,096 |
| Equity securities | | 57 |
| Mortgage loans | | 355 |
| Other invested assets | | 29 |
| Total investments | | 4,537 |
| Cash and cash equivalents | | 765 |
| Accrued investment income | | 38 |
| Premiums, reinsurance and other receivables | | 1,411 |
| Deferred policy acquisition costs | | 196 |
| Goodwill | | 328 |
| Other assets | | 143 |
| Total assets held-for-sale | $ | 7,418 |
| **Liabilities:** | | |
| Future policy benefits | $ | 3,506 |
| Other policy-related balances | | 33 |
| Payables for collateral under securities loaned and other transactions | | 862 |
| Other liabilities | | 249 |
| Total liabilities held-for-sale | $ | 4,650 |

MetLife P&C income (loss) before provision for income tax as reflected in the interim condensed consolidated statements of operations was $121 million for the nine months ended September 30, 2021, and $20 million and $254 million for the three months and nine months ended September 30, 2020, respectively.

***Disposition of Joint-stock Company MetLife Insurance Company***

In January 2021, the Company completed the sale of its wholly-owned Russian subsidiary, the Joint-stock Company MetLife Insurance Company. See Note 3 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for further information.

**4. Insurance**

***Guarantees***

As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2020 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:

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | In the Event of Death | At Annuitization | In the Event of Death | At Annuitization |
| | (Dollars in millions) | | | |
| Annuity Contracts: | | | | |
| Variable Annuity Guarantees: | | | | |
| Total account value (1), (2), (3) | $ 62,462 | $ 23,049 | $ 65,044 | $ 24,170 |
| Separate account value (1) | $ 41,617 | $ 21,380 | $ 42,585 | $ 22,370 |
| Net amount at risk (2) | $ 1,631 (4) | $ 519 (5) | $ 1,579 (4) | $ 614 (5) |
| Average attained age of contractholders | 69 years | 67 years | 68 years | 66 years |
| Other Annuity Guarantees: | | | | |
| Total account value (1), (3) | N/A | $ 5,009 | N/A | $ 6,030 |
| Net amount at risk | N/A | $ 193 (6) | N/A | $ 459 (6) |
| Average attained age of contractholders | N/A | 56 years | N/A | 50 years |

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Secondary Guarantees | Paid-Up Guarantees | Secondary Guarantees | Paid-Up Guarantees |
| | (Dollars in millions) | | | |
| Universal and Variable Life Contracts: | | | | |
| Total account value (1), (3) | $ 13,532 | $ 2,718 | $ 13,426 | $ 2,808 |
| Net amount at risk (7) | $ 78,416 | $ 12,878 | $ 82,940 | $ 13,557 |
| Average attained age of policyholders | 55 years | 66 years | 54 years | 65 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)**

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

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

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (In millions) | |
| Balance, beginning of period | $ 18,591 | $ 19,216 |
| Less: Reinsurance recoverables | 2,417 | 2,377 |
| Net balance, beginning of period | 16,174 | 16,839 |
| Incurred related to: | | |
| Current period | 20,667 | 19,664 |
| Prior periods (1) | 960 | 234 |
| Total incurred | 21,627 | 19,898 |
| Paid related to: | | |
| Current period | (14,426) | (13,803) |
| Prior periods | (6,416) | (5,378) |
| Total paid | (20,842) | (19,181) |
| Reclassified to liabilities held-for-sale (2) | (55) | — |
| Dispositions (3) | (64) | — |
| Net balance, end of period | 16,840 | 17,556 |
| Add: Reinsurance recoverables | 2,910 | 2,521 |
| Balance, end of period (included in future policy benefits and other policy-related balances) | $ 19,750 | $ 20,077 |

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(1) For both the nine months ended September 30, 2021 and 2020, incurred claim activity and claim adjustment expenses associated with prior periods increased due to events incurred in prior periods but reported in the current period.

(2) See Note 3 for information on the pending disposition of MetLife Poland and Greece.

(3) See Note 3 for information on the Company’s business dispositions.

**5. Closed Block**

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

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

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

**5. Closed Block (continued)**

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | (In millions) | |
| **Closed Block Liabilities** | | |
| Future policy benefits | $ 38,191 | $ 38,758 |
| Other policy-related balances | 289 | 321 |
| Policyholder dividends payable | 299 | 337 |
| Policyholder dividend obligation | 1,952 | 2,969 |
| Deferred income tax liability | 175 | 130 |
| Other liabilities | 269 | 172 |
| Total closed block liabilities | 41,175 | 42,687 |
| **Assets Designated to the Closed Block** | | |
| Investments: | | |
| Fixed maturity securities available-for-sale, at estimated fair value | 25,977 | 27,186 |
| Equity securities, at estimated fair value | 21 | 24 |
| Mortgage loans | 6,441 | 6,807 |
| Policy loans | 4,235 | 4,355 |
| Real estate and real estate joint ventures | 575 | 559 |
| Other invested assets | 540 | 468 |
| Total investments | 37,789 | 39,399 |
| Cash and cash equivalents | 173 | — |
| Accrued investment income | 391 | 402 |
| Premiums, reinsurance and other receivables | 40 | 50 |
| Current income tax recoverable | 52 | 28 |
| Total assets designated to the closed block | 38,445 | 39,879 |
| Excess of closed block liabilities over assets designated to the closed block | 2,730 | 2,808 |
| AOCI: | | |
| Unrealized investment gains (losses), net of income tax | 2,730 | 3,524 |
| Unrealized gains (losses) on derivatives, net of income tax | 100 | 23 |
| Allocated to policyholder dividend obligation, net of income tax | (1,542) | (2,346) |
| Total amounts included in AOCI | 1,288 | 1,201 |
| Maximum future earnings to be recognized from closed block assets and liabilities | $ 4,018 | $ 4,009 |

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

| | Nine Months Ended September 30, 2021 | Year Ended December 31, 2020 |
|---|---|---|
| | (In millions) | |
| Balance, beginning of period | $ 2,969 | $ 2,020 |
| Change in unrealized investment and derivative gains (losses) | (1,017) | 949 |
| Balance, end of period | $ 1,952 | $ 2,969 |

**5. Closed Block (continued)**

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Revenues** | | | | |
| Premiums | $ 310 | $ 359 | $ 955 | $ 1,097 |
| Net investment income | 390 | 420 | 1,165 | 1,198 |
| Net investment gains (losses) | (7) | 1 | (12) | (8) |
| Net derivative gains (losses) | 12 | (16) | 19 | 7 |
| Total revenues | 705 | 764 | 2,127 | 2,294 |
| **Expenses** | | | | |
| Policyholder benefits and claims | 522 | 575 | 1,588 | 1,714 |
| Policyholder dividends | 127 | 136 | 478 | 572 |
| Other expenses | 24 | 27 | 73 | 79 |
| Total expenses | 673 | 738 | 2,139 | 2,365 |
| Revenues, net of expenses before provision for income tax expense (benefit) | 32 | 26 | (12) | (71) |
| Provision for income tax expense (benefit) | 6 | 5 | (3) | (15) |
| Revenues, net of expenses and provision for income tax expense (benefit) | $ 26 | $ 21 | $ (9) | $ (56) |

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 available-for-sale ("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 commercial mortgage loans. RMBS, ABS and CMBS are, collectively, "Structured Products."

| | September 30, 2021 | | | | | December 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Gross Unrealized (1) | | | | | Gross Unrealized (1) | | |
| Sector | Amortized Cost | Allowance for Credit Loss | Gains | Losses | Estimated Fair Value | Amortized Cost | Allowance for Credit Loss | Gains | Losses | Estimated Fair Value |
| | (In millions) | | | | | | | | | |
| U.S. corporate | $ 81,187 | $ (18) | $ 11,110 | $ 267 | $ 92,012 | $ 79,788 | $ (44) | $ 13,924 | $ 252 | $ 93,416 |
| Foreign government | 57,889 | (19) | 6,273 | 763 | 63,380 | 63,243 | (21) | 8,883 | 406 | 71,699 |
| Foreign corporate | 58,918 | (24) | 5,674 | 646 | 63,922 | 60,995 | (16) | 8,897 | 468 | 69,408 |
| U.S. government and agency | 43,072 | — | 5,396 | 368 | 48,100 | 39,094 | — | 8,095 | 89 | 47,100 |
| RMBS | 28,716 | — | 1,669 | 118 | 30,267 | 28,415 | — | 2,062 | 42 | 30,435 |
| ABS | 17,203 | — | 227 | 27 | 17,403 | 16,963 | — | 231 | 75 | 17,119 |
| Municipals | 11,636 | — | 2,419 | 15 | 14,040 | 10,982 | — | 2,746 | 6 | 13,722 |
| CMBS | 11,383 | (7) | 581 | 43 | 11,914 | 11,331 | — | 681 | 102 | 11,910 |
| Total fixed maturity securities AFS | $ 310,004 | $ (68) | $ 33,349 | $ 2,247 | $ 341,038 | $ 310,811 | $ (81) | $ 45,519 | $ 1,440 | $ 354,809 |

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(1) Excludes gross unrealized gains (losses) related to assets held-for-sale; these unrealized gains (losses) are included in AOCI as no component of equity is held-for-sale. See Note 3 for information on the Company's business dispositions.

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

The amortized cost, net of allowance for credit loss ("ACL"), and estimated fair value of fixed maturity securities AFS, by contractual maturity date, were as follows at September 30, 2021:

| | 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 Products | Total Fixed Maturity Securities AFS |
|---|---|---|---|---|---|---|
| | (In millions) | | | | | |
| Amortized cost, net of ACL | $ 8,543 | $ 56,031 | $ 57,297 | $ 130,770 | $ 57,295 | $ 309,936 |
| Estimated fair value | $ 8,702 | $ 58,669 | $ 63,388 | $ 150,695 | $ 59,584 | $ 341,038 |

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 Products 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 without an ACL by sector and aggregated by length of time that the securities have been in a continuous unrealized loss position.

| | September 30, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 12 Months | | Equal to or Greater than 12 Months | | Less than 12 Months | | Equal to or Greater than 12 Months | |
| Sector & Credit Quality | Estimated Fair Value | Gross Unrealized Losses (1) | Estimated Fair Value | Gross Unrealized Losses (1) | Estimated Fair Value | Gross Unrealized Losses (1) | Estimated Fair Value | Gross Unrealized Losses (1) |
| | (Dollars in millions) | | | | | | | |
| U.S. corporate | $ 6,055 | $ 167 | $ 1,390 | $ 99 | $ 4,338 | $ 196 | $ 506 | $ 50 |
| Foreign government | 8,654 | 399 | 3,501 | 364 | 6,795 | 305 | 836 | 100 |
| Foreign corporate | 9,318 | 448 | 1,885 | 198 | 4,856 | 321 | 1,255 | 147 |
| U.S. government and agency | 15,354 | 297 | 504 | 71 | 4,619 | 87 | 33 | 2 |
| RMBS | 6,466 | 99 | 521 | 19 | 1,531 | 27 | 152 | 14 |
| ABS | 2,897 | 13 | 840 | 14 | 3,428 | 26 | 2,842 | 49 |
| Municipals | 667 | 12 | 49 | 3 | 273 | 6 | — | — |
| CMBS | 1,300 | 14 | 659 | 21 | 1,887 | 63 | 612 | 39 |
| Total fixed maturity securities AFS | $ 50,711 | $ 1,449 | $ 9,349 | $ 789 | $ 27,727 | $ 1,031 | $ 6,236 | $ 401 |
| Investment grade | $ 47,639 | $ 1,329 | $ 8,046 | $ 665 | $ 24,572 | $ 829 | $ 5,841 | $ 350 |
| Below investment grade | 3,072 | 120 | 1,303 | 124 | 3,155 | 202 | 395 | 51 |
| Total fixed maturity securities AFS | $ 50,711 | $ 1,449 | $ 9,349 | $ 789 | $ 27,727 | $ 1,031 | $ 6,236 | $ 401 |
| Total number of securities in an unrealized loss position | 3,545 | | 793 | | 2,177 | | 690 | |

(1) Excludes gross unrealized losses related to assets held-for-sale; these unrealized losses are included in AOCI as no component of equity is held-for-sale. See Note 3 for information on the Company's business dispositions.

***Evaluation of Fixed Maturity Securities AFS for Credit Loss***

*Evaluation and Measurement Methodologies*

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the credit loss evaluation process include, but are not limited to: (i) the extent to which the estimated fair value has been below amortized cost, (ii) adverse conditions specifically related to a security, an industry sector or sub-sector, or an economically depressed geographic area, adverse change in the financial condition of the issuer of the security, changes in technology, discontinuance of a segment of the business that may affect future earnings, and changes in the quality of credit enhancement, (iii) payment structure of the security and likelihood of the issuer being able to make payments, (iv) failure of the issuer to make scheduled interest and principal payments, (v) whether the issuer, or series of issuers or an industry has suffered a catastrophic loss or has exhausted natural resources, (vi) whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers, (vii) with respect to Structured Products, changes in forecasted cash flows after considering the changes in the financial condition of the underlying loan obligors and quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security, (viii) changes in the rating of the security by a rating agency, and (ix) other subjective factors, including concentrations and information obtained from regulators.

The methodology and significant inputs used to determine the amount of credit loss are as follows:

- The Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows. The discount rate is generally the effective interest rate of the security at the time of purchase for fixed-rate securities and the spot rate at the date of evaluation of credit loss for floating-rate securities.
- When determining collectability and the period over which value is expected to recover, the Company applies considerations utilized in its overall credit loss evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management's single best estimate, the most likely outcome in a range of possible outcomes, after giving consideration to a variety of variables that include, but are not limited to: payment terms of the security; the likelihood that the issuer can service the interest and principal payments; the quality and amount of any credit enhancements; the security's position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; any private and public sector programs to restructure foreign government securities and municipals; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain Structured Products including, but not limited to: the quality of underlying collateral, historical performance of the underlying loan obligors, historical rent and vacancy levels, changes in the financial condition of the underlying loan obligors, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying loans or assets backing a particular security, changes in the quality of credit enhancement and the payment priority within the tranche structure of the security.

With respect to securities that have attributes of debt and equity ("perpetual hybrid securities"), consideration is given in the credit loss analysis as to whether there has been any deterioration in the credit of the issuer and the likelihood of recovery in value of the securities that are in a severe unrealized loss position. Consideration is also given as to whether any perpetual hybrid securities with an unrealized loss, regardless of credit rating, have deferred any dividend payments.

In periods subsequent to the recognition of an initial ACL on a security, the Company reassesses credit loss quarterly. Subsequent increases or decreases in the expected cash flow from the security result in corresponding decreases or increases in the ACL which are recorded within net investment gains (losses); however, the previously recorded ACL is not reduced to an amount below zero. Full or partial write-offs are deducted from the ACL in the period the security, or a portion thereof, is considered uncollectible. Recoveries of amounts previously written off are recorded to the ACL in the period received. When the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, any ACL is written off and the amortized cost is written down to estimated fair value through a charge within net investment gains (losses), which becomes the new amortized cost of the security.

***Evaluation of Fixed Maturity Securities AFS in an Unrealized Loss Position***

Gross unrealized losses on securities without an ACL increased $806 million for the nine months ended September 30, 2021 to $2.2 billion primarily due to increases in interest rates, partially offset by narrowing credit spreads.

Gross unrealized losses on securities without an ACL that have been in a continuous gross unrealized loss position for 12 months or greater were $789 million at September 30, 2021, or 35% of the total gross unrealized losses on securities without an ACL.

*Investment Grade Fixed Maturity Securities AFS*

Of the $789 million of gross unrealized losses on securities without an ACL that have been in a continuous gross unrealized loss position for 12 months or greater, $665 million, or 84%, were related to 628 investment grade securities. Unrealized losses on investment grade securities are principally related to widening credit spreads since purchase and, with respect to fixed-rate securities, rising interest rates since purchase.

*Below Investment Grade Fixed Maturity Securities AFS*

Of the $789 million of gross unrealized losses on securities without an ACL that have been in a continuous gross unrealized loss position for 12 months or greater, $124 million, or 16%, were related to 165 below investment grade securities. Unrealized losses on below investment grade securities are principally related to U.S. and foreign corporate securities (primarily industrial and consumer), foreign government securities and CMBS and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty, as well as, with respect to fixed-rate securities, rising interest rates since purchase. 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 CMBS based on actual and projected cash flows after considering the quality of underlying collateral, credit enhancements, expected prepayment speeds, current and forecasted loss severity, the payment terms of the underlying assets backing a particular security and the payment priority within the tranche structure of the security. Management evaluates foreign government securities based on factors impacting the issuers such as expected cash flows, financial condition of the issuers and any country specific economic conditions or public sector programs to restructure foreign government securities.

*Current Period Evaluation*

At September 30, 2021, with respect to securities in an unrealized loss position without an ACL, the Company did not intend to sell these securities, and it was not more likely than not that the Company would be required to sell these securities before the anticipated recovery of the remaining amortized cost. Based on the Company's current evaluation of its securities in an unrealized loss position without an ACL, the Company concluded that these securities had not incurred a credit loss and should not have an ACL at September 30, 2021.

Future provisions for credit loss will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings and collateral valuation.

**6. Investments (continued)**

***Rollforward of Allowance for Credit Loss for Fixed Maturity Securities AFS By Sector***

The rollforward of ACL for fixed maturity securities AFS by sector is as follows:

| | U.S. Corporate | Foreign Government | Foreign Corporate | RMBS | CMBS | Total |
|---|---|---|---|---|---|---|
| | | | (In millions) | | | |
| **Three Months Ended September 30, 2021** | | | | | | |
| Balance, at beginning of period | $ 39 | $ 21 | $ 32 | $ — | $ 7 | $ 99 |
| Additions: | | | | | | |
| ACL not previously recorded | 18 | — | — | — | — | 18 |
| Reductions: | | | | | | |
| Changes for securities with previously recorded ACL | — | — | (2) | — | — | (2) |
| Securities sold or exchanged | (26) | — | (6) | — | — | (32) |
| Securities intended/required to be sold prior to recovery of amortized cost basis | — | — | — | — | — | — |
| Disposition (1) | — | (2) | — | — | — | (2) |
| Write-offs | (13) | — | — | — | — | (13) |
| Balance, at end of period | $ 18 | $ 19 | $ 24 | $ — | $ 7 | $ 68 |
| **Three Months Ended September 30, 2020** | | | | | | |
| Balance, at beginning of period | $ 30 | $ 129 | $ 16 | $ 2 | $ — | $ 177 |
| Additions: | | | | | | |
| ACL not previously recorded | — | — | — | — | — | — |
| Reductions: | | | | | | |
| Changes for securities with previously recorded ACL | 4 | (4) | — | (2) | — | (2) |
| Securities sold or exchanged | (4) | (96) | — | — | — | (100) |
| Securities intended/required to be sold prior to recovery of amortized cost basis | — | — | — | — | — | — |
| Disposition | — | — | — | — | — | — |
| Write-offs | — | — | — | — | — | — |
| Balance, at end of period | $ 30 | $ 29 | $ 16 | $ — | $ — | $ 75 |

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(1) In connection with the disposition of MetLife Seguros, ACL was reduced by $2 million. See Note 3 for additional information on the Company’s business dispositions.

**6. Investments (continued)**

| | U.S. Corporate | Foreign Government | Foreign Corporate | RMBS | CMBS | Total |
|---|---|---|---|---|---|---|
| | | | (In millions) | | | |
| **Nine Months Ended September 30, 2021** | | | | | | |
| Balance, at beginning of period | $ 44 | $ 21 | $ 16 | $ — | $ — | $ 81 |
| Additions: | | | | | | |
| ACL not previously recorded | 18 | — | 25 | — | 11 | 54 |
| Reductions: | | | | | | |
| Changes for securities with previously recorded ACL | 3 | — | (7) | — | (4) | (8) |
| Securities sold or exchanged | (34) | — | (10) | — | — | (44) |
| Securities intended/required to be sold prior to recovery of amortized cost basis | — | — | — | — | — | — |
| Disposition (1) | — | (2) | — | — | — | (2) |
| Write-offs | (13) | — | — | — | — | (13) |
| Balance, at end of period | $ 18 | $ 19 | $ 24 | $ — | $ 7 | $ 68 |
| **Nine Months Ended September 30, 2020** | | | | | | |
| Balance, at beginning of period | $ — | $ — | $ — | $ — | $ — | $ — |
| Additions: | | | | | | |
| ACL not previously recorded | 58 | 139 | 16 | 2 | — | 215 |
| Reductions: | | | | | | |
| Changes for securities with previously recorded ACL | (3) | (8) | — | (2) | — | (13) |
| Securities sold or exchanged | (24) | (102) | — | — | — | (126) |
| Securities intended/required to be sold prior to recovery of amortized cost basis | (1) | — | — | — | — | (1) |
| Disposition | — | — | — | — | — | — |
| Write-offs | — | — | — | — | — | — |
| Balance, at end of period | $ 30 | $ 29 | $ 16 | $ — | $ — | $ 75 |

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(1) In connection with the disposition of MetLife Seguros, ACL was reduced by $2 million. See Note 3 for additional information on the Company’s business dispositions.

***Equity Securities***

Equity securities include common and preferred stock which are reported at estimated fair value, with changes in estimated fair value included in net investment gains (losses). See Note 8 for further information.

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

Contractholder-directed equity securities and 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, with changes in estimated fair value included in net income. See Note 8 for further information.

**6. Investments (continued)**

***Mortgage Loans***

***Mortgage Loans by Portfolio Segment***

Mortgage loans are summarized as follows at:

| Portfolio Segment | September 30, 2021 Carrying Value | September 30, 2021 % of Total | December 31, 2020 Carrying Value | December 31, 2020 % of Total |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| Commercial | $ 51,336 | 63.4 % | $ 52,434 | 62.5 % |
| Agricultural | 18,353 | 22.7 | 18,128 | 21.6 |
| Residential | 11,704 | 14.4 | 13,782 | 16.4 |
| Total amortized cost | 81,393 | 100.5 | 84,344 | 100.5 |
| Allowance for credit loss | (563) | (0.7) | (590) | (0.7) |
| Subtotal mortgage loans, net | 80,830 | 99.8 | 83,754 | 99.8 |
| Residential — FVO | 134 | 0.2 | 165 | 0.2 |
| Total mortgage loans, net | $ 80,964 | 100.0 % | $ 83,919 | 100.0 % |

The Company elects the FVO for certain residential mortgage loans that are managed on a total return basis. See Note 8 for further information.

The amount of net discounts, included within total amortized cost, primarily attributable to residential mortgage loans was $792 million and $944 million at September 30, 2021 and December 31, 2020, respectively. The accrued interest income excluded from total amortized cost for commercial, agricultural and residential mortgage loans at September 30, 2021 and December 31, 2020 was $191 million and $209 million; $146 million and $174 million; and $93 million and $108 million, respectively.

Purchases of mortgage loans, consisting primarily of residential mortgage loans, were $499 million and $1.5 billion for the three months and nine months ended September 30, 2021, respectively, and $204 million and $1.9 billion for the three months and nine months ended September 30, 2020, respectively.

***Allowance for Credit Loss Rollforward by Portfolio Segment***

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

| | Nine Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | | | 2020 | | | |
| | Commercial | Agricultural | Residential | Total | Commercial | Agricultural | Residential | Total |
| | (In millions) | | | | | | | |
| Balance, beginning of period | $ 252 | $ 106 | $ 232 | $ 590 | $ 246 | $ 52 | $ 55 | $ 353 |
| Provision (release) | 22 | — | (37) | (15) | 83 | 6 | 13 | 102 |
| Adoption of credit loss guidance | — | — | — | — | (118) | 35 | 161 | 78 |
| Initial credit losses on PCD loans (1) | — | — | 3 | 3 | — | — | 16 | 16 |
| Charge-offs, net of recoveries | — | (13) | (2) | (15) | — | (2) | (27) | (29) |
| Balance, end of period | $ 274 | $ 93 | $ 196 | $ 563 | $ 211 | $ 91 | $ 218 | $ 520 |

(1) Represents the initial credit losses on purchased mortgage loans accounted for as purchased financial assets with credit deterioration (“PCD”).

*Allowance for Credit Loss Methodology*

The Company records an allowance for expected lifetime credit loss in an amount that represents the portion of the amortized cost basis of mortgage loans that the Company does not expect to collect, resulting in mortgage loans being presented at the net amount expected to be collected. In determining the Company's ACL, management: (i) pools mortgage loans that share similar risk characteristics, (ii) considers expected lifetime credit loss over the contractual term of its mortgage loans adjusted for expected prepayments and any extensions, and (iii) considers past events and current and forecasted economic conditions. Each of the Company's commercial, agricultural and residential mortgage loan portfolio segments are evaluated separately. The ACL is calculated for each mortgage loan portfolio segment based on inputs unique to each loan portfolio segment. On a quarterly basis, mortgage loans within a portfolio segment that share similar risk characteristics, such as internal risk ratings or consumer credit scores, are pooled for calculation of ACL. On an ongoing basis, mortgage loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality), collateral dependent mortgage loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is reasonably possible or probable) and reasonably expected troubled debt restructurings ("TDRs") (i.e., the Company grants concessions to borrower that is experiencing financial difficulties) are evaluated individually for credit loss. The ACL for loans evaluated individually are established using the same methodologies for all three portfolio segments. For example, the ACL for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan's underlying collateral, less selling cost when foreclosure is probable. Accordingly, the change in the estimated fair value of collateral dependent loans, which are evaluated individually for credit loss, is recorded as a change in the ACL which is recorded on a quarterly basis as a charge or credit to earnings in net investment gains (losses).

*Commercial and Agricultural Mortgage Loan Portfolio Segments*

Commercial and agricultural mortgage loan ACL are calculated in a similar manner. Within each loan portfolio segment, commercial and agricultural, loans are pooled by internal risk rating. Estimated lifetime loss rates, which vary by internal risk rating, are applied to the amortized cost of each loan, excluding accrued investment income, on a quarterly basis to develop the ACL. Internal risk ratings are based on an assessment of the loan's credit quality, which can change over time. The estimated lifetime loss rates are based on several loan portfolio segment-specific factors, including (i) the Company's experience with defaults and loss severity, (ii) expected default and loss severity over the forecast period, (iii) current and forecasted economic conditions including growth, inflation, interest rates and unemployment levels, (iv) loan specific characteristics including loan-to-value ("LTV") ratios, and (v) internal risk ratings. These evaluations are revised as conditions change and new information becomes available. The Company uses its several decades of historical default and loss severity experience which capture multiple economic cycles. The Company uses a forecast of economic assumptions for a two-year period for most of its commercial and agricultural mortgage loans, while a one-year period is used for loans originated in certain markets. After the applicable forecast period, the Company reverts to its historical loss experience using a straight-line basis over two years. For evaluations of commercial mortgage loans, in addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio, recent loss and recovery trend experience as compared to historical loss and recovery experience, and loan specific characteristics including debt service coverage ratios ("DSCR"). In estimating expected lifetime credit loss over the term of its commercial mortgage loans, the Company adjusts for expected prepayment and extension experience during the forecast period using historical prepayment and extension experience considering the expected position in the economic cycle and the loan profile (i.e., floating rate, shorter-term fixed rate and longer-term fixed rate) and after the forecast period using long-term historical prepayment experience. For evaluations of agricultural mortgage loans, in addition to historical experience, management considers factors that include increased stress in certain sectors, which may be evidenced by higher delinquency rates, or a change in the number of higher risk loans. In estimating expected lifetime credit loss over the term of its agricultural mortgage loans, the Company's experience is much less sensitive to the position in the economic cycle and by loan profile; accordingly, historical prepayment experience is used, while extension terms are not prevalent with the Company's agricultural mortgage loans.

Commercial mortgage loans are reviewed on an ongoing basis, which review includes, but is not limited to, an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, LTV ratios, DSCR 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 LTV ratios and lower DSCR. Agricultural mortgage loans are reviewed on an ongoing basis, which review includes, but is not limited to, property inspections, market analysis, estimated valuations of the underlying collateral, LTV ratios and borrower creditworthiness, as well as reviews on a geographic and property-type basis. The monitoring process for agricultural mortgage loans also focuses on higher risk loans.

For commercial mortgage loans, the primary credit quality indicator is the DSCR, which compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the DSCR, the higher the risk of experiencing a credit loss. The Company also reviews the LTV ratio of its commercial mortgage loan portfolio. LTV ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. Generally, the higher the LTV ratio, the higher the risk of experiencing a credit loss. The DSCR and the values utilized in calculating the ratio are updated routinely. In addition, the LTV ratio is routinely updated for all but the lowest risk loans as part of the Company's ongoing review of its commercial mortgage loan portfolio.

For agricultural mortgage loans, the Company's primary credit quality indicator is the LTV ratio. The values utilized in calculating this ratio are developed in connection with the ongoing review of the agricultural mortgage loan portfolio and are routinely updated.

Commitments to lend: After loans are approved, the Company makes commitments to lend and, typically, borrowers draw down on some or all of the commitments. The timing of mortgage loan funding is based on the commitment expiration dates. A liability for credit loss for unfunded commercial and agricultural mortgage loan commitments is recorded within net investment gains (losses). The liability is based on estimated lifetime loss rates as described above and the amount of the outstanding commitments, which for lines of credit, considers estimated utilization rates. When the commitment is funded or expires, the liability is adjusted accordingly.

*Residential Mortgage Loan Portfolio Segment*

The Company's residential mortgage loan portfolio is comprised primarily of purchased closed end, amortizing residential mortgage loans, including both performing loans purchased within 12 months of origination and reperforming loans purchased after they have been performing for at least 12 months post-modification. Residential mortgage loans are pooled by loan type (i.e., new origination and reperforming) and pooled by similar risk profiles (including consumer credit score and LTV ratios). Estimated lifetime loss rates, which vary by loan type and risk profile, are applied to the amortized cost of each loan excluding accrued investment income on a quarterly basis to develop the ACL. The estimated lifetime loss rates are based on several factors, including (i) industry historical experience and expected results over the forecast period for defaults, (ii) loss severity, (iii) prepayment rates, (iv) current and forecasted economic conditions including growth, inflation, interest rates and unemployment levels, and (v) loan pool specific characteristics including consumer credit scores, LTV ratios, payment history and home prices. These evaluations are revised as conditions change and new information becomes available. The Company uses industry historical experience which captures multiple economic cycles as the Company has purchased most of its residential mortgage loans in the last five years. The Company uses a forecast of economic assumptions for a two-year period for most of its residential mortgage loans. After the applicable forecast period, the Company immediately reverts to industry historical loss experience.

For residential mortgage loans, the Company's primary credit quality indicator is whether the loan is performing or nonperforming. The Company generally defines nonperforming residential mortgage loans as those that are 60 or more days past due and/or in nonaccrual status which is assessed monthly. Generally, nonperforming residential mortgage loans have a higher risk of experiencing a credit loss.

***Mortgage Loan Concessions***

In response to the adverse economic impact of the COVID-19 Pandemic, in 2021 and 2020, the Company granted concessions to certain of its commercial, agricultural and residential mortgage loan borrowers, including payment deferrals and other loan modifications. The Company has elected the option under the *Coronavirus Aid, Relief, and Economic Security Act,* the Consolidated Appropriations Act, 2021 and the *Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)* issued by bank regulatory agencies, not to account for or report qualifying concessions as TDRs and not to classify such loans as either

past due or nonaccrual during the payment deferral period. Additionally, in accordance with the FASB’s published response to a COVID-19 Pandemic technical inquiry, the Company continues to accrue interest income on such loans that have deferred payment. The Company records an ACL on this accrued interest income.

*Commercial*

For some commercial mortgage loan borrowers (principally in the retail and hotel sectors), the Company granted concessions which were primarily interest and principal payment deferrals generally ranging from three to four months and, to a much lesser extent, maturity date extensions. Deferred commercial mortgage loan interest and principal payments were $42 million at September 30, 2021.

*Agricultural*

For some agricultural mortgage loan borrowers (principally in the annual crops and agribusiness sectors), the Company granted concessions which were primarily principal payment deferrals generally ranging from three to 12 months, and covenant changes and, to a much lesser extent, maturity date extensions. Deferred agricultural mortgage loan interest and principal payments were $4 million at September 30, 2021.

*Residential*

For some residential mortgage loan borrowers, the Company granted concessions which were primarily three-month interest and principal payment deferrals. Deferred residential mortgage loan interest and principal payments were $26 million at September 30, 2021.

***Credit Quality of Mortgage Loans by Portfolio Segment***

The amortized cost of commercial mortgage loans by credit quality indicator and vintage year was as follows at September 30, 2021:

| Credit Quality Indicator | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Revolving Loans | Total | % of Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Dollars in millions) | | | | |
| LTV ratios: | | | | | | | | | |
| Less than 65% | $ 3,682 | $ 4,536 | $ 4,828 | $ 5,511 | $ 4,303 | $ 11,927 | $ 2,332 | $ 37,119 | 72.3 % |
| 65% to 75% | 1,086 | 1,507 | 3,375 | 2,065 | 1,108 | 2,220 | — | 11,361 | 22.1 |
| 76% to 80% | 66 | 36 | 335 | — | 180 | 454 | — | 1,071 | 2.1 |
| Greater than 80% | 7 | — | 4 | 79 | 460 | 1,235 | — | 1,785 | 3.5 |
| Total | $ 4,841 | $ 6,079 | $ 8,542 | $ 7,655 | $ 6,051 | $ 15,836 | $ 2,332 | $ 51,336 | 100.0 % |
| DSCR: | | | | | | | | | |
| > 1.20x | $ 4,308 | $ 5,540 | $ 8,034 | $ 7,492 | $ 5,578 | $ 13,817 | $ 2,064 | $ 46,833 | 91.2 % |
| 1.00x - 1.20x | 87 | 144 | 76 | 83 | 152 | 926 | — | 1,468 | 2.9 |
| <1.00x | 446 | 395 | 432 | 80 | 321 | 1,093 | 268 | 3,035 | 5.9 |
| Total | $ 4,841 | $ 6,079 | $ 8,542 | $ 7,655 | $ 6,051 | $ 15,836 | $ 2,332 | $ 51,336 | 100.0 % |

The amortized cost of agricultural mortgage loans by credit quality indicator and vintage year was as follows at September 30, 2021:

| Credit Quality Indicator | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Revolving Loans | Total | % of Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Dollars in millions) | | | | |
| LTV ratios: | | | | | | | | | |
| Less than 65% | $ 1,460 | $ 3,092 | $ 1,972 | $ 2,749 | $ 967 | $ 5,345 | $ 890 | $ 16,475 | 89.8 % |
| 65% to 75% | 335 | 393 | 172 | 117 | 40 | 580 | 108 | 1,745 | 9.5 |
| 76% to 80% | — | — | — | — | — | 11 | — | 11 | — |
| Greater than 80% | — | — | 76 | — | — | 46 | — | 122 | 0.7 |
| Total | $ 1,795 | $ 3,485 | $ 2,220 | $ 2,866 | $ 1,007 | $ 5,982 | $ 998 | $ 18,353 | 100.0 % |

The amortized cost of residential mortgage loans by credit quality indicator and vintage year was as follows at September 30, 2021:

**6. Investments (continued)**

| Credit Quality Indicator | 2021 | 2020 | 2019 | 2018 | 2017 | Prior | Revolving Loans | Total | % of Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Dollars in millions) | | | | |
| Performance indicators: | | | | | | | | | |
| Performing | $ 344 | $ 512 | $ 1,501 | $ 689 | $ 319 | $ 7,898 | $ — | $ 11,263 | 96.2 % |
| Nonperforming (1) | 2 | 2 | 55 | 15 | 4 | 363 | — | 441 | 3.8 |
| Total | $ 346 | $ 514 | $ 1,556 | $ 704 | $ 323 | $ 8,261 | $ — | $ 11,704 | 100.0 % |

(1) Includes residential mortgage loans in process of foreclosure of $74 million and $103 million at September 30, 2021 and December 31, 2020, respectively.

LTV ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. At September 30, 2021, the amortized cost of commercial and agricultural mortgage loans with an LTV ratio in excess of 100% was $814 million, or 1% of total commercial and agricultural mortgage loans.

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

The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both September 30, 2021 and December 31, 2020. The Company defines delinquency consistent with industry practice, when mortgage loans are past due more than two or more months, as applicable, by portfolio segment. The past due and nonaccrual mortgage loans at amortized cost, prior to ACL, by portfolio segment, were as follows:

| | Past Due | | Greater than 90 Days Past Due and Still Accruing Interest | | Nonaccrual | |
|---|---|---|---|---|---|---|
| Portfolio Segment | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 |
| | | | (In millions) | | | |
| Commercial | $ 15 | $ 10 | $ 15 | $ 7 | $ 159 | $ 317 |
| Agricultural | 156 | 252 | 3 | 20 | 251 | 266 |
| Residential | 441 | 556 | 8 | 64 | 438 | 534 |
| Total | $ 612 | $ 818 | $ 26 | $ 91 | $ 848 | $ 1,117 |

The amortized cost for nonaccrual commercial, agricultural and residential mortgage loans at beginning of year 2020 was $176 million, $137 million and $418 million, respectively. The amortized cost for nonaccrual commercial mortgage loans with no ACL was $0 and $168 million at September 30, 2021 and December 31, 2020, respectively. The amortized cost for nonaccrual agricultural mortgage loans with no ACL was $168 million and $178 million at September 30, 2021 and December 31, 2020, respectively. There were no nonaccrual residential mortgage loans without an ACL at either September 30, 2021 or December 31, 2020.

***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 in earnings from equity method real estate joint ventures. Real estate investments, by income type, as well as income earned, were as follows at and for the periods indicated:

| | | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | 2021 | 2020 | 2021 | 2020 |
| Income Type | Carrying Value | | Income | | | |
| | | | (In millions) | | | |
| Leased real estate investments | $ 5,216 | $ 5,450 | $ 108 | $ 115 | $ 327 | $ 322 |
| Other real estate investments | 455 | 419 | 58 | 34 | 144 | 93 |
| Real estate joint ventures | 6,511 | 6,064 | 113 | (45) | 189 | (44) |
| Total real estate and real estate joint ventures | $ 12,182 | $ 11,933 | $ 279 | $ 104 | $ 660 | $ 371 |

The carrying value of real estate investments acquired through foreclosure was $182 million and $20 million at September 30, 2021 and December 31, 2020, respectively. Depreciation expense on real estate investments was $31 million and $92 million for the three months and nine months ended September 30, 2021, respectively, and $33 million and $92 million for the three months and nine months ended September 30, 2020, respectively. Real estate investments were net of accumulated depreciation of $861 million and $1.1 billion at September 30, 2021 and December 31, 2020, 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 a single operating lease. Risk is managed through lessee credit analysis, property type diversification, and geographic diversification.

See Note 8 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for a summary of leased real estate investments and income earned, by property type.

***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.

Lease receivables are generally due in periodic installments. The payment periods for leveraged leases generally range from one to 11 years, but in certain circumstances can be over 11 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.

The Company records an allowance for expected lifetime credit loss in an amount that represents the portion of the investment in leases that the Company does not expect to collect, resulting in the investment in leases being presented at the net amount expected to be collected. In determining the ACL, management: (i) pools leases that share similar risk characteristics, (ii) considers expected lifetime credit loss over the contractual term of the lease, and (iii) considers past events and current and forecasted economic conditions. Leases with dissimilar risk characteristics are evaluated individually for credit loss. Expected lifetime credit loss on leveraged lease receivables is estimated using a probability of default and loss given default model, where the probability of default incorporates third-party credit ratings of the lessee and the related historical default data. Direct financing leases principally relate to leases of commercial real estate; accordingly, expected lifetime credit loss is estimated on such lease receivables consistent with the methodology for commercial mortgage loans (see "— Mortgage Loans — Allowance for Credit Loss Methodology"). The Company also assesses the non-guaranteed residual values for recoverability by comparison to the current estimated fair value of the leased asset and considers other relevant market information such as independent third-party forecasts, consulting, asset brokerage and investment banking reports and data, comparable market transactions, and factors such as the competitive dynamics impacting specific industries, technological change and obsolescence, government and regulatory rules, tax policy, potential environmental liabilities and litigation.

The investment in leveraged and direct financing leases, net of ACL, was $803 million and $1.2 billion, respectively, at September 30, 2021 and $816 million and $1.3 billion, respectively, at December 31, 2020. The ACL for leveraged and direct financing leases was $43 million and $44 million at September 30, 2021 and December 31, 2020, respectively.

***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 $8.4 billion and $9.7 billion at September 30, 2021 and December 31, 2020, respectively.

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

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

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | (In millions) | |
| Fixed maturity securities AFS | $ 31,195 | $ 44,415 |
| Derivatives | 2,031 | 1,924 |
| Other | 354 | 267 |
| Subtotal | 33,580 | 46,606 |
| Amounts allocated from: | | |
| Policyholder liabilities | (5,245) | (10,797) |
| DAC, VOBA and DSI | (3,274) | (4,050) |
| Subtotal | (8,519) | (14,847) |
| Deferred income tax benefit (expense) | (6,380) | (8,009) |
| Net unrealized investment gains (losses) | 18,681 | 23,750 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (23) | (20) |
| Net unrealized investment gains (losses) attributable to MetLife, Inc. | $ 18,658 | $ 23,730 |

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

| | Nine Months Ended September 30, 2021 |
|---|---|
| | (In millions) |
| Balance, beginning of period | $ 23,730 |
| Unrealized investment gains (losses) during the period | (13,026) |
| Unrealized investment gains (losses) relating to: | |
| Policyholder liabilities | 5,552 |
| DAC, VOBA and DSI | 776 |
| Deferred income tax benefit (expense) | 1,629 |
| Net unrealized investment gains (losses) | 18,661 |
| Net unrealized investment gains (losses) attributable to noncontrolling interests | (3) |
| Balance, end of period | $ 18,658 |
| Change in net unrealized investment gains (losses) | $ (5,069) |
| Change in net unrealized investment gains (losses) attributable to noncontrolling interests | (3) |
| Change in net unrealized investment gains (losses) attributable to MetLife, Inc. | $ (5,072) |

**6. Investments (continued)**

***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 September 30, 2021 and December 31, 2020, were in fixed income securities of the Japanese government and its agencies of $33.8 billion and $35.8 billion, respectively, and in fixed income securities of the South Korean government and its agencies of $7.1 billion and $8.0 billion, respectively.

***Securities Lending and Repurchase Agreements***

*Securities, Collateral and Reinvestment Portfolio*

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

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Securities (1) | | | Securities (1) | | |
| Agreement Type | Estimated Fair Value | Cash Collateral Received from Counterparties (2) | Reinvestment Portfolio at Estimated Fair Value | Estimated Fair Value | Cash Collateral Received from Counterparties (2) | Reinvestment Portfolio at Estimated Fair Value |
| | (In millions) | | | | | |
| Securities lending | $ 20,557 | $ 20,989 | $ 21,110 | $ 18,262 | $ 18,628 | $ 18,884 |
| Repurchase agreements | $ 3,518 | $ 3,460 | $ 3,470 | $ 3,276 | $ 3,210 | $ 3,251 |

(1) Securities on loan in connection with these programs are included within fixed maturity securities AFS and short-term investments.

(2) The liability for cash collateral for these programs 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 and repurchase agreements is as follows:

| | September 30, 2021 | | | | | December 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Remaining Maturities | | | | | Remaining Maturities | | | | |
| Security Type | Open (1) | 1 Month or Less | Over 1 Month to 6 Months | Over 6 Months to 1 Year | Total | Open (1) | 1 Month or Less | Over 1 Month to 6 Months | Over 6 Months to 1 Year | Total |
| | (In millions) | | | | | | | | | |
| Cash collateral liability by loaned security type: | | | | | | | | | | |
| Securities lending: | | | | | | | | | | |
| U.S. government and agency | $ 6,195 | $ 7,955 | $ 5,695 | $ — | $ 19,845 | $ 2,946 | $ 10,553 | $ 4,009 | $ — | $ 17,508 |
| Foreign government | — | 322 | 702 | — | 1,024 | — | 291 | 826 | — | 1,117 |
| Agency RMBS | — | — | 119 | — | 119 | — | — | — | — | — |
| U.S. corporate | 1 | — | — | — | 1 | 3 | — | — | — | 3 |
| Total | $ 6,196 | $ 8,277 | $ 6,516 | $ — | $ 20,989 | $ 2,949 | $ 10,844 | $ 4,835 | $ — | $ 18,628 |
| Repurchase agreements: | | | | | | | | | | |
| U.S. government and agency | $ — | $ 3,460 | $ — | $ — | $ 3,460 | $ — | $ 3,210 | $ — | $ — | $ 3,210 |

(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.

**6. Investments (continued)**

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 consist principally of high quality, liquid, publicly-traded fixed maturity securities AFS, short-term investments, cash equivalents or cash. If the securities on loan or the reinvestment portfolio become less liquid, liquidity resources within the general account are available to meet any potential cash demands when securities on loan are put back by the counterparty.

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

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | (In millions) | |
| Invested assets on deposit (regulatory deposits) | $ 1,827 | $ 1,933 |
| Invested assets held in trust (external reinsurance agreements) (1) | 1,100 | 1,124 |
| Invested assets pledged as collateral (2) | 24,829 | 25,884 |
| Total invested assets on deposit, held in trust and pledged as collateral | $ 27,756 | $ 28,941 |

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(1) Represents assets held in trust related to third-party reinsurance agreements. Excludes assets held in trust of $2.1 billion and $2.4 billion related to reinsurance agreements between wholly-owned subsidiaries as of September 30, 2021 and December 31, 2020, respectively.

(2) 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, 13 and 14 of the Notes to the Consolidated Financial Statements included in the 2020 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 Company's investment in Federal Home Loan Bank common stock, which is considered restricted until redeemed by the issuers, was $791 million and $814 million, at redemption value, at September 30, 2021 and December 31, 2020, 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.

***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.

**6. Investments (continued)**

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:

| Asset Type | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Total Assets | Total Liabilities | Total Assets | Total Liabilities |
| | (In millions) | | | |
| Investment funds (1) | $ 288 | $ 1 | $ 258 | $ 1 |
| Renewable energy partnership (1) | 85 | — | 87 | — |
| Other investments (2) | 2 | — | 4 | 5 |
| Total | $ 375 | $ 1 | $ 349 | $ 6 |

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

(2) Assets of other investments primarily consisted of other assets at September 30, 2021, and cash and cash equivalents at December 31, 2020.

***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:

| Asset Type | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Carrying Amount | Maximum Exposure to Loss (1) | Carrying Amount | Maximum Exposure to Loss (1) |
| | (In millions) | | | |
| Fixed maturity securities AFS (2) | $ 61,304 | $ 61,304 | $ 60,115 | $ 60,115 |
| Other limited partnership interests | 12,218 | 18,507 | 8,355 | 14,911 |
| Other invested assets | 1,181 | 1,254 | 1,320 | 1,404 |
| Other investments | 671 | 673 | 619 | 639 |
| Total | $ 75,374 | $ 81,738 | $ 70,409 | $ 77,069 |

(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 $3 million at both September 30, 2021 and December 31, 2020. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

(2) For variable interests in Structured Products included within fixed maturity securities AFS, the Company's involvement is limited to that of a passive investor in mortgage-backed or asset-backed securities issued by trusts that do not have substantial equity.

As described in Note 15, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs for either the nine months ended September 30, 2021 or 2020.

**6. Investments (continued)**

***Net Investment Income***

The components of net investment income were as follows:

| Asset Type | Three Months Ended September 30, 2021 | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2021 | Nine Months Ended September 30, 2020 |
|---|---|---|---|---|
| | (In millions) | | | |
| Fixed maturity securities AFS | $ 2,759 | $ 2,820 | $ 8,251 | $ 8,482 |
| Equity securities | 8 | 15 | 28 | 40 |
| FVO Securities (1) | 6 | 36 | 92 | 72 |
| Mortgage loans | 838 | 885 | 2,586 | 2,631 |
| Policy loans | 118 | 124 | 359 | 374 |
| Real estate and real estate joint ventures | 279 | 104 | 660 | 371 |
| Other limited partnership interests | 1,541 | 578 | 3,870 | 291 |
| Cash, cash equivalents and short-term investments | 25 | 40 | 74 | 184 |
| Operating joint ventures | 17 | 25 | 55 | 81 |
| Other | 95 | 78 | 189 | 209 |
| Subtotal investment income | 5,686 | 4,705 | 16,164 | 12,735 |
| Less: Investment expenses | 232 | 238 | 701 | 798 |
| Subtotal, net | 5,454 | 4,467 | 15,463 | 11,937 |
| Unit-linked investments (1) | 114 | 262 | 699 | (60) |
| Net investment income | $ 5,568 | $ 4,729 | $ 16,162 | $ 11,877 |

______________

(1) Changes in estimated fair value subsequent to purchase of FVO Securities and contractholder-directed equity securities supporting unit-linked variable annuity type liabilities (“Unit-linked investments”) still held as of the end of the respective periods and included in net investment income were $55 million and $577 million for the three months and nine months ended September 30, 2021, respectively, and $240 million and ($83) million for the three months and nine months ended September 30, 2020, respectively.

Net investment income from equity method investments, comprised of real estate joint ventures, other limited partnership interests, tax credit and renewable energy partnerships and operating joint ventures, totaled $1.7 billion and $4.0 billion for the three months and nine months ended September 30, 2021, respectively, and $510 million and $145 million for the three months and nine months ended September 30, 2020, respectively.

**6. Investments (continued)**

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

***Components of Net Investment Gains (Losses)***

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

| Asset Type | Three Months Ended September 30, 2021 | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2021 | Nine Months Ended September 30, 2020 |
|---|---|---|---|---|
| | (In millions) | | | |
| Fixed maturity securities AFS | $ 129 | $ 113 | $ 67 | $ 267 |
| Equity securities (1) | (33) | 2 | 97 | (210) |
| FVO Securities | 1 | 1 | 5 | (2) |
| Mortgage loans | 43 | (5) | 101 | (148) |
| Real estate and real estate joint ventures | 66 | 1 | 482 | 4 |
| Other limited partnership interests | (4) | (4) | (17) | 1 |
| Other (2), (3) | 19 | 34 | 61 | 159 |
| Subtotal | 221 | 142 | 796 | 71 |
| Change in estimated fair value of other limited partnership interests and real estate joint ventures | 9 | 3 | 23 | (9) |
| Non-investment portfolio gains (losses) (4) | (314) | (165) | 836 | (139) |
| Subtotal | (305) | (162) | 859 | (148) |
| Total net investment gains (losses) | $ (84) | $ (20) | $ 1,655 | $ (77) |

(1) Changes in estimated fair value subsequent to purchase for equity securities still held as of the end of the periods included in net investment gains (losses) were ($16) million and $86 million for the three months and nine months ended September 30, 2021, respectively, and ($2) million and ($198) million for the three months and nine months ended September 30, 2020, respectively.

(2) Other gains (losses) included de-designated cash flow hedge gains of $6 million and $54 million for the three months and nine months ended September 30, 2021, respectively, and $10 million and $65 million for the three months and nine months ended September 30, 2020, respectively.

(3) Other gains (losses) included leveraged lease gains of $81 million for the nine months ended September 30, 2020.

(4) See Note 3 for information on the Company's business dispositions.

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($23) million and ($4) million for the three months and nine months ended September 30, 2021, respectively, and ($17) million and $53 million for the three months and nine months ended September 30, 2020, respectively.

**6. Investments (continued)**

***Fixed Maturity Securities AFS - Sales and Disposals and Credit Loss***

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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| Proceeds | $ 10,743 | $ 5,934 | $ 37,306 | $ 28,004 |
| Gross investment gains | $ 217 | $ 196 | $ 580 | $ 957 |
| Gross investment (losses) | (106) | (170) | (497) | (554) |
| Net credit loss (provision) release | 18 | 87 | (16) | (136) |
| Net investment gains (losses) | $ 129 | $ 113 | $ 67 | $ 267 |

## 7. Derivatives

***Accounting for Derivatives***

See Note 1 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for a description of the Company's accounting policies for derivatives and Note 8 for information about the fair value hierarchy for derivatives.

***Derivative Strategies***

***Types of Derivative Instruments and 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. Commonly used derivative instruments include, but are not limited to:

- Interest rate derivatives: swaps, total return swaps, caps, floors, futures, swaptions, forwards and synthetic guaranteed interest contracts ("GICs");
- Foreign currency exchange rate derivatives: swaps, forwards, options and exchange-traded futures;
- Credit derivatives: purchased or written single name or index credit default swaps, and forwards; and
- Equity derivatives: index options, variance swaps, exchange-traded futures and total return swaps.

For detailed information on these contracts and the related strategies, see Note 9 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

**7. Derivatives (continued)**

***Primary Risks Managed by Derivatives***

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

| | | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|---|
| | | 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 | $ 3,549 | $ 2,154 | $ 2 | $ 3,186 | $ 3,224 | $ 4 |
| Foreign currency swaps | Foreign currency exchange rate | 908 | 8 | 32 | 1,106 | 8 | 78 |
| Foreign currency forwards | Foreign currency exchange rate | 1,545 | — | 52 | 1,936 | 24 | — |
| Subtotal | | 6,002 | 2,162 | 86 | 6,228 | 3,256 | 82 |
| Cash flow hedges: | | | | | | | |
| Interest rate swaps | Interest rate | 4,429 | 35 | 1 | 4,750 | 44 | — |
| Interest rate forwards | Interest rate | 6,874 | 60 | 155 | 7,377 | 513 | 120 |
| Foreign currency swaps | Foreign currency exchange rate | 41,201 | 1,602 | 1,456 | 38,604 | 1,549 | 2,017 |
| Subtotal | | 52,504 | 1,697 | 1,612 | 50,731 | 2,106 | 2,137 |
| Net investment in a foreign operation ("NIFO") hedges: | | | | | | | |
| Foreign currency forwards | Foreign currency exchange rate | 341 | 18 | — | 164 | — | 3 |
| Currency options | Foreign currency exchange rate | 3,000 | 114 | — | 3,600 | 70 | — |
| Subtotal | | 3,341 | 132 | — | 3,764 | 70 | 3 |
| Total qualifying hedges | | 61,847 | 3,991 | 1,698 | 60,723 | 5,432 | 2,222 |
| Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate swaps | Interest rate | 41,430 | 3,793 | 144 | 49,561 | 3,683 | 38 |
| Interest rate floors | Interest rate | 8,201 | 202 | — | 12,701 | 350 | — |
| Interest rate caps | Interest rate | 77,814 | 69 | — | 40,730 | 13 | — |
| Interest rate futures | Interest rate | 2,239 | 3 | 1 | 1,498 | — | 2 |
| Interest rate options | Interest rate | 12,508 | 485 | 17 | 17,746 | 502 | 5 |
| Interest rate forwards | Interest rate | 367 | — | 37 | 351 | — | 10 |
| Interest rate total return swaps | Interest rate | 1,048 | 6 | 31 | 1,048 | — | 59 |
| Synthetic GICs | Interest rate | 39,365 | — | — | 38,646 | — | — |
| Foreign currency swaps | Foreign currency exchange rate | 12,635 | 690 | 664 | 13,265 | 603 | 693 |
| Foreign currency forwards | Foreign currency exchange rate | 15,911 | 99 | 563 | 15,643 | 209 | 310 |
| Currency futures | Foreign currency exchange rate | 867 | 1 | — | 914 | 3 | — |
| Currency options | Foreign currency exchange rate | 900 | — | — | 1,350 | — | — |
| Credit default swaps — purchased | Credit | 3,042 | 14 | 110 | 2,978 | 9 | 121 |
| Credit default swaps — written | Credit | 8,739 | 180 | 5 | 9,609 | 196 | — |
| Equity futures | Equity market | 4,417 | 48 | 14 | 5,427 | 14 | 38 |
| Equity index options | Equity market | 31,016 | 898 | 441 | 22,954 | 834 | 437 |
| Equity variance swaps | Equity market | 733 | 17 | 15 | 716 | 15 | 12 |
| Equity total return swaps | Equity market | 3,482 | 23 | 11 | 3,294 | 3 | 282 |
| Total non-designated or nonqualifying derivatives | | 264,714 | 6,528 | 2,053 | 238,431 | 6,434 | 2,007 |
| Total | | $ 326,561 | $ 10,519 | $ 3,751 | $ 299,154 | $ 11,866 | $ 4,229 |

**7. Derivatives (continued)**

Based on gross notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of a hedging relationship at both September 30, 2021 and December 31, 2020. 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.

**7. Derivatives (continued)**

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

The following table presents the interim condensed 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 September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | Other Comprehensive Income (Loss) |
| | (In millions) | | | | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ 1 | $ — | $ — | $ (53) | $ — | $ — | N/A |
| Hedged items | (2) | — | — | 48 | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | 28 | (9) | — | — | — | — | N/A |
| Hedged items | (22) | 9 | — | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | (2) | — | — | — | — | N/A |
| Subtotal | 5 | (2) | — | (5) | — | — | 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 | $ 24 |
| Amount of gains (losses) reclassified from AOCI into income | 14 | 6 | — | — | — | 1 | (21) |
| 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 | 398 |
| Amount of gains (losses) reclassified from AOCI into income | 2 | (259) | — | — | — | — | 257 |
| Foreign currency transaction gains (losses) on hedged items | — | 256 | — | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | 20 |
| Amount of gains (losses) reclassified from AOCI into income | — | — | — | — | — | — | — |
| Subtotal | 16 | 3 | — | — | — | 1 | 678 |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | 12 |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | 2 |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | 14 |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | (1) | — | (379) | (12) | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | (128) | (2) | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | 4 | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | (2) | — | — | — | N/A |
| Equity derivatives (1) | (1) | — | 47 | 5 | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | (65) | — | — | — | N/A |
| Subtotal | (2) | — | (523) | (9) | — | — | N/A |
| Earned income on derivatives | 62 | — | 258 | 55 | (43) | — | — |
| Embedded derivatives (2) | N/A | N/A | 47 | — | N/A | N/A | N/A |
| Total | $ 81 | $ 1 | $ (218) | $ 41 | $ (43) | $ 1 | $ 692 |

**7. Derivatives (continued)**

| | Three Months Ended September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | Other Comprehensive Income (Loss) |
| | (In millions) | | | | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ 1 | $ — | $ — | $ (154) | $ — | $ — | N/A |
| Hedged items | — | — | — | 139 | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | (50) | 44 | — | — | — | — | N/A |
| Hedged items | 46 | (41) | — | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | (4) | — | — | — | — | N/A |
| Subtotal | (3) | (1) | — | (15) | — | — | 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 | $ (203) |
| Amount of gains (losses) reclassified from AOCI into income | 9 | 10 | — | — | — | 1 | (20) |
| 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 | (615) |
| Amount of gains (losses) reclassified from AOCI into income | 2 | 435 | — | — | — | — | (437) |
| Foreign currency transaction gains (losses) on hedged items | — | (393) | — | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | (28) |
| Amount of gains (losses) reclassified from AOCI into income | — | — | — | — | — | — | — |
| Subtotal | 11 | 52 | — | — | — | 1 | (1,303) |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | (29) |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | (8) |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | (37) |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | — | — | (601) | (9) | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | (190) | 2 | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | (8) | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | (9) | — | — | — | N/A |
| Equity derivatives (1) | (6) | — | (499) | (90) | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | 56 | — | — | — | N/A |
| Subtotal | (6) | — | (1,251) | (97) | — | — | N/A |
| Earned income on derivatives | 50 | — | 262 | 52 | (36) | — | — |
| Embedded derivatives (2) | N/A | N/A | 408 | — | N/A | N/A | N/A |
| Total | $ 52 | $ 51 | $ (581) | $ (60) | $ (36) | $ 1 | $ (1,340) |

**MetLife, Inc.**

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

**7. Derivatives (continued)**

| | Nine Months Ended September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | Other Comprehensive Income (Loss) |
| | (In millions) | | | | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ 4 | $ — | $ — | $ (418) | $ — | $ — | N/A |
| Hedged items | (4) | — | — | 379 | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | 40 | (144) | — | — | — | — | N/A |
| Hedged items | (33) | 139 | — | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | (6) | — | — | — | — | N/A |
| Subtotal | 7 | (11) | — | (39) | — | — | 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 | $ (687) |
| Amount of gains (losses) reclassified from AOCI into income | 41 | 54 | — | — | — | 2 | (97) |
| 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 | 567 |
| Amount of gains (losses) reclassified from AOCI into income | 6 | (383) | — | — | — | 1 | 376 |
| Foreign currency transaction gains (losses) on hedged items | — | 372 | — | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | (52) |
| Amount of gains (losses) reclassified from AOCI into income | — | — | — | — | — | — | — |
| Subtotal | 47 | 43 | — | — | — | 3 | 107 |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | 58 |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | 31 |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | 89 |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | 1 | — | (1,993) | (51) | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | (734) | 1 | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | 16 | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | 33 | — | — | — | N/A |
| Equity derivatives (1) | (33) | — | (992) | (202) | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | 167 | — | — | — | N/A |
| Subtotal | (32) | — | (3,503) | (252) | — | — | N/A |
| Earned income on derivatives | 128 | — | 755 | 160 | (120) | — | — |
| Embedded derivatives (2) | N/A | N/A | 716 | — | N/A | N/A | N/A |
| Total | $ 150 | $ 32 | $ (2,032) | $ (131) | $ (120) | $ 3 | $ 196 |

**7. Derivatives (continued)**

| | Nine Months Ended September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Net Investment Income | Net Investment Gains (Losses) | Net Derivative Gains (Losses) | Policyholder Benefits and Claims | Interest Credited to Policyholder Account Balances | Other Expenses | Other Comprehensive Income (Loss) |
| | (In millions) | | | | | | |
| Gain (Loss) on Fair Value Hedges: | | | | | | | |
| Interest rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | $ (11) | $ — | $ — | $ 589 | $ — | $ — | N/A |
| Hedged items | 9 | — | — | (613) | — | — | N/A |
| Foreign currency exchange rate derivatives: | | | | | | | |
| Derivatives designated as hedging instruments (1) | 17 | 58 | — | — | — | — | N/A |
| Hedged items | (14) | (54) | — | — | — | — | N/A |
| Amount excluded from the assessment of hedge effectiveness | — | (38) | — | — | — | — | N/A |
| Subtotal | 1 | (34) | — | (24) | — | — | 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 | $ 1,700 |
| Amount of gains (losses) reclassified from AOCI into income | 24 | 58 | — | — | — | 2 | (84) |
| 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 | 554 |
| Amount of gains (losses) reclassified from AOCI into income | 3 | 271 | — | — | — | 1 | (275) |
| Foreign currency transaction gains (losses) on hedged items | — | (190) | — | — | — | — | — |
| Credit derivatives: (1) | | | | | | | |
| Amount of gains (losses) deferred in AOCI | N/A | N/A | N/A | N/A | N/A | N/A | (52) |
| Amount of gains (losses) reclassified from AOCI into income | — | — | — | — | — | — | — |
| Subtotal | 27 | 139 | — | — | — | 3 | 1,843 |
| Gain (Loss) on NIFO Hedges: | | | | | | | |
| Foreign currency exchange rate derivatives (1) | N/A | N/A | N/A | N/A | N/A | N/A | 70 |
| Non-derivative hedging instruments | N/A | N/A | N/A | N/A | N/A | N/A | (11) |
| Subtotal | N/A | N/A | N/A | N/A | N/A | N/A | 59 |
| Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments: | | | | | | | |
| Interest rate derivatives (1) | (6) | — | 3,364 | 58 | — | — | N/A |
| Foreign currency exchange rate derivatives (1) | — | — | (187) | (7) | — | — | N/A |
| Credit derivatives — purchased (1) | — | — | 4 | — | — | — | N/A |
| Credit derivatives — written (1) | — | — | (158) | — | — | — | N/A |
| Equity derivatives (1) | (6) | — | 17 | 19 | — | — | N/A |
| Foreign currency transaction gains (losses) on hedged items | — | — | (104) | — | — | — | N/A |
| Subtotal | (12) | — | 2,936 | 70 | — | — | N/A |
| Earned income on derivatives | 196 | — | 617 | 135 | (118) | — | — |
| Embedded derivatives (2) | N/A | N/A | (643) | — | N/A | N/A | N/A |
| Total | $ 212 | $ 105 | $ 2,910 | $ 181 | $ (118) | $ 3 | $ 1,902 |

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(1) Excludes earned income on derivatives.

(2) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were $3 million and ($48) million for the three months and nine months ended September 30, 2021, respectively, and ($12) million and $63 million for the three months and nine months ended September 30, 2020, 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:

| 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) | |
|---|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 |
| | (In millions) | | | |
| Fixed maturity securities AFS | $ 2,117 | $ 2,699 | $ (1) | $ (1) |
| Mortgage loans | $ 749 | $ 952 | $ (3) | $ 20 |
| Future policy benefits | $ (4,713) | $ (5,512) | $ (911) | $ (1,307) |

(1) Includes ($169) million and ($1) million of hedging adjustments on discontinued hedging relationships at September 30, 2021 and December 31, 2020, respectively.

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 income. These amounts were $6 million and $5 million for the three months and nine months ended September 30, 2021, respectively, and ($8) million and $19 million for the three months and nine months ended September 30, 2020, respectively.

At both September 30, 2021 and December 31, 2020, 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 eight years.

At September 30, 2021 and December 31, 2020, the balance in AOCI associated with cash flow hedges was $2.0 billion and $1.9 billion, respectively.

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

At September 30, 2021, the Company expected to reclassify ($137) million of deferred net gains (losses) on derivatives in AOCI to earnings within the next 12 months.

**7. Derivatives (continued)**

***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 upon the change 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 September 30, 2021 and December 31, 2020, the cumulative foreign currency translation gain (loss) recorded in AOCI related to NIFO hedges was $253 million and $164 million, respectively. At September 30, 2021 and December 31, 2020, the carrying amount of debt designated as a non-derivative hedging instrument was $376 million and $407 million, respectively.

***Credit Derivatives***

In connection with synthetically created credit investment transactions, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the effects of derivatives on the interim condensed consolidated statements of operations and comprehensive income (loss) 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 $8.7 billion and $9.6 billion at September 30, 2021 and December 31, 2020, respectively. The Company can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current estimated fair value of the credit default swaps. At September 30, 2021 and December 31, 2020, the Company would have received $175 million and $196 million, respectively, to terminate all of these contracts.

**7. Derivatives (continued)**

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

| Rating Agency Designation of Referenced Credit Obligations (1) | September 30, 2021 Estimated Fair Value of Credit Default Swaps | September 30, 2021 Maximum Amount of Future Payments under Credit Default Swaps | September 30, 2021 Weighted Average Years to Maturity (2) | December 31, 2020 Estimated Fair Value of Credit Default Swaps | December 31, 2020 Maximum Amount of Future Payments under Credit Default Swaps | December 31, 2020 Weighted Average Years to Maturity (2) |
|---|---|---|---|---|---|---|
| | (Dollars in millions) | | | | | |
| Aaa/Aa/A | | | | | | |
| Single name credit default swaps (3) | $ 5 | $ 169 | 3.2 | $ 5 | $ 208 | 2.7 |
| Credit default swaps referencing indices | 21 | 1,778 | 1.7 | 27 | 1,779 | 2.5 |
| Subtotal | 26 | 1,947 | 1.9 | 32 | 1,987 | 2.5 |
| Baa | | | | | | |
| Single name credit default swaps (3) | 2 | 152 | 2.5 | 3 | 249 | 2.5 |
| Credit default swaps referencing indices | 145 | 6,468 | 5.7 | 156 | 7,318 | 5.5 |
| Subtotal | 147 | 6,620 | 5.6 | 159 | 7,567 | 5.4 |
| Ba | | | | | | |
| Single name credit default swaps (3) | 2 | 82 | 1.5 | — | — | — |
| Credit default swaps referencing indices | (1) | 20 | 4.2 | — | — | — |
| Subtotal | 1 | 102 | 2.0 | — | — | — |
| B | | | | | | |
| Credit default swaps referencing indices | 5 | 55 | 4.2 | 5 | 55 | 5.0 |
| Subtotal | 5 | 55 | 4.2 | 5 | 55 | 5.0 |
| Caa3 | | | | | | |
| Credit default swaps referencing indices | (4) | 15 | 4.2 | — | — | — |
| Subtotal | (4) | 15 | 4.2 | — | — | — |
| Total | $ 175 | $ 8,739 | 4.7 | $ 196 | $ 9,609 | 4.8 |

(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.

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 clearinghouses (“OTC-cleared”), while others are bilateral contracts between two counterparties (“OTC-bilateral”).

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company enters into contracts with counterparties in jurisdictions in which it understands that close-out netting should be enforceable. The Company’s OTC-bilateral derivative transactions are

governed by the International Swaps and Derivatives Association, Inc. ("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, close-out netting permits the Company (subject to financial regulations such as the Orderly Liquidation Authority under Title II of Dodd-Frank) to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions and to apply collateral to the obligations, without application of the automatic stay, upon the counterparty's bankruptcy. 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 as required by applicable law. Additionally, effective September 1, 2021, the Company is required to pledge initial margin for certain new OTC-bilateral derivative transactions to third party custodians.

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 brokers and central clearinghouses to such derivatives.

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

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

| Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | (In millions) | | | |
| Gross estimated fair value of derivatives: | | | | |
| OTC-bilateral (1) | $ 10,034 | $ 3,675 | $ 11,348 | $ 4,111 |
| OTC-cleared (1) | 516 | 39 | 593 | 20 |
| Exchange-traded | 52 | 15 | 17 | 40 |
| Total gross estimated fair value of derivatives presented on the interim condensed consolidated balance sheets (1) | 10,602 | 3,729 | 11,958 | 4,171 |
| Gross amounts not offset on the interim condensed consolidated balance sheets: | | | | |
| Gross estimated fair value of derivatives: (2) | | | | |
| OTC-bilateral | (2,206) | (2,206) | (2,926) | (2,926) |
| OTC-cleared | (13) | (13) | (7) | (7) |
| Exchange-traded | (2) | (2) | — | — |
| Cash collateral: (3), (4) | | | | |
| OTC-bilateral | (6,396) | — | (6,842) | — |
| OTC-cleared | (434) | (16) | (530) | (5) |
| Exchange-traded | — | (9) | — | (23) |
| Securities collateral: (5) | | | | |
| OTC-bilateral | (1,249) | (1,367) | (1,453) | (1,100) |
| OTC-cleared | — | (9) | — | (1) |
| Exchange-traded | — | (3) | — | (1) |
| Net amount after application of master netting agreements and collateral | $ 302 | $ 104 | $ 200 | $ 108 |

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(1) At September 30, 2021 and December 31, 2020, derivative assets included income (expense) accruals reported in accrued investment income or in other liabilities of $83 million and $92 million, respectively, and derivative liabilities included (income) expense accruals reported in accrued investment income or in other liabilities of ($22) million and ($58) 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.

**7. Derivatives (continued)**

(3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives, where the centralized clearinghouse treats variation margin as collateral, 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. For certain collateral agreements, cash collateral is pledged to the Company as initial margin on its OTC-bilateral derivatives.

(4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At September 30, 2021 and December 31, 2020, the Company received excess cash collateral of $103 million and $265 million, respectively, and provided excess cash collateral of $158 million and $238 million, respectively, which is not included in the table above due to the foregoing limitation.

(5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at September 30, 2021, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities AFS on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At September 30, 2021 and December 31, 2020, the Company received excess securities collateral with an estimated fair value of $98 million and $231 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At September 30, 2021 and December 31, 2020, the Company provided excess securities collateral with an estimated fair value of $194 million and $269 million, respectively, for its OTC-bilateral derivatives, $1.2 billion and $2.1 billion, respectively, for its OTC-cleared derivatives, and $214 million and $318 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 September 30, 2021, 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.

**7. Derivatives (continued)**

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total | Derivatives Subject to Credit-Contingent Provisions | Derivatives Not Subject to Credit-Contingent Provisions | Total |
| | (In millions) | | | | | |
| Estimated fair value of derivatives in a net liability position (1) | $ 1,242 | $ 227 | $ 1,469 | $ 1,182 | $ 3 | $ 1,185 |
| Estimated fair value of collateral provided: | | | | | | |
| Fixed maturity securities AFS | $ 1,300 | $ 188 | $ 1,488 | $ 1,222 | $ 2 | $ 1,224 |

(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.

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

| | Balance Sheet Location | September 30, 2021 | December 31, 2020 |
|---|---|---|---|
| | | (In millions) | |
| Embedded derivatives within asset host contracts: | | | |
| Ceded guaranteed minimum benefits | Premiums, reinsurance and other receivables | $ 39 | $ 55 |
| Embedded derivatives within liability host contracts: | | | |
| Direct guaranteed minimum benefits | Policyholder account balances | $ 296 | $ 651 |
| Assumed guaranteed minimum benefits | Policyholder account balances | 131 | 283 |
| Funds withheld on ceded reinsurance | Other liabilities | 41 | 100 |
| Fixed annuities with equity indexed returns | Policyholder account balances | 157 | 138 |
| Other guarantees | Policyholder account balances | 1 | 24 |
| Embedded derivatives within liability host contracts | | $ 626 | $ 1,196 |

**8. Fair Value**

Considerable judgment is often required in interpreting the market data used 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.

**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:

| | September 30, 2021 (1) | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | Total Estimated Fair Value |
| | Level 1 | Level 2 | Level 3 | |
| | (In millions) | | | |
| **Assets** | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $ — | $ 80,783 | $ 11,229 | $ 92,012 |
| Foreign government | — | 63,274 | 106 | 63,380 |
| Foreign corporate | — | 50,415 | 13,507 | 63,922 |
| U.S. government and agency | 27,492 | 20,608 | — | 48,100 |
| RMBS | 8 | 27,023 | 3,236 | 30,267 |
| ABS | — | 15,878 | 1,525 | 17,403 |
| Municipals | — | 14,006 | 34 | 14,040 |
| CMBS | — | 11,095 | 819 | 11,914 |
| Total fixed maturity securities AFS | 27,500 | 283,082 | 30,456 | 341,038 |
| Equity securities | 594 | 196 | 151 | 941 |
| Unit-linked and FVO Securities (2) | 9,171 | 2,051 | 833 | 12,055 |
| Short-term investments (3) | 5,287 | 1,201 | 57 | 6,545 |
| Residential mortgage loans — FVO | — | — | 134 | 134 |
| Other investments | — | 49 | 845 | 894 |
| Derivative assets: (4) | | | | |
| Interest rate | 3 | 6,744 | 60 | 6,807 |
| Foreign currency exchange rate | 1 | 2,527 | 4 | 2,532 |
| Credit | — | 174 | 20 | 194 |
| Equity market | 48 | 931 | 7 | 986 |
| Total derivative assets | 52 | 10,376 | 91 | 10,519 |
| Embedded derivatives within asset host contracts (5) | — | — | 39 | 39 |
| Separate account assets (6) | 78,361 | 101,190 | 1,403 | 180,954 |
| Total assets (7) | $ 120,965 | $ 398,145 | $ 34,009 | $ 553,119 |
| **Liabilities** | | | | |
| Derivative liabilities: (4) | | | | |
| Interest rate | $ 1 | $ 349 | $ 38 | $ 388 |
| Foreign currency exchange rate | — | 2,509 | 258 | 2,767 |
| Credit | — | 110 | 5 | 115 |
| Equity market | 14 | 467 | — | 481 |
| Total derivative liabilities | 15 | 3,435 | 301 | 3,751 |
| Embedded derivatives within liability host contracts (5) | — | — | 626 | 626 |
| Separate account liabilities (6) | 4 | 13 | 4 | 21 |
| Total liabilities | $ 19 | $ 3,448 | $ 931 | $ 4,398 |

**8. Fair Value (continued)**

| | December 31, 2020 (1) | | | |
|---|---|---|---|---|
| | Fair Value Hierarchy | | | |
| | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | |
| **Assets** | | | | |
| Fixed maturity securities AFS: | | | | |
| U.S. corporate | $ — | $ 83,214 | $ 10,202 | $ 93,416 |
| Foreign government | — | 71,582 | 117 | 71,699 |
| Foreign corporate | — | 55,509 | 13,899 | 69,408 |
| U.S. government and agency | 23,180 | 23,920 | — | 47,100 |
| RMBS | — | 27,133 | 3,302 | 30,435 |
| ABS | — | 15,734 | 1,385 | 17,119 |
| Municipals | — | 13,722 | — | 13,722 |
| CMBS | — | 11,308 | 602 | 11,910 |
| Total fixed maturity securities AFS | 23,180 | 302,122 | 29,507 | 354,809 |
| Equity securities | 636 | 293 | 150 | 1,079 |
| Unit-linked and FVO Securities (2) | 10,559 | 2,059 | 701 | 13,319 |
| Short-term investments (3) | 2,762 | 568 | 43 | 3,373 |
| Residential mortgage loans — FVO | — | — | 165 | 165 |
| Other investments | 83 | 229 | 573 | 885 |
| Derivative assets: (4) | | | | |
| Interest rate | — | 7,840 | 489 | 8,329 |
| Foreign currency exchange rate | 3 | 2,287 | 176 | 2,466 |
| Credit | — | 180 | 25 | 205 |
| Equity market | 14 | 830 | 22 | 866 |
| Total derivative assets | 17 | 11,137 | 712 | 11,866 |
| Embedded derivatives within asset host contracts (5) | — | — | 55 | 55 |
| Separate account assets (6) | 91,850 | 107,035 | 1,085 | 199,970 |
| Total assets (7) | $ 129,087 | $ 423,443 | $ 32,991 | $ 585,521 |
| **Liabilities** | | | | |
| Derivative liabilities: (4) | | | | |
| Interest rate | $ 2 | $ 168 | $ 68 | $ 238 |
| Foreign currency exchange rate | — | 3,063 | 38 | 3,101 |
| Credit | — | 121 | — | 121 |
| Equity market | 38 | 719 | 12 | 769 |
| Total derivative liabilities | 40 | 4,071 | 118 | 4,229 |
| Embedded derivatives within liability host contracts (5) | — | — | 1,196 | 1,196 |
| Separate account liabilities (6) | 12 | 8 | 6 | 26 |
| Total liabilities | $ 52 | $ 4,079 | $ 1,320 | $ 5,451 |

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(1) Excludes amounts for financial instruments reclassified to assets held-for-sale or liabilities held-for-sale. Assets held-for-sale and liabilities held-for-sale are valued on a basis consistent with similar instruments described herein. See Note 3 for information on the Company’s business dispositions.

(2) Unit-linked and FVO Securities were primarily comprised of Unit-linked investments at both September 30, 2021 and December 31, 2020.

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

(4) 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.

(5) 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.

(6) 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.

(7) Total assets included in the fair value hierarchy exclude 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 September 30, 2021 and December 31, 2020, the estimated fair value of such investments was $82 million and $75 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 of securities 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 short-term investments and other investments is determined on a basis consistent with the methodologies described herein.

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 (e.g. 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)**

| Instrument | Level 2<br>Observable Inputs | Level 3<br>Unobservable Inputs |
|---|---|---|
| **Fixed maturity securities AFS** | | |
| **U.S. corporate and Foreign corporate securities** | | |
| | Valuation Approaches: Principally the market and income approaches.<br>Key Inputs:<br>• quoted prices in markets that are not active<br>• benchmark yields; spreads off benchmark yields; new issuances; issuer ratings<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 | Valuation Approaches: Principally the market approach.<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 |
| **Foreign government securities, U.S. government and agency securities and Municipals** | | |
| | Valuation Approaches: Principally the market approach.<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 quotations<br>• comparable securities that are actively traded | Valuation Approaches: Principally the market approach.<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 |
| **Structured Products** | | |
| | Valuation Approaches: Principally the market and income approaches.<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; DSCR<br>• credit ratings<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 | Valuation Approaches: Principally the market and income approaches.<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<br>• credit ratings |

**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. Other investments include certain real estate joint ventures and use the valuation approach and key inputs as described for other limited partnership interests below. |
| **Residential mortgage loans — FVO** | | |
| | • N/A | Valuation Approaches: Principally the market approach.<br>Valuation Techniques and Key Inputs: These investments are based primarily on matrix pricing or other similar techniques that utilize inputs from mortgage servicers that are unobservable or cannot be derived principally from, or corroborated by, observable market data. |
| **Separate account assets and Separate account liabilities (1)** | | |
| **Mutual funds and hedge funds without readily determinable fair values as prices are not published publicly** | | |
| | Key Input:<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 |

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(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."

***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<br>• interest rate volatility (1), (2) | • 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 investment risk within funds withheld related to certain 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 interim condensed consolidated balance sheets.

The Company calculates the fair value of these embedded derivatives, which is 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 interim condensed 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 interim condensed 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.

**8. Fair Value (continued)**

*Reinsurance ceded on certain guaranteed minimum benefits*

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

***Transfers between Levels***

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity.

*Transfers into or out of 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:

| | | | September 30, 2021 | | | | December 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Valuation Techniques | Significant Unobservable Inputs | Range | | | Weighted Average (1) | Range | | | 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) | 1 | - | 170 | 111 | — | - | 186 | 117 | Increase |
| | • Market pricing | • Quoted prices (4) | — | - | 113 | 99 | — | - | 116 | 98 | Increase |
| | • Consensus pricing | • Offered quotes (4) | 99 | - | 107 | 100 | 54 | - | 104 | 101 | Increase |
| RMBS | • Market pricing | • Quoted prices (4) | — | - | 180 | 99 | — | - | 159 | 98 | Increase (5) |
| ABS | • Market pricing | • Quoted prices (4) | 3 | - | 109 | 102 | 1 | - | 112 | 100 | Increase (5) |
| | • Consensus pricing | • Offered quotes (4) | 102 | - | 102 | 102 | 100 | - | 100 | 100 | Increase (5) |
| **Derivatives** | | | | | | | | | | | |
| Interest rate | • Present value techniques | • Swap yield (6) | 149 | - | 221 | 199 | 92 | - | 184 | 149 | Increase (7) |
| | | • Repurchase rates (8) | — | - | — | — | (12) | - | 1 | (6) | Decrease (7) |
| | | • Volatility (9) | 0% | - | 1% | 1% | — | - | — | — | Increase (7) |
| Foreign currency exchange rate | • Present value techniques | • Swap yield (6) | (129) | - | 1,873 | 117 | (309) | - | 248 | (144) | Increase (7) |
| Credit | • Present value techniques | • Credit spreads (10) | 96 | - | 128 | 104 | 96 | - | 99 | 98 | Decrease (7) |
| | • Consensus pricing | • Offered quotes (11) | | | | | | | | | |
| Equity market | • Present value techniques or option pricing models | • Volatility (12) | — | - | — | — | 21% | - | 29% | 28% | Increase (7) |
| | | • Correlation (13) | — | - | — | — | 10% | - | 30% | 10% | |
| **Embedded derivatives** | | | | | | | | | | | |
| Direct, assumed and ceded guaranteed minimum benefits | • Option pricing techniques | • Mortality rates: | | | | | | | | | |
| | | Ages 0 - 40 | 0% | - | 0.17% | 0.08% | 0% | - | 0.17% | 0.06% | Decrease (14) |
| | | Ages 41 - 60 | 0.03% | - | 0.75% | 0.27% | 0.03% | - | 0.75% | 0.30% | Decrease (14) |
| | | Ages 61 - 115 | 0.12% | - | 100% | 2.08% | 0.12% | - | 100% | 1.90% | Decrease (14) |
| | | • Lapse rates: | | | | | | | | | |
| | | Durations 1 - 10 | 0.25% | - | 100% | 6.30% | 0.25% | - | 100% | 6.86% | Decrease (15) |
| | | Durations 11 - 20 | 0.50% | - | 100% | 5.22% | 0.50% | - | 100% | 5.18% | Decrease (15) |
| | | Durations 21 - 116 | 0.50% | - | 100% | 5.22% | 0.50% | - | 100% | 5.18% | Decrease (15) |
| | | • Utilization rates | 0% | - | 22% | 0.22% | 0% | - | 22% | 0.17% | Increase (16) |
| | | • Withdrawal rates | 0% | - | 20% | 3.72% | 0% | - | 20% | 3.98% | (17) |
| | | • Long-term equity volatilities | 7.71% | - | 25% | 18.60% | 8.33% | - | 27% | 18.70% | Increase (18) |
| | | • Nonperformance risk spread | 0.05% | - | 1.17% | 0.35% | 0.04% | - | 1.18% | 0.40% | Decrease (19) |

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(1) The weighted average for fixed maturity securities AFS and derivatives is determined based on the estimated fair value of the securities and derivatives. The weighted average for embedded derivatives is determined based on a combination of account values and experience data.

(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.

(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) Ranges represent the underlying interest rate volatility quoted in percentage points. Since this valuation methodology uses an equivalent of LIBOR for secured overnight financing rate volatility, presenting a range is more representative of the unobservable input used in the valuation.

(10) 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.

(11) At both September 30, 2021 and December 31, 2020, independent non-binding broker quotations were used in the determination of less than 1% of the total net derivative estimated fair value.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) The utilization rate assumption estimates the percentage of contractholders with GMIBs or a 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.

(17) 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.

(18) 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.

**8. Fair Value (continued)**

(19) 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.

Generally, all other classes of assets and liabilities classified within Level 3 that are not included in the preceding table use the same valuation techniques and significant unobservable inputs as previously described for Level 3. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets and liabilities is similar in nature to that described in the preceding table. The valuation techniques and significant unobservable inputs used in the fair value measurement for the more significant assets measured at estimated fair value on a nonrecurring basis and determined using significant unobservable inputs (Level 3) are summarized in "— Nonrecurring Fair Value Measurements."

The following tables summarize the change of all assets (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 (6) | Foreign Government | Structured Products | Municipals | Equity Securities | Unit-linked and FVO Securities |
| | (In millions) | | | | | |
| **Three Months Ended September 30, 2021** | | | | | | |
| Balance, beginning of period | $ 23,773 | $ 145 | $ 6,003 | $ — | $ 143 | $ 849 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | (22) | — | 9 | — | 6 | (9) |
| Total realized/unrealized gains (losses) included in AOCI | (402) | — | 36 | — | — | — |
| Purchases (3) | 1,853 | 12 | 334 | 34 | 8 | 9 |
| Sales (3) | (475) | (10) | (401) | — | (5) | (8) |
| Issuances (3) | — | — | — | — | — | — |
| Settlements (3) | — | — | — | — | — | — |
| Transfers into Level 3 (4) | 242 | 10 | 6 | — | — | — |
| Transfers out of Level 3 (4) | (233) | (51) | (407) | — | (1) | (8) |
| Balance, end of period | $ 24,736 | $ 106 | $ 5,580 | $ 34 | $ 151 | $ 833 |
| **Three Months Ended September 30, 2020** | | | | | | |
| Balance, beginning of period | $ 20,732 | $ 57 | $ 5,377 | $ — | $ 373 | $ 589 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | (1) | (1) | 23 | — | 6 | 35 |
| Total realized/unrealized gains (losses) included in AOCI | 673 | 6 | 96 | 1 | — | — |
| Purchases (3) | 1,023 | 12 | 550 | 10 | — | 7 |
| Sales (3) | (529) | — | (305) | — | (69) | (13) |
| Issuances (3) | — | — | — | — | — | — |
| Settlements (3) | — | — | — | — | — | — |
| Transfers into Level 3 (4) | 622 | 44 | 39 | — | — | — |
| Transfers out of Level 3 (4) | (377) | (9) | (368) | — | (158) | (2) |
| Balance, end of period | $ 22,143 | $ 109 | $ 5,412 | $ 11 | $ 152 | $ 616 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2021 (5) | $ (18) | $ — | $ 9 | $ — | $ 6 | $ (9) |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2020 (5) | $ (3) | $ (3) | $ 13 | $ — | $ 3 | $ 35 |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2021 (5) | $ (387) | $ — | $ 36 | $ — | $ — | $ — |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2020 (5) | $ 665 | $ 3 | $ 95 | $ 1 | $ — | $ — |

**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 September 30, 2021** | | | | | | |
| Balance, beginning of period | $ 113 | $ 140 | $ 781 | $ 57 | $ (574) | $ 1,249 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | 1 | — | 45 | (279) | 47 | 12 |
| Total realized/unrealized gains (losses) included in AOCI | (2) | — | — | 55 | — | — |
| Purchases (3) | 2 | — | 116 | 7 | — | 161 |
| Sales (3) | (28) | — | (72) | — | — | (18) |
| Issuances (3) | — | — | — | (1) | — | — |
| Settlements (3) | — | (6) | — | (49) | (60) | — |
| Transfers into Level 3 (4) | 1 | — | — | — | — | — |
| Transfers out of Level 3 (4) | (30) | — | (25) | — | — | (5) |
| Balance, end of period | $ 57 | $ 134 | $ 845 | $ (210) | $ (587) | $ 1,399 |
| **Three Months Ended September 30, 2020** | | | | | | |
| Balance, beginning of period | $ 7 | $ 175 | $ 491 | $ 798 | $ (1,925) | $ 1,056 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | (2) | 6 | (8) | 61 | 408 | (3) |
| Total realized/unrealized gains (losses) included in AOCI | (2) | — | — | (24) | (15) | — |
| Purchases (3) | 1 | — | 3 | — | — | 72 |
| Sales (3) | (1) | — | — | — | — | (25) |
| Issuances (3) | — | — | — | — | — | (2) |
| Settlements (3) | — | (5) | — | (111) | (66) | — |
| Transfers into Level 3 (4) | — | — | — | — | — | — |
| Transfers out of Level 3 (4) | — | — | — | 13 | — | (9) |
| Balance, end of period | $ 3 | $ 176 | $ 486 | $ 737 | $ (1,598) | $ 1,089 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2021 (5) | $ — | $ (1) | $ 40 | $ (273) | $ 44 | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2020 (5) | $ (2) | $ 6 | $ (7) | $ 47 | $ 403 | $ — |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2021 (5) | $ — | $ — | $ — | $ 25 | $ 1 | $ — |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2020 (5) | $ (1) | $ — | $ — | $ (28) | $ (14) | $ — |

**8. Fair Value (continued)**

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | | |
|---|---|---|---|---|---|---|
| | Fixed Maturity Securities AFS | | | | | |
| | Corporate (6) | Foreign Government | Structured Products | Municipals | Equity Securities | Unit-linked and FVO Securities |
| | (In millions) | | | | | |
| **Nine Months Ended September 30, 2021** | | | | | | |
| Balance, beginning of period | $ 24,101 | $ 117 | $ 5,289 | $ — | $ 150 | $ 701 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | (28) | — | 36 | — | 16 | 53 |
| Total realized/unrealized gains (losses) included in AOCI | (1,171) | (1) | 9 | — | — | — |
| Purchases (3) | 3,395 | 13 | 1,333 | 34 | 10 | 20 |
| Sales (3) | (951) | (7) | (1,049) | — | (21) | (16) |
| Issuances (3) | — | — | — | — | — | — |
| Settlements (3) | — | — | — | — | — | — |
| Transfers into Level 3 (4) | 139 | 13 | 256 | — | — | 86 |
| Transfers out of Level 3 (4) | (749) | (29) | (294) | — | (4) | (11) |
| Balance, end of period | $ 24,736 | $ 106 | $ 5,580 | $ 34 | $ 151 | $ 833 |
| **Nine Months Ended September 30, 2020** | | | | | | |
| Balance, beginning of period | $ 14,229 | $ 117 | $ 4,458 | $ 7 | $ 430 | $ 625 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | (80) | (1) | 30 | — | 2 | 8 |
| Total realized/unrealized gains (losses) included in AOCI | 371 | (1) | (18) | 1 | — | — |
| Purchases (3) | 3,653 | 12 | 2,067 | 10 | 9 | 20 |
| Sales (3) | (911) | (7) | (704) | — | (105) | (99) |
| Issuances (3) | — | — | — | — | — | — |
| Settlements (3) | — | — | — | — | — | — |
| Transfers into Level 3 (4) | 5,416 | 3 | 73 | — | — | 153 |
| Transfers out of Level 3 (4) | (535) | (14) | (494) | (7) | (184) | (91) |
| Balance, end of period | $ 22,143 | $ 109 | $ 5,412 | $ 11 | $ 152 | $ 616 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2021 (5) | $ (21) | $ — | $ 33 | $ — | $ 11 | $ 53 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2020 (5) | $ (42) | $ (2) | $ 36 | $ — | $ 1 | $ 10 |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2021 (5) | $ (1,141) | $ (1) | $ 11 | $ — | $ — | $ — |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2020 (5) | $ 350 | $ 2 | $ (12) | $ 1 | $ — | $ — |

**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) | | | | | |
| **Nine Months Ended September 30, 2021** | | | | | | |
| Balance, beginning of period | $ 43 | $ 165 | $ 573 | $ 594 | $ (1,141) | $ 1,079 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | 1 | (3) | 70 | (490) | 716 | 14 |
| Total realized/unrealized gains (losses) included in AOCI | (2) | — | — | (365) | 22 | — |
| Purchases (3) | 55 | — | 299 | 14 | — | 336 |
| Sales (3) | (37) | (11) | (72) | — | — | (43) |
| Issuances (3) | — | — | — | (6) | — | (1) |
| Settlements (3) | — | (17) | — | 43 | (184) | 6 |
| Transfers into Level 3 (4) | — | — | — | 1 | — | 10 |
| Transfers out of Level 3 (4) | (3) | — | (25) | (1) | — | (2) |
| Balance, end of period | $ 57 | $ 134 | $ 845 | $ (210) | $ (587) | $ 1,399 |
| **Nine Months Ended September 30, 2020** | | | | | | |
| Balance, beginning of period | $ 32 | $ 188 | $ 455 | $ (146) | $ (742) | $ 980 |
| Total realized/unrealized gains (losses) included in net income (loss) (1), (2) | (6) | 10 | (11) | 163 | (643) | (2) |
| Total realized/unrealized gains (losses) included in AOCI | (1) | — | — | 980 | (21) | — |
| Purchases (3) | 2 | — | 42 | — | — | 204 |
| Sales (3) | (17) | (7) | — | — | — | (95) |
| Issuances (3) | — | — | — | — | — | (4) |
| Settlements (3) | — | (15) | — | (253) | (192) | 1 |
| Transfers into Level 3 (4) | 9 | — | — | — | — | 10 |
| Transfers out of Level 3 (4) | (16) | — | — | (7) | — | (5) |
| Balance, end of period | $ 3 | $ 176 | $ 486 | $ 737 | $ (1,598) | $ 1,089 |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2021 (5) | $ — | $ (7) | $ 66 | $ (392) | $ 715 | $ — |
| Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2020 (5) | $ (6) | $ 6 | $ (7) | $ 3 | $ (653) | $ — |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2021 (5) | $ — | $ — | $ — | $ (206) | $ 22 | $ — |
| Changes in unrealized gains (losses) included in AOCI for the instruments still held at September 30, 2020 (5) | $ (1) | $ — | $ — | $ 801 | $ (20) | $ — |

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(1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities 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).

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

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

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

(5) Changes in unrealized gains (losses) included in net income (loss) and included in AOCI 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).

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

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

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

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

***Fair Value Option***

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | (In millions) | |
| Unpaid principal balance | $ 135 | $ 172 |
| Difference between estimated fair value and unpaid principal balance | (1) | (7) |
| Carrying value at estimated fair value | $ 134 | $ 165 |
| Loans in nonaccrual status | $ 32 | $ 45 |
| Loans more than 90 days past due | $ 16 | $ 27 |
| Loans in nonaccrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance | $ (6) | $ (13) |

***Nonrecurring Fair Value Measurements***

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

| | September 30, | December 31, | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Carrying Value After Measurement | | Gains (Losses) | | | |
| | (In millions) | | | | | |
| Mortgage loans, net (1) | $ 389 | $ 408 | $ (16) | $ (43) | $ (41) | $ (52) |

(1) Estimated fair values for impaired mortgage loans are based on estimated fair value of the underlying collateral.

8. Fair Value (continued)

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

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

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

| | September 30, 2021 (1) | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| **Assets** | | | | | |
| Mortgage loans (2) | $ 80,830 | $ — | $ — | $ 84,846 | $ 84,846 |
| Policy loans | $ 9,186 | $ — | $ — | $ 10,968 | $ 10,968 |
| Other invested assets | $ 1,053 | $ — | $ 791 | $ 262 | $ 1,053 |
| Premiums, reinsurance and other receivables | $ 2,582 | $ — | $ 755 | $ 2,015 | $ 2,770 |
| Other assets | $ 296 | $ — | $ 101 | $ 192 | $ 293 |
| **Liabilities** | | | | | |
| Policyholder account balances | $ 125,437 | $ — | $ — | $ 130,454 | $ 130,454 |
| Long-term debt | $ 13,923 | $ — | $ 16,825 | $ — | $ 16,825 |
| Collateral financing arrangement | $ 806 | $ — | $ — | $ 669 | $ 669 |
| Junior subordinated debt securities | $ 3,155 | $ — | $ 4,589 | $ — | $ 4,589 |
| Other liabilities | $ 3,328 | $ — | $ 1,737 | $ 2,261 | $ 3,998 |
| Separate account liabilities | $ 97,752 | $ — | $ 97,752 | $ — | $ 97,752 |

**8. Fair Value (continued)**

| | December 31, 2020 (1) | | | | |
|---|---|---|---|---|---|
| | | Fair Value Hierarchy | | | |
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Estimated Fair Value |
| | (In millions) | | | | |
| **Assets** | | | | | |
| Mortgage loans (2) | $ 83,754 | $ — | $ — | $ 88,675 | $ 88,675 |
| Policy loans | $ 9,493 | $ — | $ — | $ 11,598 | $ 11,598 |
| Other invested assets | $ 1,188 | $ — | $ 814 | $ 374 | $ 1,188 |
| Premiums, reinsurance and other receivables | $ 2,729 | $ — | $ 908 | $ 2,070 | $ 2,978 |
| Other assets | $ 300 | $ — | $ 111 | $ 190 | $ 301 |
| **Liabilities** | | | | | |
| Policyholder account balances | $ 126,458 | $ — | $ — | $ 134,569 | $ 134,569 |
| Long-term debt | $ 14,492 | $ — | $ 18,332 | $ — | $ 18,332 |
| Collateral financing arrangement | $ 845 | $ — | $ — | $ 710 | $ 710 |
| Junior subordinated debt securities | $ 3,153 | $ — | $ 4,604 | $ — | $ 4,604 |
| Other liabilities | $ 2,113 | $ — | $ 527 | $ 2,606 | $ 3,133 |
| Separate account liabilities | $ 115,682 | $ — | $ 115,682 | $ — | $ 115,682 |

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(1) Excludes amounts for financial instruments reclassified to assets held-for-sale or liabilities held-for-sale. See Note 3 for information on the Company's business dispositions.

(2) Includes mortgage loans measured at estimated fair value on a nonrecurring basis and excludes mortgage loans measured at estimated fair value on a recurring basis.

## 9. Long Term Debt

### *Senior Notes*

In July 2021, MetLife, Inc. redeemed for cash and canceled $500 million aggregate principal amount of its outstanding 3.048% senior notes due December 2022. The Company recorded a premium of $17 million paid in excess of the debt principal and accrued and unpaid interest to other expenses.

### *Credit Facility*

In February 2021, MetLife, Inc. and MetLife Funding, Inc. amended and restated their five-year $3.0 billion unsecured credit agreement (as amended and restated, the "2021 Five-Year Credit Agreement"). The facility may be used for general corporate purposes (including in the case of loans, to back up commercial paper and, in the case of letters of credit, to support variable annuity policy and reinsurance reserve requirements). All borrowings under the 2021 Five-Year Credit Agreement must be repaid by February 26, 2026, except that letters of credit outstanding on that date may remain outstanding until no later than February 26, 2027. MetLife, Inc. incurred costs of $6 million related to the 2021 Five-Year Credit Agreement, which were capitalized and included in other assets. These costs are being amortized over the remaining term of the 2021 Five-Year Credit Agreement.

## 10. Equity

*Preferred Stock*

Preferred stock authorized, issued and outstanding was as follows:

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Series | Shares Authorized | Shares Issued and Outstanding | Shares Authorized | Shares Issued and Outstanding |
| Floating Rate Non-Cumulative Preferred Stock, Series A | 27,600,000 | 24,000,000 | 27,600,000 | 24,000,000 |
| 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C (1) | — | — | 1,500,000 | 500,000 |
| 5.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series D | 500,000 | 500,000 | 500,000 | 500,000 |
| 5.625% Non-Cumulative Preferred Stock, Series E | 32,200 | 32,200 | 32,200 | 32,200 |
| 4.75% Non-Cumulative Preferred Stock, Series F | 40,000 | 40,000 | 40,000 | 40,000 |
| 3.85% Fixed Rate Reset Non-Cumulative Preferred Stock, Series G | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Series A Junior Participating Preferred Stock | 10,000,000 | — | 10,000,000 | — |
| Not designated | 160,827,800 | — | 159,327,800 | — |
| Total | 200,000,000 | 25,572,200 | 200,000,000 | 26,072,200 |

(1) On May 17, 2021, the outstanding 500,000 shares of MetLife, Inc.'s 5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C (the "Series C preferred stock") were irrevocably called for redemption, and on June 15, 2021, MetLife, Inc. redeemed and canceled the shares.

In May 2021, MetLife, Inc. delivered a notice of redemption to the holders of the Series C preferred stock pursuant to which it would redeem the remaining 500,000 shares of Series C preferred stock at a redemption price of $1,000 per share. In connection with the redemption, MetLife, Inc. recognized a preferred stock redemption premium of $6 million (calculated as the difference between the carrying value of the Series C preferred stock and the total amount paid by MetLife, Inc. to the holders of the Series C preferred stock in connection with the redemption), which was recorded as a reduction of retained earnings at June 30,2021. All outstanding shares of Series C preferred stock were redeemed on the dividend payment date of June 15, 2021 for an aggregate redemption price of $500 million in cash.

In June 2021, MetLife, Inc. filed a Certificate of Elimination (the "Certificate of Elimination") of Series C preferred stock with the Secretary of State of the State of Delaware to eliminate all references to the Series C preferred stock in MetLife, Inc.'s Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), including the related Certificate of Designations. As a result of the filing of the Certificate of Elimination, MetLife, Inc.'s Certificate of Incorporation was amended to eliminate all references therein to the Series C preferred stock, and the shares that were designated to such series were returned to the status of authorized but unissued shares of preferred stock, par value $0.01 per share, of MetLife, Inc., without designation as to series. The Certificate of Elimination does not affect the total number of authorized shares of capital stock of MetLife, Inc. or the total number of authorized shares of preferred stock.

The per share and aggregate dividends declared for MetLife, Inc.'s preferred stock were as follows:

| | Three Month Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| Series | Per Share | Aggregate | Per Share | Aggregate | Per Share | Aggregate | Per Share | Aggregate |
| | (In million, except per share data) | | | | | | | |
| A | $ 0.256 | $ 6 | $ 0.256 | $ 6 | $ 0.762 | $ 18 | $ 0.762 | $ 18 |
| C | $ — | — | $ 9.940 | 15 | $ 19.085 | 10 | $ 36.190 | 54 |
| D | $ 29.375 | 14 | $ 29.375 | 15 | $ 58.750 | 29 | $ 58.750 | 30 |
| E | $ 351.563 | 11 | $ 351.563 | 11 | $ 1,054.689 | 34 | $ 1,054.689 | 34 |
| F | $ 296.875 | 12 | $ 296.875 | 12 | $ 890.625 | 36 | $ 791.667 | 32 |
| G | $ 19.250 | 20 | $ — | — | $ 39.035 | 39 | $ — | — |
| Total | | $ 63 | | $ 59 | | $ 166 | | $ 168 |

***Common Stock***

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

| Announcement Date | Authorization Amount | Authorization Remaining at September 30, 2021 |
|---|---|---|
| | (In millions) | |
| August 4, 2021 | $ 3,000 | $ 2,708 |
| December 11, 2020 | $ 3,000 | $ — |
| July 31, 2019 | $ 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.

For the nine months ended September 30, 2021 and 2020, MetLife, Inc. repurchased 52,857,261 shares and 12,806,464 shares of its common stock, respectively, through open market purchases for $3.1 billion and $580 million, respectively.

***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, 2018 – December 31, 2020 performance period was 110.8%, which was determined within a possible range from 0% to 175%. This factor has been applied to the 1,266,651 Performance Shares and 170,214 Performance Units associated with that performance period that vested on December 31, 2020. As a result, in the first quarter of 2021, MetLife, Inc. issued 1,403,449 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 188,597 Performance Units (less withholding for taxes and other items, as applicable).

***Dividend Restrictions***

***Insurance Operations***

For the nine months ended September 30, 2021, American Life Insurance Company paid a dividend of $600 million to MetLife, Inc., for which regulatory approval was obtained as required.

Additionally, for the nine months ended September 30, 2021, Metropolitan Property and Casualty Insurance Company paid a non-cash dividend of $35 million consisting of the stock of a subsidiary to MetLife, Inc., for which regulatory approval was obtained as required. See Note 3 on the disposition of MetLife P&C.

See Note 16 of the Notes to Consolidated Financial Statements included in the 2020 Annual Report for additional information on dividend restrictions.

**10. Equity (continued)**

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

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

| | Three Months Ended September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 17,535 | $ 1,073 | $ (4,463) | $ (1,836) | $ 12,309 |
| Other comprehensive income (loss) before reclassifications | (633) | 442 | (421) | 5 | (607) |
| Deferred income tax benefit (expense) | 208 | (102) | (4) | (1) | 101 |
| AOCI before reclassifications, net of income tax | 17,110 | 1,413 | (4,888) | (1,832) | 11,803 |
| Amounts reclassified from AOCI | (91) | 236 | — | 30 | 175 |
| Deferred income tax benefit (expense) | 22 | (54) | — | (3) | (35) |
| Amounts reclassified from AOCI, net of income tax | (69) | 182 | — | 27 | 140 |
| Sale of subsidiary, net of income tax (2) | 22 | — | 146 | — | 168 |
| Balance, end of period | $ 17,063 | $ 1,595 | $ (4,742) | $ (1,805) | $ 12,111 |

| | Three Months Ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 21,759 | $ 4,154 | $ (5,382) | $ (1,968) | $ 18,563 |
| Other comprehensive income (loss) before reclassifications | (2,212) | (846) | 507 | (3) | (2,554) |
| Deferred income tax benefit (expense) | 190 | 207 | (4) | 1 | 394 |
| AOCI before reclassifications, net of income tax | 19,737 | 3,515 | (4,879) | (1,970) | 16,403 |
| Amounts reclassified from AOCI | (64) | (457) | — | 21 | (500) |
| Deferred income tax benefit (expense) | 41 | 97 | — | (5) | 133 |
| Amounts reclassified from AOCI, net of income tax | (23) | (360) | — | 16 | (367) |
| Balance, end of period | $ 19,714 | $ 3,155 | $ (4,879) | $ (1,954) | $ 16,036 |

**10. Equity (continued)**

| | Nine Months Ended September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 22,217 | $ 1,513 | $ (3,795) | $ (1,863) | $ 18,072 |
| Other comprehensive income (loss) before reclassifications | (6,512) | (172) | (1,168) | 9 | (7,843) |
| Deferred income tax benefit (expense) | 1,584 | 39 | (40) | (2) | 1,581 |
| AOCI before reclassifications, net of income tax | 17,289 | 1,380 | (5,003) | (1,856) | 11,810 |
| Amounts reclassified from AOCI | (76) | 279 | — | 61 | 264 |
| Deferred income tax benefit (expense) | 18 | (64) | — | (10) | (56) |
| Amounts reclassified from AOCI, net of income tax | (58) | 215 | — | 51 | 208 |
| Sale of subsidiaries, net of income tax (3) | (168) | — | 261 | — | 93 |
| Balance, end of period | $ 17,063 | $ 1,595 | $ (4,742) | $ (1,805) | $ 12,111 |

| | Nine Months Ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | 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 | $ 18,283 | $ 1,698 | $ (4,927) | $ (2,002) | $ 13,052 |
| Other comprehensive income (loss) before reclassifications | 2,674 | 2,202 | 76 | (3) | 4,949 |
| Deferred income tax benefit (expense) | (785) | (461) | (28) | 1 | (1,273) |
| AOCI before reclassifications, net of income tax | 20,172 | 3,439 | (4,879) | (2,004) | 16,728 |
| Amounts reclassified from AOCI | (297) | (359) | — | 64 | (592) |
| Deferred income tax benefit (expense) | 87 | 75 | — | (14) | 148 |
| Amounts reclassified from AOCI, net of income tax | (210) | (284) | — | 50 | (444) |
| Sale of subsidiary, net of income tax | (248) | — | — | — | (248) |
| Balance, end of period | $ 19,714 | $ 3,155 | $ (4,879) | $ (1,954) | $ 16,036 |

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(1) See Note 6 for information on offsets to investments related to policyholder liabilities, DAC, VOBA and DSI.

(2) See Note 3 for information on the sale of MetLife Seguros.

(3) See Note 3 for information on the Company’s business dispositions.

**10. Equity (continued)**

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

| AOCI Components | Three Months Ended September 30, 2021 | Three Months Ended September 30, 2020 | Nine Months Ended September 30, 2021 | Nine Months Ended September 30, 2020 | Consolidated Statements of Operations and Comprehensive Income (Loss) Locations |
|---|---|---|---|---|---|
| | Amounts Reclassified from AOCI (In millions) | | | | |
| Net unrealized investment gains (losses): | | | | | |
| Net unrealized investment gains (losses) | $ 97 | $ 65 | $ 42 | $ 320 | Net investment gains (losses) |
| Net unrealized investment gains (losses) | (4) | (8) | (13) | (18) | Net investment income |
| Net unrealized investment gains (losses) | (2) | 7 | 47 | (5) | Net derivative gains (losses) |
| Net unrealized investment gains (losses), before income tax | 91 | 64 | 76 | 297 | |
| Income tax (expense) benefit | (22) | (41) | (18) | (87) | |
| Net unrealized investment gains (losses), net of income tax | 69 | 23 | 58 | 210 | |
| Unrealized gains (losses) on derivatives - cash flow hedges: | | | | | |
| Interest rate derivatives | 14 | 9 | 41 | 24 | Net investment income |
| Interest rate derivatives | 6 | 10 | 54 | 58 | Net investment gains (losses) |
| Interest rate derivatives | 1 | 1 | 2 | 2 | Other expenses |
| Foreign currency exchange rate derivatives | 2 | 2 | 6 | 3 | Net investment income |
| Foreign currency exchange rate derivatives | (259) | 435 | (383) | 271 | Net investment gains (losses) |
| Foreign currency exchange rate derivatives | — | — | 1 | 1 | Other expenses |
| Gains (losses) on cash flow hedges, before income tax | (236) | 457 | (279) | 359 | |
| Income tax (expense) benefit | 54 | (97) | 64 | (75) | |
| Gains (losses) on cash flow hedges, net of income tax | (182) | 360 | (215) | 284 | |
| Defined benefit plans adjustment: (1) | | | | | |
| Amortization of net actuarial gains (losses) | (34) | (26) | (87) | (78) | |
| Amortization of prior service (costs) credit | 4 | 5 | 26 | 14 | |
| Amortization of defined benefit plan items, before income tax | (30) | (21) | (61) | (64) | |
| Income tax (expense) benefit | 3 | 5 | 10 | 14 | |
| Amortization of defined benefit plan items, net of income tax | (27) | (16) | (51) | (50) | |
| Total reclassifications, net of income tax | $ (140) | $ 367 | $ (208) | $ 444 | |

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

## 11. 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| Vision fee for service arrangements (1) | $ 135 | $ — | $ 410 | $ — |
| Prepaid legal plans | 107 | 100 | 324 | 300 |
| Fee-based investment management | 95 | 82 | 266 | 232 |
| Recordkeeping and administrative services (2) | 54 | 50 | 160 | 145 |
| Administrative services-only contracts | 56 | 54 | 175 | 164 |
| Other revenue from service contracts from customers | 69 | 45 | 210 | 159 |
| Total revenues from service contracts from customers | 516 | 331 | 1,545 | 1,000 |
| Other | 147 | 124 | 413 | 350 |
| Total other revenues | $ 663 | $ 455 | $ 1,958 | $ 1,350 |

(1) For information regarding the Company’s acquisition of Versant Health, Inc., see Note 3 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

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

***Other Expenses***

Information on other expenses was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| Employee-related costs (1) | $ 794 | $ 866 | $ 2,576 | $ 2,577 |
| Third party staffing costs | 353 | 309 | 1,001 | 968 |
| General and administrative expenses | 212 | 172 | 455 | 553 |
| Pension, postretirement and postemployment benefit costs | 43 | 37 | 94 | 113 |
| Premium taxes, other taxes, and licenses & fees | 144 | 194 | 480 | 563 |
| Commissions and other variable expenses | 1,323 | 1,376 | 4,147 | 4,099 |
| Capitalization of DAC | (635) | (764) | (2,052) | (2,209) |
| Amortization of DAC and VOBA | 816 | 1,066 | 1,943 | 2,414 |
| Amortization of negative VOBA | (6) | (15) | (25) | (35) |
| Interest expense on debt | 240 | 229 | 696 | 683 |
| Total other expenses | $ 3,284 | $ 3,470 | $ 9,315 | $ 9,726 |

(1) Includes ($15) million and ($89) million for the three months and nine months ended September 30, 2021, respectively, and ($44) million and ($84) million for the three months and nine months ended September 30, 2020, respectively, for the net change in cash surrender value of investments in certain life insurance policies, net of premiums paid.

## 12. Employee Benefit Plans

***Pension and Other Postretirement Benefit Plans***

Certain subsidiaries of MetLife, Inc. sponsor a U.S. qualified and various U.S. and non-U.S. nonqualified defined benefit pension 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 September 30, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Pension Benefits | Other Postretirement Benefits | Pension Benefits | Other Postretirement Benefits |
| | (In millions) | | | |
| Service costs | $ 58 | $ 2 | $ 62 | $ 2 |
| Interest costs | 89 | 9 | 89 | 10 |
| Expected return on plan assets | (124) | (14) | (132) | (15) |
| Amortization of net actuarial (gains) losses | 38 | (6) | 45 | (19) |
| Amortization of prior service costs (credit) | (6) | — | (4) | (1) |
| Net periodic benefit costs (credit) | $ 55 | $ (9) | $ 60 | $ (23) |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Pension Benefits | Other Postretirement Benefits | Pension Benefits | Other Postretirement Benefits |
| | (In millions) | | | |
| Service costs | $ 177 | $ 4 | $ 185 | $ 4 |
| Interest costs | 250 | 27 | 267 | 31 |
| Curtailment (gains) losses (1) | (17) | — | — | — |
| Expected return on plan assets | (381) | (42) | (396) | (46) |
| Amortization of net actuarial (gains) losses | 115 | (33) | 134 | (56) |
| Amortization of prior service costs (credit) | (11) | — | (12) | (2) |
| Net periodic benefit costs (credit) | $ 133 | $ (44) | $ 178 | $ (69) |

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(1) See Note 3 for information on the Company’s business dispositions.

## 13. Income Tax

For the three months and nine months ended September 30, 2021, the effective tax rate on income (loss) before provision for income tax was 22% and 21%, respectively. The Company’s effective tax rate for the three months ended September 30, 2021 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 completed sale of MetLife Seguros, partially offset by tax benefits related to tax credits and non-taxable investment income. The Company’s effective tax rate for the nine months ended September 30, 2021 was equal to the statutory rate of 21%, primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, the completed sales of MetLife P&C and MetLife Seguros and the pending disposition of MetLife Poland

and Greece, offset by tax benefits related to tax credits, non-taxable investment income and the corporate tax deduction for stock compensation.

For the three months and nine months ended September 30, 2020, the effective tax rate on income (loss) before provision for income tax was 23% and 22%, respectively. The Company's effective tax rate for the three months ended September 30, 2020 differed from the U.S. statutory rate primarily due to tax charges from the sale of MetLife Seguros de Retiro S.A. ("MetLife Seguros de Retiro") and foreign earnings taxed at different rates than the U.S. statutory rate, partially offset by tax benefits related to non-taxable investment income and tax credits. The Company's effective tax rate for the nine months ended September 30, 2020 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 sale of MetLife Seguros de Retiro, partially offset by tax benefits related to non-taxable investment income, tax credits and the finalization of bankruptcy proceedings for a leveraged lease investment.

**14. 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions, except per share data) | | | |
| Weighted Average Shares: | | | | |
| Weighted average common stock outstanding - basic | 854.9 | 908.7 | 871.1 | 910.5 |
| Incremental common shares from assumed exercise or issuance of stock-based awards | 6.3 | 5.0 | 6.4 | 5.1 |
| Weighted average common stock outstanding - diluted | 861.2 | 913.7 | 877.5 | 915.6 |
| Net Income (Loss): | | | | |
| Net income (loss) | $ 1,589 | $ 709 | $ 5,364 | $ 5,260 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 3 | 15 | 11 |
| Less: Preferred stock dividends | 63 | 59 | 166 | 168 |
| Preferred stock redemption premium | — | 14 | 6 | 14 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,521 | $ 633 | $ 5,177 | $ 5,067 |
| Basic | $ 1.78 | $ 0.70 | $ 5.94 | $ 5.57 |
| Diluted | $ 1.77 | $ 0.69 | $ 5.90 | $ 5.53 |

**15. 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 interim condensed 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; 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 United States 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 Company's actual experience 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. In certain circumstances where liabilities have been established there may be coverage under one or more corporate insurance policies, pursuant to which there may be an insurance recovery. Insurance recoveries are recognized as gains when any contingencies relating to the insurance claim have been resolved, which is the earlier of when the gains are realized or realizable. 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 September 30, 2021. 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 September 30, 2021, the Company estimates the aggregate range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $150 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.

***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 1920s through approximately the 1950s 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 2020 Annual Report, MLIC received approximately 2,496 asbestos-related claims in 2020. For the nine months ended September 30, 2021 and 2020, MLIC received approximately 2,156 and 1,768 new asbestos-related claims, respectively. See Note 21 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for historical information concerning asbestos claims and MLIC's update in its recorded liability at December 31, 2020. The number of asbestos cases that may be brought, the aggregate amount of any liability that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from year to year.

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

The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years further in the future. In the Company's judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasonably possible that the Company's total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued and that future charges to income may be necessary. While the potential future charges could be material in the particular quarterly or annual periods in which they are recorded, based on information currently known by management, management does not believe any such charges are likely to have a material effect on the Company's financial position.

The Company believes adequate provision has been made in its interim condensed 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 September 30, 2021.

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

***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 ("FLSA"), 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 MLIC from February 8, 2014 to the present. On August 31, 2021, the court granted MLIC's motion to de-certify the case as a collective action, denied the plaintiffs' motion to certify classes of LTD claims specialists under New York, Illinois, and Connecticut law, and granted MLIC's motion for summary judgment as to the lead plaintiff's FLSA claims. On September 14, 2021, the plaintiffs petitioned the appellate court for permission to appeal the denial of their motion to certify the classes, and on October 1, 2021, the plaintiffs filed a motion seeking interlocutory review of the decertification ruling. MLIC intends to defend this action vigorously.

***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 an appeal with the Appellate Division of the New York State Supreme Court, First Department. On December 10, 2020, the Appellate Division reversed the court's order granting MetLife, Inc. and MLIC's motion to dismiss, remanded the case to the trial court, and permitted the Relator's counsel to file an amended complaint. On March 5, 2021, the Relator filed an amended complaint. The Company intends to defend the action vigorously.

***Matters Related to Group Annuity Benefits and Assumed Variable Annuity Guarantee Reserves***

In 2018, the Company announced that it identified two material weaknesses in its internal control over financial reporting related to the practices and procedures for estimating reserves for certain group annuity benefits and the calculation of reserves associated with certain variable annuity guarantees assumed from the former operating joint venture in Japan. Several regulators have made inquiries into these issues and it is possible that other jurisdictions may pursue similar investigations or inquiries. The Company is exposed to lawsuits, 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, Employee Retirement Income Security Act of 1974, or other laws or regulations. The Company could incur significant costs in connection with these actions.

*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 former Chief Executive Officer and Chairman of the Board, and its former 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. On January 11, 2021, the court granted MetLife's motion to dismiss and dismissed the complaint in its entirety. Plaintiff filed an appeal with the United States Court of Appeals for the Second Circuit. Defendants intend to defend this action vigorously.

*Derivative Demands*

The MetLife, Inc. Board of Directors received six letters, dated March 28, 2018, May 11, 2018, July 16, 2018, December 20, 2018, February 5, 2019, and April 7, 2020, 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 six letters.

***Commitments***

***Mortgage Loan Commitments***

The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments were $4.3 billion and $3.3 billion at September 30, 2021 and December 31, 2020, 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 $9.1 billion and $8.5 billion at September 30, 2021 and December 31, 2020, respectively.

***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 $634 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 $20 million at both September 30, 2021 and December 31, 2020 for indemnities, guarantees and commitments.

**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**


| | Page |
|---|---|
| Forward-Looking Statements and Other Financial Information | 87 |
| Executive Summary | 87 |
| Industry Trends | 91 |
| Summary of Critical Accounting Estimates | 93 |
| Economic Capital | 94 |
| Acquisitions and Dispositions | 95 |
| Results of Operations | 96 |
| Investments | 123 |
| Derivatives | 137 |
| Off-Balance Sheet Arrangements | 139 |
| Policyholder Liabilities | 140 |
| Liquidity and Capital Resources | 147 |
| Adoption of New Accounting Pronouncements | 156 |
| Future Adoption of New Accounting Pronouncements | 157 |
| Non-GAAP and Other Financial Disclosures | 157 |

**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, 2020 (the “2020 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 and other financial measures, and “— Results of Operations” and “— Investments” 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.

***COVID-19 Pandemic***

We continue to closely monitor developments relating to the novel coronavirus COVID-19 pandemic (the “COVID-19 Pandemic”) and assess its impact on our business. The COVID-19 Pandemic continues to impact the global economy and financial markets and has caused volatility in the global equity, credit and real estate markets. See “— Industry Trends — Financial and Economic Environment.” We have implemented risk management and business continuity plans and taken preventive measures and other precautions, such as employee business travel restrictions and remote work arrangements which, to date, have enabled us to maintain our critical business processes, customer service levels, relationships with key vendors, financial reporting systems, internal controls over financial reporting and disclosure controls and procedures.

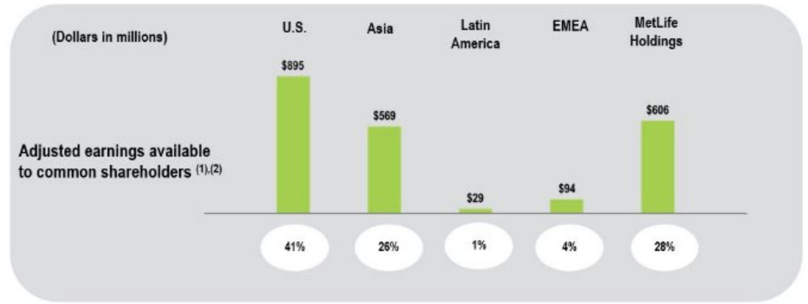
We continue to grant certain accommodations to our customers and borrowers, including (i) relaxing claim documentation requirements for disability claims and (ii) payment deferrals and other loan modifications on certain commercial, agricultural and residential mortgage loans. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding COVID-19 Pandemic-related mortgage loan concessions. See also “— Results of Operations — Segment Results and Corporate & Other” for further information regarding the effect of the COVID-19 Pandemic on our businesses.

***Current Period Highlights***

During the three months ended September 30, 2021, adjusted premiums, fees and other revenues, net of foreign currency fluctuations, decreased compared to the prior period driven by the disposition of MetLife Property and Casualty Insurance Company and certain of its wholly-owned subsidiaries (collectively, “MetLife P&C”). Growth in our Group Benefits business in our U.S. segment was driven by the acquisition of Versant Health, Inc. (“Versant Health”). Strong returns in our private equity portfolio resulted in improved investment yields and changes in key equity indexes and long-term interest rates drove a favorable change in net derivative gains (losses). In addition, results in both periods included a charge due to the impact of our annual actuarial assumption review. Underwriting experience was unfavorable and reflected impacts from the COVID-19 Pandemic.

Table of Contents

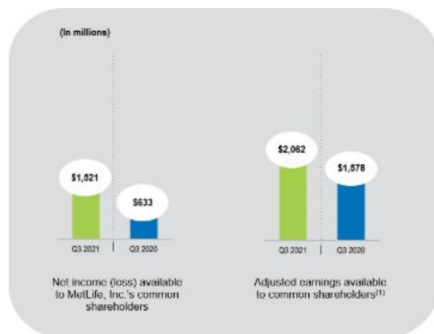
The following represents segment level results and percentage contributions to total segment level adjusted earnings available to common shareholders for the three months ended September 30, 2021:




(1) Excludes Corporate & Other adjusted loss available to common shareholders of $131 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 September 30, 2021 Compared with the Three Months Ended September 30, 2020***




***Consolidated Results - Highlights***

Net income (loss) available to MetLife, Inc.'s common shareholders up $888 million:

- Favorable change in net derivative gains (losses) of $363 million ($287 million, net of income tax)[(2)]
- Favorable change from annual actuarial assumption reviews of $97 million ($85 million, net of income tax)[(3)]
- Unfavorable change in net investment gains (losses) of $64 million ($51 million, net of income tax)
- Adjusted earnings available to common shareholders up $484 million

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

(2) Includes amounts relating to investment hedge adjustments, which are also included in adjusted earnings available to common shareholders. See "— Investments — Investment Portfolio Results" for additional information.

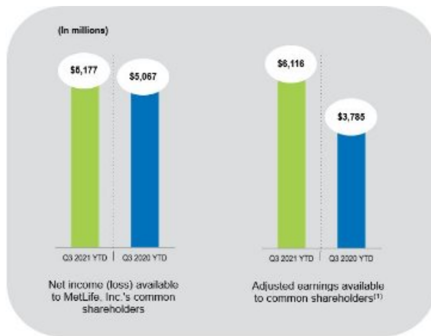
(3) Includes amounts recognized in net derivative gains (losses) and adjusted earnings available to common shareholders. See "— Results of Operations — Consolidated Results — Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020 — Actuarial Assumption Review" for additional information.

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

Adjusted earnings available to common shareholders up $484 million primary due to (i) higher investment yields due to strong returns in our private equity portfolio, (ii) higher net investment income due to a larger asset base, (iii) the favorable change from our annual actuarial assumption reviews (see below), and (iv) higher fee income, partially offset by (i) unfavorable underwriting, which reflected impacts from the COVID-19 Pandemic, and (ii) the disposition of MetLife P&C, which decreased adjusted earnings by $18 million.

- Current period results included the unfavorable impact from our annual actuarial assumption review of $140 million, net of income tax.
- Prior period results included the unfavorable impact from our annual actuarial assumption review of $203 million, net of income tax.

***Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020***




***Consolidated Results - Highlights***

Net income (loss) available to MetLife, Inc.'s common shareholders up $110 million:

- Favorable change in net investment gains (losses) of $1.7 billion ($1.4 billion, net of income tax)
- Favorable change from annual actuarial assumption reviews of $97 million ($85 million, net of income tax)(3)
- Unfavorable change in net derivative gains (losses) of $4.9 billion ($3.9 billion, net of income tax)(2)
- Adjusted earnings available to common shareholders up $2.3 billion

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

(2) Includes amounts relating to investment hedge adjustments, which are also included in adjusted earnings available to common shareholders. See "— Investments — Investment Portfolio Results" for additional information.

(3) Includes amounts recognized in net derivative gains (losses) and adjusted earnings available to common shareholders. See "— Results of Operations — Consolidated Results — Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020 — Actuarial Assumption Review" for additional information.

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

Adjusted earnings available to common shareholders up $2.3 billion primarily due to (i) higher investment yields due to strong returns in our private equity portfolio, (ii) an increase in net investment income due to a larger asset base, (iii) lower interest credited expenses, (iv) the release of a legal reserve in the current period, and (v) the favorable change from our annual actuarial assumption reviews (see below), partially offset by (i) unfavorable underwriting, which reflected impacts from the COVID-19 Pandemic, and (ii) the disposition of MetLife P&C, which decreased adjusted earnings by $210 million.

- Current period results included the unfavorable impact from our annual actuarial assumption review of $140 million, net of income tax.
- Prior period results included the unfavorable impact from our annual actuarial assumption review of $203 million, net of income tax.

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 2020 Annual Report. There have been no material changes to our consolidated company outlook from that previously discussed in the 2020 Annual Report except as noted below.

As disclosed in MetLife, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, we expect our direct expense ratio, excluding total notable items related to direct expenses and pension risk transfers, to be below 12.3% for the full year 2021 and 2022.

**Industry Trends**

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 due to our market presence in numerous countries, large investment portfolio and the sensitivity of our insurance liabilities and derivatives to changing market factors.

We are closely monitoring political and economic conditions that might contribute to global market volatility and impact our business operations, investment portfolio and derivatives, such as the COVID-19 Pandemic. See "— Investments — Current Environment."

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, including the impact of the trade agreement reached by the United Kingdom ("U.K.") and the European Union ("EU") in December 2020. See "Regulatory Developments — Cross-Border Trade and Investments" herein and "Business — Regulation — Cross-Border Trade and Investments" included in the 2020 Annual Report. In addition, the possibility of government shutdowns or a failure to raise the U.S. debt ceiling, due to a policy impasse or otherwise, could adversely impact our business and liquidity.

Governments and central banks around the world have responded to the COVID-19 Pandemic with unprecedented fiscal and monetary policies, which have had significant effects and may have ongoing effects on financial markets and the global economy. In the United States, the Board of Governors of the Federal Reserve System continues to expand its balance sheet, although it announced reductions in its asset purchases starting in November 2021. Additionally, the board members' forecasts suggest the policy rate is likely to remain near zero into 2022, with possible increase thereafter. Separately, the U.S. Congress passed another COVID-related stimulus package in March 2021. The European Central Bank ("ECB") continues its pandemic asset purchase program, albeit at a slower pace, and has signaled its intention to continue the program through at least March 31, 2022. The Bank of England ("BoE") has maintained low interest rates and continued its expanded quantitative easing program which it has indicated will continue through year-end 2021. The ECB has stated its willingness to maintain its policies despite inflation currently above target levels, as economic activity and price levels rebound from COVID-19 Pandemic-depressed levels. The BoE officials, however, have indicated that interest rates may soon increase to combat rising inflation. Additionally, a number of European countries, including the U.K., have implemented large fiscal stimulus programs, as well as the provision of guarantees and loans for private sector companies. The EU also approved a regional stimulus package comprised of grants and low interest financing to member states, which became operational in mid-2021.

In Japan, the Bank of Japan has continued its monetary easing program but, in order to further enhance its effectiveness and sustainability, the Bank of Japan (i) introduced a program to promote lending which will enable the Bank of Japan to mitigate potential negative side effects of further reductions in short and long term interest rates; (ii) has clarified the target range of yield curve fluctuations for the 10-year Japanese government bond, including an upper limit when necessary, and (iii) announced greater purchasing flexibility for exchange-traded funds and Japan real estate investment trusts.

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

Market interest rates are a key driver of our results. For discussion on the potential impact of low interest rates, as well as our mitigating actions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment" and "Risk Factors — Economic Environment and Capital Markets Risks" included in the 2020 Annual Report.

***Competitive Pressures***

See "Business — Competition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Competitive Pressures" in the 2020 Annual Report for information on our competitive position.

***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 2020 Annual Report, as amended or supplemented here.

***Insurance Regulatory Examinations and Other Activities***

In 2019, we and other insurance and pension fund companies provided annuities sales practices information to the Chilean insurance and pension regulators. The regulators found that non-employee sales agents of MetLife Chile and other insurers had engaged in improper sales practices and that ProVida S.A. and other pension fund companies provided improper advice to customers. MetLife Chile and ProVida S.A.’s objections were rejected and the companies have paid applicable fines, which did not have a substantial impact on MetLife Chile or Provida S.A..

***National Association of Insurance Commissioners***

*Risk-Based Capital*

The National Association of Insurance Commissioners (“NAIC”) adopted revisions to certain factors used to calculate Life Risk-Based Capital (“RBC”), which is the denominator of the RBC ratios, in light of changes to U.S. tax laws in recent years. These revisions have resulted in increased RBC charges and reduced the RBC ratios of our insurance subsidiaries. The NAIC has approved RBC revisions for corporate bonds, real estate equity and longevity risk that will take effect at year-end 2021 and are expected to have a modest net positive RBC impact on us.

***NYDFS Guidance on Diversity and Corporate Governance***

On March 16, 2021, the New York State Department of Financial Services (“NYDFS”) stated it expects the insurers it regulates to make diversity of their leadership a business priority and a key element of their corporate governance. The NYDFS collected data from insurers that met certain New York premium thresholds, including MetLife, Inc. and certain of its subsidiaries, regarding the diversity of their corporate boards and management. The NYDFS plans to publish such data on an aggregate basis to measure progress in the industry. In addition, the NYDFS will include diversity-related questions in its examination process starting in 2022.

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

In April 2021, the Appellate Division of the New York State Supreme Court overturned NYDFS Regulation 187- Suitability and Best Interests in Life Insurance and Annuity Transactions for being unconstitutionally vague. The NYDFS has appealed the decision.

***Environmental Laws and Regulations***

On March 25, 2021, the NYDFS issued for public comment proposed guidance for New York domestic insurers, which states that insurers are expected to take a proportionate approach, based on their business, to managing their exposure to the financial risks from climate change. The NYDFS intends to formally adopt the guidance, as modified by the comment process, and it has integrated questions on this topic as part of its supervisory activities.

On July 14, 2021, the NYDFS published notice of the adoption of amendments to regulations governing enterprise risk management, effective August 13, 2021. Among other provisions, the amendments require that certain additional risks, including climate change risk, be specifically included in an insurance group's enterprise risk management function.

The U.S. Securities and Exchange Commission (the “SEC”) is continuing its focus on climate, and environmental, social and governance (“ESG”) risks and opportunities, and has published its rulemaking list which contains several ESG-related rulemakings that the SEC is considering.

***Cross-Border Trade and Investments***

Recent U.S. sanctions have imposed new restrictions with respect to certain activity involving China. A series of U.S. presidential executive orders imposes prohibitions on engaging in certain transactions involving the purchase or sale of publicly traded securities, or any publicly traded securities that are derivative of, or are designed to provide investment exposure to such securities, of any listed Chinese Military-Industrial Complex Companies. In addition, the Biden administration issued an executive order directing a review of foreign adversary connected software applications to review transactions that risk sabotage of U.S. information and communications technology or services, critical infrastructure, digital economy, national security, or the security and safety of U.S. persons. This review could result in new actions to restrict U.S. persons from engaging in certain transactions with any identified foreign parties.

***Employee Retirement Income Security Act of 1974, Fiduciary Considerations, and Other Pension and Retirement Regulation***

In 2020, the Chilean Congress approved two bills, each of which allowed individuals to withdraw up to 10% of pension accounts or the account balance if it is below a certain amount. In April 2021, the Chilean Congress approved a third bill allowing for additional withdrawals of pension funds which could deplete approximately one third of pension accounts. The bill also requires insurance companies to advance payments of up to 10% of the reserves allocated to a customer's annuity. ProVida S.A., MetLife Chile and other companies in the industry continue to process such payments. In August 2021, the Chilean Congress initiated discussion of a fourth bill allowing for additional withdrawals of up to 10% of pension funds and requiring insurance companies to advance payments of up to 10% of the reserves allocated to a customer's annuity. A final vote on the proposal is expected in November 2021. Further, the Chilean Congress is considering a separate bill aimed at improving the pension system for lower income participants. A vote may occur on this proposal in early 2022. Additional major pension reform in Chile is possible in the future. The impact of any such pension reforms will depend on the final measures adopted, and in some cases could have an adverse effect on our Chilean pension business. We have initiated a formal consultation process with the Chilean government to seek a resolution of our concerns regarding these developments.

***London Interbank Offered Rate***

The Financial Conduct Authority, the U.K. regulator of London Interbank Offered Rates ("LIBOR"), previously indicated that it intends to stop persuading or compelling panel banks to submit quotes used to determine LIBOR after 2021. On March 5, 2021, the Intercontinental Exchange Benchmark Administration, the administrator of LIBOR, announced that it will cease the publication of one week and two-month U.S. Dollar LIBOR and all non-USD (GBP, EUR, CHF and JPY) LIBOR settings at the end of December 2021, but will extend the publication of the remaining U.S. Dollar LIBOR settings (overnight and one, three, six and 12 month U.S. Dollar LIBOR) until the end of June 2023. U.S. bank regulators have advised banks to cease writing, subject to certain limited exceptions, new U.S. Dollar LIBOR contracts by the end of 2021.

We use LIBOR and other interbank offered rates as interest reference rates in many of our financial instruments. Existing contract fallback provisions, and whether, how, and when we and others develop and adopt alternative reference rates, will influence the effect of any changes to or discontinuation of LIBOR on us. We actively participate in the New York Federal Reserve Bank convened Alternative Reference Rate Committee ("ARRC") and other industry association efforts on the transition to alternative reference rates. In April 2021, the State of New York enacted legislation to address the transition from LIBOR for certain New York law governed agreements, which is generally consistent with the ARRC's recommendations to facilitate the transition. We continue to assess current and alternative reference rates' merits, limitations, risks and suitability for our investment and insurance processes.

**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 deferred policy acquisition costs ("DAC") and the establishment and amortization of value of business acquired ("VOBA");

(iii) estimated fair values of investments in the absence of quoted market values;

(iv) investment allowance for credit loss ("ACL") and 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 Company's 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 2020 Annual Report.

***Goodwill***

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

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, an impairment charge would be recognized for the amount by which the carrying value exceeds the reporting unit's fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Additionally, the Company will consider income tax effects from any tax deductible goodwill on the carrying value of the reporting unit when measuring the goodwill impairment loss, if applicable. The key inputs, judgments and assumptions necessary in determining estimated fair value of the reporting units include projected adjusted earnings, current book value, the level of economic capital required to support the mix of business, long-term growth rates, comparative market multiples, the account value of in-force business, projections of new and renewed business, as well as margins on such business, interest rate levels, credit spreads, equity market levels, and the discount rate that we believe is appropriate for the respective reporting unit.

We apply significant judgment when determining the estimated fair value of our reporting units and when assessing the relationship of market capitalization to the aggregate estimated fair value of our reporting units. The valuation methodologies utilized are subject to key judgments and assumptions that are sensitive to change. Estimates of fair value are inherently uncertain and represent only management's reasonable expectation regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood differ in some respects from actual future results. Declines in the estimated fair value of our reporting units could result in goodwill impairments in future periods which could materially adversely affect our results of operations or financial position.

In the third quarter of 2021, the Company performed its annual goodwill impairment tests on all of its reporting units, using both qualitative and quantitative assessments. The quantitative assessment utilized the market multiple, embedded value and discounted cash flow valuation approaches based on best available data as of June 30, 2021. The Company concluded that the estimated fair values of all its reporting units were substantially in excess of their carrying values and, therefore, goodwill was not impaired.

**Economic Capital**

Economic capital is an internally developed risk capital model, the purpose of which is to measure the risk in the business and to provide a basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inherent in our business. Our economic capital model, coupled with considerations of local capital requirements, aligns segment allocated equity with emerging standards and consistent risk principles. 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. For further information, see "Financial Measures and Segment Accounting Policies" in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

**Acquisitions and Dispositions**

***Acquisitions***

***Pending Ownership Increase of PNB MetLife***

In October 2021, the Company entered into a share purchase agreement to acquire 15.27% ownership in PNB MetLife India Insurance Company Limited (“PNB MetLife”). Upon completion of the transaction, the Company’s ownership in PNB MetLife, an operating joint venture accounted for under the equity method, will increase to 47.325%. The transaction will close upon receipt of all necessary regulatory approvals and satisfaction of other closing conditions. This transaction supports the Company’s continued growth in India and will enable us to deliver more value for our customers, partners and shareholders.

***Acquisition of Versant Health***

For information regarding the Company’s December 2020 acquisition of Versant Health, see Note 3 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

***Dispositions***

***Disposition of MetLife Seguros***

For information regarding the Company's September 2021 disposition of its wholly-owned Argentinian subsidiary, MetLife Seguros S.A. (“MetLife Seguros”), see Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

***Pending Disposition of MetLife Poland and Greece***

For information regarding the Company's pending disposition of its wholly-owned subsidiaries in Poland and Greece (collectively, “MetLife Poland and Greece”) to NN Group N.V., reported as held-for-sale, see Notes 1 and 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

***Disposition of MetLife P&C***

For information regarding the Company's April 2021 disposition of MetLife P&C, which was reported as held-for-sale, see Notes 1 and 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

***Disposition of MetLife Russia***

For information regarding the Company's January 2021 disposition of its wholly-owned Russian subsidiary, the Joint-stock Company MetLife Insurance Company (“MetLife Russia”), see Note 3 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

***Disposition of MetLife Seguros de Retiro***

For information regarding the Company's October 2020 disposition of one of its wholly-owned Argentinian subsidiaries, MetLife Seguros de Retiro S.A. (“MetLife Seguros de Retiro”), see Note 3 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

**Results of Operations**

***Consolidated Results***

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Revenues** | | | | |
| Premiums | $ 9,455 | $ 9,935 | $ 28,914 | $ 28,137 |
| Universal life and investment-type product policy fees | 1,521 | 1,497 | 4,334 | 4,227 |
| Net investment income | 5,568 | 4,729 | 16,162 | 11,877 |
| Other revenues | 663 | 455 | 1,958 | 1,350 |
| Net investment gains (losses) | (84) | (20) | 1,655 | (77) |
| Net derivative gains (losses) | (218) | (581) | (2,032) | 2,910 |
| Total revenues | 16,905 | 16,015 | 50,991 | 48,424 |
| **Expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 10,292 | 10,206 | 30,703 | 28,477 |
| Interest credited to policyholder account balances | 1,287 | 1,416 | 4,153 | 3,458 |
| Capitalization of DAC | (635) | (764) | (2,052) | (2,209) |
| Amortization of DAC and VOBA | 816 | 1,066 | 1,943 | 2,414 |
| Amortization of negative VOBA | (6) | (15) | (25) | (35) |
| Interest expense on debt | 240 | 229 | 696 | 683 |
| Other expenses | 2,869 | 2,954 | 8,753 | 8,873 |
| Total expenses | 14,863 | 15,092 | 44,171 | 41,661 |
| Income (loss) before provision for income tax | 2,042 | 923 | 6,820 | 6,763 |
| Provision for income tax expense (benefit) | 453 | 214 | 1,456 | 1,503 |
| Net income (loss) | 1,589 | 709 | 5,364 | 5,260 |
| Less: Net income (loss) attributable to noncontrolling interests | 5 | 3 | 15 | 11 |
| Net income (loss) attributable to MetLife, Inc. | 1,584 | 706 | 5,349 | 5,249 |
| Less: Preferred stock dividends | 63 | 59 | 166 | 168 |
| Preferred stock redemption premium | — | 14 | 6 | 14 |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 1,521 | $ 633 | $ 5,177 | $ 5,067 |

***Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020***

During the three months ended September 30, 2021, net income (loss) increased $880 million from the prior period, primarily driven by favorable changes in adjusted earnings and net derivative gains (losses), net of investment hedge adjustments, as well as a favorable change from our annual actuarial assumption reviews.

*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 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 fair value option securities ("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 provision for credit loss and impairments on our investment portfolio, as well as 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. 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.

We continuously review and refine our strategy and ongoing refinement of the strategy may be required to take advantage of the NAIC rules related to a statutory accounting election for derivatives that mitigate interest rate sensitivity related to variable annuity guarantees. As a part of our current hedge strategy, we maintain portfolio level derivatives in our macro hedge program. These macro hedge program derivatives, which are included in the non-VA program derivatives section of the table below, mitigate the potential loss of our overall statutory capital from significant adverse economic conditions.

*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 September 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (In millions) | |
| **Non-VA program derivatives:** | | |
| Interest rate | $ (181) | $ (402) |
| Foreign currency exchange rate | (147) | (104) |
| Credit | 13 | (4) |
| Equity | 70 | (249) |
| Non-VA embedded derivatives | 45 | (2) |
| Total non-VA program derivatives | (200) | (761) |
| **VA program derivatives:** | | |
| Market risks in embedded derivatives | 65 | 336 |
| Nonperformance risk adjustment on embedded derivatives | 3 | (12) |
| Other risks in embedded derivatives | (66) | 86 |
| Total embedded derivatives | 2 | 410 |
| Freestanding derivatives hedging embedded derivatives | (20) | (230) |
| Total VA program derivatives | (18) | 180 |
| Net derivative gains (losses) | $ (218) | $ (581) |

The favorable change in net derivative gains (losses) on non-VA program derivatives was $561 million ($443 million, net of income tax). This was primarily due to key equity indexes decreasing in the current period versus increasing in the prior period or increasing less in the current period than in the prior period. This favorably impacted the estimated fair value of equity options and total rate of return swaps that are part of our macro hedge program. In addition, long-term rates increased less in the current period compared with the prior period. This favorably impacted the estimated fair value of receiver options that are part of our macro hedge program. 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 $198 million ($156 million, net of income tax). This was due to (i) an unfavorable change of $152 million ($120 million, net of income tax) in other risks in embedded derivatives (primarily policyholder behavior and other non-market risks that generally cannot be hedged), and (ii) an unfavorable change of $61 million ($48 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 $15 million ($12 million, net of income tax) in the nonperformance risk adjustment on embedded derivatives.

The aforementioned $152 million ($120 million, net of income tax) unfavorable change in other risks in embedded derivatives reflects actuarial assumption updates and a combination of factors, such as fees deducted from accounts, changes in the benefit base, premiums, lapses, withdrawals and deaths, in addition to changes to cross-effect, basis mismatch, risk margin and fund allocation.

The aforementioned $61 million ($48 million, net of income tax) unfavorable change reflects a $271 million ($214 million, net of income tax) unfavorable change in market risks in embedded derivatives, partially offset by a $210 million ($166 million, net of income tax) favorable change in freestanding derivatives that hedge market risks in embedded derivatives.

The primary changes in market factors affecting the valuation of VA program derivatives are summarized as follows:

- Key equity index levels increased less in the current period compared with the prior period, contributing to an unfavorable change in our embedded derivatives and a favorable change in our freestanding derivatives. For example, the S&P Global Ratings ("S&P") 500 Index increased 0.2% in the current period and increased 8% in the prior period.
- Long-term interest rates increased less in the current period compared with the prior period, contributing to an unfavorable change in our embedded derivatives. For example, the 30-year U.S. swap rate increased 2 basis points in the current period and increased 20 basis points in the prior period.

The aforementioned $15 million ($12 million, net of income tax) favorable change in the nonperformance risk adjustment included in the valuation of embedded derivatives resulted from a favorable change of $15 million, before income tax, related to model changes and changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees.

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 results in 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 results in 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 unfavorable change in net investment gains (losses) of $64 million ($51 million, net of income tax) primarily reflects the current period loss on the sale of MetLife Seguros. This unfavorable change was partially offset by increased gains on sales of real estate investments and fixed maturity securities compared to the prior period.

*Taxes.* For the three months ended September 30, 2021, our effective tax rate on income (loss) before provision for income tax was 22%, which differed from the U.S. statutory rate of 21% primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the completed sale of MetLife Seguros, partially offset by tax benefits related to tax credits and non-taxable investment income. For the three months ended September 30, 2020, our effective tax rate on income (loss) before provision for income tax was 23%, which differed from the U.S. statutory rate of 21% primarily due to tax charges from the sale of MetLife Seguros de Retiro and foreign earnings taxed at different rates than the U.S. statutory rate, partially offset by tax benefits related to non-taxable investment income and tax credits.

*Actuarial Assumption Review.* Results for the current period include a $281 million ($216 million, net of income tax) charge associated with our annual review of actuarial assumptions related to reserves and DAC, of which a $2 million ($1 million, net of income tax) loss was recognized in net derivative gains (losses).

Of the $281 million charge, $129 million ($96 million, net of income tax) was related to DAC and $152 million ($120 million, net of income tax) was associated with reserves. The portion of the $281 million charge that is included in adjusted earnings is $187 million ($140 million, net of income tax).

The $2 million ($1 million, net of income tax) loss recognized in net derivative gains (losses) associated with our annual review of actuarial assumptions is included within the other risks in embedded derivatives line in the table above.

As a result of our annual review of actuarial assumptions, changes were made to economic, biometric, policyholder behavior, and operational assumptions. The most significant impacts were in the MetLife Holdings segment, driven by updates to behavioral assumptions for variable annuities and in Asia, driven by economic assumption updates for interest sensitive whole life. The breakdown of total current period results is summarized as follows:

- Economic assumption updates resulted in unfavorable impacts to reserves and DAC, for a net charge of $136 million ($101 million, net of income tax).

- Changes in biometric assumptions resulted in favorable impacts to reserves and slightly unfavorable impacts to DAC, for a net gain of $39 million ($29 million, net of income tax).
- Changes in policyholder behavior assumptions resulted in unfavorable impacts to reserves and favorable impacts to DAC, for a net charge of $195 million ($152 million, net of income tax).
- Changes in operational assumptions resulted in favorable impacts to reserves and unfavorable impacts to DAC, for a net gain of $11 million ($8 million, net of income tax).

Results for the prior period include a $378 million ($301 million, net of income tax) charge associated with our annual review of actuarial assumptions related to reserves and DAC, of which a $44 million ($34 million, net of income tax) gain was recognized in net derivative gains (losses). Of the $378 million charge, $120 million ($94 million, net of income tax) was related to DAC and $258 million ($207 million, net of income tax) was associated with reserves. The portion of the $378 million charge that is included in adjusted earnings is $255 million ($203 million, net of income tax).

*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 increased $484 million, net of income tax, to $2.1 billion, net of income tax, for the three months ended September 30, 2021 from $1.6 billion, net of income tax, for the three months ended September 30, 2020.

***Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020***

During the nine months ended September 30, 2021, net income (loss) increased $104 million from the prior period, primarily driven by favorable changes in adjusted earnings and net investment gains (losses), as well as a favorable change from our annual actuarial assumption reviews, partially offset by an unfavorable change in net derivative gains (losses), net of investment hedge adjustments.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (In millions) | |
| **Non-VA program derivatives:** | | |
| Interest rate | $ (1,206) | $ 3,763 |
| Foreign currency exchange rate | (356) | (156) |
| Credit | 75 | (109) |
| Equity | (612) | (253) |
| Non-VA embedded derivatives | 64 | (7) |
| Total non-VA program derivatives | (2,035) | 3,238 |
| **VA program derivatives:** | | |
| Market risks in embedded derivatives | 803 | (494) |
| Nonperformance risk adjustment on embedded derivatives | (48) | 63 |
| Other risks in embedded derivatives | (103) | (205) |
| Total embedded derivatives | 652 | (636) |
| Freestanding derivatives hedging embedded derivatives | (649) | 308 |
| Total VA program derivatives | 3 | (328) |
| Net derivative gains (losses) | $ (2,032) | $ 2,910 |

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was $5.3 billion ($4.2 billion, net of income tax). This was primarily due to long-term rates increasing in the current period versus decreasing significantly in the prior period. This unfavorably impacted the estimated fair value of receive fixed interest rate swaps and options that are part of our macro hedge program. In addition, key equity indexes increased in the current period versus decreased in the prior period or increased more in the current period compared with the prior period. This unfavorably impacted the estimated fair value of equity options and equity total rate of return swaps that are part of our macro hedge program. 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 favorable change in net derivative gains (losses) on VA program derivatives was $331 million ($261 million, net of income tax). This was due to (i) a favorable change of $340 million ($269 million, net of income tax) in market risks in embedded derivatives, net of freestanding derivatives that hedge market risks in embedded derivatives, and (ii) a favorable change of $102 million, ($81 million, net of income tax) in other risks in embedded derivatives, (primarily policyholder behavior and other non-market risks that generally cannot be hedged), partially offset by an unfavorable change of $111 million ($88 million, net of income tax) in the nonperformance risk adjustment included in the valuation of embedded derivatives.

The aforementioned $340 million ($269 million, net of income tax) favorable change reflects a $1.3 billion ($1.0 billion, net of income tax) favorable change in market risks in embedded derivatives, partially offset by a $957 million ($756 million, net of income tax) unfavorable change in freestanding derivatives that hedge market risks in embedded derivatives.

The primary changes in market factors affecting the valuation of VA program derivatives are summarized as follows:

- Key equity index levels increased more in the current period compared with the prior period, contributing to a favorable change in our embedded derivatives and an unfavorable change in our freestanding derivatives. For example, the S&P 500 Index increased 15% in the current period and increased 4% in the prior period.
- Long-term interest rates increased in the current period versus decreased significantly in the prior period, contributing to a favorable change in our embedded derivatives and an unfavorable change in our freestanding derivatives. For example, the 30-year U.S. swap rate increased 39 basis points in the current period and decreased 97 basis points in the prior period.

The aforementioned $102 million ($81 million, net of income tax) favorable change in other risks in embedded derivatives reflects actuarial assumption updates and a combination of factors, such as fees deducted from accounts, changes in the benefit base, premiums, lapses, withdrawals and deaths, in addition to changes to cross-effect, basis mismatch, risk margin and fund allocation.

The aforementioned $111 million ($88 million, net of income tax) unfavorable change in the nonperformance risk adjustment on embedded derivatives resulted from an unfavorable change of $91 million, before income tax, related to model changes and changes in capital market inputs, such as long-term interest rates and key equity index levels, on variable annuity guarantees, in addition to an unfavorable change of $20 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 $1.7 billion ($1.4 billion, net of income tax) primarily reflects (i) the current period gain on the disposition of MetLife P&C, (ii) increased gains on sales of real estate investments compared to the prior period, (iii) a current period release compared to a prior period provision for mortgage loan credit loss, and (iv) mark-to-market gains in the current period compared to mark-to-market losses in the prior period on equity securities, which are measured at estimated fair value through net income (loss). These favorable changes were partially offset by the current period loss on the sale of MetLife Seguros and on the pending disposition of MetLife Poland and Greece, as well as lower gains on sales of fixed maturity securities compared to the prior period.

*Divested Businesses.* Income (loss) before provision for income tax related to divested businesses, excluding net investment gains (losses) and net derivative gains (losses), increased $118 million ($98 million, net of income tax) to $95 million ($81 million, net of income tax) in the current period from a loss of $23 million ($17 million, net of income tax) in the prior period. Included in this increase was an increase in total revenues of $905 million, before income tax, and an increase in total expenses of $787 million, before income tax. Divested businesses primarily include activity related to the disposition of MetLife P&C.

*Taxes.* For the nine months ended September 30, 2021, our effective tax rate on income (loss) before provision for income tax was equal to the U.S. statutory rate of 21% as tax charges from foreign earnings taxed at different rates than the U.S. statutory rate, the completed sales of MetLife P&C and MetLife Seguros, and the pending disposition of MetLife Poland and Greece, were offset by tax benefits related to tax credits, non-taxable investment income and the corporate tax deduction for stock compensation. For the nine months ended September 30, 2020, our effective tax rate on income (loss) before provision for income tax was 22%, which differed from the U.S. statutory rate of 21% primarily due to tax charges from foreign earnings taxed at different rates than the U.S. statutory rate and the sale of MetLife Seguros de Retiro, partially offset by tax benefits related to non-taxable investment income, tax credits and the finalization of bankruptcy proceedings for a leveraged lease investment.

*Actuarial Assumption Review.* For the results of our 2021 and 2020 annual actuarial assumption reviews, see "— Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020 — Actuarial Assumption Review."

*Adjusted Earnings.* Adjusted earnings available to common shareholders increased $2.3 billion, net of income tax, to $6.1 billion, net of income tax, for the nine months ended September 30, 2021 from $3.8 billion, net of income tax, for the nine months ended September 30, 2020.

Table of Contents

***Reconciliation of net income (loss) to adjusted earnings available to common shareholders and premiums, fees and other revenues to adjusted premiums, fees and other revenues***

*Three Months Ended September 30, 2021*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 978 | $ 610 | $ (402) | $ 74 | $ 501 | $ (240) | $ 1,521 |
| Add: Preferred stock dividends | — | — | — | — | — | 63 | 63 |
| Add: Preferred stock redemption premium | — | — | — | — | — | — | — |
| Add: Net income (loss) attributable to noncontrolling interests | — | — | 1 | 1 | — | 3 | 5 |
| Net income (loss) | 978 | 610 | (401) | 75 | 501 | (174) | 1,589 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | 115 | 122 | (199) | (13) | 48 | (157) | (84) |
| Net derivative gains (losses) | 86 | (34) | (299) | (9) | (3) | 41 | (218) |
| Premiums | — | — | — | 57 | — | — | 57 |
| Universal life and investment-type product policy fees | — | 46 | — | 18 | 20 | — | 84 |
| Net investment income | (89) | 16 | (9) | 61 | (74) | (5) | (100) |
| Other revenues | — | — | — | 6 | — | 73 | 79 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | (8) | (21) | — | (43) | (108) | (1) | (181) |
| Interest credited to policyholder account balances | 1 | (55) | (8) | (58) | — | — | (120) |
| Capitalization of DAC | — | — | — | 15 | — | — | 15 |
| Amortization of DAC and VOBA | — | (30) | — | (13) | (15) | — | (58) |
| Amortization of negative VOBA | — | — | — | — | — | — | — |
| Interest expense on debt | — | — | — | — | — | — | — |
| Other expenses | — | — | 1 | (36) | — | (74) | (109) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | (22) | (3) | 84 | (4) | 27 | 17 | 99 |
| Adjusted earnings | $ 895 | $ 569 | $ 29 | $ 94 | $ 606 | (68) | 2,125 |
| Less: Preferred stock dividends | | | | | | 63 | 63 |
| Adjusted earnings available to common shareholders | | | | | | $ (131) | $ 2,062 |
| | | | | | | | |
| Premiums, fees and other revenues | $ 6,408 | $ 2,134 | $ 988 | $ 751 | $ 1,161 | $ 197 | $ 11,639 |
| Less: adjustments to premiums, fees and other revenues | — | 46 | — | 81 | 20 | 73 | 220 |
| Adjusted premiums, fees and other revenues | $ 6,408 | $ 2,088 | $ 988 | $ 670 | $ 1,141 | $ 124 | $ 11,419 |

Table of Contents

*Three Months Ended September 30, 2020*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 766 | $ 422 | $ (18) | $ 58 | $ (369) | $ (226) | $ 633 |
| Add: Preferred stock dividends | — | — | — | — | — | 59 | 59 |
| Add: Preferred stock redemption premium | — | — | — | — | — | 14 | 14 |
| Add: Net income (loss) attributable to noncontrolling interests | — | — | — | 1 | — | 2 | 3 |
| Net income (loss) | 766 | 422 | (18) | 59 | (369) | (151) | 709 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | 34 | 69 | (109) | (10) | 10 | (14) | (20) |
| Net derivative gains (losses) | (93) | (67) | 67 | 24 | (442) | (70) | (581) |
| Premiums | — | — | — | — | — | — | — |
| Universal life and investment-type product policy fees | — | 3 | — | 4 | 21 | — | 28 |
| Net investment income | (103) | 31 | 13 | 184 | (84) | — | 41 |
| Other revenues | — | — | — | — | — | 39 | 39 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | (10) | (21) | 25 | (8) | (223) | — | (237) |
| Interest credited to policyholder account balances | 1 | (71) | (11) | (186) | — | — | (267) |
| Capitalization of DAC | — | — | — | — | — | — | — |
| Amortization of DAC and VOBA | — | (4) | — | 2 | (69) | — | (71) |
| Amortization of negative VOBA | — | — | — | — | — | — | — |
| Interest expense on debt | — | — | — | — | — | — | — |
| Other expenses | — | — | (4) | (2) | — | (49) | (55) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | 37 | 17 | (38) | (1) | 165 | 15 | 195 |
| Adjusted earnings | $ 900 | $ 465 | $ 39 | $ 52 | $ 253 | (72) | 1,637 |
| Less: Preferred stock dividends | | | | | | 59 | 59 |
| Adjusted earnings available to common shareholders | | | | | | $ (131) | $ 1,578 |
| Adjusted earnings available to common shareholders on a constant currency basis (1) | $ 900 | $ 466 | $ 41 | $ 52 | $ 253 | $ (131) | $ 1,581 |
| Premiums, fees and other revenues | $ 6,833 | $ 2,268 | $ 761 | $ 684 | $ 1,227 | $ 114 | $ 11,887 |
| Less: adjustments to premiums, fees and other revenues | — | 3 | — | 4 | 21 | 39 | 67 |
| Adjusted premiums, fees and other revenues | $ 6,833 | $ 2,265 | $ 761 | $ 680 | $ 1,206 | $ 75 | $ 11,820 |
| Adjusted premiums, fees and other revenues on a constant currency basis (1) | $ 6,833 | $ 2,225 | $ 807 | $ 682 | $ 1,206 | $ 75 | $ 11,828 |

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

*Nine Months Ended September 30, 2021*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 2,905 | $ 1,171 | $ (319) | $ 34 | $ 746 | $ 640 | $ 5,177 |
| Add: Preferred stock dividends | — | — | — | — | — | 166 | 166 |
| Add: Preferred stock redemption premium | — | — | — | — | — | 6 | 6 |
| Add: Net income (loss) attributable to noncontrolling interests | — | 1 | 4 | 2 | — | 8 | 15 |
| Net income (loss) | 2,905 | 1,172 | (315) | 36 | 746 | 820 | 5,364 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | 473 | 62 | (195) | (200) | 94 | 1,421 | 1,655 |
| Net derivative gains (losses) | 127 | (737) | (412) | 6 | (964) | (52) | (2,032) |
| Premiums | 865 | — | — | 57 | — | — | 922 |
| Universal life and investment-type product policy fees | — | 59 | — | 26 | 60 | — | 145 |
| Net investment income | (236) | 77 | (27) | 479 | (216) | 6 | 83 |
| Other revenues | 11 | — | — | 6 | — | 168 | 185 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | (603) | (59) | 91 | (92) | (257) | (1) | (921) |
| Interest credited to policyholder account balances | 2 | (194) | (33) | (470) | — | — | (695) |
| Capitalization of DAC | 89 | — | — | 15 | — | — | 104 |
| Amortization of DAC and VOBA | (98) | (27) | — | (12) | — | — | (137) |
| Amortization of negative VOBA | — | — | — | — | — | — | — |
| Interest expense on debt | — | — | — | — | — | (1) | (1) |
| Other expenses | (222) | 1 | 3 | (40) | — | (181) | (439) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | (84) | 278 | 92 | 2 | 269 | (344) | 213 |
| Adjusted earnings | $ 2,581 | $ 1,712 | $ 166 | $ 259 | $ 1,760 | (196) | 6,282 |
| Less: Preferred stock dividends | | | | | | 166 | 166 |
| Adjusted earnings available to common shareholders | | | | | | $ (362) | $ 6,116 |
| | | | | | | | |
| Premiums, fees and other revenues | $ 19,812 | $ 6,345 | $ 2,797 | $ 2,181 | $ 3,545 | $ 526 | $ 35,206 |
| Less: adjustments to premiums, fees and other revenues | 876 | 59 | — | 89 | 60 | 168 | 1,252 |
| Adjusted premiums, fees and other revenues | $ 18,936 | $ 6,286 | $ 2,797 | $ 2,092 | $ 3,485 | $ 358 | $ 33,954 |

*Nine Months Ended September 30, 2020*

| | U.S. | Asia | Latin America | EMEA | MetLife Holdings | Corporate & Other | Total |
|---|---|---|---|---|---|---|---|
| | | | | (In millions) | | | |
| Net income (loss) available to MetLife, Inc.'s common shareholders | $ 2,317 | $ 1,428 | $ (107) | $ 359 | $ 1,872 | $ (802) | $ 5,067 |
| Add: Preferred stock dividends | — | — | — | — | — | 168 | 168 |
| Add: Preferred stock redemption premium | — | — | — | — | — | 14 | 14 |
| Add: Net income (loss) attributable to noncontrolling interests | — | 1 | 3 | 4 | — | 3 | 11 |
| Net income (loss) | 2,317 | 1,429 | (104) | 363 | 1,872 | (617) | 5,260 |
| Less: adjustments from net income (loss) to adjusted earnings available to common shareholders: | | | | | | | |
| Revenues: | | | | | | | |
| Net investment gains (losses) | 11 | 226 | (81) | (1) | (86) | (146) | (77) |
| Net derivative gains (losses) | 395 | 533 | (202) | 35 | 2,238 | (89) | 2,910 |
| Premiums | — | 52 | — | — | — | — | 52 |
| Universal life and investment-type product policy fees | — | 31 | (3) | 13 | 64 | — | 105 |
| Net investment income | (237) | (94) | (2) | (45) | (200) | 2 | (576) |
| Other revenues | — | — | — | — | — | 120 | 120 |
| Expenses: | | | | | | | |
| Policyholder benefits and claims and policyholder dividends | (34) | (93) | (116) | 87 | (276) | — | (432) |
| Interest credited to policyholder account balances | 8 | 21 | (17) | 58 | — | — | 70 |
| Capitalization of DAC | — | 5 | — | — | — | — | 5 |
| Amortization of DAC and VOBA | — | (47) | — | 1 | (66) | — | (112) |
| Amortization of negative VOBA | — | — | — | — | — | — | — |
| Interest expense on debt | — | — | — | — | — | — | — |
| Other expenses | — | (24) | — | (4) | — | (148) | (176) |
| Goodwill impairment | — | — | — | — | — | — | — |
| Provision for income tax (expense) benefit | (29) | (252) | 51 | (27) | (352) | 27 | (582) |
| Adjusted earnings | $ 2,203 | $ 1,071 | $ 266 | $ 246 | $ 550 | (383) | 3,953 |
| Less: Preferred stock dividends | | | | | | 168 | 168 |
| Adjusted earnings available to common shareholders | | | | | | $ (551) | $ 3,785 |
| Adjusted earnings available to common shareholders on a constant currency basis (1) | $ 2,203 | $ 1,104 | $ 291 | $ 254 | $ 550 | $ (551) | $ 3,851 |
| Premiums, fees and other revenues | $ 18,714 | $ 6,446 | $ 2,416 | $ 2,050 | $ 3,711 | $ 377 | $ 33,714 |
| Less: adjustments to premiums, fees and other revenues | — | 83 | (3) | 13 | 64 | 120 | 277 |
| Adjusted premiums, fees and other revenues | $ 18,714 | $ 6,363 | $ 2,419 | $ 2,037 | $ 3,647 | $ 257 | $ 33,437 |
| Adjusted premiums, fees and other revenues on a constant currency basis (1) | $ 18,714 | $ 6,426 | $ 2,571 | $ 2,087 | $ 3,647 | $ 257 | $ 33,702 |

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

***Consolidated Results — Adjusted Earnings***

*Business Overview.* Adjusted premiums, fees and other revenues for the three months ended September 30, 2021 decreased $401 million, or 3%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, decreased $409 million, or 3%, compared to the prior period, primarily due to a decrease of $908 million attributable to the disposition of MetLife P&C. Growth in our Group Benefits business, including the acquisition of Versant Health, was partially offset by lower premiums in our Retirement and Income Solutions ("RIS") business. In our Asia segment, adjusted premiums, fees and other revenues declined compared to the prior period mainly due to the impact of our annual actuarial assumption review in both periods. A decrease in adjusted premiums, fees and other revenues in our EMEA segment was primarily due to the disposition of MetLife Russia and the pending disposition of MetLife Poland and Greece. Higher annuitizations in Chile due to improved market conditions, coupled with higher sales and persistency in Mexico, resulted in an increase in adjusted premiums, fees and other revenues in our Latin America segment. In our MetLife Holdings segment, we anticipate an average decline in adjusted premiums, fees and other revenues of approximately 5% to 7% per year from expected business run-off.

***Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020***

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

*Overview.* The primary drivers of the increase in adjusted earnings were higher investment yields due to strong returns in our private equity portfolio, higher net investment income due to a larger asset base, higher fee income and a favorable change from our annual actuarial assumption reviews, partially offset by unfavorable underwriting, which reflected impacts from the COVID-19 Pandemic. The disposition of MetLife P&C decreased adjusted earnings by $18 million. All amounts discussed below are net of the results of this business.

*Foreign Currency.* Changes in foreign currency exchange rates did not have a material impact on adjusted earnings for the third quarter of 2021 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 in the majority of our businesses, which increased our invested asset base. Growth in the investment portfolios of our U.S. and Asia segments resulted in higher net investment income. However, consistent with the growth in average invested assets, interest credited expenses on certain insurance-related liabilities increased. In addition, higher premiums, net of corresponding changes in policyholder benefits improved adjusted earnings, primarily from growth in our EMEA and Latin America segments, partially offset by a decline in our MetLife Holdings segment. Higher fee income in our EMEA, Latin America and Asia segments was partially offset by a decrease in our MetLife Holdings segment. Also, an increase in expenses due to business growth, net of DAC capitalization, was more than offset by the 2021 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, in addition to higher DAC amortization, resulted in a $90 million increase in adjusted earnings.

*Market Factors.* Market factors, including interest rate levels, variability in equity market returns, and foreign currency 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. The increase in investment yields was primarily driven by the favorable impact of strong equity market returns on our private equity funds and higher income on real estate investments. These increases were partially offset by lower yields on fixed income securities and mortgage loans, as well as decreased returns on FVO Securities. The net impact of interest rate fluctuations resulted in a decline in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $744 million increase in adjusted earnings.

*Underwriting, Actuarial Assumption Review and Other Insurance Adjustments.* Unfavorable underwriting resulted in a $481 million decrease in adjusted earnings and reflected impacts from the COVID-19 Pandemic. This was primarily driven by unfavorable mortality experience in our U.S., Latin America and MetLife Holdings segments coupled with unfavorable claims experience in our MetLife Holdings, U.S. and Asia segments. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $63 million in adjusted earnings. Changes in operational, biometric and economic assumptions were less unfavorable in the current period when compared to the prior period. Refinements to certain insurance and other liabilities in both periods resulted in a $48 million increase in adjusted earnings. Dividend scale reductions, as well as run-off in Metropolitan Life Insurance Company's ("MLIC") closed block, contributed to lower dividend expenses of $9 million and lower associated DAC amortization of $84 million, which increased adjusted earnings.

*Expenses.* Adjusted earnings decreased $15 million compared to the prior period, primarily due to lower interest expenses on tax positions due to an audit settlement in the prior period, as well as higher corporate-related expenses in the current period, partially offset by higher legal expenses in the prior period.

*Taxes.* For the three months ended September 30, 2021, our effective tax rate on adjusted earnings was equal to the U.S. statutory rate of 21% as benefits from tax credits and non-taxable investment income were offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate. For the three months ended September 30, 2020, our effective tax rate on adjusted earnings was 20%, which differed from the U.S. statutory rate of 21% 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.

***Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020***

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

*Overview.* The primary drivers of the increase in adjusted earnings were higher investment yields due to strong returns in our private equity portfolio, an increase in net investment income due to a larger asset base, lower interest credited expenses, the release of a legal reserve in the current period and a favorable change from our annual actuarial assumption reviews, partially offset by unfavorable underwriting, which reflected impacts from the COVID-19 Pandemic, and the disposition of MetLife P&C. The disposition of MetLife P&C decreased adjusted earnings by $210 million. All amounts discussed below are net of the results of this business.

*Foreign Currency.* Changes in foreign currency exchange rates had a $65 million positive impact on adjusted earnings for the first nine months of 2021 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 in the majority of our businesses, which increased our invested asset base. Growth in the investment portfolios of our U.S. and Asia segments resulted in higher net investment income. However, consistent with the growth in average invested assets, interest credited expenses on certain insurance-related liabilities increased. In addition, higher premiums, net of corresponding changes in policyholder benefits improved adjusted earnings, primarily from growth in our EMEA, Asia and Latin America segments, partially offset by a decline in our MetLife Holdings segment. Lower fee income in our MetLife Holdings and EMEA segments was partially offset by increases in our Asia and Latin America segments. Also, an increase in expenses due to business growth was more than offset by the related increase in DAC capitalization and the 2021 abatement of the annual health insurer fee under the PPACA. The combined impact of the items affecting our business growth resulted in a $211 million increase in adjusted earnings.

*Market Factors.* Market factors, including interest rate levels, variability in equity market returns, and foreign currency 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. The increase in investment yields was primarily driven by the favorable impact of strong equity market returns on our private equity funds and higher income on real estate investments. These increases were partially offset by lower yields on fixed income securities and mortgage loans, as well as decreased returns on FVO Securities. The net impact of interest rate fluctuations resulted in a decline in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $2.8 billion increase in adjusted earnings.

*Underwriting, Actuarial Assumption Review and Other Insurance Adjustments.* Unfavorable underwriting resulted in an $850 million decrease in adjusted earnings and reflected impacts from the COVID-19 Pandemic. This was primarily driven by unfavorable mortality in our U.S. and Latin America segments, coupled with unfavorable claims experience in our EMEA and U.S. segments. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $63 million in adjusted earnings. Changes in operational, biometric and economic assumptions were less unfavorable in the current period when compared to the prior period. Refinements to certain insurance and other liabilities in both periods resulted in a $43 million increase in adjusted earnings. Dividend scale reductions, as well as run-off in MLIC’s closed block, contributed to lower dividend expenses of $82 million and lower associated DAC amortization of $84 million, which increased adjusted earnings.

*Expenses.* Adjusted earnings increased $106 million compared to the prior period, primarily due to the release of a legal reserve in the current period and lower legal expenses.

*Taxes*. For the nine months ended September 30, 2021, our effective tax rate on adjusted earnings was equal to the U.S. statutory rate of 21% as tax benefits from tax credits, non-taxable investment income and the corporate tax deduction for stock compensation were offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate. For the nine months ended September 30, 2020, our effective tax rate on adjusted earnings was 19%, which differed from the U.S. statutory rate of 21% primarily due to tax benefits from non-taxable investment income, tax credits and the finalization of bankruptcy proceedings for a leveraged lease investment, partially offset by tax charges from foreign earnings taxed at different rates than the U.S. statutory rate.

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

***U.S.***

*Business Overview.* Adjusted premiums, fees and other revenues for the three months ended September 30, 2021 decreased $425 million, or 6%, compared to the prior period. This was primarily due to a decrease of $908 million attributable to the disposition of MetLife P&C, as well as lower premiums in our RIS business, partially offset by growth in our Group Benefits business. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding the MetLife P&C disposition. The increase in our Group Benefits business was primarily due to the current period impact of the Versant Health acquisition. In addition, growth in other core products was driven by increases in the group life and group disability businesses. Growth from our group life business included increased premiums from our participating contracts, which can fluctuate with claims experience. Growth in voluntary products was due to the impact of new sales and growth in membership in our accident & health and legal plans businesses. These increases were partially offset by lower dental premiums, driven by the impact of the release of an unearned premium reserve in the prior period. The decrease in premiums in RIS was mainly driven by the impact of prior period sales in the pension risk transfer business, partially offset by increases in our post-retirement, U.K. longevity reinsurance and structured settlement businesses. Changes in RIS premiums are mostly offset by a corresponding change in policyholder benefits.

Growth in RIS's stable value and capital market investments businesses drove increases in policyholder account and separate account balances, resulting in higher fees and interest margins.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 5,746 | $ 6,333 | $ 16,919 | $ 17,1 |
| Universal life and investment-type product policy fees | 279 | 263 | 858 | 8 |
| Net investment income | 2,098 | 1,827 | 6,106 | 5,0 |
| Other revenues | 383 | 237 | 1,159 | 7 |
| Total adjusted revenues | 8,506 | 8,660 | 25,042 | 23,7 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 6,118 | 6,108 | 17,999 | 16,5 |
| Interest credited to policyholder account balances | 362 | 381 | 1,080 | 1,2 |
| Capitalization of DAC | (17) | (119) | (48) | (3 |
| Amortization of DAC and VOBA | 26 | 123 | 50 | 3 |
| Interest expense on debt | 1 | 2 | 4 | |
| Other expenses | 886 | 1,026 | 2,695 | 3,1 |
| Total adjusted expenses | 7,376 | 7,521 | 21,780 | 20,9 |
| Provision for income tax expense (benefit) | 235 | 239 | 681 | 5 |
| Adjusted earnings | $ 895 | $ 900 | $ 2,581 | $ 2,2 |
| | | | | |
| Adjusted premiums, fees and other revenues | $ 6,408 | $ 6,833 | $ 18,936 | $ 18,7 |

*Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020*

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

The disposition of MetLife P&C decreased adjusted earnings by $18 million. All amounts discussed below are net of the results of this business.

*Business Growth.* The impact of positive flows from pension risk transfer transactions and funding agreement issuances 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 and deposit-type liabilities increased. Higher volume-related, premium tax and direct expenses, driven by business growth, were partially offset by the 2021 abatement of the annual health insurer fee under the PPACA. This net increase in expenses was more than offset by a corresponding increase in adjusted premiums, fees and other revenues. The combined impact of the items affecting our business growth increased adjusted earnings by $42 million.

*Market Factors.* Market factors, including interest rate levels, variability in equity market returns and foreign currency fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields increased primarily driven by the favorable impact of equity market returns on our private equity funds and higher income from real estate investments, partially offset by lower yields on fixed income securities and mortgage loans. The net impact of interest rate fluctuations resulted in a decline in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $250 million increase in adjusted earnings.

*Underwriting and Other Insurance Adjustments.* Unfavorable mortality in our Group Benefits business resulted in a decrease in adjusted earnings of $312 million. This was primarily driven by increases in both incidence and severity in both COVID-19 and core claims in the current period. Favorable mortality in our RIS business, including the impact of the COVID-19 Pandemic, resulted in an increase in adjusted earnings of $38 million, driven by our structured settlement, pension risk transfer and institutional income annuity businesses. Unfavorable claims experience, partially offset by the impact of growth in our Group Benefits business, resulted in a $44 million decrease in adjusted earnings. This decrease was primarily driven by: (i) unfavorable dental results due to the impact of the release of an unearned premium reserve and reduced utilization, both in the prior period; and (ii) unfavorable claims experience in our group disability business. This unfavorable claims experience was partially offset by: (i) the impact of the acquisition of Versant Health on our vision business; (ii) the impact of business growth in our accident & health business; and (iii) favorable claims experience in our individual disability business. Refinements to certain insurance and other liabilities in both periods resulted in a $34 million increase in adjusted earnings.

*Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020*

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

The disposition of MetLife P&C decreased adjusted earnings by $210 million. All amounts discussed below are net of the results of this business.

*Business Growth.* The impact of positive flows from pension risk transfer transactions and funding agreement issuances 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 and deposit-type liabilities increased. Higher volume-related, premium tax and direct expenses, driven by business growth, were partially offset by the 2021 abatement of the annual health insurer fee under the PPACA. This net increase in expenses was more than offset by a corresponding increase in adjusted premiums, fees and other revenues. The combined impact of the items affecting our business growth increased adjusted earnings by $115 million.

*Market Factors.* Market factors, including interest rate levels, variability in equity market returns and foreign currency fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields increased primarily driven by the favorable impact of equity market returns on our private equity funds and higher income on real estate investments, partially offset by lower yields on fixed income securities and mortgage loans. The net impact of interest rate fluctuations resulted in a decline in our average interest credited rates on deposit-type and long-duration liabilities, which drove a decrease in interest credited expenses. The changes in market factors discussed above resulted in a $1.0 billion increase in adjusted earnings.

*Underwriting and Other Insurance Adjustments.* Unfavorable mortality in our Group Benefits business resulted in a decrease in adjusted earnings of $587 million. This was primarily driven by: (i) increases in both incidence and severity in both COVID-19 and core claims across our life businesses; and (ii) unfavorable results in our accidental death & dismemberment business due to lower incidence in the prior period as a result of the COVID-19 Pandemic. Favorable mortality in our RIS business, including the impact of the COVID-19 Pandemic, resulted in an increase in adjusted earnings of $73 million, driven by our pension risk transfer, specialized benefit resource and structured settlement businesses, partially offset by unfavorable results in our institutional income annuity business. Unfavorable claims experience, partially offset by the impact of growth in our Group Benefits business, resulted in a $43 million decrease in adjusted earnings, primarily due to: (i) unfavorable claims experience in our group disability business; and (ii) unfavorable dental results, as a result of the COVID-19 Pandemic, which limited availability of services and reduced utilization in the prior period, partially offset by: (i) the impact of the acquisition of Versant Health on our vision business; (ii) favorable claims experience in the individual disability business; and (iii) the impact of business growth in our accident & health business. Refinements to certain insurance and other liabilities in both periods resulted in a $4 million increase in adjusted earnings.

***Asia***

*Business Overview.* Adjusted premiums, fees and other revenues for the three months ended September 30, 2021 decreased $177 million, or 8%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, decreased $137 million, or 6% compared to the prior period, mainly due to the impact of our annual actuarial assumption review in both periods. In addition, higher fees from foreign currency-denominated life products and business growth in other markets were largely offset by a decrease in premiums from yen-denominated life products.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 1,594 | $ 1,654 | $ 4,861 | $ 4,87 |
| Universal life and investment-type product policy fees | 477 | 595 | 1,371 | 1,44 |
| Net investment income | 1,354 | 1,088 | 3,776 | 2,79 |
| Other revenues | 17 | 16 | 54 | 4 |
| Total adjusted revenues | 3,442 | 3,353 | 10,062 | 9,15 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 1,220 | 1,291 | 3,750 | 3,86 |
| Interest credited to policyholder account balances | 513 | 470 | 1,498 | 1,36 |
| Capitalization of DAC | (373) | (431) | (1,203) | (1,20 |
| Amortization of DAC and VOBA | 470 | 506 | 1,080 | 1,10 |
| Amortization of negative VOBA | (5) | (14) | (20) | (3 |
| Other expenses | 811 | 869 | 2,542 | 2,54 |
| Total adjusted expenses | 2,636 | 2,691 | 7,647 | 7,64 |
| Provision for income tax expense (benefit) | 237 | 197 | 703 | 44 |
| Adjusted earnings | $ 569 | $ 465 | $ 1,712 | $ 1,07 |
| | | | | |
| Adjusted earnings on a constant currency basis | $ 569 | $ 466 | $ 1,712 | $ 1,10 |
| | | | | |
| Adjusted premiums, fees and other revenues | $ 2,088 | $ 2,265 | $ 6,286 | $ 6,36 |
| Adjusted premiums, fees and other revenues on a constant currency basis | $ 2,088 | $ 2,225 | $ 6,286 | $ 6,42 |

*Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020*

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

*Foreign Currency.* Changes in foreign currency exchange rates did not have a material impact on adjusted earnings for the third quarter of 2021 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.* Asia's adjusted premiums, fees and other revenues decreased compared to the prior period as discussed above; however, this was more than offset by a decline in policyholder benefits, lower commissions and variable expenses, net of DAC capitalization, which resulted in an increase to adjusted earnings. 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 $23 million.

*Market Factors.* Market factors, including interest rate levels and variability in equity market returns, continued to impact our results. Investment yields increased driven by the favorable impact of equity market returns on our private equity funds and higher income on real estate investments, partially offset by lower yields on fixed income securities supporting products sold in Japan denominated in U.S. and Australian dollars. In addition, a decrease in interest credited expense improved adjusted earnings. The changes in market factors discussed above increased adjusted earnings by $157 million.

*Underwriting and Actuarial Assumption Review.* Higher claims, primarily in Japan and Korea decreased adjusted earnings by $28 million. The unfavorable change from our annual actuarial assumption reviews resulted in a net decrease of $51 million in adjusted earnings.

*Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020*

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

*Foreign Currency.* Changes in foreign currency exchange rates increased adjusted earnings by $33 million for the first nine months of 2021 compared to the prior period, primarily due to the strengthening of the Australian dollar 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 adjusted premiums, fees and other revenues decreased as compared to the prior period; however, this was more than offset by a decline in policyholder benefits, which improved adjusted earnings. 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 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 $56 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 the favorable impact of equity market returns on our private equity funds and higher income on real estate investments, partially offset by lower yields on fixed income securities supporting products sold in Japan denominated in U.S. and Australian dollars. In addition, a decrease in interest credited expense improved adjusted earnings. The changes in market factors discussed above increased adjusted earnings by $587 million.

*Underwriting, Actuarial Assumption Review and Other Insurance Adjustments.* Higher lapses in Japan and claims in Korea, partially offset by lower claims in Japan, resulted in a slight decrease in adjusted earnings. The unfavorable change from our annual actuarial assumption reviews resulted in a net decrease of $51 million in adjusted earnings. Refinements to certain insurance liabilities and other liabilities in both periods resulted in a $10 million increase in adjusted earnings.

*Expenses.* Adjusted earnings increased by $12 million, primarily driven by lower operating expenses in Japan and lower corporate overhead.

***Latin America***

*Business Overview.* Adjusted premiums, fees and other revenues for the three months ended September 30, 2021 increased $227 million, or 30%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, increased $181 million, or 22%, compared to the prior period, mainly driven by an improvement in the annuity market in Chile and strong sales and persistency across the region.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 705 | $ 529 | $ 1,936 | $ 1,65 |
| Universal life and investment-type product policy fees | 274 | 225 | 831 | 73 |
| Net investment income | 306 | 221 | 913 | 69 |
| Other revenues | 9 | 7 | 30 | 2 |
| Total adjusted revenues | 1,294 | 982 | 3,710 | 3,11 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 885 | 575 | 2,370 | 1,63 |
| Interest credited to policyholder account balances | 63 | 52 | 182 | 17 |
| Capitalization of DAC | (109) | (84) | (304) | (25 |
| Amortization of DAC and VOBA | 62 | 62 | 205 | 20 |
| Interest expense on debt | 2 | 1 | 4 | |
| Other expenses | 363 | 313 | 1,041 | 96 |
| Total adjusted expenses | 1,266 | 919 | 3,498 | 2,72 |
| Provision for income tax expense (benefit) | (1) | 24 | 46 | 12 |
| Adjusted earnings | $ 29 | $ 39 | $ 166 | $ 26 |
| | | | | |
| Adjusted earnings on a constant currency basis | $ 29 | $ 41 | $ 166 | $ 29 |
| | | | | |
| Adjusted premiums, fees and other revenues | $ 988 | $ 761 | $ 2,797 | $ 2,41 |
| Adjusted premiums, fees and other revenues on a constant currency basis | $ 988 | $ 807 | $ 2,797 | $ 2,57 |

*Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020*

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

*Foreign Currency.* Changes in foreign currency exchange rates resulted in a slight increase in adjusted earnings for the third quarter of 2021 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.* Latin America experienced growth across several lines of business, primarily within Chile and Mexico. While this growth resulted in increased premiums and policy fee income, it was largely offset by related changes in policyholder benefits. A decrease in average invested assets, primarily in Argentina, resulted in lower net investment income. Although business growth drove an increase in commissions and other variable expenses, this was largely offset by a corresponding increase in DAC capitalization. The combined impact of the items affecting business growth increased adjusted earnings by $31 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 returns on private equity funds and higher prepayment income. The changes in market factors discussed above increased adjusted earnings by $22 million.

*Underwriting, Actuarial Assumption Review and Other Insurance Adjustments.* Unfavorable underwriting drove a $86 million decrease in adjusted earnings which includes impacts from COVID-19-related claims, primarily in Mexico and Brazil. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $7 million in adjusted earnings. Refinements to certain insurance liabilities and other liabilities in both periods resulted in an $11 million increase in adjusted earnings.

*Expenses and Taxes*. Our focus on investing in growth drove increases in technology and employee-related expenses, partially offset by the impact of continued expense discipline, resulting in a net decrease in adjusted earnings of $7 million. Tax-related adjustments in both periods resulted in a $12 million increase in adjusted earnings, primarily driven by a recurring tax item related to inflation in both Mexico and Chile, as well as a current period tax adjustment in Brazil.

*Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020*

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

*Foreign Currency*. Changes in foreign currency exchange rates increased adjusted earnings by $25 million for the first nine months of 2021 compared to the prior period, mainly due to the strengthening of foreign currencies against the U.S. dollar, primarily the Mexican and Chilean pesos. 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.* Despite a decrease in annuity premiums in Chile driven by the COVID-19 Pandemic, Latin America experienced premium and fee growth in Mexico. The net increase in premiums and fees was largely offset by related changes in policyholder benefits. An increase in average invested assets, primarily in Chile, generated higher net investment income. In addition, DAC amortization and interest credited expenses on certain insurance liabilities decreased. Although business growth in Mexico drove an increase in commissions and other variable expenses, this was mostly offset by higher DAC capitalization. The combined impact of the items affecting business growth increased adjusted earnings by $57 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 returns on private equity funds and higher prepayment income, partially offset by lower yields on fixed income securities and the unfavorable impact of rising rates on FVO Securities within our Chilean encaje. In addition, interest credited expense decreased. The changes in market factors discussed above increased adjusted earnings by $40 million.

*Underwriting, Actuarial Assumption Review and Other Insurance Adjustments.* Unfavorable underwriting drove a $264 million decrease in adjusted earnings which includes impacts from COVID-19-related life claims, primarily in Mexico. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $7 million in adjusted earnings. Refinements to certain insurance liabilities and other liabilities in both periods resulted in a $15 million increase in adjusted earnings.

*Expenses and Taxes.* A prior period information technology charge and expense discipline across the region, partially offset by investments in technology in the current period, drove an increase in adjusted earnings of $8 million. Tax-related adjustments in both periods resulted in a $12 million increase in adjusted earnings, primarily driven by a recurring tax item related to inflation in both Mexico and Chile.

***EMEA***

*Business Overview.* Adjusted premiums, fees and other revenues for the three months ended September 30, 2021 decreased $10 million, or 1%, compared to the prior period. Adjusted premiums, fees and other revenues, net of foreign currency fluctuations, decreased $12 million, or 2%, compared to the prior period primarily due to the disposition of MetLife Russia and the pending disposition of MetLife Poland and Greece, partially offset by growth in our (i) corporate solutions business in the U.K., (ii) accident & health and ordinary life businesses across the region, and (iii) pension business in Romania, as well as a favorable refinement to an unearned revenue reserve in Czech Republic and Slovakia.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 532 | $ 551 | $ 1,751 | $ 1,676 |
| Universal life and investment-type product policy fees | 128 | 116 | 302 | 324 |
| Net investment income | 46 | 67 | 171 | 199 |
| Other revenues | 10 | 13 | 39 | 37 |
| Total adjusted revenues | 716 | 747 | 2,263 | 2,236 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 268 | 304 | 944 | 877 |
| Interest credited to policyholder account balances | 17 | 29 | 66 | 83 |
| Capitalization of DAC | (110) | (122) | (359) | (367) |
| Amortization of DAC and VOBA | 118 | 125 | 274 | 340 |
| Amortization of negative VOBA | (1) | (1) | (5) | (5) |
| Other expenses | 308 | 340 | 1,006 | 1,000 |
| Total adjusted expenses | 600 | 675 | 1,926 | 1,928 |
| Provision for income tax expense (benefit) | 22 | 20 | 78 | 62 |
| Adjusted earnings | $ 94 | $ 52 | $ 259 | $ 246 |
| Adjusted earnings on a constant currency basis | $ 94 | $ 52 | $ 259 | $ 254 |
| Adjusted premiums, fees and other revenues | $ 670 | $ 680 | $ 2,092 | $ 2,037 |
| Adjusted premiums, fees and other revenues on a constant currency basis | $ 670 | $ 682 | $ 2,092 | $ 2,087 |

*Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020*

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

*Foreign Currency.* Changes in foreign currency exchange rates did not have a material impact on adjusted earnings for the third quarter of 2021 as 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.* Growth in our (i) corporate solutions business in the U.K., (ii) pension business in Romania, (iii) ordinary life and accident & health businesses in Europe, and (iv) credit life business in Turkey resulted in a $14 million increase in adjusted earnings.

*Market Factors*. Market factors, including interest rate levels and variability in equity market returns favorably impacted results and increased adjusted earnings by $6 million.

*Underwriting and Actuarial Assumption Review.* Adjusted earnings increased $3 million as a result of favorable underwriting experience in our corporate solutions business across the region, partially offset by unfavorable underwriting experience in our (i) accident & health business in Europe and the Gulf, (ii) ordinary life business in Portugal, the Gulf and Hungary, and (iii) variable life business in Czech Republic. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $25 million in adjusted earnings.

*Expenses.* Lower expenses resulted in a slight increase in adjusted earnings.

*Other.* In addition to the items discussed above, adjusted earnings decreased by $8 million due to the pending disposition of MetLife Poland and Greece and the disposition of MetLife Russia.

*Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020*

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

*Foreign Currency.* Changes in foreign currency exchange rates increased adjusted earnings by $8 million for the first nine months of 2021 as compared to the prior period, primarily driven by the weakening of the U.S. dollar against the euro, the British pound, Czech koruna and the Polish zloty, partially offset by the strengthening of the U.S. dollar against the Turkish lira. 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 in our (i) corporate solutions business in the U.K., (ii) pension business in Romania, and (iii) ordinary life and accident & health businesses in Europe resulted in a $32 million increase in adjusted earnings.

*Market Factors.* Market factors, including interest rate levels and variability in equity market returns favorably impacted results and increased adjusted earnings by $14 million. This was primarily due to a decrease in DAC amortization in our variable life business.

*Underwriting, Actuarial Assumption Review and Other Insurance Adjustments.* Adjusted earnings decreased $50 million as a result of unfavorable underwriting experience, primarily due to the impact of the COVID-19 Pandemic, which resulted in lower utilization in the prior period and higher claims in the current period. Unfavorable underwriting experience in our (i) corporate solutions business across the region, (ii) variable life business in the Gulf, Lebanon and Czech Republic, and (iii) accident & health business in Europe and the Gulf was partially offset by favorable underwriting experience in our ordinary life business in France. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $25 million in adjusted earnings. Refinements to certain insurance-related assets and liabilities in both periods resulted in a $14 million increase in adjusted earnings.

*Expenses and Taxes.* Higher expenses resulted in a $3 million decrease in adjusted earnings. Taxes decreased adjusted earnings by $13 million, primarily due to changes in business mix among tax jurisdictions, as well as a revision to a tax asset in Greece.

*Other.* In addition to the items discussed above, adjusted earnings decreased by $14 million due to the pending disposition of MetLife Poland and Greece and the disposition of MetLife Russia.

***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 adjusted premiums, fees and other revenues of approximately 5% to 7% per year from expected business run-off. A significant portion of our adjusted earnings is driven by separate account balances. Most directly, these balances determine asset-based fee income but they also impact DAC amortization and asset-based commissions. Separate account balances are driven by movements in the market, surrenders, deposits, withdrawals, benefit payments, transfers and policy charges. Although we have discontinued selling our long-term care product, we continue to collect premiums and administer the existing block of business, which contributed to asset growth in the segment, and we expect the related reserves to grow as this block matures.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 805 | $ 876 | $ 2,471 | $ 2,6 |
| Universal life and investment-type product policy fees | 279 | 269 | 826 | 8 |
| Net investment income | 1,771 | 1,427 | 4,960 | 3,7 |
| Other revenues | 57 | 61 | 188 | 1 |
| Total adjusted revenues | 2,912 | 2,633 | 8,445 | 7,3 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 1,611 | 1,697 | 4,683 | 5,0 |
| Interest credited to policyholder account balances | 212 | 217 | 632 | 6 |
| Capitalization of DAC | (8) | (5) | (25) | ( |
| Amortization of DAC and VOBA | 80 | 177 | 190 | 2 |
| Interest expense on debt | 1 | 2 | 4 | |
| Other expenses | 255 | 231 | 752 | 6 |
| Total adjusted expenses | 2,151 | 2,319 | 6,236 | 6,6 |
| Provision for income tax expense (benefit) | 155 | 61 | 449 | 1 |
| Adjusted earnings | $ 606 | $ 253 | $ 1,760 | $ 5 |
| | | | | |
| Adjusted premiums, fees and other revenues | $ 1,141 | $ 1,206 | $ 3,485 | $ 3,6 |

*Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020*

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

*Business Growth*. Negative net flows in our annuity business resulted in lower asset-based fee income. In addition, premiums declined due to business run-off and the impact of dividend scale reductions in both periods. These reductions to adjusted earnings were partially offset by a slight increase to net investment income as a result of higher average invested assets. The combined impact of the items affecting our business growth resulted in a $16 million decrease in adjusted earnings.

*Market Factors*. Market factors, including interest rate levels, variability in equity market returns, and foreign currency fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields increased driven by the favorable impact of equity market returns on our private equity funds and higher prepayment income, partially offset by lower yields on fixed income securities. In our deferred annuity business, higher equity market returns drove higher asset-based fee income, which increased adjusted earnings. The changes in market factors discussed above, partially offset by higher DAC amortization, resulted in a $266 million increase in adjusted earnings.

*Underwriting, Actuarial Assumption Review, and Other Insurance Adjustments.* Adjusted earnings decreased by $62 million, driven by unfavorable underwriting in our long-term care and life business. Underwriting results are inclusive of the impact of the COVID-19 Pandemic, where the current period was more negatively impacted. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $82 million in adjusted earnings. Dividend scale reductions, as well as run-off in MLIC's closed block, contributed to lower dividend expenses of $9 million and lower associated DAC amortization of $84 million, which increased adjusted earnings.

*Expenses*. Adjusted earnings decreased by $13 million mainly due to higher corporate-related expenses.

*Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020*

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

*Business Growth*. Negative net flows in our annuity business resulted in lower asset-based fee income. In addition, premiums declined due to business run-off and the impact of dividend scale reductions in both periods. Average invested assets were essentially unchanged with no impact to net investment income. The combined impact of the items affecting our business growth, including higher 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 fluctuations, continued to impact our results; however, certain impacts were mitigated by derivatives used to hedge these risks. Investment yields increased driven by the favorable impact of equity market returns on our private equity funds and higher prepayment income, partially offset by lower yields on fixed income securities. In our deferred annuity business, higher equity market returns drove higher asset-based fee income, which increased adjusted earnings. The changes in market factors discussed above, partially offset by higher DAC amortization, resulted in a $1.0 billion increase in adjusted earnings.

*Underwriting, Actuarial Assumption Review, and Other Insurance Adjustments.* Favorable underwriting, mainly in our long-term care business, resulted in a $15 million increase in adjusted earnings, which reflects the impact of the COVID-19 Pandemic. The favorable change from our annual actuarial assumption reviews resulted in a net increase of $82 million in adjusted earnings. Dividend scale reductions, as well as run-off in MLIC's closed block, contributed to lower dividend expenses of $82 million and lower associated DAC amortization of $84 million, which increased adjusted earnings.

*Expenses*. Adjusted earnings decreased by $32 million mainly due to higher corporate-related expenses.

***Corporate & Other***

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| **Adjusted revenues** | | | | |
| Premiums | $ 16 | $ (8) | $ 54 | $ |
| Universal life and investment-type product policy fees | — | 1 | 1 | |
| Net investment income | 93 | 58 | 153 | |
| Other revenues | 108 | 82 | 303 | 2 |
| Total adjusted revenues | 217 | 133 | 511 | 2 |
| **Adjusted expenses** | | | | |
| Policyholder benefits and claims and policyholder dividends | 9 | (6) | 36 | |
| Capitalization of DAC | (3) | (3) | (9) | |
| Amortization of DAC and VOBA | 2 | 2 | 7 | |
| Interest expense on debt | 236 | 224 | 683 | 6 |
| Other expenses | 137 | 120 | 278 | 3 |
| Total adjusted expenses | 381 | 337 | 995 | 1,0 |
| Provision for income tax expense (benefit) | (96) | (132) | (288) | (4 |
| Adjusted earnings | (68) | (72) | (196) | (3 |
| Less: Preferred stock dividends | 63 | 59 | 166 | 1 |
| Adjusted earnings available to common shareholders | $ (131) | $ (131) | $ (362) | $ (5 |
| | | | | |
| Adjusted premiums, fees and other revenues | $ 124 | $ 75 | $ 358 | $ 2 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| Business activities | $ 41 | $ 30 | $ 98 | $ |
| Net investment income | 95 | 59 | 159 | |
| Interest expense on debt | (247) | (238) | (716) | (7 |
| Corporate initiatives and projects | (25) | (27) | (74) | ( |
| Other | (28) | (28) | 49 | ( |
| Provision for income tax (expense) benefit and other tax-related items | 96 | 132 | 288 | 4 |
| Preferred stock dividends | (63) | (59) | (166) | (1 |
| Adjusted earnings available to common shareholders | $ (131) | $ (131) | $ (362) | $ (5 |

*Three Months Ended September 30, 2021 Compared with the Three Months Ended September 30, 2020*

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

*Business Activities.* Adjusted earnings from business activities increased $9 million. This was primarily related to improved results from certain of our businesses.

*Net Investment Income.* Net investment income increased $28 million, primarily due to increased returns on our equity market sensitive investments, including private equity funds, and higher income on real estate investments. These increases were partially offset by lower yields on our fixed income securities and decreased returns on FVO Securities.

*Interest Expense on Debt.* Interest expense on debt increased $7 million, primarily due to excess premium associated with redeemed debt in the current period.

*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 lower utilization of tax preferenced items, which include foreign earnings taxed at different rates than the U.S. statutory rate, non-taxable investment income, and tax credits.

*Nine Months Ended September 30, 2021 Compared with the Nine Months Ended September 30, 2020*

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

*Business Activities.* Adjusted earnings from business activities increased $30 million. This was primarily related to improved results from certain of our businesses.

*Net Investment Income.* Net investment income increased $105 million, primarily due to increased returns on our equity market sensitive investments, including private equity funds, as well as increased income on real estate investments. These increases were partially offset by lower yields on our fixed income securities and decreased returns on FVO Securities.

*Interest Expense on Debt.* Interest expense on debt increased $9 million, primarily due to excess premium associated with redeemed debt in the current period.

*Provision for Income Tax (Expense) Benefit and Other Tax-Related Items.* An unfavorable change in Corporate & Other's taxes was primarily due to the finalization of bankruptcy proceedings for a leveraged lease investment in the prior period, lower taxes on stock compensation 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 $117 million, primarily as a result of the release of a legal reserve in the current period, lower legal expenses and a decrease in certain corporate-related expenses, partially offset by an increase in employee-related expenses and higher interest expense on tax positions due to audit settlements in both periods.

## Investments

### *Investment Risks*

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Investments Department, led by the Chief Investment Officer, manages investment risks using a risk control framework comprised of policies, procedures and limits. The Investment Risk Committee and Asset-Liability Steering Committee review and monitor investment risk limits and tolerances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Investment Risks" included in the 2020 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, the fiscal and monetary policy of governments and central banks around the world and other governmental measures. The COVID-19 Pandemic continues to impact the global economy and financial markets and has caused volatility in the global equity, credit and real estate markets. See "— Industry Trends — Financial and Economic Environment." Uncertainty created by the COVID-19 Pandemic may persist for some time and may continue to impact pricing levels of risk-bearing investments, as well as our business operations, investment portfolio and derivatives.

Governments and central banks around the world responded to the COVID-19 Pandemic with unprecedented fiscal and monetary policies, which have had significant effects and may have ongoing effects on financial markets and the global economy. These policy responses include both fiscal and monetary stimulus measures. Many of these policy responses have concluded, and the Federal Reserve announced reductions in the amount of support provided by asset purchases starting in November 2021 and its officials suggested that they may raise interest rates in 2022.

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

Selected Country: We have a market presence in numerous countries and, therefore, our investment portfolio, which supports our insurance operations and related policyholder liabilities, as well as our global portfolio diversification objectives, is exposed to risks posed by local political and economic conditions, as well as those resulting from the COVID-19 Pandemic. Our investment portfolio is currently the most affected by these conditions for the countries in the table below. The following table presents a summary of selected country fixed maturity securities AFS, at estimated fair value. The information below is presented on a "country of risk basis" (e.g. where the issuer primarily conducts business).

| | Selected Country Fixed Maturity Securities AFS at September 30, 2021 | | | | |
|---|---|---|---|---|---|
| Country | Sovereign (1) | Financial Services | Non-Financial Services | Structured Products | Total (2) |
| | | | (Dollars in millions) | | |
| Mexico | $ 2,583 | $ 752 | $ 2,127 | $ 34 | $ 5,496 |
| Chile | 1,377 | 849 | 2,961 | 2 | 5,189 |
| Colombia | 369 | 74 | 195 | — | 638 |
| Peru | 119 | 48 | 256 | — | 423 |
| Turkey | 98 | 2 | 16 | — | 116 |
| Argentina | 12 | — | 7 | — | 19 |
| Total | $ 4,558 | $ 1,725 | $ 5,562 | $ 36 | $ 11,881 |
| Investment grade % | 88.9 % | 92.0 % | 89.4 % | 90.5 % | 89.6 % |

(1) Sovereign includes government and agency.

(2) The par value, amortized cost net of ACL, and estimated fair value, net of purchased credit default swaps, of these selected country fixed maturity securities AFS were $11.4 billion, $10.9 billion and $11.1 billion, respectively, at September 30, 2021. The notional value and estimated fair value of the purchased credit default swaps were $760 million and $3 million, respectively, at September 30, 2021.

Selected Sector: As a result of current economic conditions including the effects on the global economy and financial markets from the COVID-19 Pandemic, certain sectors of our investment portfolio have continued to experience stress. Our fixed maturity securities AFS exposure to stressed sectors is summarized below:

| | Selected Sectors at September 30, 2021 | | |
|---|---|---|---|
| Sectors | Book Value (1) | Investment Grade % | % of Total Investments |
| | (Dollars in millions) | | |
| Airports | $ 3,234 | 82 % | 0.6 % |
| Cruise Lines / Leisure | 896 | 94 % | 0.2 |
| Airlines | 465 | 69 % | 0.1 |
| Restaurants | 421 | 96 % | 0.1 |
| Lodging | 185 | 65 % | — |
| Fixed Maturity Securities AFS Exposure to Stressed Sectors (2) | $ 5,201 | | 1.0 % |
| Total Investments (3) | $ 514,635 | | |

(1) Fixed maturity securities AFS at amortized cost, net of ACL.

(2) The par value, estimated fair value, and estimated fair value, net of written credit default swaps, of these securities were $5.2 billion, $5.6 billion and $5.7 billion, respectively, at September 30, 2021. The notional value and estimated fair value of the written credit default swaps were $169 million and $3 million, respectively, at September 30, 2021.

(3) Represents total cash, cash equivalents and invested assets.

We maintain a portfolio of Airports sector fixed maturity securities AFS that is diversified across issuers and geographies, with 46%, 23% and 23% of the exposure in Europe, Asia and U.S., respectively. This portfolio is primarily invested in higher quality, highly rated investment grade securities. At September 30, 2021, this securities portfolio was in an unrealized gain position of $249 million.

We manage direct and indirect investment exposure in the selected countries and sectors through fundamental analysis and we continually monitor and adjust our level of investment exposure.

***Investment Portfolio Results***

The reconciliation of net investment income under GAAP to adjusted net investment income is presented below.

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | (In millions) | | | |
| Net investment income — GAAP basis | $ 5,568 | $ 4,729 | $ 16,162 | $ 11,877 |
| Investment hedge adjustments | 228 | 229 | 660 | 555 |
| Unit-linked investment income | (114) | (262) | (699) | 60 |
| Other | (14) | (8) | (44) | (39) |
| Adjusted net investment income (1) | $ 5,668 | $ 4,688 | $ 16,079 | $ 12,453 |

(1) See “Financial Measures and Segment Accounting Policies” in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for a discussion of the adjustments made to net investment income under GAAP in calculating adjusted net investment income.

The following 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 September 30, | | | | For the Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| Asset Class | Yield % (1) | Amount | Yield % (1) | Amount | Yield % (1) | Amount | Yield % (1) | Amount |
| | (Dollars in millions) | | | | | | | |
| Fixed maturity securities (2), (3) | 3.71 % | $ 2,761 | 3.87 % | $ 2,849 | 3.73 % | $ 8,330 | 3.89 % | $ 8,473 |
| Mortgage loans (3) | 4.12 | 837 | 4.27 | 885 | 4.18 | 2,583 | 4.28 | 2,631 |
| Real estate and real estate joint ventures | 6.00 | 181 | 0.39 | 11 | 4.28 | 385 | 1.30 | 110 |
| Policy loans | 5.09 | 118 | 5.15 | 124 | 5.14 | 359 | 5.18 | 374 |
| Equity securities | 4.85 | 8 | 5.56 | 15 | 4.69 | 28 | 5.03 | 40 |
| Other limited partnership interests | 48.43 | 1,542 | 28.28 | 578 | 45.04 | 3,877 | 4.90 | 296 |
| Cash and short-term investments | 0.70 | 20 | 1.28 | 34 | 0.76 | 62 | 1.44 | 116 |
| Other invested assets | — | 342 | — | 331 | — | 906 | — | 844 |
| Investment income | 5.36 % | 5,809 | 4.52 % | 4,827 | 5.09 % | 16,530 | 4.07 % | 12,884 |
| Investment fees and expenses | (0.12) | (125) | (0.12) | (131) | (0.12) | (399) | (0.12) | (387) |
| Net investment income including divested businesses (4) | 5.24 % | 5,684 | 4.40 % | 4,696 | 4.97 % | 16,131 | 3.95 % | 12,497 |
| Less: net investment income from divested businesses (4) | | 16 | | 8 | | 52 | | 44 |
| Adjusted net investment income | | $ 5,668 | | $ 4,688 | | $ 16,079 | | $ 12,453 |

(1) We calculate yields using adjusted net investment income as a percent of average quarterly asset carrying values. Adjusted net investment income excludes recognized gains (losses) and includes the impact of changes in foreign currency exchange rates. Average quarterly 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 under GAAP certain variable interest entities that are treated as consolidated securitization entities ("CSEs") and contractholder-directed equity securities. In addition, average quarterly asset carrying values include invested assets reclassified to held-for-sale. 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 includes amounts from FVO Securities of $6 million and $92 million for the three months and nine months ended September 30, 2021, respectively, and $36 million and $72 million for the three months and nine months ended September 30, 2020, respectively.

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

(4) See "Financial Measures and Segment Accounting Policies" in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements for discussion of divested businesses.

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:

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | |
| **Fixed maturity securities AFS:** | | | | |
| Publicly-traded | $ 269,275 | 79.0 % | $ 284,083 | 80.1 % |
| Privately-placed | 71,763 | 21.0 | 70,726 | 19.9 |
| Total fixed maturity securities AFS | $ 341,038 | 100.0 % | $ 354,809 | 100.0 % |
| Percentage of cash and invested assets | 66.3 % | | 67.2 % | |
| **Equity securities:** | | | | |
| Publicly-traded | $ 781 | 83.1 % | $ 851 | 78.9 % |
| Privately-held | 160 | 16.9 | 228 | 21.1 |
| Total equity securities | $ 941 | 100.0 % | $ 1,079 | 100.0 % |
| Percentage of cash and invested assets | 0.2 % | | 0.2 % | |
| **Perpetual and redeemable securities:** | | | | |
| Perpetual securities included within fixed maturity securities AFS and equity securities | $ 322 | | $ 344 | |
| Redeemable preferred stock with a stated maturity included within fixed maturity securities AFS | $ 479 | | $ 912 | |

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

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 Products”).

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 “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 2020 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 were as follows:

| | September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Fixed Maturity Securities AFS | | | Equity Securities | | |
| | (Dollars in millions) | | | | | |
| **Level 1** | | | | | | |
| Quoted prices in active markets for identical assets | $ 27,500 | 8.1 | % | $ 594 | 63.1 | % |
| **Level 2** | | | | | | |
| Independent pricing sources | 282,375 | 82.8 | | 184 | 19.6 | |
| Internal matrix pricing or discounted cash flow techniques | 707 | 0.2 | | 12 | 1.3 | |
| Significant other observable inputs | 283,082 | 83.0 | | 196 | 20.9 | |
| **Level 3** | | | | | | |
| Independent pricing sources | 24,065 | 7.1 | | 5 | 0.5 | |
| Internal matrix pricing or discounted cash flow techniques | 5,940 | 1.7 | | 146 | 15.5 | |
| Independent broker quotations | 451 | 0.1 | | — | — | |
| Significant unobservable inputs | 30,456 | 8.9 | | 151 | 16.0 | |
| Total estimated fair value | $ 341,038 | 100.0 | % | $ 941 | 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 September 30, 2021: foreign corporate securities, U.S. corporate securities and RMBS. During the three months ended September 30, 2021, Level 3 fixed maturity securities AFS increased by $535 million, or 2%. The increase was driven by purchases in excess of sales, partially offset by a decrease in estimated fair value recognized in other comprehensive income (loss) ("OCI") and by transfers out of Level 3 in excess of transfers into Level 3. During the nine months ended September 30, 2021, Level 3 fixed maturity securities AFS increased by $949 million, or 3%. The increase was driven by purchases in excess of sales, partially offset by a decrease in estimated fair value recognized in OCI and 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 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 2020 Annual Report for further information on the estimates and assumptions that affect the amounts reported above.

***Fixed Maturity Securities AFS***

See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about fixed maturity securities AFS by sector, contractual maturities and continuous gross unrealized losses.

***Fixed Maturity Securities 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 AFS Credit Quality — Ratings" included in the 2020 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 revised methodologies adopted by the NAIC for certain Structured Products.

Table of Contents

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 non-agency RMBS and CMBS, held by MetLife, Inc.'s insurance subsidiaries that maintain the NAIC statutory basis of accounting, which are presented using revised NAIC methodologies. NRSRO ratings are as of the dates shown below. Over time, credit ratings can migrate, up or down, through the NRSRO continuous monitoring process. See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

| | | September 30, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|
| NAIC Designation | NRSRO Rating | Amortized Cost net of ACL | Unrealized Gains (Losses) (1) | Estimated Fair Value | % of Total | Amortized Cost net of ACL | Unrealized Gains (Losses) (1) | Estimated Fair Value | % of Total |
| | | (Dollars in millions) | | | | | | | |
| 1 | Aaa/Aa/A | $ 217,164 | $ 21,994 | $ 239,158 | 70.1 % | $ 218,252 | $ 31,761 | $ 250,013 | 70.5 |
| 2 | Baa | 76,573 | 8,258 | 84,831 | 24.9 | 76,342 | 11,360 | 87,702 | 24.7 |
| | Subtotal investment grade | 293,737 | 30,252 | 323,989 | 95.0 | 294,594 | 43,121 | 337,715 | 95.2 |
| 3 | Ba | 12,032 | 844 | 12,876 | 3.8 | 11,840 | 972 | 12,812 | 3.6 |
| 4 | B | 3,557 | 27 | 3,584 | 1.0 | 3,688 | 14 | 3,702 | 1.1 |
| 5 | Caa and lower | 596 | (31) | 565 | 0.2 | 536 | (33) | 503 | 0.1 |
| 6 | In or near default | 14 | 10 | 24 | — | 72 | 5 | 77 | — |
| | Subtotal below investment grade | 16,199 | 850 | 17,049 | 5.0 | 16,136 | 958 | 17,094 | 4.8 |
| | Total fixed maturity securities AFS | $ 309,936 | $ 31,102 | $ 341,038 | 100.0 % | $ 310,730 | $ 44,079 | $ 354,809 | 100.0 |

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(1) Excludes gross unrealized gains (losses) related to assets held-for-sale. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the Company’s business dispositions.

The following tables present total fixed maturity securities AFS, based on estimated fair value, by sector and by NRSRO rating and the applicable NAIC designations from the NAIC published comparison of NRSRO ratings to NAIC designations, except for non-agency RMBS and CMBS, 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 |
| NRSRO Rating | Aaa/Aa/A | Baa | Ba | B | Caa and Lower | In or Near Default | Estimated Fair Value |
| | (Dollars in millions) | | | | | | |
| **September 30, 2021** | | | | | | | |
| U.S. corporate | $ 46,131 | $ 39,084 | $ 4,612 | $ 1,868 | $ 317 | $ — | $ 92,012 |
| Foreign government | 53,723 | 5,846 | 3,273 | 517 | 17 | 4 | 63,380 |
| Foreign corporate | 23,531 | 35,774 | 3,827 | 574 | 215 | 1 | 63,922 |
| U.S. government and agency | 47,562 | 538 | — | — | — | — | 48,100 |
| RMBS | 28,979 | 853 | 222 | 179 | 15 | 19 | 30,267 |
| ABS | 15,165 | 1,889 | 262 | 86 | 1 | — | 17,403 |
| Municipals | 13,529 | 493 | 18 | — | — | — | 14,040 |
| CMBS | 10,538 | 354 | 662 | 360 | — | — | 11,914 |
| Total fixed maturity securities AFS | $ 239,158 | $ 84,831 | $ 12,876 | $ 3,584 | $ 565 | $ 24 | $ 341,038 |
| Percentage of total | 70.1 % | 24.9 % | 3.8 % | 1.0 % | 0.2 % | — % | 100.0 |
| **December 31, 2020** | | | | | | | |
| U.S. corporate | $ 46,847 | $ 39,552 | $ 4,649 | $ 2,018 | $ 326 | $ 24 | $ 93,416 |
| Foreign government | 61,322 | 6,678 | 3,161 | 456 | 77 | 5 | 71,699 |
| Foreign corporate | 26,812 | 37,884 | 3,984 | 648 | 74 | 6 | 69,408 |
| U.S. government and agency | 46,543 | 557 | — | — | — | — | 47,100 |
| RMBS | 29,347 | 706 | 197 | 153 | 14 | 18 | 30,435 |
| ABS | 15,328 | 1,496 | 197 | 96 | 1 | 1 | 17,119 |
| Municipals | 13,240 | 460 | 22 | — | — | — | 13,722 |
| CMBS | 10,574 | 369 | 602 | 331 | 11 | 23 | 11,910 |
| Total fixed maturity securities AFS | $ 250,013 | $ 87,702 | $ 12,812 | $ 3,702 | $ 503 | $ 77 | $ 354,809 |
| Percentage of total | 70.5 % | 24.7 % | 3.6 % | 1.1 % | 0.1 % | — % | 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 did not have any exposure to any single issuer in excess of 1% of total investments at September 30, 2021. The top 10 holdings comprised 2% of total investments at both September 30, 2021 and December 31, 2020. The table below presents our U.S. and foreign corporate securities holdings by industry at:

| Industry | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Estimated Fair Value | % of Total |
| | (Dollars in millions) | | | |
| Industrial | $ 45,688 | 29.3 % | $ 47,472 | 29.2 |
| Finance | 35,623 | 22.9 | 37,645 | 23.1 |
| Consumer | 30,924 | 19.8 | 33,384 | 20.5 |
| Utility | 28,889 | 18.5 | 29,984 | 18.4 |
| Communications | 12,107 | 7.8 | 12,107 | 7.4 |
| Other | 2,703 | 1.7 | 2,232 | 1.4 |
| Total | $ 155,934 | 100.0 % | $ 162,824 | 100.0 |

As a result of current economic conditions, including the effects of the COVID-19 Pandemic, we have experienced stress within certain sub-sectors of our industrial and consumer corporate securities portfolios, principally in Airports, Cruise Lines / Leisure, Airlines, Restaurants and Lodging. See "— Current Environment — Selected Country and Sector Investments."

***Structured Products***

We held $59.6 billion and $59.5 billion of Structured Products, at estimated fair value, at September 30, 2021 and December 31, 2020, 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:

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) (1) | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) (1) |
| | (Dollars in millions) | | | | | |
| **Security type** | | | | | | |
| Collateralized mortgage obligations | $ 17,206 | 56.8 % | $ 1,237 | $ 17,342 | 57.0 % | $ 1,468 |
| Pass-through mortgage-backed securities | 13,061 | 43.2 | 314 | 13,093 | 43.0 | 552 |
| Total RMBS | $ 30,267 | 100.0 % | $ 1,551 | $ 30,435 | 100.0 % | $ 2,020 |
| **Risk profile** | | | | | | |
| Agency | $ 19,902 | 65.8 % | $ 884 | $ 20,408 | 67.1 % | $ 1,314 |
| Prime | 2,730 | 9.0 | 24 | 1,637 | 5.4 | 38 |
| Alt-A | 3,531 | 11.7 | 305 | 3,809 | 12.5 | 306 |
| Sub-prime | 4,104 | 13.5 | 338 | 4,581 | 15.0 | 362 |
| Total RMBS | $ 30,267 | 100.0 % | $ 1,551 | $ 30,435 | 100.0 % | $ 2,020 |
| **Ratings profile** | | | | | | |
| Rated Aaa/AAA | $ 21,987 | 72.6 % | | $ 22,555 | 74.1 % | |
| Designated NAIC 1 | $ 28,979 | 95.7 % | | $ 29,347 | 96.4 % | |

(1) Excludes gross unrealized gains (losses) related to assets held-for-sale. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the Company's business dispositions.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Maturity Securities AFS and Equity Securities — Structured Products — RMBS” included in the 2020 Annual Report for further information about collateralized mortgage obligations and pass-through mortgage-backed securities, as well as agency, prime, alternative residential mortgage loans (“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).

*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:

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) (1) | Estimated Fair Value | % of Total | Net Unrealized Gains (Losses) (1) |
| | (Dollars in millions) | | | | | |
| **Collateral type** | | | | | | |
| Collateralized obligations (2) | $ 8,383 | 48.2 % | $ 18 | $ 8,946 | 52.2 % | $ ( |
| Consumer loans | 1,701 | 9.8 | 61 | 1,535 | 9.0 | |
| Student loans | 1,098 | 6.3 | 15 | 1,174 | 6.9 | |
| Credit card loans | 785 | 4.5 | 11 | 1,006 | 5.9 | |
| Automobile loans | 1,420 | 8.2 | 17 | 976 | 5.7 | |
| Foreign residential loans | 910 | 5.2 | 4 | 956 | 5.5 | |
| Other loans | 3,106 | 17.8 | 74 | 2,526 | 14.8 | |
| Total | $ 17,403 | 100.0 % | $ 200 | $ 17,119 | 100.0 % | $ 1 |
| **Ratings profile** | | | | | | |
| Rated Aaa/AAA | $ 8,242 | 47.4 % | | $ 9,164 | 53.5 % | |
| Designated NAIC 1 | $ 15,165 | 87.1 % | | $ 15,328 | 89.5 % | |

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(1) Excludes gross unrealized gains (losses) related to assets held-for-sale. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the Company’s business dispositions.

(2) Includes primarily collateralized loan obligations.

*CMBS*

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

| | September 30, 2021 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aaa | | Aa | | A | | Baa | | Below Investment Grade | | Total | |
| Vintage Year | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value |
| | (Dollars in millions) | | | | | | | | | | | |
| 2003-2014 | $ 1,249 | $ 1,322 | $ 1,013 | $ 1,059 | $ 576 | $ 588 | $ 183 | $ 175 | $ 151 | $ 133 | $ 3,172 | $ 3,277 |
| 2015 | 456 | 487 | 56 | 59 | 54 | 56 | 7 | 7 | — | — | 573 | 609 |
| 2016 | 270 | 291 | 65 | 70 | 53 | 55 | — | — | — | — | 388 | 416 |
| 2017 | 774 | 816 | 346 | 367 | 193 | 199 | — | — | — | — | 1,313 | 1,382 |
| 2018 | 1,823 | 2,005 | 301 | 318 | 179 | 191 | 10 | 10 | — | — | 2,313 | 2,524 |
| 2019 | 958 | 997 | 142 | 145 | 655 | 672 | — | — | — | — | 1,755 | 1,814 |
| 2020 | 534 | 543 | 232 | 238 | 216 | 224 | 27 | 27 | — | — | 1,009 | 1,032 |
| 2021 | 391 | 392 | 223 | 224 | 210 | 214 | 29 | 30 | — | — | 853 | 860 |
| Total | $ 6,455 | $ 6,853 | $ 2,378 | $ 2,480 | $ 2,136 | $ 2,199 | $ 256 | $ 249 | $ 151 | $ 133 | $ 11,376 | $ 11,914 |
| Ratings Distribution | | 57.5 % | | 20.8 % | | 18.5 % | | 2.1 % | | 1.1 % | | 100.0 |

| | December 31, 2020 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Aaa | | Aa | | A | | Baa | | Below Investment Grade | | Total | |
| Vintage Year | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value | Amortized Cost net of ACL | Estimated Fair Value |
| | (Dollars in millions) | | | | | | | | | | | |
| 2003 - 2013 | $ 958 | $ 1,011 | $ 898 | $ 917 | $ 373 | $ 355 | $ 105 | $ 96 | $ 114 | $ 98 | $ 2,448 | $ 2,477 |
| 2014 | 451 | 480 | 429 | 449 | 169 | 171 | 10 | 9 | — | — | 1,059 | 1,109 |
| 2015 | 462 | 492 | 65 | 69 | 38 | 40 | 7 | 6 | — | — | 572 | 607 |
| 2016 | 282 | 310 | 56 | 60 | 54 | 53 | — | — | — | — | 392 | 423 |
| 2017 | 757 | 807 | 432 | 463 | 150 | 150 | — | — | — | — | 1,339 | 1,420 |
| 2018 | 1,704 | 1,891 | 592 | 647 | 205 | 214 | 9 | 9 | — | — | 2,510 | 2,761 |
| 2019 | 1,048 | 1,100 | 138 | 141 | 596 | 610 | — | — | — | — | 1,782 | 1,851 |
| 2020 | 734 | 748 | 280 | 293 | 186 | 191 | 29 | 30 | — | — | 1,229 | 1,262 |
| Total | $ 6,396 | $ 6,839 | $ 2,890 | $ 3,039 | $ 1,771 | $ 1,784 | $ 160 | $ 150 | $ 114 | $ 98 | $ 11,331 | $ 11,910 |
| Ratings Distribution | | 57.4 % | | 25.5 % | | 15.0 % | | 1.3 % | | 0.8 % | | 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 88.5% and 88.8% of total CMBS at September 30, 2021 and December 31, 2020, respectively.

***Evaluation of Fixed Maturity Securities AFS for Credit Loss, Rollforward of Allowance for Credit Loss and Credit Loss on Fixed Maturity Securities AFS Recognized in Earnings***

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the evaluation of fixed maturity securities AFS for credit loss, rollforward of the ACL, net provision (release) for credit loss, as well as gross gains and gross losses on fixed maturity securities AFS sold at and for the nine months ended September 30, 2021.

***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 $12.1 billion and $13.3 billion, or 2.3% and 2.5% of cash and invested assets, at September 30, 2021 and December 31, 2020, 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.

Table of Contents

***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. We also participate in short-term repurchase agreement transactions with unaffiliated financial institutions. See "— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending and Repurchase Agreements" and Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information.

***Mortgage Loans***

Our mortgage loans held-for-investment are principally collateralized by commercial, agricultural and residential properties. Mortgage loans held-for-investment are carried at amortized cost and the related ACL are summarized as follows at:

| Portfolio Segment | September 30, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | % of Total | ACL | % of Amortized Cost | Amortized Cost | % of Total | ACL | % of Amortized Cost |
| | (Dollars in millions) | | | | | | | |
| Commercial | $ 51,336 | 63.1 % | $ 274 | 0.5 % | $ 52,434 | 62.2 % | $ 252 | 0.5 % |
| Agricultural | 18,353 | 22.5 | 93 | 0.5 | 18,128 | 21.5 | 106 | 0.6 |
| Residential | 11,704 | 14.4 | 196 | 1.7 | 13,782 | 16.3 | 232 | 1.7 |
| Total | $ 81,393 | 100.0 % | $ 563 | 0.7 % | $ 84,344 | 100.0 % | $ 590 | 0.7 % |

The carrying value of all mortgage loans, net of ACL, was 15.7% and 15.9% of cash and invested assets at September 30, 2021 and December 31, 2020, respectively.

Our commercial, agricultural and residential mortgage loan portfolios are subject to uncertain market conditions, including the effects of the COVID-19 Pandemic. As a result of the COVID-19 Pandemic, we granted concessions (e.g., payment deferrals and other loan modifications) to certain of our commercial mortgage loan borrowers (principally in the hotel and retail sectors) and residential mortgage loan borrowers and, to a much lesser extent, some of our agricultural mortgage loan borrowers. While we granted concessions in 2021, the pace has significantly decreased from 2020. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding COVID-19 Pandemic-related mortgage loan concessions. See also "— Commercial Mortgage Loans by Geographic Region and Property Type."

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 held-for-investment portfolios, 84% are collateralized by properties located in the United States, with the remaining 16% collateralized by properties located outside the United States, which includes 4% of properties located in Mexico and 1% of properties located in Chile, at September 30, 2021. The carrying values of our commercial and agricultural mortgage loans held-for-investment located in California, New York and Texas were 17%, 9% and 7%, respectively, of total commercial and agricultural mortgage loans held-for-investment at September 30, 2021. 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 held-for-investment 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, principally in Chile, at September 30, 2021. The carrying values of our residential mortgage loans located in California, Florida, and New York were 30%, 9%, and 9%, respectively, of total residential mortgage loans at September 30, 2021.

*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 held-for-investment at:

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Amount | % of Total | Amount | % of Total |
| | (Dollars in millions) | | | |
| **Region** | | | | |
| Non-U.S. | $ 9,501 | 18.5 % | $ 10,581 | 20.2 |
| Pacific | 10,249 | 20.0 | 10,235 | 19.5 |
| Middle Atlantic | 7,877 | 15.3 | 8,233 | 15.7 |
| South Atlantic | 7,047 | 13.7 | 7,217 | 13.8 |
| West South Central | 3,434 | 6.7 | 3,887 | 7.4 |
| East North Central | 2,229 | 4.3 | 2,494 | 4.8 |
| New England | 2,623 | 5.1 | 2,126 | 4.0 |
| Mountain | 1,996 | 3.9 | 1,777 | 3.4 |
| East South Central | 824 | 1.6 | 700 | 1.3 |
| West North Central | 649 | 1.3 | 609 | 1.2 |
| Multi-Region and Other | 4,907 | 9.6 | 4,575 | 8.7 |
| Total amortized cost | 51,336 | 100.0 % | 52,434 | 100.0 |
| Less: ACL | 274 | | 252 | |
| Carrying value, net of ACL | $ 51,062 | | $ 52,182 | |
| **Property Type** | | | | |
| Office | $ 22,573 | 44.0 % | $ 23,928 | 45.6 |
| Retail | 8,684 | 16.9 | 8,911 | 17.0 |
| Apartment | 8,910 | 17.4 | 8,764 | 16.7 |
| Industrial | 5,562 | 10.8 | 5,365 | 10.2 |
| Hotel | 3,175 | 6.2 | 3,377 | 6.5 |
| Other | 2,432 | 4.7 | 2,089 | 4.0 |
| Total amortized cost | 51,336 | 100.0 % | 52,434 | 100.0 |
| Less: ACL | 274 | | 252 | |
| Carrying value, net of ACL | $ 51,062 | | $ 52,182 | |

Our commercial mortgage loan portfolio is well positioned with exposures concentrated in high quality underlying properties located in primary markets typically with institutional investors who are better positioned to manage their assets during periods of market volatility. Our portfolio is comprised primarily of lower risk loans with higher debt service coverage ratios ("DSCR") and lower loan-to-value ("LTV") ratios. See "— Mortgage Loan Credit Quality - Monitoring Process" for further information and Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for a distribution of our commercial mortgage loans by DSCR and LTV ratios. Excluding loans with a COVID-19 Pandemic-related payment deferral, over 99% of our commercial mortgage loan portfolio was current at September 30, 2021, including all of our hotel and retail commercial mortgage loans. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding COVID-19 Pandemic-related mortgage loan concessions.

*Mortgage Loan Credit Quality - Monitoring Process.* We monitor our mortgage loan investments on an ongoing basis, including a review of loans by credit quality indicator and loans that are current, past due, restructured and under foreclosure. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for further information regarding mortgage loans by credit quality indicator, past due and nonaccrual 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, LTV ratios, DSCR 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 LTV ratios and lower DSCR and loans with a COVID-19 Pandemic-related payment deferral. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher LTV ratios. Agricultural mortgage loans are reviewed on an ongoing basis which include, but are not limited to, property inspections, market analysis, estimated valuations of the underlying collateral, LTV ratios and borrower creditworthiness, including reviews on a geographic and property-type basis. We review our residential mortgage loans on an ongoing basis, with a focus on higher risk loans, such as nonperforming loans. See Notes 1 and 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on our evaluation of residential mortgage loans and related ACL methodology.

LTV ratios and DSCR are common measures in the assessment of the quality of commercial mortgage loans. LTV ratios are a common measure in the assessment of the quality of agricultural mortgage loans. LTV ratios compare the amount of the loan to the estimated fair value of the underlying collateral. An LTV ratio greater than 100% indicates that the loan amount is greater than the collateral value. An LTV ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the LTV ratio, the higher the risk of experiencing a credit loss. The DSCR compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the DSCR, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average LTV ratio was 57% and 58% at September 30, 2021 and December 31, 2020, respectively and our average DSCR was 2.6x and 2.5x at September 30, 2021 and December 31, 2020, respectively. The DSCR and the values utilized in calculating the ratio are updated routinely. In addition, the LTV 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 LTV ratio was 48% at both September 30, 2021 and December 31, 2020. The values utilized in calculating our agricultural mortgage loan LTV ratio are developed in connection with the ongoing review of our agricultural loan portfolio and are routinely updated.

*Mortgage Loan Allowance for Credit Loss*. Our ACL is established for both pools of loans with similar risk characteristics and for mortgage loans with dissimilar risk characteristics, collateral dependent loans and reasonably expected troubled debt restructurings, individually on a loan specific basis. We record an allowance for expected lifetime credit loss in an amount that represents the portion of the amortized cost basis of mortgage loans that the Company does not expect to collect, resulting in mortgage loans being presented at the net amount expected to be collected.

In determining our ACL, management (i) pools mortgage loans that share similar risk characteristics, (ii) considers expected lifetime credit loss over the contractual term of our mortgage loans, as adjusted for expected prepayments and any extensions, and (iii) considers past events and current and forecasted economic conditions. Actual credit loss realized could be different from the amount of the ACL recorded. These evaluations and assessments are revised as conditions change and new information becomes available, which can cause the ACL 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 ACL. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the ACL. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on how the ACL is established and monitored, and activity in and balances of the ACL, as of and for the nine months ended September 30, 2021 and 2020.

***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. The carrying value of real estate and real estate joint ventures was $12.2 billion and $11.9 billion, or 2.4% and 2.3% of cash and invested assets, at September 30, 2021 and December 31, 2020, respectively.

Our real estate investments are typically stabilized properties that we intend to hold for the longer-term for portfolio diversification and long-term appreciation. Our real estate investment portfolio has significantly appreciated since acquisition to a $6.3 billion and $6.1 billion unrealized gain position at September 30, 2021 and September 30, 2020, respectively, that is available to absorb valuation declines from the current economic conditions. We continuously monitor expected future cash flows of each of our real estate investments and incorporate them into our periodic impairment analyses. As a result of the COVID-19 Pandemic, we performed impairment analyses during the nine months ended September 30, 2021 and September 30, 2020, which included updated estimates of expected future cash flows. As a result of our impairment analyses, we recorded one impairment during the nine months ended September 30, 2020 for $13 million. This impairment was recorded in net investment income as the investment is in a real estate fund. There were no impairments recognized in net investment gains (losses) on real estate and real estate joint ventures for either the nine months ended September 30, 2021 or 2020.

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for a summary of real estate investments, by income type, as well as 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 September 30, 2021 and December 31, 2020, the carrying value of other limited partnership interests was $13.5 billion and $9.5 billion, which included $669 million and $643 million of hedge funds, respectively. Other limited partnership interests were 2.62% and 1.79% of cash and invested assets at September 30, 2021 and December 31, 2020, respectively. Cash distributions on these investments are generated from realized investment gains, operating income from the underlying investments of the funds and liquidation of the underlying investments of the funds.

We use the equity method of accounting for most of our private equity funds. We generally recognize our share of a private equity fund’s earnings in net investment income on a three-month lag when the information is reported to us. Accordingly, changes in equity market levels, which can impact the underlying results of these private equity funds, are recorded in our net investment income on a three-month lag.

***Other Invested Assets***

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

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **Asset Type** | **Carrying Value** | **% of Total** | **Carrying Value** | **% of Total** |
| | (Dollars in millions) | | | |
| Freestanding derivatives with positive estimated fair values | $ 10,519 | 56.3 % | $ 11,866 | 57.6 |
| Tax credit and renewable energy partnerships | 1,583 | 8.5 | 1,751 | 8.5 |
| Direct financing leases | 1,216 | 6.5 | 1,340 | 6.5 |
| Annuities funding structured settlement claims | 1,254 | 6.7 | 1,263 | 6.1 |
| Leveraged leases | 803 | 4.3 | 816 | 4.0 |
| FHLB common stock | 791 | 4.2 | 814 | 4.1 |
| Operating joint ventures | 828 | 4.4 | 733 | 3.6 |
| Funds withheld | 514 | 2.8 | 508 | 2.5 |
| Other | 1,175 | 6.3 | 1,502 | 7.2 |
| Total | $ 18,683 | 100.0 % | $ 20,593 | 100.0 |
| Percentage of cash and invested assets | 3.6 % | | 3.9 % | |

**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 September 30, 2021 and December 31, 2020.
- 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 nine months ended September 30, 2021 and 2020.

See "Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Activities" included in the 2020 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 September 30, 2021 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; interest rate caps with unobservable volatility inputs; foreign currency swaps and forwards with certain unobservable inputs, including the unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; and equity index options with unobservable correlation inputs. At September 30, 2021, 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 foreign currency derivatives that are valued using an unobservable portion of the swap yield curves and interest rate total return swaps with observable interest rates. Other significant inputs include the unobservable interest rate which extends beyond the observable portion of the yield curve. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations.

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

| | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2021 |
|---|---|---|
| Gain (loss) recognized in net income (loss) (in millions) | ($279) | ($490) |
| Approximate percentage of gain (loss) attributable to observable inputs | —% | 23% |
| Primary drivers of observable gain (loss) | N/A | Increases in interest rates on interest rate total return swaps and increases in certain equity index levels on equit derivatives. |
| Approximate percentage of gain (loss) attributable to unobservable inputs | 100% | 77% |

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accounting Estimates — Derivatives" included in the 2020 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:

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Credit Default Swaps | Gross Notional Amount | Estimated Fair Value | Gross Notional Amount | Estimated Fair Value |
| | (In millions) | | | |
| Purchased | $ 3,042 | $ (96) | $ 2,978 | $ ( |
| Written | 8,739 | 175 | 9,609 | |
| Total | $ 11,781 | $ 79 | $ 12,587 | $ |

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 September 30, | | | | | | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | | 2021 | | | 2020 | | |
| 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) | | | | | | | | | | | |
| Purchased (1) | $ 5 | $ (1) | $ 4 | $ — | $ (8) | $ (8) | $ 21 | $ (5) | $ 16 | $ 37 | $ (33) | $ 4 |
| Written (1) | 2 | (4) | (2) | 2 | (11) | (9) | 44 | (11) | 33 | 31 | (189) | (158) |
| Total | $ 7 | $ (5) | $ 2 | $ 2 | $ (19) | $ (17) | $ 65 | $ (16) | $ 49 | $ 68 | $ (222) | $ (154) |

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

The favorable change in net gains (losses) on written credit default swaps of $191 million for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was due to certain credit spreads on certain credit default swaps used as replications narrowing in the current period as compared to widening in the prior period.

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 2020 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, as well as 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 descriptions of such arrangements. For the classification of expenses on such credit and committed facilities and the nature of the associated liability for letters of credit issued and drawdowns on these credit and committed facilities, see Note 13 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

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

We participate in securities lending transactions, repurchase agreements 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, Repurchase Agreements and FHLB of Boston Advance Agreements" in Note 1 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for further discussion of our securities lending transactions and repurchase agreements, the classification of revenues and expenses, and the nature of the secured financing arrangements and associated liabilities.

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 $59 million and $19 million at September 30, 2021 and December 31, 2020, respectively. Non-cash collateral on deposit with third-party custodians held on our behalf was $64 million and $20 million, at estimated fair value, at September 30, 2021 and December 31, 2020, respectively, which cannot be sold or re-pledged, and which is not reflected in our consolidated financial statements.

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 in our consolidated financial statements. The amount of this non-cash collateral was $1.3 billion and $1.7 billion, at estimated fair value, at September 30, 2021 and December 31, 2020, 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.

***Investment Commitments***

We enter into the following 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 Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements for further information about these investment commitments. See "Net Investment Income" and "Net Investment Gains (Losses)" in Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments and the liability for credit loss for unfunded mortgage loan commitments. See also "— Investments — Fixed Maturity Securities AFS and Equity Securities," "— Investments — Mortgage Loans," "— Investments — Real Estate and Real Estate Joint Ventures" and "— Investments — Other Limited Partnership Interests."

***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 2020 Annual Report. See also Note 11 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

***Guarantees***

See "Guarantees" in Note 15 of the Notes to the Interim Condensed Consolidated Financial Statements.

**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 2020 Annual Report.

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.

See "Business — Regulation — Insurance Regulation — Policy and Contract Reserve Adequacy Analysis" and "Risk Factors — Business Risks" included in the 2020 Annual Report for further information regarding required analyses of the adequacy of statutory reserves of our insurance operations.

The following discussion on future policy benefits and policyholder account balances should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment" included in the 2020 Annual Report, as amended or supplemented in our subsequently filed Quarterly Reports on Form 10-Q under similarly captioned sections, and "— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for additional information.

***Future Policy Benefits***

We establish liabilities for amounts payable under insurance policies. 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. 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.

***Asia***

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower than expected yields, 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.

***Latin America***

Future policy benefit liabilities for this segment are held primarily for immediate annuities, traditional life contracts and total return pass-through provisions included in certain universal life and savings products. There is no interest rate crediting flexibility on the immediate annuity and traditional life liabilities. 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 medical 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.

***MetLife Holdings***

Future policy benefits for the life insurance business are comprised mainly of liabilities for traditional life insurance 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. For the long-term care business, 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. 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. Most of these policyholder account balances have minimum credited rate guarantees.

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

| | September 30, 2021 | |
|---|---|---|
| **Guaranteed Minimum Crediting Rate** | **Account Value** | **Account Value at Guarantee** |
| | (In millions) | |
| Greater than 0% but less than 2% | $ 5,259 | $ 5,128 |
| Equal to or greater than 2% but less than 4% | $ 1,583 | $ 1,544 |
| Equal to or greater than 4% | $ 799 | $ 771 |

*Retirement and Income Solutions*

Policyholder account balances in this business are held largely for investment-type products, mainly funding agreements, as well as postretirement benefits and corporate-owned life insurance to fund non-qualified benefit programs for executives. 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) LIBOR or Secured Overnight Financing Rate. We guarantee payment of interest and return of principal at the contractual maturity date.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for RIS:

| | September 30, 2021 | |
|---|---|---|
| **Guaranteed Minimum Crediting Rate** | **Account Value** | **Account Value at Guarantee** |
| | (In millions) | |
| Greater than 0% but less than 2% | $ 148 | $ — |
| Equal to or greater than 2% but less than 4% | $ 827 | $ 184 |
| Equal to or greater than 4% | $ 4,585 | $ 4,345 |

***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. Most of these policyholder account balances have minimum credited rate guarantees. 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:

| | September 30, 2021 | | | |
|---|---|---|---|---|
| **Guaranteed Minimum Crediting Rate** | | **Account Value** | | **Account Value at Guarantee** |
| | (In millions) | | | |
| **Annuities:** | | | | |
| Greater than 0% but less than 2% | $ | 31,106 | $ | 1, |
| Equal to or greater than 2% but less than 4% | $ | 989 | $ | |
| Equal to or greater than 4% | $ | 1 | $ | |
| **Life & Other:** | | | | |
| Greater than 0% but less than 2% | $ | 12,938 | $ | 12, |
| Equal to or greater than 2% but less than 4% | $ | 33,448 | $ | 21, |
| Equal to or greater than 4% | $ | 281 | $ | |

***Latin America***

Policyholder account balances in this segment are held largely for investment-type products, universal life products, deferred annuities and 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.

***EMEA***

Policyholder account balances in this segment are held mostly for universal life, deferred annuities, 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. Most of these policyholder account balances have minimum credited rate guarantees. 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 in this segment 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. Most of these policyholder account balances have minimum credited rate guarantees. 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:

| | September 30, 2021 | | | |
|---|---|---|---|---|
| **Guaranteed Minimum Crediting Rate** | | **Account Value** | | **Account Value at Guarantee** |
| | (In millions) | | | |
| Greater than 0% but less than 2% | $ | 1,169 | $ | 1,137 |
| Equal to or greater than 2% but less than 4% | $ | 17,499 | $ | 15,936 |
| Equal to or greater than 4% | $ | 7,440 | $ | 6,828 |

***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 2020 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 | |
|---|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2021 | December 31, 2020 |
| | (In millions) | | | |
| **Asia** | | | | |
| GMDB | $ 4 | $ 6 | $ — | $ |
| GMAB | — | — | 12 | |
| GMWB | 33 | 35 | 110 | [illegible] |
| **EMEA** | | | | |
| GMDB | 3 | 6 | — | |
| GMAB | — | — | 11 | |
| GMWB | 18 | 31 | (66) | [illegible] |
| **MetLife Holdings** | | | | |
| GMDB | 553 | 450 | — | |
| GMIB | 1,039 | 954 | 157 | [illegible] |
| GMAB | — | — | (1) | |
| GMWB | 175 | 179 | 204 | [illegible] |
| Total | $ 1,825 | $ 1,661 | $ 427 | $ [illegible] |

The carrying amounts for guarantees included in policyholder account balances above include nonperformance risk adjustments of $89 million and $137 million at September 30, 2021 and December 31, 2020, 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.

Table of Contents

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 September 30, 2021:

| | Total Account Value (1) | |
|---|---|---|
| | Asia & EMEA | MetLife Holdings |
| | (In millions) | |
| Return of premium or five to seven year step-up | $ 7,591 | $ 46,[illegible] |
| Annual step-up | — | 3,[illegible] |
| Roll-up and step-up combination | — | 5,[illegible] |
| Total | $ 7,591 | $ 54,[illegible] |

(1) Total account value excludes $592 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 18% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products at September 30, 2021.

***Living Benefit Guarantees***

The table below presents our living benefit guarantees based on total account values at September 30, 2021:

| | Total Account Value (1) | |
|---|---|---|
| | Asia & EMEA | MetLife Holdings |
| | (In millions) | |
| GMIB | $ — | $ 20,[illegible] |
| GMWB - non-life contingent (2) | 1,003 | 2,[illegible] |
| GMWB - life-contingent | 3,228 | 8,[illegible] |
| GMAB | 1,647 | [illegible] |
| Total | $ 5,878 | $ 30,[illegible] |

(1) Total account value excludes $26.1 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 $1.0 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 September 30, 2021:

| | Total Account Value |
|---|---|
| | (In millions) |
| 7-year setback, 2.5% interest rate | $ 5,9[illegible] |
| 7-year setback, 1.5% interest rate | 1,[illegible] |
| 10-year setback, 1.5% interest rate | 4,[illegible] |
| 10-year mortality projection, 10-year setback, 1.0% interest rate | 7,[illegible] |
| 10-year mortality projection, 10-year setback, 0.5% interest rate | 1,[illegible] |
| | $ 20,[illegible] |

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, 39% of the $20.1 billion of GMIB total account value has been invested in managed volatility funds as of September 30, 2021. 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 September 30, 2021, only 35% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of three 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 $519 million at September 30, 2021, of which $477 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 September 30, 2021:

| | In-the-Moneyness | Total Account Value | % of T[illegible] |
|---|---|---|---|
| | | (In millions) | |
| In-the-money | 30% or greater | $ 476 | 2 |
| | 20% to less than 30% | 259 | 1 |
| | 10% to less than 20% | 434 | 2 |
| | 0% to less than 10% | 813 | 4 |
| | | 1,982 | |
| Out-of-the-money | -10% to 0% | 2,527 | 13 |
| | -20% to less than -10% | 4,312 | 22 |
| | Greater than -20% | 11,322 | 56 |
| | | 18,161 | |
| Total GMIBs | | $ 20,143 | |

### ***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:

| Primary Underlying Risk Exposure | Instrument Type | September 30, 2021 Gross Notional Amount | September 30, 2021 Estimated Fair Value Assets | September 30, 2021 Estimated Fair Value Liabilities | December 31, 2020 Gross Notional Amount | December 31, 2020 Estimated Fair Value Assets | December 31, 2020 Estimated Fair Value Liabilities |
|---|---|---|---|---|---|---|---|
| | | (In millions) | | | | | |
| Interest rate | Interest rate swaps | $ 10,984 | $ 50 | $ 79 | $ 14,188 | $ 85 | $ |
| | Interest rate futures | 1,419 | 3 | — | 1,442 | — | |
| | Interest rate options | 151 | 1 | — | 637 | 134 | |
| Foreign currency exchange rate | Foreign currency forwards | 1,206 | 4 | 9 | 1,834 | 27 | |
| Equity market | Equity futures | 3,838 | 47 | 10 | 4,891 | 12 | |
| | Equity index options | 4,571 | 402 | 374 | 5,360 | 558 | [illegible] |
| | Equity variance swaps | 733 | 17 | 15 | 716 | 15 | |
| | Equity total return swaps | 3,220 | 15 | 11 | 1,533 | 3 | [illegible] |
| | Total | $ 26,122 | $ 539 | $ 498 | $ 30,601 | $ 834 | $ [illegible] |

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 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 $11.3 billion and $9.4 billion at September 30, 2021 and December 31, 2020, 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 $222.6 billion and $235.1 billion at September 30, 2021 and December 31, 2020, 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 — We May not be Able to Pay Dividends or Repurchase Our Stock Due to Legal and Regulatory Restrictions or Cash Buffer Needs" and Note 16 of the Notes to the Consolidated Financial Statements included in the 2020 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 authorizations.

***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. See "Management's Discussion and Analysis of Financial Condition — Liquidity and Capital Resources — The Company — Liquidity" included in the 2020 Annual Report.

***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:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| | (In millions) | |
| Sources: | | |
| Operating activities, net | $ 7,256 | $ 6,4[illegible] |
| Net change in policyholder account balances | 4,041 | 8,[illegible] |
| Net change in payables for collateral under securities loaned and other transactions | 1,279 | 8,[illegible] |
| Cash received for other transactions with tenors greater than three months | — | [illegible] |
| Long-term debt issued | 29 | 1,[illegible] |
| Financing element on certain derivative instruments and other derivative related transactions, net | 305 | |
| Preferred stock issued, net of issuance costs | — | 1,[illegible] |
| Other, net | 20 | [illegible] |
| Effect of change in foreign currency exchange rates on cash and cash equivalents | — | |
| Total sources | 12,930 | 26,[illegible] |
| Uses: | | |
| Investing activities, net | 8,325 | 16,[illegible] |
| Cash paid for other transactions with tenors greater than three months | 100 | [illegible] |
| Long-term debt repaid | 540 | |
| Collateral financing arrangement repaid | 39 | |
| Financing element on certain derivative instruments and other derivative related transactions, net | — | [illegible] |
| Treasury stock acquired in connection with share repurchases | 3,127 | [illegible] |
| Redemption of preferred stock | 494 | |
| Preferred stock redemption premium | 6 | |
| Dividends on preferred stock | 166 | [illegible] |
| Dividends on common stock | 1,242 | 1,[illegible] |
| Effect of change in foreign currency exchange rates on cash and cash equivalents | 392 | |
| Total uses | 14,431 | 18,[illegible] |
| Net increase (decrease) in cash and cash equivalents | $ (1,501) | $ 7,[illegible] |

*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.

*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.

*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.

***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 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 10 of the Notes to the Interim Condensed Consolidated Financial Statements and Note 16 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

Common Stock

For the nine months ended September 30, 2021 and 2020, MetLife, Inc. issued 4,478,479 and 3,040,195 new shares of its common stock, respectively, for $180 million and $118 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 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"). For the nine months ended September 30, 2021 and 2020, we issued $27.4 billion and $27.8 billion, respectively, and repaid $27.4 billion and $26.9 billion, respectively, of funding agreements with certain regional FHLBs. At both September 30, 2021 and December 31, 2020, total obligations outstanding under these funding agreements were $16.3 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

Federal Home Loan Bank Advance Agreements, Reported in Liabilities Held-for-Sale

For the nine months ended September 30, 2021 and 2020, we borrowed $0 and $2.2 billion, respectively, and repaid $700 million and $2.2 billion, respectively, under advance agreements with the FHLB of Boston. At September 30, 2021 and December 31, 2020, total obligations outstanding under these advance agreements were $0 and $700 million, respectively.

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 unconsolidated special purpose entities that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. For the nine months ended September 30, 2021 and 2020, we issued $32.1 billion and $31.7 billion, respectively, and repaid $31.1 billion and $27.5 billion, respectively, under such funding agreements. At September 30, 2021 and December 31, 2020, total obligations outstanding under these funding agreements were $41.0 billion and $39.9 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2020 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. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural mortgage loans. For the nine months ended September 30, 2021 and 2020, we issued $425 million and $250 million, respectively, and repaid $750 million and $425 million, respectively, under such funding agreements. At September 30, 2021 and December 31, 2020, total obligations outstanding under these funding agreements were $2.1 billion and $2.4 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

Credit and Committed Facilities

At September 30, 2021, 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 September 30, 2021, we had outstanding $461 million in letters of credit and no drawdowns against this facility. Remaining availability was $2.5 billion at September 30, 2021.

The committed facilities are used as collateral for certain of our affiliated reinsurance liabilities. At September 30, 2021, we had outstanding $2.9 billion in letters of credit and no drawdowns against these facilities. Remaining availability was $410 million at September 30, 2021.

See Note 13 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for further information on credit and committed 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:

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | | (In millions) | | |
| Short-term debt (1) | $ | 346 | $ | 3 |
| Long-term debt (2) | $ | 14,010 | $ | 14,5 |
| Collateral financing arrangement | $ | 806 | $ | 8 |
| Junior subordinated debt securities | $ | 3,155 | $ | 3,1 |

(1) Includes $246 million and $293 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at September 30, 2021 and December 31, 2020, respectively. Certain subsidiaries have pledged assets to secure this debt.

(2) Includes $516 million and $474 million of debt that is non-recourse to MetLife, Inc. and MLIC, subject to customary exceptions, at September 30, 2021 and December 31, 2020, 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 September 30, 2021.

*Dispositions*

For information regarding pending and other dispositions, 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.

*Preferred Stock Redemption*

See Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the redemption of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C.

*Common Stock Repurchases*

See Note 10 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 for the nine months ended September 30, 2021 and 2020, and the amount remaining under such authorizations at September 30, 2021.

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 — We May not be Able to Pay Dividends or Repurchase Our Stock Due to Legal and Regulatory Restrictions or Cash Buffer Needs" and Note 16 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

*Dividends*

For the nine months ended September 30, 2021 and 2020, MetLife, Inc. paid dividends on its preferred stock of $166 million and $168 million, respectively. In each of the nine months ended September 30, 2021 and 2020, MetLife, Inc. paid $1.2 billion of dividends on its common stock. See Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements and Note 16 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for information regarding the calculation and timing of these dividend payments.

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 16 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report for additional information.

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 — We May not be Able to Pay Dividends or Repurchase Our Stock Due to Legal and Regulatory Restrictions or Cash Buffer Needs" and Note 16 of the Notes to the Consolidated Financial Statements included in the 2020 Annual Report.

*Debt Repayments*

For the nine months ended September 30, 2021 and 2020, following regulatory approval, MetLife Reinsurance Company of Charleston, a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled $39 million and $69 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.

See Note 9 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the redemption and cancellation of senior notes.

*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 Note 5 of the Notes to the MetLife, Inc. (Parent Company Only) Condensed Financial Information included in the 2020 Annual Report.

*Insurance Liabilities*

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, 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. For the nine months ended September 30, 2021 and 2020, general account surrenders and withdrawals from annuity products were $971 million and $953 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 September 30, 2021 there were funding agreements totaling $122 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 September 30, 2021 and December 31, 2020, we had received pledged cash collateral from counterparties of $6.9 billion and $7.6 billion, respectively. At September 30, 2021 and December 31, 2020, we had pledged cash collateral to counterparties of $183 million and $266 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 2020 Annual Report.

*Securities Lending and Repurchase Agreements*

We participate in a securities lending program and in short-term repurchase agreements whereby securities are loaned and sold, respectively, to unaffiliated financial institutions. We obtain collateral, usually cash, from such institutions, which must be returned to the institution when the loaned or sold securities are returned to us. Through these arrangements, we were liable for cash collateral under our control of $24.4 billion and $21.8 billion at September 30, 2021 and December 31, 2020, respectively, including a portion that may require the immediate return of cash collateral we hold. 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 15 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 2020 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 — Rating Agencies" included in the 2020 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 September 30, 2021 and December 31, 2020, MetLife, Inc., collectively with other MetLife holding companies, had $5.1 billion and $4.5 billion, respectively, in liquid assets. Of these amounts, $4.4 billion and $3.6 billion were held by MetLife, Inc. and $703 million and $873 million were held by other MetLife holding companies at September 30, 2021 and December 31, 2020, 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.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — MetLife, Inc. — Liquid Assets" included in the 2020 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 2021 by MetLife, Inc.'s primary U.S. insurance subsidiaries without insurance regulatory approval and the actual dividends paid for the nine months ended September 30, 2021:

| Company | Paid (1) | Permitted Without Approval (2) |
|---|---|---|
| | (In millions) | |
| Metropolitan Life Insurance Company | $ 2,193 | $ 3,392 |
| American Life Insurance Company | $ 600 | $ 800 |
| Metropolitan Property and Casualty Insurance Company (3) | $ 35 | $ 222 |
| Metropolitan Tower Life Insurance Company | $ — | $ 82 |

(1) Reflects all amounts paid, including those where regulatory approval was obtained as required.

(2) Reflects dividend amounts that may be paid during 2021 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 2021, some or all of such dividends may require regulatory approval.

(3) Metropolitan Property and Casualty Insurance Company paid a $35 million non-cash dividend consisting of the stock of a subsidiary. See Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information on the disposition of MetLife P&C.

In addition to the amounts presented in the table above, for the nine months ended September 30, 2021, MetLife, Inc. also received from certain other subsidiaries cash dividends of $109 million, as well as cash returns of capital of $13 million.

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 — Our Subsidiaries May be Unable to Pay Dividends, a Major Component of Holding Company Free Cash Flow" and Note 16 of the Notes to the Consolidated Financial Statements included in the 2020 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:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | (In millions) | |
| Long-term debt — unaffiliated | $ 12,852 | $ 13,463 |
| Long-term debt — affiliated (1) | $ 1,937 | $ 2,073 |
| Junior subordinated debt securities | $ 2,463 | $ 2,461 |

(1) In July 2021, ¥53.7 billion 2.9725% senior unsecured notes issued to various subsidiaries matured and were refinanced with the following senior unsecured notes issued to various subsidiaries: (i) ¥13.7 billion 1.610% due July 2026, (ii) ¥14.3 billion 1.755% due July 2028 and (iii) ¥25.7 billion 1.852% due July 2031.

*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 September 30, 2021.

*Dispositions*

For information on the disposition of MetLife P&C, see Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements.

***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 its common stock and certain of its other securities, pay all general operating expenses and meet its cash needs under current market conditions and reasonably possible stress scenarios.

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*

For the nine months ended September 30, 2021 and 2020, MetLife, Inc. invested a net amount of $118 million and $177 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 no outstanding loans to subsidiaries at both September 30, 2021 and December 31, 2020.

*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 for the Company and our investors 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 premiums, fees and other revenues | (i) | premiums, fees and other revenues |
| (ii) | adjusted earnings | (ii) | net income (loss) |
| (iii) | adjusted earnings available to common shareholders | (iii) | net income (loss) available to MetLife, Inc.'s common shareholders |
| (iv) | adjusted net investment income | (iv) | net investment income |

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 "— Results of Operations" and "— Investments." 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 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. For information relating to adjusted revenues and adjusted expenses, see "Financial Measures and Segment Accounting Policies" in Note 2 of the Notes to the Interim Condensed Consolidated Financial Statements.

In addition, adjusted earnings available to common shareholders excludes the impact of preferred stock redemption premium, which is reported as a reduction to net income (loss) available to MetLife, Inc.'s common shareholders.

***Return on equity, allocated equity and related measures:***

- Total MetLife, Inc.'s common stockholders' equity, excluding accumulated other comprehensive income ("AOCI") other than foreign currency translation adjustments ("FCTA"), is defined as total MetLife, Inc.'s common stockholders' equity, excluding the net unrealized investment gains (losses) and defined benefit plans adjustment components of AOCI, net of income tax.
- Adjusted return on MetLife, Inc.'s common stockholders' equity is defined as adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity.
- Adjusted return on MetLife, Inc.'s common stockholders' equity, excluding AOCI other than FCTA, is defined as adjusted earnings available to common shareholders divided by MetLife, Inc.'s average common stockholders' equity, excluding AOCI other than FCTA.
- 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 AOCI other than FCTA.

The above measures represent 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.

***Expense ratio and direct expense ratio:***

- Expense ratio: other expenses, net of capitalization of DAC, divided by premiums, fees and other revenues.
- Direct expense ratio: adjusted direct expenses divided by adjusted premiums, fees and other revenues. Direct expenses are comprised of employee-related costs, third party staffing costs, and general and administrative expenses.
- Direct expense ratio, excluding total notable items related to direct expenses and pension risk transfers: adjusted direct expenses excluding total notable items related to direct expenses, divided by adjusted premiums, fees and other revenues, excluding pension risk transfers.

***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.
- Near-term represents one to three years.
- Notable items reflect the unexpected impact of events that affect the Company's results, but that were unknown and that the Company could not anticipate when it devised its business plan. Notable items also include certain items regardless of the extent anticipated in the business plan, to help investors have a better understanding of MetLife's results and to evaluate and forecast those results. Notable items represent a positive (negative) impact to adjusted earnings available to common shareholders.
- 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.

**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. Our exposure is and will remain elevated due to the COVID-19 Pandemic. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — COVID-19 Pandemic.” 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” included in the 2020 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 September 30, 2021 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 15 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 2020 Annual Report. There have been no material changes to our risk factors from the risk factors previously disclosed in the 2020 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 September 30, 2021 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) |
|---|---|---|---|---|
| July 1 — July 31, 2021 | 4,184,289 | $ 59.15 | 4,184,289 | $ 475,046,1 |
| August 1 — August 31, 2021 | 4,902,860 | $ 61.69 | 4,902,516 | $ 3,172,593,6 |
| September 1 — September 30, 2021 | 7,600,028 | $ 61.18 | 7,600,028 | $ 2,707,594,9 |
| Total | 16,687,177 | | 16,686,833 | |

(1) During the periods July 1 through July 31, 2021, August 1 through August 31, 2021 and September 1 through September 30, 2021, separate account index funds purchased 0 shares, 344 shares and 0 shares, respectively, of MetLife, Inc. common stock on the open market in non-discretionary transactions.

(2) In August 2021, MetLife, Inc. announced that its Board of Directors authorized $3.0 billion of common stock repurchases. At September 30, 2021, MetLife, Inc. had $2.7 billion of common stock repurchases remaining under the authorization. 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" and Note 10 of the Notes to the Interim Condensed Consolidated Financial Statements. See also "Risk Factors — Capital Risks — We May not be Able to Pay Dividends or Repurchase Our Stock Due to Legal and Regulatory Restrictions or Cash Buffer Needs" included in the 2020 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 Furni Herewith** |
| 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.SCH | Inline XBRL Taxonomy Extension Schema Document. | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. | | | | | 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 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101). | | | | | X |

**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: November 8, 2021

**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: November 8, 2021

/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: November 8, 2021

/s/ John D. McCallion

John D. McCallion
Executive Vice President and
Chief Financial Officer

**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 September 30, 2021 (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: November 8, 2021

/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 September 30, 2021 (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: November 8, 2021

/s/ John D. McCallion

John D. McCallion
Executive Vice President and
Chief Financial 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.