METLIFE INC
Form 10-Q
November 03, 2016

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

Form 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016
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, N.Y.	10166-0188
(Address of principal executive offices)	(Zip Code)

(212) 578-9500
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

At October 31, 2016, 1,099,135,417 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

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

Note Regarding Forward-Looking Statements

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

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the global capital and credit markets, which may affect our ability to meet liquidity needs and access capital, including through our credit facilities, generate fee income and market-related revenue and finance statutory reserve requirements and may require us to pledge collateral or make payments related to declines in value of specified assets, including assets supporting risks ceded to certain of our captive reinsurers or hedging arrangements associated with those risks; (3) exposure to global financial and capital market risks, including as a result of the pending withdrawal of the United Kingdom from the European Union, other disruption in Europe and possible withdrawal of one or more countries from the Euro zone; (4) impact on us of comprehensive financial services regulation reform, including potential regulation of MetLife, Inc. as a non-bank systemically important financial institution, or otherwise; (5) numerous rulemaking initiatives required or permitted by the Dodd-Frank Wall Street Reform and Consumer Protection Act which may impact how we conduct our business, including those compelling the liquidation of certain financial institutions; (6) regulatory, legislative or tax changes relating to our insurance, international, or other operations that may affect the cost of, or demand for, our products or services, or increase the cost or administrative burdens of providing benefits to employees; (7) adverse results or other consequences from litigation, arbitration or regulatory investigations; (8) unanticipated developments that could delay, prevent or otherwise adversely affect the separation of Brighthouse Financial; (9) our ability to address difficulties, unforeseen liabilities, asset impairments, or rating agency actions arising from (a) business acquisitions and integrating and managing the growth of such acquired businesses, (b) dispositions of businesses via sale, initial public offering, spin-off or otherwise, including failure to achieve projected operational benefit from such transactions; (c) entry into joint ventures, or (d) legal entity reorganizations; (10) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; including any separated business' incurrence of debt in connection with such a separation; (11) investment losses and defaults, and changes to investment valuations; (12) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (13) impairments of goodwill and realized losses or market value impairments to illiquid assets; (14) defaults on our mortgage loans; (15) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (16) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (17) downgrades in our claims paying ability, financial strength or credit ratings; (18) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (19) availability and effectiveness of reinsurance, hedging or indemnification arrangements, as well as any default or failure of counterparties to perform; (20) differences between actual claims experience and underwriting and reserving assumptions; (21) ineffectiveness of risk management policies and procedures; (22) catastrophe losses; (23) increasing cost and limited market capacity for statutory life insurance reserve financings; (24) heightened competition, including with respect to pricing, entry of new competitors, consolidation of distributors, the development of new products by new and existing competitors, and for personnel; (25) exposure to losses related to variable annuity guarantee benefits, including from significant and sustained downturns or extreme volatility in equity markets, reduced interest rates, unanticipated policyholder behavior, mortality or longevity, and any adjustment for nonperformance risk; (26) legal, regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (27) MetLife, Inc.'s and its subsidiary holding companies' primary reliance, as holding companies, on dividends from its subsidiaries to meet its free cash flow targets and debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (28) the possibility that MetLife, Inc.'s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (29) changes in accounting standards, practices and/or policies; (30) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (31) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (32) difficulties in marketing and distributing products through our distribution channels; (33) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (34) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (35) any failure to protect the confidentiality of client information; (36) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; (37) restrictions, liabilities, losses or indemnification obligations arising from any transitional services or tax arrangements related to the separation of any business, or from the failure of such a separation to qualify for any intended tax-free treatment; and (38) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission.

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

Corporate Information

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

Note Regarding Reliance on Statements in Our Contracts

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

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Part I — Financial Information
Item 1. Financial Statements
MetLife, Inc.
Interim Condensed Consolidated Balance Sheets
September 30, 2016 (Unaudited) and December 31, 2015
(In millions, except share and per share data)

	September 30, 2016	December 31, 2015
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $353,913 and $332,964, respectively; includes $3,533 and $4,277, respectively, relating to variable interest entities)	$ 390,442	$ 351,402
Equity securities available-for-sale, at estimated fair value (cost: $2,838 and $2,997, respectively)	3,289	3,321
Fair value option and trading securities, at estimated fair value (includes $0 and $404, respectively, of actively traded securities; and $9 and $13, respectively, relating to variable interest entities)	14,730	15,024
Mortgage loans (net of valuation allowances of $330 and $318, respectively; includes $143 and $172, respectively, at estimated fair value, relating to variable interest entities; includes $481 and $314, respectively, under the fair value option)	71,156	67,102
Policy loans (includes $0 and $4, respectively, relating to variable interest entities)	11,177	11,258
Real estate and real estate joint ventures (includes $33 and $47, respectively, of real estate held-for-sale)	9,186	8,433
Other limited partnership interests (includes $15 and $27, respectively, relating to variable interest entities)	6,878	7,096
Short-term investments, principally at estimated fair value (includes $0 and $26, respectively, relating to variable interest entities)	11,655	9,299
Other invested assets, principally at estimated fair value (includes $31 and $43, respectively, relating to variable interest entities)	30,278	22,524
Total investments	548,791	495,459
Cash and cash equivalents, principally at estimated fair value (includes $0 and $85, respectively, relating to variable interest entities)	15,883	12,752
Accrued investment income (includes $1 and $23, respectively, relating to variable interest entities)	4,197	3,988
Premiums, reinsurance and other receivables (includes $4 and $21, respectively, relating to variable interest entities)	26,178	22,702
Deferred policy acquisition costs and value of business acquired (includes $0 and $240, respectively, relating to variable interest entities)	24,748	24,130
Current income tax recoverable	—	161
Goodwill	9,592	9,477
Other assets (includes $3 and $148, respectively, relating to variable interest entities)	7,867	7,666
Separate account assets (includes $0 and $1,022, respectively, relating to variable interest entities)	315,648	301,598
Total assets	$ 952,904	$ 877,933
Liabilities and Equity		
Liabilities		
	$ 208,561	$ 191,879

Future policy benefits (includes $0 and $716, respectively, relating to variable interest entities)		
Policyholder account balances (includes $0 and $21, respectively, relating to variable interest entities)	216,192	202,722
Other policy-related balances (includes $0 and $238, respectively, relating to variable interest entities)	14,857	14,255
Policyholder dividends payable	763	720
Policyholder dividend obligation	3,352	1,783
Payables for collateral under securities loaned and other transactions	44,422	36,871
Short-term debt	201	100
Long-term debt (includes $38 and $63, respectively, at estimated fair value, relating to variable interest entities)	16,553	18,023
Collateral financing arrangements	4,084	4,139
Junior subordinated debt securities	3,168	3,194
Current income tax payable	151	—
Deferred income tax liability	14,359	10,592
Other liabilities (includes $0 and $81, respectively, relating to variable interest entities)	32,127	23,561
Separate account liabilities (includes $0 and $1,022, respectively, relating to variable interest entities)	315,648	301,598
Total liabilities	874,438	809,437
Contingencies, Commitments and Guarantees (Note 15)		
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries	—	77
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; $2,100 aggregate liquidation preference	—	—
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,161,994,036 and 1,159,590,766 shares issued, respectively; 1,098,985,931 and 1,098,028,525 shares outstanding, respectively	12	12
Additional paid-in capital	30,797	30,749
Retained earnings	37,054	35,519
Treasury stock, at cost; 63,008,105 and 61,562,241 shares, respectively	(3,172)	(3,102)
Accumulated other comprehensive income (loss)	13,595	4,771
Total MetLife, Inc.'s stockholders' equity	78,286	67,949
Noncontrolling interests	180	470
Total equity	78,466	68,419
Total liabilities and equity	$ 952,904	$ 877,933

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Nine Months Ended September 30, 2016 and 2015 (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Premiums	$10,391	$10,375	$29,501	$28,940
Universal life and investment-type product policy fees	2,296	2,346	6,926	7,174
Net investment income	5,464	3,959	14,910	14,367
Other revenues	366	484	1,340	1,497
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(8)	(43)	(94)	(51)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(6)	16	(12)	4
Other net investment gains (losses)	271	409	644	582
Total net investment gains (losses)	257	382	538	535
Net derivative gains (losses)	(1,051)	485	(1,815)	394
Total revenues	17,723	18,031	51,400	52,907
Expenses				
Policyholder benefits and claims	10,855	10,334	30,807	28,943
Interest credited to policyholder account balances	1,820	647	4,646	3,940
Policyholder dividends	312	354	951	1,024
Goodwill impairment	260	—	260	—
Other expenses	3,928	4,533	11,366	12,665
Total expenses	17,175	15,868	48,030	46,572
Income (loss) before provision for income tax	548	2,163	3,370	6,335
Provision for income tax expense (benefit)	(25)	965	480	1,855
Net income (loss)	573	1,198	2,890	4,480
Less: Net income (loss) attributable to noncontrolling interests	(4)	(5)	2	4
Net income (loss) attributable to MetLife, Inc.	577	1,203	2,888	4,476
Less: Preferred stock dividends	6	6	58	67
Preferred stock repurchase premium	—	—	—	42
Net income (loss) available to MetLife, Inc.'s common shareholders	$571	$1,197	$2,830	$4,367
Comprehensive income (loss)	$(463)	$1,653	$11,809	$760
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	(3)	2	97	42
Comprehensive income (loss) attributable to MetLife, Inc.	$(460)	$1,651	$11,712	$718
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:				
Basic	$0.52	$1.07	$2.57	$3.90
Diluted	$0.51	$1.06	$2.55	$3.86
Cash dividends declared per common share	$0.400	$0.375	$1.175	$1.100

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Nine Months Ended September 30, 2016 and 2015 (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 (1)	Total Equity
Balance at December 31, 2015	$ —	$ 12	$ 30,749	$ 35,519	$ (3,102)	$ 4,771	$ 67,949	$ 470	$ 68,419
Treasury stock acquired in connection with share repurchases					(70)		(70)		(70)
Stock-based compensation			48				48		48
Dividends on preferred stock				(58)			(58)		(58)
Dividends on common stock				(1,295)			(1,295)		(1,295)
Change in equity of noncontrolling interests							—	(387)	(387)
Net income (loss)				2,888			2,888	2	2,890
Other comprehensive income (loss), net of income tax						8,824	8,824	95	8,919
Balance at September 30, 2016	$ —	$ 12	$ 30,797	$ 37,054	$ (3,172)	$ 13,595	$ 78,286	$ 180	$ 78,466

	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 (1)	Total Equity
Balance at December 31, 2014	$ 1	$ 12	$ 30,543	$ 32,020	$ (1,172)	$ 10,649	$ 72,053	$ 507	$ 72,560
Repurchase of preferred stock	(1)		(1,459)				(1,460)		(1,460)
Preferred stock repurchase premium				(42)			(42)		(42)
Preferred stock issuance			1,483				1,483		1,483
Treasury stock acquired in connection with share repurchases					(1,107)		(1,107)		(1,107)
Stock-based compensation			159				159		159
Dividends on preferred stock				(67)			(67)		(67)
Dividends on common stock				(1,234)			(1,234)		(1,234)
							—	(64)	(64)

Change in equity of noncontrolling interests									
Net income (loss)				4,476			4,476	4	4,480
Other comprehensive income (loss), net of income tax						(3,758)	(3,758)	38	(3,720)
Balance at September 30, 2015	$ —	$ 12	$ 30,726	$ 35,153	$ (2,279)	$ 6,891	$ 70,503	$ 485	$ 70,988

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(1) Net income (loss) attributable to noncontrolling interests did not exclude any gains of redeemable noncontrolling interests in partially-owned consolidated subsidiaries at September 30, 2016. Net income (loss) attributable to noncontrolling interests excluded losses of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of less than $1 million at September 30, 2015.

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2016 and 2015 (Unaudited)
(In millions)

	Nine Months Ended September 30, 2016	2015
Net cash provided by (used in) operating activities	$9,183	$9,527
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	101,614	109,308
Equity securities	1,019	478
Mortgage loans	10,518	9,775
Real estate and real estate joint ventures	323	1,644
Other limited partnership interests	1,025	859
Purchases of:		
Fixed maturity securities	(108,418)	(105,128)
Equity securities	(802)	(431)
Mortgage loans	(14,686)	(13,814)
Real estate and real estate joint ventures	(958)	(977)
Other limited partnership interests	(806)	(935)
Cash received in connection with freestanding derivatives	3,258	2,376
Cash paid in connection with freestanding derivatives	(4,317)	(2,887)
Cash received under repurchase agreements (Note 7)	—	199
Cash paid under reverse repurchase agreements (Note 7)	—	(199)
Sales of businesses, net of cash and cash equivalents disposed of $135 and $0, respectively	156	—
Purchases of investments in operating joint ventures	(39)	—
Net change in policy loans	201	10
Net change in short-term investments	(2,232)	(6,644)
Net change in other invested assets	(58)	(350)
Other, net	(384)	(191)
Net cash provided by (used in) investing activities	(14,586)	(6,907)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	65,225	69,383
Withdrawals	(61,145)	(72,940)
Net change in payables for collateral under securities loaned and other transactions	7,227	2,664
Net change in short-term debt	(3)	—
Long-term debt issued	—	1,578
Long-term debt repaid	(1,273)	(1,078)
Collateral financing arrangements repaid	(55)	(44)
Treasury stock acquired in connection with share repurchases	(70)	(1,107)
Preferred stock issued, net of issuance costs	—	1,483
Repurchase of preferred stock	—	(1,460)
Preferred stock repurchase premium	—	(42)
Dividends on preferred stock	(58)	(67)
Dividends on common stock	(1,295)	(1,234)
Other, net	(325)	12

Net cash provided by (used in) financing activities	8,228	(2,852)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	306	(360)
Change in cash and cash equivalents	3,131	(592)
Cash and cash equivalents, beginning of period	12,752	10,808
Cash and cash equivalents, end of period	$15,883	$10,216
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$875	$836
Income tax	$464	$904
Non-cash transactions:		
Fixed maturity securities received in connection with pension risk transfer transactions	$985	$903
Reduction of fixed maturity securities in connection with a reinsurance transaction	$224	$—
Deconsolidation of operating joint venture (Note 7):		
Reduction of fixed maturity securities	$917	$—
Reduction of noncontrolling interests	$373	$—

See accompanying notes to the interim condensed consolidated financial statements.

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

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

Business

"MetLife" and the "Company" refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is a global provider of life insurance, annuities, employee benefits and asset management. In anticipation of the Company's plan to separate a substantial portion of its former Retail segment, as well as certain portions of its former Corporate Benefit Funding segment and Corporate & Other (the "Separation"), in the third quarter of 2016, MetLife reorganized its businesses into six segments: U.S.; Asia; Latin America; Europe, the Middle East and Africa ("EMEA"); MetLife Holdings; and Brighthouse Financial. See Note 2 for further information on the reorganization of the Company's segments in the third quarter of 2016, which was applied retrospectively.

Basis of Presentation

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

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.

Prior to January 1, 2016, certain international subsidiaries had a fiscal year cutoff of November 30th. Accordingly, the Company's interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2015 and the operating results of such subsidiaries for the three months and nine months ended August 31, 2015. Effective January 1, 2016, the Company converted its Japan operations to calendar year-end reporting. The elimination of a one-month reporting lag of a subsidiary is considered a change in accounting principle and requires retrospective application. While the Company believes that eliminating the lag in the reporting of its Japan operations was preferable in order to consistently reflect events, economic conditions and global trends in the financial statements, the Company determined that it was impracticable to apply the effects of the lag elimination to financial reporting periods prior to January 1, 2015. The effect of not retroactively applying this change in accounting, however, was not material to the 2015 or 2016 consolidated financial statements. Therefore, the Company reported the cumulative effect of the change in accounting principle in net income for the three months ended March 31, 2016 and the nine months ended September 30, 2016 and did not retrospectively apply the effects of this change to prior periods. See Note 2.

The Company uses the equity method of accounting for equity securities when it has significant influence or at least 20% interest and for real estate joint ventures and other limited partnership interests ("investees") when it has more than a minor ownership interest or more than a minor influence over the investee's operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee's earnings on a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee's operations.

Reclassifications

Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2016 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.

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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, 2015 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, 2015 (the "2015 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 2015 Annual Report.

Adoption of New Accounting Pronouncement

Effective January 1, 2016, the Company retrospectively adopted new guidance relating to the consolidation of certain entities. The objective of the new standard is to improve targeted areas of the consolidation guidance and to reduce the number of consolidation models. The new consolidation standard provides guidance on how a reporting entity (i) evaluates whether the entity should consolidate limited partnerships and similar entities, (ii) assesses whether the fees paid to a decisionmaker or service provider are variable interests in a VIE, and (iii) assesses the variable interests in a VIE held by related parties of the reporting entity. The new guidance also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The adoption of the new guidance did not impact which entities are consolidated by the Company. The consolidated VIE assets and liabilities and unconsolidated VIE carrying amounts and maximum exposure to loss as of September 30, 2016, disclosed in Note 7, reflect the application of the new guidance.

Future Adoption of New Accounting Pronouncements

In October 2016, the Financial Accounting Standards Board ("FASB") issued new guidance on consolidation evaluation for entities under common control (Accounting Standards Update ("ASU") 2016-17, Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control). The new guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years, and should be applied on a retrospective basis. Early adoption is permitted. The new guidance does not change the characteristics of a primary beneficiary under current GAAP. It changes how a reporting entity evaluates whether it is the primary beneficiary of a VIE by changing how a reporting entity that is a single decisionmaker of a VIE handles indirect interests in the entity held through related parties that are under common control with the reporting entity. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In October 2016, the FASB issued new guidance on tax accounting for intra-entity transfers of assets (ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied on a modified retrospective basis. Early adoption is permitted in the first interim or annual reporting period. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. The new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Also, the guidance eliminates the exception for an intra-entity transfer of an asset other than inventory. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In August 2016, the FASB issued new guidance on cash flow statement presentation (ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments). The new guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years, and should be applied retrospectively to all periods presented. Early adoption is permitted in any interim or annual period. This ASU addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In June 2016, the FASB issued new guidance on measurement of credit losses on financial instruments (ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial

Instruments). The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

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

In March 2016, the FASB issued new guidance on stock compensation (ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-based Payment Accounting. The new guidance is effective for the fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and requires either a modified retrospective, a retrospective or a prospective transition approach depending upon the type of change. Early adoption is permitted in any interim or annual period. The new guidance changes several aspects of the accounting for share-based payment award transactions, including: (i) income tax consequences when awards vest or are settled; (ii) classification of awards as either equity or liabilities due to statutory tax withholding requirements; and (iii) classification on the statement of cash flows. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In February 2016, the FASB issued new guidance on leasing transactions (ASU 2016-02, Leases - Topic 842). The new guidance is effective for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires a modified retrospective transition approach which includes a number of optional practical expedients. Early adoption is permitted. The new guidance requires a lessee to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current guidance, leases would be classified as finance or operating leases. However, unlike current guidance, the new guidance will require both types of leases to be recognized on the balance sheet. Lessor accounting will remain largely unchanged from current guidance except for certain targeted changes. The new guidance will also require new qualitative and quantitative disclosures. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In January 2016, the FASB issued new guidance (ASU 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities) on the recognition and measurement of financial instruments. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the instrument-specific credit risk provision. The new guidance changes the current accounting guidance related to (i) the classification and measurement of certain equity investments, (ii) the presentation of changes in the fair value of financial liabilities measured under the fair value option ("FVO") that are due to instrument-specific credit risk, and (iii) certain disclosures associated with the fair value of financial instruments. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2015, the FASB issued new guidance on short-duration insurance contracts (ASU 2015-09, Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts). The amendments in this new guidance are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The new guidance should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing, and frequency of claims. The adoption will not have an impact on the Company's consolidated financial statements other than expanded disclosures in Note 4.

In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014-09, Revenue from Contracts with Customers (Topic 606)), effective for fiscal years beginning after December 15, 2016 and interim periods within those years and should be applied retrospectively. In August 2015, the FASB amended the guidance to defer the effective date by one year, effective for the fiscal years beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

2. Segment Information

In anticipation of the Separation, in the third quarter of 2016, MetLife reorganized its businesses into six segments: U.S.; Asia; Latin America; EMEA; MetLife Holdings; and Brighthouse Financial. In addition, the Company reports certain of its results of operations in Corporate & Other. These changes were applied retrospectively and did not have an impact on total consolidated net income (loss) or operating earnings in the prior periods.

On January 12, 2016, MetLife, Inc. announced its plan to pursue the Separation. Additionally, on July 21, 2016, MetLife, Inc. announced that following the Separation, the separated business will be rebranded as "Brighthouse Financial." On October 5, 2016, Brighthouse Financial, Inc., a subsidiary of MetLife, Inc. ("Brighthouse"), filed a registration statement on Form 10 (the "Form 10") with the U.S. Securities and Exchange Commission ("SEC"). The information statement filed as an exhibit to the Form 10, disclosed that the Company intends to include MetLife Insurance Company USA ("MetLife USA"), New England Life Insurance Company ("NELICO"), First MetLife Investors Insurance Company ("FMLI"), MetLife Advisers, LLC and certain captive reinsurance companies in the proposed separated business and distribute at least 80.1% of the shares of Brighthouse's common stock on a pro rata basis to the holders of MetLife, Inc. common stock.

The ultimate form and timing of the Separation will be influenced by a number of factors, including regulatory considerations and economic conditions. MetLife continues to evaluate and pursue structural alternatives for the proposed Separation. The Separation remains subject to certain conditions, including among others, obtaining final approval from the MetLife, Inc. Board of Directors, receipt of a favorable ruling from the Internal Revenue Service and an opinion from MetLife's tax advisor regarding certain U.S. federal income tax matters, and an SEC declaration of the effectiveness of the Form 10.

This re-segmentation resulted in a $296 million, net of income tax, charge to earnings in the current period, all in the Brighthouse Financial segment, driven by the segment's variable and universal life products. This charge is the direct result of the Company, beginning in the third quarter, no longer being able to aggregate, for loss recognition testing, the variable and universal life products of Brighthouse Financial with the variable and universal life products remaining with MetLife Holdings. Of this amount, the Company recorded $254 million, net of income tax, as a one-time charge, which was mostly recognized as a write-off of deferred policy acquisition costs ("DAC"), with the remaining $42 million, net of income tax, recognized as an increase in insurance-related liabilities.

U.S.

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

- The Group Benefits business offers insurance products and services which include life, dental, group short- and long-term disability, individual disability, accidental death and dismemberment, critical illness, vision and accident & health coverages, as well as prepaid legal plans. This business also sells administrative services-only arrangements to some employers.
- The Retirement & Income Solutions business offers a broad range of annuity and investment products, including guaranteed interest contracts and other stable value products, income annuities and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This business also includes structured settlements and certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance nonqualified benefit programs for executives.
- The Property & Casualty business offers personal and commercial lines property and casualty insurance, including private passenger automobile, homeowners' and personal excess liability insurance. In addition, Property & Casualty offers small business owners property, liability and business interruption insurance.

Asia

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

Latin America

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

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EMEA

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

MetLife Holdings

The MetLife Holdings segment consists of operations relating to products and businesses no longer actively marketed by the Company in the U.S. These products and businesses include variable life, universal life, term life, whole life, variable annuities, fixed annuities and index-linked annuities. The MetLife Holdings segment also includes the Company's discontinued long-term care businesses and the assumed reinsurance of certain variable annuity products from the Company's former operating joint venture in Japan.

Brighthouse Financial

The Brighthouse Financial segment offers a broad range of products and services which include variable annuities, fixed annuities, index-linked annuities, income annuities, term life, whole life, universal life and variable life, as well as certain run-off businesses. These products and services, which exclude the run-off businesses, are actively marketed through various third party retail distribution channels in the U.S.

Corporate & Other

Corporate & Other contains the excess capital, as well as certain charges and activities, not allocated to the segments, including external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges and various start-up businesses (including expatriate benefits insurance and the investment management business through which the Company offers fee-based investment management services to institutional clients, as well as the direct to consumer portion of the U.S. Direct business). Additionally, Corporate & Other includes interest expense related to the majority of the Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate & Other also includes the elimination of intersegment amounts, which generally relate to affiliated reinsurance and intersegment loans, which bear interest rates commensurate with related borrowings.

Financial Measures and Segment Accounting Policies

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

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

The financial measures of operating revenues and operating 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 divested businesses and certain entities required to be consolidated under GAAP. Also, these measures exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. In addition, for the three months ended March 31, 2016 and the nine months ended September 30, 2016, operating revenues and operating expenses exclude the financial impact of converting the Company's Japan operations to calendar year-end reporting without retrospective application of this change to prior periods and is referred to as lag elimination. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

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

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

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees");
- Net investment income: (i) includes investment hedge adjustments which represent 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 operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iii) excludes certain amounts related to contractholder-directed unit-linked investments and (iv) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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

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

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

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, 2016 and 2015. The segment accounting policies are the same as those used to prepare the Company's consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below, with the exception of the Brighthouse Financial segment, for which equity is reflective of the historical equity of the legal entities which comprise Brighthouse and related companies, which will be eliminated upon Separation. The Brighthouse Financial segment equity is not indicative of Brighthouse and related companies' equity on a combined standalone basis.

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

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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, with the exception of the Brighthouse Financial segment, 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 operating earnings. As noted above, the Brighthouse Financial segment’s net investment income represents that of the legal entities which comprise Brighthouse and related companies on a historical basis, however, may not be indicative of that on a combined standalone basis.

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

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

Three Months Ended September 30, 2016	Operating Results									
	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Brighthouse Financial	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)									
Revenues										
Premiums	$5,936	$1,822	$653	$500	$1,093	$347	$40	$10,391	$ —	$10,391
Universal life and investment-type product policy fees	245	394	227	104	357	903	(31)	2,199	97	2,296
Net investment income	1,590	707	311	81	1,537	941	(7)	5,160	304	5,464
Other revenues	192	12	11	17	105	50	(28)	359	7	366
Net investment gains (losses)	—	—	—	—	—	—	—	—	257	257
Net derivative gains (losses)	—	—	—	—	—	—	—	—	(1,051)	(1,051)
Total revenues	7,963	2,935	1,202	702	3,092	2,241	(26)	18,109	(386)	17,723
Expenses										
Policyholder benefits and claims and policyholder dividends	5,894	1,363	681	257	1,853	814	10	10,872	295	11,167
Interest credited to policyholder account balances	322	331	85	28	261	288	—	1,315	505	1,820
Goodwill impairment	—	—	—	—	—	—	—	—	260	260
Capitalization of DAC	(124)	(440)	(83)	(103)	(44)	(70)	1	(863)	—	(863)
Amortization of DAC and VOBA	117	331	(2)	106	219	509	2	1,282	(265)	1,017
Amortization of negative VOBA	—	(46)	(1)	(3)	—	—	—	(50)	(5)	(55)
Interest expense on debt	2	—	1	—	15	32	241	291	1	292
Other expenses	912	930	335	332	401	560	(3)	3,467	70	3,537
Total expenses	7,123	2,469	1,016	617	2,705	2,133	251	16,314	861	17,175
Provision for income tax expense (benefit)	288	142	53	11	121	40	(287)	368	(393)	(25)
Operating earnings	$552	$324	$133	$74	$266	$68	$10	1,427		
Adjustments to:										
Total revenues								(386)		
Total expenses								(861)		
Provision for income tax (expense) benefit								393		
Net income (loss)								$573		$573

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

Three Months Ended September 30, 2015	Operating Results									
	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Brighthouse Financial	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)									
Revenues										
Premiums	$6,023	$1,736	$586	$501	$1,115	$468	$(53)	$10,376	$(1)	$10,375
Universal life and investment-type product policy fees	233	382	261	106	370	921	(26)	2,247	99	2,346
Net investment income	1,522	670	277	82	1,521	862	(85)	4,849	(890)	3,959
Other revenues	184	26	10	11	223	99	(58)	495	(11)	484
Net investment gains (losses)	—	—	—	—	—	—	—	—	382	382
Net derivative gains (losses)	—	—	—	—	—	—	—	—	485	485
Total revenues	7,962	2,814	1,134	700	3,229	2,350	(222)	17,967	64	18,031
Expenses										
Policyholder benefits and claims and policyholder dividends	5,976	1,331	581	233	1,885	846	(72)	10,780	(92)	10,688
Interest credited to policyholder account balances	304	327	88	27	266	313	6	1,331	(684)	647
Goodwill impairment	—	—	—	—	—	—	—	—	—	—
Capitalization of DAC	(128)	(435)	(81)	(107)	(101)	(102)	(1)	(955)	—	(955)
Amortization of DAC and VOBA	118	309	48	127	173	197	(1)	971	160	1,131
Amortization of negative VOBA	—	(77)	—	(5)	—	—	—	(82)	(8)	(90)
Interest expense on debt	1	—	—	—	13	32	248	294	8	302
Other expenses	908	896	348	352	647	614	361	4,126	19	4,145
Total expenses	7,179	2,351	984	627	2,883	1,900	541	16,465	(597)	15,868
Provision for income tax expense (benefit)	272	125	(33)	7	103	103	214	791	174	965
Operating earnings	$511	$338	$183	$66	$243	$347	$(977)	711		
Adjustments to:										
Total revenues								64		
Total expenses								597		
Provision for income tax (expense) benefit								(174)		
Net income (loss)								$1,198		$1,198

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

Nine Months Ended September 30, 2016	Operating Results U.S.	Asia	Latin America	EMEA	MetLife Holdings	Brighthouse Financial	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)									
Revenues										
Premiums	$16,127	$5,161	$1,885	$1,519	$3,312	$1,020	$51	$29,075	$426	$29,501
Universal life and investment-type product policy fees	743	1,114	764	294	1,073	2,622	(87)	6,523	403	6,926
Net investment income	4,615	2,003	809	244	4,489	2,624	(37)	14,747	163	14,910
Other revenues	589	45	26	56	512	482	(380)	1,330	10	1,340
Net investment gains (losses)	—	—	—	—	—	—	—	—	538	538
Net derivative gains (losses)	—	—	—	—	—	—	—	—	(1,815)	(1,815)
Total revenues	22,074	8,323	3,484	2,113	9,386	6,748	(453)	51,675	(275)	51,400
Expenses										
Policyholder benefits and claims and policyholder dividends	16,210	3,923	1,814	801	5,603	2,525	(26)	30,850	908	31,758
Interest credited to policyholder account balances	967	974	249	87	780	868	5	3,930	716	4,646
Goodwill impairment	—	—	—	—	—	—	—	—	260	260
Capitalization of DAC	(356)	(1,251)	(236)	(310)	(240)	(255)	(6)	(2,654)	(105)	(2,759)
Amortization of DAC and VOBA	353	921	127	311	636	823	7	3,178	(1,045)	2,133
Amortization of negative VOBA	—	(167)	(1)	(10)	—	—	—	(178)	(43)	(221)
Interest expense on debt	7	—	1	—	43	96	759	906	4	910
Other expenses	2,772	2,658	968	1,001	1,861	1,739	(163)	10,836	467	11,303
Total expenses	19,953	7,058	2,922	1,880	8,683	5,796	576	46,868	1,162	48,030
Provision for income tax expense (benefit)	720	377	141	32	203	260	(658)	1,075	(595)	480
Operating earnings	$1,401	$888	$421	$201	$500	$692	$(371)	3,732		
Adjustments to:										
Total revenues								(275)		
Total expenses								(1,162)		
Provision for income tax (expense) benefit								595		
Net income (loss)								$2,890		$2,890

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MetLife, Inc.

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

2. Segment Information (continued)

Nine Months Ended September 30, 2015	Operating Results U.S.	Asia	Latin America	EMEA	MetLife Holdings	Brighthouse Financial	Corporate & Other	Total	Adjustments	Total Consolid
	(In millions)									
Revenues										
Premiums	$15,712	$5,297	$1,925	$1,534	$3,345	$1,159	$(30)	$28,942	$(2)	$28,940
Universal life and investment-type product policy fees	700	1,179	856	322	1,117	2,789	(87)	6,876	298	7,174
Net investment income	4,723	2,033	774	249	4,690	2,536	11	15,016	(649)	14,367
Other revenues	567	82	27	40	711	310	(212)	1,525	(28)	1,497
Net investment gains (losses)	—	—	—	—	—	—	—	—	535	535
Net derivative gains (losses)	—	—	—	—	—	—	—	—	394	394
Total revenues	21,702	8,591	3,582	2,145	9,863	6,794	(318)	52,359	548	52,907
Expenses										
Policyholder benefits and claims and policyholder dividends	15,675	4,046	1,793	737	5,479	2,103	(103)	29,730	237	29,967
Interest credited to policyholder account balances	905	992	263	91	793	940	20	4,004	(64)	3,940
Goodwill impairment	—	—	—	—	—	—	—	—	—	—
Capitalization of DAC	(365)	(1,268)	(246)	(372)	(292)	(305)	(2)	(2,850)	—	(2,850)
Amortization of DAC and VOBA	352	971	195	388	423	595	1	2,925	128	3,053
Amortization of negative VOBA	—	(241)	(1)	(13)	—	—	—	(255)	(27)	(282)
Interest expense on debt	4	—	—	—	41	96	757	898	10	908
Other expenses	2,740	2,669	1,070	1,103	1,988	1,830	408	11,808	28	11,836
Total expenses	19,311	7,169	3,074	1,934	8,432	5,259	1,081	46,260	312	46,572
Provision for income tax expense (benefit)	819	332	40	25	454	410	(156)	1,924	(69)	1,855
Operating earnings	$1,572	$1,090	$468	$186	$977	$1,125	$(1,243)	4,175		
Adjustments to:										
Total revenues								548		
Total expenses								(312)		
Provision for income tax (expense) benefit								69		
Net income (loss)								$4,480		$4,480

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

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

	September 30, 2016	December 31, 2015
	(In millions)	
U.S.	$257,943	$237,858
Asia	133,881	113,895
Latin America	70,421	64,808
EMEA	27,764	26,767
MetLife Holdings	195,267	187,677
Brighthouse Financial	240,696	226,792
Corporate & Other	26,932	20,136
Total	$952,904	$877,933

3. Disposition
In July 2016, MetLife, Inc. completed the sale to Massachusetts Mutual Life Insurance Company ("MassMutual") of its U.S. retail advisor force and certain assets associated with the MetLife Premier Client Group, including all of the issued and outstanding shares of MetLife's affiliated broker-dealer, MetLife Securities, Inc. ("MSI"), a wholly-owned subsidiary of MetLife, Inc. (collectively, the "U.S. Retail Advisor Force Divestiture") for $291 million. MassMutual assumed all of the liabilities related to such assets that arise or occur after the closing of the sale. The Company recorded a gain of $103 million ($58 million, net of income tax), in net investment gains (losses) for the three months and nine months ended September 30, 2016. See Notes 9 and 13 for discussion of certain charges related to the sale.
4. Insurance
Insurance Liabilities
Insurance liabilities are comprised of future policy benefits, policyholder account balances and other policy-related balances. Information regarding insurance liabilities by segment, as well as Corporate & Other, was as follows at:

	September 30, 2016	December 31, 2015
	(In millions)	
U.S.	$129,448	$ 123,060
Asia	96,648	83,510
Latin America	15,228	14,022
EMEA	19,206	19,009
MetLife Holdings	105,995	102,853
Brighthouse Financial	79,241	71,853
Corporate & Other	(6,156)	(5,451)
Total	$439,610	$ 408,856

Guarantees
As discussed in Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in the 2015 Annual Report, the Company issues directly and assumes through reinsurance variable annuity products with guaranteed minimum benefits. Guaranteed minimum accumulation benefits ("GMABs") and the portions of both non-life-contingent guaranteed minimum withdrawal benefits ("GMWBs") and the GMIBs that do not require annuitization are accounted for as embedded derivatives in policyholder account balances and are further discussed in Note 8.

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

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

	September 30, 2016		December 31, 2015	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(Dollars in millions)			
Annuity Contracts (1):				
Variable Annuity Guarantees:				
Total account value (2), (3)	$183,010	$ 92,187	$181,413	$ 91,240
Separate account value	$153,486	$ 88,546	$151,901	$ 87,841
Net amount at risk (2)	$8,157 (4)	$ 4,663 (5)	$10,339 (4)	$ 2,762 (5)
Average attained age of contractholders	66 years	66 years	66 years	66 years
Other Annuity Guarantees:				
Total account value (3)	N/A	$ 1,600	N/A	$ 1,560
Net amount at risk	N/A	$ 576 (6)	N/A	$ 422 (6)
Average attained age of contractholders	N/A	50 years	N/A	51 years

	September 30, 2016		December 31, 2015	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(Dollars in millions)			
Universal and Variable Life Contracts (1):				
Total account value (3)	$17,640	$ 3,365	$17,211	$ 3,461
Net amount at risk (7)	$176,066	$ 18,068	$175,958	$ 19,047
Average attained age of policyholders	57 years	62 years	57 years	62 years

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

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

(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.

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

(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.

5. Deferred Policy Acquisition Costs and Value of Business Acquired

Information regarding total DAC and VOBA by segment, as well as Corporate & Other, was as follows at:

	September 30, 2016	December 31, 2015
	(In millions)	
U.S.	$618	$ 615
Asia	9,148	8,374
Latin America	1,846	1,753
EMEA	1,554	1,532
MetLife Holdings	4,962	5,436
Brighthouse Financial	6,589	6,390
Corporate & Other	31	30
Total	$24,748	$ 24,130

6. 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.

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

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

	September 30, 2016	December 31, 2015
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$40,840	$41,278
Other policy-related balances	256	249
Policyholder dividends payable	506	468
Policyholder dividend obligation	3,352	1,783
Current income tax payable	8	—
Other liabilities	601	380
Total closed block liabilities	45,563	44,158
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	29,194	27,556
Equity securities available-for-sale, at estimated fair value	107	111
Mortgage loans	5,739	6,022
Policy loans	4,553	4,642
Real estate and real estate joint ventures	672	462
Other invested assets	1,233	1,066
Total investments	41,498	39,859
Cash and cash equivalents	72	236
Accrued investment income	482	474
Premiums, reinsurance and other receivables	65	56
Current income tax recoverable	—	11
Deferred income tax assets	195	234
Total assets designated to the closed block	42,312	40,870
Excess of closed block liabilities over assets designated to the closed block	3,251	3,288
Amounts included in accumulated other comprehensive income (loss) (“AOCI”)		
Unrealized investment gains (losses), net of income tax	2,452	1,382
Unrealized gains (losses) on derivatives, net of income tax	88	76
Allocated to policyholder dividend obligation, net of income tax	(2,179)	(1,159)
Total amounts included in AOCI	361	299
Maximum future earnings to be recognized from closed block assets and liabilities	$3,612	$3,587

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

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
	(In millions)	
Balance, beginning of period	$1,783	$ 3,155
Change in unrealized investment and derivative gains (losses)	1,569	(1,372)
Balance, end of period	$3,352	$ 1,783

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In millions)			
Revenues				
Premiums	$436	$447	$1,297	$1,334
Net investment income	486	487	1,435	1,500
Net investment gains (losses)	(3)	(9)	(19)	(8)
Net derivative gains (losses)	4	13	(3)	25
Total revenues	923	938	2,710	2,851
Expenses				
Policyholder benefits and claims	619	635	1,861	1,886
Policyholder dividends	232	273	723	757
Other expenses	33	36	100	109
Total expenses	884	944	2,684	2,752
Revenues, net of expenses before provision for income tax expense (benefit)	39	(6)	26	99
Provision for income tax expense (benefit)	13	(1)	8	36
Revenues, net of expenses and provision for income tax expense (benefit)	$26	$(5)	$18	$63

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

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

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

	September 30, 2016					December 31, 2015				
	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities:										
U.S. corporate	$95,808	$10,589	$ 721	$—	$105,676	$96,466	$6,583	$ 2,255	$—	$100,794
U.S. government and agency	60,340	9,491	46	—	69,785	56,499	5,373	226	—	61,646
Foreign corporate	57,423	4,264	1,268	—	60,419	56,003	3,019	1,822	2	57,198
Foreign government	54,425	9,479	139	—	63,765	45,451	5,269	221	—	50,499
RMBS	43,838	1,788	310	7	45,309	37,914	1,366	424	59	38,797
State and political subdivision	14,539	2,939	11	4	17,463	13,723	1,795	67	10	15,441
ABS	15,685	122	220	3	15,584	14,498	131	229	6	14,394
CMBS (1)	11,855	662	77	(1)	12,441	12,410	347	125	(1)	12,633
Total fixed maturity securities	$353,913	$39,334	$ 2,792	$ 13	$390,442	$332,964	$23,883	$ 5,369	$ 76	$351,402
Equity securities:										
Common stock	$2,000	$449	$ 14	$—	$2,435	$1,962	$397	$ 107	$—	$2,252
Non-redeemable preferred stock	838	63	47	—	854	1,035	85	51	—	1,069
Total equity securities	$2,838	$512	$ 61	$—	$3,289	$2,997	$482	$ 158	$—	$3,321

(1) The noncredit loss component of other-than-temporary impairment ("OTTI") losses for CMBS was in an unrealized gain position of $1 million at both September 30, 2016 and December 31, 2015 due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also "— Net Unrealized Investment Gains (Losses)."

The Company held non-income producing fixed maturity securities with an estimated fair value of $44 million and $54 million with unrealized gains (losses) of ($5) million and $12 million at September 30, 2016 and December 31, 2015, respectively.
Maturities of Fixed Maturity Securities
The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at September 30, 2016:

	Due in One Year or Less	Due After One Year	Due After Five Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities

		Through Five Years	Through Ten Years			
	(In millions)					
Amortized cost	$15,378	$77,046	$72,056	$118,055	$71,378	$353,913
Estimated fair value	$15,464	$81,187	$76,987	$143,470	$73,334	$390,442

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

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

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

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

	September 30, 2016				December 31, 2015			
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(Dollars in millions)							
Fixed maturity securities:								
U.S. corporate	$5,559	$ 274	$4,612	$ 447	$27,526	$ 1,629	$3,762	$ 626
U.S. government and agency	6,305	24	164	22	19,628	222	298	4
Foreign corporate	6,781	404	6,112	864	14,447	911	5,251	913
Foreign government	2,136	75	851	64	3,530	166	429	55
RMBS	5,692	127	3,259	190	13,467	287	2,431	196
State and political subdivision	321	5	79	10	1,618	55	168	22
ABS	2,084	105	3,476	118	7,329	124	2,823	111
CMBS	701	34	791	42	4,876	81	637	43
Total fixed maturity securities	$29,579	$ 1,048	$19,344	$ 1,757	$92,421	$ 3,475	$15,799	$ 1,970
Equity securities:								
Common stock	$102	$ 14	$5	$ —	$203	$ 105	$20	$ 2
Non-redeemable preferred stock	49	3	163	44	79	2	200	49
Total equity securities	$151	$ 17	$168	$ 44	$282	$ 107	$220	$ 51
Total number of securities in an unrealized loss position	2,579		1,871		6,366		1,489	

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

As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2015 Annual Report, the Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity securities and perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-than-temporarily impaired.

Current Period Evaluation

Based on the Company’s current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company’s current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company concluded that these securities were not other-than-temporarily impaired at September 30, 2016. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities decreased $2.6 billion during the nine months ended September 30, 2016 to $2.8 billion. The decrease in gross unrealized losses for the nine months ended September 30, 2016 was primarily attributable to a decrease in interest rates and, to a lesser extent, narrowing credit spreads.

At September 30, 2016, $321 million of the total $2.8 billion of gross unrealized losses were from 74 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

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

Investment Grade Fixed Maturity Securities

Of the $321 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $199 million, or 62%, were related to gross unrealized losses on 35 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the $321 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $122 million, or 38%, were related to gross unrealized losses on 39 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to U.S. and foreign corporate securities (primarily industrial securities) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over lower oil prices in the energy sector. Management evaluates U.S. and foreign corporate securities based on factors such as expected cash flows and the financial condition and near-term and long-term prospects of the issuers.

Equity Securities

Gross unrealized losses on equity securities decreased $97 million during the nine months ended September 30, 2016 to $61 million. Of the $61 million, $38 million were from six securities with gross unrealized losses of 20% or more of cost for 12 months or greater. Of the $38 million, 61% were rated A or better, and all were from financial services industry investment grade non-redeemable preferred stock.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	September 30, 2016		December 31, 2015	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Mortgage loans:				
Commercial	$45,801	64.4 %	$44,012	65.6 %
Agricultural	14,141	19.9	13,188	19.6
Residential	10,920	15.3	9,734	14.5
Subtotal (1)	70,862	99.6	66,934	99.7
Valuation allowances	(330)	(0.5)	(318)	(0.5)
Subtotal mortgage loans, net	70,532	99.1	66,616	99.2
Residential — FVO	481	0.7	314	0.5
Commercial mortgage loans held by CSEs — FVO	143	0.2	172	0.3
Total mortgage loans, net	$71,156	100.0 %	$67,102	100.0 %

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(1) Purchases of mortgage loans were $856 million and $2.3 billion for the three months and nine months ended September 30, 2016, respectively, and $1.0 billion and $3.2 billion for the three months and nine months ended September 30, 2015, respectively.

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

Information on commercial, agricultural and residential mortgage loans is presented in the tables below. Information on residential — FVO and commercial mortgage loans held by CSEs — FVO is presented in Note 9. The Company elects the FVO for certain mortgage loans and related long-term debt that are managed on a total return basis.

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

Mortgage Loans, Valuation Allowance and Impaired Loans by Portfolio Segment

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

	Evaluated Individually for Credit Losses					Evaluated Collectively for Credit Losses		Impaired Loans
	Impaired Loans with a Valuation Allowance			Impaired Loans without a Valuation Allowance				
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Unpaid Principal Balance	Recorded Investment	Recorded Investment	Valuation Allowances	Carrying Value
	(In millions)							
September 30, 2016								
Commercial	$—	$ —	$ —	$12	$ 12	$45,789	$ 227	$ 12
Agricultural	16	13	1	39	38	14,090	42	50
Residential	—	—	—	236	215	10,705	60	215
Total	$16	$ 13	$ 1	$287	$ 265	$70,584	$ 329	$ 277
December 31, 2015								
Commercial	$—	$ —	$ —	$57	$ 57	$43,955	$ 217	$ 57
Agricultural	49	47	3	22	21	13,120	39	65
Residential	—	—	—	141	131	9,603	59	131
Total	$49	$ 47	$ 3	$220	$ 209	$66,678	$ 315	$ 253

The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $90 million, $52 million and $202 million, respectively, for the three months ended September 30, 2016; and $109 million, $56 million and $174 million, respectively, for the nine months ended September 30, 2016. The average recorded investment for impaired commercial, agricultural and residential mortgage loans was $118 million, $62 million and $96 million, respectively, for the three months ended September 30, 2015; and $144 million, $62 million and $72 million, respectively, for the nine months ended September 30, 2015.

Valuation Allowance Rollforward by Portfolio Segment

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

	Nine Months Ended September 30,							
	2016				2015			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Balance, beginning of period	$217	$ 42	$ 59	$318	$224	$ 39	$ 42	$305
Provision (release) (1)	153	3	13	169	3	2	27	32
Charge-offs, net of recoveries (1)	(143)	(2)	(12)	(157)	(12)	—	(14)	(26)
Balance, end of period	$227	$ 43	$ 60	$330	$215	$ 41	$ 55	$311

(1) In connection with an acquisition in 2010, certain impaired commercial mortgage loans were acquired and accordingly, were not originated by the Company. Such commercial mortgage loans have been accounted for as purchased credit impaired (“PCI”) commercial mortgage loans. As explained in Note 8 of the Notes to Consolidated

Financial Statements included in the 2015 Annual Report, decreases in cash flows expected to be collected on PCI commercial mortgage loans can result in provisions for losses on mortgage loan. For the nine months ended September 30, 2016, in connection with the maturity of an acquired PCI commercial mortgage loan, an increase to the commercial mortgage loan valuation allowance of $143 million was recorded and charged-off upon maturity. The Company will recover a substantial portion of the loss on the loan incurred through an indemnification agreement entered into in connection with the acquisition in 2010.

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

Credit Quality of Commercial Mortgage Loans

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

	Recorded Investment					Estimated Fair Value	% of Total
	Debt Service Coverage Ratios				% of Total		
	> 1.20x	1.00x - 1.20x	< 1.00x	Total			
	(Dollars in millions)						
September 30, 2016							
Loan-to-value ratios:							
Less than 65%	$41,391	$ 879	$675	$42,945	93.8 %	$ 44,770	93.9 %
65% to 75%	2,194	39	298	2,531	5.5	2,563	5.4
76% to 80%	42	—	—	42	0.1	40	0.1
Greater than 80%	143	53	87	283	0.6	299	0.6
Total	$43,770	$ 971	$1,060	$45,801	100 %	$ 47,672	100 %
December 31, 2015							
Loan-to-value ratios:							
Less than 65%	$38,163	$ 1,063	$544	$39,770	90.4 %	$ 40,921	90.7 %
65% to 75%	3,270	138	76	3,484	7.9	3,451	7.7
76% to 80%	—	—	—	—	—	—	—
Greater than 80%	381	140	237	758	1.7	732	1.6
Total	$41,814	$ 1,341	$857	$44,012	100.0%	$ 45,104	100.0%

Credit Quality of Agricultural Mortgage Loans

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

	September 30, 2016		December 31, 2015	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Loan-to-value ratios:				
Less than 65%	$13,543	95.8 %	$12,399	94.0 %
65% to 75%	532	3.8	710	5.4
76% to 80%	20	0.1	21	0.2
Greater than 80%	46	0.3	58	0.4
Total	$14,141	100.0%	$13,188	100.0%

The estimated fair value of agricultural mortgage loans was $14.6 billion and $13.5 billion at September 30, 2016 and December 31, 2015, respectively.

Credit Quality of Residential Mortgage Loans

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

	September 30, 2016		December 31, 2015	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(Dollars in millions)			
Performance indicators:				
Performing	$10,587	97.0 %	$9,408	96.7 %
Nonperforming	333	3.0	326	3.3
Total	$10,920	100.0%	$9,734	100.0%

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

The estimated fair value of residential mortgage loans was $11.4 billion and $9.9 billion at September 30, 2016 and December 31, 2015, respectively.

Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both September 30, 2016 and December 31, 2015. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due and accrual status of mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Nonaccrual Status	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(In millions)			
Commercial	$—	$ 2	$—	$ —
Agricultural	144	103	39	46
Residential	333	326	322	318
Total	$477	$ 431	$361	$ 364

Mortgage Loans Modified in a Troubled Debt Restructuring

During both the three months and nine months ended September 30, 2016 and 2015, the Company did not have a significant amount of mortgage loans modified in a troubled debt restructuring.

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $7.3 billion and $7.5 billion at September 30, 2016 and December 31, 2015, respectively.

Net Unrealized Investment Gains (Losses)

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

	September 30, 2016	December 31, 2015
	(In millions)	
Fixed maturity securities	$36,444	$ 18,164
Fixed maturity securities with noncredit OTTI losses included in AOCI	(13)	(76)
Total fixed maturity securities	36,431	18,088
Equity securities	579	422
Derivatives	3,648	2,350
Other	397	287
Subtotal	41,055	21,147
Amounts allocated from:		
Future policy benefits	(5,571)	(163)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(2)	—
DAC, VOBA and DSI	(2,390)	(1,273)
Policyholder dividend obligation	(3,352)	(1,783)
Subtotal	(11,315)	(3,219)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	7	27
Deferred income tax benefit (expense)	(10,078)	(6,151)

Net unrealized investment gains (losses)	19,669	11,804
Net unrealized investment gains (losses) attributable to noncontrolling interests	(12)	(31)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 19,657	$ 11,773

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

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
	(In millions)	
Balance, beginning of period	$ (76)	$ (112)
Noncredit OTTI losses and subsequent changes recognized	12	6
Securities sold with previous noncredit OTTI loss	34	125
Subsequent changes in estimated fair value	17	(95)
Balance, end of period	$ (13)	$ (76)

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

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

	Nine Months Ended September 30, 2016
	(In millions)
Balance, beginning of period	$ 11,773
Fixed maturity securities on which noncredit OTTI losses have been recognized	63
Unrealized investment gains (losses) during the period	19,845
Unrealized investment gains (losses) relating to:	
Future policy benefits	(5,408)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(2)
DAC, VOBA and DSI	(1,117)
Policyholder dividend obligation	(1,569)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(20)
Deferred income tax benefit (expense)	(3,927)
Net unrealized investment gains (losses)	19,638
Net unrealized investment gains (losses) attributable to noncontrolling interests	19
Balance, end of period	$ 19,657
Change in net unrealized investment gains (losses)	$ 7,865
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	19
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 7,884

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company's equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of $29.4 billion and $20.9 billion at September 30, 2016 and December 31, 2015, respectively. The Company's investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan, including Japan government and agency fixed maturity securities, was $33.8 billion and $25.4 billion at September 30, 2016 and December 31, 2015, respectively.

Securities Lending

Elements of the securities lending program are presented below at:

	September 30, 2016	December 31, 2015
	(In millions)	
Securities on loan: (1)		
Amortized cost	$26,855	$ 27,223
Estimated fair value	$31,326	$ 29,646
Cash collateral on deposit from counterparties (2)	$32,119	$ 30,197
Security collateral on deposit from counterparties (3)	$134	$ 50
Reinvestment portfolio — estimated fair value	$32,454	$ 30,258

(1) Included within fixed maturity securities, cash equivalents and short-term investments. At September 30, 2016, both amortized cost and estimated fair value also included $114 million, at estimated fair value, of securities which are not reflected on the consolidated financial statements.
(2) Included within payables for collateral under securities loaned and other transactions.
(3)

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

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MetLife, Inc.

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

7. Investments (continued)

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

	September 30, 2016 Remaining Tenor of Securities Lending Agreements				December 31, 2015 Remaining Tenor of Securities Lending Agreements			
	Open (1)	1 Month or Less	1 to 6 Months	Total	Open (1)	1 Month or Less	1 to 6 Months	Total
	(In millions)							
Cash collateral liability by loaned security type:								
U.S. government and agency	$8,362	$10,162	$11,090	$29,614	$10,116	$11,157	$5,986	$27,259
Agency RMBS	—	—	1,196	1,196	—	951	600	1,551
Foreign government	—	836	50	886	2	510	486	998
U.S. corporate	1	391	—	392	9	380	—	389
Foreign corporate	—	31	—	31	—	—	—	—
Total	$8,363	$11,420	$12,336	$32,119	$10,127	$12,998	$7,072	$30,197

(1) The related loaned security could be returned to the Company on the next business day which would require the Company to immediately return the cash collateral.

If the Company is required to return significant amounts of cash collateral on short notice and is forced to sell securities to meet the return obligation, it may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than what otherwise would have been realized under normal market conditions, or both. The estimated fair value of the securities on loan related to the cash collateral on open at September 30, 2016 was $8.1 billion, over 99% of which were U.S. government and agency securities which, if put back to the Company, could be immediately sold to satisfy the cash requirement.

The reinvestment portfolio acquired with the cash collateral consisted principally of fixed maturity securities (including U.S. government and agency, agency RMBS, short-term investments, ABS and U.S. corporate securities) with 65% invested in U.S. government and agency securities, agency RMBS, short-term investments, or held in cash and cash equivalents. If the securities on loan or the reinvestment portfolio become less liquid, the Company has the liquidity resources of most of its general account available to meet any potential cash demands when securities on loan are put back to the Company.

Repurchase Agreement Transactions

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

The Company accounted for these transactions as collateralized borrowing and lending. The amount of fixed maturity securities lent and borrowed, at estimated fair value, was $316 million and $306 million, respectively, at September 30, 2016. There were no such transactions outstanding as of December 31, 2015. Securities loaned under such transactions may be sold or re-pledged by the transferee. Securities borrowed under such transactions may be re-pledged and are not reflected on the consolidated financial statements. The amount of borrowed securities which were re-pledged was $114 million, at estimated fair value, at September 30, 2016.

The Company has elected to offset amounts recognized as receivables and payables resulting from these transactions. The gross amounts of the receivables and payables related to these transactions at September 30, 2016 were both $300 million. After the effect of offsetting of $300 million, the net amount presented on the consolidated balance sheet at September 30, 2016 was a liability of less than $1 million. Amounts owed to and due from counterparties may be settled in cash or offset, in accordance with the agreements. Cash inflows and outflows for cash settlements are reported on the consolidated statements of cash flows. At September 30, 2016, all $300 million of payables from repurchase agreements had a remaining tenor of one to six months and were primarily loans of U.S. corporate securities.

See Note 8 for information regarding the estimated fair value of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

The Company also participates in other short-term repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and receives cash as collateral in an amount generally equal to 85% to 100% of the estimated fair value of the securities loaned at the inception of the transaction. The associated liability is recorded at the amount of cash received. The Company monitors the estimated fair value of the collateral and the securities loaned throughout the duration of the transaction and additional collateral is obtained as necessary. Securities loaned under such transactions may be sold or re-pledged by the transferee.

Elements of the other short-term repurchase agreements are presented below at:

	September 30, 2016	December 31, 2015
	(In millions)	
Securities on loan included within fixed maturity securities:		
Amortized cost	$ 91	$ 51
Estimated fair value	$ 109	$ 56
Cash collateral received included within other liabilities	$ 101	$ 50
Reinvestment portfolio — estimated fair value	$ 99	$ 50

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

	September 30, 2016 Remaining Tenor of Other Repurchase Agreements			December 31, 2015 Remaining Tenor of Other Repurchase Agreements		
	1 Month or Less	1 to 6 Months	Total	1 Month or Less	1 to 6 Months	Total
	(In millions)					
Cash collateral liability by loaned security type:						
Foreign corporate	$14	$ 13	$27	$ —	$ 25	$ 25
All other corporate and government	37	37	$74	—	25	$ 25
Total	$51	$ 50	$101	$ —	$ 50	$ 50

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, 2016	December 31, 2015
	(In millions)	
Invested assets on deposit (regulatory deposits)	$10,425	$ 9,089
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	11,902	10,443
Invested assets pledged as collateral (1)	29,296	23,145
Total invested assets on deposit, held in trust and pledged as collateral	$51,623	$ 42,677

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(1) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the 2015 Annual Report), collateral financing arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2015 Annual Report) and derivative transactions (see Note 8).

See "— Securities Lending" and "— Repurchase Agreement Transactions" for information regarding securities on loan and Note 6 for information regarding investments designated to the closed block.

Variable Interest Entities

The Company is involved with certain 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.

Consolidated VIEs

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

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

	September 30, 2016		December 31, 2015	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,533	$ —	$3,374	$ —
Operating joint venture (2)	—	—	2,465	2,079
CSEs (assets (primarily loans) and liabilities (primarily debt)) (3)	156	38	186	62
Other investments (4)	50	—	76	—
Total	$3,739	$ 38	$6,101	$ 2,141

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(1) See Note 13 of the Notes to the Consolidated Financial Statements included in the 2015 Annual Report for a description of the MetLife Reinsurance Company of South Carolina ("MRSC") collateral financing arrangement.

(2) Following a change in the foreign investment law in India, the Company no longer consolidated its India operating joint venture, effective January 1, 2016. Assets of the operating joint venture are primarily fixed maturity securities and separate account assets. Liabilities of the operating joint venture are primarily future policy benefits, other policy-related balances and separate account liabilities.

(3) The Company consolidates entities that are structured as CMBS and as collateralized debt obligations. The assets of these entities can only be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited to that of its remaining investment in these entities of $98 million and $105 million at estimated fair value at September 30, 2016 and December 31, 2015, respectively.

(4) Other investments is primarily comprised of other invested assets and other limited partnership interests.

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

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

	September 30, 2016		December 31, 2015	
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount	Maximum Exposure to Loss (1)
	(In millions)			
Fixed maturity securities AFS:				
Structured Securities (2)	$73,334	$ 73,334	$65,824	$ 65,824
U.S. and foreign corporate	3,374	3,374	3,261	3,261
Other limited partnership interests	5,978	10,572	5,186	7,074
Other invested assets	2,184	2,771	1,604	2,161
FVO and trading securities	576	576	586	586
Real estate joint ventures	107	137	65	82
Other (3)	120	120	71	71
Total	$85,673	$ 90,884	$76,597	$ 79,059

(1) The maximum exposure to loss relating to fixed maturity securities AFS, FVO and trading securities and equity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limited partnership interests, mortgage loans and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments. 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 $151 million and $179 million at September 30, 2016 and December 31, 2015, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

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

(3) Other is comprised of mortgage loans, non-redeemable preferred stock and a loan receivable.

As described in Note 15, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during both the nine months ended September 30, 2016 and 2015.

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

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
	(In millions)			
Investment income:				
Fixed maturity securities	$3,583	$3,525	$10,801	$10,738
Equity securities	35	36	105	102
FVO and trading securities — Actively traded and FVO general account securities (1)	25	(35)	41	4
Mortgage loans	806	786	2,464	2,317
Policy loans	148	147	444	450
Real estate and real estate joint ventures	210	233	516	767
Other limited partnership interests	263	216	429	681
Cash, cash equivalents and short-term investments	43	29	126	101
Operating joint ventures	5	(1)	28	15
Other	95	28	187	180
Subtotal	5,213	4,964	15,141	15,355
Less: Investment expenses	281	308	862	923
Subtotal, net	4,932	4,656	14,279	14,432
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	529	(701)	623	(79)
FVO CSEs — interest income:				
Commercial mortgage loans	3	4	8	13
Securities	—	—	—	1
Subtotal	532	(697)	631	(65)
Net investment income	$5,464	$3,959	$14,910	$14,367

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods included in net investment income were principally from FVO contractholder-directed unit-linked investments and, to a much lesser extent, Actively traded and FVO general account securities, and were \$407 million and \$283 million for the three months and nine months ended September 30, 2016, respectively, and (\$872) million and (\$645) million for the three months and nine months ended September 30, 2015, respectively.

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

FVO and trading securities are primarily comprised of securities for which the FVO has been elected ("FVO securities"). FVO securities include certain fixed maturity and equity securities held-for-investment by the general account to support asset and liability management strategies for certain insurance products and investments in certain separate accounts. FVO securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and liabilities. The investment returns on these investments inure to the contractholders and are offset by a corresponding change in policyholder account balances through interest credited to policyholder account balances. FVO securities also include securities held by CSEs. The Company previously maintained a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involved the active and frequent purchase and sale of actively traded securities and the execution of short sale agreements. In June 2016, the

Company commenced a reinvestment of this portfolio into other asset classes and, at September 30, 2016, the Company no longer held any actively traded securities.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In millions)			
Total gains (losses) on fixed maturity securities:				
Total OTTI losses recognized — by sector and industry:				
U.S. and foreign corporate securities — by industry:				
Consumer	$—	$(17)	$—	$(20)
Industrial	—	(3)	(79)	(5)
Communications	—	—	(3)	—
Total U.S. and foreign corporate securities	—	(20)	(82)	(25)
RMBS	(14)	(1)	(22)	(16)
ABS	—	—	(2)	—
State and political subdivision	—	(6)	—	(6)
OTTI losses on fixed maturity securities recognized in earnings	(14)	(27)	(106)	(47)
Fixed maturity securities — net gains (losses) on sales and disposals	176	115	439	383
Total gains (losses) on fixed maturity securities	162	88	333	336
Total gains (losses) on equity securities:				
Total OTTI losses recognized — by sector:				
Non-redeemable preferred stock	—	(1)	—	(1)
Common stock	(5)	(6)	(72)	(15)
OTTI losses on equity securities recognized in earnings	(5)	(7)	(72)	(16)
Equity securities — net gains (losses) on sales and disposals	13	14	32	39
Total gains (losses) on equity securities	8	7	(40)	23
Mortgage loans	(31)	(26)	(193)	(78)
Real estate and real estate joint ventures	(14)	263	33	257
Other limited partnership interests	(9)	(59)	(50)	(52)
Other	(19)	18	(94)	14
Subtotal	97	291	(11)	500
FVO CSEs:				
Commercial mortgage loans	(3)	(4)	(3)	(6)
Securities	1	—	2	—
Long-term debt — related to commercial mortgage loans	1	1	1	3
Non-investment portfolio gains (losses) (1)	161	94	549	38
Subtotal	160	91	549	35
Total net investment gains (losses)	$257	$382	$538	$535

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(1) Includes a gain from the U.S. Retail Advisor Force Divestiture of $103 million during both the three months and nine months ended September 30, 2016. See Note 3.

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

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Gains (losses) from foreign currency transactions included within net investment gains (losses) were $69 million and $437 million for the three months and nine months ended September 30, 2016, respectively, and $53 million and ($29) million for the three months and nine months ended September 30, 2015, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Three Months Ended September 30,			
	2016	2015	2016	2015
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	$25,091	$27,264	$ 64	$ 55
Gross investment gains	$310	$371	$ 15	$ 20
Gross investment losses	(134)	(256)	(2)	(6)
OTTI losses	(14)	(27)	(5)	(7)
Net investment gains (losses)	$162	$88	$ 8	$ 7

	Nine Months Ended September 30,			
	2016	2015	2016	2015
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	$83,352	$86,590	$ 151	$ 211
Gross investment gains	$1,025	$1,047	$ 40	$ 54
Gross investment losses	(586)	(664)	(8)	(15)
OTTI losses	(106)	(47)	(72)	(16)
Net investment gains (losses)	$333	$336	$ (40)	$ 23

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In millions)			
Balance, beginning of period	$258	$280	$277	$357
Additions:				
Initial impairments — credit loss OTTI on securities not previously impaired	1	—	1	2
Additional impairments — credit loss OTTI on securities previously impaired	10	1	18	14
Reductions:				
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(17)	(22)	(43)	(113)
Securities impaired to net present value of expected future cash flows	—	—	(1)	—
Increase in cash flows — accretion of previous credit loss OTTI	—	(1)	—	(2)
Balance, end of period	$252	$258	$252	$258

8. Derivatives
Accounting for Derivatives
Freestanding Derivatives
Freestanding derivatives are carried on the Company’s balance sheet either as assets within other invested assets or as liabilities within other liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.
Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.
If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

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

Hedge Accounting

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

- Fair value hedge (a hedge of the estimated fair value of a recognized asset or liability) - in net derivative gains (losses), consistent with the change in estimated fair value of the hedged item attributable to the designated risk being hedged.
- Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item); ineffectiveness in net derivative gains (losses).
- Net investment in a foreign operation hedge - effectiveness in OCI, consistent with the translation adjustment for the hedged net investment in the foreign operation; ineffectiveness in net derivative gains (losses).

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on the statement of operations within interest income or interest expense to match the location of the hedged item. Accruals on derivatives in net investment hedges are recognized in OCI.

In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness and the method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly throughout the life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also subject to interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in net income.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability under a fair value hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its carrying value is amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable of occurrence, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the statement of operations when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with changes in estimated fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivative gains (losses).

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

Embedded Derivatives

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

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

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

See Note 9 for information about the fair value hierarchy for derivatives.

Derivative Strategies

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

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

Interest Rate Derivatives

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

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

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

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

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

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

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

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

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

Foreign Currency Exchange Rate Derivatives

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

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

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

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

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

Credit Derivatives

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

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

The Company also enters into certain purchased and written credit default swaps held in relation to trading portfolios for the purpose of generating profits on short-term differences in price. These credit default swaps are not designated as hedging instruments.

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

Equity Derivatives

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

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

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

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

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

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

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

		September 30, 2016			December 31, 2015		
		Gross	Estimated Fair Value		Gross	Estimated Fair Value	
	Primary Underlying Risk Exposure	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
		(In millions)					
Derivatives Designated as Hedging Instruments:							
Fair value hedges:							
Interest rate swaps	Interest rate	$5,383	$2,824	$14	$5,528	$2,215	$12
Foreign currency swaps	Foreign currency exchange rate	1,221	28	156	2,154	62	159
Foreign currency forwards	Foreign currency exchange rate	1,485	196	—	1,685	—	52
Subtotal		8,089	3,048	170	9,367	2,277	223
Cash flow hedges:							
Interest rate swaps	Interest rate	2,251	672	—	2,190	487	—
Interest rate forwards	Interest rate	2,032	49	10	105	23	—
Foreign currency swaps	Foreign currency exchange rate	27,202	2,212	1,684	23,661	1,303	1,803
Subtotal		31,485	2,933	1,694	25,956	1,813	1,803
Foreign operations hedges:							
Foreign currency forwards	Foreign currency exchange rate	1,087	6	53	3,916	63	12
Currency options	Foreign currency exchange rate	9,212	18	226	7,569	205	36
Subtotal		10,299	24	279	11,485	268	48
Total qualifying hedges		49,873	6,005	2,143	46,808	4,358	2,074
Derivatives Not Designated or Not Qualifying as Hedging Instruments:							
Interest rate swaps	Interest rate	82,791	9,586	3,033	89,336	5,111	2,247
Interest rate floors	Interest rate	15,201	350	34	23,837	311	48
Interest rate caps	Interest rate	79,030	35	3	68,928	105	3
Interest rate futures	Interest rate	9,110	4	41	5,808	4	7
Interest rate options	Interest rate	21,383	1,790	1	30,234	1,177	30
Interest rate forwards	Interest rate	171	16	—	43	1	—
Interest rate total return swaps	Interest rate	5,925	106	36	—	—	—
Synthetic GICs	Interest rate	5,328	—	—	4,216	—	—
Foreign currency swaps	Foreign currency exchange rate	12,790	1,183	467	11,081	766	431
Foreign currency forwards	Foreign currency exchange rate	17,371	584	250	11,724	154	220

Currency futures	Foreign currency exchange rate	1,060	—	2	930	—	—
Currency options	Foreign currency exchange rate	4,780	204	11	9,590	466	189
Credit default swaps — purchased	Credit	2,038	10	44	1,870	28	34
Credit default swaps — written	Credit	11,664	150	10	10,311	78	13
Equity futures	Equity market	12,886	13	68	7,206	63	18
Equity index options	Equity market	53,911	1,519	1,362	55,682	1,542	1,041
Equity variance swaps	Equity market	23,658	228	745	23,437	195	636
Equity total return swaps	Equity market	5,070	5	102	3,803	47	58
Total non-designated or nonqualifying derivatives		364,167	15,783	6,209	358,036	10,048	4,975
Total		$414,040	$21,788	$8,352	$404,844	$14,406	$7,049

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
8. 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, 2016 and December 31, 2015. The Company's use of derivatives includes (i) derivatives that serve as macro hedges of the Company's exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that generally do not qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effective hedging relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because the changes in estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that are used to synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging relationship. For these nonqualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of operations without an offsetting gain or loss recognized in earnings for the item being hedged.

Net Derivative Gains (Losses)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In millions)			
Freestanding derivatives and hedging gains (losses) (1)	$(1,852)	$2,318	$3,177	$1,433
Embedded derivatives gains (losses)	801	(1,833)	(4,992)	(1,039)
Total net derivative gains (losses)	$(1,051)	$485	$(1,815)	$394

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

The following table presents earned income on derivatives:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In millions)			
Qualifying hedges:				
Net investment income	$76	$55	$206	$158
Interest credited to policyholder account balances	—	6	7	21
Other expenses	(3)	(2)	(9)	(4)
Nonqualifying hedges:				
Net investment income	—	(1)	(1)	(3)
Net derivative gains (losses)	312	256	843	757
Policyholder benefits and claims	6	4	17	12
Total	$391	$318	$1,063	$941

Nonqualifying Derivatives and Derivatives for Purposes Other Than Hedging

The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not designated or not qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Policyholder Benefits and Claims (2)
	(In millions)		
Three Months Ended September 30, 2016			
Interest rate derivatives	$(1,082)	$ —	$ 19
Foreign currency exchange rate derivatives	146	—	(5)
Credit derivatives — purchased	(21)	—	—
Credit derivatives — written	60	—	—
Equity derivatives	(1,212)	(5)	(260)
Total	$(2,109)	$ (5)	$ (246)
Three Months Ended September 30, 2015			
Interest rate derivatives	$1,157	$ —	$ 17
Foreign currency exchange rate derivatives	364	—	—
Credit derivatives — purchased	16	3	—
Credit derivatives — written	(77)	(1)	—
Equity derivatives	747	(1)	340
Total	$2,207	$ 1	$ 357
Nine Months Ended September 30, 2016			
Interest rate derivatives	$2,547	$ —	$ 116
Foreign currency exchange rate derivatives	1,865	—	(17)
Credit derivatives — purchased	(48)	—	—
Credit derivatives — written	57	—	—
Equity derivatives	(1,472)	(19)	(293)
Total	$2,949	$ (19)	$ (194)
Nine Months Ended September 30, 2015			
Interest rate derivatives	$250	$ —	$ 10
Foreign currency exchange rate derivatives	443	—	—
Credit derivatives — purchased	9	3	—
Credit derivatives — written	(108)	—	—
Equity derivatives	99	(8)	214
Total	$693	$ (5)	$ 224

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

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

Fair Value Hedges

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

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

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

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
		(In millions)		
Three Months Ended September 30, 2016				
Interest rate swaps:	Fixed maturity securities	$6	$ (5)	$ 1
	Policyholder liabilities (1)	(45)	41	(4)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	1	(1)	—
	Foreign-denominated policyholder account balances (2)	(1)	1	—
Foreign currency forwards:	Foreign-denominated fixed maturity securities	19	(18)	1
Total		$(20)	$ 18	$ (2)
Three Months Ended September 30, 2015				
Interest rate swaps:	Fixed maturity securities	$(4)	$ 3	$ (1)
	Policyholder liabilities (1)	289	(290)	(1)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	6	(3)	3
	Foreign-denominated policyholder account balances (2)	(47)	46	(1)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	49	(45)	4
Total		$293	$ (289)	$ 4
Nine Months Ended September 30, 2016				
Interest rate swaps:	Fixed maturity securities	$(5)	$ 2	$ (3)
	Policyholder liabilities (1)	498	(507)	(9)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	7	(7)	—
	Foreign-denominated policyholder account balances (2)	(27)	24	(3)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	295	(272)	23
Total		$768	$ (760)	$ 8
Nine Months Ended September 30, 2015				
Interest rate swaps:	Fixed maturity securities	$(5)	$ 8	$ 3
	Policyholder liabilities (1)	120	(126)	(6)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	13	(6)	7
	Foreign-denominated policyholder account balances (2)	(186)	179	(7)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(49)	45	(4)
Total		$(107)	$ 100	$ (7)

(1) Fixed rate liabilities reported in policyholder account balances or future policy benefits.
(2) Fixed rate or floating rate liabilities.

For the Company's foreign currency forwards, the change in the estimated fair value of the derivative related to the changes in the difference between the spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all components of each derivative's gain or loss were included in the assessment of hedge effectiveness. For the three months and nine months ended September 30, 2016, ($6) million and ($16) million, respectively, of the change in estimated fair value of derivatives was excluded from the assessment of hedge effectiveness. For the three months and nine months ended September 30, 2015, ($4) million and ($9) million, respectively, of the change in estimated fair value of derivatives was excluded from the assessment of hedge effectiveness.

Cash Flow Hedges

The Company designates and accounts for the following as cash flow hedges when they have met the requirements of cash flow hedging: (i) interest rate swaps to convert floating rate assets and liabilities to fixed rate assets and liabilities; (ii) foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated assets and liabilities; (iii) interest rate forwards and credit forwards to lock in the price to be paid for forward purchases of investments; (iv) interest rate swaps and interest rate forwards to hedge the forecasted purchases of fixed-rate investments; and (v) interest rate swaps and interest rate forwards to hedge forecasted fixed-rate borrowings.

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longer probable of occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipated date, the Company reclassified amounts from AOCI into net derivative gains (losses). These amounts were $12 million and $7 million for the three months and nine months ended September 30, 2016, respectively. These amounts were ($3) million for the three months ended September 30, 2015. For the nine months ended September 30, 2015, the amounts reclassified from AOCI into net derivative gains (losses) were not significant.

At September 30, 2016 and December 31, 2015, the maximum length of time over which the Company was hedging its exposure to variability in future cash flows for forecasted transactions did not exceed six years and five years, respectively.

At September 30, 2016 and December 31, 2015, the balance in AOCI associated with cash flow hedges was $3.6 billion and $2.4 billion, respectively.

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

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

Derivatives in Cash Flow Hedging Relationships	Amount of Gains (Losses) Deferred in AOCI on Derivatives	Amount and Location of Gains (Losses) Reclassified from AOCI into Income (Loss)			Amount and Location of Gains (Losses) Recognized in Income (Loss) on Derivatives (Ineffective Portion)
	(Effective Portion)	(Effective Portion)			
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
	(In millions)				
Three Months Ended September 30, 2016					
Interest rate swaps	$23	$28	$ 4	$ —	$ —
Interest rate forwards	(5)	1	1	—	—
Foreign currency swaps	(42)	59	—	—	(3)
Credit forwards	—	—	1	—	—
Total	$(24)	$88	$ 6	$ —	$ (3)
Three Months Ended September 30, 2015					
Interest rate swaps	$211	$40	$ 3	$ —	$ 1
Interest rate forwards	7	1	1	1	—
Foreign currency swaps	(116)	(286)	—	—	4
Credit forwards	—	1	—	—	—
Total	$102	$(244)	$ 4	$ 1	$ 5
Nine Months Ended September 30, 2016					
Interest rate swaps	$376	$56	$ 11	$ —	$ —
Interest rate forwards	42	2	4	1	—
Foreign currency swaps	1,054	96	(1)	1	(1)
Credit forwards	—	3	1	—	—
Total	$1,472	$157	$ 15	$ 2	$ (1)
Nine Months Ended September 30, 2015					
Interest rate swaps	$116	$52	$ 9	$ —	$ 3
Interest rate forwards	2	5	3	2	—
Foreign currency swaps	(224)	(563)	(1)	1	6
Credit forwards	—	1	1	—	—
Total	$(106)	$(505)	$ 12	$ 3	$ 9

All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.
At September 30, 2016, the Company expects to reclassify ($64) million of deferred net gains (losses) on derivatives in AOCI to earnings within the next 12 months.
Hedges of Net Investments in Foreign Operations
The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency options, to hedge portions of its net investments in foreign operations against adverse movements in

exchange rates. The Company measures ineffectiveness on these derivatives based upon the change in forward rates. When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

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

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

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion)	
	(In millions)	
Three Months Ended September 30, 2016		
Foreign currency forwards	$ (23	)
Currency options	(37	)
Total	$ (60	)
Three Months Ended September 30, 2015		
Foreign currency forwards	$ 88	
Currency options	(18	)
Total	$ 70	
Nine Months Ended September 30, 2016		
Foreign currency forwards	$ (358	)
Currency options	(351	)
Total	$ (709	)
Nine Months Ended September 30, 2015		
Foreign currency forwards	$ 244	
Currency options	(61	)
Total	$ 183	

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(1) During both the three months and nine months ended September 30, 2016 and 2015, there were no sales or substantial liquidations of net investments in foreign operations that would have required the reclassification of gains or losses from AOCI into earnings.

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

At September 30, 2016 and December 31, 2015, the cumulative foreign currency translation gain (loss) recorded in AOCI related to hedges of net investments in foreign operations was $347 million and $1.1 billion, respectively.

Credit Derivatives

In connection with synthetically created credit investment transactions and credit default swaps held in relation to the trading portfolio, the Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included within the nonqualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional amount in exchange for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the value of all referenced credit obligations is zero, was $11.7 billion and $10.3 billion at September 30, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, the Company would have received $140 million and $65 million, respectively, to terminate all of these contracts.

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8. 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:

	September 30, 2016			December 31, 2015		
Rating Agency Designation of Referenced Credit Obligations (1)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps	Weighted Average Years to Maturity (2)
	(Dollars in millions)					
Aaa/Aa/A						
Single name credit default swaps (corporate)	$7	$ 483	3.3	$6	$ 661	2.5
Credit default swaps referencing indices	21	1,937	3.5	6	1,635	3.4
Subtotal	28	2,420	3.5	12	2,296	3.2
Baa						
Single name credit default swaps (corporate)	8	946	2.6	8	1,349	2.5
Credit default swaps referencing indices	97	7,917	5.1	37	5,863	4.8
Subtotal	105	8,863	4.8	45	7,212	4.4
Ba						
Single name credit default swaps (corporate)	(5)	155	4.3	(2)	64	2.3
Credit default swaps referencing indices	—	—	—	(1)	100	1.0
Subtotal	(5)	155	4.3	(3)	164	1.5
B						
Single name credit default swaps (corporate)	1	70	2.1	—	—	—
Credit default swaps referencing indices	11	156	5.3	11	639	4.9
Subtotal	12	226	4.3	11	639	4.9
Total	$140	$ 11,664	4.5	$65	$ 10,311	4.1

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

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

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obligations in the table above. As a result, the maximum amounts of potential future recoveries available to offset the $11.7 billion and $10.3 billion from the table above were $30 million and $80 million at September 30, 2016 and December 31, 2015, respectively.

At September 30, 2016, there were no written credit default swaps held in relation to the trading portfolio. At December 31, 2015, written credit default swaps held in relation to the trading portfolio amounted to $20 million in gross notional amount and ($2) million in estimated fair value.

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.

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

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by ISDA Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions. Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives.
The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by counterparties to such derivatives.
See Note 9 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 (1)	September 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (2)	$18,154	$ 6,603	$13,017	$ 5,848
OTC-cleared (2)	3,949	1,627	1,600	1,217
Exchange-traded	18	111	67	25
Total gross estimated fair value of derivatives (2)	22,121	8,341	14,684	7,090
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (2)	22,121	8,341	14,684	7,090
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (3)				
OTC-bilateral	(4,984)	(4,984)	(4,368)	(4,368)
OTC-cleared	(1,609)	(1,609)	(1,200)	(1,200)
Exchange-traded	(5)	(5)	(1)	(1)
Cash collateral: (4), (5)				
OTC-bilateral	(9,606)	—	(6,140)	(7)
OTC-cleared	(2,101)	—	(378)	(10)
Exchange-traded	—	(9)	—	(20)
Securities collateral: (6)				
OTC-bilateral	(3,199)	(1,577)	(2,078)	(1,395)
OTC-cleared	—	—	—	—
Exchange-traded	—	(95)	—	(3)
Net amount after application of master netting agreements and collateral	$617	$ 62	$519	$ 86

(1) See Note 7 for information regarding the Company's gross and net payables and receivables under repurchase agreement transactions.
(2)

At September 30, 2016 and December 31, 2015, derivative assets included income or expense accruals reported in accrued investment income or in other liabilities of $333 million and $278 million, respectively, and derivative liabilities included income or expense accruals reported in accrued investment income or in other liabilities of ($11) million and $41 million, respectively.

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

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

(5) 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, 2016 and December 31, 2015, the Company received excess cash collateral of $554 million and $89 million, respectively, and provided excess cash collateral of $432 million and $204 million, respectively, which is not included in the table above due to the foregoing limitation.

(6) 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, 2016, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At September 30, 2016 and December 31, 2015, the Company received excess securities collateral with an estimated fair value of $137 million and $100 million, respectively, for its OTC-bilateral derivatives, which are not included in the table above due to the foregoing limitation. At September 30, 2016 and December 31, 2015, the Company provided excess securities collateral with an estimated fair value of $185 million and $150 million, respectively, for its OTC-bilateral derivatives, and $960 million and $315 million, respectively, for its OTC-cleared derivatives, and $462 million and $224 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 party in a net liability position, after considering the effect of netting agreements, to pledge collateral when the estimated fair value of that party’s derivatives reaches a minimum transfer amount. A small number of these arrangements also include credit-contingent provisions that include a threshold above which collateral must be posted. Such agreements provide for a reduction of these thresholds (on a sliding scale that converges toward zero) in the event of downgrades in the credit ratings of MetLife, Inc. and/or the counterparty. In addition, substantially all of the Company’s netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade credit rating from each of Moody’s and S&P. If a party’s credit or financial strength rating, as applicable, were to fall below that specific investment grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party’s reasonable valuation of the derivatives.

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

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

	September 30, 2016			December 31, 2015		
	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)	$1,606	$ 12	$1,618	$1,270	$ 207	$1,477
Estimated Fair Value of Collateral Provided:						
Fixed maturity securities	$1,737	$ 20	$1,757	$1,365	$ 174	$1,539
Cash	$—	$ —	$—	$4	$ 4	$8
Estimated Fair Value of Incremental Collateral Provided Upon:						
One-notch downgrade in the Company's credit or financial strength rating, as applicable	$2	$ —	$2	$1	$ —	$1
Downgrade in the Company's credit or financial strength rating, as applicable, to a level that triggers full overnight collateralization or termination of the derivative position	$2	$ —	$2	$1	$ —	$1

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

Embedded Derivatives

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

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

	Balance Sheet Location	September 30, 2016	December 31, 2015
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$514	$ 356
Funds withheld on assumed reinsurance	Other invested assets	64	35
Options embedded in debt or equity securities	Investments	(240)	(220)
Net embedded derivatives within asset host contracts		$338	$ 171
Net embedded derivatives within liability host contracts:			
Direct guaranteed minimum benefits	Policyholder account balances and Future policy benefits	$5,000	$ (20)
Assumed guaranteed minimum benefits	Policyholder account balances	1,706	965
Funds withheld on ceded reinsurance	Other liabilities	79	(14)

Other	Policyholder account balances	98	4
Net embedded derivatives within liability host contracts		$6,883	$ 935

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In millions)			
Net derivative gains (losses) (1)	$801	$(1,833)	$(4,992)	$(1,039)
Policyholder benefits and claims	$(14)	$59	$91	$40

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net derivative gains (losses) in connection with this adjustment were ($224) million and $1.2 billion for the three months and nine months ended September 30, 2016, respectively, and $253 million and $222 million for the three months and nine months ended September 30, 2015, respectively.

9. Fair Value

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

Recurring Fair Value Measurements

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

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

	September 30, 2016			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$98,569	$7,107	$105,676
U.S. government and agency	40,780	28,688	317	69,785
Foreign corporate	—	53,667	6,752	60,419
Foreign government	—	63,443	322	63,765
RMBS	4,349	35,510	5,450	45,309
State and political subdivision	—	17,417	46	17,463
ABS	—	14,506	1,078	15,584
CMBS	—	11,909	532	12,441
Total fixed maturity securities	45,129	323,709	21,604	390,442
Equity securities	1,364	1,270	655	3,289
FVO and trading securities:				
Actively traded securities	—	—	—	—
FVO general account securities	578	30	113	721
FVO contractholder-directed unit-linked investments	11,061	2,816	123	14,000
FVO securities held by CSEs	—	2	7	9
Total FVO and trading securities	11,639	2,848	243	14,730
Short-term investments (1)	5,561	4,310	673	10,544
Mortgage loans:				
Residential mortgage loans — FVO	—	—	481	481
Commercial mortgage loans held by CSEs — FVO	—	143	—	143
Total mortgage loans	—	143	481	624
Other investments	92	63	—	155
Derivative assets: (2)				
Interest rate	4	15,272	156	15,432
Foreign currency exchange rate	—	4,369	62	4,431
Credit	—	141	19	160
Equity market	14	1,417	334	1,765
Total derivative assets	18	21,199	571	21,788
Net embedded derivatives within asset host contracts (3)	—	—	578	578
Separate account assets (4)	87,035	227,343	1,270	315,648
Total assets	$150,838	$580,885	$26,075	$757,798
Liabilities				
Derivative liabilities: (2)				
Interest rate	$41	$3,084	$47	$3,172
Foreign currency exchange rate	2	2,795	52	2,849
Credit	—	54	—	54
Equity market	68	1,448	761	2,277

Total derivative liabilities	111	7,381	860	8,352
Net embedded derivatives within liability host contracts (3)	—	—	6,883	6,883
Long-term debt of CSEs — FVO	—	26	12	38
Trading liabilities (5)	—	—	—	—
Separate account liabilities (4)	1	75	6	82
Total liabilities	$112	$7,482	$7,761	$15,355

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

	December 31, 2015			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$93,758	$7,036	$100,794
U.S. government and agency	37,660	23,986	—	61,646
Foreign corporate	—	51,438	5,760	57,198
Foreign government	—	49,643	856	50,499
RMBS	—	34,088	4,709	38,797
State and political subdivision	—	15,395	46	15,441
ABS	—	12,731	1,663	14,394
CMBS	—	11,889	744	12,633
Total fixed maturity securities	37,660	292,928	20,814	351,402
Equity securities	1,274	1,615	432	3,321
FVO and trading securities:				
Actively traded securities	—	400	4	404
FVO general account securities	506	32	89	627
FVO contractholder-directed unit-linked investments	10,829	2,985	167	13,981
FVO securities held by CSEs	—	2	10	12
Total FVO and trading securities	11,335	3,419	270	15,024
Short-term investments (1)	2,543	5,985	291	8,819
Mortgage loans:				
Residential mortgage loans — FVO	—	—	314	314
Commercial mortgage loans held by CSEs — FVO	—	172	—	172
Total mortgage loans	—	172	314	486
Other investments	109	53	—	162
Derivative assets: (2)				
Interest rate	4	9,405	25	9,434
Foreign currency exchange rate	—	3,003	16	3,019
Credit	—	99	7	106
Equity market	63	1,435	349	1,847
Total derivative assets	67	13,942	397	14,406
Net embedded derivatives within asset host contracts (3)	—	—	391	391
Separate account assets (4)	77,080	222,814	1,704	301,598
Total assets	$130,068	$540,928	$24,613	$695,609
Liabilities				
Derivative liabilities: (2)				
Interest rate	$7	$2,340	$—	$2,347
Foreign currency exchange rate	—	2,754	148	2,902
Credit	—	45	2	47
Equity market	18	1,077	658	1,753

Total derivative liabilities	25	6,216	808	7,049
Net embedded derivatives within liability host contracts (3)	—	—	935	935
Long-term debt of CSEs — FVO	—	49	11	60
Trading liabilities (5)	103	50	—	153
Separate account liabilities (4)	—	—	—	—
Total liabilities	$128	$6,315	$1,754	$8,197

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

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

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

(3) Net embedded derivatives within asset host contracts are presented within premiums, reinsurance and other receivables and other invested assets on the consolidated balance sheets. Net embedded derivatives within liability host contracts are presented within policyholder account balances, future policy benefits and other liabilities on the consolidated balance sheets. At September 30, 2016 and December 31, 2015, debt and equity securities also included embedded derivatives of ($240) million and ($220) million, respectively.

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

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

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

Investments

Valuation Controls and Procedures

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

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary based on changing market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Several controls are utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management’s knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independent pricing services and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a determination of the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also referred to herein as “consensus pricing,” represent a reasonable estimate of fair value by considering such pricing relative to the Company’s knowledge of the current market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are utilized, they are not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding broker quotations represent less than 1% of the total estimated fair value of fixed maturity securities and 5% of the total estimated fair value of Level 3 fixed maturity securities at September 30, 2016.

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

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

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

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

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

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

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

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

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

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

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

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

valuation techniques and observable inputs used in their valuation are also similar to those described above.

Mortgage Loans — FVO

Commercial mortgage loans held by CSEs — FVO

Valuation Techniques: Principally the market approach. Key Input: • quoted securitization market price determined principally by independent pricing services using observable inputs	• N/A

Residential mortgage loans — FVO

• N/A	Valuation Techniques: Principally the market approach, including matrix pricing or other similar techniques. Key Inputs: • Inputs 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: • quoted prices or reported NAV provided by the fund managers	• N/A

Other limited partnership interests

• N/A	Valuation Techniques: Valued giving consideration to the underlying holdings of the partnerships and by applying a premium or discount, if appropriate. Key Inputs: • liquidity; bid/ask spreads; performance record of the fund manager • 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, Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities" and "— Derivatives — Freestanding Derivatives."

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

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

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MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
9. 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	•swap yield curves	•swap yield curves	•swap yield curves
	•basis curves	•basis curves	•credit curves	•spot equity index levels
	•interest rate volatility (1)	•currency spot rates	•recovery rates	•dividend yield curves
		•cross currency basis curves		•equity volatility (1)
		•currency volatility (1)		
Level 3	•swap yield curves (2)	•swap yield curves (2)	•swap yield curves (2)	•dividend yield curves (2)
	•basis curves (2)	•basis curves (2)	•credit curves (2)	•equity volatility (1), (2)
	•interest rate volatility (1), (2)	•cross currency basis curves (2)	•credit spreads	•correlation between model inputs (1)
	•repurchase rates	•currency correlation	•repurchase rates	
		•currency volatility (1)	•independent non-binding broker quotations	

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

Embedded Derivatives

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

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

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

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

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

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

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

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

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

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

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

Embedded Derivatives Within Asset and Liability Host Contracts

Level 3 Valuation Techniques and Key Inputs:

Direct and assumed guaranteed minimum benefits

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

Reinsurance ceded on certain guaranteed minimum benefits

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

Transfers between Levels

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

Transfers between Levels 1 and 2:

For assets and liabilities measured at estimated fair value and still held at September 30, 2016, transfers between Levels 1 and 2 were not significant. For assets and liabilities measured at estimated fair value and still held at December 31, 2015, transfers between Levels 1 and 2 were $203 million.

Transfers into or out of Level 3:

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

MetLife, Inc.
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9. 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, 2016			December 31, 2015			Impact of Increase in Input on Estimated Fair Value (2)
	Valuation Techniques	Significant Unobservable Inputs	Range		Weighted Average (1)	Range		Weighted Average (1)	
Fixed maturity securities (3)									
U.S. corporate and foreign corporate	• Matrix pricing	• Delta spread adjustments (4)	(269)	-603	(4)	(65)	-240	39	Decrease
	• Market pricing	• Quoted prices (5)	6	-788	123	—	-780	156	Increase
	• Consensus pricing	• Offered quotes (5)	23	-121	98	68	-121	98	Increase
Foreign government	• Market pricing	• Quoted prices (5)	100	-124	104	96	-135	113	Increase
RMBS	• Market pricing	• Quoted prices (5)	7	-131	90	19	-292	92	Increase (6)
ABS	• Market pricing	• Quoted prices (5)	5	-105	99	16	-109	100	Increase (6)
	• Consensus pricing	• Offered quotes (5)	98	-107	100	66	-105	99	Increase (6)
Derivatives									
Interest rate	• Present value techniques	• Swap yield (7)	200	-300		307	-317		Increase (8)
		• Repurchase rates (9)	(6)	-17					Decrease (8)
Foreign currency exchange rate	• Present value techniques	• Swap yield (7)	50	-328		28	-381		Increase (8)
Credit	• Present value techniques	• Credit spreads (10)	97	-100		98	-100		Decrease (8)
	• Consensus pricing	• Offered quotes (11)							
Equity market	• Present value techniques or option pricing models	• Volatility (12)	13%	-36%		15%	-36%		Increase (8)
		• Correlation (13)	40%	-40%		70%	-70%		

Embedded derivatives							
Direct, assumed and ceded guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:					
		Ages 0 - 40	0%	- 0.21%	0%	- 0.21%	Decrease (14)
		Ages 41 - 60	0.01%	- 0.78%	0.01%	- 0.78%	Decrease (14)
		Ages 61 - 115	0%	- 100%	0.04%	- 100%	Decrease (14)
		• Lapse rates:					
		Durations 1 - 10	0.25%	- 100%	0.25%	- 100%	Decrease (15)
		Durations 11 - 20	2%	- 100%	2%	- 100%	Decrease (15)
		Durations 21 - 116	1.25%	- 100%	1%	- 100%	Decrease (15)
		• Utilization rates	0%	- 25%	0%	- 25%	Increase (16)
		• Withdrawal rates	0%	- 20%	0%	- 20%	(17)
		• Long-term equity volatilities	9.95%	- 33%	8.79%	- 33%	Increase (18)
		• Nonperformance risk spread	0.05%	- 2.03%	(0.47)%	- 1.31%	Decrease (19)

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

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

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

(4) Range and weighted average are presented in basis points.

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

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

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

(8) 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.

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

(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, 2016 and December 31, 2015, 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 contract holders with a GMIB or lifetime withdrawal benefit who will elect to utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guaranteed amount is greater than the account value, the contract’s withdrawal history and by the age of the policyholder. For any given contract, utilization rates vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.

(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.

(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.

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

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Fixed Maturity Securities						
	Corporate (1)	U.S. Government and Agency	Foreign Government	Structured Securities	State and Political Subdivision	Equity Securities	FVO and Trading Securities (2)
	(In millions)						
Three Months Ended September 30, 2016							
Balance, beginning of period	$13,710	$ 323	$ 376	$ 6,700	$ 53	$ 682	$ 231
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	15	—	2	34	—	5	4
Total realized/unrealized gains (losses) included in AOCI	98	(1)	1	39	3	(9)	—
Purchases (5)	680	99	21	1,034	—	4	18
Sales (5)	(595)	—	(7)	(512)	—	(20)	(6)
Issuances (5)	—	—	—	—	—	—	—
Settlements (5)	—	—	—	—	—	—	—
Transfers into Level 3 (6)	424	—	—	81	7	1	—
Transfers out of Level 3 (6)	(473)	(104)	(71)	(316)	(17)	(8)	(4)
Balance, end of period	$13,859	$ 317	$ 322	$ 7,060	$ 46	$ 655	$ 243
Three Months Ended September 30, 2015							
Balance, beginning of period	$13,520	$ 55	$ 1,336	$ 7,018	$ 55	$ 489	$ 475
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	25	—	4	29	—	6	(16)
Total realized/unrealized gains (losses) included in AOCI	(296)	—	(1)	(46)	1	(14)	—
Purchases (5)	955	—	17	2,544	20	12	91
Sales (5)	(351)	(1)	(17)	(418)	—	(13)	(41)
Issuances (5)	—	—	—	—	—	—	—

Settlements (5)	—	—	—	—	—	—	—
Transfers into Level 3 (6)	699	18	11	361	—	—	80
Transfers out of Level 3 (6)	(1,850)	(55)	(659)	(955)	(30)	(30)	(191)
Balance, end of period	$12,702	$ 17	$ 691	$ 8,533	$ 46	$ 450	$ 398
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2016 (7)	$ 1	$ —	$ 2	$ 33	$ —	$ (1)	$ 4
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2015 (7)	$ 10	$ —	$ 4	$ 33	$ —	$ —	$ (16)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Short-term Investments	Residential Mortgage Loans — FVO	Net Derivatives (8)	Net Embedded Derivatives (9)	Separate Accounts (10)	Long-term Debt of CSEs — FVO	Trading Liabilities
	(In millions)						
Three Months Ended September 30, 2016							
Balance, beginning of period	$175	$ 449	$ (132)	$ (6,804)	$ 1,627	$ (12)	$ —
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	1	10	(116)	765	(25)	—	—
Total realized/unrealized gains (losses) included in AOCI	(1)	—	(7)	(27)	—	—	—
Purchases (5)	664	42	—	—	4	—	—
Sales (5)	(55)	(5)	—	—	(155)	—	—
Issuances (5)	—	—	(1)	—	30	—	—
Settlements (5)	—	(15)	(33)	(239)	(45)	—	—
Transfers into Level 3 (6)	—	—	—	—	8	—	—
Transfers out of Level 3 (6)	(111)	—	—	—	(180)	—	—
Balance, end of period	$673	$ 481	$ (289)	$ (6,305)	$ 1,264	$ (12)	$ —
Three Months Ended September 30, 2015							
Balance, beginning of period	$1,809	$ 345	$ (372)	$ 841	$ 1,925	$ (12)	$ (4)
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	—	(2)	(97)	(1,753)	24	—	—
Total realized/unrealized gains (losses) included in AOCI	—	—	7	(38)	—	—	—
Purchases (5)	1,296	18	—	—	95	—	(2)
Sales (5)	(11)	(37)	—	—	(93)	—	—
Issuances (5)	—	—	(1)	—	—	—	—
Settlements (5)	—	(9)	24	(216)	—	1	—
Transfers into Level 3 (6)	5	—	—	—	2	—	—
Transfers out of Level 3 (6)	(1,786)	—	—	—	(271)	—	4
Balance, end of period	$1,313	$ 315	$ (439)	$ (1,166)	$ 1,682	$ (11)	$ (2)
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2016 (7)	$1	$ 10	$ (103)	$ 750	$ —	$ —	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2015 (7)	$—	$ (2)	$ (103)	$ (1,743)	$ —	$ —	$ —

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities						
	Corporate (1)	U.S. Government and Agency	Foreign Government	Structured Securities	State and Political Subdivision	Equity Securities	FVO and Trading Securities (2)
	(In millions)						
Nine Months Ended September 30, 2016							
Balance, beginning of period	$12,796	$ —	$ 856	$ 7,116	$ 46	$ 432	$ 270
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	(4)	—	9	101	1	(21)	9
Total realized/unrealized gains (losses) included in AOCI	1,027	17	(2)	28	2	43	—
Purchases (5)	1,893	111	58	2,291	—	20	43
Sales (5)	(1,034)	—	(36)	(1,357)	—	(25)	(29)
Issuances (5)	—	—	—	—	—	—	—
Settlements (5)	—	—	—	—	—	—	—
Transfers into Level 3 (6)	711	200	41	43	7	455	18
Transfers out of Level 3 (6)	(1,530)	(11)	(604)	(1,162)	(10)	(249)	(68)
Balance, end of period	$13,859	$ 317	$ 322	$ 7,060	$ 46	$ 655	$ 243
Nine Months Ended September 30, 2015							
Balance, beginning of period	$13,432	$ —	$ 1,311	$ 7,392	$ —	$ 345	$ 567
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	62	—	10	88	—	7	(27)
Total realized/unrealized gains (losses) included in AOCI	(759)	(1)	1	(68)	—	(22)	—
Purchases (5)	1,884	—	30	4,062	46	57	130
Sales (5)	(964)	(1)	(39)	(1,304)	—	(34)	(130)
Issuances (5)	—	—	—	—	—	—	—
Settlements (5)	—	—	—	—	—	—	—
Transfers into Level 3 (6)	844	19	7	355	—	107	82
Transfers out of Level 3 (6)	(1,797)	—	(629)	(1,992)	—	(10)	(224)
Balance, end of period	$12,702	$ 17	$ 691	$ 8,533	$ 46	$ 450	$ 398
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2016 (7)	$2	$ —	$ 9	$ 96	$ 1	$ (27)	$ 9
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2015 (7)	$21	$ —	$ 10	$ 89	$ —	$ —	$ (25)

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Short-term Investments	Residential Mortgage Loans — FVO	Net Derivatives (8)	Net Embedded Derivatives (9)	Separate Accounts (10)	Long-term Debt of CSEs — FVO	Trading Liabilities
	(In millions)						
Nine Months Ended September 30, 2016							
Balance, beginning of period	$291	$ 314	$ (411)	$ (544)	$ 1,704	$ (11)	$ —
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	1	22	110	(4,851)	7	—	—
Total realized/unrealized gains (losses) included in AOCI	4	—	36	(237)	—	—	—
Purchases (5)	673	187	12	—	108	—	—
Sales (5)	(294)	(12)	—	—	(233)	—	—
Issuances (5)	—	—	(1)	—	27	—	—
Settlements (5)	—	(30)	(33)	(673)	(58)	(1)	—
Transfers into Level 3 (6)	1	—	—	—	9	—	—
Transfers out of Level 3 (6)	(3)	—	(2)	—	(300)	—	—
Balance, end of period	$673	$ 481	$ (289)	$ (6,305)	$ 1,264	$ (12)	$ —
Nine Months Ended September 30, 2015							
Balance, beginning of period	$336	$ 308	$ (300)	$ 430	$ 1,922	$ (13)	$ —
Total realized/unrealized gains (losses) included in net income (loss) (3) (4)	1	18	(163)	(964)	5	—	—
Total realized/unrealized gains (losses) included in AOCI	—	—	3	(19)	—	—	—
Purchases (5)	1,313	114	4	—	297	—	(2)
Sales (5)	(28)	(100)	—	—	(232)	—	—
Issuances (5)	—	—	(1)	—	—	—	—
Settlements (5)	—	(25)	18	(613)	(2)	2	—
Transfers into Level 3 (6)	—	—	—	—	3	—	—
Transfers out of Level 3 (6)	(309)	—	—	—	(311)	—	—
Balance, end of period	$1,313	$ 315	$ (439)	$ (1,166)	$ 1,682	$ (11)	$ (2)
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2016 (7)	$1	$ 22	$ 90	$ (4,884)	$ —	$ —	$ —
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at September 30, 2015 (7)	$—	$ 18	$ (141)	$ (973)	$ —	$ —	$ —

(1) Comprised of U.S. and foreign corporate securities.
(2) Comprised of actively traded securities, FVO general account securities, FVO contractholder-directed unit-linked investments and FVO securities held by CSEs.
(3)

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 derivatives gains (losses).

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

(5) 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.

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9. Fair Value (continued)

(6) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the beginning of the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.
(7) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).
(8) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
(9) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
(10) 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 following table presents information for certain assets and liabilities accounted for under the FVO. These assets and liabilities were initially measured at fair value.

	Residential Mortgage Loans — FVO		Certain Assets and Liabilities of CSEs — FVO (1)	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(In millions)			
Assets				
Unpaid principal balance	$641	$ 436	$95	$ 121
Difference between estimated fair value and unpaid principal balance	(160)	(122)	48	51
Carrying value at estimated fair value	$481	$ 314	$143	$ 172
Loans in non-accrual status	$186	$ 122	$—	$ —
Liabilities				
Contractual principal balance			$50	$ 71
Difference between estimated fair value and contractual principal balance			(12)	(11)
Carrying value at estimated fair value			$38	$ 60

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

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9. Fair Value (continued)

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

	At September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015	2016	2015
	Carrying Value After Measurement		Gains (Losses)			
	(In millions)					
Mortgage loans (1)	$12	$44	$—	$—	$—	$(1)
Other limited partnership interests (2)	$78	$53	$(9)	$(8)	$(45)	$(27)
Other assets (3)	$—	$—	$—	$—	$(44)	$—
Goodwill (4)	$—	$—	$(260)	$—	$(260)	$—

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

(2) For these cost method investments, estimated fair value is determined from information provided on the financial statements of the underlying entities including NAV data. These investments include private equity and debt funds that typically invest primarily in various strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure development funds; venture capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment gains, from operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investments at both September 30, 2016 and 2015 were not significant.

(3) During the nine months ended September 30, 2016, the Company recognized an impairment of computer software in connection with the U.S. Retail Advisor Force Divestiture. See Note 3.

(4) As discussed in Note 10, for both the three months and nine months ended September 30, 2016, the Company recorded an impairment of goodwill associated with the reporting units within the Brighthouse Financial segment.

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

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9. Fair Value (continued)

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

	September 30, 2016				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$70,532	$—	$—	$73,585	$73,585
Policy loans	$11,177	$—	$1,107	$12,594	$13,701
Real estate joint ventures	$25	$—	$—	$87	$87
Other limited partnership interests	$414	$—	$—	$461	$461
Other invested assets	$559	$169	$—	$390	$559
Premiums, reinsurance and other receivables	$4,030	$—	$910	$3,218	$4,128
Other assets	$243	$—	$205	$76	$281
Liabilities					
Policyholder account balances	$126,417	$—	$—	$133,084	$133,084
Long-term debt	$16,505	$—	$18,526	$—	$18,526
Collateral financing arrangements	$4,084	$—	$—	$3,749	$3,749
Junior subordinated debt securities	$3,168	$—	$4,142	$—	$4,142
Other liabilities	$6,919	$—	$6,429	$492	$6,921
Separate account liabilities	$123,253	$—	$123,253	$—	$123,253

	December 31, 2015				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In millions)				
Assets					
Mortgage loans	$66,616	$—	$—	$68,539	$68,539
Policy loans	$11,258	$—	$1,279	$12,072	$13,351
Real estate joint ventures	$35	$—	$—	$104	$104
Other limited partnership interests	$524	$—	$—	$615	$615
Other invested assets	$537	$155	$2	$380	$537
Premiums, reinsurance and other receivables	$2,822	$—	$484	$2,421	$2,905
Other assets	$235	$—	$207	$60	$267
Liabilities					
Policyholder account balances	$125,040	$—	$—	$130,125	$130,125
Long-term debt	$17,954	$—	$19,360	$—	$19,360
Collateral financing arrangements	$4,139	$—	$—	$3,899	$3,899
Junior subordinated debt securities	$3,194	$—	$4,029	$—	$4,029
Other liabilities	$2,249	$—	$865	$1,385	$2,250
Separate account liabilities	$112,119	$—	$112,119	$—	$112,119

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

Mortgage Loans

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

Policy Loans

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

Real Estate Joint Ventures and Other Limited Partnership Interests

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

Other Invested Assets

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

Premiums, Reinsurance and Other Receivables

Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agreements, amounts on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for securities sold but not yet settled.

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

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

Other Assets

These other assets are principally comprised of a receivable for cash paid to an unaffiliated financial institution under the MetLife Reinsurance Company of Charleston (“MRC”) collateral financing arrangement described in Note 13 of the Notes to the Consolidated Financial Statements included in the 2015 Annual Report. The estimated fair value of the receivable for the cash paid to the unaffiliated financial institution under the MRC collateral financing arrangement is determined by discounting the expected future cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

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9. Fair Value (continued)

Policyholder Account Balances
These policyholder account balances include investment contracts which primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuities, fixed term payout annuities and total control accounts (“TCA”). The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a spread to reflect the nonperformance risk in the liability.
Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities
The estimated fair values of long-term debt, collateral financing arrangements and junior subordinated debt securities are principally determined using market standard valuation methodologies.
Valuations of instruments classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing that use standard market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market. Instruments valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately traded issues.
Valuations of instruments classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount rates that can vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair values of collateral financing arrangements incorporates valuations obtained from the counterparties to the arrangements, as part of the collateral management process.
Other Liabilities
Other liabilities consist primarily of interest payable, amounts due for securities purchased but not yet settled, and funds withheld amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreements. The Company evaluates the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are not materially different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estimated fair value is determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflect the appropriate credit standing of the assuming counterparty.
Separate Account Liabilities
Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment contracts.
Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortality risk to the Company such that the death benefit is equal to the account balance, funding agreements related to group life contracts and certain contracts that provide for benefit funding.
Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estimated fair value as described in the section “— Recurring Fair Value Measurements,” the value of those assets approximates the estimated fair value of the related separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described for separate account assets.

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10. Goodwill

The Company tests goodwill for impairment during the third quarter of each year at the reporting unit level based upon the best available data at June 30, of that year. A reporting unit is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. Step 1 of the goodwill impairment process requires a comparison of the fair value of a reporting unit to its carrying value. To determine the fair values of its reporting units, the Company generally applies a market multiple, discounted cash flow, and/or an actuarial based valuation approach. The market multiple valuation approach utilizes market multiples of companies with similar businesses and the projected operating earnings of the reporting unit. The discounted cash flow valuation approach requires judgments about revenues, operating earnings projections, capital market assumptions and discount rates. The actuarial based approaches such as embedded value or cash flow testing estimate the net worth of the reporting unit and the value of existing and new business. The actuarial based approaches require judgments and assumptions about level of economic capital required to support the mix of business, long-term growth rates, the account value of in-force business, projections of new and renewal business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate that the Company believes is appropriate for the respective reporting unit.

In anticipation of the Separation, in the third quarter of 2016, MetLife reorganized its businesses into six segments: U.S.; Asia; Latin America; EMEA; MetLife Holdings; and Brighthouse Financial. In connection with the reorganization, MetLife realigned certain businesses among its existing and new segments. As a result, the Company reallocated goodwill based on the relative fair values of the reporting units within such segments.

Based on a quantitative analysis performed for the Life and Run-off reporting units within the Brighthouse Financial segment, the Company concluded that the carrying values of these reporting units exceeded their estimated fair values, indicating a potential for goodwill impairment. Accordingly, the Company performed Step 2 of the goodwill impairment process for each of the reporting units, which compares the implied estimated fair value of the reporting unit's goodwill with its carrying value. This analysis indicated that the goodwill associated with these reporting units was not recoverable. As a result, the Company recorded a non-cash charge in the aggregate of $260 million ($223 million, net of income tax) for the impairment of the entire goodwill balance, which is reported in goodwill impairment in the interim condensed consolidated statements of operations and comprehensive income for both the three months and nine months ended September 30, 2016.

In addition, the Company performed its annual goodwill impairment tests of all other reporting units during the third quarter of 2016 using a qualitative assessment and/or quantitative assessments under the market multiple, discounted cash flow and/or actuarial based valuation approaches based on best available data as of June 30, 2016 and concluded that the estimated fair values of all such reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

Management continues to evaluate current market conditions that may affect the estimated fair value of the reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill.

Information regarding goodwill by segment, as well as Corporate & Other, was as follows:

	U.S.	Asia	Latin America	EMEA	MetLife Holdings	Brighthouse Financial	Corporate & Other	Total
	(In millions)							
Balance at January 1, 2016								
Goodwill	$1,451	$4,508	$ 1,186	$1,143	$ 2,579	$ 260	$ 218	$ 11,345
Accumulated impairment (1)	—	—	—	—	(1,692)	—	(176)	(1,868)
Total goodwill, net	1,451	4,508	1,186	1,143	887	260	42	9,477
Dispositions (2)	—	—	—	—	—	—	(42)	(42)

Impairment	—	—	—	—	—	(260)	—	(260)
Effect of foreign currency translation and other	—	352	64	1	—	—	—	417
Balance at September 30, 2016								
Goodwill	1,451	4,860	1,250	1,144	2,579	260	176	11,720
Accumulated impairment	—	—	—	—	(1,692)	(260)	(176)	(2,128)
Total goodwill, net	$1,451	$4,860	$ 1,250	$1,144	$ 887	$ —	$ —	$9,592

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10. Goodwill (continued)

(1) The $1.9 billion accumulated impairment relates to the retail annuities business, which was impaired in 2012 and includes the allocated goodwill from Corporate & Other. Although the entire balance is reflected in the MetLife Holdings segment, it also relates to the retail annuities business within the Brighthouse Financial segment.
(2) In conjunction with the U.S. Retail Advisor Force Divestiture, the Company reduced goodwill in Corporate & Other by $42 million during the nine months ended September 30, 2016. See Note 3.

11. Equity

Preferred Stock

Preferred stock authorized, issued and outstanding was as follows at both September 30, 2016 and December 31, 2015:

Series	Shares Authorized	Shares Issued	Shares Outstanding
Floating Rate Non-Cumulative Preferred Stock, Series A	27,600,000	24,000,000	24,000,000
5.25% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series C	1,500,000	1,500,000	1,500,000
Series A Junior Participating Preferred Stock	10,000,000	—	—
Not designated	160,900,000	—	—
Total	200,000,000	25,500,000	25,500,000

Common Stock

During the nine months ended September 30, 2016 and 2015, MetLife, Inc. repurchased 1,445,864 and 22,475,816 shares through open market purchases for $70 million and $1.1 billion, respectively.

At September 30, 2016, MetLife, Inc. had no remaining common stock repurchase authorizations. Common stock repurchases are dependent upon several factors, including the Company’s capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc.’s common stock compared to management’s assessment of the stock’s underlying value and applicable regulatory approvals, as well as other legal and accounting factors.

Stock-Based Compensation Plans

Performance Shares and Performance Units

Awards under the MetLife, Inc. 2005 Stock and Incentive Compensation Plan and the MetLife, Inc. 2015 Stock and Incentive Compensation Plan (the “2015 Stock Plan”) were outstanding at September 30, 2016. All awards granted in 2015 or later were granted under the 2015 Stock Plan. There were no outstanding awards to MetLife, Inc. directors, for their service as directors, as of September 30, 2016.

For Performance Share and Performance Unit awards outstanding as of September 30, 2016, any vested Performance Shares and Performance Units will be multiplied by a performance factor of 0% to 175%. Assuming that MetLife, Inc. has met threshold performance goals related to its adjusted income or total shareholder return, the MetLife, Inc. Compensation Committee will determine the performance factor in its discretion. In doing so, the Compensation Committee may consider MetLife, Inc.’s total shareholder return relative to the performance of its competitors and MetLife, Inc.’s operating return on equity relative to its business plan. The estimated fair value of Performance Shares and Performance Units will be remeasured each quarter until they become payable.

Payout of 2013 – 2015 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, 2013 – December 31, 2015 performance period was 86.2%. This factor has been applied to the 1,592,650 Performance Shares and 234,787 Performance Units associated with that performance period that vested on December 31, 2015. As a result, in the first quarter of 2016, MetLife, Inc. issued 1,372,864 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 202,386 units (less withholding for taxes and other items, as applicable).

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, 2016				
	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	$18,204	$ 2,431	$ (4,020)	$ (1,983)	$14,632
OCI before reclassifications	(1,066)	(24)	49	(259)	(1,300)
Deferred income tax benefit (expense)	281	8	30	85	404
AOCI before reclassifications, net of income tax	17,419	2,415	(3,941)	(2,157)	13,736
Amounts reclassified from AOCI	(173)	(94)	—	46	(221)
Deferred income tax benefit (expense)	60	30	—	(10)	80
Amounts reclassified from AOCI, net of income tax	(113)	(64)	—	36	(141)
Balance, end of period	$17,306	$ 2,351	$ (3,941)	$ (2,121)	$13,595

	Three Months Ended September 30, 2015				
	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	$11,761	$ 1,102	$ (4,214)	$ (2,206)	$6,443
OCI before reclassifications	962	102	(336)	—	728
Deferred income tax benefit (expense)	(340)	(47)	(24)	—	(411)
AOCI before reclassifications, net of income tax	12,383	1,157	(4,574)	(2,206)	6,760
Amounts reclassified from AOCI	(102)	239	—	57	194
Deferred income tax benefit (expense)	34	(77)	—	(20)	(63)
Amounts reclassified from AOCI, net of income tax	(68)	162	—	37	131
Balance, end of period	$12,315	$ 1,319	$ (4,574)	$ (2,169)	$6,891

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

	Nine Months Ended September 30, 2016				
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total
	(In millions)				
Balance, beginning of period	$10,315	$ 1,458	$ (4,950)	$ (2,052)	$4,771
OCI before reclassifications	10,872	1,472	809	(248)	12,905
Deferred income tax benefit (expense)	(3,656)	(460)	200	81	(3,835)
AOCI before reclassifications, net of income tax	17,531	2,470	(3,941)	(2,219)	13,841
Amounts reclassified from AOCI	(339)	(174)	—	145	(368)
Deferred income tax benefit (expense)	114	55	—	(47)	122
Amounts reclassified from AOCI, net of income tax	(225)	(119)	—	98	(246)
Balance, end of period	$17,306	$ 2,351	$ (3,941)	$ (2,121)	$13,595

	Nine Months Ended September 30, 2015				
	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	$15,159	$ 1,076	$ (3,303)	$ (2,283)	$10,649
OCI before reclassifications	(3,923)	(106)	(1,243)	3	(5,269)
Deferred income tax benefit (expense)	1,337	37	(28)	(1)	1,345
AOCI before reclassifications, net of income tax	12,573	1,007	(4,574)	(2,281)	6,725
Amounts reclassified from AOCI	(392)	490	—	171	269
Deferred income tax benefit (expense)	134	(178)	—	(59)	(103)
Amounts reclassified from AOCI, net of income tax	(258)	312	—	112	166