METLIFE INC
Form 10-Q
May 06, 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 MARCH 31, 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 April 29, 2016, 1,098,666,690 shares of the registrant’s common stock, $0.01 par value per share, were outstanding.

Table of Contents

		Page
Part I — Financial Information		
Item 1.	Financial Statements (at March 31, 2016 (Unaudited) and December 31, 2015 and for the Three Months Ended March 31, 2016 and 2015 (Unaudited))	3
	Interim Condensed Consolidated Balance Sheets	3
	Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)	4
	Interim Condensed Consolidated Statements of Equity	5
	Interim Condensed Consolidated Statements of Cash Flows	6
	Notes to the Interim Condensed Consolidated Financial Statements:	
	Note 1 — Business, Basis of Presentation and Summary of Significant Accounting Policies	7
	Note 2 — Segment Information	9
	Note 3 — Pending Disposition	15
	Note 4 — Insurance	15
	Note 5 — Closed Block	17
	Note 6 — Investments	18
	Note 7 — Derivatives	32
	Note 8 — Fair Value	46
	Note 9 — Equity	64
	Note 10 — Other Expenses	68
	Note 11 — Employee Benefit Plans	68
	Note 12 — Earnings Per Common Share	69
	Note 13 — Contingencies, Commitments and Guarantees	69
	Note 14 — Subsequent Event	77
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	78
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	150
Item 4.	Controls and Procedures	151
Part II — Other Information		
Item 1.	Legal Proceedings	152
Item 1A.	Risk Factors	154
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	158
Item 6.	Exhibits	159
Signatures		160
Exhibit Index		E - 1

Table of Contents

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 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) 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, (c) entry into joint ventures, or (d) legal entity reorganizations; (9) potential liquidity and other risks resulting from our participation in a securities lending program and other transactions; (10) investment losses and defaults, and changes to investment valuations; (11) changes in assumptions related to investment valuations, deferred policy acquisition costs, deferred sales inducements, value of business acquired or goodwill; (12) impairments of goodwill and realized losses or market value impairments to illiquid assets; (13) defaults on our mortgage loans; (14) the defaults or deteriorating credit of other financial institutions that could adversely affect us; (15) economic, political, legal, currency and other risks relating to our international operations, including with respect to fluctuations of exchange rates; (16) downgrades in our claims paying ability, financial strength or credit ratings; (17) a deterioration in the experience of the closed block established in connection with the reorganization of Metropolitan Life Insurance Company; (18) availability and effectiveness of reinsurance or indemnification arrangements, as well as any default or failure of counterparties to perform; (19) differences between actual claims experience and underwriting and reserving assumptions; (20) ineffectiveness of risk management policies and procedures; (21) catastrophe losses; (22) increasing cost and limited market capacity for statutory life insurance reserve financings; (23) 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; (24) 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; (25) regulatory and other restrictions affecting MetLife, Inc.'s ability to pay dividends and repurchase common stock; (26) MetLife, Inc.'s primary reliance, as a holding company, on dividends from its subsidiaries to meet its free cash flow targets and debt payment obligations and the applicable regulatory restrictions on the ability of the subsidiaries to pay such dividends; (27) the possibility that MetLife, Inc.'s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (28) changes in accounting standards, practices and/or policies; (29) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (30) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (31) inability to attract and retain sales representatives; (32) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (33) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (34) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (35) other risks and uncertainties described from time to time in MetLife, Inc.'s filings with the U.S. Securities and Exchange Commission.

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

Corporate Information

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

Note Regarding Reliance on Statements in Our Contracts

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

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

	March 31, 2016	December 31, 2015
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $343,412 and $332,964, respectively; includes $3,396 and $4,277, respectively, relating to variable interest entities)	$371,981	$ 351,402
Equity securities available-for-sale, at estimated fair value (cost: $3,010 and $2,997, respectively)	3,374	3,321
Fair value option and trading securities, at estimated fair value (includes $360 and $404, respectively, of actively traded securities; and $10 and $13, respectively, relating to variable interest entities)	14,993	15,024
Mortgage loans (net of valuation allowances of $381 and $318, respectively; includes $169 and $172, respectively, at estimated fair value, relating to variable interest entities; includes $392 and $314, respectively, under the fair value option)	68,651	67,102
Policy loans (includes $0 and $4, respectively, relating to variable interest entities)	11,257	11,258
Real estate and real estate joint ventures (includes $47 and $47, respectively, of real estate held-for-sale)	8,733	8,433
Other limited partnership interests (includes $27 and $27, respectively, relating to variable interest entities)	7,022	7,096
Short-term investments, principally at estimated fair value (includes $0 and $26, respectively, relating to variable interest entities)	11,621	9,299
Other invested assets, principally at estimated fair value (includes $43 and $43, respectively, relating to variable interest entities)	27,095	22,524
Total investments	524,727	495,459
Cash and cash equivalents, principally at estimated fair value (includes $18 and $85, respectively, relating to variable interest entities)	13,290	12,752
Accrued investment income (includes $1 and $23, respectively, relating to variable interest entities)	4,198	3,988
Premiums, reinsurance and other receivables (includes $3 and $21, respectively, relating to variable interest entities)	27,843	22,702
Deferred policy acquisition costs and value of business acquired (includes $0 and $240, respectively, relating to variable interest entities)	23,973	24,130
Current income tax recoverable	125	161
Goodwill	9,729	9,477
Other assets (includes $3 and $148, respectively, relating to variable interest entities)	7,496	7,666
Separate account assets (includes $0 and $1,022, respectively, relating to variable interest entities)	306,047	301,598
Total assets	$917,428	$ 877,933
Liabilities and Equity		
Liabilities		
	$196,967	$ 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)	207,593	202,722
Other policy-related balances (includes $0 and $238, respectively, relating to variable interest entities)	14,435	14,255
Policyholder dividends payable	706	720
Policyholder dividend obligation	2,586	1,783
Payables for collateral under securities loaned and other transactions	41,165	36,871
Short-term debt	100	100
Long-term debt (includes $55 and $63, respectively, at estimated fair value, relating to variable interest entities)	17,915	18,023
Collateral financing arrangements	4,127	4,139
Junior subordinated debt securities	3,168	3,194
Deferred income tax liability	13,776	10,592
Other liabilities (includes $0 and $81, respectively, relating to variable interest entities)	32,878	23,561
Separate account liabilities (includes $0 and $1,022, respectively, relating to variable interest entities)	306,047	301,598
Total liabilities	841,463	809,437
Contingencies, Commitments and Guarantees (Note 13)		
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; 1,161,534,632 and 1,159,590,766 shares issued, respectively; 1,098,526,527 and 1,098,028,525 shares outstanding, respectively	12	12
Additional paid-in capital	30,769	30,749
Retained earnings	37,301	35,519
Treasury stock, at cost; 63,008,105 and 61,562,241 shares, respectively	(3,172)	(3,102)
Accumulated other comprehensive income (loss)	10,865	4,771
Total MetLife, Inc.’s stockholders’ equity	75,775	67,949
Noncontrolling interests	190	470
Total equity	75,965	68,419
Total liabilities and equity	$917,428	$ 877,933

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2016 and 2015 (Unaudited)
(In millions, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Premiums	$9,693	$9,253
Universal life and investment-type product policy fees	2,344	2,394
Net investment income	4,559	5,461
Other revenues	487	495
Net investment gains (losses):		
Other-than-temporary impairments on fixed maturity securities	(78)	(8)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	—	(10)
Other net investment gains (losses)	93	304
Total net investment gains (losses)	15	286
Net derivative gains (losses)	1,335	821
Total revenues	18,433	18,710
Expenses		
Policyholder benefits and claims	9,678	9,257
Interest credited to policyholder account balances	1,326	1,995
Policyholder dividends	315	339
Other expenses	4,192	4,060
Total expenses	15,511	15,651
Income (loss) before provision for income tax	2,922	3,059
Provision for income tax expense (benefit)	719	896
Net income (loss)	2,203	2,163
Less: Net income (loss) attributable to noncontrolling interests	2	5
Net income (loss) attributable to MetLife, Inc.	2,201	2,158
Less: Preferred stock dividends	6	30
Net income (loss) available to MetLife, Inc.'s common shareholders	$2,195	$2,128
Comprehensive income (loss)	$8,388	$3,101
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	93	63
Comprehensive income (loss) attributable to MetLife, Inc.	$8,295	$3,038
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:		
Basic	$1.99	$1.89
Diluted	$1.98	$1.87
Cash dividends declared per common share	$0.375	$0.350

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Three Months Ended March 31, 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			20				20		20
Dividends on preferred stock				(6)			(6)		(6)
Dividends on common stock				(413)			(413)		(413)
Change in equity of noncontrolling interests							—	(373)	(373)
Net income (loss)				2,201			2,201	2	2,203
Other comprehensive income (loss), net of income tax						6,094	6,094	91	6,185
Balance at March 31, 2016	$ —	$ 12	$ 30,769	$ 37,301	$ (3,172)	$ 10,865	$ 75,775	$ 190	$ 75,965

	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
Treasury stock acquired in connection with share repurchases					(986)		(986)		(986)
Stock-based compensation			89				89		89
Dividends on preferred stock				(30)			(30)		(30)
Dividends on common stock				(394)			(394)		(394)
Change in equity of noncontrolling interests							—	(26)	(26)
Net income (loss)				2,158			2,158	5	2,163
Other comprehensive income (loss), net of income tax						880	880	58	938
Balance at March 31, 2015	$ 1	$ 12	$ 30,632	$ 33,754	$ (2,158)	$ 11,529	$ 73,770	$ 544	$ 74,314

(1) Net income (loss) attributable to noncontrolling interests did not exclude any gains of redeemable noncontrolling interests in partially-owned consolidated subsidiaries at March 31, 2016. Net income (loss) attributable to noncontrolling interests excluded gains of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of less than $1 million at March 31, 2015.

See accompanying notes to the interim condensed consolidated financial statements.

Table of Contents

MetLife, Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2016 and 2015 (Unaudited)
(In millions)

	Three Months Ended March 31,	
	2016	2015
Net cash provided by (used in) operating activities	$1,964	$2,686
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	35,095	35,647
Equity securities	631	58
Mortgage loans	2,857	2,719
Real estate and real estate joint ventures	56	280
Other limited partnership interests	295	279
Purchases of:		
Fixed maturity securities	(37,247)	(33,305)
Equity securities	(675)	(107)
Mortgage loans	(4,413)	(5,559)
Real estate and real estate joint ventures	(233)	(140)
Other limited partnership interests	(281)	(275)
Cash received in connection with freestanding derivatives	1,337	947
Cash paid in connection with freestanding derivatives	(1,173)	(1,494)
Cash received under repurchase agreements (Note 6)	—	199
Cash paid under reverse repurchase agreements (Note 6)	—	(199)
Net change in policy loans	85	(7)
Net change in short-term investments	(2,302)	(5,690)
Net change in other invested assets	252	(167)
Other, net	(23)	(86)
Net cash provided by (used in) investing activities	(5,739)	(6,900)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	19,925	22,463
Withdrawals	(19,310)	(22,736)
Net change in payables for collateral under securities loaned and other transactions	4,161	1,985
Long-term debt issued	—	1,492
Long-term debt repaid	(5)	(7)
Collateral financing arrangements repaid	(12)	—
Treasury stock acquired in connection with share repurchases	(70)	(986)
Dividends on preferred stock	(6)	(30)
Dividends on common stock	(413)	(394)
Other, net	(30)	(64)
Net cash provided by (used in) financing activities	4,240	1,723
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	73	(190)
Change in cash and cash equivalents	538	(2,681)
Cash and cash equivalents, beginning of period	12,752	10,808
Cash and cash equivalents, end of period	$13,290	$8,127
Supplemental disclosures of cash flow information		

Net cash paid (received) for:		
Interest	$249	$214
Income tax	$125	$147
Non-cash transactions:		
Reduction of fixed maturity securities in connection with a reinsurance transaction	$224	$—
Deconsolidation of operating joint venture (Note 6):		
Reduction of fixed maturity securities	$917	$—
Reduction of noncontrolling interests	$373	$—

See accompanying notes to the interim condensed consolidated financial statements.

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

Business

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

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported 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 ended February 28, 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 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.

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 decision maker 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 March 31, 2016, disclosed in Note 6, reflect the application of the new guidance.

Future Adoption of New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (“FASB”) issued new guidance on stock compensation (Accounting Standards Update (“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: (a) income tax consequences when awards vest or are settled; (b) classification of awards as either equity or liabilities due to statutory tax withholding requirements; and (c) 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

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

On January 12, 2016, MetLife, Inc. announced its plan to pursue the separation of a substantial portion of its Retail segment, which is organized into two U.S. businesses, Life & Other and Annuities, as well as certain portions of its Corporate Benefit Funding segment and Corporate & Other (the “Separation”). The Company is currently evaluating structural alternatives for the proposed Separation, including a public offering of shares in an independent, publicly traded company, a spin-off, or a sale. The completion of a public offering would depend on, among other things, the U.S. Securities and Exchange Commission (“SEC”) filing and review process, as well as market conditions. A Separation, depending on the specific form, would be subject to the satisfaction of various conditions and approvals, including, among other things, approval of any transaction by the MetLife, Inc. Board of Directors, satisfaction of any applicable requirements of the SEC, and receipt of insurance and other regulatory approvals and other anticipated conditions.

Americas

The Americas consists of the following segments:

Retail

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

Group, Voluntary & Worksite Benefits

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

Corporate Benefit Funding

The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interest 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 segment 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.

Latin America

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

Asia

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

EMEA

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

Corporate & Other

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

Financial Measures and Segment Accounting Policies

Operating earnings is the measure of segment profit or loss the Company uses to evaluate segment performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is the Company’s measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for 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 is defined as operating revenues less operating expenses, both net of income tax.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. In addition, for the three months ended March 31, 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.

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

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

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

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation related to net investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts backed by inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a contractually referenced pool of assets and other pass through adjustments, (iii) benefits and hedging costs related to GMIBs ("GMIB Costs") and (iv) market value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments");
- Interest credited to policyholder account balances includes adjustments for 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 deferred policy acquisition costs ("DAC") and value of business acquired ("VOBA") excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs and (iii) Market Value Adjustments;
- Amortization of negative VOBA excludes amounts related to Market Value Adjustments;
- Interest expense on debt excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requirements, and (iii) acquisition, 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. In addition to the tax impact of the adjustments mentioned above, provision for income tax expense (benefit) also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

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 ended March 31, 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.

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

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

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

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

2. Segment Information (continued)

	Operating Results										
	Americas										
Three Months Ended March 31, 2016	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolida
	(In millions)										
Revenues											
Premiums	$1,740	$4,294	$358	$691	$7,083	$1,658	$500	$26	$9,267	$426	$9,693
Universal life and investment-type product policy fees	1,149	185	80	268	1,682	350	95	24	2,151	193	2,344
Net investment income	1,880	447	1,342	257	3,926	618	80	82	4,706	(147)	4,559
Other revenues	215	131	70	7	423	17	20	27	487	—	487
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	15	15
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	1,335	1,335
Total revenues	4,984	5,057	1,850	1,223	13,114	2,643	695	159	16,611	1,822	18,433
Expenses											
Policyholder benefits and claims and policyholder dividends	2,458	4,034	962	617	8,071	1,236	261	25	9,593	400	9,993
Interest credited to policyholder account balances	522	37	310	80	949	319	29	4	1,301	25	1,326
Capitalization of DAC	(255)	(36)	—	(97)	(388)	(385)	(101)	(2)	(876)	(105)	(981)
Amortization of DAC and VOBA	373	40	5	73	491	286	102	2	881	114	995
Amortization of negative VOBA	—	—	—	—	—	(64)	(3)	—	(67)	(32)	(99)
Interest expense on debt	2	—	2	—	4	—	—	308	312	—	312
Other expenses	1,149	712	120	371	2,352	851	333	174	3,710	255	3,965
Total expenses	4,249	4,787	1,399	1,044	11,479	2,243	621	511	14,854	657	15,511
Provision for income tax expense (benefit)	203	96	156	42	497	95	11	(181)	422	297	719
Operating earnings	$532	$174	$295	$137	$1,138	$305	$63	$(171)	1,335		
Adjustments to:											
Total revenues									1,822		
Total expenses									(657)		
Provision for income tax (expense) benefit									(297)		
Net income (loss)									$2,203		$2,203

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

	Operating Results										
	Americas										
Three Months Ended March 31, 2015	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidate
	(In millions)										
Revenues											
Premiums	$1,749	$4,117	$418	$699	$6,983	$1,752	$508	$10	$9,253	$—	$9,253
Universal life and investment-type product policy fees	1,236	188	54	294	1,772	397	102	23	2,294	100	2,394
Net investment income	1,980	478	1,430	218	4,106	684	83	109	4,982	479	5,461
Other revenues	251	113	71	10	445	28	10	20	503	(8)	495
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	286	286
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	821	821
Total revenues	5,216	4,896	1,973	1,221	13,306	2,861	703	162	17,032	1,678	18,710
Expenses											
Policyholder benefits and claims and policyholder dividends	2,449	3,835	991	581	7,856	1,340	239	12	9,447	149	9,596
Interest credited to policyholder account balances	542	37	293	86	958	337	30	6	1,331	664	1,995
Capitalization of DAC	(247)	(36)	(6)	(111)	(400)	(435)	(133)	—	(968)	—	(968)
Amortization of DAC and VOBA	375	41	5	78	499	326	128	—	953	72	1,025
Amortization of negative VOBA	—	—	—	—	—	(86)	(4)	—	(90)	(10)	(100)
Interest expense on debt	(1)	—	1	—	—	—	—	297	297	1	298
Other expenses	1,176	664	124	425	2,389	904	362	145	3,800	5	3,805
Total expenses	4,294	4,541	1,408	1,059	11,302	2,386	622	460	14,770	881	15,651
Provision for income tax expense (benefit)	269	127	196	31	623	148	11	(188)	594	302	896
Operating earnings	$653	$228	$369	$131	$1,381	$327	$70	$(110)	1,668		
Adjustments to:											
Total revenues									1,678		
Total expenses									(881)		
Provision for income tax (expense) benefit									(302)		
Net income (loss)									$2,163		$2,163

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

	March 31, 2016	December 31, 2015
	(In millions)	
Retail	$354,705	$347,257
Group, Voluntary & Worksite Benefits	49,950	46,476
Corporate Benefit Funding	231,484	225,015
Latin America	68,949	65,266
Asia	122,187	113,895
EMEA	27,720	26,767
Corporate & Other	62,433	53,257
Total	$917,428	$877,933

3. Pending Disposition

On February 28, 2016, MetLife, Inc. entered into a purchase agreement with Massachusetts Mutual Life Insurance Company (“MassMutual”) pursuant to which MassMutual will acquire MetLife’s U.S. Retail advisor force and certain assets associated with the MetLife Premier Client Group, including MetLife’s affiliated broker-dealer, MetLife Securities, Inc. (“MSI”), a wholly-owned subsidiary of MetLife, Inc. MassMutual will also assume all of the liabilities that relate to or arise from such assets and that arise or occur at or after the closing of the transactions contemplated by the purchase agreement. In addition, MassMutual will acquire all of the issued and outstanding shares of MSI. The purchase price is approximately $300 million, subject to customary adjustments. The transactions contemplated by the purchase agreement are subject to certain closing conditions, including regulatory approval. The Company recorded certain charges to computer software and employee benefit plans related to the transactions during the three months ended March 31, 2016. See Notes 8 and 11.

4. Insurance

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 7.

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

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

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

	March 31, 2016		December 31, 2015	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuity Guarantees				
Total account value (2), (3)	$180,216	$ 90,785	$181,413	$ 91,240
Separate account value	$150,726	$ 87,235	$151,901	$ 87,841
Net amount at risk (2)	$10,475 (4)	$ 3,412 (5)	$10,339 (4)	$ 2,762 (5)
Average attained age of contractholders	67 years	66 years	66 years	66 years
Other Annuity Guarantees				
Total account value (3)	N/A	$ 1,583	N/A	$ 1,560
Net amount at risk	N/A	$ 425 (6)	N/A	$ 422 (6)
Average attained age of contractholders	N/A	51 years	N/A	51 years

	March 31, 2016		December 31, 2015	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees
	(In millions)			
Universal and Variable Life Contracts (1)				
Total account value (3)	$16,818	$ 3,428	$17,211	$ 3,461
Net amount at risk (7)	$176,200	$ 18,718	$175,958	$ 19,047
Average attained age of policyholders	57 years	62 years	57 years	62 years

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

[2] Includes amounts, which are not reported on the consolidated balance sheets, from assumed 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.

[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. 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.

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

	March 31, 2016	December 31, 2015
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$41,046	$41,278
Other policy-related balances	270	249
Policyholder dividends payable	484	468
Policyholder dividend obligation	2,586	1,783
Other liabilities	799	380
Total closed block liabilities	45,185	44,158
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	28,739	27,556
Equity securities available-for-sale, at estimated fair value	108	111
Mortgage loans	5,910	6,022
Policy loans	4,561	4,642
Real estate and real estate joint ventures	458	462
Other invested assets	978	1,066
Total investments	40,754	39,859
Cash and cash equivalents	151	236
Accrued investment income	477	474
Premiums, reinsurance and other receivables	321	56
Current income tax recoverable	7	11
Deferred income tax assets	215	234
Total assets designated to the closed block	41,925	40,870
Excess of closed block liabilities over assets designated to the closed block	3,260	3,288
Amounts included in accumulated other comprehensive income (loss) ("AOCI")		
Unrealized investment gains (losses), net of income tax	1,963	1,382
Unrealized gains (losses) on derivatives, net of income tax	63	76
Allocated to policyholder dividend obligation, net of income tax	(1,681)	(1,159)
Total amounts included in AOCI	345	299
Maximum future earnings to be recognized from closed block assets and liabilities	$3,605	$3,587

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

	Three Months Ended March 31, 2016	Year Ended December 31, 2015
	(In millions)	
Balance, beginning of period	$1,783	$ 3,155
Change in unrealized investment and derivative gains (losses)	803	(1,372)
Balance, end of period	$2,586	$ 1,783

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

	Three Months Ended March 31, 2016	2015
	(In millions)	
Revenues		
Premiums	$417	$430
Net investment income	480	515
Net investment gains (losses)	(28)	(1)
Net derivative gains (losses)	(11)	25
Total revenues	858	969
Expenses		
Policyholder benefits and claims	610	608
Policyholder dividends	245	240
Other expenses	32	37
Total expenses	887	885
Revenues, net of expenses before provision for income tax expense (benefit)	(29)	84
Provision for income tax expense (benefit)	(11)	29
Revenues, net of expenses and provision for income tax expense (benefit)	$(18)	$55

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

6. Investments

Fixed Maturity 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”).

MetLife, Inc.

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

6. Investments (continued)

	March 31, 2016					December 31, 2015				
	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized			Estimated Fair Value
		Gains	Temporary Losses	OTTI Losses			Gains	Temporary Losses	OTTI Losses	
	(In millions)									
Fixed maturity securities										
U.S. corporate	$95,066	$8,350	$ 1,320	$—	$102,096	$96,466	$6,583	$ 2,255	$—	$100,794
U.S. government and agency	57,060	7,969	38	—	64,991	56,499	5,373	226	—	61,646
Foreign corporate	56,756	3,612	1,273	4	59,091	56,003	3,019	1,822	2	57,198
Foreign government	48,940	7,848	132	—	56,656	45,451	5,269	221	—	50,499
RMBS	41,940	1,577	414	74	43,029	37,914	1,366	424	59	38,797
State and political subdivision	14,243	2,320	16	8	16,539	13,723	1,795	67	10	15,441
ABS	16,407	121	320	6	16,202	14,498	131	229	6	14,394
CMBS (1)	13,000	470	94	(1)	13,377	12,410	347	125	(1)	12,633
Total fixed maturity securities	$343,412	$32,267	$ 3,607	$ 91	$371,981	$332,964	$23,883	$ 5,369	$ 76	$351,402
Equity securities										
Common stock	$2,051	$412	$ 48	$—	$2,415	$1,962	$397	$ 107	$—	$2,252
Non-redeemable preferred stock	959	69	69	—	959	1,035	85	51	—	1,069
Total equity securities	$3,010	$481	$ 117	$—	$3,374	$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 March 31, 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 $59 million and $54 million with unrealized gains (losses) of $19 million and $12 million at March 31, 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 March 31, 2016:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Securities	Total Fixed Maturity Securities
	(In millions)					
Amortized cost	$13,348	$77,283	$69,960	$111,474	$ 71,347	$343,412
Estimated fair value	$13,428	$81,212	$74,104	$130,629	$ 72,608	$371,981

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities not due at a single maturity date have been presented in the year of final contractual maturity.

Structured securities (RMBS, ABS and CMBS) 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.

	March 31, 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
	(In millions, except number of securities)							
Fixed maturity securities								
U.S. corporate	$14,740	$ 708	$5,276	$ 612	$27,526	$ 1,629	$3,762	$ 626
U.S. government and agency	1,549	13	500	25	19,628	222	298	4
Foreign corporate	8,960	479	6,210	798	14,447	911	5,251	913
Foreign government	1,996	83	535	49	3,530	166	429	55
RMBS	7,026	234	2,989	254	13,467	287	2,431	196
State and political subdivision	322	4	168	20	1,618	55	168	22
ABS	8,025	188	3,569	138	7,329	124	2,823	111
CMBS	1,697	32	967	61	4,876	81	637	43
Total fixed maturity securities	$44,315	$ 1,741	$20,214	$ 1,957	$92,421	$ 3,475	$15,799	$ 1,970
Equity securities								
Common stock	$168	$ 46	$2	$ 2	$203	$ 105	$20	$ 2
Non-redeemable preferred stock	130	9	176	60	79	2	200	49
Total equity securities	$298	$ 55	$178	$ 62	$282	$ 107	$220	$ 51
Total number of securities in an unrealized loss position	3,904		1,837		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 March 31, 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 $1.7 billion during the three months ended March 31, 2016 to $3.7 billion. The decrease in gross unrealized losses for the three months ended March 31, 2016, was primarily attributable to a decrease in interest rates and, to a lesser extent, the impact of strengthening foreign currencies on non-functional currency denominated fixed maturity securities.

At March 31, 2016, $472 million of the total $3.7 billion of gross unrealized losses were from 113 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities

Of the $472 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, $231 million, or 49%, were related to gross unrealized losses on 55 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 $472 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, $241 million, or 51%, were related to gross unrealized losses on 58 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 non-agency RMBS (primarily alternative residential mortgage loans) 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 and valuations of residential real estate supporting non-agency RMBS. 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; and evaluates non-agency RMBS based on actual and projected cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security and the payment priority within the tranche structure of the security.

Equity Securities

Gross unrealized losses on equity securities decreased $41 million during the three months ended March 31, 2016 to $117 million. Of the $117 million, $47 million were from nine securities with gross unrealized losses of 20% or more of cost for 12 months or greater. Of the $47 million, 64% 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:

	March 31, 2016		December 31, 2015	
	Carrying Value	% of Total	Carrying Value	% of Total
	(In millions)		(In millions)	
Mortgage loans				
Commercial	$45,445	66.2 %	$44,012	65.6 %
Agricultural	13,226	19.3	13,188	19.6
Residential	9,800	14.3	9,734	14.5
Subtotal (1)	68,471	99.8	66,934	99.7
Valuation allowances	(381)	(0.6)	(318)	(0.5)
Subtotal mortgage loans, net	68,090	99.2	66,616	99.2
Residential — FVO	392	0.6	314	0.5
Commercial mortgage loans held by CSEs — FVO	169	0.2	172	0.3
Total mortgage loans, net	$68,651	100.0 %	$67,102	100.0 %

[1] Purchases of mortgage loans were $292 million and $1.4 billion for the three months ended March 31, 2016 and 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 8. The Company elects the FVO for certain mortgage loans and related long-term debt that are managed on a total return basis.

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)							
March 31, 2016								
Commercial	$161	$ 144	$ 58	$56	$ 56	$45,245	$ 223	$ 142
Agricultural	16	14	1	39	38	13,174	39	51
Residential	—	—	—	176	162	9,638	60	162
Total	$177	$ 158	$ 59	$271	$ 256	$68,057	$ 322	$ 355
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 $128 million, $60 million and $147 million, respectively, for the three months ended March 31, 2016; and $171 million, $63 million and $47 million, respectively, for the three months ended March 31, 2015.

Valuation Allowance Rollforward by Portfolio Segment

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

	Three Months Ended March 31,							
	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)	64	—	4	68	1	—	14	15
Charge-offs, net of recoveries	—	(2)	(3)	(5)	—	—	(5)	(5)
Balance, end of period	$281	$ 40	$ 60	$381	$225	$ 39	$ 51	$315

Credit Quality of Commercial Mortgage Loans

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

	Recorded Investment					Estimated	% of Total
	Debt Service Coverage Ratios				% of	Fair	
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	Total	Value	
	(In millions)					(In millions)	
March 31, 2016							
Loan-to-value ratios							
Less than 65%	$39,658	$ 888	$ 594	$41,140	90.5 %	$ 42,534	91.0 %
65% to 75%	3,371	106	206	3,683	8.1	3,673	7.8
76% to 80%	89	—	—	89	0.2	93	0.2
Greater than 80%	438	42	53	533	1.2	452	1.0
Total	$43,556	$ 1,036	$ 853	$45,445	100 %	$ 46,752	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:

	March 31, 2016		December 31, 2015	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	
Loan-to-value ratios				
Less than 65%	$12,583	95.1 %	$12,399	94.0 %
65% to 75%	575	4.3	710	5.4
76% to 80%	20	0.2	21	0.2
Greater than 80%	48	0.4	58	0.4
Total	$13,226	100.0%	$13,188	100.0%

The estimated fair value of agricultural mortgage loans was $13.6 billion and $13.5 billion at March 31, 2016 and December 31, 2015, respectively.

Credit Quality of Residential Mortgage Loans

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

	March 31, 2016		December 31, 2015	
	Recorded Investment	% of Total	Recorded Investment	% of Total
	(In millions)		(In millions)	
Performance indicators				
Performing	$9,483	96.8 %	$9,408	96.7 %

Nonperforming	317	3.2	326	3.3
Total	$9,800	100.0%	$9,734	100.0%

The estimated fair value of residential mortgage loans was $10.1 billion and $9.9 billion at March 31, 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 March 31, 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	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
	(In millions)			
Commercial	$—	$ 2	$—	$ —
Agricultural	127	103	40	46
Residential	317	326	305	318
Total	$444	$ 431	$345	$ 364

Mortgage Loans Modified in a Troubled Debt Restructuring

During both the three months ended March 31, 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 $6.0 billion and $7.5 billion at March 31, 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:

	March 31, 2016	December 31, 2015
	(In millions)	
Fixed maturity securities	$28,427	$ 18,164
Fixed maturity securities with noncredit OTTI losses included in AOCI	(91)	(76)
Total fixed maturity securities	28,336	18,088
Equity securities	447	422
Derivatives	2,723	2,350
Other	359	287
Subtotal	31,865	21,147
Amounts allocated from:		
Future policy benefits	(1,415)	(163)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	2	—
DAC, VOBA and DSI	(1,900)	(1,273)
Policyholder dividend obligation	(2,586)	(1,783)
Subtotal	(5,899)	(3,219)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	39	27
Deferred income tax benefit (expense)	(8,825)	(6,151)

Net unrealized investment gains (losses)	17,180	11,804
Net unrealized investment gains (losses) attributable to noncontrolling interests	(9)	(31)
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$17,171	$ 11,773

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

	Three Months Ended March 31, 2016	Year Ended December 31, 2015
	(In millions)	
Balance, beginning of period	$(76)	$ (112)
Noncredit OTTI losses and subsequent changes recognized	(1)	6
Securities sold with previous noncredit OTTI loss	9	125
Subsequent changes in estimated fair value	(23)	(95)
Balance, end of period	$(91)	$ (76)

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

	Three Months Ended March 31, 2016
	(In millions)
Balance, beginning of period	$11,773
Fixed maturity securities on which noncredit OTTI losses have been recognized	(15)
Unrealized investment gains (losses) during the period	10,733
Unrealized investment gains (losses) relating to:	
Future policy benefits	(1,252)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	2
DAC, VOBA and DSI	(627)
Policyholder dividend obligation	(803)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	12
Deferred income tax benefit (expense)	(2,674)
Net unrealized investment gains (losses)	17,149
Net unrealized investment gains (losses) attributable to noncontrolling interests	22
Balance, end of period	$17,171
Change in net unrealized investment gains (losses)	$5,376
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	22
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$5,398

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 $24.9 billion and $20.9 billion at March 31, 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 $29.7 billion and $25.4 billion at March 31, 2016 and December 31, 2015, respectively.

Securities Lending

Elements of the securities lending program are presented below at:

	March 31, 2016	December 31, 2015
	(In millions)	
Securities on loan: (1)		
Amortized cost	$26,599	$ 27,223
Estimated fair value	$30,474	$ 29,646
Cash collateral on deposit from counterparties (2)	$30,986	$ 30,197
Security collateral on deposit from counterparties (3)	$88	$ 50
Reinvestment portfolio — estimated fair value	$31,173	$ 30,258

(1) Included within fixed maturity securities and short-term investments. At March 31, 2016, both amortized cost and estimated fair value also included $105 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.

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

	March 31, 2016				
	Remaining Tenor of Securities Lending Agreements				
	Open (1)	1 Month or Less	1 to 6 Months	Total	% of Total
	(In millions)				
Cash collateral liability by loaned security type					
U.S. government and agency	$8,665	$10,353	$9,476	$28,494	92.0%
Agency RMBS	12	665	600	1,277	4.1
Foreign government	2	803	—	805	2.6
U.S. corporate	11	387	—	398	1.3
Foreign corporate	—	12	—	12	—
Total	$8,690	$12,220	$10,076	$30,986	100 %

	December 31, 2015				
	Remaining Tenor of Securities Lending Agreements				
	Open (1)	1 Month or Less	1 to 6 Months	Total	% of Total
	(In millions)				
Cash collateral liability by loaned security type					
U.S. government and agency	$10,116	$11,157	$5,986	$27,259	90.3%
Agency RMBS	—	951	600	1,551	5.1
Foreign government	2	510	486	998	3.3
U.S. corporate	9	380	—	389	1.3
Foreign corporate	—	—	—	—	—
Total	$10,127	$12,998	$7,072	$30,197	100 %

[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 March 31, 2016 was $8.5 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, ABS, U.S. and foreign corporate securities and non-agency RMBS) with 64% 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 short-term repurchase agreements and reverse repurchase agreements with unaffiliated financial institutions. Under these agreements, the Company lends fixed maturity securities and contemporaneously borrows other fixed maturity securities (e.g., repurchase and reverse repurchase, respectively). The Company obtains cash collateral in an amount greater than or equal to 95% of the estimated fair value of the securities loaned, and pledges cash collateral in an amount generally equal to 98% of the estimated fair value of the borrowed securities at the inception of the transaction. The Company monitors the estimated fair value of the securities loaned and borrowed on a daily basis with additional collateral obtained as necessary throughout the duration of the transaction.

The Company accounted for these transactions as collateralized borrowing and lending. The amount of fixed maturity securities lent and borrowed, at estimated fair value, was $315 million and $305 million, respectively, at March 31, 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 $105 million, at estimated fair value, at March 31, 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 March 31, 2016 were both $300 million. After the effect of offsetting of $300 million, the net amount presented on the consolidated balance sheet at March 31, 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 March 31, 2016, all $300 million of payables from repurchase agreements had a remaining tenor of six months to one year and were loans of U.S. and foreign corporate securities.

See Note 7 for information regarding the estimated fair value of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

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

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

	March 31, 2016	December 31, 2015
	(In millions)	
Invested assets on deposit (regulatory deposits)	$9,696	$ 9,089
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	10,770	10,443
Invested assets pledged as collateral (1)	25,524	23,145
Total invested assets on deposit, held in trust and pledged as collateral	$45,990	$ 42,677

[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 7).

See "— Securities Lending" and "— Repurchase Agreement Transactions" for information regarding securities on loan and Note 5 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 March 31, 2016 and December 31, 2015.

	March 31, 2016		December 31, 2015	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities
	(In millions)			
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,412	$ —	$3,374	$ —
Operating joint venture (2)	—	—	2,465	2,079
CSEs (assets (primarily loans) and liabilities (primarily debt)) (3)	182	55	186	62
Other investments (4)	76	—	76	—
Total	$3,670	$ 55	$6,101	$ 2,141

(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 $107 million and $105 million at estimated fair value at March 31, 2016 and December 31, 2015, respectively. The long-term debt bears interest primarily at fixed rates ranging from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other expenses, was $1 million for both the three months ended March 31, 2016 and 2015.

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

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:

	March 31, 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 (RMBS, ABS and CMBS) (2)	$72,608	$ 72,608	$65,824	$ 65,824
U.S. and foreign corporate	3,075	3,075	3,261	3,261
Other limited partnership interests	6,348	10,791	5,186	7,074
Other invested assets	2,160	2,770	1,604	2,161
FVO and trading securities	541	541	586	586
Real estate joint ventures	251	284	65	82
Equity securities AFS:				
Common stock	157	157	—	—
Other investments (3)	72	72	71	71
Total	$85,212	$ 90,298	$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 $170 million and $179 million at March 31, 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 investments is comprised of mortgage loans and non-redeemable preferred stock.

As described in Note 13, the Company makes commitments to fund partnership investments in the normal course of business. Excluding these commitments, the Company did not provide financial or other support to investees designated as VIEs during both the three months ended March 31, 2016 and 2015.

Net Investment Income

The components of net investment income were as follows:

	Three Months Ended March 31,	
	2016	2015
	(In millions)	
Investment income:		
Fixed maturity securities	$3,654	$3,541
Equity securities	37	31
FVO and trading securities — Actively traded and FVO general account securities (1)	6	37
Mortgage loans	807	730
Policy loans	149	152
Real estate and real estate joint ventures	157	211
Other limited partnership interests	46	215
Cash, cash equivalents and short-term investments	40	35
Operating joint ventures	12	8
Other	41	122
Subtotal	4,949	5,082
Less: Investment expenses	296	302
Subtotal, net	4,653	4,780
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	(97)	677
FVO CSEs — interest income:		
Commercial mortgage loans	3	4
Subtotal	(94)	681
Net investment income	$4,559	$5,461

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

	Three Months Ended March 31,	
	2016	2015
	(In millions)	
Actively traded and FVO general account securities	$5	$6
FVO contractholder-directed unit-linked investments	$(191)	$536

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 has a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and sale of actively traded securities and the execution of short sale agreements.

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

Net Investment Gains (Losses)

Components of Net Investment Gains (Losses)

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

	Three Months Ended March 31,	
	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	$—	$(3)
Industrial	(71)	(2)
Communications	(3)	—
Total U.S. and foreign corporate securities	(74)	(5)
RMBS	(4)	(13)
OTTI losses on fixed maturity securities recognized in earnings	(78)	(18)
Fixed maturity securities — net gains (losses) on sales and disposals	98	151
Total gains (losses) on fixed maturity securities	20	133
Total gains (losses) on equity securities:		
Total OTTI losses recognized — by sector:		
Common stock	(51)	—
OTTI losses on equity securities recognized in earnings	(51)	—
Equity securities — net gains (losses) on sales and disposals	6	8
Total gains (losses) on equity securities	(45)	8
Mortgage loans	(64)	(43)
Real estate and real estate joint ventures	2	27
Other limited partnership interests	(27)	16
Other	(18)	23
Subtotal	(132)	164
FVO CSEs:		
Commercial mortgage loans	1	(3)
Securities	1	—
Long-term debt — related to commercial mortgage loans	—	1
Non-investment portfolio gains (losses)	145	124
Subtotal	147	122
Total net investment gains (losses)	$15	$286

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

Gains (losses) from foreign currency transactions included within net investment gains (losses) were $79 million and $161 million for the three months ended March 31, 2016 and 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.

Table of Contents

MetLife, Inc.

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

6. Investments (continued)

	Three Months Ended March 31,			
	2016	2015	2016	2015
	Fixed Maturity Securities		Equity Securities	
	(In millions)			
Proceeds	$31,994	$30,006	$ 59	$ 53
Gross investment gains	$433	$338	$ 11	$ 15
Gross investment losses	(335)	(187)	(5)	(7)
OTTI losses	(78)	(18)	(51)	—
Net investment gains (losses)	$20	$133	$ (45)	$ 8

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 March 31,	
	2016	2015
	(In millions)	
Balance, beginning of period	$277	$357
Additions:		
Initial impairments — credit loss OTTI on securities not previously impaired	—	2
Additional impairments — credit loss OTTI on securities previously impaired	2	11
Reductions:		
Sales (maturities, pay downs or prepayments) of securities previously impaired as credit loss OTTI	(9)	(13)
Balance, end of period	$270	$357

7. Derivatives

Accounting for Derivatives

Freestanding Derivatives

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

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the 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 8 for information about the fair value hierarchy for derivatives.

Derivative Strategies

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

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

Interest Rate Derivatives

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

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

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 total rate of return swaps (“TRRs”).

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

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

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, 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.

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

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:

		March 31, 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	$5,491	$2,596	$17	$5,528	$2,215	$12
Foreign currency swaps	Foreign currency exchange rate	2,135	66	142	2,154	62	159
Foreign currency forwards	Foreign currency exchange rate	1,485	62	—	1,685	—	52
Subtotal		9,111	2,724	159	9,367	2,277	223
Cash flow hedges							
Interest rate swaps	Interest rate	1,945	643	—	2,190	487	—
Interest rate forwards	Interest rate	35	12	—	105	23	—
Foreign currency swaps	Foreign currency exchange rate	25,121	1,461	1,511	23,661	1,303	1,803
Subtotal		27,101	2,116	1,511	25,956	1,813	1,803
Foreign operations hedges							
Foreign currency forwards	Foreign currency exchange rate	5,043	2	179	3,916	63	12
Currency options	Foreign currency exchange rate	8,144	41	80	7,569	205	36
Subtotal		13,187	43	259	11,485	268	48
Total qualifying hedges		49,399	4,883	1,929	46,808	4,358	2,074
Derivatives Not Designated or Not Qualifying as Hedging Instruments							
Interest rate swaps	Interest rate	80,829	7,277	3,215	89,336	5,111	2,247
Interest rate floors	Interest rate	20,837	386	53	23,837	311	48
Interest rate caps	Interest rate	70,928	70	3	68,928	105	3
Interest rate futures	Interest rate	6,652	21	7	5,808	4	7
Interest rate options	Interest rate	27,590	2,316	2	30,234	1,177	30
Interest rate forwards	Interest rate	43	5	—	43	1	—
Synthetic GICs	Interest rate	3,980	—	—	4,216	—	—

Foreign currency swaps	Foreign currency exchange rate	11,512	768	459	11,081	766	431
Foreign currency forwards	Foreign currency exchange rate	14,539	388	187	11,724	154	220
Currency futures	Foreign currency exchange rate	985	1	1	930	—	—
Currency options	Foreign currency exchange rate	8,016	337	66	9,590	466	189
Credit default swaps — purchased	Credit	2,079	22	22	1,870	28	34
Credit default swaps — written	Credit	10,729	105	11	10,311	78	13
Equity futures	Equity market	11,768	28	15	7,206	63	18
Equity index options	Equity market	53,981	1,924	1,241	55,682	1,542	1,041
Equity variance swaps	Equity market	23,466	208	682	23,437	195	636
TRRs	Equity market	3,913	8	229	3,803	47	58
Total non-designated or nonqualifying derivatives		351,847	13,864	6,193	358,036	10,048	4,975
Total		$401,246	$ 18,747	$ 8,122	$404,844	$ 14,406	$ 7,049

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 March 31, 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 March 31,	
	2016	2015
	(In millions)	
Freestanding derivatives and hedging gains (losses) (1)	$2,504	$848
Embedded derivatives gains (losses)	(1,169)	(27)
Total net derivative gains (losses)	$1,335	$821

(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 March 31,	
	2016	2015
	(In millions)	
Qualifying hedges:		
Net investment income	$57	$58
Interest credited to policyholder account balances	6	2
Other expenses	(2)	(3)
Nonqualifying hedges:		
Net investment income	—	(1)
Net derivative gains (losses)	283	261
Policyholder benefits and claims	5	4
Total	$349	$321

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 March 31, 2016			
Interest rate derivatives	$1,972	$ —	$ 42
Foreign currency exchange rate derivatives	523	—	(1)
Credit derivatives — purchased	(5)	10	—
Credit derivatives — written	(6)	(9)	—
Equity derivatives	(47)	(11)	32
Total	$2,437	$ (10)	$ 73
Three Months Ended March 31, 2015			
Interest rate derivatives	$552	$ —	$ 11
Foreign currency exchange rate derivatives	669	—	—
Credit derivatives — purchased	(11)	(1)	—
Credit derivatives — written	3	1	—
Equity derivatives	(462)	(4)	(99)
Total	$751	$ (4)	$ (88)

(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.

MetLife, Inc.

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

7. Derivatives (continued)

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

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Net Derivative Gains (Losses) Recognized for Derivatives	Net Derivative Gains (Losses) Recognized for Hedged Items	Ineffectiveness Recognized in Net Derivative Gains (Losses)
		(In millions)		
Three Months Ended March 31, 2016				
Interest rate swaps:	Fixed maturity securities	$(8)	$ 7	$ (1)
	Policyholder liabilities (1)	346	(348)	(2)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(1)	2	1
	Foreign-denominated policyholder account balances (2)	25	(25)	—
Foreign currency forwards:	Foreign-denominated fixed maturity securities	139	(128)	11
Total		$501	$ (492)	$ 9
Three Months Ended March 31, 2015				
Interest rate swaps:	Fixed maturity securities	$(5)	$ 7	$ 2
	Policyholder liabilities (1)	197	(198)	(1)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	10	(8)	2
	Foreign-denominated policyholder account balances (2)	(249)	245	(4)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	(17)	16	(1)
Total		$(64)	$ 62	$ (2)

____

(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 ended March 31, 2016 and March 31, 2015, the component of the change in estimated fair value of derivatives that was excluded from the assessment of hedge effectiveness was ($6) million and ($2) million, respectively.

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 ($4) million and $3 million for the three months ended March 31, 2016 and 2015, respectively.

At both March 31, 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 five years.

At March 31, 2016 and December 31, 2015, the balance in AOCI associated with cash flow hedges was $2.7 billion and $2.4 billion, respectively.

MetLife, Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) — (continued)
7. 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
	(Effective Portion)	(Effective Portion)			(Ineffective Portion)
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Derivative Gains (Losses)
	(In millions)				
Three Months Ended March 31, 2016					
Interest rate swaps	$213	$10	$ 3	$ —	$ (1)
Interest rate forwards	9	2	1	—	—
Foreign currency swaps	474	306	—	1	(2)
Total	$696	$318	$ 4	$ 1	$ (3)
Three Months Ended March 31, 2015					
Interest rate swaps	$174	$5	$ 3	$ —	$ 3
Interest rate forwards	15	3	1	1	—
Foreign currency swaps	(2)	(567)	—	—	4
Total	$187	$(559)	$ 4	$ 1	$ 7

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

At March 31, 2016, ($15) million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earnings within the next 12 months.

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency options, to hedge portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ineffectiveness on these derivatives based upon the change in forward rates. When net investments in foreign operations are sold or substantially liquidated, the amounts in AOCI are reclassified to the statement of operations.

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

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Deferred in AOCI (Effective Portion)
	(In millions)
Three Months Ended March 31, 2016	
Foreign currency forwards	$ (231)
Currency options	(168)
Total	$ (399)
Three Months Ended March 31, 2015	
Foreign currency forwards	$ 111

Currency options	(41		)
Total	$	70	

(1) During both the three months ended March 31, 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 March 31, 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 $657 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 $10.7 billion and $10.3 billion at March 31, 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 March 31, 2016 and December 31, 2015, the Company would have received $94 million and $65 million, respectively, to terminate all of these contracts.

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

	March 31, 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)
	(In millions)			(In millions)		
Aaa/Aa/A						
Single name credit default swaps (corporate)	$6	$ 630	2.8	$6	$ 661	2.5
Credit default swaps referencing indices	16	2,137	3.6	6	1,635	3.4
Subtotal	22	2,767	3.4	12	2,296	3.2
Baa						
Single name credit default swaps (corporate)	5	1,158	2.4	8	1,349	2.5
Credit default swaps referencing indices	55	6,278	5.1	37	5,863	4.8
Subtotal	60	7,436	4.7	45	7,212	4.4
Ba						
Single name credit default swaps (corporate)	—	65	2.1	(2)	64	2.3
Credit default swaps referencing indices	—	100	0.7	(1)	100	1.0
Subtotal	—	165	1.3	(3)	164	1.5
B						
Single name credit default swaps (corporate)	—	—	—	—	—	—
Credit default swaps referencing indices	12	361	4.6	11	639	4.9
Subtotal	12	361	4.6	11	639	4.9
Total	$94	$ 10,729	4.3	$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 $10.7 billion and $10.3 billion from the table above were $139 million and $80 million at March 31, 2016 and December 31, 2015, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $10 million and $20 million in gross notional amount and $1 million and ($2) million in estimated fair value at March 31, 2016 and December 31, 2015, respectively.

Credit Risk on Freestanding Derivatives

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

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

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

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

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

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement (6)	March 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
	(In millions)			
Gross estimated fair value of derivatives:				
OTC-bilateral (1)	$16,578	$ 6,345	$13,017	$ 5,848
OTC-cleared (1)	2,403	1,731	1,600	1,217
Exchange-traded	50	23	67	25
Total gross estimated fair value of derivatives (1)	19,031	8,099	14,684	7,090
Amounts offset on the consolidated balance sheets	—	—	—	—
Estimated fair value of derivatives presented on the consolidated balance sheets (1)	19,031	8,099	14,684	7,090
Gross amounts not offset on the consolidated balance sheets:				
Gross estimated fair value of derivatives: (2)				
OTC-bilateral	(5,113)	(5,113)	(4,368)	(4,368)
OTC-cleared	(1,717)	(1,717)	(1,200)	(1,200)
Exchange-traded	—	—	(1)	(1)
Cash collateral: (3), (4)				
OTC-bilateral	(9,215)	—	(6,140)	(7)
OTC-cleared	(671)	(2)	(378)	(10)
Exchange-traded	—	(19)	—	(20)
Securities collateral: (5)				
OTC-bilateral	(1,880)	(1,119)	(2,078)	(1,395)
OTC-cleared	—	—	—	—
Exchange-traded	—	(1)	—	(3)
Net amount after application of master netting agreements and collateral	$435	$ 128	$519	$ 86

[1] At March 31, 2016 and December 31, 2015, derivative assets included income or expense accruals reported in accrued investment income or in other liabilities of $284 million and $278 million, respectively, and derivative liabilities included income or expense accruals reported in accrued investment income or in other liabilities of ($23) million and $41 million, respectively.

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

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

[4] The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At March 31, 2016 and December 31, 2015, the Company received excess cash collateral of $227 million and $89 million, respectively, and provided excess cash collateral of $478 million and $204 million, respectively, which is not included in the table above due to the foregoing limitation.