WACHOVIA CORP NEW
Form 424B5
August 16, 2007

Table of Contents

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-125271

PROSPECTUS SUPPLEMENT

August 14, 2007

(TO PROSPECTUS JUNE 15, 2005)

Wachovia Corporation

One Wachovia Center

301 South College Street

Charlotte, North Carolina 28288

(704) 374-6565

Wachovia Corporation

$500,000,000 Fed Funds Open Floating Rate Notes

Due August 20, 2009

The Securities and the Offering:

- Fed Funds Open Floating Rate Notes Due August 20, 2009

Interest rate: Fed Funds Open plus 0.30%

Interest payments: quarterly on the twentieth calendar day of each February, May, August and November commencing November 20, 2007; final interest payment on August 20, 2009

- Closing: August 20, 2007

	Per Fed Fund Open Floating Rate Note Due August 20, 2009	Total

Public offering price(1):	100%	$ 500,000,000
Underwriting fees:	0.15	750,000
Net proceeds to Wachovia:	99.85	499,250,000

(1) Plus accrued interest from August 20, 2007, if any.

These securities have not been approved or disapproved by the SEC, any state securities commission or the Commissioner of Insurance of the state of North Carolina nor have these organizations determined if this prospectus supplement or the attached prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus supplement and the attached prospectus may be used by Wachovia Capital Markets, LLC, an affiliate of Wachovia, or any other affiliate of Wachovia, in connection with offers and sales related to market-making or other transactions in the Securities. Wachovia Capital Markets, LLC, or any other such affiliate, may act as principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale or otherwise.

We expect that the Securities will be ready for delivery in New York, New York, on or about August 20, 2007.

Sole Book-Runner

Wachovia Securities

Guzman & Company

Jackson Securities, LLC

M.R. Beal & Company

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

	Page
Description of Securities	S-3
Recent Developments	S-4
Use of Proceeds	S-5
Clearstream and Euroclear Clearance and Settlement	S-5
Underwriting	S-8
Tax Considerations	S-11
General Information	S-15
Validity of Securities	S-16
Experts	S-16

Prospectus

About This Prospectus	1
Where You Can Find More Information	3
Forward-Looking Statements	4
Wachovia Corporation	4
Use of Proceeds	5
Consolidated Earnings Ratios	5
Selected Consolidated Condensed Financial Data	6
Capitalization	7
Regulatory Considerations	7
Description of Common Stock	8
Description of Preferred Stock and Class A Preferred Stock	11
Description of Depositary Shares	15
Description of Debt Securities	18
Description of Warrants	30
Global Securities	34
Plan of Distribution	36
Validity of Securities	38
Experts	38

Table of Contents

DESCRIPTION OF SECURITIES

This section outlines the specific financial and legal terms of the Securities that are more generally described under Description of Debt Securities beginning on page 18 of the prospectus that is attached to this prospectus supplement. If anything described in this section is inconsistent with the terms described under Description of Debt Securities in the attached prospectus, the terms described here shall prevail.

Fed Funds Open Floating Rate Notes Due August 20, 2009

Title: Fed Funds Open Floating Rate Notes Due August 20, 2009

Type: Senior debt securities

Total principal amount being issued: $500,000,000

Due Date for principal: August 20, 2009

Interest rate: Fed Funds Open plus 0.30% per annum.

Date interest starts accruing: August 20, 2007

Interest payment dates: the twentieth calendar day of each February, May, August and November and the maturity date

First interest payment date: November 20, 2007

Final interest payment date: August 20, 2009

Day count convention: Actual/360

Calculation agent: The calculation agent will be Wachovia Capital Markets, LLC or any other financial institution designated by Wachovia

Trustee: The Bank of New York (as successor in interest to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as successor to Chemical Bank), as senior indenture trustee, which is referred to on page 18 of the attached prospectus

U.S. registrar and domestic paying agent: U.S. Bank National Association

Regular record dates for interest: Fifteenth calendar day immediately preceding each respective interest payment date

Form of Securities: The Securities will be issued as one or more global securities. See Global Securities on page 34 of the attached prospectus.

Name of Depository: The Depository Trust Company (DTC). See Global Securities on page 34 of the attached prospectus for more information about DTC s procedures.

Trading through DTC, Clearstream and Euroclear: Initial settlement for the Securities will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC s rules and will be settled in immediately available funds using DTC s Same-Day Funds Settlement System. Secondary market trading between Clearstream customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds. See below under Clearstream and Euroclear Clearance and Settlement on page S-6 for more information about global securities held by DTC through Clearstream or Euroclear.

Payment of principal and interest: Principal of and interest on the Securities are to be payable, and the transfer of the Securities will be registrable, at the Corporate Trust Office of the trustee in the City of New York or at the Corporate Trust Office of U.S. Bank National Association, in

Table of Contents

Charlotte, North Carolina, except that interest may be paid at Wachovia s option by check mailed to the address of the holder entitled to it as it appears on the note register.

Sinking Fund: There is no sinking fund.

Further Issues: Wachovia may issue additional Securities of the same series with the same terms in the future, without obtaining the consent of any holders of the outstanding Securities.

Fed Funds Open Floating Rate Notes Due August 20, 2009

For each interest period, the calculation agent will calculate the amount of accrued interest for each note by multiplying the principal amount of the note by an accrued interest factor for the interest period. This factor will equal the sum of the daily interest factors calculated for each day during the interest period. The daily interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360.

For each interest period, beginning August 20, 2007 up to (but not including) the twentieth calendar day of each February, May, August and November, ending on August 20, 2009 (each of these dates except August 20, 2007 is an interest payment date), interest on the Fed Funds Open Floating Rate Notes Due August 20, 2009 will be payable in arrears at the weighted average rate of Fed Funds Open, as determined in accordance with the preceding paragraph, plus 0.30% per annum. The Fed Funds Open rate will reset on each business day, beginning August 20, 2007 up to (but not including) August 20, 2009 (each of these dates is an interest reset date). For each interest reset date, the interest determination date will be the preceding business day.

If any interest payment date falls on a day which is not a business day, that interest payment date shall be postponed to the next day that is a business day unless that day falls in the next calendar month, in which case the interest payment date shall be the business day which precedes that day. A business day is any day that is not a Saturday or Sunday and that, in the City of New York, New York or Charlotte, North Carolina, is not a day on which banking institutions generally are authorized or obligated by law to close.

On each interest determination date, Fed Funds Open rate will be determined by the calculation agent and such rate shall be the applicable Fed Funds Open rate for the business day immediately following such interest determination date.

The Fed Funds Open rate for any interest determination date will be determined in the following order of priority:

(1) The Fed Funds Open rate for an interest determination date will be the rate for that day under the heading Federal Funds and opposite the caption Open as such rate is displayed on Telerate Page 5; or

(2) If the rate referred to in item (1) above does not appear on Telerate Page 5 on the related calculation date, the rate for such interest determination date will be the rate for that day displayed on FEDFOPEN Index on Bloomberg which is the Fed Funds Opening Rate as reported by Garban Capital Markets (or a successor) on Bloomberg; or

(3) If the rate referred to in item (2) above does not appear on FEDFOPEN Index on Bloomberg, the rate for such interest determination date will be the arithmetic mean of the rates for the last transaction in overnight U.S. Dollar Federal Funds prior to 9:00 a.m., New York City time, on that day arranged by three brokers of Federal Funds transactions in New York City as selected by the Calculation Agent.

The Fed Funds Open Rate will be calculated on a weighted basis, meaning Friday s rate will be in effect for Saturday and Sunday.

RECENT DEVELOPMENTS

On May 31, 2007, Wachovia and A.G. Edwards, Inc. (A.G. Edwards) announced that they had entered into an Agreement and Plan of Merger, dated May 30, 2007, that provides, among other things, for A.G. Edwards to be merged with a wholly-owned subsidiary of Wachovia (the Merger). As a result of the Merger,

each outstanding share of A.G. Edwards common stock will be converted into a right to receive 0.9844 shares of Wachovia common stock and $35.80 in cash.

The Merger is intended to be treated as a tax-free reorganization to Wachovia and A.G. Edwards and otherwise tax free to A.G. Edwards shareholders, except to the extent they receive cash, and is to be accounted for as a purchase. Consummation of the Merger is subject to various conditions, including: (i) receipt of the approvals of A.G. Edwards shareholders; (ii) receipt of requisite regulatory approvals, including approval of banking and securities regulatory authorities and the expiration or termination of the waiting period under the Hart-Scott-Rodino Act; (iii) receipt of legal opinions as to the tax treatment of the Merger; and (iv) listing on the New York Stock Exchange, Inc., subject to notice of issuance, of Wachovia s common stock to be issued in the Merger.

USE OF PROCEEDS

Wachovia currently intends to use the net proceeds from the sale of the Securities for general corporate purposes, which may include:

- reducing debt
- investments at the holding company level
- investing in, or extending credit to, our operating subsidiaries
- possible acquisitions and
- stock repurchases

Pending such use, we may temporarily invest the net proceeds. The precise amounts and timing of the application of proceeds will depend upon our funding requirements and the availability of other funds.

Based upon our historical and anticipated future growth and our financial needs, we may engage in additional financings of a character and amount that we determine as the need arises.

CLEARSTREAM AND EUROCLEAR CLEARANCE AND SETTLEMENT

The Securities will be issued in the form of one or more fully registered global securities which will be deposited with, or on behalf of, DTC and registered in the name of Cede & Co., DTC s nominee. Beneficial interests in the registered global securities will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect

to hold interests in the registered global securities held by DTC through Clearstream Banking AG, société anonyme, or any successor thereto (Clearstream) or Euroclear Bank S.A./N.V., as operator of the Euroclear system (the Euroclear operator), if they are participants in such systems, or indirectly through organizations which are participants in such systems. Clearstream and the Euroclear operator will hold interests on behalf of their participants through customers securities accounts in Clearstream s and the Euroclear operator s names on the books of their respective depositaries, which in turn will hold such interests in customers securities accounts in the depositaries names on the books of DTC. Citibank, N.A. will act as depositary for Clearstream and JPMorgan Chase Bank will act as depositary for the Euroclear operator (in such capacities, the U.S. depositaries).

Clearstream and the Euroclear operator have informed Wachovia that Clearstream and the Euroclear operator each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Clearstream and the

Table of Contents

Euroclear operator provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream and the Euroclear operator also deal with domestic securities markets in several countries through established depositary and custodial relationships. Clearstream and the Euroclear operator have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Clearstream and the Euroclear operator customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream and the Euroclear operator is available to other institutions which clear through or maintain a custodial relationship with an account holder of either system.

Distributions with respect to the Securities held through Clearstream will be credited to cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the terms and conditions). The terms and conditions govern transfers of securities and cash within the Euroclear system, withdrawals of securities and cash from the Euroclear system, and receipts of payments with respect to securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the Securities held beneficially through the Euroclear system will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. depositary for Euroclear.

The Euroclear operator further advises that investors that acquire, hold and transfer interests in the Securities by book-entry through accounts with the Euroclear operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the registered global securities.

The Euroclear operator advises as follows: under Belgian law, investors that are credited with securities on the records of the Euroclear operator have a co-property right in the fungible pool of interests in securities on deposit with the Euroclear operator in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of the Euroclear operator, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with the Euroclear operator. If the Euroclear operator does not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on the Euroclear operator s records, all participants having an amount of interests in securities of such type credited to their accounts with the Euroclear operator will have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, the Euroclear operator is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Individual certificates in respect of the Securities may be issued in exchange for the registered global securities.

S-6

Table of Contents

Title to book-entry interests in the Securities will pass by book-entry registration of the transfer within the records of Clearstream, Euroclear or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Securities may be transferred within Clearstream and within Euroclear and between Clearstream and Euroclear in accordance with procedures established for these purposes by Clearstream and Euroclear. Book-entry interests in the Securities may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfers of book-entry interests in the Securities among Clearstream and Euroclear and DTC may be effected in accordance with procedures established for this purpose by Clearstream, Euroclear and DTC.

A further description of DTC s procedures with respect to the registered global securities is set forth in the prospectus under Global Securities. DTC has confirmed to Wachovia, Wachovia Capital Markets, LLC and the trustees that it intends to follow such procedures.

Initial settlement for the Securities will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC s rules and will be settled in immediately available funds using DTC s Same-Day Funds Settlement System. Secondary market trading between Clearstream customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream customers or Euroclear participants, on the other, will be effected through DTC in accordance with DTC s rules on behalf of the relevant European international clearing system by its U.S. depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering interests in the securities to or receiving interests in the Securities from DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream customers and Euroclear participants may not deliver instructions directly to their respective U.S. depositaries.

Because of time-zone differences, credits of interests in the Securities received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions involving interests in such Securities settled during such processing will be reported to the relevant Clearstream customers or Euroclear participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of interests in the Securities by or through a Clearstream customer or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Securities among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be changed or discontinued at any time.

Table of Contents

UNDERWRITING

The underwriters named below have severally agreed, subject to the terms and conditions of underwriting agreements with Wachovia, to purchase the principal amount of Securities initially offered on the date of this prospectus supplement set forth below opposite their respective names for each respective offering of Securities. The underwriters are committed to purchase all of such Securities if any are purchased. Under certain circumstances, the commitments of non-defaulting underwriters may be increased.

Underwriters	Principal Amount of Fed Fund Open Floating Rate Notes Due August 20, 2009
Wachovia Capital Markets, LLC	$ 477,500,000
Guzman & Company	7,500,000
Jackson Securities, LLC	7,500,000
M.R. Beal & Company	7,500,000
Total	$ 500,000,000

The underwriters propose to offer the Securities in part directly to the public at the initial public offering prices set forth on the cover page of this prospectus supplement and in part to certain securities dealers at such prices less a concession, as a percentage of the principal amount of the applicable Securities, in the following amounts:

0.09% per Fed Funds Open Floating Rate Note Due August 20, 2009; and

The underwriters may allow, and such dealers may reallow, a concession to certain brokers and dealers not to exceed, as a percentage of the principal amount of the applicable Securities, in the following amounts:

0.03% per Fed Funds Open Floating Rate Note Due August 20, 2009; and

After the Securities are released for sale in the public, the offering prices and other selling terms may from time to time be varied by the underwriters.

The Securities are new issues of securities with no established trading markets. Wachovia has been advised by each underwriter that each such underwriter intends to make a market in the Securities but is not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Securities.

Settlement for the Securities will be made in immediately available funds. The Securities will be in the Same Day Funds Settlement System at DTC and, to the extent the secondary market trading in the Securities is effected through the facilities of such depositary, such trades will be settled in immediately available funds.

Wachovia has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Wachovia Capital Markets, LLC is an indirect, wholly-owned subsidiary of Wachovia. Wachovia conducts its retail brokerage investment banking, institutional and capital markets businesses through its various bank, broker-dealer and nonbank subsidiaries (including Wachovia Capital Markets, LLC) under the trade name Wachovia Securities . Unless otherwise mentioned or unless the context requires otherwise, any reference in this prospectus supplement to Wachovia Securities means Wachovia Capital Markets, LLC, and does not mean Wachovia Securities, LLC, a broker-dealer subsidiary of Wachovia which is not participating in this offering.

Table of Contents

This prospectus supplement and the attached prospectus may be used by Wachovia Capital Markets, LLC, an affiliate of Wachovia, or any other affiliate of Wachovia, in connection with offers and sales related to market-making or other transactions in the Securities. Wachovia Capital Markets, LLC or any other such affiliate of Wachovia, may act as principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale or otherwise.

The participation of Wachovia Capital Markets, LLC in the offer and sale of the Securities will comply with the requirements of Rule 2720 of the National Association of Securities Dealers, Inc. (the NASD) regarding underwriting securities of an affiliate . No NASD member participating in offers and sales will execute a transaction in the Securities in a discretionary account without the prior specific written approval of such member s customer.

From time to time the underwriters engage in transactions with Wachovia in the ordinary course of business. The underwriters have performed investment banking services for Wachovia in the last two years and have received fees for these services.

Wachovia Capital Markets, LLC, on behalf of the underwriters, may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the Securities in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit reclaiming a selling concession from a syndicate member when the Securities originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Such stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the Securities to be higher than it would otherwise be in the absence of such transactions.

Each of the Underwriters has severally represented and agreed that (i) it has not made and will not make an offer of Securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) (FSMA) except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by the Bank of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA); (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to the Bank; and (iii) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Each of the underwriters has agreed not to offer or sell the Securities in the Federal Republic of Germany other than in compliance with the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*), or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. This prospectus supplement and the accompanying prospectus does not constitute a sales prospectus for purposes of the Securities Sales Prospectus Act and no sales prospectus has been or will be published in the Federal Republic of Germany.

Each of the underwriters has severally represented and agreed that the Securities have not been registered under the Securities and Exchange Law of Japan and, in connection with the offering of the

S-9

Table of Contents

Securities, are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan, or for the account of, any resident of Japan or to others for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese Law.

Each of the underwriters has severally represented and agreed that (i) it has not offered or sold the Securities to the public in France and (ii) this prospectus supplement, which has not been submitted to the clearance procedure of the French authorities, nor any other offering material or information contained therein relating to the Securities have been released, issued, or distributed or caused to be released, issued, or distributed, directly or indirectly, to the public in France, or used in connection with any offer for subscription or sale of the Securities to the public in France. Any such offers, sales and distributions may be made in France only to qualified investors *(investisseurs qualifiés)* investing for their own account, as defined in Article L. 411-2 of the *Code monétaire et financier* and *décret* no. 98-880 dated October 1, 1998. Such Securities may be resold only in compliance with Articles L. 411-1 Seq, L. 412-1 and L. 621-8 of the *Code monétaire et financier*.

The offer in The Netherlands of the notes included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business which includes banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that it has not made and will not make an offer of the Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may make an offer of the Securities to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implementated in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000, and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

(c) fewer than 100 natural persons or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Representative, or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Securities shall result in a requirement for the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of the Securities to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as

to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Table of Contents

TAX CONSIDERATIONS

This section describes the material United States federal income tax consequences of owning the Securities Wachovia is offering. It applies to you only if you hold your Securities as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns Securities as part of a straddle or conversion transaction for tax purposes,
- a person that owns Securities that are a hedge of or that are hedged against interest rate risks, or
- a United States Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Securities, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Securities should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Securities.

Please consult your own tax advisor concerning the consequences of owning these Securities in your particular circumstances under the Internal Revenue Code and the laws of any other taxing jurisdiction.

United States Holders

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a Security and you are:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this section does not apply to you and you should refer to United States Alien Holders below.

Payments of Interest

You will be taxed on any interest on your Security as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes. In addition, if you

Table of Contents

acquire your Security at a price other than the initial offering price the rules related to market discount or amortizable bond premium may also apply to your Security.

Market Discount

You will be treated as if you purchased your Security at a market discount, and your Security will be a market discount Security if:

- the difference between the Security s principal amount and the price you paid for your Security is equal to or greater than 1/4 of 1 percent of your Security s principal amount multiplied by the number of complete years to the Security s maturity.

If your Security s principal amount does not exceed the price you paid for the Security by 1/4 of 1 percent multiplied by the number of complete years to the Security s maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount Security as ordinary income to the extent of the accrued market discount on your Security. Alternatively, you may elect to include market discount in income currently over the life of your Security. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the Internal Revenue Service. If you own a market discount Security and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your Security in an amount not exceeding the accrued market discount on your Security until the maturity or disposition of your Security.

You will accrue market discount on your market discount Security on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the Security with respect to which it is made and you may not revoke it.

Securities Purchased at a Premium

If you purchase your Security for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your Security by the amount of amortizable bond premium allocable to that year, based on your Security s yield to maturity. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the Internal Revenue Service.

Sale or Retirement of Securities

You will generally recognize capital gain or loss on the sale or retirement of your Security equal to the difference between the amount you realize on the sale or retirement, excluding any amounts attributable to accrued but unpaid interest or accrued market discount, and your tax

basis in your Security. Your tax basis in your Security will generally be its cost, increased by the amount of any market discount previously included in income with respect to your Security, and decreased by the amount of any amortizable bond premium applied to reduce interest on your Security. Capital gain of a noncorporate United States holder is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The deduction for capital losses is subject to limitations.

Table of Contents

United States Alien Holders

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are the beneficial owner of a Security and are, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Security.

If you are a United States holder, this section does not apply to you.

Under present United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a Security:

- we and other payors will generally not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest to you if, in the case of payments of interest:

  1. you do not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Wachovia entitled to vote,
  2. you are not a controlled foreign corporation that is related to Wachovia through stock ownership, and
  3. the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:

     a. you have furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person,

     b. in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as the beneficial owner of the payment for United States federal income tax purpose and as a non-United States person,

     c. the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:

i. a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners),

ii. a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the Internal Revenue Service), or

iii. a U.S. branch of a non-United States bank or of a non-United States insurance company,

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a non- United States person that is, for United States federal income tax purposes, the

Table of Contents

beneficial owner of the payment on the Security in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the Internal Revenue Service),

d. the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers securities in the ordinary course of its trade or business,

i. certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you, and

ii. to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form, or

e. the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person that is, for United States federal income tax purposes, the beneficial owner of the payment on the Security in accordance with U.S. Treasury regulations; and

no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your Note.

Further, a Security held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual s gross estate for United States federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Wachovia entitled to vote at the time of death and

the income on the Security would not have been effectively connected with a United States trade or business of the decedent at the same time.

Backup Withholding and Information Reporting

United States Holders

In general, if you are a noncorporate United States holder, Wachovia and other payors are required to report to the Internal Revenue Service all payments of principal, any premium and interest on your Security.

In addition, the proceeds of the sale of your Security before maturity within the United States will be reported to the Internal Revenue Service. Additionally, backup withholding will apply to any payments if you fail to provide an accurate taxpayer identification number, or you are notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax

returns.

United States Alien Holders

In general, payments of principal, premium or interest, made by us and other payors to you will not be subject to backup withholding and information reporting, provided that the certification requirements described above under United States Alien Holders are satisfied or you otherwise establish an exemption. However, we and other payors are required to report payments of interest on your Securities on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements. In addition, payment of the proceeds from the sale of Securities effected at a United States office of a broker will not be subject to backup withholding and information reporting provided that:

- the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:
  - an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person, or

Table of Contents

other documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of Securities effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of effected at a United States office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of Securities effected at a foreign office of a broker will be subject to information reporting if the broker is:

a United States person,

a controlled foreign corporation for United States tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons , as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of Securities effected at a United States office of a broker) are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

GENERAL INFORMATION

Notices

As long as the Securities are issued in global form, notices to be given to holders of the Securities will be given to the depositary, in accordance with its applicable procedures from time to time. See Global Securities in the prospectus.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Table of Contents

Authorization

The Securities have been issued pursuant to authority granted by the Board of Directors of Wachovia on August 17, 2004.

Material Change

As of the date of this prospectus supplement, other than as disclosed or contemplated herein or in the documents incorporated by reference, to the best of Wachovia s knowledge and belief, there has been no material adverse change in the financial position of Wachovia on a consolidated basis since December 31, 2006. See Where You Can Find More Information in the prospectus.

Litigation

As of the date of this prospectus supplement, other than as disclosed or contemplated herein or in the documents incorporated by reference, to the best of Wachovia s knowledge and belief, Wachovia is not a party to any legal or arbitration proceedings (including any that are pending or threatened) which may have, or have had, since December 31, 2006, a significant effect on Wachovia s consolidated financial position or that are material in the context of the issuance of the Securities which could jeopardize Wachovia s ability to discharge its obligation under the Securities.

Clearance Systems

The Securities have been accepted for clearance through the DTC, Euroclear and Clearstream systems.

VALIDITY OF SECURITIES

The validity of the Securities will be passed upon for Wachovia by Ross E. Jeffries, Jr., Esq., Senior Vice President and Deputy General Counsel of Wachovia, and for the underwriters by Sullivan & Cromwell LLP, 125 Broad Street, New York, New York. Sullivan & Cromwell LLP will rely upon the opinion of Mr. Jeffries as to matters of North Carolina law, and Mr. Jeffries will rely upon the opinion of Sullivan & Cromwell LLP as to matters of New York law. Mr. Jeffries owns shares of Wachovia s common stock and holds options to purchase additional shares of Wachovia s common stock. Sullivan & Cromwell LLP regularly performs legal services for Wachovia. Certain members of Sullivan & Cromwell LLP performing these legal services own shares of Wachovia s common stock.

EXPERTS

The consolidated balance sheets of Wachovia Corporation as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2006, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, included in Wachovia s 2006 Annual Report which is incorporated by reference in Wachovia s Annual Report on Form 10-K for the year ended December 31, 2006, and incorporated by reference herein, have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The audit report covering the December 31, 2006 consolidated financial statements of Wachovia Corporation refers to the fact that Wachovia Corporation changed its method of accounting for mortgage servicing rights, stock-based compensation and pension and other postretirement plans in 2006.

Table of Contents

One Wachovia Center

301 South College Street

Charlotte, North Carolina 28288

(704) 374-6565

WACHOVIA CORPORATION

$22,265,000,000

COMMON STOCK

PREFERRED STOCK

CLASS A PREFERRED STOCK

DEPOSITARY SHARES

DEBT SECURITIES

WARRANTS

We will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

Our common stock is listed and traded on the New York Stock Exchange under the symbol WB .

These securities have not been approved or disapproved by the SEC, any state securities commission or the Commissioner of Insurance of the state of North Carolina nor have these organizations determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

These securities will be our equity securities or our unsecured obligations and will not be savings accounts, deposits or other obligations of any bank or non-bank subsidiary of ours and are not insured by the Federal Deposit Insurance Corporation, the Bank Insurance Fund or any other governmental agency and may involve investment risks.

This prospectus is dated June 15, 2005

Table of Contents

TABLE OF CONTENTS

	Page
About This Prospectus	1
Where You Can Find More Information	3
Forward-Looking Statements	4
Wachovia Corporation	4
Use of Proceeds	5
Consolidated Earnings Ratios	5
Selected Consolidated Condensed Financial Data	6
Capitalization	7
Regulatory Considerations	7
Description of Common Stock	8
Description of Preferred Stock and Class A Preferred Stock	11
Description of Depositary Shares	15
Description of Debt Securities	18
Description of Warrants	30
ERISA Considerations	33
Global Securities	34
Plan of Distribution	38
Validity of Securities	40
Experts	40

Table of Contents

ABOUT THIS PROSPECTUS

General

This document is called a prospectus and is part of a registration statement that we filed with the SEC using a shelf registration or continuous offering process. Under this shelf process, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of $22,265,000,000.

We may offer the following securities from time to time:

- common stock;
- preferred stock;
- Class A preferred stock;
- depositary shares;
- debt securities; and
- warrants.

This prospectus provides you with a general description of each of the securities we may offer. Each time we sell securities we will provide a prospectus supplement containing specific information about the terms of the securities being offered. That prospectus supplement may include a discussion of any risk factors or other special considerations that apply to those securities. The prospectus supplement may also add, update or change the information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information .

The registration statement containing this prospectus, including exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement can be read at the SEC web site or at the SEC offices mentioned under the heading Where You Can Find More Information .

When acquiring any securities discussed in this prospectus, you should rely only on the information provided in this prospectus and in any prospectus supplement, including the information incorporated by reference. Neither we nor any underwriters or agents have authorized anyone to provide you with different information. We are not offering the securities in any state where the offer is prohibited. You should not assume

that the information in this prospectus, any prospectus supplement or any document incorporated by reference is accurate or complete at any date other than the date mentioned on the cover page of these documents.

We may sell securities to underwriters who will sell the securities to the public on terms fixed at the time of sale. In addition, the securities may be sold by us directly or through dealers or agents designated from time to time, which agents may be our affiliates. If we, directly or through agents, solicit offers to purchase the securities, we reserve the sole right to accept and, together with our agents, to reject, in whole or in part, any of those offers.

The prospectus supplement will contain the names of the underwriters, dealers or agents, if any, together with the terms of offering, the compensation of those underwriters and the net proceeds to us. Any underwriters, dealers or agents participating in the offering may be deemed underwriters within the meaning of the Securities Act of 1933.

Table of Contents

One or more of our subsidiaries, including Wachovia Capital Markets, LLC, may buy and sell any of the securities after the securities are issued as part of their business as a broker-dealer. Those subsidiaries may use this prospectus and the related prospectus supplement in those transactions. Any sale by a subsidiary will be made at the prevailing market price at the time of sale. Wachovia Capital Markets, LLC and Wachovia Securities, LLC, another of our subsidiaries, each conduct business under the name Wachovia Securities . Any reference in this prospectus to Wachovia Securities means Wachovia Capital Markets, LLC, unless otherwise mentioned or unless the context requires otherwise.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus to Wachovia , we , us , our , or similar references mean Wachovia Corporation and its subsidiaries.

Debt Securities

Offers and sales of the debt securities are subject to restrictions in the United Kingdom. The distribution of this prospectus and the offering of the debt securities in certain other jurisdictions may also be restricted by law. This prospectus does not constitute an offer of, or an invitation on Wachovia s behalf or on behalf of the underwriters or any of them to subscribe to or purchase, any of the debt securities. This prospectus may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Please refer to the section entitled Plan of Distribution .

As long as the debt securities are listed on the Luxembourg Stock Exchange, a supplemental prospectus will be prepared and filed with the Luxembourg Stock Exchange in the event of a material change in the financial condition of Wachovia that is not reflected in this prospectus, for the use in connection with any subsequent issue of debt securities to be listed on the Luxembourg Stock Exchange. As long as the debt securities are listed on the Luxembourg Stock Exchange, if the terms and conditions of the debt securities are modified or amended in a manner which would make this prospectus materially inaccurate or misleading, a new prospectus or supplemental prospectus will be prepared.

Wachovia accepts responsibility for the information contained in this prospectus. The Luxembourg Stock Exchange takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss no matter how arising from or in reliance upon the whole or any part of the contents of this prospectus.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on its public reference room. In addition, our SEC filings are available to the public at the SEC s web site at http://www.sec.gov. You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York. For further information on obtaining copies of our public filings at the New York Stock Exchange, you should call (212) 656-5060.

The SEC allows us to incorporate by reference into this prospectus the information in documents we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. When we update the information contained in documents that have been incorporated by reference by making future filings with the SEC the information incorporated by reference in this prospectus is considered to be automatically updated and superseded. In other words, in the case of a conflict or inconsistency between information contained in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference the documents listed below and any documents we file with the SEC in the future under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) until the offering of securities by means of this prospectus is completed:

Annual Report on Form 10-K for the year ended December 31, 2004;

Quarterly Report on Form 10-Q for the period ended March 31, 2005; and

Current Report on Form 8-K dated January 5, 2005, January 19, 2005, April 15, 2005 and May 2, 2005.

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address:

Corporate Relations

Wachovia Corporation

One Wachovia Center

301 South College Street

Charlotte, North Carolina 28288-0206

(704) 374-6782

As long as the debt securities are listed on the Luxembourg Stock Exchange, you may also obtain documents incorporated by reference in this prospectus free of charge from the Luxembourg Listing Agent or the Luxembourg Paying Agent and Transfer Agent.

You should rely only on the information incorporated by reference or presented in this prospectus or the applicable prospectus supplement. Neither we, nor any underwriters or agents, have authorized anyone else to provide you with different information. We may only use this prospectus to sell securities if it is accompanied by a prospectus supplement. We are only offering these securities in jurisdictions where the offer is permitted. You should not assume that the information in this prospectus or the applicable prospectus supplement is accurate as of any date other than the dates on the front of those documents.

3

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus and accompanying prospectus supplements contain or incorporate statements that are forward-looking statements . These statements can be identified by the use of forward-looking language such as will likely result , may , are expected to , is anticipated , estimate , projected , intends to , or other similar words. Our actual results, performance or achievements could be significantly different from the results expressed in or implied by these forward-looking statements. These statements are subject to certain risks and uncertainties, including but not limited to certain risks described in the prospectus supplement or the documents incorporated by reference. When considering these forward-looking statements, you should keep in mind these risks, uncertainties and other cautionary statements made in this prospectus and the prospectus supplements. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. You should refer to our periodic and current reports filed with the SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements.

WACHOVIA CORPORATION

Wachovia was incorporated under the laws of North Carolina in 1967. We are registered as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956, as amended, and are supervised and regulated by the Board of Governors of the Federal Reserve System. Our banking and securities subsidiaries are supervised and regulated by various federal and state banking and securities regulatory authorities. On September 1, 2001, the former Wachovia Corporation merged with and into First Union Corporation, and First Union Corporation changed its name to Wachovia Corporation .

In addition to North Carolina, Wachovia s full-service banking subsidiaries operate in Alabama, Connecticut, Delaware, Florida, Georgia, Maryland, Mississippi, New Jersey, New York, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Washington, D.C. These full-service banking subsidiaries provide a wide range of commercial and retail banking and trust services. Wachovia also provides various other financial services, including mortgage banking, home equity lending, leasing, investment banking, insurance and securities brokerage services through other subsidiaries.

In 1985, the Supreme Court upheld regional interstate banking legislation. Since then, Wachovia has concentrated its efforts on building a large regional banking organization in what it perceives to be some of the better banking markets in the eastern United States. Since November 1985, Wachovia has completed over 100 banking-related acquisitions.

Wachovia continually evaluates its business operations and organizational structures to ensure they are aligned closely with its goal of maximizing performance in its core business lines, Capital Management, Wealth Management, the General Bank and Corporate and Investment Banking. When consistent with our overall business strategy, we may consider the disposition of certain of our assets, branches, subsidiaries or lines of business. We continue to routinely explore acquisition opportunities, particularly in areas that would complement our core business lines, and frequently conduct due diligence activities in connection with possible acquisitions. As a result, acquisition discussions and, in some cases, negotiations frequently take place, and future acquisitions involving cash, debt or equity securities can be expected.

Wachovia is a separate and distinct legal entity from its banking and other subsidiaries. Dividends received from our subsidiaries are our principal source of funds to pay dividends on our common and preferred stock and debt service on our debt. Various federal and state statutes and regulations limit the amount of dividends that our banking and other subsidiaries may pay to us without regulatory approval.

4

Table of Contents

USE OF PROCEEDS

Wachovia currently intends to use the net proceeds from the sale of any securities for general corporate purposes, which may include

- reducing debt
- investments at the holding company level
- investing in, or extending credit to, our operating subsidiaries
- possible acquisitions
- stock repurchases and
- other purposes as mentioned in any prospectus supplement.

Pending such use, we may temporarily invest the net proceeds. The precise amounts and timing of the application of proceeds will depend upon our funding requirements and the availability of other funds. Except as mentioned in any prospectus supplement, specific allocations of the proceeds to such purposes will not have been made at the date of that prospectus supplement.

Based upon our historical and anticipated future growth and our financial needs, we may engage in additional financings of a character and amount that we determine as the need arises.

CONSOLIDATED EARNINGS RATIOS

The following table provides Wachovia s consolidated ratios of earnings to fixed charges and preferred stock dividends:

	Three Months Ended March 31,	Years Ended December 31,				
	2005	2004	2003	2002	2001	2000
Consolidated Ratios of Earnings to Fixed Charges and Preferred Stock Dividends						
Excluding interest on deposits	3.31x	3.83	3.63	2.91	1.61	1.13

Including interest on deposits	2.16x	2.37	2.30	1.79	1.27	1.06

For purposes of computing these ratios

- earnings represent income from continuing operations before extraordinary items and cumulative effect of a change in accounting principles, plus income taxes and fixed charges (excluding capitalized interest);

- fixed charges, excluding interest on deposits, represent interest (including capitalized interest), one-third of rents and all amortization of debt issuance costs; and

- fixed charges, including interest on deposits, represent all interest (including capitalized interest), one-third of rents and all amortization of debt issuance costs.

One-third of rents is used because it is the proportion deemed representative of the interest factor.

5

Table of Contents

SELECTED CONSOLIDATED CONDENSED FINANCIAL DATA

The following is selected unaudited consolidated condensed financial information for Wachovia for the three months ended March 31, 2005, and the year ended December 31, 2004. The summary below should be read in conjunction with the consolidated financial statements of Wachovia, and the related notes thereto, and the other detailed information contained in Wachovia s 2005 First Quarter Report on Form 10-Q and in Wachovia s 2004 Annual Report on Form 10-K.

(In millions, except per share data)	Three Months Ended March 31, 2005	Year Ended December 31, 2004
CONSOLIDATED CONDENSED SUMMARIES OF INCOME		
Interest income	$ 5,453	17,288
Interest expense	2,040	5,327
Net interest income	3,413	11,961
Provision for credit losses	36	257
Net interest income after provision for credit losses	3,377	11,704
Securities losses	(2)	(10)
Fee and other income	2,997	10,789
Merger-related and restructuring expenses	61	444
Other noninterest expense	3,811	14,222
Minority interest in income of consolidated subsidiaries	64	184
Income before income taxes	2,436	7,633
Income taxes	815	2,419
Net income	$ 1,621	5,214
PER COMMON SHARE DATA		
Basic earnings	$ 1.03	3.87
Diluted earnings	1.01	3.81
Cash dividends	$ 0.46	1.66
Average common shares Basic	1,571	1,346
Average common shares Diluted	1,603	1,370
CONSOLIDATED CONDENSED PERIOD-END BALANCE SHEET		
Cash and cash equivalents	$ 38,227	38,591
Trading account assets	47,149	45,932
Securities	116,731	110,597
Loans, net of unearned income	227,266	223,840
Allowance for loan losses	(2,732)	(2,757)
Loans, net	224,534	221,083
Loans held for sale	14,173	12,988
Goodwill	21,635	21,526
Other intangible assets	1,428	1,581
Other assets	42,956	41,026
Total assets	$ 506,833	493,324

LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits	297,657	295,053
Short-term borrowings	73,401	63,406
Trading account liabilities	22,418	21,709
Other liabilities	16,147	16,262
Long-term debt	47,932	46,759
Total liabilities	457,555	443,189
Minority interest in net assets of consolidated subsidiaries	2,811	2,818
Stockholders equity	46,467	47,317
Total liabilities and stockholders equity	$ 506,833	493,324

Table of Contents

CAPITALIZATION

The following table sets forth the unaudited capitalization of Wachovia at March 31, 2005.

(In millions)	March 31, 2005
Long-term Debt	
Total long-term debt	$ 47,932
Stockholders Equity	
Dividend Equalization Preferred shares, issued 97 million shares	
Common stock, authorized 3 billion shares, issued 1.576 billion shares	5,255
Paid-in capital	30,976
Retained earnings	10,319
Accumulated other comprehensive income, net	(83)
Total stockholders equity	46,467
Total long-term debt and stockholders equity	$ 94,399

As of the date of this prospectus, there has been no material change in the capitalization of Wachovia since March 31, 2005.

REGULATORY CONSIDERATIONS

As a financial holding company and a bank holding company under the Bank Holding Company Act, the Federal Reserve Board regulates, supervises and examines Wachovia. For a discussion of the material elements of the regulatory framework applicable to financial holding companies, bank holding companies and their subsidiaries and specific information relevant to Wachovia, please refer to Wachovia s annual report on Form 10-K for the fiscal year ended December 31, 2004, and any subsequent reports we file with the SEC, which are incorporated by reference in this prospectus. This regulatory framework is intended primarily for the protection of depositors and the federal deposit insurance funds and not for the protection of security holders. As a result of this regulatory framework, Wachovia s earnings are affected by actions of the Federal Reserve Board, the Office of Comptroller of the Currency, that regulates our banking subsidiaries, the Federal Deposit Insurance Corporation, that insures the deposits of our banking subsidiaries within certain limits, and the SEC, that regulates the activities of certain subsidiaries engaged in the securities business.

Wachovia s earnings are also affected by general economic conditions, our management policies and legislative action.

In addition, there are numerous governmental requirements and regulations that affect our business activities. A change in applicable statutes, regulations or regulatory policy may have a material effect on Wachovia s business.

Depository institutions, like Wachovia s bank subsidiaries, are also affected by various federal laws, including those relating to consumer protection and similar matters. Wachovia also has other financial services subsidiaries regulated, supervised and examined by the Federal Reserve Board, as well as other relevant state and federal regulatory agencies and self-regulatory organizations. Wachovia s non-bank subsidiaries may be subject to other laws and regulations of the federal government or the various states in which they are authorized to do business.

Table of Contents

DESCRIPTION OF COMMON STOCK

The following information outlines some of the provisions in Wachovia s articles of incorporation, bylaws and the North Carolina Business Corporation Act (the NCBC Act). This information is qualified in all respects by reference to the provisions of Wachovia s articles, bylaws and the NCBC Act.

Authorized Common Stock

Wachovia s authorized common stock consists of 3,000,000,000 shares of common stock, par value $3.33 1/3 per share. As of March 31, 2005, 1,576,428,733 shares of common stock were issued and outstanding. Wachovia s common stock is listed on the New York Stock Exchange under the symbol WB .

General

Subject to the prior rights of any Wachovia preferred stockholder, Class A preferred stockholder and depositary shareholder then outstanding, common stockholders are entitled to receive such dividends as Wachovia s board of directors may declare out of funds legally available for these payments. In the event of liquidation or dissolution, common stockholders are entitled to receive Wachovia s net assets remaining after paying all liabilities and after paying all preferred stockholders, Class A preferred stockholders, holders of Wachovia s Dividend Equalization Preferred shares and depositary shareholders the full preferential amounts to which those holders are entitled.

Under an indenture between Wachovia and Wilmington Trust Company, as trustee, Wachovia agreed that it generally will not pay any dividends on, or acquire or make a liquidation payment relating to, any of Wachovia s common stock, preferred stock and Class A preferred stock, if, at any time, there is a default under the indenture or a related Wachovia guarantee or Wachovia has deferred interest payments on the securities issued under the indenture. In connection with a corporate reorganization of a Wachovia subsidiary, The Money Store LLC, Wachovia agreed that it could declare or pay a dividend on Wachovia common stock only after quarterly distributions of an estimated $1.8 million have been paid in full on The Money Store LLC preferred units for each quarterly period occurring prior to the proposed common stock cash dividend.

Subject to the prior rights of any preferred stockholders, Class A preferred stockholders and depositary shareholders, common stockholders have all voting rights, each share being entitled to one vote on all matters requiring stockholder action and in electing directors. Common stockholders have no preemptive, subscription or conversion rights. All of the outstanding shares of common stock are, and any common stock issued and sold hereunder will be, fully paid and nonassessable.

Wachovia Bank, National Association is the transfer agent, registrar and dividend disbursement agent for the common stock.

Where appropriate, the applicable prospectus supplement will describe the U.S. federal income tax considerations relevant to the common stock.

Rights Plan

Under Wachovia s Shareholder Protection Rights Agreement, each outstanding common stock share has a right attached to it. This right remains attached unless a separation time occurs. At separation time, common stockholders will receive separate certificates for these rights. Each right entitles its owner to purchase at separation time one one-hundredth of a share of a participating series of Class A preferred stock for $105. This series of Class A preferred stock would have economic and voting terms similar to those of one common stock share. Separation time would generally occur at the earlier of the following two dates:

the tenth business day after any person commences a tender or exchange offer that, if completed, would entitle that person to 10% or more of Wachovia s outstanding common stock

8

Table of Contents

or

the tenth business day after Wachovia publicly announces that a person has acquired beneficial ownership of 10% or more of Wachovia s outstanding common stock.

These rights will not trade separately from the shares of common stock until the separation time occurs, and may be exercised on the business day immediately after the separation time. The rights will expire at the earliest of:

the date on which Wachovia s board of directors elects to exchange the rights for Wachovia common stock shares as described below

the close of business on December 28, 2010, unless extended by our board of directors or

the date on which the rights are terminated as described below.

Once Wachovia publicly announces that a person has acquired 10% of Wachovia s outstanding common stock, Wachovia can allow for rights holders to buy our common stock for half of its market value. For example, Wachovia would sell to each rights holder common stock shares worth $210 for $105 in cash. At the same time, any rights held by the 10% owner or any of its affiliates, associates or transferees will be void. In addition, if Wachovia is acquired in a merger or other business combination after a person has become a 10% owner, the rights held by stockholders would become exercisable to purchase the acquiring company s common stock for half of its market value.

In the alternative, Wachovia s board of directors may elect to exchange all of the then outstanding rights for shares of common stock at an exchange ratio of two common stock shares for one right. Upon election of this exchange, a right will no longer be exercisable and will only represent a right to receive two common stock shares.

If Wachovia is required to issue common stock shares upon the exercise of rights, or in exchange for rights, the board may substitute shares of participating Class A preferred stock. The substitution will be at a rate of two one-hundredths of a share of participating Class A preferred stock for each right exchanged.

The rights may be terminated without any payment to holders before their exercise date. The rights have no voting rights and are not entitled to dividends.

The rights will not prevent a takeover of Wachovia. The rights, however, may cause substantial dilution to a person or group that acquires 10% or more of common stock unless Wachovia s board first terminates the rights. Nevertheless, the rights should not interfere with a transaction that is in Wachovia s and its stockholders best interests because the rights can be terminated by the board before that transaction is completed.

The complete terms of the rights are contained in the Shareholder Protection Rights Agreement. This agreement is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part, and the description above is qualified entirely by that document. A

copy of this agreement can be obtained upon written request to Wachovia Bank, National Association, 1525 West W.T. Harris Blvd., Charlotte, North Carolina 28288-1153.

Other Provisions

Wachovia s articles and bylaws contain various provisions which may discourage or delay attempts to gain control of Wachovia. Wachovia s articles include provisions

classifying the board of directors into three classes, each class to serve for three years, with one class elected annually

Table of Contents

authorizing the board of directors to fix the size of the board between nine and 30 directors

authorizing directors to fill vacancies on the board occurring between annual stockholder meetings, except that vacancies resulting from a director s removal by a stockholder vote may only be filled by a stockholder vote

providing that directors may be removed only for a valid reason and only by majority vote of shares entitled to vote in electing directors, voting as a single class

authorizing only the board of directors, Wachovia s Chairman or President to call a special meeting of stockholders, except for special meetings called under special circumstances for classes or series of stock ranking superior to common stock and

Interim Condensed Consolidated Statements of Equity
For the Six Months Ended June 30, 2014 (Unaudited)
(In millions)

						Accumulated Other Comprehensive Income (Loss)					
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders' Equity	Non Inte (1)
Balance at December 31, 2013	$ 1	$ 11	$ 29,277	$ 27,332	$ (172)	$ 8,553	$ (139)	$ (1,659)	$ (1,651)	$ 61,553	$ 5
Treasury stock acquired in connection with share repurchases					(4)					(4)	
Stock-based compensation			161							161	
Dividends on preferred stock				(61)						(61)	
Dividends on common stock				(706)						(706)	
Change in equity of noncontrolling interests										—	(22
Net income (loss)				2,694						2,694	21
Other comprehensive income (loss), net of income tax						5,902	69	(80)	63	5,954	41
Balance at June 30, 2014	$ 1	$ 11	$ 29,438	$ 29,259	$ (176)	$ 14,455	$ (70)	$ (1,739)	$ (1,588)	$ 69,591	$ 5

(1) Net income (loss) attributable to noncontrolling interests excludes losses of redeemable noncontrolling interests of less thar
See accompanying notes to the interim condensed consolidated financial statements.

6

Table of Contents

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

						Accumulated Other Comprehensive Income (Loss)					
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders' Equity	Non Inte (1)
Balance at December 31, 2012	$ 1	$ 11	$ 28,011	$ 25,205	$ (172)	$ 14,642	$ (223)	$ (533)	$ (2,489)	$ 64,453	$ 3
Stock-based compensation			165							165	
Dividends on preferred stock				(61)						(61)	
Dividends on common stock				(808)						(808)	
Change in equity of noncontrolling interests			(39)							(39)	17
Net income (loss)				1,488						1,488	14
Other comprehensive income (loss), net of income tax						(4,025)	49	(1,292)	73	(5,195)	(10
Balance at June 30, 2013	$ 1	$ 11	$ 28,137	$ 25,824	$ (172)	$ 10,617	$ (174)	$ (1,825)	$ (2,416)	$ 60,003	$ 4

(1) Net income (loss) attributable to noncontrolling interests excludes gains of redeemable noncontrolling interests of less than
See accompanying notes to the interim condensed consolidated financial statements.

7

Table of Contents

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

	Six Months Ended June 30, 2014
Net cash provided by (used in) operating activities	$6,921
Cash flows from investing activities	
Sales, maturities and repayments of:	
Fixed maturity securities	56,794
Equity securities	320
Mortgage loans	6,557
Real estate and real estate joint ventures	385
Other limited partnership interests	383
Purchases of:	
Fixed maturity securities	(62,844)
Equity securities	(452)
Mortgage loans	(6,021)
Real estate and real estate joint ventures	(912)
Other limited partnership interests	(852)
Cash received in connection with freestanding derivatives	703
Cash paid in connection with freestanding derivatives	(2,003)
Sales of businesses, net of cash and cash equivalents disposed of $262 and $0, respectively	452
Sale of bank deposits	—
Purchases of investments in insurance joint ventures	(249)
Net change in policy loans	(5)
Net change in short-term investments	1,374
Net change in other invested assets	(220)
Other, net	(110)
Net cash provided by (used in) investing activities	(6,700)
Cash flows from financing activities	
Policyholder account balances:	
Deposits	46,847
Withdrawals	(47,621)
Net change in payables for collateral under securities loaned and other transactions	2,891
Net change in bank deposits	—
Net change in short-term debt	(75)
Long-term debt issued	1,000
Long-term debt repaid	(2,484)
Treasury stock acquired in connection with share repurchases	(4)
Dividends on preferred stock	(61)
Dividends on common stock	(706)
Other, net	(221)
Net cash provided by (used in) financing activities	(434)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	21
Change in cash and cash equivalents	(192)
Cash and cash equivalents, beginning of period	7,585

Cash and cash equivalents, end of period	$7,393
Supplemental disclosures of cash flow information	
Net cash paid (received) for:	
Interest	$623
Income tax	$332
Non-cash transactions:	
Real estate and real estate joint ventures acquired in satisfaction of debt	$—
Dividends on common stock declared and unpaid	$—
Deconsolidation of MetLife Core Property Fund (see Note 6):	
Reduction of redeemable noncontrolling interests	$774
Reduction of long-term debt	$413
Reduction of real estate and real estate joint ventures	$1,132

See accompanying notes to the interim condensed consolidated financial statements.

8

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

1. Business, Basis of Presentation and Summary of Significant Accounting Policies
Business
"MetLife" or the "Company" refers to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliate
provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into six segments: Retail;
Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the "Americas"); Asia; and Euro
and Africa ("EMEA").
Basis of Presentation
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of An
requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the inte
consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgm
frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgm
in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results
estimates.
The accompanying interim condensed consolidated financial statements include the accounts of MetLife, Inc. and its subsidiar
partnerships and joint ventures in which the Company has control, and variable interest entities ("VIEs") for which the Compa
beneficiary. Intercompany accounts and transactions have been eliminated.
Certain international subsidiaries have a fiscal year cutoff of November 30. Accordingly, the Company's interim condensed co
financial statements reflect the assets and liabilities of such subsidiaries as of May 31, 2014 and November 30, 2013 and the o
such subsidiaries for the three months and six months ended May 31, 2014 and 2013.
The Company uses the equity method of accounting for investments in equity securities when it has significant influence or at
interest and for investments in real estate joint ventures and other limited partnership interests ("investees") when it has more t
ownership interest or more than a minor influence over the investee's operations, but does not have a controlling financial inte
Company generally recognizes its share of the investee's earnings on a three-month lag in instances where the investee's finan
not sufficiently timely or when the investee's reporting period differs from the Company's reporting period. The Company use
of accounting for investments in which it has virtually no influence over the investee's operations.
Certain amounts in the prior year periods' interim condensed consolidated financial statements and related footnotes thereto ha
reclassified to conform with the 2014 presentation as discussed throughout the Notes to the Interim Condensed Consolidated F
Statements.
The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including no
adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods pres
conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2013 consol
sheet data was derived from audited consolidated financial statements included in MetLife, Inc.'s Annual Report on Form 10
ended December 31, 2013 (the "2013 Annual Report"), which include all disclosures required by GAAP. Therefore, these inte
consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company inc
Annual Report.

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

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

Adoption of New Accounting Pronouncements
Effective January 1, 2014, the Company adopted new guidance regarding reporting of discontinued operations and disclosures components of an entity. The guidance increases the threshold for a disposal to qualify as a discontinued operation, expands th discontinued operations and requires new disclosures for certain disposals that do not meet the definition of a discontinued ope must now represent a strategic shift that has or will have a major effect on the entity's operations and financial results to qualif operations. As discussed in Note 3, the Company sold its wholly-owned subsidiary, MetLife Assurance Limited ("MAL"). As adoption of this new guidance, the results of operations of MAL and the loss on sale have been included in income from contin
Effective January 1, 2014, the Company adopted new guidance regarding the presentation of an unrecognized tax benefit. The requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. However, when the carr not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax positio applicable tax law does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecogn will be presented in the financial statements as a liability and will not be combined with the related deferred tax asset. The ado prospectively applied and resulted in a reduction to other liabilities and a corresponding increase to deferred income tax liabili of $277 million.
Effective January 1, 2014, the Company adopted new guidance regarding foreign currency that requires an entity that ceases to controlling financial interest in a subsidiary or group of assets within a foreign entity to release any related cumulative translat into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or trans complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment should be released into net incom sale of such an equity method investment. The new guidance did not have a material impact on the financial statements upon a
Effective January 1, 2014, the Company adopted new guidance regarding liabilities that requires an entity to measure obligatio joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclos amount of the obligation, as well as other information about the obligation. The new guidance did not have a material impact o statements upon adoption.
Effective January 1, 2014, the Company adopted new guidance on other expenses which address how health insurers should re classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, as amended by the Health Education Reconciliation Act. The amendments in this standard specify that the liability for the fee should be estimated and re once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a correspo cost that is amortized to expense using the straight-line method of allocation unless another method better allocates the fee ove year that it is payable. In accordance with the adoption of the new accounting pronouncement on January 1, 2014, the Compan $57 million in other liabilities, and a corresponding deferred cost, in other assets.

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

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

Future Adoption of New Accounting Pronouncements
In June 2014, the Financial Accounting Standards Board ("FASB") issued new guidance on transfers and servicing (Accountin
Update ("ASU") 2014−−−-11, Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financ
Disclosure), effective prospectively for fiscal years beginning after December 15, 2014 and interim periods within those years.
guidance requires that repurchase-to-maturity transactions and repurchase financing arrangements be accounted for as secured
provides for enhanced disclosures, including the nature of collateral pledged and the time to maturity. Certain interim period d
repurchase agreements and securities lending transactions are not required until the second quarter of 2015. The Company is c
evaluating the impact of this guidance on its consolidated financial statements.
In May 2014, the FASB issued a comprehensive new revenue recognition standard (ASU 2014 09, Revenue from Contracts w
(Topic 606)), effective retrospectively for fiscal years beginning after December 15, 2016 and interim periods within those yea
adoption of this standard is not permitted. The new guidance will supersede nearly all existing revenue recognition guidance u
however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those cont
impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods o
customers in an amount that reflects the consideration to which the entity expects to be entitled to, in exchange for those goods
Company is currently evaluating the impact of this guidance on its consolidated financial statements.
In January 2014, the FASB issued new guidance regarding investments (ASU 2014 01, Investments — Equity Method and Jo
(Topic 323): Accounting for Investments in Qualified Affordable Housing Projects), effective retrospectively for fiscal years b
December 15, 2014 and interim reporting periods within those years. The new guidance is applicable to investments in flow-th
liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. Under
entity that meets certain conditions is permitted to make an accounting policy election to amortize the initial cost of its investm
to the tax credits and other tax benefits received and recognize the net investment performance on the statement of operations a
of income tax expense (benefit). The Company is currently evaluating the impact of this guidance on its consolidated financial

2. Segment Information
MetLife is organized into six segments, reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benef
Benefit Funding; and Latin America (collectively, the "Americas"); Asia; and EMEA. In addition, the Company reports certai
operations in Corporate & Other.

Americas
The Americas consists of the following segments:

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

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

2. Segment Information (continued)

Group, Voluntary & Worksite Benefits
The Group, Voluntary & Worksite Benefits segment offers a broad range of protection products and services to individuals an
well as other institutions and their respective employees. Group insurance products and services include variable life, universa
life products. Group insurance products and services also include dental, group short- and long-term disability and accidental d
dismemberment ("AD&D") coverages. Voluntary & Worksite products and services include personal lines property & casualty
including private passenger automobile, homeowners and personal excess liability insurance offered to employees on a volunta
Voluntary & Worksite business also includes long-term care, prepaid legal plans and critical illness products.
Corporate Benefit Funding
The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interes
other stable value products, income annuities, and separate account contracts for the investment management of defined benef
contribution plan assets. This segment also includes structured settlements and certain products to fund postretirement benefits
bank- or trust-owned life insurance used to finance non-qualified benefit programs for executives.
Latin America
The Latin America segment offers a broad range of products to both individuals and corporations, as well as other institutions
respective employees, which include life insurance, accident and health insurance, group medical, dental, credit insurance, end
retirement & savings products written in Latin America. The Latin America segment also includes U.S. sponsored direct busin
group and individual products sold through sponsoring organizations and affinity groups. Products included are life, dental, gr
long-term disability, AD&D coverages, property & casualty and other accident and health coverages, as well as non-insurance
identity protection.
Asia
The Asia segment offers a broad range of products to both individuals and corporations, as well as other institutions and their r
employees, which include whole life, term life, variable life, universal life, accident and health insurance, fixed and variable an
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 the
employees, which include life insurance, accident and health insurance, credit insurance, annuities, endowment and retirement
products.
Corporate & Other
Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs
committed to acquisitions, enterprise-wide strategic initiative restructuring charges, and various business activities including st
certain run-off businesses. Start-up businesses include expatriate benefits insurance, as well as direct and digital marketing pro
Corporate & Other also includes assumed reinsurance of certain variable annuity products from the Company's former operati
Japan. Under this in-force reinsurance agreement, the Company reinsures living and death benefit guarantees issued in connec
annuity products. Corporate & Other also includes the investment management business through which the Company offers fe
investment management services to institutional clients. Additionally, Corporate & Other includes interest expense related to t
Company's outstanding debt and expenses associated with certain legal proceedings and income tax audit issues. Corporate &
includes the elimination of intersegment amounts, which generally relate to intersegment loans, which bear interest rates comm
related borrowings.

2. Segment Information (continued)

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 re
Consistent with GAAP guidance for segment reporting, operating earnings is the Company's measure of segment performance
below. Operating earnings should not be viewed as a substitute for income (loss) from continuing operations, net of income ta
believes the presentation of operating earnings as the Company measures it for management purposes enhances the understand
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 w
exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) an
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 revenue

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investmen and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB F
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on deri hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) i from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint vent for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) e 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 expens

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation rela investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a co referenced pool of assets and other pass through adjustments, (iii) benefits and hedging costs related to GMIBs ("GMIB Costs value adjustments associated with surrenders or terminations of contracts ("Market Value Adjustments");
- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amorti premium on derivatives that are hedges of policyholder account balances ("PABs") but do not qualify for hedge accounting tre 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 relate investment gains (losses) and net derivative gains (losses), (ii) GMIB Fees and GMIB Costs, and (iii) Market Value Adjustme
- 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; an
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requiren (iii) acquisition and integration costs.

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

2. Segment Information (continued)

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acq
adjusted for during the measurement period under GAAP business combination accounting guidance.
In the first quarter of 2014, MetLife, Inc. began reporting the operations of MAL as divested business. See Note 3. Consequen
Corporate Benefit Funding decreased by $4 million, net of $2 million of income tax, and $9 million, net of $5 million of incon
three months and six months ended June 30, 2013, respectively. Also, the results for Corporate & Other decreased by $4 millio
million of income tax, and $7 million, net of $4 million of income tax, for the three months and six months ended June 30, 201
Set forth in the tables below is certain financial information with respect to the Company's segments, as well as Corporate & O
months and six months ended June 30, 2014 and 2013. The segment accounting policies are the same as those used to prepare
consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting
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
basis upon which capital is deployed. The economic capital model accounts for the unique and specific nature of the risks inhe
Company's business.
The Company's economic capital model aligns segment allocated equity with emerging standards and consistent risk principle
applies statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk
include calibrating required economic capital shock factors to a specific confidence level and time horizon and applying an inc
method for the inclusion of diversification benefits among risk types.
For the Company's domestic segments, net investment income is credited or charged based on the level of allocated equity; ho
allocated equity do not impact the Company's consolidated net investment income, operating earnings or income (loss) from c
operations, net of income tax.
Net investment income is based upon the actual results of each segment's specifically identifiable investment portfolios adjust
equity. Other costs are allocated to each of the segments based upon: (i) a review of the nature of such costs; (ii) time studies a
amount of employee compensation costs incurred by each segment; and (iii) cost estimates included in the Company's product

Table of Contents

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

2. Segment Information (continued)

Three Months Ended June 30, 2014	Operating Earnings									
	Americas									
	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adj
	(In millions)									
Revenues										
Premiums	$1,812	$ 4,038	$686	$780	$7,316	$1,913	$584	$40	$9,853	$ 2
Universal life and investment-type product policy fees	1,256	181	55	317	1,809	400	117	34	2,360	98
Net investment income	1,963	458	1,443	332	4,196	717	134	48	5,095	164
Other revenues	265	104	75	9	453	24	11	5	493	(3
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(12
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	311
Total revenues	5,296	4,781	2,259	1,438	13,774	3,054	846	127	17,801	465
Expenses										
Policyholder benefits and claims and policyholder dividends	2,438	3,789	1,273	743	8,243	1,425	271	25	9,964	421
Interest credited to policyholder account balances	561	39	287	100	987	394	35	9	1,425	284
Capitalization of DAC	(249)	(36)	(18)	(93)	(396)	(457)	(170)	(8)	(1,031)	(1
Amortization of DAC and VOBA	378	35	6	81	500	362	160	3	1,025	37
Amortization of negative VOBA	—	—	—	(1)	(1)	(92)	(6)	—	(99)	(12
Interest expense on debt	—	—	2	—	2	—	—	297	299	13
Other expenses	1,177	638	134	412	2,361	976	446	196	3,979	12
Total expenses	4,305	4,465	1,684	1,242	11,696	2,608	736	522	15,562	754
Provision for income tax expense (benefit)	339	111	201	36	687	127	17	(213)	618	(44
Operating earnings	$652	$ 205	$374	$160	$1,391	$319	$93	$(182)	1,621	
Adjustments to:										
Total revenues									465	
Total expenses									(754)	
Provision for income tax (expense) benefit									44	
Income (loss) from continuing operations, net of income tax									$1,376	

Table of Contents

MetLife, Inc.

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

2. Segment Information (continued)

	Operating Earnings									
	Americas									
Three Months Ended June 30, 2013	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Ad
	(In millions)									
Revenues										
Premiums	$1,581	$ 3,797	$503	$710	$6,591	$1,980	$558	$28	$9,157	$ 1
Universal life and investment-type product policy fees	1,238	170	65	235	1,708	442	96	35	2,281	90
Net investment income	1,987	472	1,402	281	4,142	723	120	72	5,057	225
Other revenues	257	105	67	5	434	28	34	4	500	(10
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	110
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(1,6
Total revenues	5,063	4,544	2,037	1,231	12,875	3,173	808	139	16,995	(1,2
Expenses										
Policyholder benefits and claims and policyholder dividends	2,272	3,514	1,080	601	7,467	1,433	256	18	9,174	115
Interest credited to policyholder account balances	589	39	305	103	1,036	437	37	11	1,521	325
Capitalization of DAC	(344)	(35)	(6)	(108)	(493)	(522)	(192)	(5)	(1,212)	—
Amortization of DAC and VOBA	396	33	6	83	518	392	195	—	1,105	(14
Amortization of negative VOBA	—	—	—	—	—	(113)	(11)	—	(124)	(14
Interest expense on debt	1	1	2	1	5	—	(1)	283	287	34
Other expenses	1,265	578	116	390	2,349	1,054	460	146	4,009	87
Total expenses	4,179	4,130	1,503	1,070	10,882	2,681	744	453	14,760	400
Provision for income tax expense (benefit)	303	139	188	36	666	162	(4)	(205)	619	(56
Operating earnings	$581	$ 275	$346	$125	$1,327	$330	$68	$(109)	1,616	
Adjustments to:										
Total revenues									(1,274)	
Total expenses									(400)	
Provision for income tax (expense) benefit									566	
Income (loss) from continuing operations, net of income tax									$508	

16

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

2. Segment Information (continued)

	Operating Earnings									
	Americas									
Six Months Ended June 30, 2014	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Ad
	(In millions)									
Revenues										
Premiums	$3,536	$ 8,040	$987	$1,448	$14,011	$3,803	$1,181	$75	$19,070	$ 2
Universal life and investment-type product policy fees	2,503	358	112	628	3,601	789	226	67	4,683	196
Net investment income	3,977	911	2,853	657	8,398	1,410	257	115	10,180	114
Other revenues	510	211	143	16	880	51	27	26	984	(16
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(53
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	654
Total revenues	10,526	9,520	4,095	2,749	26,890	6,053	1,691	283	34,917	434
Expenses										
Policyholder benefits and claims and policyholder dividends	4,845	7,570	2,161	1,347	15,923	2,822	532	60	19,337	675
Interest credited to policyholder account balances	1,116	79	565	198	1,958	781	69	18	2,826	352
Capitalization of DAC	(483)	(70)	(19)	(182)	(754)	(951)	(346)	(26)	(2,077)	(1
Amortization of DAC and VOBA	807	71	10	160	1,048	700	324	3	2,075	45
Amortization of negative VOBA	—	—	—	(1)	(1)	(186)	(15)	—	(202)	(24
Interest expense on debt	—	—	4	—	4	—	—	589	593	31
Other expenses	2,319	1,266	254	814	4,653	1,966	902	409	7,930	15
Total expenses	8,604	8,916	2,975	2,336	22,831	5,132	1,466	1,053	30,482	1,0
Provision for income tax expense (benefit)	658	211	391	70	1,330	274	44	(426)	1,222	(16
Operating earnings	$1,264	$ 393	$729	$343	$2,729	$647	$181	$(344)	3,213	
Adjustments to:										
Total revenues									434	
Total expenses									(1,093)	
Provision for income tax (expense) benefit									164	
Income (loss) from continuing operations, net of income tax									$2,718	

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

2. Segment Information (continued)

	Operating Earnings									
	Americas									
Six Months Ended June 30, 2013	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Ac
	(In millions)									
Revenues										
Premiums	$3,128	$7,671	$919	$1,385	$13,103	$3,978	$1,125	$54	$18,260	$
Universal life and investment-type product policy fees	2,405	350	133	460	3,348	886	187	71	4,492	17
Net investment income	3,948	925	2,792	558	8,223	1,455	248	213	10,139	1,
Other revenues	500	213	140	9	862	41	61	17	981	(1
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	42
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(2
Total revenues	9,981	9,159	3,984	2,412	25,536	6,360	1,621	355	33,872	(4
Expenses										
Policyholder benefits and claims and policyholder dividends	4,425	7,154	2,097	1,155	14,831	2,848	493	27	18,199	79
Interest credited to policyholder account balances	1,168	78	648	207	2,101	879	72	23	3,075	1,
Capitalization of DAC	(718)	(68)	(23)	(213)	(1,022)	(1,068)	(369)	(9)	(2,468)	—
Amortization of DAC and VOBA	727	67	17	157	968	793	360	—	2,121	(3
Amortization of negative VOBA	—	—	—	(1)	(1)	(226)	(28)	—	(255)	(2
Interest expense on debt	1	1	4	—	6	—	—	569	575	67
Other expenses	2,543	1,166	255	762	4,726	2,148	908	310	8,092	39
Total expenses	8,146	8,398	2,998	2,067	21,609	5,374	1,436	920	29,339	2,
Provision for income tax expense (benefit)	628	256	346	77	1,307	323	30	(400)	1,260	(9
Operating earnings	$1,207	$505	$640	$268	$2,620	$663	$155	$(165)	3,273	
Adjustments to:										
Total revenues									(468)	
Total expenses									(2,257)	
Provision for income tax (expense) benefit									955	
Income (loss) from continuing operations, net of income tax									$1,503	

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

2. Segment Information (continued)

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

	June 30, 2014	Dec
	(In millions)	
Retail	$360,783	$34
Group, Voluntary & Worksite Benefits	45,401	43,4
Corporate Benefit Funding	229,128	220
Latin America	74,437	69,8
Asia	124,475	119
EMEA	31,178	33,3
Corporate & Other	45,718	48,7
Total	$911,120	$88

3. Disposition

In May 2014, the Company completed the sale of its wholly-owned subsidiary, MAL, for $702 million (£418 million) in net ca
As a result of the sale, a loss of $633 million ($442 million, net of income tax), which includes a reduction to goodwill of $60
million, net of income tax), was recorded for the six months ended June 30, 2014. A loss of $138 million ($99 million, net of i
which includes $77 million ($50 million, net of income tax) related to net investments in foreign operation hedges, was record
months ended June 30, 2014. The losses are reflected within net investment gains (losses) on the consolidated statements of op
comprehensive income (loss). The losses on the sale were increased by net income from MAL of $42 million and $77 million
months and six months ended June 30, 2014, respectively. MAL's results of operations are included in continuing operations.
historically included in the Corporate Benefit Funding segment. See Note 2.

4. Insurance

Guarantees

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

The Company also issues annuity contracts that apply a lower rate on funds deposited if the contractholder elects to surrender
cash and a higher rate if the contractholder elects to annuitize ("two tier annuities"). These guarantees include benefits that are
event of death, maturity or at annuitization. Additionally, the Company issues universal and variable life contracts where the C
contractually guarantees to the contractholder a secondary guarantee or a guaranteed paid-up benefit.

Based on the type of guarantee, the Company defines net amount at risk as listed below. These amounts include direct and assu
but exclude offsets from hedging or reinsurance, if any.

Variable Annuity Guarantees

In the Event of Death

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

At Annuitization

Defined as the amount (if any) that would be required to be added to the total contract account value to purchase a lifetime inc
based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents th
potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, ev
contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which
contractholders have achieved.

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

4. Insurance (continued)

Two Tier Annuities
Defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. These cont
lower rate on funds if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects t
Universal and Variable Life Contracts
Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that
would incur if death claims were filed on all contracts on the balance sheet date.
Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as foll

	June 30, 2014		December 31, 201
	In the Event of Death	At Annuitization	In the Event of Death
	(In millions)		
Annuity Contracts (1)			
Variable Annuity Guarantees			
Total contract account value (2)	$204,027	$102,857	$201,395
Separate account value	$168,187	$98,901	$164,500
Net amount at risk	$3,917	$1,382	$4,203
Average attained age of contractholders	64 years	64 years	63 years
Two Tier Annuities			
General account value	N/A	$1,025	N/A
Net amount at risk	N/A	$311	N/A
Average attained age of contractholders	N/A	50 years	N/A

	June 30, 2014		December 31, 201
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees
	(In millions)		
Universal and Variable Life Contracts (1)			
Account value (general and separate account)	$16,468	$3,640	$16,048
Net amount at risk	$183,942	$21,020	$185,920
Average attained age of policyholders	56 years	61 years	55 years

(1) The Company’s annuity and life contracts with guarantees may offer more than one type of guarantee in each contrac
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 va
products from the Company’s former operating joint venture in Japan.

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

5. Closed Block

On April 7, 2000 (the "Demutualization Date"), Metropolitan Life Insurance Company ("MLIC") converted from a mutual life to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an York Superintendent of Insurance approving MLIC's plan of reorganization, as amended (the "Plan"). On the Demutualization 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 impact the policyholder dividend obligation. Amortization of the closed block DAC, which resides outside of the closed block cumulative actual and expected earnings within the closed block. Accordingly, the Company's net income continues to be sens 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 outside the closed block based on the nature of the particular item.

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

	June 30, 2014		Decem
	(In millions)		
Closed Block Liabilities			
Future policy benefits	$41,795		$42,07
Other policy-related balances	331		298
Policyholder dividends payable	477		456
Policyholder dividend obligation	2,986		1,771
Current income tax payable	18		18
Other liabilities	641		582
Total closed block liabilities	46,248		45,201
Assets Designated to the Closed Block			
Investments:			
Fixed maturity securities available-for-sale, at estimated fair value	29,295		28,374
Equity securities available-for-sale, at estimated fair value	90		86
Mortgage loans	6,031		6,155
Policy loans	4,651		4,669
Real estate and real estate joint ventures	543		492
Other invested assets	997		814
Total investments	41,607		40,590
Cash and cash equivalents	311		238
Accrued investment income	495		477
Premiums, reinsurance and other receivables	95		98
Deferred income tax assets	294		293
Total assets designated to the closed block	42,802		41,696
Excess of closed block liabilities over assets designated to the closed block	3,446		3,505
Amounts included in accumulated other comprehensive income (loss) ("AOCI")			
Unrealized investment gains (losses), net of income tax	2,254		1,502
Unrealized gains (losses) on derivatives, net of income tax	(5	)	(3
Allocated to policyholder dividend obligation, net of income tax	(1,941	)	(1,151
Total amounts included in AOCI	308		348
Maximum future earnings to be recognized from closed block assets and liabilities	$3,754		$3,853

21

Table of Contents

MetLife, Inc.

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

5. Closed Block (continued)

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

	Six Months Ended June 30, 2014	Year Ended Decem
	(In millions)	
Balance, beginning of period	$1,771	$3,828
Change in unrealized investment and derivative gains (losses)	1,215	(2,057
Balance, end of period	$2,986	$1,771

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

	Three Months Ended June 30,		Six Mo Ended June 3
	2014	2013	2014
	(In millions)		
Revenues			
Premiums	$473	$489	$919
Net investment income	522	529	1,052
Net investment gains (losses)	8	24	8
Net derivative gains (losses)	(3)	7	(4
Total revenues	1,000	1,049	1,975
Expenses			
Policyholder benefits and claims	645	669	1,269
Policyholder dividends	243	247	476
Other expenses	38	43	79
Total expenses	926	959	1,824
Revenues, net of expenses before provision for income tax expense (benefit)	74	90	151
Provision for income tax expense (benefit)	26	33	53
Revenues, net of expenses and provision for income tax expense (benefit)	$48	$57	$98

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

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

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 preferr
within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within eq
Included within fixed maturity securities are structured securities including residential mortgage-backed securities (“RMBS”),
mortgage-backed securities (“CMBS”) and asset-backed securities (“ABS”).

	June 30, 2014					December 31, 2013			
	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Temporary Losses	OT Los
	(In millions)								
Fixed maturity securities									
U.S. corporate	$99,550	$10,311	$468	$—	$109,393	$100,203	$7,495	$1,229	$—
Foreign corporate	57,557	5,118	187	—	62,488	59,778	3,939	565	—
Foreign government	51,794	5,019	186	—	56,627	50,717	4,107	387	—
U.S. Treasury and agency	50,310	4,194	157	—	54,347	43,928	2,251	1,056	—
RMBS	37,344	2,082	259	103	39,064	34,167	1,584	490	206
CMBS	15,119	582	50	—	15,651	16,115	605	170	—
ABS	14,558	306	69	7	14,788	15,458	296	171	12
State and political subdivision	13,055	1,729	86	—	14,698	13,233	903	306	—
Total fixed maturity securities	$339,287	$29,341	$1,462	$110	$367,056	$333,599	$21,180	$4,374	$21
Equity securities									
Common stock	$2,138	$573	$4	$—	$2,707	$1,927	$431	$5	$—
Non-redeemable preferred stock	1,114	82	40	—	1,156	1,085	76	112	—
Total equity securities	$3,252	$655	$44	$—	$3,863	$3,012	$507	$117	$—

The Company held non-income producing fixed maturity securities with an estimated fair value of $32 million and $74 millio
gains (losses) of $18 million and $23 million at June 30, 2014 and December 31, 2013, 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:

	June 30, 2014		December 31, 2013	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Es Fa Va
	(In millions)			
Due in one year or less	$14,242	$14,480	$15,828	$1
Due after one year through five years	77,029	81,202	70,467	74
Due after five years through ten years	78,643	85,648	78,159	83
Due after ten years	102,352	116,223	103,405	10
Subtotal	272,266	297,553	267,859	28
Structured securities (RMBS, CMBS and ABS)	67,021	69,503	65,740	67
Total fixed maturity securities	$339,287	$367,056	$333,599	$3

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity secu
single maturity date have been presented in the year of final contractual maturity. RMBS, CMBS and ABS are shown separate
due at a single maturity.

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

6. Investments (continued)

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
loss position, aggregated by sector and by length of time that the securities have been in a continuous unrealized loss position.

	June 30, 2014				December 31, 2013		
	Less than 12 Months		Equal to or Greater than 12 Months		Less than 12 Months		Equal to o Months
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
	(In millions, except number of securities)						
Fixed maturity securities							
U.S. corporate	$4,041	$59	$7,002	$409	$13,889	$808	$3,807
Foreign corporate	2,781	70	2,822	117	9,019	402	2,320
Foreign government	2,226	54	1,955	132	5,052	336	1,846
U.S. Treasury and agency	4,865	6	5,673	151	15,225	1,037	357
RMBS	1,640	77	4,162	285	10,754	363	2,302
CMBS	860	20	1,076	30	3,696	142	631
ABS	2,845	17	786	59	3,772	59	978
State and political subdivision	155	2	1,214	84	3,109	225	351
Total fixed maturity securities	$19,413	$305	$24,690	$1,267	$64,516	$3,372	$12,592
Equity securities							
Common stock	$90	$4	$—	$—	$81	$4	$16
Non-redeemable preferred stock	68	2	348	38	364	65	191
Total equity securities	$158	$6	$348	$38	$445	$69	$207
Total number of securities in an unrealized loss position	1,611		1,853		4,480		1,571

Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities
As described more fully in Notes 1 and 8 of the Notes to the Consolidated Financial Statements included in the 2013 Annual R
Company performs a regular evaluation of all investment classes for impairment, including fixed maturity securities, equity se
perpetual hybrid securities, in accordance with its impairment policy, in order to evaluate whether such investments are other-t
impaired.
Current Period Evaluation
Based on the Company’s current evaluation of its AFS securities in an unrealized loss position in accordance with its impairme
Company’s current intentions and assessments (as applicable to the type of security) about holding, selling and any requiremen
securities, the Company has concluded that these securities are not other-than-temporarily impaired at June 30, 2014. Future
other-than-temporary impairment (“OTTI”) will depend primarily on economic fundamentals, issuer performance (including c
present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates an
If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming
Gross unrealized losses on fixed maturity securities decreased $3.0 billion during the six months ended June 30, 2014 from $4
$1.6 billion. The decrease in gross unrealized losses for the six months ended June 30, 2014, was primarily attributable to a de
rates, and to a lesser extent narrowing credit spreads.
At June 30, 2014, $236 million of the total $1.6 billion of gross unrealized losses were from 68 fixed maturity securities with a
position of 20% or more of amortized cost for six months or greater.

24

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

6. Investments (continued)

Investment Grade Fixed Maturity Securities
Of the $236 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortize months or greater, $143 million, or 61%, are related to gross unrealized losses on 44 investment grade fixed maturity securitie losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixe maturity securities, rising interest rates since purchase.
Below Investment Grade Fixed Maturity Securities
Of the $236 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortize months or greater, $93 million, or 39%, are related to gross unrealized losses on 24 below investment grade fixed maturity sec Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily residential mortgage loans) and ABS (primarily foreign ABS) and are the result of significantly wider credit spreads resulting premiums since purchase, largely due to economic and market uncertainties including concerns over unemployment levels and residential real estate supporting non-agency RMBS. Management evaluates non-agency RMBS and ABS based on actual and flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure
Equity Securities
Gross unrealized losses on equity securities decreased $73 million during the six months ended June 30, 2014 from $117 milli Of the $44 million, $27 million were from nine equity securities with gross unrealized losses of 20% or more of cost for 12 mo all of which were financial services industry investment grade non-redeemable preferred stock, of which 59% were rated A or
Mortgage Loans
Mortgage Loans by Portfolio Segment
Mortgage loans are summarized as follows at:

	June 30, 2014				December 31,
	Carrying Value		% of Total		Carrying Value
	(In millions)				(In millions)
Mortgage loans held-for-investment:					
Commercial	$40,604		71.0	%	$40,926
Agricultural	11,961		20.9		12,391
Residential	3,947		6.9		2,772
Subtotal (1)	56,512		98.8		56,089
Valuation allowances	(294	)	(0.5	)	(322
Subtotal mortgage loans held-for-investment, net	56,218		98.3		55,767
Residential — fair value option (“FVO”)	367		0.6		338
Commercial mortgage loans held by CSEs — FVO	638		1.1		1,598
Total mortgage loans held-for-investment, net	57,223		100.0		57,703
Mortgage loans held-for-sale	—		—		3
Total mortgage loans, net	$57,223		100.0	%	$57,706

(1) Purchases of mortgage loans were $818 million and $1.4 billion for the three months and six months ended June 30, 2014, Purchases of mortgage loans were $836 million and $886 million for the three months and six months ended June 30, 2013
See “— Variable Interest Entities” for discussion of consolidated securitization entities (“CSEs”).

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

6. Investments (continued)

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

	June 30, 2014				December 31, 2013		
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Reside
	(In millions)						
Mortgage loans:							
Evaluated individually for credit losses	$415	$75	$9	$499	$506	$100	$16
Evaluated collectively for credit losses	40,189	11,886	3,938	56,013	40,420	12,291	2,756
Total mortgage loans	40,604	11,961	3,947	56,512	40,926	12,391	2,772
Valuation allowances:							
Specific credit losses	33	6	—	39	58	7	1
Non-specifically identified credit losses	197	36	22	255	200	37	19
Total valuation allowances	230	42	22	294	258	44	20
Mortgage loans, net of valuation allowance	$40,374	$11,919	$3,925	$56,218	$40,668	$12,347	$2,752

Valuation Allowance Rollforward by Portfolio Segment
The changes in the valuation allowance, by portfolio segment, were as follows:

	Three Months Ended June 30, 2014				2013		
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Reside
	(In millions)						
Balance, beginning of period	$259	$42	$25	$326	$275	$54	$3
Provision (release)	(5)	—	(3)	(8)	(33)	1	8
Charge-offs, net of recoveries	(24)	—	—	(24)	—	(6)	—
Balance, end of period	$230	$42	$22	$294	$242	$49	$11

	Six Months Ended June 30, 2014				2013		
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Reside
	(In millions)						
Balance, beginning of period	$258	$44	$20	$322	$293	$52	$2
Provision (release)	(4)	(2)	3	(3)	(51)	7	9
Charge-offs, net of recoveries	(24)	—	(1)	(25)	—	(10)	—
Balance, end of period	$230	$42	$22	$294	$242	$49	$11

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

6. Investments (continued)

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

	Recorded Investment						
	Debt Service Coverage Ratios						
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	% of Total		Estimated Fair Value
	(In millions)						(In millions)
June 30, 2014							
Loan-to-value ratios:							
Less than 65%	$31,658	$587	$534	$32,779	80.7	%	$34,876
65% to 75%	5,513	498	57	6,068	15.0		6,206
76% to 80%	548	212	57	817	2.0		816
Greater than 80%	424	303	213	940	2.3		909
Total	$38,143	$1,600	$861	$40,604	100.0	%	$42,807
December 31, 2013							
Loan-to-value ratios:							
Less than 65%	$30,552	$614	$841	$32,007	78.2	%	$33,519
65% to 75%	6,360	438	149	6,947	17.0		7,039
76% to 80%	525	192	189	906	2.2		892
Greater than 80%	661	242	163	1,066	2.6		1,006
Total	$38,098	$1,486	$1,342	$40,926	100.0	%	$42,456

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

	June 30, 2014			December 31, 2013
	Recorded Investment (In millions)	% of Total		Recorded Investment (In millions)
Loan-to-value ratios:				
Less than 65%	$11,277	94.3	%	$11,461
65% to 75%	552	4.6		729
76% to 80%	40	0.3		84
Greater than 80%	92	0.8		117
Total	$11,961	100.0	%	$12,391

The estimated fair value of agricultural mortgage loans held-for-investment was $12.3 billion and $12.7 billion at June 30, 201
December 31, 2013, respectively.

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

	June 30, 2014			December 31, 2013
	Recorded Investment (In millions)	% of Total		Recorded Investment (In millions)
Performance indicators:				
Performing	$3,847	97.5	%	$2,693
Nonperforming	100	2.5		79
Total	$3,947	100.0	%	$2,772

The estimated fair value of residential mortgage loans held-for-investment was $4.1 billion and $2.8 billion at June 30, 2014 a
2013, respectively.

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

6. Investments (continued)

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 perfor
June 30, 2014 and December 31, 2013. The Company defines delinquency consistent with industry practice, when mortgage lo
as follows: commercial and residential mortgage loans — 60 days and agricultural mortgage loans — 90 days. The past due an
mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual Status	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	De
	(In millions)					
Commercial	$12	$12	$12	$12	$113	$1
Agricultural	45	44	—	—	46	47
Residential	100	79	—	—	89	65
Total	$157	$135	$12	$12	$248	$3

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

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance
	(In millions)						
June 30, 2014							
Commercial	$132	$132	$33	$99	$285	$283	$417
Agricultural	55	53	6	47	23	22	78
Residential	—	—	—	—	12	9	12
Total	$187	$185	$39	$146	$320	$314	$507
December 31, 2013							
Commercial	$214	$210	$58	$152	$299	$296	$513
Agricultural	68	66	7	59	35	34	103
Residential	12	12	1	11	5	4	17
Total	$294	$288	$66	$222	$339	$334	$633

Unpaid principal balance is generally prior to any charge-offs.
The average recorded investment in impaired mortgage loans held-for-investment, including those modified in a troubled debt
and the related interest income, which is primarily recognized on a cash basis, by portfolio segment, was:

	Impaired Mortgage Loans						
	Three Months Ended June 30,				Six Months Ended June 30,		
	2014		2013		2014		2013
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment

	(In millions)						
Commercial	$462	$4	$531	$4	$476	$7	$534
Agricultural	88	3	158	2	92	6	165
Residential	9	—	14	—	12	—	14
Total	$559	$7	$703	$6	$580	$13	$713

Table of Contents

MetLife, Inc.

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

6. Investments (continued)

Mortgage Loans Modified in a Troubled Debt Restructuring

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

	Three Months Ended June 30, 2014			2013		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance		Number of Mortgage Loans	Carrying Value afte Valuation Allowance	
		Pre-Modification (In millions)	Post-Modification		Pre-Modification (In millions)	F
Commercial	—	$—	$—	—	$—	$
Agricultural	1	1	1	1	4	4
Residential	17	3	2	6	1	1
Total	18	$4	$3	7	$5	$

	Six Months Ended June 30, 2014			2013		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance		Number of Mortgage Loans	Carrying Value afte Valuation Allowance	
		Pre-Modification (In millions)	Post-Modification		Pre-Modification (In millions)	F
Commercial	—	$—	$—	—	$—	$
Agricultural	1	1	1	1	4	4
Residential	44	9	7	6	1	1
Total	45	$10	$8	7	$5	$

The number of mortgage loans and carrying value of mortgage loans with subsequent payment defaults that were modified in a
restructuring during the previous 12 months were as follows:

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

Table of Contents

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

6. Investments (continued)

	Six Months Ended June 30, 2014		2013	
	Number of Mortgage Loans	Carrying Value	Number of Mortgage Loans	Carrying Value
		(In millions)		(In millions)
Commercial	—	$—	—	$—
Agricultural	2	24	—	—
Residential (1)	2	—	—	—
Total	4	$24	—	$—

(1) Residential mortgage loans for the three months and six months ended June 30, 2014 had a carrying value of less than $1 m

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

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity or less at the time of purchase, was $2.8 billion and $3.8 billion at June 30, 2014 and December 31, 2013, respectively.

Net Unrealized Investment Gains (Losses)

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

	June 30, 2014	De
	(In millions)	
Fixed maturity securities	$27,769	$1
Fixed maturity securities with noncredit OTTI losses in AOCI	(110)	(2
Total fixed maturity securities	27,659	16
Equity securities	631	39
Derivatives	737	37
Other	(12)	(7
Subtotal	29,015	17
Amounts allocated from:		
Insurance liability loss recognition	(1,980)	(8
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	1	6
DAC and VOBA	(1,881)	(1,
Policyholder dividend obligation	(2,986)	(1,
Subtotal	(6,846)	(3,
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	39	73
Deferred income tax benefit (expense)	(7,826)	(4,
Net unrealized investment gains (losses)	14,382	8,
Net unrealized investment gains (losses) attributable to noncontrolling interests	3	4
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$14,385	$8

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

6. Investments (continued)

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

	Six Months Ended June 30, 2014		Yea End Dec
	(In millions)		
Balance, beginning of period	$(218	)	$(3
Noncredit OTTI losses and subsequent changes recognized (1)	2		60
Securities sold with previous noncredit OTTI loss	25		149
Subsequent changes in estimated fair value	81		(66
Balance, end of period	$(110	)	$(2

(1) Noncredit OTTI losses and subsequent changes recognized, net of DAC, were ($6) million and $52 million for the six mon June 30, 2014 and the year ended December 31, 2013, respectively.

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

	Six Mo Ended June 3
	(In mil
Balance, beginning of period	$8,414
Fixed maturity securities on which noncredit OTTI losses have been recognized	108
Unrealized investment gains (losses) during the period	11,761
Unrealized investment gains (losses) relating to:	
Insurance liability gain (loss) recognition	(1,082
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(5
DAC and VOBA	(691
Policyholder dividend obligation	(1,215
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(34
Deferred income tax benefit (expense)	(2,870
Net unrealized investment gains (losses)	14,386
Net unrealized investment gains (losses) attributable to noncontrolling interests	(1
Balance, end of period	$14,38
Change in net unrealized investment gains (losses)	$5,972
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	(1
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$5,971

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 a fixed income securities of the Japanese government and its agencies with an estimated fair value of $22.1 billion and $21.7 bil 2014 and December 31, 2013, respectively. The Company's investment in fixed maturity and equity securities to counterpartie conduct business in Japan, including Japan government and agency fixed maturity securities, was $27.4 billion and $26.9 billi 2014 and December 31, 2013, respectively.

Table of Contents

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

6. Investments (continued)

Securities Lending

Elements of the securities lending program are presented below at:

	June 30, 2014	De
	(In millions)	
Securities on loan: (1)		
Amortized cost	$28,356	$2
Estimated fair value	$30,355	$2
Cash collateral on deposit from counterparties (2)	$30,910	$2
Security collateral on deposit from counterparties (3)	$85	$-
Reinvestment portfolio — estimated fair value	$31,396	$2

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

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

Invested assets on deposit, held in trust and pledged as collateral are presented below at estimated fair value for cash and cash short-term investments, fixed maturity and equity securities and FVO and trading securities, and at carrying value for mortgag

	June 30, 2014	De
	(In millions)	
Invested assets on deposit (regulatory deposits) (1)	$9,057	$2
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	11,583	11
Invested assets pledged as collateral (2)	23,857	23
Total invested assets on deposit, held in trust and pledged as collateral	$44,497	$3

(1) In 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies and an offshore reinsurance create one larger U.S.-based and U.S.-regulated life insurance company (the "Mergers"). The Mergers are expected to occu quarter of 2014, subject to regulatory approvals. The companies to be merged are MetLife Insurance Company of Connecti MetLife Investors USA Insurance Company ("MLI-USA") and MetLife Investors Insurance Company, each a U.S. insuran issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. ("Exeter"), a reinsur mainly reinsures guarantees associated with variable annuity products. MICC, which is expected to be renamed and domic will be the surviving entity. In October 2013, Exeter, formerly a Cayman Islands company, was re-domesticated to Delawa January 1, 2014, following receipt of New York State Department of Financial Services (the "Department of Financial Serv MICC withdrew its license to issue insurance policies and annuity contracts in New York. Also effective January 1, 2014, with an affiliate all existing New York insurance policies and annuity contracts that include a separate account feature. On 2013, MICC deposited investments with an estimated fair market value of $6.3 billion into a custodial account to secure M New York policyholder liabilities not covered by the reinsurance, which became restricted on January 1, 2014.
(2) The Company has pledged invested assets in connection with various agreements and transactions, including funding agree Notes 4 and 12 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report), collateral finan arrangements (see Note 13 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report) and transactions (see Note 7).

See "— Securities Lending" for securities on loan and Note 5 for investments designated to the closed block.

Variable Interest Entities

The Company has invested in certain structured transactions (including CSEs), formed trusts to invest proceeds from certain c financing arrangements and has insurance operations that are VIEs. In certain instances, the Company holds both the power to

significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary benefi
consolidator of the entity.

6. Investments (continued)

The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligation each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual re allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determ the primary beneficiary. However, for VIEs that are investment companies or apply measurement principles consistent with th investment companies, the primary beneficiary is based on a risks and rewards model and is defined as the entity that will abs a VIE's expected losses, receive a majority of a VIE's expected residual returns if no single entity absorbs a majority of expec The Company reassesses its involvement with VIEs on a quarterly basis. The use of different methodologies, assumptions and determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financ

Consolidated VIEs

The following table presents the total assets and total liabilities relating to VIEs for which the Company has concluded that it i beneficiary and which are consolidated at June 30, 2014 and December 31, 2013. Creditors or beneficial interest holders of VI Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to th to the amount of its committed investment.

	June 30, 2014		December 31, 2
	Total Assets	Total Liabilities	Total Assets
	(In millions)		
MRSC (collateral financing arrangement (primarily securities)) (1)	$3,457	$—	$3,440
Operating joint venture (2)	2,383	2,016	2,095
CSEs (assets (primarily loans) and liabilities (primarily debt)) (3)	661	512	1,630
Investments:			
Real estate and real estate joint ventures (4)	10	15	1,181
Other invested assets	75	—	82
FVO and trading securities	66	—	69
Other limited partnership interests	61	—	61
Total	$6,713	$2,543	$8,558

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

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

(3) The Company consolidates entities that are structured as CMBS and as collateralized debt obligations. The assets of these e be used to settle their respective liabilities, and under no circumstances is the Company liable for any principal or interest s any arise. The Company's exposure was limited to that of its remaining investment in these entities of $129 million and $1 estimated fair value at June 30, 2014 and December 31, 2013, respectively. The long-term debt bears interest primarily at f from 2.25% to 5.57%, payable primarily on a monthly basis. Interest expense related to these obligations, included in other $13 million and $31 million for the three months and six months ended June 30, 2014, respectively, and $34 million and $6 three months and six months ended June 30, 2013, respectively.

(4) At December 31, 2013, the Company consolidated an open ended core real estate fund formed in the fourth quart "MetLife Core Property Fund"), which represented the majority of the balances at December 31, 2013. As a resul reassessment in the first quarter of 2014, the Company no longer consolidates the MetLife Core Property Fund, e 31, 2014, based on the terms of the revised partnership agreement. The Company accounts for its retained interest fund under the equity method. Assets of the real estate fund are a real estate investment trust which holds primari income-producing real estate which has associated liabilities that are primarily non-recourse debt secured by cert assets of the fund. The assets of these entities can only be used to settle their respective liabilities, and under no c

the Company liable for any principal or interest shortfalls should any arise. The Company's exposure was limited
investment in the real estate fund of $178 million at carrying value at December 31, 2013. The long-term debt bor
primarily at fixed rates ranging from 1.39% to 4.45%, payable primarily on a monthly basis.

33

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

6. Investments (continued)

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

	June 30, 2014		December 31, 201
	Carrying Amount	Maximum Exposure to Loss (1)	Carrying Amount
	(In millions)		
Fixed maturity securities AFS:			
Structured securities (RMBS, CMBS and ABS) (2)	$69,503	$69,503	$67,176
U.S. and foreign corporate	4,234	4,234	3,966
Other limited partnership interests	5,362	7,264	5,041
Other invested assets	1,571	1,715	1,509
FVO and trading securities	582	582	619
Mortgage loans	107	107	106
Real estate joint ventures	66	67	70
Equity securities AFS:			
Non-redeemable preferred stock	41	41	35
Total	$81,466	$83,513	$78,522

(1) The maximum exposure to loss relating to fixed maturity securities AFS, FVO and trading securities and equity securities A their carrying amounts or the carrying amounts of retained interests. The maximum exposure to loss relating to other limite interests, mortgage loans and real estate joint ventures is equal to the carrying amounts plus any unfunded commitments of For certain of its investments in other invested assets, the Company's return is in the form of income tax credits which are g creditworthy third parties. For such investments, the maximum exposure to loss is equal to the carrying amounts plus any u commitments, reduced by income tax credits guaranteed by third parties of $234 million and $257 million at June 30, 2014 December 31, 2013, respectively. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or

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

As described in Note 14, the Company makes commitments to fund partnership investments in the normal course of business. commitments, the Company did not provide financial or other support to investees designated as VIEs during the six months e 2014 and 2013.

34

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

6. Investments (continued)

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

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
Investment income:			
Fixed maturity securities	$3,758	$3,709	$7,411
Equity securities	37	36	67
FVO and trading securities — Actively Traded Securities and FVO general account securities (1)	44	(11)	81
Mortgage loans	708	716	1,417
Policy loans	158	152	315
Real estate and real estate joint ventures	262	243	479
Other limited partnership interests	206	275	535
Cash, cash equivalents and short-term investments	41	45	88
International joint ventures	3	5	3
Other	31	49	76
Subtotal	5,248	5,219	10,472
Less: Investment expenses	299	287	575
Subtotal, net	4,949	4,932	9,897
FVO and trading securities — FVO contractholder-directed unit-linked investments (1)	295	314	360
FVO CSEs — interest income:			
Commercial mortgage loans	14	34	36
Securities	1	2	1
Subtotal	310	350	397
Net investment income	$5,259	$5,282	$10,294

(1) Changes in estimated fair value subsequent to purchase for securities still held as of the end of the respective periods includ investment income were as follows:

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
Actively Traded Securities and FVO general account securities	$14	$(24)	$25
FVO contractholder-directed unit-linked investments	$138	$123	$81

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

Table of Contents

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 June 30, 2014	2013	Six Months Ended June 30, 2014
	(In millions)		
Total gains (losses) on fixed maturity securities:			
Total OTTI losses recognized — by sector and industry:			
U.S. and foreign corporate securities — by industry:			
Utility	$—	$(27)	$—
Consumer	—	—	(7
Finance	—	—	—
Transportation	(2)	—	(2
Communications	—	(2)	—
Total U.S. and foreign corporate securities	(2)	(29)	(9
RMBS	(6)	(10)	(9
ABS	(7)	—	(7
OTTI losses on fixed maturity securities recognized in earnings	(15)	(39)	(25
Fixed maturity securities — net gains (losses) on sales and disposals	69	179	165
Total gains (losses) on fixed maturity securities	54	140	140
Total gains (losses) on equity securities:			
Total OTTI losses recognized — by sector:			
Non-redeemable preferred stock	(23)	—	(23
Common stock	(10)	(1)	(11
OTTI losses on equity securities recognized in earnings	(33)	(1)	(34
Equity securities — net gains (losses) on sales and disposals	58	5	84
Total gains (losses) on equity securities	25	4	50
FVO and trading securities — FVO general account securities	(1)	4	8
Mortgage loans	16	23	5
Real estate and real estate joint ventures	(1)	(9)	64
Other limited partnership interests	(36)	(41)	(38
Other investment portfolio gains (losses)	(2)	27	(6
Subtotal — investment portfolio gains (losses)	55	148	223
FVO CSEs:			
Commercial mortgage loans	(16)	(19)	(15
Long-term debt — related to commercial mortgage loans	17	26	18
Long-term debt — related to securities	—	1	—
Non-investment portfolio gains (losses) (1)	(181)	(46)	(762
Subtotal FVO CSEs and non-investment portfolio gains (losses)	(180)	(38)	(759
Total net investment gains (losses)	$(125)	$110	$(536

(1) Non-investment portfolio gain (losses) for the three months and six months ended June 30, 2014 includes a loss of ($138) n ($633) million, respectively, related to the disposition of MAL. See Note 3.

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

Table of Contents

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

6. Investments (continued)

Gains (losses) from foreign currency transactions included within net investment gains (losses) were ($112) million and ($107 three months and six months ended June 30, 2014, respectively, and $17 million and $75 million for the three months and six June 30, 2013, respectively.

Sales or Disposals and Impairments of Fixed Maturity and Equity Securities

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

	Three Months Ended June 30,				
	2014	2013	2014	2013	2014
	Fixed Maturity Securities		Equity Securities		Total
	(In millions)				
Proceeds	$19,700	$22,072	$326	$269	$20,026
Gross investment gains	$176	$323	$60	$10	$236
Gross investment losses	(107)	(144)	(2)	(5)	(109
Total OTTI losses:					
Credit-related	(15)	(39)	—	—	(15
Other (1)	—	—	(33)	(1)	(33
Total OTTI losses	(15)	(39)	(33)	(1)	(48
Net investment gains (losses)	$54	$140	$25	$4	$79

	Six Months Ended June 30,				
	2014	2013	2014	2013	2014
	Fixed Maturity Securities		Equity Securities		Total
	(In millions)				
Proceeds	$41,991	$41,622	$427	$355	$42,418
Gross investment gains	$490	$823	$87	$18	$577
Gross investment losses	(325)	(275)	(3)	(19)	(328
Total OTTI losses:					
Credit-related	(25)	(81)	—	—	(25
Other (1)	—	(18)	(34)	(22)	(34
Total OTTI losses	(25)	(99)	(34)	(22)	(59
Net investment gains (losses)	$140	$449	$50	$(23)	$190

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

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

6. Investments (continued)

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

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
Balance, beginning of period	$370	$398	$378
Additions:			
Initial impairments — credit loss OTTI recognized on securities not previously impaired	—	1	—
Additional impairments — credit loss OTTI recognized on securities previously impaired	6	6	8
Reductions:			
Sales (maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	(10)	(24)	(20
Securities impaired to net present value of expected future cash flows	(7)	—	(7
Balance, end of period	$359	$381	$359

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 liabilitie
liabilities at estimated fair value. The Company does not offset the fair value amounts recognized for derivatives executed with
counterparty under the same master netting agreement.
Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that
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, chan
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 manag
and strategy for undertaking the hedging transaction, as well as its designation of the hedge. Hedge designation and financial s
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), consis
change in fair value of the hedged item attributable to the designated risk being hedged.
•Cash flow hedge (a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a reco
liability) - effectiveness in OCI (deferred gains or losses on the derivative are reclassified into the statement of operations whe
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 n
the foreign operation; ineffectiveness in net derivative gains (losses).

38

7. Derivatives (continued)

The changes in estimated fair values of the hedging derivatives are exclusive of any accruals that are separately reported on th
operations within interest income or interest expense to match the location of the hedged item. Accruals on derivatives in net i
are recognized in OCI.
In its hedge documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks relat
item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiven
method that will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as bein
in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and at least quarterly
life of the designated hedging relationship. Assessments of hedge effectiveness and measurements of ineffectiveness are also s
interpretation and estimation and different interpretations or estimates may have a material effect on the amount reported in ne
The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly ef
offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or
is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is de-designated as a hedging inst
When hedge accounting is discontinued because it is determined that the derivative is not highly effective in offsetting change
fair value or cash flows of a hedged item, the derivative continues to be carried on the balance sheet at its estimated fair value,
estimated fair value recognized in net derivative gains (losses). The carrying value of the hedged recognized asset or liability u
hedge is no longer adjusted for changes in its estimated fair value due to the hedged risk, and the cumulative adjustment to its
amortized into income over the remaining life of the hedged item. Provided the hedged forecasted transaction is still probable
changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the st
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 antic
within two months of that date, the derivative continues to be carried on the balance sheet at its estimated fair value, with chan
fair value recognized currently in net derivative gains (losses). Deferred gains and losses of a derivative recorded in OCI pursu
discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in net derivativ
In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value on the bala
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 r
agreements that have embedded derivatives. The Company assesses each identified embedded derivative to determine whethe
be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:
•the combined instrument is not accounted for in its entirety at fair value with changes in fair value recorded in earnings;
•the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; a
•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 e
value are generally reported in net derivative gains (losses), except for those in policyholder benefits and claims related to ced
GMIB. If the Company is unable to properly identify and measure an embedded derivative for separation from its host contrac
contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current p
investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the bal
estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or n
income if that contract contains an embedded derivative that requires bifurcation. At inception, the Company attributes to the e
derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of p
guaranteed benefits. Any additional fees represent "excess" fees and are reported in universal life and investment-type product
See Note 8 for information about the fair value hierarchy for derivatives.

7. Derivatives (continued)

Derivative Strategies

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency e
credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.
Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, credit spre
financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Co
derivatives are cleared and settled through central clearing counterparties ("OTC-cleared"), while others are bilateral contracts
counterparties ("OTC-bilateral"). The types of derivatives the Company uses include swaps, forwards, futures and option cont
extent, the Company uses credit default swaps and structured interest rate swaps to synthetically replicate investment risks and
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 rat
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 interes
arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees wi
to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by referen
notional amount. The Company utilizes interest rate swaps in fair value, cash flow and non-qualifying hedging relationships.

The Company uses structured interest rate swaps to synthetically create investments that are either more expensive to acquire o
unavailable in the cash markets. These transactions are a combination of a derivative and a cash instrument such as a U.S. Trea
other fixed maturity security. Structured interest rate swaps are included in interest rate swaps. Structured interest rate swaps a
as hedging instruments.

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

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified n
contracts, the value of which is determined by the different classes of interest rate securities, and to post variation margin on a
amount equal to the difference in the daily market values of those contracts. The Company enters into exchange-traded futures
futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures ar
to hedge mismatches between the duration of assets in a portfolio and the duration of liabilities supported by those assets, to he
changes in value of securities the Company owns or anticipates acquiring and to hedge against changes in interest rates on anti
issuances by replicating Treasury or swap curve performance. The Company utilizes exchange-traded interest rate futures in no
hedging relationships.

Swaptions are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and investe
swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the
impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purch
and receives a premium for written swaptions. The Company utilizes swaptions in non-qualifying hedging relationships. Swap
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 a
such a contract is made at a specified future date. The Company utilizes interest rate forwards in cash flow hedging relationshi

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency exchange rate derivatives including foreign currency swaps, foreign currency forwards an
options, to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denomi
currencies. The Company also uses foreign currency derivatives to hedge the foreign currency exchange rate risk associated w
net investments in foreign operations.

40

7. Derivatives (continued)

In a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the differen
currency and another at a fixed exchange rate, generally set at inception, calculated by reference to an agreed upon notional an
notional amount of each currency is exchanged at the inception and termination of the currency swap by each party. The Comp
foreign currency swaps in fair value, cash flow and non-qualifying hedging relationships.
In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identifie
specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made at the specif
The Company utilizes foreign currency forwards in fair value, net investment in foreign operations and non-qualifying hedging
The Company enters into currency options that give it the right, but not the obligation, to sell the foreign currency amount in e
functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on
the foreign currency exchange rate and the strike price. The Company uses currency options to hedge against the foreign curre
inherent in certain of its variable annuity products. The Company also uses currency options as an economic hedge of foreign
exposure related to the Company's international subsidiaries. The Company utilizes currency options in net investment in fore
non-qualifying hedging relationships.
To a lesser extent, the Company uses exchange-traded currency futures to hedge currency mismatches between assets and liab
Company utilizes exchange traded currency futures in non-qualifying hedging relationships.
Credit Derivatives
The Company enters into purchased credit default swaps to hedge against credit-related changes in the value of its investments
default swap transaction, the Company agrees with another party to pay, at specified intervals, a premium to hedge credit risk.
occurs, as defined by the contract, the contract may be cash settled or it may be settled gross by the delivery of par quantities o
investment equal to the specified swap notional in exchange for the payment of cash amounts by the counterparty equal to the
investment surrendered. Credit events vary by type of issuer but typically include bankruptcy, failure to pay debt obligations, r
moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered only after the Credit Deriva
Determinations Committee of the International Swaps and Derivatives Association, Inc. ("ISDA") deems that a credit event ha
Company utilizes credit default swaps in non-qualifying hedging relationships.
The Company enters into written credit default swaps to synthetically create credit investments that are either more expensive
otherwise unavailable in the cash markets. These transactions are a combination of a derivative and one or more cash instrume
U.S. Treasury securities, agency securities or other fixed maturity securities. These credit default swaps are not designated as h
instruments.
The Company also enters into certain purchased and written credit default swaps held in relation to trading portfolios for the p
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 agree
time of the contract and payment for the contract is made at a specified future date. When the primary purpose of entering into
transactions is to hedge against the risk of changes in purchase price due to changes in credit spreads, the Company designates
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,
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 p
by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the equity inde
time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise a
price. Certain of these contracts may also contain settlement provisions linked to interest rates. In certain instances, the Compa
into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purch
options. The Company utilizes equity index options in non-qualifying hedging relationships.

7. Derivatives (continued)

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity
by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based
equity volatility over a defined period. The Company utilizes equity variance swaps in non-qualifying hedging relationships.
In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the val
determined by the different classes of equity securities, and to post variation margin on a daily basis in an amount equal to the
daily market values of those contracts. The Company enters into exchange-traded futures with regulated futures commission m
members of the exchange. Exchange-traded equity futures are used primarily to hedge liabilities embedded in certain variable
offered by the Company. The Company utilizes exchange-traded equity futures in non-qualifying hedging relationships.
TRRs are swaps whereby the Company agrees with another party to exchange, at specified intervals, the difference between th
and reward of an asset or a market index and the London Interbank Offered Rate (LIBOR), calculated by reference to an agree
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
swap. The Company uses TRRs to hedge its equity market guarantees in certain of its insurance products. TRRs can be used a
synthetically create investments. The Company utilizes TRRs in non-qualifying hedging relationships.

Table of Contents

MetLife, Inc.

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

7. Derivatives (continued)

Primary Risks Managed by Derivatives

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

	Primary Underlying Risk Exposure	June 30, 2014			December 31, 201	
		Notional Amount	Estimated Fair Value Assets	Liabilities	Notional Amount	Estim Asset
		(In millions)				
Derivatives Designated as Hedging Instruments						
Fair value hedges:						
Interest rate swaps	Interest rate	$6,213	$1,653	$30	$6,419	$1,28
Foreign currency swaps	Foreign currency exchange rate	1,780	229	31	2,713	252
Foreign currency forwards	Foreign currency exchange rate	2,825	4	4	2,935	—
Subtotal		10,818	1,886	65	12,067	1,534
Cash flow hedges:						
Interest rate swaps	Interest rate	2,878	266	17	3,121	83
Interest rate forwards	Interest rate	640	45	8	450	7
Foreign currency swaps	Foreign currency exchange rate	14,921	457	614	12,452	401
Subtotal		18,439	768	639	16,023	491
Foreign operations hedges:						
Foreign currency forwards	Foreign currency exchange rate	2,725	1	19	3,182	82
Currency options	Foreign currency exchange rate	6,419	39	68	7,362	318
Subtotal		9,144	40	87	10,544	400
Total qualifying hedges		38,401	2,694	791	38,634	2,425
Derivatives Not Designated or Not Qualifying as Hedging Instruments						
Interest rate swaps	Interest rate	95,551	3,405	1,388	107,354	3,330
Interest rate floors	Interest rate	67,265	457	285	63,064	451
Interest rate caps	Interest rate	36,605	111	—	39,460	177
Interest rate futures	Interest rate	6,364	3	6	6,011	9
Interest rate options	Interest rate	39,361	524	179	40,978	255
Synthetic GICs	Interest rate	4,362	—	—	4,409	—
Foreign currency swaps	Foreign currency exchange rate	9,222	124	712	9,307	133
Foreign currency forwards	Foreign currency exchange rate	12,669	107	95	11,311	69
Currency futures	Foreign currency exchange rate	382	1	—	1,316	1
Currency options	Foreign currency exchange rate	8,389	155	7	2,265	53
Credit default swaps — purchased	Credit	3,675	6	49	3,725	7
Credit default swaps — written	Credit	9,982	175	2	9,055	166
Equity futures	Equity market	5,814	1	11	5,157	1
Equity options	Equity market	38,116	1,272	1,228	37,411	1,344
Variance swaps	Equity market	21,985	217	691	21,636	174
TRRs	Equity market	3,449	—	138	3,802	—
Total non-designated or non-qualifying derivatives		363,191	6,558	4,791	366,261	6,170
Total		$401,592	$9,252	$5,582	$404,895	$8,59

43

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

7. Derivatives (continued)

Based on notional amounts, a substantial portion of the Company's derivatives was not designated or did not qualify as part of relationship at both June 30, 2014 and December 31, 2013. The Company's use of derivatives includes (i) derivatives that serv of the Company's exposure to various risks and that generally do not qualify for hedge accounting due to the criteria required hedging rules; (ii) derivatives that economically hedge insurance liabilities that contain mortality or morbidity risk and that ge qualify for hedge accounting because the lack of these risks in the derivatives cannot support an expectation of a highly effecti relationship; (iii) derivatives that economically hedge embedded derivatives that do not qualify for hedge accounting because t estimated fair value of the embedded derivatives are already recorded in net income; and (iv) written credit default swaps that synthetically create credit investments and that do not qualify for hedge accounting because they do not involve a hedging rela these non-qualified derivatives, changes in market factors can lead to the recognition of fair value changes on the statement of 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 June 30,			Six Months Ended June 30,
	2014	2013		2014
	(In millions)			
Derivatives and hedging gains (losses) (1)	$82	$(2,769	)	$534
Embedded derivatives	229	1,079		120
Total net derivative gains (losses)	$311	$(1,690	)	$654

(1) Includes foreign currency transaction gains (losses) on hedged items in cash flow and non-qualifying hedging relationships presented elsewhere in this note.

The following table presents earned income on derivatives:

	Three Months Ended June 30,				Six Mont Ended June 30,
	2014		2013		2014
	(In millions)				
Qualifying hedges:					
Net investment income	$34		$35		$67
Interest credited to policyholder account balances	32		36		64
Other expenses	—		(1	)	(1
Non-qualifying hedges:					
Net investment income	(1	)	(2	)	(2
Net derivative gains (losses)	149		200		368
Policyholder benefits and claims	(56	)	9		(64
Total	$158		$277		$432

44

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

7. Derivatives (continued)

Non-Qualifying Derivatives and Derivatives for Purposes Other Than Hedging
The following table presents the amount and location of gains (losses) recognized in income for derivatives that were not desig
qualifying as hedging instruments:

	Net Derivative Gains (Losses)	Net Investment Income (1)	Po Be Cl
	(In millions)		
Three Months Ended June 30, 2014			
Interest rate derivatives	$305	$—	$1
Foreign currency exchange rate derivatives	(81)	—	—
Credit derivatives — purchased	(7)	(1)	—
Credit derivatives — written	22	—	—
Equity derivatives	(425)	(6)	(1
Total	$(186)	$(7)	$(
Three Months Ended June 30, 2013			
Interest rate derivatives	$(2,128)	$—	$(
Foreign currency exchange rate derivatives	(533)	—	—
Credit derivatives — purchased	1	(1)	—
Credit derivatives — written	(5)	—	—
Equity derivatives	(329)	(4)	(8
Total	$(2,994)	$(5)	$(
Six Months Ended June 30, 2014			
Interest rate derivatives	$603	$—	$2
Foreign currency exchange rate derivatives	(12)	—	—
Credit derivatives — purchased	(6)	—	—
Credit derivatives — written	13	—	—
Equity derivatives	(606)	(12)	(1
Total	$(8)	$(12)	$(
Six Months Ended June 30, 2013			
Interest rate derivatives	$(2,361)	$—	$(
Foreign currency exchange rate derivatives	(984)	—	—
Credit derivatives — purchased	(5)	(4)	—
Credit derivatives — written	27	—	—
Equity derivatives	(1,882)	(11)	(3
Total	$(5,205)	$(15)	$(

---

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

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

Fair Value Hedges
The Company designates and accounts for the following as fair value hedges when they have met the requirements of fair valu
(i) interest rate swaps to convert fixed rate assets and liabilities to floating rate assets and liabilities; (ii) foreign currency swap
foreign currency fair value exposure of foreign currency denominated assets and liabilities; and (iii) foreign currency forwards

foreign currency fair value exposure of foreign currency denominated investments.

Table of Contents
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 derivativ
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
		(In millions)	
Three Months Ended June 30, 2014			
Interest rate swaps:	Fixed maturity securities	$(3)	$2
	Policyholder liabilities (1)	137	(131)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(3)	3
	Foreign-denominated PABs (2)	1	(3)
Foreign currency forwards:	Foreign-denominated fixed maturity securities	6	(5)
Total		$138	$(134)
Three Months Ended June 30, 2013			
Interest rate swaps:	Fixed maturity securities	$30	$(30)
	Policyholder liabilities (1)	(383)	381
Foreign currency swaps:	Foreign-denominated fixed maturity securities	13	(11)
	Foreign-denominated PABs (2)	(55)	63
Foreign currency forwards:	Foreign-denominated fixed maturity securities	—	—
Total		$(395)	$403
Six Months Ended June 30, 2014			
Interest rate swaps:	Fixed maturity securities	$(2)	$3
	Policyholder liabilities (1)	346	(335)
Foreign currency swaps:	Foreign-denominated fixed maturity securities	(7)	7
	Foreign-denominated PABs (2)	(26)	29
Foreign currency forwards:	Foreign-denominated fixed maturity securities	16	(14)
Total		$327	$(310)
Six Months Ended June 30, 2013			
Interest rate swaps:	Fixed maturity securities	$38	$(38)
	Policyholder liabilities (1)	(536)	533
Foreign currency swaps:	Foreign-denominated fixed maturity securities	17	(16)
	Foreign-denominated PABs (2)	(194)	196
Foreign currency forwards:	Foreign-denominated fixed maturity securities	—	—
Total		$(675)	$675

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

For the Company's foreign currency forwards, the change in the fair value of the derivative related to the changes in the differe
spot price and the forward price is excluded from the assessment of hedge effectiveness. For all other derivatives, all compone
derivative's gain or loss were included in the assessment of hedge effectiveness. For the three months and six months ended Ju
million and $5 million, respectively, of the change in fair value of derivatives was excluded from the assessment of effectivene
three months and six months ended June 30, 2013, no component of the change in fair value of derivatives was excluded from
of hedge effectiveness.

Cash Flow Hedges

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

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

7. Derivatives (continued)

In certain instances, the Company discontinued cash flow hedge accounting because the forecasted transactions were no longe
occurring. Because certain of the forecasted transactions also were not probable of occurring within two months of the anticipa
Company reclassified certain amounts from AOCI into net derivative gains (losses). These amounts were ($2) million and ($4
three months and six months ended June 30, 2014, respectively, and were not significant for both the three months and six mo
June 30, 2013.

At both June 30, 2014 and December 31, 2013, the maximum length of time over which the Company was hedging its exposu
future cash flows for forecasted transactions did not exceed seven years.

At June 30, 2014 and December 31, 2013, the balance in AOCI associated with cash flow hedges was $737 million and $375 r
respectively.

The following table presents the effects of derivatives in cash flow hedging relationships on the consolidated statements of ope
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)			Am Loc of C Rec Inco (Lo Der
	(Effective Portion)	(Effective Portion)			(Ine
		Net Derivative Gains (Losses)	Net Investment Income	Other Expenses	Net Gai
	(In millions)				
Three Months Ended June 30, 2014					
Interest rate swaps	$134	$12	$2	$—	$(5
Interest rate forwards	11	2	1	1	—
Foreign currency swaps	30	62	—	—	(1
Credit forwards	—	—	—	—	—
Total	$175	$76	$3	$1	$(6
Three Months Ended June 30, 2013					
Interest rate swaps	$(273)	$10	$2	$—	$6
Interest rate forwards	(5)	3	—	—	1
Foreign currency swaps	(30)	(68)	(1)	—	2
Credit forwards	(3)	—	1	—	—
Total	$(311)	$(55)	$2	$—	$9
Six Months Ended June 30, 2014					
Interest rate swaps	$362	$27	$4	$—	$—
Interest rate forwards	52	2	2	1	1
Foreign currency swaps	82	98	(1)	1	(1
Credit forwards	—	—	—	—	—
Total	$496	$127	$5	$2	$—
Six Months Ended June 30, 2013					
Interest rate swaps	$(397)	$14	$4	$—	$4
Interest rate forwards	(30)	6	1	(1)	1
Foreign currency swaps	57	(257)	(2)	—	6
Credit forwards	(3)	—	1	—	—

Total	$(373	)	$(237	)	$4	$(1	)	$11

All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.
At June 30, 2014, ($6) million of deferred net gains (losses) on derivatives in AOCI was expected to be reclassified to earning
12 months.

47

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

7. Derivatives (continued)

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency exchange rate derivatives, which may include foreign currency forwards and currency opt portions of its net investments in foreign operations against adverse movements in exchange rates. The Company measures ine 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 sta operations.

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

Derivatives in Net Investment Hedging Relationships (1), (2)	Amount of Gains (Losses) Defer (Effective Portion) (In millions)
Three Months Ended June 30, 2014	
Foreign currency forwards	$(45
Currency options	(124
Total	$(169
Three Months Ended June 30, 2013	
Foreign currency forwards	$85
Currency options	131
Total	$216
Six Months Ended June 30, 2014	
Foreign currency forwards	$(79
Currency options	(238
Total	$(317
Six Months Ended June 30, 2013	
Foreign currency forwards	$165
Currency options	221
Total	$386

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

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

At June 30, 2014 and December 31, 2013, the cumulative foreign currency translation gain (loss) recorded in AOCI related to investments in foreign operations was ($7) million and $233 million, respectively.

48

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

7. Derivatives (continued)

Credit Derivatives
In connection with synthetically created credit investment transactions and credit default swaps held in relation to the trading p
Company writes credit default swaps for which it receives a premium to insure credit risk. Such credit derivatives are included
non-qualifying derivatives and derivatives for purposes other than hedging table. If a credit event occurs, as defined by the con
contract may be cash settled or it may be settled gross by the Company paying the counterparty the specified swap notional am
for the delivery of par quantities of the referenced credit obligation. The Company's maximum amount at risk, assuming the va
referenced credit obligations is zero, was $10.0 billion and $9.1 billion at June 30, 2014 and December 31, 2013, respectively.
can terminate these contracts at any time through cash settlement with the counterparty at an amount equal to the then current
credit default swaps. At June 30, 2014 and December 31, 2013, the Company would have received $173 million and $165 mill
to terminate all of these contracts.
The following table presents the estimated fair value, maximum amount of future payments and weighted average years to ma
credit default swaps at:

Rating Agency Designation of Referenced Credit Obligations (1)	June 30, 2014			December 31, 2013	
	Estimated Fair Value of Credit Default Swaps (In millions)	Maximum Amount of Future Payments under Credit Default Swaps (2)	Weighted Average Years to Maturity (3)	Estimated Fair Value of Credit Default Swaps (In millions)	Maximum Amount of Futur Payments under Credit Default Swaps (2)
Aaa/Aa/A					
Single name credit default swaps (corporate)	$9	$605	2.4	$10	$545
Credit default swaps referencing indices	15	2,877	1.9	26	2,739
Subtotal	24	3,482	2.0	36	3,284
Baa					
Single name credit default swaps (corporate)	27	1,478	2.9	24	1,320
Credit default swaps referencing indices	89	4,635	4.7	73	4,071
Subtotal	116	6,113	4.3	97	5,391
Ba					
Single name credit default swaps (corporate)	—	15	3.1	—	5
Credit default swaps referencing indices	—	—	—	—	—
Subtotal	—	15	3.1	—	5
B					
Single name credit default swaps (corporate)	—	—	—	—	—
Credit default swaps referencing indices	33	372	4.9	32	375
Subtotal	33	372	4.9	32	375
Total	$173	$9,982	3.5	$165	$9,055

(1) The rating agency designations are based on availability and the midpoint of the applicable ratings among Moody's Investo Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings. If no rating is available from a rating internally developed rating is used.
(2) Assumes the value of the referenced credit obligations is zero.
(3) The weighted average years to maturity of the credit default swaps is calculated based on weighted average notional amoun

The Company has also entered into credit default swaps to purchase credit protection on certain of the referenced credit obliga
above. As a result, the maximum amounts of potential future recoveries available to offset the $10.0 billion and $9.1 billion fro
above were $75 million and $90 million at June 30, 2014 and December 31, 2013, respectively.

Written credit default swaps held in relation to the trading portfolio amounted to $15 million in notional and $0 in fair value at
Written credit default swaps held in relation to the trading portfolio amounted to $10 million in notional and $0 in fair value at
2013.

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

7. Derivatives (continued)

Credit Risk on Freestanding Derivatives
The Company may be exposed to credit-related losses in the event of nonperformance by counterparties to derivatives. Genera
credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting d
into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreemen
The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties and
monitoring exposure limits. The Company's OTC-bilateral derivative transactions are generally governed by ISDA Master Ag
provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termin
transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Co
permitted to set off receivables from the counterparty against payables to the same counterparty arising out of all included tran
Substantially all of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require bot
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 derivati
through regulated exchanges. Such positions are marked to market and margined on a daily basis, and the Company has minin
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 ne
and collateral were as follows at:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	June 30, 2014 Assets		Liabilities		Decembe Assets
	(In millions)				
Gross estimated fair value of derivatives:					
OTC-bilateral (1)	$9,151		$5,281		$8,537
OTC-cleared (1)	310		335		302
Exchange-traded	5		17		11
Total gross estimated fair value of derivatives (1)	9,466		5,633		8,850
Amounts offset on the consolidated balance sheets	—		—		—
Estimated fair value of derivatives presented on the consolidated balance sheets (1)	9,466		5,633		8,850
Gross amounts not offset on the consolidated balance sheets:					
Gross estimated fair value of derivatives: (2)					
OTC-bilateral	(4,134	)	(4,134	)	(4,631
OTC-cleared	(195	)	(195	)	(122
Exchange-traded	(3	)	(3	)	(5
Cash collateral: (3)					
OTC-bilateral	(1,960	)	(4	)	(1,679
OTC-cleared	(115	)	(140	)	(169
Exchange-traded	—		(13	)	—
Securities collateral: (4)					
OTC-bilateral	(2,891	)	(971	)	(2,105
OTC-cleared	—		—		—
Exchange-traded	—		(1	)	—
Net amount after application of master netting agreements and collateral	$168		$172		$139

(1) At June 30, 2014 and December 31, 2013, derivative assets include income or expense accruals reported in accrued investm other liabilities of $214 million and $255 million, respectively, and derivative liabilities include income or expense accrual accrued investment income or in other liabilities of $51 million and $28 million, respectively.

7. Derivatives (continued)

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

(3) Cash collateral received is included in cash and cash equivalents, short-term investments or in fixed maturity secur obligation to return it is included in payables for collateral under securities loaned and other transactions on the ba receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-trac OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The collateral offset in the table above is limited to the net estimated fair value of derivatives after application of nettin June 30, 2014 and December 31, 2013, the Company received excess cash collateral of $63 million and $104 milli and provided excess cash collateral of $226 million and $236 million, respectively, which is not included in the tab the foregoing limitation.

(4) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the bala Subject to certain constraints, the Company is permitted by contract to sell or repledge this collateral, but at June 3 the collateral had been sold or repledged. Securities collateral pledged by the Company is reported in fixed maturit the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or repledge this amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after netting agreements and cash collateral. At June 30, 2014 and December 31, 2013, the Company received excess se with an estimated fair value of $105 million and $238 million, respectively, for its OTC-bilateral derivatives, whic included in the table above due to the foregoing limitation. At June 30, 2014 and December 31, 2013, the Compan securities collateral with an estimated fair value of $74 million and $66 million, respectively, for its OTC-bilateral $130 million and $141 million, respectively, for its OTC-cleared derivatives, and $200 million and $81 million, re exchange-traded derivatives, which are not included in the table above due to the foregoing limitation.

The Company’s collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability po considering the effect of netting agreements, to pledge collateral when the fair value of that counterparty’s derivatives reaches threshold. Certain of these arrangements also include credit-contingent provisions that provide for a reduction of these thresho scale that converges toward zero) in the event of downgrades in the credit ratings of the Company and/or the counterparty. In a of the Company’s netting agreements for derivatives contain provisions that require both the Company and the counterparty to specific investment grade credit rating from each of Moody’s and S&P. If a party’s credit ratings were to fall below that specif grade credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate t and demand immediate settlement and payment based on such party’s reasonable valuation of the derivatives.

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

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

7. Derivatives (continued)

	Estimated Fair Value of Derivatives in Net Liability Position (1)	Estimated Fair Value of Collateral Provided		Fair Value of Incremental Collateral Provided Upon	
		Fixed Maturity Securities	Cash	One Notch Downgrade in the Company's Credit Rating	Downgra Company Credit Ra that Trigg Overnigh Collateral Terminati of the De
	(In millions)				
June 30, 2014					
Derivatives subject to credit-contingent provisions	$1,082	$1,045	$—	$32	$58
Derivatives not subject to credit-contingent provisions	24	—	4	—	—
Total	$1,106	$1,045	$4	$32	$58
December 31, 2013					
Derivatives subject to credit-contingent provisions	$1,674	$1,530	$—	$27	$34
Derivatives not subject to credit-contingent provisions	20	—	3	—	—
Total	$1,694	$1,530	$3	$27	$34

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

Embedded Derivatives

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

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

	Balance Sheet Location	June 30, 2014	De
		(In millions)	
Net embedded derivatives within asset host contracts:			
Ceded guaranteed minimum benefits	Premiums, reinsurance and other receivables	$273	$2
Funds withheld on assumed reinsurance	Other invested assets	55	38
Options embedded in debt or equity securities	Investments	(170)	(1
Net embedded derivatives within asset host contracts		$158	$1
Net embedded derivatives within liability host contracts:			

Direct guaranteed minimum benefits	PABs	$(2,274)	$(
Assumed guaranteed minimum benefits	PABs	1,461	1,2
Funds withheld on ceded reinsurance	Other liabilities	105	60
Other	PABs	24	5
Net embedded derivatives within liability host contracts		$(684)	$(

52

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

7. Derivatives (continued)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2
	(In millions)			
Net derivative gains (losses) (1)	$229	$1,079	$120	$
Policyholder benefits and claims	$8	$(33)	$23	$

(1) The valuation of guaranteed minimum benefits includes a nonperformance risk adjustment. The amounts included in net de (losses), in connection with this adjustment, were ($51) million and ($8) million for the three months and six months ended respectively, and ($236) million and ($650) million for the three months and six months ended June 30, 2013, respectively.

8. Fair Value

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

Recurring Fair Value Measurements

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

Table of Contents

MetLife, Inc.

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

8. Fair Value (continued)

	June 30, 2014 Fair Value Hierarchy			
	Level 1	Level 2	Level 3	T F
	(In millions)			
Assets				
Fixed maturity securities:				
U.S. corporate	$—	$102,024	$7,369	$
Foreign corporate	—	55,876	6,612	6
Foreign government	—	54,955	1,672	5
U.S. Treasury and agency	32,103	21,924	320	5
RMBS	1,330	33,789	3,945	3
CMBS	—	15,056	595	1
ABS	—	11,002	3,786	1
State and political subdivision	—	14,663	35	1
Total fixed maturity securities	33,433	309,289	24,334	3
Equity securities:				
Common stock	1,615	906	186	2
Non-redeemable preferred stock	—	893	263	1
Total equity securities	1,615	1,799	449	3
FVO and trading securities:				
Actively Traded Securities	—	670	20	6
FVO general account securities	503	70	109	6
FVO contractholder-directed unit-linked investments	11,533	4,337	571	1
FVO securities held by CSEs	—	7	11	1
Total FVO and trading securities	12,036	5,084	711	1
Short-term investments (1)	4,309	5,723	246	1
Mortgage loans:				
Residential mortgage loans — FVO	—	—	367	3
Commercial mortgage loans held by CSEs — FVO	—	638	—	6
Total mortgage loans	—	638	367	1
Other invested assets:				
Other investments	259	67	—	3
Derivative assets: (2)				
Interest rate	3	6,417	44	6
Foreign currency exchange rate	1	1,081	35	1
Credit	—	163	18	1
Equity market	1	1,167	322	1
Total derivative assets	5	8,828	419	9
Total other invested assets	264	8,895	419	9
Net embedded derivatives within asset host contracts (3)	—	—	328	3
Separate account assets (4)	87,503	235,783	1,691	3
Total assets	$139,160	$567,211	$28,545	$
Liabilities				
Derivative liabilities: (2)				

Interest rate	$6	$1,899	$8	$
Foreign currency exchange rate	—	1,512	38	1
Credit	—	50	1	5
Equity market	11	1,340	717	2
Total derivative liabilities	17	4,801	764	5
Net embedded derivatives within liability host contracts (3)	—	8	(692)	(
Long-term debt of CSEs — FVO	—	490	15	5
Trading liabilities (5)	218	—	—	2
Total liabilities	$235	$5,299	$87	$

Table of Contents

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

8. Fair Value (continued)

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

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

55

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

8. Fair Value (continued)

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

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

(3) Net embedded derivatives within asset host contracts are presented primarily within premiums, reinsurance and other recei consolidated balance sheets. Net embedded derivatives within liability host contracts are presented within PABs and other consolidated balance sheets. At June 30, 2014 and December 31, 2013, equity securities also included embedded derivative ($170) million and ($145) million, respectively.

(4) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contracthold liability is reflected within separate account liabilities. Separate account liabilities are set equal to the estimated fair value o account assets.

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

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

Investments

Valuation Controls and Procedures

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

The Company reviews its valuation methodologies on an ongoing basis and revises those methodologies when necessary base market conditions. Assurance is gained on the overall reasonableness and consistent application of input assumptions, valuatio and compliance with fair value accounting standards through controls designed to ensure valuations represent an exit price. Se utilized, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to correspondin returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple independen and ongoing due diligence to confirm that independent pricing services use market-based parameters. The process includes a d the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing wh can be corroborated by observable market data. The Company ensures that prices received from independent brokers, also refe “consensus pricing,” represent a reasonable estimate of fair value by considering such pricing relative to the Company’s know market dynamics and current pricing for similar financial instruments. While independent non-binding broker quotations are u not used for a significant portion of the portfolio. For example, fixed maturity securities priced using independent non-binding quotations represent 1% of the total estimated fair value of fixed maturity securities and 15% of the total estimated fair value o maturity securities.

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

8. Fair Value (continued)

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

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

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

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

The estimated fair value of investments in certain separate accounts included in FVO general account securities, FVO securitie
other investments, long-term debt of CSEs — FVO and trading liabilities is determined on a basis consistent with the methodo
herein for securities.

Level 2 Valuation Techniques and Key Inputs:

This level includes securities priced principally by independent pricing services using observable inputs. FVO and trading secu
investments and other investments within this level are of a similar nature and class to the Level 2 fixed maturity securities and
securities. Contractholder-directed unit-linked investments reported within FVO and trading securities include mutual fund int
readily determinable fair values given prices are not published publicly. Valuation of these mutual funds is based upon quoted
reported net asset value ("NAV") provided by the fund managers, which were based on observable inputs.

U.S. corporate and foreign corporate securities

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

Foreign government and state and political subdivision securities

These securities are principally valued using the market approach. Valuations are based primarily on matrix pricing or other si
using standard market observable inputs, including a benchmark U.S. Treasury yield or other yields, issuer ratings, broker-dea
spreads and reported trades of similar securities, including those within the same sub-sector or with a similar maturity or credit

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

8. Fair Value (continued)

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

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

8. Fair Value (continued)

Common and non-redeemable preferred stock
These securities, including privately-held securities and financial services industry hybrid securities classified within equity se
principally valued using the market and income approaches. Valuations are based primarily on matrix pricing, discounted cash
methodologies or other similar techniques using inputs such as comparable credit rating and issuance structure. Certain of thes
valued based on inputs including quoted prices for identical or similar securities that are less liquid and based on lower levels
than securities classified in Level 2 and independent non-binding broker quotations.
Mortgage Loans
The Company has elected the FVO for commercial mortgage loans held by CSEs and certain residential mortgage loans held-f
Level 2 Valuation Techniques and Key Inputs:
Commercial mortgage loans held by CSEs — FVO
These investments are principally valued using the market approach. The principal market for these investments is the securiti
The Company uses the quoted securitization market price of the obligations of the CSEs to determine the estimated fair value
commercial loan portfolios. These market prices are determined principally by independent pricing services using observable i
Level 3 Valuation Techniques and Key Inputs:
Residential mortgage loans — FVO
For these investments, the estimated fair values are based primarily on matrix pricing or other similar techniques that utilize in
unobservable or cannot be derived principally from, or corroborated by, observable market data.
Separate Account Assets
Separate account assets are carried at estimated fair value and reported as a summarized total on the consolidated balance shee
fair value of separate account assets is based on the estimated fair value of the underlying assets. Separate account assets inclu
fixed maturity securities, equity securities, derivatives, hedge funds, other limited partnership interests, short-term investments
cash equivalents.
Level 2 Valuation Techniques and Key Inputs:
These assets are comprised of investments that are similar in nature to the instruments described under "— Securities, Short-te
Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities" and "— Derivatives — Freestanding Derivative
mutual funds and hedge funds without readily determinable fair values as prices are not published publicly. Valuation of the m
hedge funds is based upon quoted prices or reported NAV provided by the fund managers.
Level 3 Valuation Techniques and Key Inputs:
These assets are comprised of investments that are similar in nature to the instruments described under "— Securities, Short-te
Other Investments, Long-term Debt of CSEs — FVO and Trading Liabilities" and "— Derivatives — Freestanding Derivative
limited partnership interests, which are valued giving consideration to the value of the underlying holdings of the partnerships
a premium or discount, if appropriate, for factors such as liquidity, bid/ask spreads, the performance record of the fund manag
relevant variables that may impact the exit value of the particular partnership interest.

Table of Contents

MetLife, Inc.

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

8. Fair Value (continued)

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, when quoted are not available, is based on market standard valuation methodologies and inputs that management believes are consistent wit market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rate currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes ir assumptions used in the pricing models. The valuation controls and procedures for derivatives are described in "— Investment

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable can be derived principally from, or corroborated by, observable market data. Significant inputs that are observable generally ir rates, foreign currency exchange rates, interest rate curves, credit curves and volatility. However, certain OTC-bilateral and O derivatives may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be principally from, or corroborated by, observable market data. Significant inputs that are unobservable generally include referer market currencies and inputs that are outside the observable portion of the interest rate curve, credit curve, volatility or other re measure. These unobservable inputs may involve significant management judgment or estimation. Even though unobservable, based on assumptions deemed appropriate given the circumstances and management believes they are consistent with what oth participants would use when pricing such instruments.

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

The credit risk of both the counterparty and the Company are considered in determining the estimated fair value for all OTC-b OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into acc of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using curves which may include a spread to the risk free rate, depending upon specific collateral arrangements. This credit spread is those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its signi counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments a required in the valuation process. The Company's ability to consistently execute at such pricing levels is in part due to the nett and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requireme additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives

Level 2 Valuation Techniques and Key Inputs:

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included and those derivatives with unobservable inputs as described in Level 3. These derivatives are principally valued using the inco

Interest rate

Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swa basis curves.

Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield curves and interest rate volatility.

Foreign currency exchange rate

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

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

8. Fair Value (continued)

Credit
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swa
credit curves and recovery rates.
Equity market
Non-option-based. Valuations are based on present value techniques, which utilize significant inputs that may include the swa
spot equity index levels and dividend yield curves.
Option-based. Valuations are based on option pricing models, which utilize significant inputs that may include the swap yield
index levels, dividend yield curves and equity volatility.
Level 3 Valuation Techniques and Key Inputs:
These derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present
techniques, whereas valuations of option-based derivatives utilize option pricing models. These valuation methodologies gene
inputs as described in the corresponding sections above for Level 2 measurements of derivatives. However, these derivatives r
classification because one or more of the significant inputs are not observable in the market or cannot be derived principally fr
corroborated by, observable market data.
Interest rate
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield c
curves.
Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield curve
interest rate volatility.
Foreign currency exchange rate
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of the swap yield c
curves, cross currency basis curves and currency correlation.
Option-based. Significant unobservable inputs may include currency correlation and the extrapolation beyond observable limit
yield curve, basis curves, cross currency basis curves and currency volatility.
Credit
Non-option-based. Significant unobservable inputs may include credit spreads, repurchase rates and the extrapolation beyond
of the swap yield curve and credit curves. Certain of these derivatives are valued based on independent non-binding broker qu
Equity market
Non-option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield c
volatility.
Option-based. Significant unobservable inputs may include the extrapolation beyond observable limits of dividend yield curve
volatility and unobservable correlation between model inputs.

8. Fair Value (continued)

Embedded Derivatives

Embedded derivatives principally include certain direct, assumed and ceded variable annuity guarantees and equity or bond in rates within certain funding agreements and within certain annuity contracts. Embedded derivatives are recorded at estimated f changes in estimated fair value reported in net income.

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

The fair value of these embedded derivatives, estimated as the present value of projected future benefits minus the present valu future fees using actuarial and capital market assumptions including expectations concerning policyholder behavior, is calcula Company's actuarial department. The calculation is based on in-force business, and is performed using standard actuarial valu which projects future cash flows from the embedded derivative over multiple risk neutral stochastic scenarios using observable Capital market assumptions, such as risk free rates and implied volatilities, are based on market prices for publicly traded instr extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these guarantee liabilities includes nonperformance risk adjustments and adjustments for a risk margin relate market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relat the secondary market for MetLife, Inc.'s debt, including related credit default swaps. These observable spreads are then adjust to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to MetLif Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensa participant would require to assume the risks related to the uncertainties of such actuarial assumptions as annuitization, premiu partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, in assumptions of the amount and cost of capital needed to cover the guarantees. These guarantees may be more costly than expe declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market vola currency exchange rates; changes in nonperformance risk; and variations in actuarial assumptions regarding policyholder beha and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the gu could materially affect net income.

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

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

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

8. Fair Value (continued)

The estimated fair value of the embedded equity and bond indexed derivatives contained in certain funding agreements is dete
market standard swap valuation models and observable market inputs, including a nonperformance risk adjustment. The estima
these embedded derivatives are included, along with their funding agreements host, within PABs with changes in estimated fai
in net derivative gains (losses). Changes in equity and bond indices, interest rates and the Company's credit standing may resu
fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.
The Company issues certain annuity contracts which allow the policyholder to participate in returns from equity indices. These
features are embedded derivatives which are measured at estimated fair value separately from the host fixed annuity contract, v
estimated fair value reported in net derivative gains (losses). These embedded derivatives are classified within PABs on the co
balance sheets.
The estimated fair value of the embedded equity indexed derivatives, based on the present value of future equity returns to the
using actuarial and present value assumptions including expectations concerning policyholder behavior, is calculated by the Co
actuarial department. The calculation is based on in-force business and uses standard capital market techniques, such as Black-
calculate the value of the portion of the embedded derivative for which the terms are set. The portion of the embedded derivati
period beyond where terms are set is calculated as the present value of amounts expected to be spent to provide equity indexed
periods. The valuation of these embedded derivatives also includes the establishment of a risk margin, as well as changes in no
risk.
Embedded Derivatives Within Asset and Liability Host Contracts
Level 3 Valuation Techniques and Key Inputs:
Direct and assumed guaranteed minimum benefits
These embedded derivatives are principally valued using the income approach. Valuations are based on option pricing techniq
significant inputs that may include swap yield curve, currency exchange rates and implied volatilities. These embedded deriva
Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived princ
corroborated by, observable market data. Significant unobservable inputs generally include: the extrapolation beyond observab
swap yield curve and implied volatilities, actuarial assumptions for policyholder behavior and mortality and the potential varia
policyholder behavior and mortality, nonperformance risk and cost of capital for purposes of calculating the risk margin.
Reinsurance ceded on certain guaranteed minimum benefits
These embedded derivatives are principally valued using the income approach. The valuation techniques and significant marke
unobservable inputs used in their valuation are similar to those described above in "— Direct and Assumed Guaranteed Minim
also include counterparty credit spreads.

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

8. Fair Value (continued)

Transfers between Levels
Overall, transfers between levels occur when there are changes in the observability of inputs and market activity. Transfers int
level are assumed to occur at the beginning of the period.
Transfers between Levels 1 and 2:
For assets and liabilities measured at estimated fair value and still held at June 30, 2014, transfers between Levels 1 and 2 wer
For assets and liabilities measured at estimated fair value and still held at December 31, 2013, transfers between Levels 1 and
$101 million.
Transfers into or out of Level 3:
Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data.
when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or
significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when
change such that a significant input can be corroborated with market observable data. This may be due to a significant increase
activity, a specific event, or one or more significant input(s) becoming observable.
Transfers into Level 3 for fixed maturity securities and FVO and trading securities were due primarily to a lack of trading acti
liquidity and credit ratings downgrades (e.g., from investment grade to below investment grade) which have resulted in decrea
of valuations and an increased use of independent non-binding broker quotations and unobservable inputs, such as illiquidity p
spread adjustments, or credit spreads.
Transfers out of Level 3 for fixed maturity securities, equity securities, FVO and trading securities, short-term investments and
assets resulted primarily from increased transparency of both new issuances that, subsequent to issuance and establishment of
became priced by independent pricing services and existing issuances that, over time, the Company was able to obtain pricing
corroborate pricing received from, independent pricing services with observable inputs (such as observable spreads used in pri
or increases in market activity and upgraded credit ratings.
Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)
The following table presents certain quantitative information about the significant unobservable inputs used in the fair value m
the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measure
a recurring basis using significant unobservable inputs (Level 3) at:

Table of Contents

MetLife, Inc.

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

8. Fair Value (continued)

	Valuation Techniques	Significant Unobservable Inputs	June 30, 2014 Range		Weighted Average (1)	December 31, 2013 Range		Weighted Average (1)
Fixed maturity securities (3)								
U.S. corporate and foreign corporate	• Matrix pricing	•Delta spread adjustments (4)	(5)	- 190	34	(10)	- 240	46
		•Illiquidity premium (4)	30	- 30	30	30	- 30	30
		•Credit spreads (4)	(1,473)	- 706	129	(1,489)	- 876	174
		•Offered quotes (5)	—	- 120	98	4	- 145	100
	• Market pricing	•Quoted prices (5)	—	- 369	120			
	• Consensus pricing	•Offered quotes (5)	31	- 700	234	33	- 145	95
Foreign government	• Matrix pricing	•Credit spreads (4)	53	- 56	54	4	- 72	32
	• Market pricing	•Quoted prices (5)	1	- 153	102	64	- 156	100
	• Consensus pricing	•Offered quotes (5)	66	- 140	113	84	- 156	107
RMBS	• Matrix pricing and discounted cash flow	•Credit spreads (4)	220	- 582	375	(136)	- 3,609	288
	• Market pricing	•Quoted prices (5)	—	- 120	100	10	- 109	98
	• Consensus pricing	•Offered quotes (5)	1	- 111	92	69	- 101	93
CMBS	• Matrix pricing and discounted cash flow	•Credit spreads (4)	(89)	- 833	137	215	- 2,025	409
	• Market pricing	•Quoted prices (5)	1	- 105	96	70	- 104	97
	• Consensus pricing	•Offered quotes (5)	15	- 104	101	90	- 101	95
ABS	• Matrix pricing and discounted cash flow	•Credit spreads (4)	111	- 1,879	327	30	- 1,878	145
	• Market pricing	•Quoted prices (5)	—	- 106	101	—	- 110	101
	• Consensus pricing	•Offered quotes (5)	—	- 106	99	56	- 106	98
Derivatives								

Interest rate	• Present value techniques	• Swap yield (7)	267	- 353	248	- 450
Foreign currency exchange rate	• Present value techniques	• Swap yield (7)	(19)	- 972	97	- 767
		• Correlation (8)	39%	- 47%	38%	- 47%
Credit	• Present value techniques	• Credit spreads (9)	99	- 101	98	- 101
	• Consensus pricing	• Offered quotes (10)				
Equity market	• Present value techniques or option pricing models	• Volatility (11)	11%	- 25%	13%	- 28%
		• Correlation (8)	60%	- 60%	60%	- 60%
Embedded derivatives						
Direct and assumed guaranteed minimum benefits	• Option pricing techniques	• Mortality rates:				
		Ages 0 - 40	0%	- 0.28%	0%	- 0.14%
		Ages 41 - 60	0.04%	- 0.88%	0.04%	- 0.88%
		Ages 61 - 115	0.26%	- 100%	0.26%	- 100%
		• Lapse rates:				
		Durations 1 - 10	0.50%	- 100%	0.50%	- 100%
		Durations 11 - 20	2%	- 100%	2%	- 100%
		Durations 21 - 116	2%	- 100%	2%	- 100%
		• Utilization rates	20%	- 50%	20%	- 50%
		• Withdrawal rates	0%	- 20%	0%	- 40%
		• Long-term equity volatilities	7.56%	- 40%	9.14%	- 40%
		• Nonperformance risk spread	(0.26)%	- 0.73%	(1.08)%	- 0.83%

65

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

8. Fair Value (continued)

(1) The weighted average for fixed maturity securities is determined based on the estimated fair value of the securities.
(2) The impact of a decrease in input would have the opposite impact on the estimated fair value. For embedded derivatives, ch on liability positions.
(3) Significant increases (decreases) in expected default rates in isolation would result in substantially lower (higher) valuation
(4) Range and weighted average are presented in basis points.
(5) Range and weighted average are presented in accordance with the market convention for fixed maturity securities of dollars dollars of par.
(6) Changes in the assumptions used for the probability of default is accompanied by a directionally similar change in the assu the loss severity and a directionally opposite change in the assumptions used for prepayment rates.
(7) Ranges represent the rates across different yield curves and are presented in basis points. The swap yield curve is utilized a types of derivatives to project cash flows, as well as to discount future cash flows to present value. Since this valuation met range of inputs across a yield curve to value the derivative, presenting a range is more representative of the unobservable in valuation.
(8) Ranges represent the different correlation factors utilized as components within the valuation methodology. Presenting a ra factors is more representative of the unobservable input used in the valuation. Increases (decreases) in correlation in isolati (decrease) the significance of the change in valuations.
(9) Represents the risk quoted in basis points of a credit default event on the underlying instrument. Credit derivatives with sig unobservable inputs are primarily comprised of written credit default swaps.
(10) At both June 30, 2014 and December 31, 2013, independent non-binding broker quotations were used in the determination of the total net derivative estimated fair value.
(11) Ranges represent the underlying equity volatility quoted in percentage points. Since this valuation methodology uses a ran across multiple volatility surfaces to value the derivative, presenting a range is more representative of the unobservable in valuation.
(12) Changes are based on long U.S. dollar net asset positions and will be inversely impacted for short U.S. dollar net asset pos
(13) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on co experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout t which cash flows are projected for purposes of valuing the embedded derivative.
(14) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values an policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse fu the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely t rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rate the period over which cash flows are projected for purposes of valuing the embedded derivative.
(15) The utilization rate assumption estimates the percentage of contract holders with a GMIB or lifetime withdrawal benefit w utilize the benefit upon becoming eligible. The rates may vary by the type of guarantee, the amount by which the guarante greater than the account value, the contract's withdrawal history and by the age of the policyholder. For any given contrac vary throughout the period over which cash flows are projected for purposes of valuing the embedded derivative.
(16) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit t given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing th derivative. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair guarantees. For GMABs and GMIBs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the est
(17) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are avai given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purpos embedded derivative.

66

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

8. Fair Value (continued)

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

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

The following tables summarize the change of all assets and (liabilities) measured at estimated fair value on a recurring basis u unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Fixed Maturity Securities						
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS
	(In millions)						
Three Months Ended June 30, 2014							
Balance, beginning of period	$7,378	$6,501	$ 1,545	$ 45	$3,439	$682	$2,8
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	4	(1)	96	—	25	—	1
Net investment gains (losses)	7	(3)	—	—	—	—	2
Net derivative gains (losses)	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—
OCI	108	339	(91)	—	81	(8)	(3
Purchases (3)	487	394	118	301	802	15	1,61
Sales (3)	(455)	(323)	(96)	(26)	(209)	(34)	(259
Issuances (3)	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—
Transfers into Level 3 (4)	253	223	284	—	—	—	121
Transfers out of Level 3 (4)	(413)	(518)	(184)	—	(193)	(60)	(492
Balance, end of period	$7,369	$6,612	$ 1,672	$ 320	$3,945	$595	$3,7
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$2	$(2)	$ 1	$ —	$13	$—	$—
Net investment gains (losses)	$—	$(2)	$ —	$ —	$—	$—	$—
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—

Table of Contents

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities		FVO and Trading Securities					Me
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	Re Mo Lo FV
	(In millions)							
Three Months Ended June 30, 2014								
Balance, beginning of period	$203	$ 441	$11	$ 29	$ 624	$11	$ 1,032	$3
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	11	6	—	1	8
Net investment gains (losses)	(2)	(3)	—	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	40	15	—	—	—	—	—	—
Purchases (3)	24	—	19	—	281	—	212	24
Sales (3)	(2)	—	(2)	—	(270)	—	(461)	(3
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	(14
Transfers into Level 3 (4)	2	—	—	69	37	—	—	—
Transfers out of Level 3 (4)	(79)	(190)	(8)	—	(107)	—	(538)	—
Balance, end of period	$186	$ 263	$20	$ 109	$ 571	$11	$ 246	$3
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$ 11	$ 15	$—	$ 1	$8
Net investment gains (losses)	$(2)	$ (3)	$—	$ —	$ —	$—	$ —	$-
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$-
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$-

68

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Net Derivatives (6)					
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)
	(In millions)					
Three Months Ended June 30, 2014						
Balance, beginning of period	$56	$(13)	$20	$(356)	$ 980	$1,730
Total realized/unrealized gains (losses) included in:						
Net income (loss): (1), (2)						
Net investment income	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	21
Net derivative gains (losses)	9	6	(2)	(45)	255	—
Policyholder benefits and claims	—	—	—	2	8	—
OCI	11	1	—	—	(18)	—
Purchases (3)	—	—	—	4	—	131
Sales (3)	—	—	—	—	—	(104
Issuances (3)	—	—	(1)	—	—	58
Settlements (3)	(40)	3	—	—	(205)	(27
Transfers into Level 3 (4)	—	—	—	—	—	4
Transfers out of Level 3 (4)	—	—	—	—	—	(122
Balance, end of period	$36	$(3)	$17	$(395)	$ 1,020	$1,691
Changes in unrealized gains (losses) included in net income (loss): (5)						
Net investment income	$—	$—	$—	$—	$ —	$—
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—
Net derivative gains (losses)	$(1)	$4	$(1)	$(46)	$ 262	$—
Policyholder benefits and claims	$—	$—	$—	$2	$ 8	$—

69

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities						
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS
	(In millions)						
Three Months Ended June 30, 2013							
Balance, beginning of period	$6,426	$5,825	$ 2,203	$ 115	$2,426	$1,084	$3,7
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	4	4	2	—	2	—	5
Net investment gains (losses)	(29)	(3)	—	—	4	(2)	—
Net derivative gains (losses)	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—
OCI	(169)	(168)	(48)	(2)	14	(6)	(37
Purchases (3)	553	642	234	—	524	184	359
Sales (3)	(281)	(135)	(47)	(42)	(198)	(113)	(256
Issuances (3)	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—
Transfers into Level 3 (4)	121	201	3	16	49	46	—
Transfers out of Level 3 (4)	(707)	(358)	(376)	(5)	(86)	(143)	(79
Balance, end of period	$5,918	$6,008	$ 1,971	$ 82	$2,735	$1,050	$3,7
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$3	$4	$ 2	$ —	$9	$—	$5
Net investment gains (losses)	$(28)	$—	$ —	$ —	$(1)	$(2)	$—
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—

Table of Contents

MetLife, Inc.

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities		FVO and Trading Securities					M
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	R M L F
	(In millions)							
Three Months Ended June 30, 2013								
Balance, beginning of period	$189	$ 401	$14	$ 44	$ 831	$—	$ 2,130	$
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	2	(17)	—	2	–
Net investment gains (losses)	—	1	—	—	—	—	4	–
Net derivative gains (losses)	—	—	—	—	—	—	—	–
Policyholder benefits and claims	—	—	—	—	—	—	—	–
OCI	(4)	8	—	—	—	—	(38)	–
Purchases (3)	8	20	1	—	341	—	247	1
Sales (3)	(7)	(22)	(4)	—	(481)	—	(1,783)	–
Issuances (3)	—	—	—	—	—	—	—	–
Settlements (3)	—	—	—	—	—	—	—	–
Transfers into Level 3 (4)	1	—	2	—	36	—	—	–
Transfers out of Level 3 (4)	(4)	—	(2)	—	(117)	—	(218)	–
Balance, end of period	$183	$ 408	$11	$ 46	$ 593	$—	$ 344	$
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$ 3	$ (9)	$—	$ 1	$
Net investment gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ 1	$
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Net Derivatives (6)					
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)
	(In millions)					
Three Months Ended June 30, 2013						
Balance, beginning of period	$144	$30	$38	$(139)	$(1,584)	$1,219
Total realized/unrealized gains (losses) included in:						
Net income (loss): (1), (2)						
Net investment income	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	(15
Net derivative gains (losses)	(26)	(25)	(10)	(33)	1,031	—
Policyholder benefits and claims	—	—	—	(3)	(33)	—
OCI	(7)	2	(3)	—	105	—
Purchases (3)	—	2	—	4	—	117
Sales (3)	—	—	—	—	—	(39
Issuances (3)	—	(1)	—	—	—	—
Settlements (3)	(12)	(2)	—	—	(197)	(19
Transfers into Level 3 (4)	—	—	—	—	—	5
Transfers out of Level 3 (4)	(1)	—	—	—	—	(43
Balance, end of period	$98	$6	$25	$(171)	$(678)	$1,225
Changes in unrealized gains (losses) included in net income (loss): (5)						
Net investment income	$—	$—	$—	$—	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$—	$—
Net derivative gains (losses)	$(21)	$(26)	$(10)	$(34)	$1,024	$—
Policyholder benefits and claims	$—	$—	$—	$(3)	$(31)	$—

Table of Contents

MetLife, Inc.

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities						
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS
	(In millions)						
Six Months Ended June 30, 2014							
Balance, beginning of period	$7,148	$6,704	$ 2,235	$ 62	$2,957	$972	$4,2
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	4	4	98	—	35	—	5
Net investment gains (losses)	—	(1)	(4)	—	8	—	(38
Net derivative gains (losses)	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—
OCI	268	298	(77)	—	68	(32)	63
Purchases (3)	863	716	179	301	1,176	61	2,098
Sales (3)	(562)	(240)	(109)	(1)	(377)	(172)	(567
Issuances (3)	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—
Transfers into Level 3 (4)	464	517	312	—	146	11	548
Transfers out of Level 3 (4)	(816)	(1,386)	(962)	(42)	(68)	(245)	(2,53
Balance, end of period	$7,369	$6,612	$ 1,672	$ 320	$3,945	$595	$3,7
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$2	$7	$ 3	$ —	$24	$—	$—
Net investment gains (losses)	$(7)	$(2)	$ —	$ —	$(1)	$—	$—
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—

73

Table of Contents

MetLife, Inc.

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)						
	Equity Securities		FVO and Trading Securities				
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments
	(In millions)						
Six Months Ended June 30, 2014							
Balance, beginning of period	$177	$ 395	$12	$ 29	$ 603	$—	$ 254
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	—	—	—	11	12	—	1
Net investment gains (losses)	(2)	(3)	—	—	—	—	—
Net derivative gains (losses)	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—
OCI	43	14	—	—	—	—	(1)
Purchases (3)	21	—	20	—	318	—	192
Sales (3)	(14)	—	(5)	—	(368)	(1)	(76)
Issuances (3)	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—
Transfers into Level 3 (4)	40	—	—	69	27	12	—
Transfers out of Level 3 (4)	(79)	(143)	(7)	—	(21)	—	(124)
Balance, end of period	$186	$ 263	$20	$ 109	$ 571	$11	$ 246
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$—	$ —	$—	$ 11	$ 14	$—	$ 1
Net investment gains (losses)	$(2)	$ (3)	$—	$ —	$ —	$(1)	$ —
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Net Derivatives (6)					
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)
	(In millions)					
Six Months Ended June 30, 2014						
Balance, beginning of period	$13	$(11)	$29	$(317)	$ 1,258	$1,465
Total realized/unrealized gains (losses) included in:						
Net income (loss): (1), (2)						
Net investment income	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	65
Net derivative gains (losses)	15	8	(9)	(87)	160	—
Policyholder benefits and claims	—	—	—	6	23	—
OCI	49	—	—	(1)	(24)	—
Purchases (3)	—	—	—	4	—	348
Sales (3)	—	—	—	—	—	(192
Issuances (3)	—	—	(3)	—	—	82
Settlements (3)	(41)	—	—	—	(397)	(28
Transfers into Level 3 (4)	—	—	—	—	—	2
Transfers out of Level 3 (4)	—	—	—	—	—	(51
Balance, end of period	$36	$(3)	$17	$(395)	$ 1,020	$1,691
Changes in unrealized gains (losses) included in net income (loss): (5)						
Net investment income	$—	$—	$—	$—	$ —	$—
Net investment gains (losses)	$—	$—	$—	$—	$ —	$—
Net derivative gains (losses)	$—	$7	$(7)	$(87)	$ 168	$—
Policyholder benefits and claims	$—	$—	$—	$6	$ 24	$—

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Fixed Maturity Securities						
	U.S. Corporate	Foreign Corporate	Foreign Government	U.S. Treasury and Agency	RMBS	CMBS	ABS
	(In millions)						
Six Months Ended June 30, 2013							
Balance, beginning of period	$7,433	$6,208	$ 1,814	$ 71	$2,037	$1,147	$3,65
Total realized/unrealized gains (losses) included in:							
Net income (loss): (1), (2)							
Net investment income	8	6	8	—	10	(1)	8
Net investment gains (losses)	(32)	(23)	5	—	2	(2)	—
Net derivative gains (losses)	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—
OCI	(9)	(161)	(47)	(2)	124	(49)	(62
Purchases (3)	684	794	352	—	803	404	985
Sales (3)	(659)	(413)	(74)	(4)	(168)	(333)	(420
Issuances (3)	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—
Transfers into Level 3 (4)	241	185	91	17	21	139	—
Transfers out of Level 3 (4)	(1,748)	(588)	(178)	—	(94)	(255)	(409
Balance, end of period	$5,918	$6,008	$ 1,971	$ 82	$2,735	$1,050	$3,75
Changes in unrealized gains (losses) included in net income (loss): (5)							
Net investment income	$7	$5	$ 8	$ —	$17	$(1)	$8
Net investment gains (losses)	$(34)	$(3)	$ —	$ —	$(1)	$(2)	$—
Net derivative gains (losses)	$—	$—	$ —	$ —	$—	$—	$—
Policyholder benefits and claims	$—	$—	$ —	$ —	$—	$—	$—

76

Table of Contents

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Equity Securities		FVO and Trading Securities					M
	Common Stock	Non-redeemable Preferred Stock	Actively Traded Securities	FVO General Account Securities	FVO Contractholder-directed Unit-linked Investments	FVO Securities Held by CSEs	Short-term Investments	R M L F
	(In millions)							
Six Months Ended June 30, 2013								
Balance, beginning of period	$190	$ 419	$6	$ 32	$ 937	$—	$ 429	$
Total realized/unrealized gains (losses) included in:								
Net income (loss): (1), (2)								
Net investment income	—	—	—	5	(24)	—	2	—
Net investment gains (losses)	—	(29)	—	—	—	—	(24)	—
Net derivative gains (losses)	—	—	—	—	—	—	—	—
Policyholder benefits and claims	—	—	—	—	—	—	—	—
OCI	(7)	65	—	—	—	—	11	—
Purchases (3)	12	23	3	—	340	—	332	1
Sales (3)	(9)	(70)	—	(5)	(427)	—	(400)	—
Issuances (3)	—	—	—	—	—	—	—	—
Settlements (3)	—	—	—	—	—	—	—	—
Transfers into Level 3 (4)	1	—	2	14	58	—	—	—
Transfers out of Level 3 (4)	(4)	—	—	—	(291)	—	(6)	—
Balance, end of period	$183	$ 408	$11	$ 46	$ 593	$—	$ 344	$
Changes in unrealized gains (losses) included in net income (loss): (5)								
Net investment income	$—	$ —	$—	$ 5	$ (12)	$—	$ 1	$
Net investment gains (losses)	$—	$ (20)	$—	$ —	$ —	$—	$ 1	$
Net derivative gains (losses)	$—	$ —	$—	$ —	$ —	$—	$ —	$
Policyholder benefits and claims	$—	$ —	$—	$ —	$ —	$—	$ —	$

77

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

8. Fair Value (continued)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Net Derivatives (6)					
	Interest Rate	Foreign Currency Exchange Rate	Credit	Equity Market	Net Embedded Derivatives (7)	Separate Account Assets (8)
	(In millions)					
Six Months Ended June 30, 2013						
Balance, beginning of period	$177	$37	$43	$128	$(3,162)	$1,205
Total realized/unrealized gains (losses) included in:						
Net income (loss): (1), (2)						
Net investment income	—	—	—	—	—	—
Net investment gains (losses)	—	—	—	—	—	—
Net derivative gains (losses)	(22)	(34)	(15)	(305)	2,721	—
Policyholder benefits and claims	—	—	—	9	(80)	—
OCI	(31)	1	(3)	—	209	—
Purchases (3)	—	2	—	4	—	175
Sales (3)	—	—	—	—	—	(78
Issuances (3)	—	(1)	—	—	—	—
Settlements (3)	(25)	1	—	(7)	(366)	(28
Transfers into Level 3 (4)	—	—	—	—	—	7
Transfers out of Level 3 (4)	(1)	—	—	—	—	(56
Balance, end of period	$98	$6	$25	$(171)	$(678)	$1,225
Changes in unrealized gains (losses) included in net income (loss): (5)						
Net investment income	$—	$—	$—	$—	$—	$—
Net investment gains (losses)	$—	$—	$—	$—	$—	$—
Net derivative gains (losses)	$(17)	$(34)	$(15)	$(305)	$2,707	$—
Policyholder benefits and claims	$—	$—	$—	$10	$(77)	$—

---

(1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net incor securities and mortgage loans held-for-sale are included in net investment gains (losses), while changes in estimated fair va loans - FVO are included in net investment income. Lapses associated with net embedded derivatives are included in net de (losses).
(2) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.
(3) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward. Fees attributed derivatives are included in settlements.
(4) Gains and losses, in net income (loss) and OCI, are calculated assuming transfers into and/or out of Level 3 occurred at the period. Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.
(5) Changes in unrealized gains (losses) included in net income (loss) relate to assets and liabilities still held at the end of the r
(6) Freestanding derivative assets and liabilities are presented net for purposes of the rollforward.
(7) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.
(8) Investment performance related to separate account assets is fully offset by corresponding amounts credited to contracthold separate account liabilities. Therefore, such changes in estimated fair value are not recorded in net income. For the purpose

disclosure, these changes are presented within net investment gains (losses).

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

8. Fair Value (continued)

Fair Value Option
The following table presents information for certain assets and liabilities accounted for under the FVO. These assets and liabil measured at fair value.

	Residential Mortgage Loans — FVO (1)		Certain Assets and Liabilities of CSEs — FVO (	
	June 30, 2014 (In millions)	December 31, 2013	June 30, 2014	De
Assets				
Unpaid principal balance	$546	$508	$582	$1
Difference between estimated fair value and unpaid principal balance	(179)	(170)	56	70
Carrying value at estimated fair value	$367	$338	$638	$1
Loans in non-accrual status	$132	$—	$—	$-
Loans more than 90 days past due	$87	$81	$—	$-
Loans in non-accrual status or more than 90 days past due, or both — difference between aggregate estimated fair value and unpaid principal balance	$(103)	$(82)	$—	$-
Liabilities				
Contractual principal balance			$512	$1
Difference between estimated fair value and contractual principal balance			(7)	10
Carrying value at estimated fair value			$505	$1

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

	Three Months Ended June 30,		Six Months Ended June 30,
	2014 (In millions)	2013	2014
Instrument-specific credit risk based on changes in credit spreads for non-agency loans and adjustments in individual loan quality	$3	$—	$5
Other changes in estimated fair value	3	—	4
Total gains (losses) recognized in net investment income	$6	$—	$9

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

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

8. Fair Value (continued)

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

	At June 30,		Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014	2013	2014
	Carrying Value After Measurement (In millions)		Gains (Losses)		
Mortgage loans, net (1)	$146	$242	$(1)	$10	$(2
Other limited partnership interests (2)	$69	$70	$(35)	$(39)	$(37
Real estate joint ventures (3)	$—	$3	$—	$—	$—

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

(2) For these cost method investments, estimated fair value is determined from information provided in the financial statements underlying entities including NAV data. These investments include private equity and debt funds that typically invest prima strategies including domestic and international leveraged buyout funds; power, energy, timber and infrastructure developme capital funds; and below investment grade debt and mezzanine debt funds. Distributions will be generated from investment operating income from the underlying investments of the funds and from liquidation of the underlying assets of the funds. I the underlying assets of the funds will be liquidated over the next two to 10 years. Unfunded commitments for these investm June 30, 2014 and 2013 were not significant.

(3) For these cost method investments, estimated fair value is determined from information provided in the financial statements underlying entities including NAV data. These investments include several real estate funds that typically invest primarily i real estate and mezzanine debt. Distributions will be generated from investment gains, from operating income from the und investments of the funds and from liquidation of the underlying assets of the funds. It is estimated that the underlying assets be liquidated over the next one to 10 years. Unfunded commitments for these investments at both June 30, 2014 and 2013 v significant.

Fair Value of Financial Instruments Carried at Other Than Fair Value
The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts o value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income, payabl under securities loaned and other transactions, short-term debt and those short-term investments that are not securities, such as and therefore are not included in the three level hierarchy table disclosed in the " — Recurring Fair Value Measurements" sect fair value of the excluded financial instruments, which are primarily classified in Level 2 and, to a lesser extent, in Level 1, ap carrying value as they are short-term in nature such that the Company believes there is minimal risk of material changes in inte credit quality. All remaining balance sheet amounts excluded from the table below are not considered financial instruments sul disclosure.

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

8. Fair Value (continued)

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

	June 30, 2014				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	T E F
	(In millions)				
Assets					
Mortgage loans	$56,218	$—	$—	$59,194	$
Policy loans	$11,785	$—	$1,689	$11,769	$
Real estate joint ventures	$92	$—	$—	$171	$
Other limited partnership interests	$847	$—	$—	$1,085	$
Other invested assets	$656	$216	$95	$345	$
Premiums, reinsurance and other receivables	$4,014	$—	$1,642	$2,420	$
Other assets	$1,057	$—	$974	$76	$
Liabilities					
PABs	$138,216	$—	$—	$144,112	$
Long-term debt	$16,248	$—	$18,293	$—	$
Collateral financing arrangements	$4,196	$—	$—	$3,993	$
Junior subordinated debt securities	$3,193	$—	$4,131	$—	$
Other liabilities	$5,900	$—	$4,610	$1,293	$
Separate account liabilities	$119,236	$—	$119,236	$—	$

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

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

81

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

8. Fair Value (continued)

The methods, assumptions and significant valuation techniques and inputs used to estimate the fair value of financial instrume
summarized as follows:
Mortgage Loans
The estimated fair value of mortgage loans is primarily determined by estimating expected future cash flows and discounting t
current interest rates for similar mortgage loans with similar credit risk, or is determined from pricing for similar loans.
Policy Loans
Policy loans with fixed interest rates are classified within Level 3. The estimated fair values for these loans are determined usi
cash flow model applied to groups of similar policy loans determined by the nature of the underlying insurance liabilities. Cash
are developed by applying a weighted-average interest rate to the outstanding principal balance of the respective group of polic
estimated average maturity determined through experience studies of the past performance of policyholder repayment behavio
loans. These cash flows are discounted using current risk-free interest rates with no adjustment for borrower credit risk as these
collateralized by the cash surrender value of the underlying insurance policy. Policy loans with variable interest rates are classi
Level 2 and the estimated fair value approximates carrying value due to the absence of borrower credit risk and the short time
interest rate resets, which presents minimal risk of a material change in estimated fair value due to changes in market interest r
Real Estate Joint Ventures and Other Limited Partnership Interests
The estimated fair values of these cost method investments are generally based on the Company's share of the NAV as provide
statements of the investees. In certain circumstances, management may adjust the NAV by a premium or discount when it has
evidence to support applying such adjustments.
Other Invested Assets
These other invested assets are principally comprised of various interest-bearing assets held in foreign subsidiaries and certain
under contractual indemnifications. For the various interest-bearing assets held in foreign subsidiaries, the Company evaluates
and circumstances of each instrument to determine the appropriate estimated fair values. These estimated fair values were not
different from the recognized carrying values.
Premiums, Reinsurance and Other Receivables
Premiums, reinsurance and other receivables are principally comprised of certain amounts recoverable under reinsurance agree
on deposit with financial institutions to facilitate daily settlements related to certain derivatives and amounts receivable for sec
not yet settled.
Amounts recoverable under ceded reinsurance agreements, which the Company has determined do not transfer significant risk
are accounted for using the deposit method of accounting, have been classified as Level 3. The valuation is based on discounte
methodologies using significant unobservable inputs. The estimated fair value is determined using interest rates determined to
appropriate credit standing of the assuming counterparty.
The amounts on deposit for derivative settlements, classified within Level 2, essentially represent the equivalent of demand de
and amounts due for securities sold are generally received over short periods such that the estimated fair value approximates ca
Other Assets
These other assets are principally comprised of a receivable for funds due but not yet settled and a receivable for cash paid to a
financial institution under the MetLife Reinsurance Company of Charleston ("MRC") collateral financing arrangement describ
the Notes to the Consolidated Financial Statements included in the 2013 Annual Report. The estimated fair value of the receiva
paid to the unaffiliated financial institution under the MRC collateral financing arrangement is determined by discounting the e
cash flows using a discount rate that reflects the credit rating of the unaffiliated financial institution.

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

8. Fair Value (continued)

PABs
These PABs include investment contracts. Embedded derivatives on investment contracts and certain variable annuity guarant
as embedded derivatives are excluded from this caption in the preceding tables as they are separately presented in "— Recurri
Measurements."
The investment contracts primarily include certain funding agreements, fixed deferred annuities, modified guaranteed annuitie
payout annuities and total control accounts. The valuation of these investment contracts is based on discounted cash flow meth
significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates adding a sp
nonperformance risk in the liability.
Long-term Debt, Collateral Financing Arrangements and Junior Subordinated Debt Securities
The estimated fair values of long-term debt and junior subordinated debt securities are principally determined using market sta
methodologies. Capital leases, which are not required to be disclosed at estimated fair value are excluded from the preceding t
Valuations classified as Level 2 are based primarily on quoted prices in markets that are not active or using matrix pricing that
market observable inputs such as quoted prices in markets that are not active and observable yields and spreads in the market.
valued using discounted cash flow methodologies use standard market observable inputs including market yield curve, duratio
observable prices and spreads for similar publicly traded or privately traded issues.
Valuations classified as Level 3 are based primarily on discounted cash flow methodologies that utilize unobservable discount
vary significantly based upon the specific terms of each individual arrangement. The determination of estimated fair values of
financing arrangements incorporates valuations obtained from the counterparties to the arrangements, as part of the collateral r
process.
Other Liabilities
Other liabilities consist primarily of interest and dividends payable, amounts due for securities purchased but not yet settled, fu
amounts payable, which are contractually withheld by the Company in accordance with the terms of the reinsurance agreemen
payable under certain assumed reinsurance agreements, which are recorded using the deposit method of accounting. The Comp
the specific terms, facts and circumstances of each instrument to determine the appropriate estimated fair values, which are no
different from the carrying values, with the exception of certain deposit type reinsurance payables. For such payables, the estin
determined as the present value of expected future cash flows, which are discounted using an interest rate determined to reflec
credit standing of the assuming counterparty.
Separate Account Liabilities
Separate account liabilities represent those balances due to policyholders under contracts that are classified as investment cont
Separate account liabilities classified as investment contracts primarily represent variable annuities with no significant mortali
Company such that the death benefit is equal to the account balance, funding agreements related to group life contracts and cer
that provide for benefit funding.
Since separate account liabilities are fully funded by cash flows from the separate account assets which are recognized at estin
described in the section "— Recurring Fair Value Measurements," the value of those assets approximates the estimated fair va
separate account liabilities. The valuation techniques and inputs for separate account liabilities are similar to those described fo
account assets.

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

9. Long-term Debt

Senior Notes

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

Credit Facilities

In May 2014, MetLife, Inc. and MetLife Funding, entered into a $4.0 billion five-year unsecured credit agreement, which ame both the five-year $3.0 billion and the five-year $1.0 billion unsecured credit agreements in their entireties into a single agreem Five-Year Credit Agreement"). The facility made available by the 2014 Five-Year Credit Agreement may be used for general (including in the case of loans, to back up commercial paper and, in the case of letters of credit, to support variable annuity pol reinsurance reserve requirements). All borrowings under the 2014 Five-Year Credit Agreement must be repaid by May 30, 201 letters of credit outstanding on that date may remain outstanding until no later than May 30, 2020. MetLife, Inc. incurred costs related to the 2014 Five-Year Credit Agreement, which were capitalized and included in other assets. These costs are being am remaining term of the 2014 Five-Year Credit Agreement.

10. Equity

Stock-Based Compensation Plans

Performance Shares and Performance Units

For outstanding awards granted prior to the January 1, 2013 – December 31, 2015 performance period, vested Performance Sh Performance Units will be multiplied by a performance factor of 0.0 to 2.0 based on MetLife, Inc.'s adjusted income, total sha and performance in change in annual net operating earnings and total shareholder return compared to the performance of its co measured with respect to the applicable three-year performance period or portions thereof.

For outstanding awards granted for the January 1, 2013 – December 31, 2015 and later performance periods, the vested Perfor Performance Units will be multiplied by a performance factor of 0.00 to 1.75. Assuming that MetLife, Inc. has met threshold p related to its adjusted income or total shareholder return, the MetLife, Inc. Compensation Committee will determine the perfor its discretion. In doing so, the Compensation Committee may consider MetLife, Inc.'s total shareholder return relative to the p competitors and MetLife, Inc.'s operating return on equity relative to its financial plan. The estimated fair value of Performanc Performance Units will be remeasured each quarter until they become payable.

Payout of 2011 – 2013 Performance Shares

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

Payout of 2011 – 2013 Performance Units

Final Performance Units are payable in cash equal to the closing price of MetLife, Inc. common stock on a date following the three-year performance period. The performance factor for the January 1, 2011 – December 31, 2013 performance period was has been applied to the 98,060 Performance Units associated with that performance period that vested on December 31, 2013 a the cash value of 78,448 units (less withholding for taxes and other items, as applicable) was paid in April 2014.

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

10. Equity (continued)

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

	Three Months Ended June 30, 2014			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustme
	(In millions)			
Balance, beginning of period	$11,276	$404	$(1,843)	$(1,622
OCI before reclassifications	4,330	175	(5)	6
Deferred income tax benefit (expense)	(1,336)	(48)	53	(2
OCI before reclassifications, net of income tax	14,270	531	(1,795)	(1,618
Amounts reclassified from AOCI	(176)	(80)	77	46
Deferred income tax benefit (expense)	55	25	(27)	(16
Amounts reclassified from AOCI, net of income tax	(121)	(55)	50	30
Sale of subsidiary (2)	(320)	—	6	—
Deferred income tax benefit (expense)	80	—	—	—
Sale of subsidiary, net of income tax	(240)	—	6	—
Balance, end of period	$13,909	$476	$(1,739)	$(1,588

	Three Months Ended June 30, 2013			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustme
	(In millions)			
Balance, beginning of period	$13,332	$905	$(1,205)	$(2,452
OCI before reclassifications	(5,320)	(311)	(633)	2
Deferred income tax benefit (expense)	1,844	96	13	—
OCI before reclassifications, net of income tax	9,856	690	(1,825)	(2,450
Amounts reclassified from AOCI	(189)	53	—	52
Deferred income tax benefit (expense)	42	(9)	—	(18
Amounts reclassified from AOCI, net of income tax	(147)	44	—	34
Balance, end of period	$9,709	$734	$(1,825)	$(2,416

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

10. Equity (continued)

	Six Months Ended June 30, 2014			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustme
	(In millions)			
Balance, beginning of period	$8,183	$231	$(1,659)	$(1,651
OCI before reclassifications	9,182	496	(222)	6
Deferred income tax benefit (expense)	(2,981)	(161)	86	(2
OCI before reclassifications, net of income tax	14,384	566	(1,795)	(1,647
Amounts reclassified from AOCI	(349)	(134)	77	91
Deferred income tax benefit (expense)	114	44	(27)	(32
Amounts reclassified from AOCI, net of income tax	(235)	(90)	50	59
Sale of subsidiary (2)	(320)	—	6	—
Deferred income tax benefit (expense)	80	—	—	—
Sale of subsidiary, net of income tax	(240)	—	6	—
Balance, end of period	$13,909	$476	$(1,739)	$(1,588

	Six Months Ended June 30, 2013			
	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Unrealized Gains (Losses) on Derivatives	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustme
	(In millions)			
Balance, beginning of period	$13,590	$829	$(533)	$(2,489
OCI before reclassifications	(5,494)	(373)	(1,230)	2
Deferred income tax benefit (expense)	1,919	118	(62)	—
OCI before reclassifications, net of income tax	10,015	574	(1,825)	(2,487
Amounts reclassified from AOCI	(469)	234	—	107
Deferred income tax benefit (expense)	163	(74)	—	(36
Amounts reclassified from AOCI, net of income tax	(306)	160	—	71
Balance, end of period	$9,709	$734	$(1,825)	$(2,416

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

(2) See Note 3.

Table of Contents

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

10. Equity (continued)

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

AOCI Components	Amounts Reclassified from AOCI				Statement of (Comprehensiv Location
	Three Months Ended June 30,		Six Months Ended June 30,		
	2014	2013	2014	2013	
	(In millions)				
Net unrealized investment gains (losses):					
Net unrealized investment gains (losses)	$86	$171	$194	$461	Net investmer
Net unrealized investment gains (losses)	59	22	85	43	Net investmer
Net unrealized investment gains (losses)	37	—	72	—	Net derivative
OTTI	(6)	(4)	(2)	(35)	Net investmer
Net unrealized investment gains (losses), before income tax	176	189	349	469	
Income tax (expense) benefit	(55)	(42)	(114)	(163)	
Net unrealized investment gains (losses), net of income tax	121	147	235	306	
Unrealized gains (losses) on derivatives - cash flow hedges:					
Interest rate swaps	12	10	27	14	Net derivative
Interest rate swaps	2	2	4	4	Net investmer
Interest rate forwards	2	3	2	6	Net derivative
Interest rate forwards	1	—	2	1	Net investmer
Interest rate forwards	1	—	1	(1)	Other expense
Foreign currency swaps	62	(68)	98	(257)	Net derivative
Foreign currency swaps	—	(1)	(1)	(2)	Net investmer
Foreign currency swaps	—	—	1	—	Other expense
Credit forwards	—	1	—	1	Net investmer
Gains (losses) on cash flow hedges, before income tax	80	(53)	134	(234)	
Income tax (expense) benefit	(25)	9	(44)	74	
Gains (losses) on cash flow hedges, net of income tax	55	(44)	90	(160)	
Foreign translation adjustment	(77)	—	(77)	—	Net investmer
Income tax (expense) benefit	27	—	27	—	
Foreign translation adjustment, net of income tax	(50)	—	(50)	—	
Defined benefit plans adjustment: (1)					
Amortization of net actuarial gains (losses)	(47)	(70)	(91)	(141)	
Amortization of prior service (costs) credit	1	18	—	34	
Amortization of defined benefit plan items, before income tax	(46)	(52)	(91)	(107)	
Income tax (expense) benefit	16	18	32	36	
	(30)	(34)	(59)	(71)	

Amortization of defined benefit plan items, net of income tax				
Total reclassifications, net of income tax	$96	$69	$216	$75

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

Table of Contents

MetLife, Inc.

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

11. Other Expenses

Information on other expenses was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,
	2014	2013	2014
	(In millions)		
Compensation	$1,210	$1,227	$2,415
Pension, postretirement and postemployment benefit costs	117	122	237
Commissions	1,302	1,387	2,590
Volume-related costs	211	196	412
Capitalization of DAC	(1,032)	(1,212)	(2,078)
Amortization of DAC and VOBA	1,062	958	2,120
Amortization of negative VOBA	(111)	(138)	(226)
Interest expense on debt	312	321	624
Premium taxes, licenses and fees	195	166	420
Professional services	366	324	687
Rent and related expenses, net of sublease income	93	101	178
Other	497	573	1,006
Total other expenses	$4,222	$4,025	$8,385

Restructuring Charges

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

	Three Months Ended June 30,				
	2014			2013	
	Severance	Lease and Asset Impairment	Total	Severance	Lease and Asset Impairme
	(In millions)				
Balance, beginning of period	$24	$5	$29	$20	$—
Restructuring charges	14	4	18	7	9
Cash payments	(22)	(2)	(24)	(15)	—
Balance, end of period	$16	$7	$23	$12	$9

	Six Months Ended June 30,				
	2014			2013	
	Severance	Lease and Asset Impairment	Total	Severance	Lease and Asset Impairme
	(In millions)				

Balance, beginning of period	$40		$6		$46		$23		$—
Restructuring charges	26		5		31		37		12
Cash payments	(50	)	(4	)	(54	)	(48	)	(3
Balance, end of period	$16		$7		$23		$12		$9
Total restructuring charges incurred since inception of initiative	$267		$39		$306		$178		$30

88

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

11. Other Expenses (continued)

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

12. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

Certain subsidiaries of MetLife, Inc. (the "Subsidiaries") sponsor and/or administer various U.S. qualified and non-qualified d
pension plans and other postretirement employee benefit plans covering employees and sales representatives who meet specifi
requirements. The Subsidiaries also provide certain postemployment benefits and certain postretirement medical and life insur
retired employees.

The components of net periodic benefit costs were as follows:

	Three Months Ended June 30, 2014				2013		
	Pension Benefits		Other Postretirement Benefits		Pension Benefits		Other Po Benefits
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans
	(In millions)						
Service costs	$50	$14	$4	$1	$59	$17	$5
Interest costs	109	4	23	—	97	3	23
Expected return on plan assets	(118)	(2)	(18)	(1)	(121)	(1)	(19
Amortization of net actuarial (gains) losses	44	—	3	—	57	—	13
Amortization of prior service costs (credit)	—	—	(1)	—	—	—	(18
Net periodic benefit costs	$85	$16	$11	$—	$92	$19	$4

	Six Months Ended June 30, 2014				2013		
	Pension Benefits		Other Postretirement Benefits		Pension Benefits		Other Po Benefits
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans
	(In millions)						
Service costs	$100	$34	$7	$1	$118	$34	$10
Interest costs	218	7	46	1	194	7	46
Expected return on plan assets	(237)	(4)	(37)	(1)	(242)	(3)	(38
Amortization of net actuarial (gains) losses	85	—	6	—	114	—	27
Amortization of prior service costs (credit)	1	—	(1)	—	3	—	(37
Net periodic benefit costs	$167	$37	$21	$1	$187	$38	$8

89

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

13. Earnings Per Common Share
The following table presents the weighted average shares used in calculating basic earnings per common share and those used diluted earnings per common share for each income category presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	
	(In millions, except share and per share data)			
Weighted Average Shares				
Weighted average common stock outstanding for basic earnings per common share	1,127,986,031	1,097,889,347	1,126,876,090	
Incremental common shares from assumed:				
Stock purchase contracts underlying common equity units (1)	3,756,390	—	3,571,043	
Exercise or issuance of stock-based awards	10,519,694	8,790,971	10,338,697	
Weighted average common stock outstanding for diluted earnings per common share	1,142,262,115	1,106,680,318	1,140,785,830	
Income (Loss) from Continuing Operations				
Income (loss) from continuing operations, net of income tax	$1,376	$508	$2,718	
Less: Income (loss) from continuing operations, net of income tax, attributable to noncontrolling interests	10	8	21	
Less: Preferred stock dividends	31	31	61	
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders	$1,335	$469	$2,636	
Basic	$1.18	$0.43	$2.34	
Diluted	$1.17	$0.43	$2.31	
Income (Loss) from Discontinued Operations				
Income (loss) from discontinued operations, net of income tax	$—	$2	$(3	)
Less: Income (loss) from discontinued operations, net of income tax, attributable to noncontrolling interests	—	—	—	
Income (loss) from discontinued operations, net of income tax, available to MetLife, Inc.'s common shareholders	$—	$2	$(3	)
Basic	$—	$—	$—	
Diluted	$—	$—	$—	
Net Income (Loss)				
Net income (loss)	$1,376	$510	$2,715	
Less: Net income (loss) attributable to noncontrolling interests	10	8	21	
Less: Preferred stock dividends	31	31	61	
Net income (loss) available to MetLife, Inc.'s common shareholders	$1,335	$471	$2,633	
Basic	$1.18	$0.43	$2.34	
Diluted	$1.17	$0.43	$2.31	

(1) See Note 15 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for a descrip Company's common equity units. For the three months and six months ended June 30, 2013, all shares related to the of shares in settlement of the applicable purchase contracts have been excluded from the calculation of diluted earni share as these assumed shares are anti-dilutive.

14. Contingencies, Commitments and Guarantees

Contingencies

Litigation

The Company is a defendant in a large number of litigation matters. In some of the matters, very large and/or indeterminate an
punitive and treble damages, are sought. Modern pleading practice in the U.S. permits considerable variation in the assertion o
damages or other relief. Jurisdictions may permit claimants not to specify the monetary damages sought or may permit claima
that the amount sought is sufficient to invoke the jurisdiction of the trial court. In addition, jurisdictions may permit plaintiffs t
monetary damages in amounts well exceeding reasonably possible verdicts in the jurisdiction for similar matters. This variabil
together with the actual experience of the Company in litigating or resolving through settlement numerous claims over an exte
time, demonstrates to management that the monetary relief which may be specified in a lawsuit or claim bears little relevance t
disposition value.

Due to the vagaries of litigation, the outcome of a litigation matter and the amount or range of potential loss at particular point
normally be difficult to ascertain. Uncertainties can include how fact finders will evaluate documentary evidence and the credi
effectiveness of witness testimony, and how trial and appellate courts will apply the law in the context of the pleadings or evid
whether by motion practice, or at trial or on appeal. Disposition valuations are also subject to the uncertainty of how opposing
counsel will themselves view the relevant evidence and applicable law.

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been inc
amount of the loss can be reasonably estimated. Liabilities have been established for a number of the matters noted below. It is
some of the matters could require the Company to pay damages or make other expenditures or establish accruals in amounts th
estimated at June 30, 2014. While the potential future charges could be material in the particular quarterly or annual periods in
recorded, based on information currently known to management, management does not believe any such charges are likely to
effect on the Company's financial position.

Matters as to Which an Estimate Can Be Made

For some of the matters disclosed below, the Company is able to estimate a reasonably possible range of loss. For such matter
believed to be reasonably possible, but not probable, no accrual has been made. As of June 30, 2014, the Company estimates t
range of reasonably possible losses in excess of amounts accrued for these matters to be $0 to $390 million.

Matters as to Which an Estimate Cannot Be Made

For other matters disclosed below, the Company is not currently able to estimate the reasonably possible loss or range of loss.
often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient informa
assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from other parti
investigation of factual allegations, rulings by the court on motions or appeals, analysis by experts, and the progress of settlem
On a quarterly and annual basis, the Company reviews relevant information with respect to litigation contingencies and update
disclosures and estimates of reasonably possible losses or ranges of loss based on such reviews.

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

14. Contingencies, Commitments and Guarantees (continued)

Asbestos-Related Claims
MLIC is and has been a defendant in a large number of asbestos-related suits filed primarily in state courts. These suits princip
the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos and seek both actual and punitive damage
never engaged in the business of manufacturing, producing, distributing or selling asbestos or asbestos-containing products no
issued liability or workers' compensation insurance to companies in the business of manufacturing, producing, distributing or
asbestos-containing products. The lawsuits principally have focused on allegations with respect to certain research, publication
activities of one or more of MLIC's employees during the period from the 1920's through approximately the 1950's and allege
or should have learned of certain health risks posed by asbestos and, among other things, improperly publicized or failed to dis
health risks. MLIC believes that it should not have legal liability in these cases. The outcome of most asbestos litigation matter
uncertain and can be impacted by numerous variables, including differences in legal rulings in various jurisdictions, the nature
injury and factors unrelated to the ultimate legal merit of the claims asserted against MLIC. MLIC employs a number of resolu
manage its asbestos loss exposure, including seeking resolution of pending litigation by judicial rulings and settling individual
claims or lawsuits under appropriate circumstances.
Claims asserted against MLIC have included negligence, intentional tort and conspiracy concerning the health risks associated
MLIC's defenses (beyond denial of certain factual allegations) include that: (i) MLIC owed no duty to the plaintiffs— it had n
relationship with the plaintiffs and did not manufacture, produce, distribute or sell the asbestos products that allegedly injured
(ii) plaintiffs did not rely on any actions of MLIC; (iii) MLIC's conduct was not the cause of the plaintiffs' injuries; (iv) plaint
occurred after the dangers of asbestos were known; and (v) the applicable time with respect to filing suit has expired. During t
litigation, certain trial courts have granted motions dismissing claims against MLIC, while other trial courts have denied MLIC
can be no assurance that MLIC will receive favorable decisions on motions in the future. While most cases brought to date hav
intends to continue to defend aggressively against claims based on asbestos exposure, including defending claims at trials.
As reported in the 2013 Annual Report, MLIC received approximately 5,898 asbestos-related claims in 2013. During the six m
June 30, 2014 and 2013, MLIC received approximately 2,569 and 3,129 new asbestos-related claims, respectively. See Note 2
the Consolidated Financial Statements included in the 2013 Annual Report for historical information concerning asbestos clai
increase in its recorded liability at December 31, 2013. The number of asbestos cases that may be brought, the aggregate amou
that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from
The ability of MLIC to estimate its ultimate asbestos exposure is subject to considerable uncertainty, and the conditions impac
can be dynamic and subject to change. The availability of reliable data is limited and it is difficult to predict the numerous vari
affect liability estimates, including the number of future claims, the cost to resolve claims, the disease mix and severity of dise
and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the juris
claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against
exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future
and their amounts.
The ability to make estimates regarding ultimate asbestos exposure declines significantly as the estimates relate to years furthe
the Company's judgment, there is a future point after which losses cease to be probable and reasonably estimable. It is reasona
the Company's total exposure to asbestos claims may be materially greater than the asbestos liability currently accrued and tha
income may be necessary. While the potential future charges could be material in the particular quarterly or annual periods in
recorded, based on information currently known by management, management does not believe any such charges are likely to
effect on the Company's financial position.
The Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonab
losses for asbestos-related claims. MLIC's recorded asbestos liability is based on its estimation of the following elements, as i
facts presently known to it, its understanding of current law and its past experiences: (i) the probable and reasonably estimable
asbestos claims already asserted against MLIC, including claims settled but not yet paid; (ii) the probable and reasonably estin
asbestos claims not yet asserted against MLIC, but which MLIC believes are reasonably probable of assertion; and (iii) the leg
associated with the foregoing claims. Significant assumptions underlying MLIC's analysis of the adequacy of its recorded liab

to asbestos litigation include: (i) the number of future claims; (ii) the cost to resolve claims; and (iii) the cost to defend claims.

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

14. Contingencies, Commitments and Guarantees (continued)

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

Regulatory Matters

The Company receives and responds to subpoenas or other inquiries from regulators in the United States, including state insur
commissioners; state attorneys general or other state governmental authorities; federal regulators, including the U.S. Securities
Commission (the "SEC"); federal governmental authorities, including congressional committees; the Financial Industry Regul
("FINRA"), as well as from local and national regulators and government authorities in countries outside the United States wh
conducts business, seeking a broad range of information. The issues involved in information requests and regulatory matters va
Company cooperates in these inquiries.

Mortgage Regulatory and Law Enforcement Authorities' Inquiries

MetLife, through its affiliate, MetLife Bank, National Association ("MetLife Bank"), was engaged in the origination, sale and
forward and reverse residential mortgage loans since 2008. In 2012, MetLife Bank exited the business of originating residentia
In 2012 and 2013, MetLife Bank sold its residential mortgage servicing portfolios, and in 2013 wound down its mortgage serv
See Note 3 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for information regardin
the MetLife Bank businesses. In August 2013, MetLife Bank merged with and into MetLife Home Loans LLC ("MLHL"), its
with MLHL as the surviving non-bank entity.

In May 2013, MetLife Bank received a subpoena from the U.S. Department of Justice requiring production of documents relat
Bank's payment of certain foreclosure-related expenses to law firms and business entities affiliated with law firms and relating
Bank's supervision of such payments, including expenses submitted to the Federal National Mortgage Association, the Federa
Mortgage Corp. and the U.S. Department of Housing and Urban Development ("HUD") for reimbursement. It is possible that
federal regulatory and law enforcement authorities may seek monetary penalties from MLHL relating to foreclosure practices.

In April and May 2012, MetLife Bank received two subpoenas issued by the Office of Inspector General for HUD regarding F
Administration ("FHA") insured loans. In June and September 2012, MetLife Bank received two Civil Investigative Demands
Department of Justice issued as part of a False Claims Act investigation of allegations that MetLife Bank had improperly origi
underwritten loans insured by the FHA. MetLife Bank has met with the U.S. Department of Justice to discuss the allegations a
resolution of the FHA False Claims Act investigation. The Company has included what it currently believes to be the probable
amount of such loss on the Company's consolidated financial statements and is continuing to investigate matters raised during

The inquiries and investigations referred to above, could adversely affect MetLife's reputation or result in significant fines, pe
remedies or other enforcement actions, and result in significant legal costs in responding to governmental investigations or oth
Exiting the MetLife Bank businesses may not protect MetLife from inquiries and investigations relating to residential mortgag
foreclosure activities, or any fines, penalties, equitable remedies or enforcement actions that may result, the costs of respondin
governmental investigations, or other litigation. Management believes that the Company's consolidated financial statements as
be materially affected by these regulatory matters.

14. Contingencies, Commitments and Guarantees (continued)

In the Matter of Chemform, Inc. Site, Pompano Beach, Broward County, Florida
In July 2010, the Environmental Protection Agency ("EPA") advised MLIC that it believed payments were due under two sett
known as "Administrative Orders on Consent," that New England Mutual Life Insurance Company ("New England Mutual") s
1992 with respect to the cleanup of a Superfund site in Florida (the "Chemform Site"). The EPA originally contacted MLIC (a
England Mutual) and a third party in 2001, and advised that they owed additional clean-up costs for the Chemform Site. The m
resolved at that time. The EPA is requesting payment of an amount under $1 million from MLIC and such third party for past
additional amount for future environmental testing costs at the Chemform Site. In September 2012, the EPA, MLIC and the th
executed an Administrative Order on Consent under which MLIC and the third party have agreed to be responsible for certain
testing at the Chemform site. The Company estimates that its costs for the environmental testing will not exceed $100,000. Th
2012 Administrative Order on Consent does not resolve the EPA's claim for past clean-up costs. The EPA may seek additiona
environmental testing identifies issues. The Company estimates that the aggregate cost to resolve this matter will not exceed $
New York Licensing Inquiry
The Company entered into a consent order with the Department of Financial Services to resolve its inquiry into whether Amer
Insurance Company ("American Life") and Delaware American Life Insurance Company ("DelAm") conducted business in N
license and whether representatives acting on behalf of these companies solicited, sold or negotiated insurance products in Nev
license. The Company entered into a deferred prosecution agreement with the District Attorney, New York County, regarding
conduct. Pursuant to these agreements, in the first quarter of 2014, the Company paid $50 million to the Department of Financ
$10 million to the District Attorney, New York County. The Department of Financial Services consent order allows the Comp
authorized insurer, to continue activities in New York related to its global employee benefits business through June 30, 2015.
seeking legislation to allow for such activities beyond that date. The Company is continuing to cooperate with the New York S
Attorney General Taxpayer Protection Bureau as to its inquiry concerning American Life's and DelAm's New York State tax
Sales Practices Regulatory Matters
Regulatory authorities in a small number of states and FINRA, and occasionally the SEC, have had investigations or inquiries
of individual life insurance policies or annuities or other products by MLIC, MICC, New England Life Insurance Company ("
American Life Insurance Company ("GALIC"), MetLife Securities, Inc. and New England Securities Corporation. These inve
focus on the conduct of particular financial services representatives and the sale of unregistered or unsuitable products or the m
assets. Over the past several years, these and a number of investigations by other regulatory authorities were resolved for mon
and certain other relief, including restitution payments. The Company may continue to resolve investigations in a similar mann
Company believes adequate provision has been made in its consolidated financial statements for all probable and reasonably e
for these sales practices-related investigations or inquiries.
Unclaimed Property Litigation
On September 20, 2012, the West Virginia Treasurer filed an action against MLIC in West Virginia state court (West Virginia
Perdue v. Metropolitan Life Insurance Company, Circuit Court of Putnam County, Civil Action No. 12 C-295) alleging that t
violated the West Virginia Uniform Unclaimed Property Act, seeking to compel compliance with the Act, and seeking paymer
property, interest, and penalties. On November 14, 2012, November 21, 2012, December 28, 2012, and January 9, 2013, the T
substantially identical suits against MLI USA, NELICO, MICC and GALIC, respectively. On December 30, 2013, the court g
motions to dismiss all of the West Virginia Treasurer's actions. The Treasurer has filed a notice to appeal the dismissal order.

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

14. Contingencies, Commitments and Guarantees (continued)

Total Asset Recovery Services, LLC on behalf of the State of Florida v. MetLife, Inc., et. al. (Cir. Ct. Leon County, FL, filed C
Alleging that MetLife, Inc. and another company have violated the Florida Disposition of Unclaimed Property law by failing t
Florida benefits of 9,022 life insurance contracts, Total Asset Recovery Services, LLC ("the Relator") has brought an action u
False Claims Act seeking to recover damages on behalf of Florida. The action had been sealed by court order until December
Relator alleges that the aggregate damages attributable to MetLife, Inc., including statutory damages and treble damages, are $
Relator also bases its damage calculation in part on its assumption that the average face amount of the subject policies is $120,
Inc. strongly disputes this assumption, the Relator's alleged damages amounts, and other allegations in the complaint. On Dec
the Florida Attorney General apprised the court that the State of Florida declined to intervene in the action and noted that the a
complaint ". . . are very similar (if not identical) to those raised in regulatory investigations of the defendants that predated the
action" and that those regulatory investigations have been resolved. On August 20, 2013, the court granted defendants' motion
action. The Relator has appealed the dismissal.
City of Westland Police and Fire Retirement System v. MetLife, Inc., et. al. (S.D.N.Y., filed January 12, 2012)
Seeking to represent a class of persons who purchased MetLife, Inc. common shares between February 2, 2010, and October 6
plaintiff filed a second amended complaint alleging that MetLife, Inc. and several current and former executive officers of Me
violated the Securities Act of 1933, as well as the Securities Exchange Act of 1934 and Rule 10b 5 promulgated thereunder b
causing MetLife, Inc. to issue, materially false and misleading statements concerning MetLife, Inc.'s potential liability for mil
insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified compensat
other relief. The defendants intend to defend this action vigorously.
City of Birmingham Retirement and Relief System v. MetLife, Inc., et al. (N.D. Alabama, filed in state court on July 5, 2012 a
federal court on August 3, 2012)
Seeking to represent a class of persons who purchased MetLife, Inc. common equity units in or traceable to a public offering i
the plaintiff filed an action alleging that MetLife, Inc., certain current and former directors and executive officers of MetLife,
underwriters violated several provisions of the Securities Act of 1933 related to the filing of the registration statement by issu
MetLife, Inc. to issue, materially false and misleading statements and/or omissions concerning MetLife, Inc.'s potential liabili
dollars in insurance benefits that should have been paid to beneficiaries or escheated to the states. Plaintiff seeks unspecified c
damages and other relief. Defendants removed this action to federal court, and plaintiff has moved to remand the action to stat
magistrate judge recommended granting the motion to remand to state court and the defendants have objected to that recomme
defendants intend to defend this action vigorously.
Derivative Actions and Demands
Seeking to sue derivatively on behalf of MetLife, Inc., four shareholders commenced separate actions against members of the
Board of Directors, alleging that they breached their fiduciary and other duties to the Company. Plaintiffs allege that the defen
ensure that the Company complied with state unclaimed property laws and to ensure that the Company accurately reported its
Plaintiffs allege that because of the defendants' breaches of duty, MetLife, Inc. has incurred damage to its reputation and has s
unspecified damages. The two state court actions (Fishbaum v. Kandarian, et al. (Sup. Ct., New York County, filed January 27
Batchelder v. Burwell, et al. (Sup. Ct., New York County, filed March 6, 2012)), have been consolidated under the caption In
Shareholder Derivative Action. On January 22, 2014, the state court issued an order granting defendants' motion to dismiss on
plaintiffs had not established that their failure to make the required pre-suit demand to the Board of Directors should be excus
2014, the state court denied plaintiffs' motion for leave to reargue the January 22, 2014 order, granting defendants' motion to
actions filed in federal court (Mallon v. Kandarian, et al. (S.D.N.Y., filed March 28, 2012) and Martino v. Kandarian, et al. (S.
April 19, 2012)) have been consolidated and stayed pending further order of the court. The defendants intend to continue to de
vigorously.
Total Control Accounts Litigation
MLIC is a defendant in lawsuits related to its use of retained asset accounts, known as Total Control Accounts ("TCA"), as a s
death benefits.

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

14. Contingencies, Commitments and Guarantees (continued)

Keife, et al. v. Metropolitan Life Insurance Company (D. Nev., filed in state court on July 30, 2010 and removed to federal cou
September 7, 2010); and Simon v. Metropolitan Life Insurance Company (D. Nev., filed November 3, 2011)
These putative class action lawsuits, which have been consolidated, raise breach of contract claims arising from MLIC's use o
life insurance benefits under the Federal Employees' Group Life Insurance program. On March 8, 2013, the court granted ML
summary judgment. Plaintiffs have appealed that decision to the United States Court of Appeals for the Ninth Circuit.
Owens v. Metropolitan Life Insurance Company (N.D. Ga., filed April 17, 2014)
This putative class action lawsuit alleges that MLIC's use of the TCA as the settlement option for life insurance benefits under
insurance policies violates MLIC's fiduciary duties under the Employee Retirement Income Security Act of 1974 ("ERISA").
plaintiff seeks disgorgement of profits that MLIC realized on accounts owned by members of the putative class.
Other Litigation
McGuire v. Metropolitan Life Insurance Company (E.D. Mich., filed February 22, 2012)
This lawsuit was filed by the fiduciary for the Union Carbide Employees' Pension Plan and alleges that MLIC, which issued a
fund some of the benefits the Plan provides, engaged in transactions that ERISA prohibits and violated duties under ERISA an
common law by determining that no dividends were payable with respect to the contracts from and after 1999. On September
court denied MLIC's motion to dismiss the complaint. The trial has been scheduled for September 2014.
Sun Life Assurance Company of Canada Indemnity Claim
In 2006, Sun Life Assurance Company of Canada ("Sun Life"), as successor to the purchaser of MLIC's Canadian operations,
Toronto, seeking a declaration that MLIC remains liable for "market conduct claims" related to certain individual life insuranc
MLIC and that have been transferred to Sun Life. Sun Life had asked that the court require MLIC to indemnify Sun Life for th
pursuant to indemnity provisions in the sale agreement for the sale of MLIC's Canadian operations entered into in June of 199
2010, the court found that Sun Life had given timely notice of its claim for indemnification but, because it found that Sun Life
incurred an indemnifiable loss, granted MLIC's motion for summary judgment. Both parties appealed but subsequently agreed
appeal and consider the indemnity claim through arbitration. In September 2010, Sun Life notified MLIC that a purported clas
was filed against Sun Life in Toronto, Fehr v. Sun Life Assurance Co. (Super. Ct., Ontario, September 2010), alleging sales pr
regarding the same individual policies sold by MLIC and transferred to Sun Life. An amended class action complaint in that ca
Sun Life in May 2013, again without naming MLIC as a party. On August 30, 2011, Sun Life notified MLIC that a purported c
lawsuit was filed against Sun Life in Vancouver, Alamwala v. Sun Life Assurance Co. (Sup. Ct., British Columbia, August 20
sales practices claims regarding certain of the same policies sold by MLIC and transferred to Sun Life. Sun Life contends that
obligated to indemnify Sun Life for some or all of the claims in these lawsuits. These sales practices cases against Sun Life are
Company is unable to estimate the reasonably possible loss or range of loss arising from this litigation.
C Mart, Inc. v. Metropolitan Life Ins. Co., et al. (S.D. Fla., January 10, 2013); Cadenasso v. Metropolitan Life Insurance Co.,
November 26, 2013, subsequently transferred to S.D. Fla.); and Fauley v. Metropolitan Life Insurance Co., et al. (Circuit Cour
Judicial Circuit, Lake County, Ill., July 3, 2014).
Plaintiffs filed these lawsuits against defendants, including MLIC and a former MetLife financial services representative, alleg
defendants sent unsolicited fax advertisements to plaintiff and others in violation of the Telephone Consumer Protection Act, a
Junk Fax Prevention Act, 47 U.S.C. § 227. MLIC has agreed to pay up to $23 million to resolve claims as to fax ads sent betw
2008 and the date of the court's preliminary approval of the settlement. Following this agreement, the Fauley case was filed in
C-Mart and Cadenasso cases were voluntarily dismissed. In August 2014, the Fauley court preliminarily approved the settleme
nationwide settlement class, and scheduled the final approval hearing for November 2014.

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

14. Contingencies, Commitments and Guarantees (continued)

Sales Practices Claims
Over the past several years, the Company has faced numerous claims, including class action lawsuits, alleging improper marke
individual life insurance policies, annuities, mutual funds or other products. Some of the current cases seek substantial damage
punitive and treble damages and attorneys' fees. The Company continues to vigorously defend against the claims in these matt
believes adequate provision has been made in its consolidated financial statements for all probable and reasonably estimable lo
practices matters.
Summary
Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to
previously and those otherwise provided for in the Company's consolidated financial statements, have arisen in the course of t
business, including, but not limited to, in connection with its activities as an insurer, mortgage lending bank, employer, investo
advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inqu
investigations concerning the Company's compliance with applicable insurance and other laws and regulations.
It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters ref
previously, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of th
considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company's financia
on information currently known by the Company's management, in its opinion, the outcomes of such pending investigations a
proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of t
the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, hav
effect on the Company's net income or cash flows in particular quarterly or annual periods.
Commitments
Mortgage Loan Commitments
The Company commits to lend funds under mortgage loan commitments. The amounts of these mortgage loan commitments w
and $3.4 billion at June 30, 2014 and December 31, 2013, respectively.
Commitments to Fund Partnerships Investments, Bank Credit Facilities, Bridge Loans and Private Corporate Bond Investment
The Company commits to fund partnership investments and to lend funds under bank credit facilities, bridge loans and private
investments. The amounts of these unfunded commitments were $4.9 billion and $5.3 billion at June 30, 2014 and December 3
respectively.
15. Subsequent Event
Common Stock Dividend
On July 7, 2014, MetLife, Inc.'s Board of Directors declared a third quarter 2014 common stock dividend of $0.35 per share p
September 12, 2014 to shareholders of record as of August 8, 2014. The Company estimates the aggregate dividend payment t
$396 million.

Table of Contents

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

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

Forward-Looking Statements and Other Financial Information
Executive Summary
Industry Trends
Summary of Critical Accounting Estimates
Economic Capital
Acquisitions and Dispositions
Results of Operations
Investments
Derivatives
Off-Balance Sheet Arrangements
Policyholder Liabilities
Liquidity and Capital Resources
Adoption of New Accounting Pronouncements
Future Adoption of New Accounting Pronouncements
Non-GAAP and Other Financial Disclosures
Subsequent Event

Table of Contents

Forward-Looking Statements and Other Financial Information

For purposes of this discussion, “MetLife,” the “Company,” “we,” “our” and “us” refer to MetLife, Inc., a Delaware corporati
subsidiaries and affiliates. Following this summary is a discussion addressing the consolidated results of operations and financ
the Company for the periods indicated. This discussion should be read in conjunction with MetLife, Inc.’s Annual Report on F
year ended December 31, 2013 (the “2013 Annual Report”), the cautionary language regarding forward-looking statements inc
“Risk Factors” set forth in Part II, Item 1A, and the additional risk factors referred to therein, “Quantitative and Qualitative Di
Market Risk” and the Company’s interim condensed consolidated financial statements included elsewhere herein.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations may contain or incorporate by
information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation
1995. Forward-looking statements give expectations or forecasts of future events. These statements can be identified by the fa
relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “pla
and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial perf
particular, these include statements relating to future actions, prospective services or products, future performance or results o
anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in ope
financial results. Any or all forward-looking statements may turn out to be wrong. Actual results could differ materially from t
implied in the forward-looking statements. See “Note Regarding Forward-Looking Statements.”

This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes references to our perfo
measures, operating earnings and operating earnings available to common shareholders, that are not based on accounting princ
accepted in the United States of America (“GAAP”). Operating earnings is the measure of segment profit or loss we use to eva
performance and allocate resources. Consistent with GAAP guidance for segment reporting, operating earnings is our measure
performance. Operating earnings is also a measure by which senior management’s and many other employees’ performance is
purposes of determining their compensation under applicable compensation plans. See “— Non-GAAP and Other Financial D
definitions of these and other measures.

Executive Summary

MetLife is a global provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into s
reflecting three broad geographic regions: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Lat
(collectively, the “Americas”); Asia; and Europe, the Middle East and Africa (“EMEA”). In addition, the Company reports ce
operations in Corporate & Other, which includes MetLife Home Loans LLC (“MLHL”), the surviving, non-bank entity of the
Bank, National Association (“MetLife Bank”) with and into MLHL. See Note 3 of the Notes to the Consolidated Financial Sta
the 2013 Annual Report for information regarding the Company’s exit from the MetLife Bank businesses and other business a
Management continues to evaluate the Company’s segment performance and allocated resources and may adjust related measu
future to better reflect segment profitability. See Note 2 of the Notes to the Interim Condensed Consolidated Financial Stateme
information on the Company’s segments and Corporate & Other.

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

In the first quarter of 2014, the Company entered into a definitive agreement to sell its wholly-owned subsidiary, MetLife Ass
(“MAL”) and, as a result, began reporting the operations of MAL as divested business. The sale of MAL was completed in Ma
of the Notes to the Interim Condensed Consolidated Financial Statements. Consequently, the results for Corporate Benefit Fun
by $4 million, net of $2 million of income tax, and $9 million, net of $5 million of income tax, for the three months and six mo
30, 2013, respectively. Also, the results for Corporate & Other decreased by $4 million, net of $2 million of income tax, and $
$4 million of income tax, for the three months and six months ended June 30, 2013, respectively.

Table of Contents

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

In 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies and an offshore reinsurance sub
one larger U.S.-based and U.S.-regulated life insurance company (the "Mergers"). The Mergers are expected to occur in the fo
2014, subject to regulatory approvals. The companies to be merged are MetLife Insurance Company of Connecticut ("MICC")
USA Insurance Company and MetLife Investors Insurance Company, each a U.S. insurance company that issues variable annu
addition to other products, and Exeter Reassurance Company, Ltd. ("Exeter"), a reinsurance company that mainly reinsures gu
with variable annuity products. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entit
formerly a Cayman Islands company, was re-domesticated to Delaware in October 2013. Effective January 1, 2014, following
York State Department of Financial Services (the "Department of Financial Services") approval, MICC withdrew its license to
policies and annuity contracts in New York. Also effective January 1, 2014, MICC reinsured with an affiliate all existing New
policies and annuity contracts that include a separate account feature. On December 31, 2013, MICC deposited investments wi
fair market value of $6.3 billion into a custodial account to secure MICC's remaining New York policyholder liabilities not co
reinsurance, which became restricted on January 1, 2014.

The Mergers (i) may mitigate to some degree the impact of any restrictions on the use of captive reinsurers that could be adopt
Department of Financial Services or other state insurance regulators by reducing our exposure to and use of captive reinsurers;
the need to use MetLife, Inc. cash to fund derivative collateral requirements; (iii) will increase transparency relative to our cap
and variable annuity risk management; and (iv) may impact the aggregate amount of dividends permitted to be paid without in
regulatory approval. See "— Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Insurance Re
Liquidity and Capital Resources — MetLife, Inc. — Liquidity and Capital Sources — Dividends from Subsidiaries," "— Liqu
MetLife, Inc. — Liquidity and Capital Uses — Affiliated Capital Transactions" and Note 6 of the Notes to the Interim Conden
Financial Statements for further information on the impact of the Mergers, and see "Management's Discussion and Analysis o
Condition and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Re
included in the 2013 Annual Report for information on our use of captive reinsurers. See also "Risk Factors — Acquisition-Re
Could Face Difficulties, Unforeseen Liabilities, Asset Impairments or Rating Actions Arising from Business Acquisitions or In
Managing Growth of Such Businesses, Dispositions of Businesses, or Legal Entity Reorganizations" included in the 2013 Ann
information regarding the potential impact on our operations if the Mergers or related regulatory approvals are prevented or de

Sales experience was mixed across our businesses for the three months ended June 30, 2014 as compared to the same period o
result of our continued focus on pricing discipline and risk management, sales of our variable annuity and Japan life products d
Unfavorable mortality and morbidity experience adversely impacted our results. An increase in the average value of our separa
continued strong equity market performance produced higher asset-based fee revenue. Positive net flows in combination with s
our international segments increased our investment portfolio, resulting in higher investment income. The sustained low intere
environment reduced investment yields, but also reduced interest crediting rates. In addition, changes in long-term interest rate
derivative gains for the current period compared with losses in the prior period. Finally, the current period includes a loss on th
MAL.

Table of Contents

	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014
	(In millions)		
Income (loss) from continuing operations, net of income tax	$1,376	$508	$2,718
Less: Net investment gains (losses)	(125)	110	(536
Less: Net derivative gains (losses)	311	(1,690)	654
Less: Other adjustments to continuing operations (1)	(475)	(94)	(777
Less: Provision for income tax (expense) benefit	44	566	164
Operating earnings	1,621	1,616	3,213
Less: Preferred stock dividends	31	31	61
Operating earnings available to common shareholders	$1,590	$1,585	$3,152

(1) See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures of such adjustments.

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

During the three months ended June 30, 2014, income (loss) from continuing operations, net of income tax, increased $868 mi prior period. The change was predominantly due to a favorable change in net derivative gains (losses) of $2.0 billion ($1.3 bill income tax) driven by changes in interest rates. This was offset by an unfavorable change in net investment gains (losses) of $ ($153 million, net of income tax) primarily driven by a loss on the disposition of MAL. In addition, an unfavorable change in to continuing operations of $381 million ($248 million, net of income tax) was primarily associated with asymmetrical GAAP treatment for insurance contracts.

A slight increase in operating earnings available to common shareholders is the result of higher asset-based fee revenues from market performance, higher net investment income from portfolio growth and a decrease in interest credited expense, which w offset by unfavorable mortality and morbidity experience and a decrease in investment yields. In addition, our results for the c include a $56 million, net of income tax, favorable reserve adjustment related to disability premium waivers in our retail life b fourth quarter 2013 acquisition of ProVida in Chile increased operating earnings available to common shareholders by $57 mi income tax. Effective January 1, 2014, the Patient Protection and Affordable Care Act ("PPACA") mandated that an annual fe health insurers. This fee, which was not deductible for income tax purposes, reduced operating earnings by $15 million in the

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

During the six months ended June 30, 2014, income (loss) from continuing operations, net of income tax, increased $1.2 billio period. The change was predominantly due to a favorable change in net derivative gains (losses) of $3.0 billion ($1.9 billion, n driven by changes in interest rates and foreign currency exchange rates. This was offset by an unfavorable change in net invest (losses) of $960 million ($624 million, net of income tax) primarily driven by a loss on the disposition of MAL.

Operating earnings available to common shareholders decreased $60 million from the prior period. This decrease reflects unfa and morbidity experience and a decrease in investment yields, along with higher asset-based fee revenues from improved equi performance, higher net investment income from portfolio growth and a decrease in interest credited expense. Our results for t include charges totaling $57 million for a settlement with the Department of Financial Services and the District Attorney, New relation to their respective inquiries into whether American Life Insurance Company ("American Life") and Delaware Americ Company ("DelAm") conducted business in New York without a license and whether representatives acting on behalf of the c sold or negotiated insurance products in New York without a license. Our results for the current period also include a $56 mill income tax, favorable reserve adjustment related to disability premium waivers in our retail life business. The fourth quarter 2 ProVida in Chile increased operating earnings available to common shareholders by $111 million, net of income tax. The PPA was not deductible for income tax purposes, reduced operating earnings by $29 million in the current period.

Table of Contents

Consolidated Company Outlook

As part of an enterprise-wide strategic initiative, by 2016, we expect to increase our operating return on common equity, exclu other comprehensive income ("AOCI"), to the 12% to 14% range, driven by higher operating earnings. This target assumes tha rules appropriately reflect the life insurance business model and that we have clarity on the rules in a reasonable time frame, al meaningful share repurchases prior to 2016. If we are unable to repurchase a sufficient amount of shares, we expect the range return on common equity, excluding AOCI, to be 11% to 13%. Also, as part of this initiative, we will leverage our scale to imp we provide to customers and shareholders in order to achieve $1 billion in efficiencies, $600 million of which is expected to b pre-tax expense savings, and $400 million of which we expect to be primarily reinvested in our technology, platforms and fun improve our current operations and develop new capabilities. We also continue to shift our product mix toward protection pro from more capital-intensive products, in order to generate more predictable operating earnings and cash flows, and improve ou free cash flow. Finally, we plan to grow our investment management business which provides asset management products and customers.

We expect to achieve the 2016 target range on our operating return on common equity by primarily focusing on the following:

- Growth in premiums, fees and other revenues driven by:
  - Accelerated growth in Group, Voluntary & Worksite Benefits;
  - Increased fee revenue reflecting the benefit of higher equity markets on our separate account balances; and
  - Increases in our businesses outside of the U.S., notably accident & health, from continuing organic growth throughout our va regions and leveraging of our multichannel distribution network.
- Expanding our presence in emerging markets, including potential merger and acquisition activity. We expect that by 2016, 20 operating earnings will come from emerging markets, with the acquisition of ProVida contributing to this increase.
- Focus on disciplined underwriting. We see no significant changes to the underlying trends that drive underwriting results; how unanticipated catastrophes could result in a high volume of claims.
- Focus on expense management in the light of the low interest rate environment, and continued focus on expense control throu Company.
- Continued disciplined approach to investing and asset/liability management ("ALM"), through our enterprise risk and ALM g

Industry Trends

The following information on industry trends should be read in conjunction with "Management's Discussion and Analysis of and Results of Operations — Industry Trends" in Part II, Item 7, of the 2013 Annual Report and in Part I, Item 2, of MetLife, Report on Form 10-Q for the quarter ended March 31, 2014.

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

102

Table of Contents

Financial and Economic Environment

Our business and results of operations are materially affected by conditions in the global capital markets and the economy gen
conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an advers
part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. Global
including interest rates, credit spreads, equity prices, real estate markets, foreign currency exchange rates, consumer spending,
investment, government spending, the volatility and strength of the capital markets, deflation and inflation, all affect the busin
environment and, ultimately, the amount and profitability of our business. Disruptions in one market or asset class can also spr
markets or asset classes. Upheavals in the financial markets can also affect our business through their effects on general levels
activity, employment and customer behavior. While our diversified business mix and geographically diverse business operatio
mitigate these risks, correlation across regions, countries and global market factors may reduce the benefits of diversification.
have also been affected by concerns over U.S. fiscal and monetary policy, although recent signs of Congressional compromise
passage of a two-year budget agreement in December 2013 and the approval on February 12, 2014 of a bill to raise the debt ce
2015, appear to have alleviated some of these concerns. However, unless long-term steps are taken to raise the debt ceiling and
federal deficit, rating agencies have warned of the possibility of future downgrades of U.S. Treasury securities. These issues co
own, or combined with the possible slowing of the global economy generally, send the U.S. into a new recession, have severe
the U.S. and global credit and financial markets, further exacerbate concerns over sovereign debt of other countries and disrup
activity in the U.S. and elsewhere.

Concerns about the economic conditions, capital markets and the solvency of certain European Union ("EU") member states, i
Ireland, Italy, Greece and Spain ("Europe's perimeter region"), and of financial institutions that have significant direct or indir
issued by these countries, have been a cause of elevated levels of market volatility. However, after several tumultuous years, e
conditions in Europe's perimeter region seem to be stabilizing or improving, as evidenced by the stabilization of credit ratings
Spain, Portugal and Ireland. This, combined with greater European Central Bank ("ECB") support and improving macroecono
the country level, has reduced the risk of default on the sovereign debt of certain countries in Europe's perimeter region and th
withdrawal of one or more countries from the Euro zone. See "— Investments — Current Environment" for information regar
downgrades, support programs for Europe's perimeter region and our exposure to obligations of European governments and p
The financial markets have also been affected by concerns that other EU member states could experience similar financial trou
countries could default on their obligations, have to restructure their outstanding debt, or that financial institutions with signifi
sovereign or private debt issued by borrowers in Europe's perimeter region could experience financial stress, any of which cou
significant adverse effects on the European and global economies and on financial markets, generally. In September 2012, the
a new bond buying program, Outright Monetary Transactions ("OMT"), intended to stabilize the European financial crisis. Th
the potential purchase by the ECB of unlimited quantities of sovereign bonds with maturities of one to three years. The OMT
activated to date, but the possibility of its use by the ECB has succeeded in reducing investor concerns over the possible withd
more countries from the Euro zone and has helped to lower sovereign yields in Europe's perimeter region. The Euro zone has
recession, but economic growth is expected to remain relatively muted, with concerns over low inflation becoming more pron
countries in Europe's perimeter region in particular continue to pursue policies to reduce their relative cost of production and r
macroeconomic imbalances. More recently, concerns about the political and economic stability of countries in regions outside
including Ukraine, Russia and Argentina, have contributed to global market volatility. See "Risk Factors — Economic Enviro
Markets-Related Risks — We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect
Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period," a
Economic Environment and Capital Markets-Related Risks — If Difficult Conditions in the Global Capital Markets and the E
Persist, They May Materially Adversely Affect Our Business and Results of Operations" included in the 2013 Annual Report.
Investments — Current Environment — Selected Country Investments" for information regarding our investments in Ukraine,

We face substantial exposure to the Japanese economy given our operations there. Despite a broad recovery in Gross Domesti
growth and rising inflation over the last year, structural weaknesses and debt sustainability have yet to be addressed effectively
the economy vulnerable to further disruption. Going forward, Japan's structural and demographic challenges may continue to l
growth unless reforms that boost productivity are put into place. Japan's high public sector debt levels are mitigated by low ref
its nominal yields on government debt have remained at a lower level than that of any other developed country. However, freq
government have prevented policy makers from implementing fiscal reform measures to put public finances on a sustainable p
2013, the government and the Bank of Japan pledged to strengthen policy coordination to end deflation and to achieve sustain
growth. This was followed by the announcement of a supplementary budget stimulus program totaling 2% of GDP and the ad
inflation target by the Bank of Japan. In early April 2013, the Bank of Japan announced a new round of monetary easing meas
increased government bond purchases at longer maturities. In October 2013, the government agreed to raise the consumption t
8% effective April 1, 2014. While this was a positive step, the fiscal impact is likely to be neutral in the short term given the a
stimulus spending package. Despite this, the yen has weakened and inflation is expected to fall from current levels this year. A
foregoing, Japan's public debt trajectory could continue to rise until a strategy to consolidate public finances and growth-enha
implemented.

Impact of a Sustained Low Interest Rate Environment

As a global insurance company, we are affected by the monetary policy of central banks around the world, as well as the mon
Board of Governors of the Federal Reserve System (the "Federal Reserve Board") in the United States. The Federal Reserve B
number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influe
in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level
On July 30, 2014, the Federal Reserve Board's Federal Open Market Committee ("FOMC"), citing cumulative progress towar
employment and the improvement in the outlook for labor market conditions since the inception of the current asset purchase
to continue to modestly reduce the pace of its purchases of agency mortgage-backed securities from $15 billion per month to $
month and the pace of its purchases of longer-term U.S. Treasury securities from $20 billion per month to $15 billion per mon
August 2014. Since December 2013, the FOMC has made similar measured reductions in the pace of its purchases of agency
securities and the pace of its purchases of longer-term U.S. Treasury securities. These quantitative easing measures are intend
economy by keeping interest rates at low levels. The FOMC will closely monitor economic and financial developments in det
further moderate these quantitative easing measures, including with respect to the outlook for the labor market and inflation, a
assessment of the likely efficacy and costs of such purchases. The FOMC has stated that it will likely reduce the pace of its as
further measured steps at future meetings, and may make the final reduction following its October 2014 meeting, if subsequen
remains broadly aligned with its current expectations for a strengthening in the U.S. economy. The further reduction or end of
Reserve Board's quantitative easing program could potentially increase U.S. interest rates from recent historically low levels,
impacts on U.S. risk markets, and may affect interest rates and risk markets in other developed and emerging economies. Eve
quantitative easing program ends and the economy strengthens, the FOMC reaffirmed that it anticipates keeping the target ran
funds rate at 0 to .25% for a considerable time, subject to labor market conditions and inflation indicators and expectations.

Expectations for the end of the Federal Reserve Board's quantitative easing program and the potential for future raises in inter
U.S. has prompted central banks in other parts of the world, including Brazil and India, to raise interest rates. Notably, howeve
June 5, 2014, adopted an array of stimulus measures, including a negative rate on bank deposits, intended to lessen the risk of
period of deflation and support economic recovery in the Euro zone. We cannot predict with certainty the effect of these progr
on interest rates or the impact on the pricing levels of risk-bearing investments at this time. See "— Investments — Current E

In periods of declining interest rates, we may have to invest insurance cash flows and reinvest the cash flows we received as i
principal on our investments in lower yielding instruments. Moreover, borrowers may prepay or redeem the fixed income secu
commercial, agricultural or residential mortgage loans and mortgage-backed securities in our investment portfolio with greate
order to borrow at lower market rates. Therefore, some of our products expose us to the risk that a reduction in interest rates w
difference between the amounts that we are required to credit on contracts in our general account and the rate of return we are
investments intended to support obligations under these contracts. This difference between interest earned and interest credite
key metric for the management of, and reporting for, many of our businesses.

Table of Contents

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

Regulatory Developments

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

The regulation of the global financial services industry has received renewed scrutiny as a result of the disruptions in the finan
Significant regulatory reforms have been recently adopted and additional reforms proposed, and these or other reforms could b
See "Risk Factors — Regulatory and Legal Risks — Our Insurance and Brokerage Businesses Are Highly Regulated, and Cha
in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth" included elsewhere herein, as
U.S. Regulation," "Business — International Regulation," "Risk Factors — Risks Related to Our Business — Our Statutory L
Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity," and "Risk Fa
and Legal Risks — Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Rega
Annuity Product Sales, May Affect Our Operations and Our Profitability" included in the 2013 Annual Report. For example, t
Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which was signed by President Obama in July 2010, effect
far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the nu
rulemaking initiatives required or permitted by Dodd-Frank which are in various stages of implementation, many of which are
completed for some time.

U.S. Regulatory Developments

Insurance Regulatory Examinations

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books,
accounts, and business practices of insurers domiciled in their states. State insurance departments also have the authority to co
examinations of non-domiciliary insurers that are licensed in their states. Except as otherwise disclosed in Note 14 of the Note
Condensed Consolidated Financial Statements included elsewhere herein, and in Note 21 of the Notes to the Consolidated Fin
included in the 2013 Annual Report, during the six months ended June 30, 2014 and the years ended December 31, 2013, 2012
MetLife has not received any material adverse findings resulting from state insurance department examinations of its insuranc
Regulatory authorities in a small number of states, Financial Industry Regulatory Authority and, occasionally, the U.S. Securit
Commission, have had investigations or inquiries relating to sales of individual life insurance policies or annuities or other pro
Metropolitan Life Insurance Company ("MLIC"), MetLife Securities, Inc., New England Life Insurance Company, New Engl
Corporation, General American Life Insurance Company and MICC. These investigations often focus on the conduct of partic
services representatives and the sale of unregistered or unsuitable products or the misuse of client assets. Over the past several
a number of investigations by other regulatory authorities were resolved for monetary payments and certain other relief, includ
payments. We may continue to resolve investigations in a similar manner.

In addition, claims payment practices by insurance companies have received increased scrutiny from regulators. See Note 14 o
Interim Condensed Consolidated Financial Statements included elsewhere herein, and Note 21 of the Notes to the Consolidate
Statements included in the 2013 Annual Report for further information regarding retained asset accounts and unclaimed prope
related litigation.

Table of Contents

The Company has entered into a consent order with the Department of Financial Services to resolve its inquiry into whether A
DelAm conducted business in New York without a license and whether representatives acting on behalf of these companies so
negotiated insurance products in New York without a license. The Company has entered into a deferred prosecution agreemen
Attorney, New York County, regarding the same conduct. The Department of Financial Services consent order allows the Con
authorized insurer, to continue activities in New York related to its global employee benefits business through June 30, 2015.
seeking legislation to allow for such activities beyond that date. See Note 14 of the Notes to the Interim Condensed Consolida
Statements included elsewhere herein for further information regarding the consent order and the deferred prosecution agreem
State insurance regulators and the National Association of Insurance Commissioners ("NAIC") are also investigating the use o
reinsurers or off-shore entities to reinsure insurance risks. The Financial Condition Committee of the NAIC has charged its Fi
Working Group with the task of performing a peer review of captive insurer reserve financings in order to gather more informa
their nature and how extensively they are used. The NAIC contracted with Rector & Associates to study captives and recomm
regulation. Rector & Associates issued recommendations in June 2014, modifying its report which was released for comment i
2014 (as modified, the "Rector Report"). The Rector Report was adopted by the NAIC on June 30, 2014. The adoption trigger
number of NAIC working groups to develop, adopt and implement additional regulations on captives. It is premature to projec
any, of any new captive regulations on MetLife. In late March 2014, the NAIC released for comment a proposed redefinition o
insurers" to prospectively include U.S. captive reinsurers, which would entail that certain standards, such as solvency standard
multi-state insurers would apply to U.S. captive reinsurers. Any states that did not apply multi-state insurer requirements woul
losing their NAIC accreditation. As comments received on the proposed redefinition of "multi-state insurers" have been negat
to project its impact, if it is adopted, on captive usage by MetLife.

Like many life insurance companies, we utilize captive reinsurers to satisfy reserve and capital requirements related to univers
life insurance policies. We also cede most of the variable annuity guarantee risks to a captive reinsurer, which allows us to con
and other risk management programs. If state insurance regulators restrict the use of such captive reinsurers by following the l
Department of Financial Services which has recommended a moratorium on such transactions, or if we otherwise are unable to
captive reinsurers in the future, our ability to write certain products or to hedge the associated risks efficiently, and/or our risk-
("RBC") ratios and ability to deploy excess capital, could be adversely affected or we may need to increase prices on those pro
adversely impact our competitive position and our results of operations. We will continue to evaluate product modifications, p
and alternative means of managing risks, capital and statutory reserves and we expect the discontinued use of captive reinsura
reserve financing transactions would not have a material impact on our future consolidated financial results. In 2013, MetLife,
its plans for the Mergers. See "— Executive Summary" for further information on the Mergers. The Mergers may mitigate to s
impact of any restrictions on the use of captive reinsurers that could be adopted by the Department of Financial Services or oth
regulators. For more information on our use of captive reinsurers see "Management's Discussion and Analysis of Financial Co
of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance Transactions
to the Consolidated Financial Statements included in the 2013 Annual Report.

The NAIC has been reviewing life insurers' use of non-variable separate accounts that are insulated from general account clai
an insurance company insolvency, and adopted recommendations, subject to further review and development of guidance at a
on July 1, 2014. We are currently evaluating the impact, if any, that these recommendations may have on our business. The N
state regulators continue to look at the use of non-insulated book value separate accounts for retail index-linked variable annui
business, the risk of unfavorable regulatory developments remains and our ability to do business in these markets could be adv

The International Association of Insurance Supervisors ("IAIS") has encouraged U.S. insurance supervisors, such as the Depa
Services, to establish Supervisory Colleges for U.S.-based insurance groups with international operations, including MetLife,
cooperation and coordination among the insurance groups' supervisors and to enhance the member regulators' understanding o
group's risk profile. MetLife, Inc. has been the subject of Supervisory College meetings chaired by the Department of Financi
attended by MetLife's key U.S. and international insurance regulators in January 2013 and March 2014. We have not received
recommendations from the Supervisory College meetings, and we do not expect any outcome of the meetings to have a materi
on our business.

Table of Contents

Enhanced Prudential Standards for Non-Bank SIFIs

On July 16, 2013, MetLife, Inc. was notified by the Financial Stability Oversight Council ("FSOC") that it had reached Stage determine whether MetLife, Inc. would be named a non-bank systemically important financial institution ("non-bank SIFI"). providing information to the FSOC to assist in its evaluation of MetLife, Inc. Regulation of MetLife, Inc. as a non-bank SIFI and adversely affect our business. In December 2011, in accordance with the requirements of section 165 of Dodd-Frank, the Board proposed a set of prudential standards ("Regulation YY") that would apply to non-bank SIFIs, including enhanced RBC leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, str requirements, special debt-to-equity limits for certain companies, early remediation procedures, and recovery and resolution p Federal Reserve Board's proposal contemplates that these standards would be subject to the authority of the Federal Reserve determine, on its own or in response to a recommendation by the FSOC, to tailor the application of the enhanced standards to companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financ and any other risk-related factors that the Federal Reserve Board deems appropriate. As described below, the Federal Reserve finalized a number of these requirements for bank holding companies and foreign banking organizations with total consolidate billion or more, but generally has not taken further action to implement most of these requirements for non-bank SIFIs.

In October 2013, the Federal Reserve Board proposed specific regulations relating to liquidity requirements for banking organ non-bank SIFIs, although the rules would not apply to non-bank SIFIs with substantial insurance operations. On February 18, Reserve Board adopted amendments to Regulation YY to implement certain of the enhanced prudential standards for bank hol and foreign banking organizations with total consolidated assets of $50 billion or more. The enhanced prudential standards inc and leverage capital requirements, liquidity standards, requirements for overall risk management (including establishing a risk stress-test requirements, and a 15-to-1 debt-to-equity limit for these companies. The amendments also establish risk committee and capital stress testing requirements for certain bank holding companies and foreign banking organizations with total consol $10 billion or more. While Regulation YY, as originally proposed, would have applied to non-bank SIFIs, the final rule does n Reserve Board indicated that it plans to apply enhanced prudential standards to non-bank SIFIs by rule or order, enabling it to appropriately tailor the standards to non-bank SIFIs and will provide affected non-bank SIFIs with notice and the opportunity to determination of their enhanced prudential standards. Accordingly, the manner in which MetLife, Inc. would be regulated, i designated as a non-bank SIFI, remains unclear. The Federal Reserve Board has stated that it believes other provisions of Dod as the Collins Amendment, constrain its ability to tailor capital standards for non-bank SIFIs. If the Federal Reserve Board req are non-bank SIFIs to comply with capital standards or regimes (such as the Basel capital rules that were developed for banks) into account the insurance business model and the differences between banks and insurers, the business and competitive positi non-bank SIFIs could be materially and adversely affected. See "Risk Factors — Regulatory and Legal Risks — Our Insuranc Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Limit Our Growth — Insurance Regulation - U.S. — Federal Regulatory Agencies." Legislation that would clarify that the Fe may tailor capital rules for insurer non-bank SIFIs has been adopted by the U.S. Senate and is pending in the House of Represe The stress testing requirements have been implemented and require non-bank SIFIs (as well as bank holding companies with $ more of assets) to undergo three stress tests each year: an annual supervisory stress test conducted by the Federal Reserve Boa company-run stress tests (an annual test which coincides with the timing of the supervisory stress test, and a mid-cycle test). C required to take the results of the stress tests into consideration in their annual capital planning and resolution and recovery pla MetLife, Inc. is designated by the FSOC as a non-bank SIFI, its competitive position and its ability to pay dividends, repurcha or other securities or engage in other transactions that could affect its capital or need for capital could be adversely affected by capital requirements that might be imposed as a result of the stress testing requirements, as well as enhanced prudential standa measures imposed as a result of the enactment of Dodd-Frank and other regulatory initiatives.

Non-bank SIFIs would also be required to submit a resolution plan setting forth how the company could be resolved under the Code in the event of material financial distress. Resolution plans would have to be resubmitted annually and promptly followi occurrence, change in conditions or circumstances, or other change that results in, or could reasonably be foreseen to have, a n the resolution plan. A failure to submit a "credible" resolution plan could result in the imposition of a variety of measures, incl capital, leverage, or liquidity requirements, and forced divestiture of assets or operations.

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

International Regulatory Developments

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which
or operate and are exposed to increased political, legal, financial, operational and other risks. A significant portion of our rever
through operations in foreign jurisdictions, including many countries in early stages of economic and political development. O
operations may be materially adversely affected by the actions and decisions of foreign authorities and regulators, such as thro
nationalization or expropriation of assets, the imposition of limits on foreign ownership of local companies, changes in laws (i
and regulations), their application or interpretation, political instability, dividend limitations, price controls, changes in applica
currency exchange controls or other restrictions that prevent us from transferring funds from these operations out of the countr
operate or converting local currencies we hold into U.S. dollars or other currencies, as well as other adverse actions by foreign
authorities and regulators. Changes in the laws and regulations that affect our customers and independent sales intermediaries
operations also may affect our business relationships with them and their ability to purchase or distribute our products. Such ac
negatively affect our business in these jurisdictions. For example, legislation in Poland became effective on February 1, 2014,
significant changes to the country's pension system, including redemption of Polish government bonds held by pension funds.
will have a negative impact on our pension business in Poland, but will not have a material impact on our overall pension busi
of Operations — Segment Results and Corporate & Other — EMEA" for a discussion of a write-down of DAC and VOBA ass
business. In addition, a tax reform bill is currently pending in Chile which includes a gradual increase in the corporate tax rate
25% and the elimination of the taxable profits fund, an exemption on taxes on corporate income that is reinvested. As a result,
one-time charge related to the increase in a deferred tax liability. The Ministry of Finance proposed amendments after the bill
and some aspects of the tax reform may still change further. Also pending in Chile are changes to its pension system: a bill to
state-owned pension company was introduced and a Presidential Advisory Committee was created to draft a reform proposal o
system. Both proposals are not finalized and may still change further during their congressional review. It is premature to pred
such reforms on our pension business in Chile.

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

Solvency II

Our insurance business throughout the European Economic Area will be subject to the Solvency II package, consisting of two
directives: Solvency II and Omnibus II, which have been adopted separately. Solvency II was adopted by European authorities
codifies and harmonizes regulation for insurance undertakings established in the EU. It provides a framework for new risk man
practices, solvency capital standards and disclosure requirements. Omnibus II was adopted in April 2014. It contains provision
Solvency II to the new supervisory architecture establishing the European Insurance and Occupational Pensions Authority ("E
includes a package of measures to facilitate the provision of insurance products with long-term guarantees. Both directives wil
effective on January 1, 2016.

Leading up to Solvency II's effective date, EIOPA has published Interim Guidelines aimed at increasing preparedness of both
insurers. The Interim Guidelines are applicable from January 1, 2014 and include certain reporting and organizational requirem
we are complying in accordance with the requirements of our local regulators. During 2014, the European Commission and EI
progressed to "Level 2" rulemaking based on the adopted Omnibus II law.

Table of Contents

In addition, our insurance business in Mexico will be impacted by Mexico's insurance law reform, adopted in February 2013 (
2015). The law reform envisions a Solvency II-type regulatory framework, instituting changes to reserve and capital requireme
corporate governance and fostering greater transparency. The new regime includes secondary regulations subject to a 16-mont
period, during which quantitative and qualitative impact studies will be performed and input from affected companies will be r
Chile, the law implementing Solvency II-like regulation is currently in the studies stage. However, the Chilean Insurance Regu
issued two resolutions, one for governance, and the other for risk management and control framework requirements. MetLife C
implemented governance changes and risk policies to comply with these resolutions. The impact study considering the second
regulation for RBC requirements was completed in May 2014. The law is expected to be published and approved in 2015, with
regulation in force in 2016.

Global Systemically Important Insurers

The IAIS, an association of insurance supervisors and regulators and a member of the Financial Stability Board ("FSB"), an in
established to coordinate, develop and promote regulatory, supervisory and other financial sector policies in the interest of fina
participating in the FSB's initiative to identify global systemically important financial institutions and has devised and publish
to assess the systemic relevance of global insurers and has published a framework of policy measures to be applied to global sy
important insurers ("G-SIIs"). In July 2013, the FSB published its initial list of nine G-SIIs, based on the IAIS' assessment me
includes MetLife, Inc. The FSB will update the list annually beginning in November 2014.

For G-SIIs which engage in activities deemed to be systemically risky, the framework of policy measures calls for imposition o
capital (higher loss absorbency ("HLA")) requirements on those activities. On July 9, 2014, the IAIS issued a second exposure
capital requirements ("BCR") that the FSB has directed the IAIS to develop. The BCR provides a basis for the calculation of th
requirements. The BCR and HLA requirements are scheduled to be finalized by the end of 2014 and 2015, respectively. The IA
that BCR will apply to G-SIIs in 2015 or shortly thereafter. Initially, reporting is expected to be on a confidential basis, subjec
IAIS for refinement purposes, if necessary. HLA requirements are to be applied in 2019 to companies designated as G-SIIs in
the IAIS proposes to develop a risk-based global insurance capital standard by 2016 which will apply to all internationally acti
groups, including G-SIIs, with implementation to begin in 2019 after two years of testing and refinement. The FSB and IAIS p
national authorities ensure that any insurers identified as G-SIIs be subject to additional requirements consistent with the frame
measures, which include preparation of a systemic risk management plan, preparation of a recovery and resolution plan, enhan
planning and management, more intensive supervision, closer coordination among regulators through global supervisory colle
regulator with group-wide supervisory authority, and a policy bias in favor of separation of non-traditional insurance and non-
activities from traditional insurance activities. The IAIS policy measures would need to be implemented by legislation or regul
applicable jurisdiction, and the impact on MetLife, Inc. and other designated G-SIIs in the U.S., is uncertain.

Mortgage and Foreclosure-Related Exposures

MetLife no longer engages in the origination, sale and servicing of forward and reverse residential mortgage loans. See Note 1
the Interim Condensed Consolidated Financial Statements for further information regarding our mortgage and foreclosure-rela
Notwithstanding its exit from the origination and servicing businesses, MetLife Bank remained obligated to repurchase loans o
losses upon demand due to alleged defects by MetLife Bank or its predecessor servicers in past servicing of the loans and mate
representations made in connection with MetLife Bank's sale of the loans. Reserves for representation and warranty repurchas
indemnifications were $103 million and $104 million at June 30, 2014 and December 31, 2013, respectively. Reserves for esti
losses due to alleged deficiencies on loans originated and sold, as well as servicing of the loans including servicing acquired, a
based on unresolved claims and projected losses under investor servicing contracts where MetLife Bank's past actions or inact
result in missing certain stipulated investor timelines. Reserves for servicing defects were $45 million and $46 million at June
December 31, 2013, respectively. Management is satisfied that adequate provision has been made in the Company's interim co
consolidated financial statements for those representation and warranty obligations that are currently probable and reasonably

Table of Contents

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make
assumptions that affect amounts reported in the Interim Condensed Consolidated Financial Statements. The most critical estim
those used in determining:

(i) liabilities for future policyholder benefits and the accounting for reinsurance;
(ii) capitalization and amortization of DAC and the establishment and amortization of VOBA;
(iii) estimated fair values of investments in the absence of quoted market values;
(iv) investment impairments;
(v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requi
(vi) measurement of goodwill and related impairment;
(vii) measurement of employee benefit plan liabilities;
(viii) measurement of income taxes and the valuation of deferred tax assets; and
(ix) liabilities for litigation and regulatory matters.

In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fai
acquired and liabilities assumed — the most significant of which relate to aforementioned critical accounting estimates. In app
accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are inhere
Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others a
business and operations. Actual results could differ from these estimates.

The above critical accounting estimates are described in “Management’s Discussion and Analysis of Financial Condition and R
Operations — Summary of Critical Accounting Estimates” and Note 1 of the Notes to the Consolidated Financial Statements i
Annual Report.

110

Table of Contents

Economic Capital

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

Our economic capital model aligns segment allocated equity with emerging standards and consistent risk principles. The mode
statistics-based risk evaluation principles to the material risks to which the Company is exposed. These consistent risk principl
calibrating required economic capital shock factors to a specific confidence level and time horizon and applying an industry st
for the inclusion of diversification benefits among risk types. Economic capital-based risk estimation is an evolving science an
practices have emerged and continue to evolve. Areas of evolving industry best practices include stochastic liability valuation
alternative methodologies for the calculation of diversification benefits, and the quantification of appropriate shock levels. Me
management is responsible for the on-going production and enhancement of the economic capital model and reviews its appro
to ensure that it remains consistent with emerging industry practice standards.

For our domestic segments, net investment income is credited or charged based on the level of allocated equity; however, chan
equity do not impact our consolidated net investment income, operating earnings or income (loss) from continuing operations,
tax.

Acquisitions and Dispositions

In July 2014, the previously announced life insurance joint venture in Vietnam among MetLife, Inc., Bank for Investment & D
Vietnam and Bank for Investment & Development of Vietnam Insurance Corporation received all regulatory approvals and op
expected to commence later in 2014.

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

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Acquisitions and Dispositio
2013 Annual Report for additional information.

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

111

Table of Contents

Results of Operations
Consolidated Results

Sales experience was mixed across our businesses for the three months ended June 30, 2014 as compared to the same period o
the slow economic recovery in the U.S., our disability, dental and group term life businesses generated premium growth throu
and improved persistency, with the dental business also benefiting from the positive impact of pricing actions on existing busi
introduction of new products also drove growth in our voluntary benefits business. While the sustained low interest rate envir
contributed to the underfunding of pension plans, we experienced an increase in sales of pension closeouts. Competitive prici
increase in participation drove an increase in structured settlement sales. Sales of domestic variable annuities and Japan life p
as we continue to focus on pricing discipline and risk management. In our Retail segment, higher fixed income annuity sales
offset by lower variable and universal life sales, mainly driven by the discontinuance of all but one of our secondary guarante
life products. Sales in the majority of our other businesses abroad have improved.

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
Revenues			
Premiums	$9,873	$9,158	$19,092
Universal life and investment-type product policy fees	2,458	2,371	4,879
Net investment income	5,259	5,282	10,294
Other revenues	490	490	968
Net investment gains (losses)	(125)	110	(536
Net derivative gains (losses)	311	(1,690)	654
Total revenues	18,266	15,721	35,351
Expenses			
Policyholder benefits and claims and policyholder dividends	10,385	9,289	20,012
Interest credited to policyholder account balances	1,709	1,846	3,178
Capitalization of DAC	(1,032)	(1,212)	(2,078
Amortization of DAC and VOBA	1,062	958	2,120
Amortization of negative VOBA	(111)	(138)	(226
Interest expense on debt	312	321	624
Other expenses	3,991	4,096	7,945
Total expenses	16,316	15,160	31,575
Income (loss) from continuing operations before provision for income tax	1,950	561	3,776
Provision for income tax expense (benefit)	574	53	1,058
Income (loss) from continuing operations, net of income tax	1,376	508	2,718
Income (loss) from discontinued operations, net of income tax	—	2	(3
Net income (loss)	1,376	510	2,715
Less: Net income (loss) attributable to noncontrolling interests	10	8	21
Net income (loss) attributable to MetLife, Inc.	1,366	502	2,694
Less: Preferred stock dividends	31	31	61
Net income (loss) available to MetLife, Inc.'s common shareholders	$1,335	$471	$2,633

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

During the three months ended June 30, 2014, income (loss) from continuing operations, before provision for income tax, incr
($868 million, net of income tax) from the prior period primarily driven by a favorable change in net derivative gains (losses),
by an unfavorable change in net investment gains (losses). In addition, an unfavorable change in other adjustments to continui
primarily associated with asymmetrical GAAP accounting treatment for insurance contracts.

112

Table of Contents

We manage our investment portfolio using disciplined ALM principles, focusing on cash flow and duration to support our curr
liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows o
timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfo
weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage
securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matchin
and duration of insurance liabilities. Other invested asset classes, including, but not limited to, equity securities, other limited p
interests and real estate and real estate joint ventures, provide additional diversification and opportunity for long-term yield en
addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral
management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange r
spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market c
expectations for changes within our specific mix of products and business segments. In addition, the general account investme
includes, within fair value option ("FVO") and trading securities, contractholder-directed unit-linked investments supporting u
annuity type liabilities, which do not qualify as separate account assets. The returns on these contractholder-directed unit-linke
which can vary significantly from period to period, include changes in estimated fair value subsequent to purchase, inure to co
are offset in earnings by a corresponding change in policyholder account balances ("PABs") through interest credited to policy
balances.

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

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

We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabiliti
these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not design
accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) gene
offsetting gain or loss recognized in earnings for the item being hedged which creates volatility in earnings.

Certain variable annuity products with guaranteed minimum benefits contain embedded derivatives that are measured at estima
separately from the host variable annuity contract, with changes in estimated fair value recorded in net derivative gains (losses
freestanding derivatives to hedge the market risks inherent in these variable annuity guarantees. The valuation of these embedd
includes a nonperformance risk adjustment, which is unhedged and can be a significant driver of net derivative gains (losses) a
earnings, but does not have an economic impact on us.

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

Table of Contents

	Three Months Ended June 30, 2014 (In millions)		2
Non-VA program derivatives			
Interest rate	$184		$
Foreign currency exchange rate	(38	)	(
Credit	33		1
Equity	(28	)	1
Non-VA embedded derivatives	(66	)	9
Total non-VA program derivatives	85		(
VA program derivatives			
Market risks in embedded derivatives	380		1
Nonperformance risk on embedded derivatives	(51	)	(
Other risks in embedded derivatives	(34	)	(
Total embedded derivatives	295		9
Freestanding derivatives hedging embedded derivatives	(69	)	(
Total VA program derivatives	226		(
Net derivative gains (losses)	$311		$

The favorable change in net derivative gains (losses) on non-VA program derivatives was $1.3 billion ($858 million, net of inc was primarily due to long-term interest rates decreasing in the current period and increasing in the prior period, favorably impa receive-fixed interest rate swaps, interest rate swaptions and net long interest rate floors. These freestanding derivatives were p long duration liability portfolios. The strengthening of the Japanese yen relative to other key currencies favorably impacted for forwards and futures that primarily hedge foreign denominated bonds. Because certain of these hedging strategies are not desig qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net der (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was $681 million ($443 million, net of incom due to a favorable change of $441 million ($287 million, net of income tax) on market risks in embedded derivatives, net of th freestanding derivatives hedging those risks, a favorable change of $185 million ($120 million, net of income tax) related to th nonperformance risk adjustment on embedded derivatives and a favorable change of $55 million ($36 million, net of income ta in embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that ge hedged.

The foregoing $441 million ($287 million, net of income tax) favorable change was comprised of a $1.4 billion ($893 million, tax) favorable change in freestanding derivatives that hedge market risks in embedded derivatives, which was partially offset b ($606 million, net of income tax) unfavorable change in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

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

The aforementioned $185 million ($120 million, net of income tax) favorable change in the nonperformance risk adjustment w
favorable change of $259 million, before income tax, as a result of changes in capital market inputs, such as long-term interest
equity index levels, on the variable annuity guarantees, partially offset by an unfavorable change of $74 million, before incom
credit spread. We calculate the nonperformance risk adjustment as the change in the embedded derivative discounted at the ris
(which includes our own credit spread to the extent that the embedded derivative is in-the-money) less the change in the embe
discounted at the risk free rate.

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

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

When our own credit spread increases in isolation, discounting the embedded derivative liability produces a lower valuation o
if our own credit spread had remained constant. As a result, a gain is created from including an adjustment for nonperformanc
these primary market drivers, the opposite effect occurs when they move in the opposite direction.

The foregoing $55 million ($36 million, net of income tax) favorable change in other risks in embedded derivatives was prima
following:

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

The unfavorable change in net investment gains (losses) of $235 million ($153 million, net of income tax) primarily reflects a
disposition of MAL, lower net gains on sales of fixed maturity securities and higher impairments of equity securities in the cu
partially offset by higher net gains on sales of equity securities and a decrease in impairments of fixed maturity securities from
market conditions.

Income (loss) from continuing operations, before provision for income tax, related to the divested businesses, excluding net in
(losses) and net derivative gains (losses), increased $34 million to income of $13 million in the current period from a loss of $
prior period. Included in this improvement was a decrease in total expenses of $35 million, before income tax.

Income tax expense for the three months ended June 30, 2014 was $574 million, or 29% of income (loss) from continuing ope
provision for income tax, compared with $53 million, or 9% of income (loss) from continuing operations before provision for
the three months ended June 30, 2013. The Company's second quarter 2014 effective tax rate differs from the U.S. statutory r
primarily due to non-taxable investment income, tax credits for low income housing, foreign earnings taxed at lower rates tha
statutory rate and the tax effects of the MAL divestiture. The Company's second quarter 2013 effective tax rate was different f
statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earning
rates than the U.S. statutory rate. The second quarter of 2014 includes a $5 million tax charge related to the fee imposed by th
was not deductible for income tax purposes, and a $38 million tax charge related to the repatriation of earnings from Japan.

On June 11, 2014, the Internal Revenue Service concluded its audit of the Company's tax returns for the years 2003 through 2
Revenue Agent's Report. The Company agreed with certain tax adjustments and protested other tax adjustments to IRS Appea
was filed on July 10, 2014. Management believes it has established adequate tax liabilities and final resolution of the audit for
through 2006 is not expected to have a material impact on the Company's financial statements.

Table of Contents

As more fully described in "— Non-GAAP and Other Financial Disclosures," we use operating earnings, which does not equa
from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate
performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to
shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the r
operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to com
should not be viewed as substitutes for income (loss) from continuing operations, net of income tax, and net income (loss) ava
Inc.'s common shareholders, respectively. Operating earnings available to common shareholders increased $5 million, net of i
was $1.6 billion, net of income tax, for both the three months ended June 30, 2014 and 2013.

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

During the six months ended June 30, 2014, income (loss) from continuing operations, before provision for income tax, increa
($1.2 billion, net of income tax) from the prior period primarily driven by a favorable change in net derivative gains (losses), p
an unfavorable change in net investment gains (losses).

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

	Six Months Ended June 30,		
	2014		2
	(In millions)		
Non-VA program derivatives			
Interest rate	$420		$
Foreign currency exchange rate	8		(
Credit	44		5
Equity	(40	)	1
Non-VA embedded derivatives	(79	)	1
Total non-VA program derivatives	353		(
VA program derivatives			
Market risks in embedded derivatives	354		3
Nonperformance risk on embedded derivatives	(8	)	(
Other risks in embedded derivatives	(147	)	1
Total embedded derivatives	199		2
Freestanding derivatives hedging embedded derivatives	102		(
Total VA program derivatives	301		(
Net derivative gains (losses)	$654		$

The favorable change in net derivative gains (losses) on non-VA program derivatives was $2.2 billion ($1.4 billion, net of inco
was primarily due to long-term interest rates decreasing in the current period and increasing in the prior period, favorably impa
receive-fixed interest rate swaps, interest rate swaptions and net long interest rate floors. These freestanding derivatives were p
long duration liability portfolios. The strengthening of the Japanese yen relative to other key currencies favorably impacted for
forwards and futures that primarily hedge foreign denominated bonds. Because certain of these hedging strategies are not desig
qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net der
(losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

Table of Contents

The favorable change in net derivative gains (losses) on VA program derivatives was $821 million ($533 million, net of incom
due to a favorable change of $642 million ($417 million, net of income tax) related to the change in the nonperformance risk a
embedded derivatives and a favorable change of $451 million ($293 million, net of income tax) on market risks in embedded d
the impact of freestanding derivatives hedging those risks, partially offset by an unfavorable change of $272 million ($177 mil
income tax) on other risks in embedded derivatives. Other risks relate primarily to the impact of policyholder behavior and oth
risks that generally cannot be hedged.

The aforementioned $642 million ($417 million, net of income tax) favorable change in the nonperformance risk adjustment w
favorable change of $523 million, before income tax, as a result of changes in capital market inputs, such as long-term interest
equity index levels, on the variable annuity guarantees, as well as a favorable change of $119 million, before income tax, in ou
spread.

The foregoing $451million ($293 million, net of income tax) favorable change is comprised of a $3.3 billion ($2.1 billion, net
favorable change in freestanding derivatives that hedge market risks in embedded derivatives, which was partially offset by a $
billion, net of income tax) unfavorable change in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

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

The foregoing $272 million ($177 million, net of income tax) unfavorable change in other risks in embedded derivatives was p
the following:

- Foreign currency translation adjustments caused by a strengthening of the Japanese yen resulted in a favorable change of the embedded derivatives.
- An increase in the risk margin adjustment caused by higher policyholder behavior risks resulted in an unfavorable period over the valuation of the embedded derivatives.
- In-force changes and the mismatch of fund performance between actual and modeled funds resulted in an unfavorable period change in the valuation of the embedded derivatives.
- The cross effect of capital markets changes and refinements to the valuation model resulted in a favorable period over period valuation of embedded derivatives.
- Other factors, including reserve changes influenced by benefit features and policyholder behavior, resulted in an unfavorable change in the valuation of embedded derivatives.

The unfavorable change in net investment gains (losses) of $960 million ($624 million, net of income tax) primarily reflects a
disposition of MAL and lower net gains on sales of fixed maturity securities in the current period, partially offset by higher ne
equity securities and a decrease in impairments of fixed maturity securities from improving market conditions.

Income (loss) from continuing operations, before provision for income tax, related to the divested businesses, excluding net in
(losses) and net derivative gains (losses), increased $154 million to income of $20 million in the current period from a loss of $
the prior period. Included in this improvement was a decrease in total revenues of $54 million, before income tax, and a decrea
expenses of $208 million, before income tax.

117

Table of Contents

Income tax expense for the six months ended June 30, 2014 was $1.1 billion, or 28% of income (loss) from continuing operati
provision for income tax, compared with $305 million, or 17% of income (loss) from continuing operations before provision f
the six months ended June 30, 2013. The Company's 2014 effective tax rate differs from the U.S. statutory rate of 35% primar
non-taxable investment income, tax credits for low income housing, foreign earnings taxed at lower rates than the U.S. statuto
effects of the MAL divestiture. The Company's 2013 effective tax rate was different from the U.S. statutory rate of 35% prima
non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. sta
2014 period includes a $28 million tax charge related to a portion of the aforementioned settlement of a licensing matter and th
both of which were not deductible for income tax purposes, and a $38 million tax charge related to the repatriation of earnings
addition, in 2013, the Company received an income tax refund from the Japanese tax authority and recorded a $119 million re
tax expense.

Operating earnings available to common shareholders decreased $60 million, net of income tax, and was $3.2 billion, net of in
both the six months ended June 30, 2014 and 2013.

Reconciliation of income (loss) from continuing operations, net of income tax, to operating earnings available to common shar

Three Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corp & Ot
	(In millions)						
Income (loss) from continuing operations, net of income tax	$627	$230	$306	$46	$333	$137	$(30
Less: Net investment gains (losses)	10	10	(195)	(14)	82	2	(20
Less: Net derivative gains (losses)	225	71	125	8	(35)	49	(132
Less: Other adjustments to continuing operations (1)	(274)	(42)	(22)	(146)	(6)	31	(16
Less: Provision for income tax (expense) benefit	14	(14)	24	38	(27)	(38)	47
Operating earnings	$652	$205	$374	$160	$319	$93	(182
Less: Preferred stock dividends							31
Operating earnings available to common shareholders							$(21

Three Months Ended June 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corp & Ot
	(In millions)						
Income (loss) from continuing operations, net of income tax	$301	$26	$234	$228	$(34)	$69	$(31
Less: Net investment gains (losses)	23	(28)	(3)	9	85	23	1
Less: Net derivative gains (losses)	(421)	(310)	(209)	(28)	(486)	(4)	(232
Less: Other adjustments to continuing operations (1)	(32)	(45)	39	171	(117)	(21)	(89
Less: Provision for income tax (expense) benefit	150	134	61	(49)	154	3	113
Operating earnings	$581	$275	$346	$125	$330	$68	(109
Less: Preferred stock dividends							31
Operating earnings available to common shareholders							$(14

(1)

See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures
of such adjustments.

118

Six Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corpo & Ot
	(In millions)						
Income (loss) from continuing operations, net of income tax	$1,194	$461	$369	$186	$758	$240	$(490
Less: Net investment gains (losses)	16	(1)	(736)	15	239	(7)	(62
Less: Net derivative gains (losses)	296	187	228	4	(42)	87	(106
Less: Other adjustments to continuing operations (1)	(421)	(81)	(24)	(233)	(18)	30	(30
Less: Provision for income tax (expense) benefit	39	(37)	172	57	(68)	(51)	52
Operating earnings	$1,264	$393	$729	$343	$647	$181	(344
Less: Preferred stock dividends							61
Operating earnings available to common shareholders							$(40

Six Months Ended June 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Cor & C
	(In millions)						
Income (loss) from continuing operations, net of income tax	$702	$157	$639	$334	$(111)	$152	$(3
Less: Net investment gains (losses)	96	(11)	19	9	213	39	59
Less: Net derivative gains (losses)	(577)	(439)	(104)	(19)	(1,038)	(10)	(13
Less: Other adjustments to continuing operations (1)	(296)	(85)	84	106	(386)	(13)	(23
Less: Provision for income tax (expense) benefit	272	187	—	(30)	437	(19)	108
Operating earnings	$1,207	$505	$640	$268	$663	$155	(16
Less: Preferred stock dividends							61
Operating earnings available to common shareholders							$(2

(1) See definitions of operating revenues and operating expenses under "— Non-GAAP and Other Financial Disclosures of such adjustments.

Table of Contents

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

Three Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corp & Ot
	(In millions)						
Total revenues	$5,509	$4,820	$2,203	$1,452	$3,100	$1,192	$(10
Less: Net investment gains (losses)	10	10	(195)	(14)	82	2	(20
Less: Net derivative gains (losses)	225	71	125	8	(35)	49	(132
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	—	—	—	1	3	—
Less: Other adjustments to revenues (1)	(21)	(42)	14	20	(2)	292	15
Total operating revenues	$5,296	$4,781	$2,259	$1,438	$3,054	$846	$127
Total expenses	$4,557	$4,465	$1,720	$1,408	$2,613	$1,000	$553
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	63	—	—	—	(3)	3	—
Less: Other adjustments to expenses (1)	189	—	36	166	8	261	31
Total operating expenses	$4,305	$4,465	$1,684	$1,242	$2,608	$736	$522

Three Months Ended June 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corp & Ot
	(In millions)						
Total revenues	$4,627	$4,161	$1,871	$1,216	$3,210	$702	$(66
Less: Net investment gains (losses)	23	(28)	(3)	9	85	23	1
Less: Net derivative gains (losses)	(421)	(310)	(209)	(28)	(486)	(4)	(232
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(4)	—	—	—	2	7	—
Less: Other adjustments to revenues (1)	(34)	(45)	46	4	436	(132)	26
Total operating revenues	$5,063	$4,544	$2,037	$1,231	$3,173	$808	$139
Total expenses	$4,173	$4,130	$1,510	$903	$3,236	$640	$568
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(112)	—	—	—	(1)	9	—
Less: Other adjustments to expenses (1)	106	—	7	(167)	556	(113)	115
Total operating expenses	$4,179	$4,130	$1,503	$1,070	$2,681	$744	$453

---

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures of such adjustments.

Table of Contents

Six Months Ended June 30, 2014

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corp & Ot
	(In millions)						
Total revenues	$10,792	$9,625	$3,641	$2,792	$6,201	$2,159	$141
Less: Net investment gains (losses)	16	(1)	(736)	15	239	(7)	(62
Less: Net derivative gains (losses)	296	187	228	4	(42)	87	(106
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(1)	—	—	—	1	6	—
Less: Other adjustments to revenues (1)	(45)	(81)	54	24	(50)	382	26
Total operating revenues	$10,526	$9,520	$4,095	$2,749	$6,053	$1,691	$283
Total expenses	$8,979	$8,916	$3,053	$2,593	$5,101	$1,824	$1,1
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	61	—	—	—	(4)	7	—
Less: Other adjustments to expenses (1)	314	—	78	257	(27)	351	56
Total operating expenses	$8,604	$8,916	$2,975	$2,336	$5,132	$1,466	$1,0

Six Months Ended June 30, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corp & Ot
	(In millions)						
Total revenues	$9,423	$8,624	$4,068	$2,415	$6,612	$1,916	$346
Less: Net investment gains (losses)	96	(11)	19	9	213	39	59
Less: Net derivative gains (losses)	(577)	(439)	(104)	(19)	(1,038)	(10)	(133
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(6)	—	—	—	3	5	—
Less: Other adjustments to revenues (1)	(71)	(85)	169	13	1,074	261	65
Total operating revenues	$9,981	$9,159	$3,984	$2,412	$6,360	$1,621	$355
Total expenses	$8,365	$8,398	$3,083	$1,974	$6,837	$1,715	$1,2
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(176)	—	—	—	(11)	5	—
Less: Other adjustments to expenses (1)	395	—	85	(93)	1,474	274	304
Total operating expenses	$8,146	$8,398	$2,998	$2,067	$5,374	$1,436	$920

(1) See definitions of operating revenues and operating expenses under “— Non-GAAP and Other Financial Disclosures of such adjustments.

Table of Contents

Consolidated Results — Operating

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
OPERATING REVENUES			
Premiums	$9,853	$9,157	$19,070
Universal life and investment-type product policy fees	2,360	2,281	4,683
Net investment income	5,095	5,057	10,180
Other revenues	493	500	984
Total operating revenues	17,801	16,995	34,917
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	9,964	9,174	19,337
Interest credited to policyholder account balances	1,425	1,521	2,826
Capitalization of DAC	(1,031)	(1,212)	(2,077
Amortization of DAC and VOBA	1,025	1,105	2,075
Amortization of negative VOBA	(99)	(124)	(202
Interest expense on debt	299	287	593
Other expenses	3,979	4,009	7,930
Total operating expenses	15,562	14,760	30,482
Provision for income tax expense (benefit)	618	619	1,222
Operating earnings	1,621	1,616	3,213
Less: Preferred stock dividends	31	31	61
Operating earnings available to common shareholders	$1,590	$1,585	$3,152

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

Unless otherwise stated, all amounts discussed below are net of income tax.
The slight increase in operating earnings was the result of higher asset-based fee revenues from improved equity market perfor net investment income from portfolio growth and a decrease in interest credited expense, which was more than offset by unfav and morbidity experience and a decrease in investment yields. In addition, the fourth quarter 2013 acquisition of ProVida in Cl operating earnings by $57 million. Changes in foreign currency exchange rates had a $20 million negative impact on results co prior period.
We experienced less favorable mortality and morbidity in the majority of our segments, but most significantly in our Group, V Worksite Benefits segment. In addition, in our property & casualty businesses, catastrophe-related losses increased as a result activity in the current period. The combined impact of mortality, morbidity and claims experience decreased operating earning million.
Refinements to DAC and certain insurance-related liabilities in both periods resulted in an $81 million increase in operating ea driven by a favorable reserve adjustment in the current period related to disability premium waivers in our life business within segment and a write-down of DAC and VOBA in the prior period related to pension reform in Poland in our EMEA segment.
An increase of $39 million in other operating expenses was primarily driven by higher costs associated with corporate initiativ Corporate & Other, as well as higher employee- and information technology-related costs in our Latin America segment as we high growth market. In addition, the fee imposed by the PPACA reduced operating earnings by $15 million in the current peri

We benefited from strong sales and business growth across many of our products. However, we continue to focus on pricing d
management which resulted in a decrease in sales of our variable annuity and Japan life products. Excluding the impact of the
businesses and the acquisition of ProVida, growth in our investment portfolios in the majority of our segments generated highe
income. Our property & casualty businesses benefited from an increase in average premium per policy. Surrenders of our annu
both the Retail and Asia segments exceeded sales for the period resulting in lower asset-based fees. The changes in business gr
above resulted in a $79 million increase in operating earnings.

Market factors, including the sustained low interest rate environment, continued to impact our investment yields, as well as ou
Excluding the results of the divested businesses, the acquisition of ProVida and the impact of inflation-indexed investments in
America segment, investment yields decreased. Certain of our inflation-indexed products are backed by inflation-indexed inve
in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in
to operating earnings. Investment yields were negatively impacted by lower returns on hedge funds, increased holdings of low
Japanese government securities in the Japan fixed annuity business and the adverse impacts of the low interest rate environme
maturity securities and mortgage loan yields. These decreases in yields were partially offset by higher returns on our real estat
higher income on interest rate derivatives, increased prepayment fees and the favorable impact of increased foreign currency-d
annuities in Japan resulting in increased holdings of higher yielding foreign currency-denominated fixed maturity securities. O
separate account balance grew with the equity markets driving higher fee income in our annuity business and lower DAC amo
However, this was partially offset by costs associated with our variable annuity guaranteed minimum death benefits ("GMDBs
market factors discussed above resulted in a $6 million decrease in operating earnings.

The Company's effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income,
income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In the current period, the Company reali
tax benefit of $9 million compared to the prior period, primarily as a result of the Company's decision to permanently reinvest
earnings. However, this was more than offset by a $5 million tax charge related to the PPACA fee, which is not deductible fo
purposes, and a $15 million tax charge related to the repatriation of earnings from Japan.

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

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

The primary drivers of the decrease in operating earnings were unfavorable mortality and morbidity experience and a decrease
yields, partially offset by higher asset-based fee revenues from improved equity market performance, higher net investment in
portfolio growth and a decrease in interest credited expense. The fourth quarter 2013 acquisition of ProVida in Chile increased
earnings by $111 million. Changes in foreign currency exchange rates had a $64 million negative impact on results compared
period.

We experienced less favorable mortality and morbidity in the majority of our segments, but most significantly in our Group, V
Worksite Benefits segment. In addition, in our property & casualty businesses, catastrophe-related losses increased due to seve
in the current period. Non-catastrophe related claim costs also increased as a result of severe winter weather in the current peri
partially offset by a decline in new and pending long-term care ("LTC") claims in our Group Voluntary & Worksite Benefits s
combined impact of mortality, morbidity and claims experience decreased operating earnings by $189 million.

Refinements to DAC and certain insurance-related liabilities in both periods resulted in a $48 million increase in operating ear
refinements include a favorable reserve adjustment in the current period related to disability premium waivers in our life busin
Retail segment and a write-down of DAC and VOBA in the prior period related to pension reform in Poland in our EMEA seg

Our results for the current period include charges totaling $57 million related to the aforementioned settlement of a licensing m
Department of Financial Services and the District Attorney, New York County. The PPACA fee reduced operating earnings by
the current period.

We benefited from strong sales and business growth across many of our products. However, we continue to focus on pricing d
management which resulted in a decrease in sales of our variable annuity and Japan life products. Excluding the impact of the
businesses and the acquisition of ProVida, growth in our investment portfolios in the majority of our segments generated highe
income. Our property & casualty businesses benefited from an increase in average premium per policy. The changes in busine
discussed above resulted in a $111 million increase in operating earnings.

Table of Contents

Market factors, including the sustained low interest rate environment, continued to impact our investment yields, as well as ou
Excluding the results of the divested businesses, the acquisition of ProVida and the impact of inflation-indexed investments in
America segment, investment yields decreased. Certain of our inflation-indexed products are backed by inflation-indexed inve
in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in
to operating earnings. Investment yields were negatively impacted by lower returns on hedge funds, increased holdings of low
Japanese government securities in the Japan fixed annuity business and the adverse impact of the sustained low interest rate en
on yields from fixed maturity securities and mortgage loans. These decreases in yields were partially offset by higher returns o
joint ventures, higher income on interest rate derivatives, increased prepayment fees and the favorable impact of increased fore
currency-denominated fixed annuities in Japan resulting in increased holdings of higher yielding foreign currency-denominate
securities. The low interest rate environment also resulted in lower interest credited expense as we set interest credited rates lo
business and certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rat
provisions. Our average separate account balance grew with the equity markets driving higher fee income in our annuity busin
this was partially offset by higher DAC amortization due to the significant prior period equity market increase, as well as high
commissions, which are, in part, determined by separate account balances. The changes in market factors discussed above resu
$39 million increase in operating earnings.

The Company's effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income,
income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In the current period, the Company reali
tax benefits of $21 million compared to the prior period, primarily as a result of the Company's decision to permanently reinve
earnings. However, this was more than offset by a $28 million tax charge related to a portion of the aforementioned settlemen
matter and the PPACA fee, both of which were not deductible for income tax purposes. The Company also recorded a $15 mi
related to the repatriation of earnings from Japan.

Segment Results and Corporate & Other

Retail

	Three Months Ended June 30,		Six Mont[h]s Ended June 30,
	2014	2013	2014
	(In millions)		
OPERATING REVENUES			
Premiums	$1,812	$1,581	$3,536
Universal life and investment-type product policy fees	1,256	1,238	2,503
Net investment income	1,963	1,987	3,977
Other revenues	265	257	510
Total operating revenues	5,296	5,063	10,526
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	2,438	2,272	4,845
Interest credited to policyholder account balances	561	589	1,116
Capitalization of DAC	(249)	(344)	(483
Amortization of DAC and VOBA	378	396	807
Interest expense on debt	—	1	—
Other expenses	1,177	1,265	2,319
Total operating expenses	4,305	4,179	8,604
Provision for income tax expense (benefit)	339	303	658
Operating earnings	$652	$581	$1,264

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

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

Changes to our guarantee features since 2012, along with continued management of sales in the current period by focusing on and risk management, drove a $1.2 billion, or 42%, decrease in variable annuity sales. Variable and universal life sales were al driven by the discontinuance of all but one of our secondary guarantees on universal life products. These declines were partiall increase in fixed and indexed annuity sales.

A $22 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows, de universal life sales, which is reflected in higher net investment income, partially offset by an increase in DAC amortization, an fees related to discontinued secondary guarantees. In our deferred annuities business, surrenders and withdrawals exceeded sal resulting in negative cash flows contributing to a reduction in interest credited expenses in the general account and a decrease separate account balances and, consequently, asset-based fees. In our property & casualty business, an increase in average pre in both our auto and homeowners businesses contributed to the increase in operating earnings. In addition, we earned more inc invested asset base, which resulted from a higher amount of allocated equity in the business as compared to the prior period.

A $6 million increase in operating earnings was attributable to changes in market factors, including equity markets and interes strong equity market performance increased our average separate account balances, driving an increase in asset-based fee inco in lower DAC amortization. These positive impacts were partially offset by costs associated with our GMDBs, as well as high commissions, which are, in part, determined by separate account balances. The sustained low interest rate environment resulte net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments were reinv yields. These negative interest rate impacts were partially offset by lower interest credited expense as we reduced interest cred contracts with discretionary rate reset provisions. Lower returns on our hedge funds also decreased operating earnings and wer by higher prepayment fees and income from real estate joint ventures.

Table of Contents

Less favorable mortality experience in our variable and universal life business, primarily driven by one large, unreinsured clai
by favorable mortality experience in the traditional life business, resulted in a $4 million decrease in operating earnings. In our
casualty business, catastrophe-related losses increased by $9 million compared to the prior period, mainly due to severe storm
current period.
A decline in expenses of $6 million also contributed to the increase in operating earnings. Refinements to DAC and certain ins
liabilities in both periods resulted in a $48 million increase in operating earnings, primarily driven by a favorable reserve adjus
disability premium waivers in our life business in the current period.
Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013
Unless otherwise stated, all amounts discussed below are net of income tax.
A $52 million increase in operating earnings was attributable to business growth. Our life businesses had positive net flows, d
universal life sales, which is reflected in higher net investment income, partially offset by an increase in DAC amortization an
expenses. In our deferred annuities business, surrenders and withdrawals exceeded sales for the period, resulting in negative c
contributing to a reduction in interest credited expenses in the general account and a decrease in average separate account bala
consequently, asset-based fees. In our property & casualty business, an increase in average premium per policy in both our aut
homeowners businesses contributed to the increase in operating earnings. In addition, we earned more income on a larger inve
which resulted from a higher amount of allocated equity in the business as compared to the prior period.
A $10 million increase in operating earnings was attributable to changes in market factors, including equity markets and intere
Continued strong equity market performance increased our average separate account balances, driving an increase in asset-bas
These positive impacts were partially offset by higher asset-based commissions, which, are in part, determined by separate acc
costs associated with our variable annuity GMDBs and higher DAC amortization due to the significant prior period equity ma
sustained low interest rate environment resulted in a decline in net investment income on our fixed maturity securities and mo
proceeds from maturing investments were reinvested at lower yields. These negative interest rate impacts were partially offset
credited expense as we reduced interest credited rates on contracts with discretionary rate reset provisions and lower DAC am
life business. Lower returns in our hedge funds also decreased operating earnings and were partially offset by higher prepaym
income from real estate joint ventures.
Less favorable mortality experience in our variable and universal life business, primarily driven by three large, unreinsured cla
offset by increases in the immediate annuities and traditional life businesses, resulted in a $12 million decrease in operating ea
addition, unfavorable morbidity experience in our individual disability income business resulted in a $5 million decrease in op
In our property & casualty business, catastrophe-related losses increased $8 million compared to the prior period, mainly due t
activity in the current period. Non-catastrophe claim costs increased by $7 million, as a result of higher frequencies and lower
auto business and lower frequencies and higher severities in our homeowners business.
Operating earnings increased due to a decline in expenses of $29 million, mainly the result of lower employee-related costs. R
DAC and certain insurance-related liabilities in both periods resulted in a $4 million decrease in operating earnings, which inc
reserve adjustment related to disability premium waivers in our life business in the current period.

Table of Contents

Group, Voluntary & Worksite Benefits

	Three Months Ended June 30, 2014	2013	Six Mont Ended June 30, 2014
	(In millions)		
OPERATING REVENUES			
Premiums	$4,038	$3,797	$8,040
Universal life and investment-type product policy fees	181	170	358
Net investment income	458	472	911
Other revenues	104	105	211
Total operating revenues	4,781	4,544	9,520
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	3,789	3,514	7,570
Interest credited to policyholder account balances	39	39	79
Capitalization of DAC	(36)	(35)	(70
Amortization of DAC and VOBA	35	33	71
Interest expense on debt	—	1	—
Other expenses	638	578	1,266
Total operating expenses	4,465	4,130	8,916
Provision for income tax expense (benefit)	111	139	211
Operating earnings	$205	$275	$393

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

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

The macro-economic environment continues to signal stronger growth and is likely to instill further confidence in the econom improvement in the economy and overall employment remains slow and steady. In the current period, premiums increased acr Our disability, dental, and term life businesses generated premium growth through stronger sales and improved persistency, w business also benefiting from pricing actions on existing business. In addition, premiums in our term life business increased d of experience adjustments on our participating contracts, however, changes in premiums for these contracts were almost entire related changes in policyholder benefits. The introduction of new products also drove growth in the voluntary benefits busines have discontinued selling our LTC product, we continue to collect premiums and administer the existing block of business, co growth in the segment.

Our life businesses experienced less favorable mortality in the current period, mainly due to increased claims severity in our g life business, partially offset by more favorable claims experience in the group term life business, which resulted in a $14 milli operating earnings. Unfavorable claims experience in our disability and accidental death and dismemberment (“AD&D”) busi with increased utilization of services across most channels of our dental business, were partially offset by favorable claims exp voluntary businesses, resulting in a $43 million decrease in operating earnings. The impact of favorable reserve refinements in period resulted in an increase in operating earnings of $16 million. In our property & casualty business, catastrophe-related los million as compared to the prior period, mainly due to severe storm activity in the current period. These unfavorable results w offset by a decrease in non-catastrophe claim costs of $7 million, which was the result of lower severities, partially offset by h in both our auto and homeowners businesses.

The impact of market factors, including lower returns on our fixed maturity securities and mortgage loans, and lower income derivatives, resulted in lower investment yields. Unlike in the Retail and Corporate Benefit Funding segments, a change in inv does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The decrease in investm reduced operating earnings by $19 million.

Table of Contents

The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $10
in premiums and deposits in the current period, partially offset by a reduction in PABs, other liabilities and allocated equity, re
increase in our average invested assets, increasing operating earnings by $8 million. Consistent with the growth in average inv
premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts and PABs increased by $5
PPACA fee reduced operating earnings by $15 million in the current period. The remaining increase in other operating expens
higher marketing and sales support costs in our property & casualty business, was significantly offset by the remaining increas
fees and other revenues.

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

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

Our life businesses experienced less favorable mortality in the current period, mainly due to increased severity in the group un
group term life businesses, which resulted in a $37 million decrease in operating earnings. Unfavorable claims experience in o
AD&D businesses, coupled with increased utilization of services across most channels of our dental business, were partially o
in new and pending claims in our LTC business, resulting in a $53 million decrease in operating earnings. The impact of favor
refinements in the current period resulted in an increase in operating earnings of $23 million. In our property & casualty busin
catastrophe-related losses increased $14 million as compared to the prior period, mainly due to severe storm activity in the cur
addition, severe winter weather in the current period increased non-catastrophe claim costs by $8 million, which was the result
frequencies in both our auto and homeowners businesses, as well as higher severities in our homeowners business, partially of
severities in our auto business. These unfavorable results were partially offset by additional favorable development of prior ye
non-catastrophe losses, which improved operating earnings by $5 million.

The impact of market factors, including lower returns on our fixed maturity securities and mortgage loans, and lower income o
derivatives, resulted in lower investment yields. The decrease in investment yields, slightly offset by lower crediting rates in th
reduced operating earnings by $30 million.

The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $20
in premiums and deposits in the current period, partially offset by a reduction in PABs, other liabilities and allocated equity, re
increase in our average invested assets, increasing operating earnings by $20 million. Consistent with the growth in average in
from premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts and PABs increased b
The PPACA fee reduced operating earnings by $29 million in the current period. The remaining increase in other operating ex
higher marketing and sales support costs in our property & casualty business, was significantly offset by the remaining increas
fees and other revenues.

Table of Contents

Corporate Benefit Funding

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
OPERATING REVENUES			
Premiums	$686	$503	$987
Universal life and investment-type product policy fees	55	65	112
Net investment income	1,443	1,402	2,853
Other revenues	75	67	143
Total operating revenues	2,259	2,037	4,095
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	1,273	1,080	2,161
Interest credited to policyholder account balances	287	305	565
Capitalization of DAC	(18)	(6)	(19
Amortization of DAC and VOBA	6	6	10
Interest expense on debt	2	2	4
Other expenses	134	116	254
Total operating expenses	1,684	1,503	2,975
Provision for income tax expense (benefit)	201	188	391
Operating earnings	$374	$346	$729

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

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

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

The sustained low interest rate environment has contributed to the underfunding of pension plans, which limits our customers' in full pension plan closeout terminations. However, we expect that customers may choose to close out portions of pension pla costs reflecting current interest rates and availability of capital. Higher pension closeouts in the current period resulted in an in premiums. In addition, competitive pricing and a relative increase in participation drove an increase in structured settlement sa period. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits.

In the current period, we experienced higher returns on our fixed maturity securities from portfolio repositioning, increased pr and higher income on our interest rate derivatives. These favorable changes were partially offset by the impact of changes in m which resulted in lower yields on our mortgage loans and lower returns on our hedge funds. Many of our funding agreement an interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lowe credited rates on new business, as well as on existing business with terms that can fluctuate. The impact of lower interest credi higher investment returns resulted in an increase in operating earnings of $20 million.

An increase in allocated equity resulted in higher invested assets, which drove an increase of $6 million in operating earnings. expenses decreased in response to lower average funding agreement balances in the current period and, as a result, operating e by $7 million.

Unfavorable mortality in the current period, spread across products, resulted in a $15 million decrease in operating earnings. T insurance liability refinements in both periods resulted in a $4 million increase in operating earnings.

Table of Contents

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013
Unless otherwise stated, all amounts discussed below are net of income tax.
In the current period we experienced higher income on our interest rate derivatives, higher returns on our fixed maturity securi
portfolio repositioning, improved results on real estate joint ventures and increased prepayment fees. These favorable changes
offset by the impact of changes in market factors, which resulted in lower yields on our mortgage loans and lower returns on o
Many of our funding agreement and guaranteed interest contract liabilities have interest credited rates that are contractually tie
indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms that ca
impact of lower interest credited expense and higher investment returns resulted in an increase in operating earnings of $71 mi
An increase in allocated equity resulted in higher invested assets, which drove an increase of $14 million in operating earnings
credited expenses decreased in response to lower average balances for funding agreements in the current period, this was entir
increase in interest credited expenses on higher average account balances for other products.
Mortality results were mixed across products and resulted in a $6 million decrease in operating earnings. The net impact of ins
refinements in both periods increased operating earnings by $5 million.

Latin America

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
OPERATING REVENUES			
Premiums	$780	$710	$1,448
Universal life and investment-type product policy fees	317	235	628
Net investment income	332	281	657
Other revenues	9	5	16
Total operating revenues	1,438	1,231	2,749
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	743	601	1,347
Interest credited to policyholder account balances	100	103	198
Capitalization of DAC	(93)	(108)	(182
Amortization of DAC and VOBA	81	83	160
Amortization of negative VOBA	(1)	—	(1
Interest expense on debt	—	1	—
Other expenses	412	390	814
Total operating expenses	1,242	1,070	2,336
Provision for income tax expense (benefit)	36	36	70
Operating earnings	$160	$125	$343

130

Table of Contents

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

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

Operating earnings increased by $35 million over the prior period. The impact of changes in foreign currency exchange rates d
operating earnings by $11 million for the second quarter of 2014 compared to the prior period.

The fourth quarter 2013 acquisition of ProVida increased operating earnings by $57 million.

Latin America experienced organic growth and increased sales of life and accident & health products in Chile, Mexico and our
direct business. The increase in premiums for these products was partially offset by related changes in policyholder benefits. G
businesses and the impact of inflation drove an increase in average invested assets, which generated higher net investment inco
policy fee income, partially offset by a corresponding increase in interest credited on certain insurance liabilities. Increases in m
and commissions resulted in higher operating expenses. The items discussed above were the primary drivers of a $40 million i
operating earnings.

The net impact of market factors resulted in a $6 million decrease in operating earnings, primarily driven by lower investment
alternative investments and mortgage loans in Chile.

Higher expenses, primarily generated by employee- and information technology-related costs across several countries, decreas
earnings by $15 million. In addition, unfavorable claims experience in Mexico, Chile, Brazil and Argentina decreased operatin
$18 million. Refinements to DAC and other adjustments recorded in both periods resulted in a net decrease of $13 million in o
earnings.

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

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

Operating earnings increased by $75 million from the prior period. The impact of changes in foreign currency exchange rates d
operating earnings by $26 million for the first half of 2014 compared to the prior period.

The fourth quarter 2013 acquisition of ProVida increased operating earnings by $111 million.

Latin America experienced organic growth and increased sales of life and accident & health products in Chile, Mexico and our
direct business. This was partially offset by decreased pension sales in Mexico and Brazil. The increase in premiums for these
partially offset by related changes in policyholder benefits. Growth in our businesses and the impact of inflation drove an incre
invested assets, which generated higher net investment income and higher policy fee income, partially offset by a correspondin
interest credited on certain insurance liabilities. Increases in marketing costs and commissions resulted in higher operating exp
growth also drove an increase in DAC amortization. The items discussed above were the primary drivers of a $45 million incre
earnings.

The net impact of market factors resulted in a $5 million increase in operating earnings as higher investment yields, primarily o
income securities in Chile, Brazil and Mexico, were partially offset by higher interest credited expense.

Higher expenses, primarily generated by employee- and information technology-related costs across several countries, decreas
earnings by $32 million. In addition, unfavorable claims experience in Mexico, Chile, Brazil and Argentina decreased operatin
$27 million. These decreases were partially offset by increased operating earnings of $11 million primarily related to a tax ben
due to the devaluation of the peso. Refinements to DAC and other adjustments recorded in both periods resulted in a net decrea
$13 million in operating earnings.

Table of Contents

Asia

	Three Months Ended June 30,		Six Mont[h]s Ended June 30,
	2014	2013	2014
	(In millions)		
OPERATING REVENUES			
Premiums	$1,913	$1,980	$3,803
Universal life and investment-type product policy fees	400	442	789
Net investment income	717	723	1,410
Other revenues	24	28	51
Total operating revenues	3,054	3,173	6,053
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	1,425	1,433	2,822
Interest credited to policyholder account balances	394	437	781
Capitalization of DAC	(457)	(522)	(951
Amortization of DAC and VOBA	362	392	700
Amortization of negative VOBA	(92)	(113)	(186
Other expenses	976	1,054	1,966
Total operating expenses	2,608	2,681	5,132
Provision for income tax expense (benefit)	127	162	274
Operating earnings	$319	$330	$647

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

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

Operating earnings decreased by $11 million from the prior period. The impact of changes in foreign currency exchange rates operating earnings by $7 million for the second quarter of 2014 compared to the prior period and resulted in significant varian financial statement line items.

Asia sales declined compared to the prior period mainly driven by lower sales of Japan life products consistent with our focus pricing and risk management. This was partially offset by higher fixed annuity sales in Japan, strong independent agency sales continued accident and health sales growth in China.

Asia's premiums, fees and other revenues decreased from the prior period primarily driven by lower surrender fee income in J flows in Japan and Korea, combined with growth in our life business in Bangladesh, resulted in higher average invested assets increase in net investment income. Changes in premiums for these businesses were offset by related changes in policyholder b combined impact of the items discussed above improved operating earnings by $6 million.

Investment yields were negatively impacted by the adverse impact of the low interest rate environment on mortgage loans, low other limited partnership interests and an increase in lower yielding Japanese government securities. These decreases in yields offset by the favorable impact of increased sales of foreign currency-denominated fixed annuities in Japan resulting in an incre yielding foreign currency-denominated fixed maturity securities in addition to higher prepayment fee income. These declines i yields, combined with the impact of foreign currency hedges, resulted in a $16 million decrease in operating earnings.

Current period results include a $13 million tax benefit related to the U.S. taxation of dividends from Japan and a one-time tax $4 million from a tax rate change in Japan. In addition, unfavorable claims experience, primarily due to our accident & health Japan, decreased operating earnings by $12 million.

Table of Contents

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

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

Operating earnings decreased by $16 million from the prior period. The impact of changes in foreign currency exchange rates operating earnings by $35 million for the first half of 2014 compared to the prior period and resulted in significant variances in statement line items.

Asia's premiums, fees and other revenues increased over the prior period primarily driven by broad based in-force growth acro including growth of ordinary life products in Japan and increased sales of our group insurance product in Australia. This was p lower surrender fee income in Japan. Positive net flows in Korea, combined with growth in our life business in Bangladesh res average invested assets and generated an increase in net investment income. Changes in premiums for these businesses were c changes in policyholder benefits. The combined impact of the items discussed above improved operating earnings by $15 mill

Investment returns were negatively impacted by the adverse impact of the low interest rate environment on mortgage loans, as returns on our other limited partnership interests, decreased prepayment fee income and an increase in lower yielding Japanese securities. These declines in yields were partially offset by the favorable impact of increased sales of foreign currency-denomi annuities in Japan resulting in an increase in higher yielding foreign currency-denominated fixed maturity securities, as well as foreign currency hedges, resulting in a $15 million decrease in operating earnings.

The prior period results include an unfavorable liability refinement of $14 million in China. The current period benefited from changes in tax benefits of $20 million primarily driven by $13 million related to the U.S. taxation of dividends from Japan and benefit of $4 million from a tax rate change in Japan, partially offset by a one-time prior period tax benefit of $6 million relate of our interest in a Korean asset management company at the beginning of 2013. In addition, unfavorable claims experience, p our accident and health business in Japan, decreased operating earnings by $15 million.

EMEA

	Three Months Ended June 30,		Six Mont Ended June 30,
	2014	2013	2014
	(In millions)		
OPERATING REVENUES			
Premiums	$584	$558	$1,181
Universal life and investment-type product policy fees	117	96	226
Net investment income	134	120	257
Other revenues	11	34	27
Total operating revenues	846	808	1,691
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	271	256	532
Interest credited to policyholder account balances	35	37	69
Capitalization of DAC	(170)	(192)	(346
Amortization of DAC and VOBA	160	195	324
Amortization of negative VOBA	(6)	(11)	(15
Interest expense on debt	—	(1)	—
Other expenses	446	460	902
Total operating expenses	736	744	1,466
Provision for income tax expense (benefit)	17	(4)	44
Operating earnings	$93	$68	$181

133

Table of Contents

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

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

Operating earnings increased by $25 million over the prior period. The impact of changes in foreign currency exchange rates r earnings by $2 million for the second quarter of 2014 compared to the prior period.

The Company received tax benefits of $7 million and $52 million in the current and prior periods, respectively, as a result of it permanently reinvest certain foreign earnings. Prior period operating earnings were negatively impacted as a result of a $30 m related to the write-off of a United Kingdom ("U.K.") tax loss carryforward and by a $26 million write-down of DAC and VO pension reform in Poland. In addition, in the current period we converted to calendar year reporting for certain of our subsidia resulted in a $5 million increase to operating earnings.

While sales increased compared to the prior period, primarily driven by growth in the Middle East and Central Europe, this wa by the impact of regulatory changes in the U.K. and pension reform in Poland. The amortization, or release, of negative VOBA the conversion of certain policies generally results in an increase in operating earnings. In the current period, the number of po declined and so, relative to the prior period, this reduced operating earnings. Operating earnings in the current period benefited review of certain tax liabilities. The combined impact of the items discussed above increased operating earnings by $6 million

Net investment income increased slightly driven by a lengthening of the Ireland and Greece shorter-term portfolios into higher maturity securities.

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

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

Operating earnings increased by $26 million over the prior period. The impact of changes in foreign currency exchange rates r earnings by $3 million for the first half of 2014 compared to the prior period.The Company received tax benefits of $17 millio in the current and prior periods, respectively, as a result of its decision to permanently reinvest certain foreign earnings. Prior p earnings were negatively impacted as a result of a $30 million tax charge related to the write-off of a U.K. tax loss carryforwar $26 million write-down of DAC and VOBA related to pension reform in Poland. This was partially offset by the prior period i change in the local corporate tax rate in Greece, which increased operating earnings by $4 million in the first quarter of 2013. earnings in the prior period were also higher due to liability refinements totaling $4 million in our ordinary and deferred annui Greece. In addition, in the current period we converted to calendar year reporting for certain of our subsidiaries, which resulte increase to operating earnings.

While sales increased compared to the prior period, primarily driven by growth in the Middle East and Central Europe, this wa by the impact of regulatory changes in the U.K. and pension reform in Poland. The amortization, or release, of negative VOBA the conversion of certain policies generally results in an increase in operating earnings. In the current period, the number of po declined and so, relative to the prior period, this reduced operating earnings. Operating earnings in the current period earnings result of a review of certain tax liabilities. The combined impact of the items discussed above increased operating earnings by

An increase in average invested assets from business growth in Egypt, the Persian Gulf and Russia was offset by the unfavora sustained low interest rate environment on our fixed maturity securities yields, resulting in a slight increase in net investment i periods.

Table of Contents

Corporate & Other

	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014
	(In millions)		
OPERATING REVENUES			
Premiums	$40	$28	$75
Universal life and investment-type product policy fees	34	35	67
Net investment income	48	72	115
Other revenues	5	4	26
Total operating revenues	127	139	283
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	25	18	60
Interest credited to policyholder account balances	9	11	18
Capitalization of DAC	(8)	(5)	(26
Amortization for DAC and VOBA	3	—	3
Interest expense on debt	297	283	589
Other expenses	196	146	409
Total operating expenses	522	453	1,053
Provision for income tax expense (benefit)	(213)	(205)	(426
Operating earnings	(182)	(109)	(344
Less: Preferred stock dividends	31	31	61
Operating earnings available to common shareholders	$(213)	$(140)	$(405

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

	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014
	(In millions)		
Various business activities	$14	$14	$23
Other net investment income	31	47	75
Interest expense on debt	(193)	(184)	(383)
Preferred stock dividends	(31)	(31)	(61)
Acquisition costs	(3)	(6)	(5)
Corporate initiatives and projects	(40)	(15)	(68)
Incremental tax benefit	75	95	157
Other	(66)	(60)	(143)
Operating earnings available to common shareholders	$(213)	$(140)	$(405)

135

Table of Contents

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

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

Operating earnings available to common shareholders and operating earnings each decreased $73 million, primarily due to hig
related to corporate initiatives and projects, lower net investment income and higher interest expense on debt.

Operating earnings from various business activities were essentially unchanged. Lower operating earnings from the assumed r
our former operating joint venture in Japan, primarily due to lower returns in the current period, were offset by higher operatin
start-up operations.

Other net investment income decreased $16 million. This decrease was driven by an increase in the amount credited to the seg
growth in the economic capital managed by Corporate & Other on their behalf and lower returns from our real estate investme

Interest expense on debt increased by $9 million mainly due to the issuance of $1 billion of senior notes in April 2014 and the
issuance costs on the early redemption of senior notes in May 2014.

Expenses related to corporate initiatives and projects increased by $25 million primarily due to higher relocation costs, severar
consulting expenses.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income an
investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. The second c
includes a $28 million tax charge related to the timing of certain tax credits. In addition, we had higher utilization of tax prefer
investments which increased our operating earnings by $8 million over the prior period.

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

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

Operating earnings available to common shareholders and operating earnings each decreased $179 million, primarily due to lo
investment income, higher expenses related to corporate initiatives and projects, a smaller incremental tax benefit as comparec
period, and higher other expenses.

Operating earnings from various business activities decreased $10 million. Lower operating earnings from the assumed reinsu
former operating joint venture in Japan, primarily due to lower returns in the current period, were partially offset by higher ope
from start-up operations.

Other net investment income decreased $64 million. This decrease was driven by an increase in the amount credited to the seg
growth in the economic capital managed by Corporate & Other on their behalf, as well as lower yields and prepayment fee inc
fixed maturity securities.

Interest expense on debt increased by $13 million mainly due to the issuance of $1 billion of senior notes in April 2014 and th
issuance costs on the early redemption of senior notes in May 2014.

Expenses related to corporate initiatives and projects increased by $24 million primarily due to higher relocation costs, severar
consulting expenses. These expenses include a $12 million decrease in restructuring charges, the majority of which related to s

Our results for the current period include charges totaling $57 million related to the aforementioned settlement of a licensing m
Department of Financial Services and the District Attorney, New York County. This was partially offset by an $18 million inc
earnings resulting from net adjustments to certain reinsurance assets and liabilities.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income an
investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. The tax bene
includes an $18 million tax charge related to a portion of the aforementioned settlement of a licensing matter that was not dedu
tax purposes and a $28 million tax charge related to the timing of certain tax credits.

Table of Contents

Investments

Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total ret
ensuring that assets and liabilities are managed on a cash flow and duration basis. The Investments Department, led by the Chi
Officer, manages investment risks using a risk control framework comprised of policies, procedures and limits, as discussed fu
Investments Risk Committee of our Global Risk Management Department ("GRM") reviews, monitors and reports investment
tolerances. We are exposed to the following primary sources of investment risks:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of prin
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates. Change interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of retur both new funds invested and reinvestment of existing funds;
- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market fa credit spreads. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income in portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, i widen significantly or for an extended period of time, will likely result in higher other-than-temporary impairment ("OTTI"). C tightening will reduce net investment income associated with purchases of fixed maturity securities and will favorably impact unrealized gain (loss) position of the fixed income investment portfolio;
- currency risk, relating to the variability in currency exchange rates for foreign denominated investments. This risk relates to po in estimated fair value and net investment income resulting from changes in currency exchange rates versus the U.S. dollar. In weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our foreign denominate and
- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, which include, but a market conditions, including the demand and supply of leasable commercial space, creditworthiness of tenants and partners, ca volatility and the inherent interest rate movement.

We manage investment risk through in-house fundamental credit analysis of the underlying obligors, issuers, transaction struct
estate properties. We also manage credit risk, market valuation risk and liquidity risk through industry and issuer diversificatio
allocation. Risk limits to promote diversification by asset sector, avoid concentrations in any single issuer and limit overall agg
exposure as measured by our economic capital framework are approved annually by a committee of directors that oversees our
portfolio. For real estate assets, we manage credit risk and market valuation risk through geographic, property type and produc
diversification and asset allocation. We manage interest rate risk as part of our ALM strategies. These strategies include maint
investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duratio
estimated liability cash flow profile, and utilizing product design, such as the use of market value adjustment features and surre
manage interest rate risk. We also manage interest rate risk through proactive monitoring and management of certain non-guar
of our products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments. In additio
with foreign currency derivatives, we manage currency risk by matching much of our foreign currency liabilities in our foreign
with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. We also
derivatives in the management of credit, interest rate, and equity market risks.

We use purchased credit default swaps to mitigate credit risk in our investment portfolio. Generally, we purchase credit protec
into credit default swaps referencing the issuers of specific assets we own. In certain cases, basis risk exists between these cred
and the specific assets we own. For example, we may purchase credit protection on a macro basis to reduce exposure to specif
other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not
the individual obligors or securities in our investment portfolio. In addition, our purchased credit default swaps may have shor
underlying investments they are hedging. However, we dynamically hedge this risk through the rebalancing and rollover of its
swaps at their most liquid tenors. We believe that our purchased credit default swaps serve as effective economic hedges of ou

Table of Contents

We generally enter into market standard purchased and written credit default swap contracts. Payout under such contracts is tri
credit events experienced by the referenced entities. For credit default swaps covering North American corporate issuers, credi
include bankruptcy and failure to pay on borrowed money. For European corporate issuers, credit events typically also include
restructuring. With respect to credit default contracts on Western European sovereign debt, credit events typically include failu
obligations, repudiation, moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered on
Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association deems that a credit even

Current Environment

The global economy and markets continue to be affected by stress and volatility, which has adversely affected the financial ser
particular, and global capital markets. Recently, concerns about the political and economic stability of countries in regions out
including Ukraine, Russia and Argentina, have contributed to global market volatility. As a global insurance company, we are
the monetary policy of central banks around the world. Financial markets have also been affected by concerns over the directio
and monetary policy. See "— Industry Trends — Financial and Economic Environment." The Federal Reserve Board has take
actions in recent years to spur economic activity, by keeping interest rates low and, more recently, through its asset purchase p
ECB has also recently adopted an array of stimulus measures, including a negative rate on bank deposits, intended to lessen th
prolonged period of deflation and support economic recovery in the Euro zone. See "— Industry Trends — Impact of a Sustai
Environment" for information on actions taken by the Federal Reserve Board and central banks around the world to support th
recovery. See "— Industry Trends — Financial and Economic Environment" for information on actions taken by Japan's centr
Bank of Japan to boost inflation expectations and achieve sustainable economic growth in Japan. The Federal Reserve and oth
around the world may take further actions to influence interest rates in the future, which may have an impact on the pricing lev
risk-bearing investments and may adversely impact the level of product sales.

European Region Investments

Excluding Europe's perimeter region and Cyprus which is discussed below, our holdings of sovereign debt, corporate debt and
securities in certain EU member states and other countries in the region that are not members of the EU (collectively, the "Eur
were concentrated in the United Kingdom, Germany, France, the Netherlands, Poland, Norway and Sweden. The sovereign de
countries continues to maintain investment grade credit ratings from all major rating agencies. In the European Region, we hav
mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a fo
higher-rated countries. Sovereign debt issued by countries outside of Europe's perimeter region and Cyprus comprised $9.3 bi
our European Region sovereign fixed maturity securities, at estimated fair value, at June 30, 2014. The European Region corpo
(fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfo
non-financial services securities, which comprised $24.2 billion, or 74% of European Region total corporate securities, at estin
at June 30, 2014. Of these European Region sovereign fixed maturity and corporate securities, 91% were investment grade and
were below investment grade, the majority was comprised of non-financial services corporate securities at June 30, 2014. Euro
financial services corporate securities, at estimated fair value, were $8.5 billion, including $6.3 billion within the banking secto
invested in investment grade rated corporate securities, at June 30, 2014.

Table of Contents

Selected Country Investments

Concerns about the economic conditions, capital markets and the solvency of certain EU member states, including Europe's pe
and Cyprus, and of financial institutions that have significant direct or indirect exposure to debt issued by these countries, have
elevated levels of market volatility, and has affected the performance of various asset classes in recent years. However, after se
years, economic conditions in Europe's perimeter region seem to be stabilizing or improving, as evidenced by the stabilization
particularly in Spain, Portugal and Ireland. This, combined with greater ECB support and improving macroeconomic conditio
level, has reduced the risk of default on the sovereign debt of certain countries in Europe's perimeter region and Cyprus and th
withdrawal of one or more countries from the Euro zone.

As presented in the table below, our exposure to the sovereign debt of Europe's perimeter region and Cyprus is not significant
do not expect such investments to have a material adverse effect on our results of operations or financial condition. We manag
indirect investment exposure in these countries through fundamental credit analysis and we continually monitor and adjust our
investment exposure in these countries. The following table presents a summary of investments by invested asset class and rel
credit default protection across Europe's perimeter region, by country, and Cyprus. The Company has written credit default sw
underlying is an index comprised of companies across various sectors in the European Region. At June 30, 2014, the written c
swaps exposure to Europe's perimeter region and Cyprus was $44 million in notional amount and less than $1 million in estim
The information below is presented at carrying value and on a country of risk basis (e.g. the country where the issuer primaril
business).

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

	Fixed Maturity Securities (1)								
	Sovereign	Financial Services	Non-Financial Services	Total	All Other General Account Investment Exposure (2)	Total Exposure (3)	%	Purchased Credit Default Protection (4)	Ne Ex
	(In millions)							(In millions)	
Europe's perimeter region:									
Portugal	$—	$—	$ —	$—	$13	$13	1 %	$—	$1
Italy	8	134	598	740	67	807	33	1	80
Ireland	—	—	30	30	747	777	31	—	77
Greece	—	—	—	—	127	127	5	—	12
Spain	3	103	531	637	62	699	28	—	69
Total Europe's perimeter region	11	237	1,159	1,407	1,016	2,423	98	1	2,4
Cyprus	51	—	—	51	9	60	2	—	60
Total	$62	$237	$ 1,159	$1,458	$1,025	$2,483	100 %	$1	$2
As percent of total cash and invested assets	0.0 %	0.1 %	0.2 %	0.3 %	0.2 %	0.5 %		0.0 %	0.5
Investment grade %	17 %	100 %	83 %						
Non-investment grade %	83 %	0 %	17 %						

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

(2) Comprised of equity securities, mortgage loans, real estate and real estate joint ventures, other limited partnership interests,
equivalents and short-term investments, and other invested assets at carrying value. See Note 1 of the Notes to the Consoli

Statements included in the 2013 Annual Report for an explanation of the carrying value for these invested asset classes. Ex
contractholder-directed unit-linked investments of $1.0 billion. See "— FVO and Trading Securities."

(3) For Greece, the Company had $1 million of commitments to fund partnership investments at June 30, 2014.

(4) Purchased credit default protection is stated at the estimated fair value of the swap. For Italy, the purchased credit default p
to financial services corporate securities and these swaps had a notional amount of $80 million and an estimated fair value
June 30, 2014. The counterparties to these swaps are financial institutions with Standard & Poor's Ratings Services ("S&P
as of June 30, 2014.

139

Recently there have been concerns about the political and economic stability of Ukraine, Russia and Argentina. We maintain g
investments in Ukraine, Russia and Argentina to support our insurance operations and related policyholder liabilities in these c
June 30, 2014, cash, cash equivalents, short-term investments and available-for-sale securities invested in Ukraine, Russia and
estimated fair value, were $106 million, $914 million and $652 million, respectively, which were comprised primarily of local
and corporate debt securities. We manage direct and indirect investment exposure in these countries through fundamental cred
we continually monitor and adjust our level of investment exposure in these countries. We do not expect exposure to the gener
investments in these countries to have a material adverse effect on our results of operations or financial condition.

Current Environment — Summary

All of these factors have had and could continue to have an adverse effect on the financial results of companies in the financial
industry, including MetLife. Such global economic conditions, as well as the global financial markets, continue to impact our n
income, net investment gains (losses), net derivative gains (losses), and level of unrealized gains (losses) within the various ass
investment portfolio and our level of investment in lower yielding cash equivalents, short-term investments and government se
"— Industry Trends" included elsewhere herein and "Risk Factors — Economic Environment and Capital Markets-Related Ri
Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition
and May Cause Our Net Investment Income to Vary from Period to Period" included in the 2013 Annual Report.

Investment Portfolio Results

The following yield table presents the yield and investment income (loss) for our investment portfolio for the periods indicated
the footnotes below, this table reflects certain differences from the presentation of net investment income presented in the GA
statements of operations. This yield table presentation is consistent with how we measure our investment performance for man
purposes, and we believe it enhances understanding of our investment portfolio results.

	At or For the Three Months Ended June 30,								At or For the Six Months Ended June 30,					
	2014				2013				2014				2013
	Yield % (1)		Amount (In millions)		Yield % (1)		Amount (In millions)		Yield % (1)		Amount (In millions)		Yield % (1
Fixed maturity securities (2)(3)	4.90	%	$ 3,796		4.71	%	$ 3,687		4.83	%	$ 7,481		4.77
Mortgage loans (3)	5.05	%	708		5.40	%	716		5.06	%	1,417		5.46
Real estate and real estate joint ventures	4.54	%	114		4.26	%	106		3.98	%	203		3.33
Policy loans	5.36	%	158		5.18	%	152		5.35	%	315		5.20
Equity securities	4.72	%	37		5.13	%	36		4.30	%	67		4.28
Other limited partnerships	10.46	%	206		15.43	%	275		13.81	%	535		14.85
Cash and short-term investments	1.05	%	39		1.10	%	42		1.11	%	84		0.98
Other invested assets			200				222				420		
Total before investment fees and expenses	5.01	%	5,258		5.00	%	5,236		5.02	%	10,522		4.97
Investment fees and expenses	(0.13	)	(139	)	(0.13	)	(131	)	(0.13	)	(275	)	(0.13
Net investment income including divested businesses (4), (5)	4.88	%	5,119		4.87	%	5,105		4.89	%	10,247		4.84
Less: net investment income from divested businesses (4), (5)			24				48				67		
Net investment income (6)			$ 5,095				$ 5,057				$ 10,180		

Table of Contents

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excl gains and losses and reflects GAAP adjustments presented in footnote (6) below. Asset carrying values exclude unrealized collateral received in connection with our securities lending program, freestanding derivative assets, collateral received fro counterparties, the effects of consolidating certain variable interest entities ("VIEs") under GAAP that are treated as consol securitization entities ("CSEs") and contractholder-directed unit-linked investments. A yield is not presented for other inve not considered a meaningful measure of performance for this asset class.

(2) Investment income (loss) includes amounts for FVO and trading securities of $44 million and $81 million for the three mo months ended June 30, 2014, respectively, and ($11) million and $10 million for the three months and six months ended Ju respectively.

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

(4) Yield calculations include the net investment income and ending carrying values of the divested businesses. The net invest adjustment for divested businesses for the three months and six months ended June 30, 2014 was $24 million and $67 milli and $48 million and $103 million for the three months and six months ended June 30, 2013, respectively. These amounts in periodic settlement payments on derivatives not qualifying for hedge accounting adjustment that are excluded in the schedu settlement payments on derivatives not qualifying for hedge accounting line in the GAAP net investment income reconcilia below. The scheduled periodic settlement payments excluded were $4 million and $1 million for the three months and six June 30, 2014, respectively, and $7 million for both the three months and six months ended June 30, 2013.

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

(6) Net investment income presented in the yield table varies from the most directly comparable GAAP measure due to certain and excludes the effects of consolidating certain VIEs under GAAP that are treated as CSEs and contractholder-directed un investments. Such reclassifications are presented in the table below.

	Three Months Ended June 30,		Six Mo Ended June 3
	2014	2013	2014
	(In millions)		
Net investment income — in the above yield table	$5,095	$5,057	$10,18
Real estate discontinued operations	—	(3)	(1
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting	(169)	(167)	(344
Equity method operating joint ventures	1	(1)	1
Contractholder-directed unit-linked investments	295	314	360
Divested businesses	24	48	67
Incremental net investment income from CSEs	13	34	31
Net investment income — GAAP consolidated statements of operations	$5,259	$5,282	$10,29

See "— Results of Operations — Consolidated Results — Three Months Ended June 30, 2014 Compared with the Three Mont and "— Results of Operations — Consolidated Results — Six Months Ended June 30, 2014 Compared with the Six Months E analysis of the period over period changes in net investment income.

Fixed Maturity and Equity Securities Available-for-Sale

Fixed maturity securities available-for-sale ("AFS"), which consisted principally of publicly-traded and privately-placed fixed and redeemable preferred stock, were $367.1 billion and $350.2 billion, at estimated fair value, or 72% and 71% of total cash a assets, at June 30, 2014 and December 31, 2013, respectively. Publicly-traded fixed maturity securities represented $316.8 bill billion, at estimated fair value, at June 30, 2014 and December 31, 2013, respectively, or 86% of total fixed maturity securities 2014 and December 31, 2013. Privately placed fixed maturity securities represented $50.3 billion and $47.9 billion, at estimate June 30, 2014 and December 31, 2013, respectively, or 14% of total fixed maturity securities at both June 30, 2014 and Decem

Equity securities AFS, which consisted principally of publicly-traded and privately-held common and non-redeemable preferre including certain perpetual hybrid securities and mutual fund interests, were $3.9 billion and $3.4 billion, at estimated fair valu 0.7% of total cash and invested assets, at June 30, 2014 and December 31, 2013, respectively. Publicly-traded equity securities billion and $2.4 billion, at estimated fair value, or 72% and 71% of total equity securities, at June 30, 2014 and December 31, respectively. Privately-held equity securities represented $1.1 billion and $1.0 billion, at estimated fair value, or 28% and 29% securities, at June 30, 2014 and December 31, 2013, respectively.

Included within fixed maturity and equity securities were $1.1 billion of perpetual securities, at estimated fair value, at both Ju December 31, 2013. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed mat the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the secur debt-like characteristics; while those with more equity-like characteristics are classified as equity securities. Many of such secu referred to as "perpetual hybrid securities," have been issued by non-U.S. financial institutions that are accorded the highest tw categories by their respective regulatory bodies (i.e. core capital, or "Tier 1 capital" and perpetual deferrable securities, or "Up

Included within fixed maturity securities were $1.5 billion of redeemable preferred stock with a stated maturity, at estimated fa June 30, 2014 and December 31, 2013. These securities, which are commonly referred to as "capital securities," primarily hav interest deferral features and are primarily issued by U.S. financial institutions.

See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed M Securities Available-for-Sale — Valuation of Securities" included in the 2013 Annual Report for further information on the pr securities and the related controls.

Fair Value of Fixed Maturity and Equity Securities – AFS

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

	June 30, 2014			
	Fixed Maturity Securities (In millions)			Equity Securities (In millions)
Level 1				
Quoted prices in active markets for identical assets	$33,433	9.1	%	$1,615
Level 2				
Independent pricing source	271,633	74.0		821
Internal matrix pricing or discounted cash flow techniques	37,656	10.3		978
Significant other observable inputs	309,289	84.3		1,799
Level 3				
Independent pricing source	6,617	1.8		248
Internal matrix pricing or discounted cash flow techniques	14,067	3.8		138
Independent broker quotations	3,650	1.0		63
Significant unobservable inputs	24,334	6.6		449
Total estimated fair value	$367,056	100.0	%	$3,863

Table of Contents

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

The composition of fair value pricing sources for and significant changes in Level 3 securities at June 30, 2014 are as follows:

- The majority of the Level 3 fixed maturity and equity securities AFS were concentrated in four sectors: U.S. and foreign corpo residential mortgage-backed securities ("RMBS") and asset-backed securities ("ABS").
- Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing much lesser extent, independent non-binding broker quotations using inputs that are not market observable or cannot be derive from or corroborated by observable market data. Level 3 fixed maturity securities consist of less liquid securities with very lin activity or where less price transparency exists around the inputs to the valuation methodologies. Level 3 fixed maturity securi alternative residential mortgage loan ("Alt-A") and sub-prime RMBS; certain below investment grade private securities and le investment grade corporate securities (included in U.S. and foreign corporate securities); less liquid ABS and foreign governm
- During the three months ended June 30, 2014, Level 3 fixed maturity securities increased by $1.9 billion, or 9%. The increase purchases in excess of sales and an increase in estimated fair value recognized in other comprehensive income (loss) ("OCI"), net transfers out of Level 3. The purchases in excess of sales were concentrated in ABS, RMBS and U.S Treasury and agency increase in estimated fair value recognized in OCI was concentrated in U.S. and foreign corporate securities. The net transfers were concentrated in ABS, U.S. and foreign corporate securities and RMBS.
- During the six months ended June 30, 2014, Level 3 fixed maturity securities increased by $36 million, or less than 1%. The in driven by purchases in excess of sales and an increase in estimated fair value recognized in OCI, partially offset by net transfe The purchases in excess of sales were concentrated in ABS, RMBS, U.S. and foreign corporate securities and U.S Treasury an securities and the increase in estimated fair value recognized in OCI was concentrated in U.S. and foreign corporate securities net transfers out of Level 3 were concentrated in ABS, U.S. and foreign corporate securities, foreign government securities an mortgage-backed securities ("CMBS").

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measur maturity securities and equity securities AFS measured at estimated fair value on a recurring basis using significant unobserva (Level 3) inputs; analysis of transfers into and/or out of Level 3; and further information about the valuation techniques and in major classes of invested assets that affect the amounts reported above. See "Management's Discussion and Analysis of Financ Results of Operations — Summary of Critical Accounting Estimates — Estimated Fair Value of Investments" included in the further information on the estimates and assumptions that affect the amounts reported above.

Fixed Maturity Securities AFS

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

Fixed Maturity Securities Credit Quality — Ratings

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed Matu Securities Available-for-Sale — Fixed Maturity Securities Credit Quality — Ratings" included in the 2013 Annual Report for credit quality ratings assigned by rating agencies and credit quality designations assigned by and methodologies used by the Se Valuation Office of the NAIC for fixed maturity securities.

Table of Contents

The NAIC has adopted revised methodologies for certain structured securities comprised of non-agency RMBS, CMBS and A
objective with the revised methodologies for these structured securities was to increase the accuracy in assessing expected loss
improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodol
regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected los
structured securities. We apply the revised NAIC methodologies to structured securities held by MetLife, Inc.'s insurance subs
maintain the NAIC statutory basis of accounting. The NAIC's present methodology is to evaluate structured securities held by
revised NAIC methodologies on an annual basis. If our insurance subsidiaries acquire structured securities that have not been p
evaluated by the NAIC, but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed
used until a final designation becomes available.

The following table presents total fixed maturity securities by Nationally Recognized Statistical Ratings Organizations ("NRSI
equivalent designations of the NAIC, except for certain structured securities, which are presented using the revised NAIC meth
described above, as well as the percentage, based on estimated fair value that each designation is comprised of at:

		June 30, 2014					December 31, 2013		
NAIC Designation	NRSRO Rating	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total		Amortized Cost	Unrealized Gain (Loss)	Estin Fair Valu
		(In millions)					(In millions)		
1	Aaa/Aa/A	$236,269	$19,291	$255,560	69.6	%	$230,429	$11,640	$242
2	Baa	78,827	7,574	86,401	23.6		79,732	4,382	84,11
	Subtotal investment grade	315,096	26,865	341,961	93.2		310,161	16,022	326,1
3	Ba	14,198	596	14,794	4.0		13,239	358	13,59
4	B	8,998	279	9,277	2.5		9,216	162	9,378
5	Caa and lower	981	11	992	0.3		932	23	955
6	In or near default	14	18	32	—		51	23	74
	Subtotal below investment grade	24,191	904	25,095	6.8		23,438	566	24,00
	Total fixed maturity securities	$339,287	$27,769	$367,056	100.0	%	$333,599	$16,588	$350

Table of Contents

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSI equivalent designations of the NAIC, except for certain structured securities, which are presented using the NAIC methodolog above:

	Fixed Maturity Securities — by Sector & Credit Quality Rating					
NAIC Designation:	1	2	3	4	5	6
NRSRO Rating:	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default
	(In millions)					
June 30, 2014						
U.S. corporate	$47,133	$46,571	$9,986	$5,307	$379	$17
Foreign corporate	26,470	30,991	3,131	1,789	106	1
Foreign government	48,760	5,779	661	1,267	160	—
U.S. Treasury and agency	54,347	—	—	—	—	—
RMBS	35,480	1,441	961	861	312	9
CMBS	15,546	45	20	23	17	—
ABS	13,643	1,068	24	30	18	5
State and political subdivision	14,181	506	11	—	—	—
Total fixed maturity securities	$255,560	$86,401	$14,794	$9,277	$992	$32
Percentage of total	69.6 %	23.6 %	4.0 %	2.5 %	0.3 %	— %
December 31, 2013						
U.S. corporate	$46,038	$45,639	$9,349	$4,998	$415	$30
Foreign corporate	27,957	30,477	2,762	1,910	45	1
Foreign government	47,767	4,481	648	1,363	178	—
U.S. Treasury and agency	45,123	—	—	—	—	—
RMBS	31,385	1,657	753	974	248	38
CMBS	16,393	47	45	14	51	—
ABS	14,184	1,215	30	119	18	5
State and political subdivision	13,222	598	10	—	—	—
Total fixed maturity securities	$242,069	$84,114	$13,597	$9,378	$955	$74
Percentage of total	69.1 %	24.0 %	3.9 %	2.7 %	0.3 %	— %

Table of Contents

U.S. and Foreign Corporate Fixed Maturity Securities

We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not exposure to any single issuer in excess of 1% of total investments and the top ten holdings comprise 2% of total investments a 2014 and December 31, 2013. The tables below present our U.S. and foreign corporate securities holdings at:

	June 30, 2014			December 31, 2013	
	Estimated Fair Value (In millions)	% of Total		Estimated Fair Value (In millions)	% T
Corporate fixed maturity securities — by sector:					
Foreign corporate (1)	$62,488	36.4	%	$63,152	3
U.S. corporate fixed maturity securities — by industry:					
Consumer	28,127	16.4		27,953	1
Industrial	28,109	16.3		27,462	1
Finance	20,807	12.1		20,135	1
Utility	19,974	11.6		19,066	1
Communications	8,383	4.9		8,074	4.
Other	3,993	2.3		3,779	2.
Total	$171,881	100.0	%	$169,621	1

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

Structured Securities

We held $69.5 billion and $67.2 billion of structured securities, at estimated fair value, at June 30, 2014 and December 31, 20 as presented in the RMBS, CMBS and ABS sections below.

RMBS

The table below presents our RMBS holdings at:

	June 30, 2014				December 31, 2013		
	Estimated Fair Value (In millions)	% of Total		Net Unrealized Gains (Losses) (In millions)	Estimated Fair Value (In millions)	% of Total	
By security type:							
Collateralized mortgage obligations	$19,781	50.6	%	$1,115	$19,046	54.3	%
Pass-through securities	19,283	49.4		605	16,009	45.7	
Total RMBS	$39,064	100.0	%	$1,720	$35,055	100.0	%
By risk profile:							
Agency	$26,713	68.4	%	$1,313	$23,686	67.6	%
Prime	2,967	7.6		92	2,935	8.4	
Alt-A	5,469	14.0		161	4,986	14.2	
Sub-prime	3,915	10.0		154	3,448	9.8	
Total RMBS	$39,064	100.0	%	$1,720	$35,055	100.0	%
Ratings profile:							
Rated Aaa/AAA	$27,591	70.6	%		$24,764	70.6	%
Designated NAIC 1	$35,480	90.8	%		$31,385	89.5	%

See also "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Fixed M Securities Available-for-Sale — Structured Securities" included in the 2013 Annual Report for further information about colla obligations and pass-through mortgage-backed securities, as well as agency, prime, Alt-A and sub-prime RMBS.

Table of Contents

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

Historically, we have managed our exposure to sub-prime RMBS holdings by: acquiring older vintage year securities that bene underwriting, improved credit enhancement and higher levels of residential property price appreciation; reducing our overall e testing the portfolio with severe loss assumptions; and closely monitoring the performance of the portfolio. Since the beginnin increased our exposure by purchasing sub-prime RMBS at significant discounts to the expected principal recovery value of the sub-prime RMBS purchases since 2012 of $3.0 billion and $2.5 billion, at estimated fair value, are performing within our expe in an unrealized gain position of $138 million and $96 million at June 30, 2014 and December 31, 2013, respectively.

CMBS

Our CMBS holdings are diversified by vintage year. The following tables present our CMBS holdings by rating agency rating year at:

	June 30, 2014										
	Aaa		Aa		A		Baa		Below Investment Grade		Tota
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Am Cos
	(In millions)										
2003 - 2004	$1,013	$1,030	$123	$126	$129	$131	$51	$52	$21	$21	$1,3
2005	3,145	3,240	413	432	320	334	110	113	12	15	4,00
2006	2,212	2,318	141	149	101	104	54	62	55	54	2,56
2007	742	779	85	90	206	220	145	151	75	72	1,25
2008 - 2011	569	607	24	24	95	97	—	—	12	12	700
2012	452	505	229	235	920	934	—	—	17	17	1,61
2013	732	748	408	419	1,513	1,545	13	12	—	—	2,66
2014	161	164	276	281	545	558	—	—	—	—	982
Total	$9,026	$9,391	$1,699	$1,756	$3,829	$3,923	$373	$390	$192	$191	$15
Ratings Distribution		60.0 %		11.2 %		25.1 %		2.5 %		1.2 %	

	December 31, 2013										
	Aaa		Aa		A		Baa		Below Investment Grade		Tota
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Am Cos
	(In millions)										
2003 - 2004	$2,483	$2,522	$227	$236	$118	$124	$92	$95	$22	$21	$2,9
2005	3,294	3,442	363	387	372	393	102	110	29	36	4,16
2006	2,355	2,466	246	260	145	156	16	21	36	37	2,79
2007	782	814	65	70	208	220	184	187	75	69	1,31
2008 - 2011	587	613	25	24	142	139	1	1	13	13	768
2012	439	477	271	264	937	892	—	—	17	51	1,66
2013	719	715	396	384	1,354	1,311	—	—	—	—	2,46

Total	$10,659	$11,049	$1,593	$1,625	$3,276	$3,235	$395	$414	$192	$227	$16
Ratings Distribution		66.8 %		9.8 %		19.5 %		2.5 %		1.4 %	

The tables above reflect rating agency ratings assigned by NRSROs including Moody's Investors Service, S&P, Fitch Ratings Inc. CMBS designated NAIC 1 were 99.3% and 99.1% of total CMBS at June 30, 2014 and December 31, 2013, respectively.

147

Table of Contents

ABS

Our ABS are diversified both by collateral type and by issuer. The following table presents our ABS holdings at:

	June 30, 2014				December 31, 2013		
	Estimated Fair Value (In millions)	% of Total		Net Unrealized Gains (Losses) (In millions)	Estimated Fair Value (In millions)	% of Total	
By collateral type:							
Collateralized debt obligations	$4,379	29.6	%	$(7)	$2,960	19.0	%
Foreign residential loans	2,847	19.3		93	3,415	21.9	
Automobile loans	2,100	14.2		20	2,635	16.9	
Student loans	2,027	13.7		54	2,332	15.0	
Credit card loans	1,587	10.7		61	2,187	14.1	
Equipment loans	310	2.1		5	427	2.7	
Other loans	1,538	10.4		4	1,615	10.4	
Total	$14,788	100.0	%	$230	$15,571	100.0	%
Ratings profile:							
Rated Aaa/AAA	$8,533	57.7	%		$9,616	61.8	%
Designated NAIC 1	$13,643	92.3	%		$14,184	91.1	%

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

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

OTTI Losses on Fixed Maturity and Equity Securities AFS Recognized in Earnings

See Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements for information about OTTI losses and g
gross losses on AFS securities sold.

Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings

Impairments of fixed maturity and equity securities were $48 million and $59 million for the three months and six months end
respectively, and $40 million and $121 million for the three months and six months ended June 30, 2013, respectively. Impair
maturity securities were $15 million and $25 million for the three months and six months ended June 30, 2014, respectively, a
and $99 million for the three months and six months ended June 30, 2013, respectively. Impairments of equity securities were
$34 million for the three months and six months ended June 30, 2014, respectively, and $1 million and $22 million for the thre
months ended June 30, 2013, respectively.

Credit-related impairments of fixed maturity securities were $15 million and $25 million for the three months and six months e
2014, respectively, and $39 million and $81 million for the three months and six months ended June 30, 2013, respectively.

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

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

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $48 million for the three months ende
as compared to $40 million in the prior period. The increase in OTTI losses in the current period were concentrated in non-red
preferred stock and common stock, which comprised $33 million in equity security impairments for the three months ended Ju
compared to $1 million for the three months ended June 30, 2013, and were primarily attributable to finance industry non-rede
stocks. The overall increase in impairments for the current period was partially offset by a decrease in utility industry U.S. and
corporate fixed maturity security impairments of $27 million.

Table of Contents

Six Months Ended June 30, 2014 Compared with the Six Months Ended June 30, 2013

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $59 million for the six months ended compared to $121 million in the prior period. The most significant decreases were in U.S. and foreign corporate securities and comprised $18 million for the six months ended June 30, 2014, as compared to $99 million for the six months ended June 30, decrease of $43 million in OTTI losses on U.S. and foreign corporate securities were concentrated in the utility and financial s industries, while the $38 million decrease on RMBS reflects improving economic fundamentals.

Future Impairments

Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fund deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

FVO and Trading Securities

FVO and trading securities are primarily comprised of securities for which the FVO has been elected (“FVO Securities”). FVO certain fixed maturity and equity securities held-for-investment by the general account to support ALM strategies for certain in and investments in certain separate accounts. FVO Securities are primarily comprised of contractholder-directed investments s unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in interest credited to policyholder account balances. FVO Securities also include securities held by CSEs. We have a trading sec principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase actively traded securities and the execution of short sale agreements. FVO and trading securities were $17.8 billion and $17.4 estimated fair value, or 3.5% of total cash and invested assets, at both June 30, 2014 and December 31, 2013. See Note 8 of the Interim Condensed Consolidated Financial Statements for the FVO and trading securities fair value hierarchy and a rollforward measurements for FVO and trading securities measured at estimated fair value on a recurring basis using significant unobserva (Level 3) inputs.

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and co We obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned at loan. We monitor the estimated fair value of the securities loaned on a daily basis with additional collateral obtained as necess the duration of the loan. Securities loaned under such transactions may be sold or repledged by the transferee. We are liable to counterparties the cash collateral under our control. Security collateral on deposit from counterparties may not be sold or reple counterparty is in default, and is not reflected in the consolidated financial statements. These transactions are treated as financi and the associated cash collateral liability is recorded at the amount of the cash received.

See “— Liquidity and Capital Resources — The Company — Liquidity and Capital Uses — Securities Lending” and Note 6 o Condensed Consolidated Financial Statements for financial information regarding our securities lending program.

Mortgage Loans

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

Table of Contents

	June 30, 2014						December 31, 2013			
	Recorded Investment	% of Total		Valuation Allowance	% of Recorded Investment		Recorded Investment	% of Total		Valuation Allowanc
	(Dollars in millions)						(Dollars in millions)			
Commercial	$40,604	71.8	%	$230	0.6	%	$40,926	73.0	%	$258
Agricultural	11,961	21.2		42	0.4	%	12,391	22.1		44
Residential	3,947	7.0		22	0.6	%	2,772	4.9		20
Total	$56,512	100.0	%	$294	0.5	%	$56,089	100.0	%	$322

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

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of o
and agricultural mortgage loan portfolios, 86% are collateralized by properties located in the U.S., with the remaining 14% col
properties located outside the U.S., calculated as a percent of the total commercial and agricultural mortgage loans held-for-inv
presented above at June 30, 2014. The carrying value of our commercial and agricultural mortgage loans located in California,
Texas were 20%, 12% and 8%, respectively, of total commercial and agricultural mortgage loans held-for-investment as prese
June 30, 2014. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lendin
the estimated fair value of the underlying real estate collateral.

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

	June 30, 2014			December 31, 20
	Amount	% of Total		Amount
	(In millions)			(In millions)
Region				
Pacific	$9,017	22.2	%	$8,961
Middle Atlantic	7,232	17.8		7,367
International	6,763	16.7		6,709
South Atlantic	6,714	16.5		6,977
West South Central	3,734	9.2		3,619
East North Central	2,455	6.0		2,717
New England	1,406	3.5		1,404
Mountain	935	2.3		834
East South Central	383	0.9		471
West North Central	144	0.4		148
Multi-Region and Other	1,821	4.5		1,719
Total recorded investment	40,604	100.0	%	40,926
Less: valuation allowances	230			258
Carrying value, net of valuation allowances	$40,374			$40,668
Property Type				
Office	$20,692	51.0	%	$20,629
Retail	9,049	22.3		9,245
Hotel	4,154	10.2		4,219
Apartment	3,948	9.7		3,724
Industrial	2,444	6.0		2,897
Other	317	0.8		212

Total recorded investment	40,604	100.0	%	40,926
Less: valuation allowances	230			258
Carrying value, net of valuation allowances	$40,374			$40,668

150

Table of Contents

Mortgage Loan Credit Quality - Monitoring Process. We monitor our mortgage loan investments on an ongoing basis, includin
loans that are current, past due, restructured and under foreclosure. See Note 6 of the Notes to the Interim Condensed Consolid
Statements for tables that present mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, impaired
as well as loans modified in a troubled debt restructuring. See "— Real Estate and Real Estate Joint Ventures" for real estate a
foreclosure.

Commercial and Agricultural Mortgage Loans. We review our commercial mortgage loans on an ongoing basis. These review
analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estima
the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring proces
higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with high
ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with
higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and sector basis.

Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mo
Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratio
amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates th
amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over
Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio c
property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lowe
coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value
and 55% at June 30, 2014 and December 31, 2013, respectively, and our average debt service coverage ratio was 2.5x and 2.4x
and December 31, 2013, respectively. The debt service coverage ratio, as well as the values utilized in calculating the ratio, is
on a rolling basis, with a portion of the portfolio updated each quarter. The loan-to-value ratio is routinely updated for all but t
loans as part of our ongoing review of our commercial mortgage loan portfolios. For our agricultural mortgage loans, our avera
ratio was 44% and 45% at June 30, 2014 and December 31, 2013, respectively. The values utilized in calculating the loan-to-v
developed in connection with the ongoing review of the agricultural mortgage loan portfolio and are routinely updated.

Mortgage Loan Valuation Allowances. See "Management's Discussion and Analysis of Financial Condition and Results of Op
Investments — Mortgage Loans — Mortgage Loan Valuation Allowances" included in the 2013 Annual Report for further inf
mortgage loan valuation allowance policy.

See Notes 6 and 8 of the Notes to the Interim Condensed Consolidated Financial Statements for information about activity in a
the valuation allowance and the estimated fair value of impaired mortgage loans and related impairments included within net i
(losses) as of and for the six months ended June 30, 2014 and 2013.

Real Estate and Real Estate Joint Ventures

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. Of our re
investments, 83% were located in the United States, with the remaining 17% located outside the United States at June 30, 2014
locations with the largest real estate investments were California, Japan and New York at 16%, 14% and 10%, respectively, at
Real estate investments by type consisted of the following at:

	June 30, 2014			December 31, 2
	Carrying Value (In millions)	% of Total		Carrying Value (In millions)
Traditional	$8,947	88.6	%	$9,312
Real estate joint ventures and funds	691	6.8		769
Subtotal	9,638	95.4		10,081
Foreclosed (commercial, agricultural and residential)	414	4.1		445
Real estate held-for-investment	10,052	99.5		10,526
Real estate held-for-sale	49	0.5		186
Total real estate and real estate joint ventures	$10,101	100.0	%	$10,712

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments — Real Estate
Ventures" included in the 2013 Annual Report for a discussion of the types of investments reported within traditional real esta
joint ventures and funds. The estimated fair value of the traditional and held-for-sale real estate investment portfolios was $12.

$12.5 billion at June 30, 2014 and December 31, 2013, respectively.
In connection with our investment management business, in the fourth quarter of 2013, we contributed real estate investments
fair value of $1.4 billion to the MetLife Core Property Fund, our newly formed open ended core real estate fund, in return for t
ownership interests in that fund. As part of the initial closing on December 31, 2013, we redeemed 76% of our interest in this f
party investors were admitted. The MetLife Core Property Fund was consolidated as of December 31, 2013. As a result of our
reassessment in the first quarter of 2014, we no longer consolidate the MetLife Core Property Fund, effective March 31, 2014.
the Notes to Interim Condensed Consolidated Financial Statements for further information.

151

Table of Contents

Other Limited Partnership Interests

The carrying value of other limited partnership interests was $8.0 billion and $7.4 billion at June 30, 2014 and December 31, 2
respectively, which included $2.3 billion and $1.9 billion of hedge funds, at June 30, 2014 and December 31, 2013, respectivel

Other Invested Assets

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

	June 30, 2014			December 31, 2013
	Carrying Value (In millions)	% of Total		Carrying Value (In millions)
Freestanding derivatives with positive estimated fair values	$9,252	54.1	%	$8,595
Tax credit and renewable energy partnerships	2,710	15.8		2,657
Leveraged leases, net of non-recourse debt	1,881	11.0		1,946
Funds withheld	678	4.0		649
Joint venture investments	411	2.3		113
Other	2,184	12.8		2,269
Total	$17,116	100.0	%	$16,229

Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was $12.4 billion and $14.0 billion, or
of total cash and invested assets, at June 30, 2014 and December 31, 2013, respectively. The carrying value of cash equivalent
approximates estimated fair value, was $2.8 billion and $3.8 billion at June 30, 2014 and December 31, 2013, respectively, or
of total cash and invested assets, at June 30, 2014 and December 31, 2013, respectively.

Derivatives

Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange
equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 7 of the Notes to
Condensed Consolidated Financial Statements for:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managi
- Information about the notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type o designation, excluding embedded derivatives held at June 30, 2014 and December 31, 2013.
- The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the and six months ended June 30, 2014 and 2013.

See "Quantitative and Qualitative Disclosures About Market Risk — Management of Market Risk Exposures — Hedging Acti
information about our use of derivatives by major hedge program.

Fair Value Hierarchy

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for derivatives measured at estimated fai
recurring basis and their corresponding fair value hierarchy.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree
judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, man
they are consistent with what other market participants would use when pricing such instruments and are considered appropria
circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3
could materially affect net income.

Derivatives categorized as Level 3 at June 30, 2014 include: interest rate forwards with maturities which extend beyond the ob
of the yield curve; cancellable foreign currency swaps with unobservable currency correlation inputs; foreign currency swaps a
certain unobservable inputs, including unobservable portion of the yield curve; credit default swaps priced using unobservable
that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity o
unobservable correlation inputs. At both June 30, 2014 and December 31, 2013, less than 1% of the net derivative estimated fa
priced through independent broker quotations.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measur
derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Level 3 derivatives had a ($30) million and ($67) million gain (loss) recognized in net income (loss) for the three months and s
June 30, 2014. This loss primarily relates to certain purchased equity options that are valued using models dependent on an un
market correlation input and equity variance swaps that are valued using observable equity volatility data plus an unobservable
spread. The unobservable equity variance spread is calculated from a comparison between broker offered variance swap volati
observable equity option volatility. Other significant inputs, which are observable, include equity index levels, equity volatility
yield curve. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the r
quotations. The primary drivers of the loss during the three months ended June 30, 2014 were increases in equity index levels a
equity volatility which, in total accounted for 70% of the loss. Changes in the unobservable inputs accounted for 30% of the lo
drivers of the loss during the six months ended June 30, 2014 were increases in equity index levels and decreases in equity vol
total accounted for 126% of the loss. Changes in the unobservable inputs accounted for an offsetting reduction in the loss of (2

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accou
Derivatives" included in the 2013 Annual Report for further information on the estimates and assumptions that affect derivativ

Credit Risk

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about how we manage cr
to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of m
agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the sam
agreement. This policy applies to the recognition of derivatives in the consolidated balance sheets, and does not affect our lega

Table of Contents

Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

Credit Default Swaps	June 30, 2014 Notional Amount	Estimated Fair Value	December 31, 2013 Notional Amount	Es Fa
	(In millions)			
Purchased (1)	$3,675	$(43)	$3,725	$(
Written (2)	9,982	173	9,055	16
Total	$13,657	$130	$12,780	$1

(1) The notional amount and estimated fair value for purchased credit default swaps in the trading portfolio were $290 million respectively, at June 30, 2014 and $355 million and ($10) million, respectively, at December 31, 2013.

(2) The notional amount and estimated fair value for written credit default swaps in the trading portfolio were $15 million and at June 30, 2014 and $10 million and $0, respectively, at December 31, 2013.

The following table presents the gross gains, gross losses and net gain (losses) recognized in income for credit default swaps a

Credit Default Swaps	Three Months Ended June 30, 2014 Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	2013 Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Six Months Ended June 30, 2014 Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	2013 Gross Gains (1)	G L (
	(In millions)										
Purchased (2), (4)	$3	$(11)	$(8)	$5	$(5)	$—	$12	$(18)	$(6)	$10	$
Written (3), (4)	28	(6)	22	6	(11)	(5)	35	(22)	13	52	(
Total	$31	$(17)	$14	$11	$(16)	$(5)	$47	$(40)	$7	$62	$

(1) Gains (losses) are reported in net derivative gains (losses), except for gains (losses) on the trading portfolio, which are repo investment income.

(2) The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were $1 million and ($2) milli for the three months ended June 30, 2014 and $3 million and ($3) million, respectively, for the six months ended June 30, 2 gains and gross (losses) for purchased credit default swaps in the trading portfolio were $2 million and ($3) million, respect three months ended June 30, 2013 and $3 million and ($7) million, respectively, for the six months ended June 30, 2013.

(3) The gross gains and gross (losses) for written credit default swaps in the trading portfolio were not significant for both the t six months ended June 30, 2014 and 2013.

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

The maximum amount at risk related to our written credit default swaps is equal to the corresponding notional amount. The in notional amount of written credit default swaps is primarily a result of our decision to add to our credit replication holdings wi Company. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelin insurance regulators and are an important tool in managing the overall corporate credit risk within the Company. In order to m long-dated insurance liabilities, we will seek to buy long-dated corporate bonds. In some instances, these may not be readily a market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, b Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate c times, can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit def (generally five-year tenors) versus a long-dated corporate bond, we have more flexibility in managing our credit exposures.

Embedded Derivatives

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for information about embedded derivati
estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 8 of the Notes to the Interim Condensed Consolidated Financial Statements for a rollforward of the fair value measur
embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 7 of the Notes to the Interim Condensed Consolidated Financial Statements for information about the nonperformanc
included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Summary of Critical Accou
Derivatives" included in the 2013 Annual Report for further information on the estimates and assumptions that affect embedde

Off-Balance Sheet Arrangements

Credit and Committed Facilities

We maintain an unsecured credit facility and certain committed facilities with various financial institutions. See "— Liquidity
Resources — The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities"
such arrangements.

Collateral for Securities Lending, Repurchase Program and Derivatives

We participate in a securities lending program in the normal course of business for the purpose of enhancing the total return or
portfolio. Periodically, we receive non-cash collateral for securities lending from counterparties on deposit from customers, wh
sold or repledged, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was $85
estimated fair value at June 30, 2014. We had no such collateral as of December 31, 2013. See Note 6 of the Notes to the Inter
Consolidated Financial Statements, as well as "Management's Discussion and Analysis of Financial Condition and Results of
Investments — Securities Lending" and "Summary of Significant Accounting Policies — Investments — Securities Lending F
Notes to the Consolidated Financial Statements included in the 2013 Annual Report for discussion of our securities lending pro
classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

We also participate in third-party custodian administered repurchase programs for the purpose of enhancing the total return on
portfolio. We loan certain of our fixed maturity securities to financial institutions and, in exchange, non-cash collateral is put o
financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with
transactions was $833 million and $231 million at June 30, 2014 and December 31, 2013, respectively. Non-cash collateral on
third-party custodians on our behalf was $892 million and $256 million at June 30, 2014 and December 31, 2013, respectively
sold or re-pledged, and which has not been recorded on our consolidated balance sheets.

We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral fro
for derivatives, which can be sold or re-pledged subject to certain constraints, and which has not been recorded on our consolic
sheets. The amount of this collateral was $3.0 billion and $2.3 billion at June 30, 2014 and December 31, 2013, respectively. S
Capital Resources — The Company — Liquidity and Capital Uses — Pledged Collateral" and Note 7 of the Notes to the Inter
Consolidated Financial Statements for information on the earned income on and the gross notional amount, estimated fair valu
liabilities and primary underlying risk exposure of our derivatives.

Other

Additionally, we make mortgage loan commitments and commitments to fund partnerships, bank credit facilities, bridge loans
corporate bond investments in the normal course of business for the purpose of enhancing the total return on our investment po
than these investment-related commitments which are disclosed in Note 14 of the Notes to the Interim Condensed Consolidate
Statements, there are no other material obligations or liabilities arising from these investment- related commitments. For furthe
these investment-related commitments see "— Liquidity and Capital Resources — The Company — Liquidity and Capital Use
Obligations."

See "Net Investment Income" and "Net Investment Gains (Losses)" in Note 6 of the Notes to the Interim Condensed Consolid
Statements for information on the investment income, investment expense, gains and losses from such investments. See also "
Fixed Maturity and Equity Securities Available-for-Sale" and "— Investments — Mortgage Loans" for information on our inv
maturity securities and mortgage loans. See "— Investments — Real Estate and Real Estate Joint Ventures" and "— Investme
Partnership Interests" for information on our partnership investments.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provid
annuity payments. Amounts for actuarial liabilities are computed and reported in the interim condensed consolidated financial
conformity with GAAP. For more details on Policyholder Liabilities, see "Management's Discussion and Analysis of Financia
Results of Operations — Summary of Critical Accounting Estimates" included in the 2013 Annual Report.

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of actuarial liabi
precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts
the estimated amounts, particularly when payments may not occur until well into the future.

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. W
estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assum
the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities ar
re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such
could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial cond

Insurance regulators in many of the non-U.S. countries in which we operate require certain MetLife entities to prepare a suffic
the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory autho
"Business — International Regulation" included in the 2013 Annual Report.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turb
markets that may have an adverse impact on our business, results of operations, and financial condition. Due to their nature, w
the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrop
non-catastrophic reinsurance to manage risk from these perils.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Finan
included in the 2013 Annual Report for additional information. See also "Management's Discussion and Analysis of Financial
Results of Operations — Industry Trends — Impact of a Sustained Low Interest Rate Environment — Interest Rate Stress Sce
2013 Annual Report and "— Variable Annuity Guarantees." A discussion of future policy benefits by segment (as well as Cor
follows.

Retail

Future policy benefits for the life business are comprised mainly of liabilities for traditional life and for universal and variable
contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. The reinsu
are routinely evaluated and this may result in increases or decreases to existing coverage. We have entered into various derivat
primarily interest rate swaps and swaptions, to mitigate the risk that investment of premiums received and reinvestment of mat
the life of the policy will be at rates below those assumed in the original pricing of these contracts. For our property & casualty
policy benefits include unearned premium reserves and liabilities for unpaid claims and claim expenses and represent the amou
claims that have been reported but not settled and claims incurred but not reported. For the annuities business, future policy be
comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimur
accounted for as insurance.

Group, Voluntary & Worksite Benefits

With the exception of our property & casualty products, future policy benefits for our Group and Voluntary & Worksite busine
comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor i
insurance, LTC policies, active life policies and premium stabilization and other contingency liabilities held under life insuranc
future policy benefits of the property & casualty products offered by the Voluntary & Worksite business are the same as those
property & casualty business. Liabilities for unpaid claims are estimated based upon assumptions such as rates of claim freque
severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical exp
analyses of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, a
effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrog

Table of Contents

Corporate Benefit Funding

Liabilities for this segment are primarily related to payout annuities, including pension closeouts and structured settlement ann
no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively i
however, we mitigate our risks by applying various ALM strategies, including the use of various derivative positions, primaril
floors and interest rate swaps, to mitigate the risks associated with such a scenario.

Latin America

Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditio
mainly in Brazil and Mexico. There are also liabilities held for total return pass-through provisions included in certain univers
products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at polic
than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by applying var
strategies.

Asia

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contra
held for total return pass-through provisions included in certain universal life and savings products. They include certain liabil
annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities in
periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility
resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments.
risks by applying various ALM strategies.

EMEA

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future
are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contrac
impacting these liabilities include sustained periods of lower yields than rates established at issue, lower than expected asset re
market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher t
benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, and by applyi
strategies.

Corporate & Other

Future policy benefits primarily include liabilities for quota-share reinsurance agreements for certain run-off LTC and workers
business written by MICC. Additionally, future policy benefits include liabilities for variable annuity guaranteed minimum be
from a former operating joint venture in Japan that are accounted for as insurance.

Policyholder Account Balances

PABs are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applic
charge that may be incurred upon surrender. See "Management's Discussion and Analysis of Financial Condition and Results
— Industry Trends — Impact of a Sustained Low Interest Rate Environment — Interest Rate Stress Scenario" included in the
"— Variable Annuity Guarantees." See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements included in t
Report for additional information. A discussion of PABs by segment (as well as Corporate & Other) follows.

Retail

Life & Other PABs are held for retained asset accounts, universal life policies and the fixed account of variable life insurance
Annuities, PABs are held for fixed deferred annuities, the fixed account portion of variable annuities, and non-life contingent i
Interest is credited to the policyholder's account at interest rates we determine which are influenced by current market rates, su
minimums. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited ra
present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risk
such a scenario. Additionally, PABs are held for variable annuity guaranteed minimum living benefits that are accounted for a
derivatives.

157

Table of Contents

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

Guaranteed Minimum Crediting Rate	June 30, 2014	
	Account Value (1)	Ac Va Gu
	(In millions)	
Life & Other		
Greater than 0% but less than 2%	$125	$1
Equal to 2% but less than 4%	$11,689	$4
Equal to or greater than 4%	$10,753	$6
Annuities		
Greater than 0% but less than 2%	$3,310	$2
Equal to 2% but less than 4%	$32,931	$2
Equal to or greater than 4%	$2,609	$2

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

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates i market rates as of the applicable acquisition dates. At June 30, 2014, excess interest reserves were $127 million and $358 milli Other and Annuities, respectively.

Group, Voluntary & Worksite Benefits

PABs in this segment are held for retained asset accounts, universal life policies, the fixed account of variable life insurance po specialized life insurance products for benefit programs. PABs are credited interest at a rate we determine, which are influence market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited r present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risk such a scenario.

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

Guaranteed Minimum Crediting Rate	June 30, 2014	
	Account Value (1)	Ac Va Gu
	(In millions)	
Greater than 0% but less than 2%	$4,973	$4
Equal to 2% but less than 4%	$2,221	$2
Equal to or greater than 4%	$639	$6

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

Corporate Benefit Funding

PABs in this segment are comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed o Variable interest crediting rates are generally tied to an external index, most commonly the (1-month or 3-month) London Inte Rate (LIBOR). We are exposed to interest rate risks, as well as foreign currency exchange rate risk when guaranteeing paymen return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest r tied to external indices, as well as caps, to mitigate the impact of changes in market interest rates. We also mitigate our risks by various ALM strategies and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, i currency swaps.

Latin America

PABs in this segment are held largely for investment-type products and universal life products in Mexico, and deferred annuiti Some of the deferred annuities in Brazil are unit-linked-type funds that do not meet the GAAP definition of separate accounts. deferred annuities have minimum credited rate guarantees, and these liabilities and the universal life liabilities are generally in

sustained periods of low interest rates. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the as
investments, as the return on assets is generally passed directly to the policyholder.

Table of Contents

Asia

PABs in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitiv
products, universal life and, to a lesser degree, liability amounts for unit-linked-type funds that do not meet the GAAP definiti
accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generall
minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedd
and recorded at estimated fair value and are also included within PABs. These liabilities are generally impacted by sustained p
interest rates, where there are interest rate guarantees. We mitigate our risks by applying various ALM strategies and with rein
Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated underlying investments, as the
is generally passed directly to the policyholder.

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

Guaranteed Minimum Crediting Rate (1)	June 30, 2014	
	Account Value (2)	Ac Va Gu
	(In millions)	
Annuities		
Greater than 0% but less than 2%	$26,473	$2
Equal to 2% but less than 4%	$1,104	$3
Equal to or greater than 4%	$2	$2
Life & Other		
Greater than 0% but less than 2%	$6,261	$5
Equal to 2% but less than 4%	$17,581	$8
Equal to or greater than 4%	$263	$-

(1) Excludes negative VOBA liabilities of $1.9 billion at June 30, 2014, primarily held in Japan. These liabilities were establis
where the estimated fair value of contract obligations exceeded the book value of assumed insurance policy liabilities in the
ALICO. These negative liabilities were established primarily for decreased market interest rates subsequent to the issuance
contracts.

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

EMEA

PABs in this segment are held mostly for universal life, deferred annuity, pension products, and unit-linked-type funds that do
GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. Where th
rate guarantees, these liabilities are generally impacted by sustained periods of low interest rates. We mitigate our risks by app
ALM strategies. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments,
assets is generally passed directly to the policyholder.

Corporate & Other

PABs in Corporate & Other are held for variable annuity guaranteed minimum benefits assumed from a former operating joint
that are accounted for as embedded derivatives.

Variable Annuity Guarantees

We issue, directly and through assumed reinsurance, certain variable annuity products with guaranteed minimum benefits that
policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit
increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to th
Financial Statements included in the 2013 Annual Report for additional information.

159

Table of Contents

Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits.
accounted for in this manner include GMDBs, the life-contingent portion of certain guaranteed minimum withdrawal benefits
the portion of guaranteed minimum income benefit (“GMIBs”) that requires annuitization. These liabilities are accrued over th
contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits ger
multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those use
DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessm
than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result
current estimates of future benefits are lower than that previously projected or when current estimates of future assessments ex
previously projected. At each reporting period, we update the actual amount of business remaining in-force, which impacts exp
assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and
PABs. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits (“GMABs”), th
contingent portion of GMWBs and the portion of certain GMIBs that do not require annuitization. The estimated fair values of
accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the presen
projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions includ
concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees
capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the
these risk-free generated cash flows using a discount rate that incorporates a spread over the risk free rate to reflect our nonper
and adding a risk margin. For more information on the determination of estimated fair value, see Note 8 of the Notes to the Int
Consolidated Financial Statements.

The table below contains the carrying value for guarantees at:

	Future Policy Benefits		Policyholder Account Balances	
	June 30, 2014	December 31, 2013	June 30, 2014	De
	(In millions)			
Americas				
GMDB	$581	$495	$—	$-
GMIB	1,812	1,608	(1,871)	(1,
GMAB	—	—	—	2
GMWB	77	62	(411)	(4
Asia				
GMDB	37	33	—	—
GMAB	—	—	8	3
GMWB	216	204	134	12
EMEA				
GMDB	(5)	6	—	—
GMAB	—	—	8	11
GMWB	31	19	(142)	(1
Corporate & Other				
GMDB	9	11	—	—
GMAB	—	—	71	83
GMWB	90	109	1,390	1,
Total	$2,848	$2,547	$(813)	$(

The carrying amounts for guarantees included in PABs above include nonperformance risk adjustments of $258 million and $2
June 30, 2014 and December 31, 2013, respectively. These nonperformance risk adjustments represent the impact of including
when discounting the underlying risk neutral cash flows to determine the estimated fair values. The nonperformance risk adjus
have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valu
the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity marke
equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions aroun
separate account returns and policyholder behavior including lapse rates.

160

Table of Contents

As discussed below, we use a combination of product design, reinsurance, hedging strategies, and other risk management actio
risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing natur
products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflec
management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching.
The sections below provide further detail by total contract account value for certain of our most popular guarantees. Total cont
values include amounts not reported in the consolidated balance sheets from assumed reinsurance, contractholder-directed inve
do not qualify for presentation as separate account assets, and amounts included in our general account.

GMDBs

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

	Total Contract Account Value (1)	
	Americas	Co Ot
	(In millions)	
Return of premium or five to seven year step-up	$108,114	$1
Annual step-up	32,388	—
Roll-up and step-up combination	40,788	—
Total	$181,290	$1

(1) Total contract account value excludes $2.3 billion for contracts with no GMDBs and $12.5 billion of total contract account
EMEA and Asia segments.

Based on total contract account value, less than 40% of our GMDBs included enhanced death benefits such as the annual step-
step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.
As part of our risk management of the GMDB business, we have been opportunistically reinsuring in-force blocks, taking adva
favorable capital market conditions. Our approach for such treaties has been to seek coverage for the enhanced GMDBs, such
step-up and the roll-up and step-up combination. These treaties tend to cover long periods until claims start running off, and ar
on a first dollar basis or with a deductible.

Living Benefit Guarantees

The table below presents our living benefit guarantees based on total contract account values at June 30, 2014:

	Total Contract Account Value (1)	
	Americas	Co Ot
	(In millions)	
GMIB	$101,464	$-
GMWB - non-life contingent	7,084	3,8
GMWB - life-contingent	21,161	9,7
GMAB	302	1,8
	$130,011	$1

(1) Total contract account value excludes $53.6 billion for contracts with no living benefit guarantees and $9.7 billion of total c
value in the EMEA and Asia segments.

In terms of total contract account value, GMIBs are our most significant living benefit guarantee. Our primary risk managemen
GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance a
covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we conti
the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business.

Table of Contents

The table below presents our GMIBs, by their guaranteed payout basis, at June 30, 2014:

	To Ac (In
7-year setback, 2.5% interest rate	$3
7-year setback, 1.5% interest rate	6,2
10-year setback, 1.5% interest rate	20
10-year mortality projection, 10-year setback, 1.0% interest rate	32
10-year mortality projection, 10-year setback, 0.5% interest rate	4,6
	$1

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low i environment, accompanied by an increase in the setback period from seven years to 10 years and the recent introduction of the mortality projection. We expect new contracts to have comparable guarantee features for the foreseeable future.

Additionally, 32% of the $101.5 billion of GMIB total contract account value has been invested in managed volatility funds as 2014. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market m activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation tec to a reduction or elimination of the need for us to manage the funds' volatility through hedging or reinsurance. We expect the p contract account value invested in these funds to increase for the foreseeable future, as new contracts with GMIB are required funds.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of June 30, 2014, only 10% with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of seven Once eligible for annuitization, contractholders would only be expected to annuitize if their contracts were in-the-money. We c in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 4 of the Notes to the Interim C Consolidated Financial Statements, by comparing the contractholders' income benefits based on total contract account values a annuity rates versus the guaranteed income benefits. For those contracts with GMIB, the table below presents details of contra in-the-money and out-of-the-money at June 30, 2014:

	In-the-Moneyness	Total Contract Account Value (In millions)
In-the-money	30% +	$891
	20% to 30%	701
	10% to 20%	1,520
	0% to 10%	3,596
		6,708
Out-of-the-money	-10% to 0%	7,364
	-20% to -10%	12,999
	-20% +	74,393
		94,756
Total GMIBs		$101,464

Table of Contents

Derivatives Hedging Variable Annuity Guarantees

In addition to reinsurance and our risk mitigating steps described above, we have a hedging strategy that uses various over-the
and exchanged traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underl
exposure of the derivatives hedging our variable annuity guarantees:

		June 30, 2014			December 31, 2013	
Primary Underlying	Instrument Type	Notional	Estimated Fair Value		Notional	Estimated
Risk Exposure		Amount	Assets	Liabilities	Amount	Assets
		(In millions)				
Interest rate	Interest rate swaps	$25,474	$1,504	$675	$25,474	$1,108
	Interest rate futures	6,346	3	6	5,888	9
	Interest rate options	27,940	315	149	17,690	131
Foreign currency exchange rate	Foreign currency forwards	2,349	15	6	2,324	1
	Foreign currency futures	382	1	—	365	1
Equity market	Equity futures	5,803	1	11	5,144	1
	Equity options	36,224	1,271	1,228	35,445	1,344
	Variance swaps	21,985	217	691	21,636	174
	Total rate of return swaps	3,449	—	138	3,802	—
	Total	$129,952	$3,327	$2,904	$117,768	$2,769

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if they are hedging guara
future policy benefits, and in net derivative gains (losses) if they are hedging guarantees included in PABs.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute trans
periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our lial
as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuat

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to
our reinsurance agreements and most derivative positions are collateralized and derivatives positions are subject to master nett
both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and otl
management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market
economic losses beyond the scope of the risk management techniques employed.

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy gen
conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an advers
part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. The gl
economy continue to experience volatility that may affect our financing costs and market interest for our debt or equity securit
information regarding market factors that could affect our ability to meet liquidity and capital needs, see "— Industry Trends"
Current Environment."

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial fu
available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements un
market conditions and reasonably possible stress scenarios. We continuously monitor and adjust our liquidity and capital plans
and its subsidiaries in light of market conditions, changing needs and opportunities.

Table of Contents

Short-term Liquidity

We maintain a substantial short-term liquidity position, which was $15.0 billion and $15.8 billion at June 30, 2014 and Decem
respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding: (i) amounts relate
collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in
derivatives; and (iii) cash held in the closed block.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was $238.3 billion and $240.
June 30, 2014 and December 31, 2013, respectively. Liquid assets include cash and cash equivalents, short-term investments a
publicly-traded securities, excluding: (i) amounts related to cash collateral received under our securities lending program; (ii) a
to cash collateral received from counterparties in connection with derivatives; (iii) cash and investments held in the closed blo
custodial accounts or on deposit with regulatory agencies; (iv) investments held in trust in support of collateral financing arran
investments pledged in support of funding agreements, derivatives and short sale agreements.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, inc
Capital Management Committee and the Enterprise Risk Committee (“ERC”), regularly review actual and projected capital le
of scenarios including stress scenarios) and our capital plan in accordance with our capital policy. The Capital Management C
comprised of members of senior management, including MetLife, Inc.’s Chief Financial Officer, Treasurer and Chief Risk Off
ERC is also comprised of members of senior management, including MetLife, Inc.’s Chief Financial Officer, CRO and Chief I
Officer.

Our Board and senior management are directly involved in the development and maintenance of our capital policy. The capita
among other things, minimum and target capital levels and the governance of the capital management process. All capital actio
proposed changes to the capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the I
obtaining full Board approval. The Board approves the capital policy and the annual capital plan and authorizes capital actions
See “Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Terms of C
Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish” included in MetLife, I
Report on Form 10-Q for the quarter ended March 31, 2014 and Note 16 of the Notes to the Consolidated Financial Statement
2013 Annual Report for information regarding restrictions on payment of dividends and stock repurchases. See also “— The C
and Capital Uses — Common Stock Repurchases” for information regarding MetLife, Inc.’s common stock repurchase progra

The Company

Liquidity

Liquidity refers to a company’s ability to generate adequate amounts of cash to meet its needs. In the event of significant cash
beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and
liquidity need. These available alternatives include cash flows from operations, sales of liquid assets, global funding sources a
facilities.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our a
strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated abilit
additional capital to meet operating and growth needs despite adverse market and economic conditions.

Table of Contents

Summary of Primary Sources and Uses of Liquidity and Capital

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

	Six Months Ended June 30,	
	2014	2
	(In millions)	
Sources:		
Operating activities, net	$6,921	$
Changes in payables for collateral under securities loaned and other transactions, net	2,891	–
Changes in bank deposits, net	—	8
Long-term debt issued	1,000	–
Effect of change in foreign currency exchange rates on cash and cash equivalents	21	–
Total sources	10,833	7
Uses:		
Investing activities, net	6,700	7
Changes in policyholder account balances, net	774	4
Changes in payables for collateral under securities loaned and other transactions, net	—	4
Short-term debt repayments, net	75	–
Long-term debt repaid	2,484	3
Treasury stock acquired in connection with share repurchases	4	–
Dividends on preferred stock	61	6
Dividends on common stock	706	5
Other, net	221	9
Effect of change in foreign currency exchange rates on cash and cash equivalents	—	2
Total uses	11,025	1
Net increase (decrease) in cash and cash equivalents	$(192)	$

165

Table of Contents

Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, annuity considerations and deposit fu principal cash outflows relate to the liabilities associated with various life insurance, property & casualty, annuity and pension operating expenses and income tax, as well as interest on debt obligations. A primary liquidity concern with respect to these ca risk of early contractholder and policyholder withdrawal.

Cash Flows from Investments

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sa investments, settlements of freestanding derivatives and net investment income. The principal cash outflows relate to purchase issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows include those related to our sec activities and purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows fro operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flo default by debtors and market disruption.

Financing Cash Flows

The principal cash inflows from our financing activities come from issuances of debt and other securities and deposits of funds PABs. The principal cash outflows come from repayments of debt, payments of dividends on and repurchase of MetLife, Inc.' withdrawals associated with PABs. The primary liquidity concerns with respect to these cash flows are market disruption and t contractholder and policyholder withdrawal.

Liquidity and Capital Sources

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

Global Funding Sources

Liquidity is provided by a variety of global funding sources, including funding agreements, credit facilities and commercial pa provided by a variety of global funding sources, including short-term and long-term debt, collateral financing arrangements, ju subordinated debt securities, preferred securities, equity securities and equity-linked securities. The diversity of our global fun enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of fund global funding sources include:

Common Stock

During the six months ended June 30, 2014 and 2013, MetLife, Inc. issued 4,621,866 and 4,914,813 new shares of its commor $173 million and $155 million, respectively, to satisfy various stock option exercises and other stock-based awards.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding, Inc. ("MetLife Funding") each have commercial paper programs supported by a $4.0 billi corporate credit facility (see "— Credit and Committed Facilities"). MetLife Funding, a subsidiary of MLIC, serves as our cen MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans, through MetLife Credi subsidiary of MLIC, to MetLife, Inc., MLIC and other affiliates in order to enhance the financial flexibility and liquidity of the Outstanding balances for the commercial paper programs fluctuate in line with changes to affiliates' financing arrangements.

Federal Home Loan Bank Funding Agreements, Reported in PABs

Certain of our domestic insurance subsidiaries are members of a regional Federal Home Loan Bank ("FHLB"). During the six
June 30, 2014 and 2013, we issued $5.8 billion and $8.0 billion, respectively, and repaid $5.8 billion and $8.4 billion, respecti
funding agreements with certain regional FHLBs. At both June 30, 2014 and December 31, 2013, total obligations outstanding
funding agreements were $15.0 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2013

Special Purpose Entity Funding Agreements, Reported in PABs

We issue fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to cer
purpose entities ("SPEs") that have issued either debt securities or commercial paper for which payment of interest and princip
such funding agreements. During the six months ended June 30, 2014 and 2013, we issued $24.4 billion and $18.6 billion, resp
repaid $24.1 billion and $17.8 billion, respectively, under such funding agreements. At June 30, 2014 and December 31, 2013,
outstanding under these funding agreements were $32.1 billion and $31.2 billion, respectively. See Note 4 of the Notes to the C
Financial Statements included in the 2013 Annual Report.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in PABs

We have issued funding agreements to the Federal Agricultural Mortgage Corporation ("Farmer Mac"), as well as to certain S
issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securit
guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secu
of certain eligible agricultural real estate mortgage loans. There were no issuances or repayments under such funding agreemen
months ended June 30, 2014 and 2013. At both June 30, 2014 and December 31, 2013, total obligations outstanding under thes
agreements were $2.8 billion. See Note 4 of the Notes to the Consolidated Financial Statements included in the 2013 Annual R

Debt Issuance

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

Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts

In October 2014, MetLife, Inc. plans to remarket $1.0 billion of senior debt securities underlying common equity units issued i
2010, in connection with the acquisition of ALICO. MetLife, Inc. will not receive any proceeds from the remarketing. Commo
holders will use the remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. Th
settlement of the stock purchase contracts will provide proceeds to MetLife, Inc. of $1.0 billion in exchange for shares of MetI
common stock. MetLife, Inc. will deliver between 22.8 million and 28.5 million shares of its newly issued common stock to se
purchase contracts. See Notes 12 and 15 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Re
additional information.

Credit and Committed Facilities

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

In May 2014, MetLife, Inc. and MetLife Funding entered into a $4.0 billion five-year unsecured credit agreement, which amer
both the five-year $3.0 billion and the five-year $1.0 billion unsecured credit agreements in their entireties into a single agreem
Five-Year Credit Agreement"). The facility made available by the 2014 Five-Year Credit Agreement may be used for general
(including, in the case of loans, to back up commercial paper and, in the case of letters of credit, to support variable annuity po
reinsurance reserve requirements). All borrowings under the 2014 Five-Year Credit Agreement must be repaid by May 30, 201
letters of credit outstanding on that date may remain outstanding until no later than May 30, 2020. MetLife, Inc. incurred costs
related to the 2014 Five-Year Credit Agreement, which were capitalized and included in other assets. These costs are being am
remaining term of the 2014 Five-Year Credit Agreement. At June 30, 2014, we had outstanding $270 million in letters of credi
drawdowns against this facility. Remaining availability was $3.7 billion at June 30, 2014.

The committed facilities are used for collateral for certain of our affiliated reinsurance liabilities. At June 30, 2014, $6.5 billion
credit and $2.8 billion in aggregate drawdowns under collateral financing arrangements were outstanding against these faciliti
availability was $2.8 billion at June 30, 2014.

Table of Contents

See Note 12 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for further information
facilities.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations u
facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do
reflect our actual future cash funding requirements.

Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt at:

	June 30, 2014	De
	(In millions)	
Short-term debt	$100	$1
Long-term debt (1)	$16,278	$1
Collateral financing arrangements	$4,196	$4
Junior subordinated debt securities	$3,193	$3

(1) Excludes $505 million and $1.5 billion at June 30, 2014 and December 31, 2013, respectively, of long-term debt rel
— FVO (see Note 6 of the Notes to the Interim Condensed Consolidated Financial Statements).

Dispositions

Cash proceeds from dispositions during the six months ended June 30, 2014 and 2013 were $714 million and $373 million, res
Note 3 of the Notes to the Interim Condensed Consolidated Financial Statements for information regarding the disposition of
six months ended June 30, 2013, the sale of MetLife Bank's depository business resulted in cash outflows of $6.4 billion as a
buyer's assumption of the bank deposits liability in exchange for our cash payment. See Note 3 of the Notes to the Consolidat
Statements included in the 2013 Annual Report for information regarding the sale of MetLife Bank's depository business.

Liquidity and Capital Uses

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

Common Stock Repurchases

In June 2014, MetLife, Inc. announced that it will resume common stock repurchases and intends to repurchase up to $1 billio
common stock. It will utilize existing authorizations from the MetLife, Inc. Board of Directors to repurchase its common stock
authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (includ
the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934 ("Exch
privately negotiated transactions. See "Unregistered Sales of Equity Securities and Use of Proceeds — Issuer Purchases of Eq
In June 2014, MetLife, Inc. repurchased 80,662 shares through open market purchases for $4 million.

At June 30, 2014, $1.3 billion remains available under these common stock repurchase authorizations. Future common stock r
be dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general marke
market price of MetLife, Inc.'s common stock compared to management's assessment of the stock's underlying value and app
approvals, as well as other legal and accounting factors.

Table of Contents

Preferred Stock Dividends

Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for preferred s
follows for the six months ended June 30, 2014 and 2013:

Declaration Date	Record Date	Payment Date	Preferred Stock Dividend			
			Series A Per Share	Series A Aggregate	Series B Per Share	S A
			(In millions, except per share data)			
May 15, 2014	May 31, 2014	June 16, 2014	$0.256	$7	$0.406	$
March 5, 2014	February 28, 2014	March 17, 2014	$0.250	6	$0.406	2
				$13		$
May 15, 2013	May 31, 2013	June 17, 2013	$0.256	$7	$0.406	$
March 5, 2013	February 28, 2013	March 15, 2013	$0.250	6	$0.406	2
				$13		$

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

Common Stock Dividends

Information on the declaration, record and payment dates, as well as per share and aggregate dividend amounts, for MetLife, I
stock was as follows for the six months ended June 30, 2014 and 2013:

Declaration Date	Record Date	Payment Date	Common Stock Dividend	
			Per Share	Agg
			(In millions, except per sha	
April 22, 2014	May 9, 2014	June 13, 2014	$0.350	$39
January 6, 2014	February 6, 2014	March 13, 2014	$0.275	311
				$70
April 23, 2013	May 9, 2013	June 13, 2013	$0.275	$30
January 4, 2013	February 6, 2013	March 13, 2013	$0.185	203
				$50

The declaration and payment of common stock dividends is subject to the discretion of MetLife, Inc.'s Board of Directors, and
MetLife, Inc.'s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the pay
to MetLife, Inc. by its insurance subsidiaries and other factors deemed relevant by the Board. On July 7, 2014, MetLife, Inc.'s
Directors declared a third quarter 2014 common stock dividend of $0.35 per share payable on September 12, 2014 to sharehol
of August 8, 2014. The Company estimates the aggregate dividend payment to be $396 million.

Dividend Restrictions

The payment of dividends and other distributions by MetLife, Inc. to its security holders may be subject to regulation by the F
Board, if, in the future, MetLife, Inc. is designated as a non-bank SIFI. See "— Industry Trends — Regulatory Developments
Developments — Enhanced Prudential Standards for Non-Bank SIFIs," as well as "Business — U.S. Regulation — Potential I
SIFI" included in the 2013 Annual Report. In addition, if additional capital requirements are imposed on MetLife, Inc. as a G-
pay dividends could be reduced by any such additional capital requirements that might be imposed. See "— Industry Trends —
Developments — International Regulatory Developments — Global Systemically Important Insurers." The payment of divide
restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experienc
stress. See "Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restrictions Under the Ter
Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish" included in MetLife, I
Report on Form 10-Q for the quarter ended March 31, 2014 and Note 16 of the Notes to the Consolidated Financial Statement
2013 Annual Report.

Debt Repayments

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

169

Table of Contents

In May 2014, MetLife, Inc. redeemed $200 million aggregate principal amount of its 5.875% senior notes due in November 20
In February 2014, MetLife, Inc. repaid at maturity its $1.0 billion 2.375% senior notes.

Debt and Facility Covenants

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

Debt Repurchases

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for other s
market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon s
including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and a
Whether or not to repurchase any debt and the size and timing of any such repurchases is determined at our discretion.

Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an "Obligor") are parties to various capital support commitments, guarantee
reinsurance agreements with certain subsidiaries of MetLife, Inc. Under these arrangements, each Obligor, with respect to the
has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or ha
provide, upon the occurrence of certain contingencies, reinsurance for such entity's insurance liabilities. We anticipate that in t
these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet anticipated deman
"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources
Liquidity and Capital Uses — Support Agreements" included in the 2013 Annual Report.

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property & ca
and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type pro
or lapse product behavior differs somewhat by segment. In the Retail segment, which includes individual annuities, lapses and
to occur in the normal course of business. During the six months ended June 30, 2014 and 2013, general account surrenders an
from annuity products were $2.1 billion and $2.0 billion, respectively. In the Corporate Benefit Funding segment, which inclu
closeouts, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital marke
of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the Corporate Ben
segment liabilities that provide customers with limited rights to accelerate payments, there were $2.2 billion at June 30, 2014 o
agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilitie
were subject to a notice period of 90 days. The remaining liabilities are subject to a notice period of five months or greater.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At June 30, 20
December 31, 2013, we were obligated to return cash collateral under our control of $2.1 billion and $2.0 billion, respectively.
2014 and December 31, 2013, we had pledged cash collateral of $4 million and $3 million, respectively, for OTC bilateral deri
between two counterparties ("OTC-bilateral") in a net liability position. With respect to OTC-bilateral derivatives in a net liab
have credit contingent provisions, a one-notch downgrade in the Company's credit rating would require $32 million of additio
provided to our counterparties as of June 30, 2014. See Note 7 of the Notes to the Interim Condensed Consolidated Financial S
additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisio
we have pledged collateral and have had collateral pledged to us, and may be required from time to time to pledge additional c
entitled to have additional collateral pledged to us, in connection with collateral financing arrangements related to the reinsura
block liabilities and universal life secondary guarantee liabilities.

Table of Contents

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and co
We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are r
Under our securities lending program, we were liable for cash collateral under our control of $30.9 billion and $28.3 billion at
and December 31, 2013, respectively. Of these amounts, $7.1 billion and $6.0 billion at June 30, 2014 and December 31, 2013
were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediat
collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at June 30, 2014 was
which $6.6 billion were U.S. Treasury and agency securities which, if put to us, could be immediately sold to satisfy the cash r
immediately return the cash collateral. See "— Investments — Securities Lending" for further information.

Litigation

Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discu
herein and those otherwise provided for in the consolidated financial statements, have arisen in the course of our business, incl
limited to, in connection with our activities as an insurer, employer, investor, investment advisor, taxpayer and, formerly, a mo
bank. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduc
concerning our compliance with applicable insurance and other laws and regulations. See Note 14 of the Notes to the Interim C
Consolidated Financial Statements.

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the
loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no a
but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of ar
when such an estimate can be made. It is not possible to predict or determine the ultimate outcome of all pending investigation
proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble
sought. Although in light of these considerations, it is possible that an adverse outcome in certain cases could have a material a
upon our financial position, based on information currently known by us, in our opinion, the outcome of such pending investig
proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of t
the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, hav
adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods.

Acquisitions

During the six months ended June 30, 2014 and 2013, there were $249 million and $0 cash outflows for acquisitions, respectiv

Contractual Obligations

See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resou
Contractual Obligations" included in the 2013 Annual Report for additional information on the Company's contractual obligat

171

Table of Contents

MetLife, Inc.

Liquidity Management and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future f
obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-
sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is mo
the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in
flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife
MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. T
which serve as cost-effective sources of funds, are critical components of MetLife, Inc.'s liquidity and capital management. De
these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capi
A disruption in the financial markets could limit MetLife, Inc.'s access to liquidity.

MetLife, Inc.'s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit rating
credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sour
liquidity monitoring procedures as critical to retaining such credit ratings.

Liquid Assets

At June 30, 2014 and December 31, 2013, MetLife, Inc. and other MetLife holding companies had $5.5 billion and $5.9 billion
liquid assets. Of these amounts, $5.2 billion and $5.5 billion were held by MetLife, Inc. and $275 million and $453 million we
MetLife holding companies, at June 30, 2014 and December 31, 2013, respectively. Liquid assets include cash and cash equiva
investments and publicly-traded securities, excluding: (i) amounts related to cash collateral received from counterparties in co
derivatives; (ii) investments held in trust in support of collateral financing arrangements; and (iii) investments pledged in supp
Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations
available after application of local insurance regulatory requirements, as discussed in "— MetLife, Inc. — Liquidity and Capit
from Subsidiaries." The cumulative earnings of certain active non-U.S. operations have been reinvested indefinitely in such no
as described in Note 19 of the Notes to the Consolidated Financial Statements included in the 2013 Annual Report. Under curr
should we repatriate such earnings, we may be subject to additional U.S. income taxes and foreign withholding taxes.

Liquidity

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

Capital

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

MetLife Bank has terminated its Federal Deposit Insurance Corporation insurance and MetLife, Inc. de-registered as a bank ho
As a result, MetLife, Inc. is no longer subject to enhanced supervision and prudential standards as a bank holding company wi
$50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank SIFI, it could once agai
regulation by the Federal Reserve Board and enhanced supervision and prudential standards. In addition, if MetLife, Inc. is des
non-bank SIFI or if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends, repurc
stock or other securities or engage in other transactions that could affect its capital or need for capital could be reduced by any
capital requirements that might be imposed. See "— Industry Trends — Regulatory Developments — U.S. Regulatory Develo
Prudential Standards for Non-Bank SIFIs" and "— Industry Trends — Regulatory Developments — International Regulatory
Systemically Important Insurers," as well as "Business — U.S. Regulation — Potential Regulation as a Non-Bank SIFI" inclu
Report. See "— The Company — Liquidity and Capital Uses — Common Stock Repurchases" for information regarding the r
stock repurchase program.

Table of Contents

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in "— The Company — Summary of Primary Sources and Uses o
the following additional information is provided regarding MetLife, Inc.'s primary sources of liquidity and capital:

Dividends from Subsidiaries

MetLife, Inc. relies, in part, on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc.'s insurance subsidia
regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limit
U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar
statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed b
regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financia
prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, re
investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

The table below sets forth the dividends permitted to be paid in 2014 by the respective insurance subsidiary without insurance
approval and the respective dividends paid during the six months ended June 30, 2014:

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

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

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

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-
regimes also commonly limit the dividend payments to the parent to a portion of the prior year's statutory income, as determin
accounting principles. The regulators of our non-U.S. operations, including Japan's Financial Services Agency, may also limit
profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or finar
the non-U.S. operations, or for other reasons. Most of the non-U.S. subsidiaries are second tier subsidiaries which are owned b
non-U.S. holding companies. The capital and rating considerations applicable to the first tier subsidiaries may also impact the
into MetLife, Inc.

In 2013, MetLife, Inc. announced its plans for the Mergers. As a result, the aggregate amount of dividends permitted to be paid
insurance regulatory approval may be impacted. See "— Executive Summary" for further information on the Mergers.

We actively manage target and excess capital levels and dividend flows on a proactive basis and forecast local capital position
financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in e
minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. We cannot provi
MetLife, Inc.'s subsidiaries will have statutory earnings to support payment of dividends to MetLife, Inc. in an amount sufficie
requirements and pay cash dividends, and that the applicable regulators will not disapprove any dividends that such subsidiarie
for approval. See "Risk Factors — Capital-Related Risks — As a Holding Company, MetLife, Inc. Depends on the Ability of
Transfer Funds to It to Meet Its Obligations and Pay Dividends" and Note 16 of the Notes to the Consolidated Financial Stater
the 2013 Annual Report.

173

Table of Contents

Short-term Debt

MetLife, Inc. maintains a commercial paper program, the proceeds of which can be used to finance the general liquidity needs
and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at both June 30, 2014 and December 31, 2013.

Credit and Committed Facilities

At June 30, 2014, MetLife, Inc., along with MetLife Funding, maintained a $4.0 billion unsecured credit facility, the proceeds
available for general corporate purposes (including, in the case of loans, to back up commercial paper and, in the case of letter
support variable annuity policy and reinsurance reserve requirements). At June 30, 2014, MetLife, Inc. had outstanding $270 r
of credit and no drawdowns against this facility. Remaining availability was $3.7 billion at June 30, 2014.

In addition, MetLife, Inc. is a party to committed facilities of certain of its subsidiaries, which aggregated $12.1 billion at June
committed facilities are used as collateral for certain of the Company's affiliated reinsurance liabilities.

See "— The Company — Liquidity and Capital Sources — Global Funding Sources — Credit and Committed Facilities," as v
the Consolidated Financial Statements included in the 2013 Annual Report for further information regarding these facilities.

Long-term Debt Outstanding

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

	June 30, 2014	De
	(In millions)	
Long-term debt — unaffiliated	$15,429	$1
Long-term debt — affiliated (1)	$3,600	$3
Collateral financing arrangements	$2,797	$2
Junior subordinated debt securities	$1,748	$1

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

Dispositions

During each of the six months ended June 30, 2014 and 2013, MetLife, Inc. did not receive any cash proceeds from dispositior

Liquidity and Capital Uses

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital cor
subsidiaries, common stock repurchases, payment of general operating expenses and acquisitions. Based on our analysis and c
current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insu
approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be
liquidity and capital to enable MetLife, Inc. to make payments on debt, pay cash dividends on its common and preferred stock,
capital to its subsidiaries, repurchase its common stock, pay all general operating expenses and meet its cash needs.

In addition to the description of liquidity and capital uses in "— The Company — Liquidity and Capital Uses," the following a
provided regarding MetLife, Inc.'s primary uses of liquidity and capital:

Affiliated Capital Transactions

During the six months ended June 30, 2014 and 2013, MetLife, Inc. invested an aggregate of $222 million and $529 million, r
various subsidiaries.

MetLife, Inc. lends funds, as necessary, to its subsidiaries and affiliates, some of which are regulated, to meet their capital requ
MetLife, Inc. had loans to subsidiaries outstanding of $2.2 billion and $2.3 billion at June 30, 2014 and December 31, 2013, re

Table of Contents

In anticipation of the Mergers, in the third quarter of 2014 we expect that MICC will pay MLIG $1.4 billion to redeem and ret common stock owned by MLIG, after which all of the outstanding common stock of MICC will be held by MetLife, Inc. Follo redemption, in the third quarter of 2014 we expect that MLIG will dividend the $1.4 billion to MetLife, Inc., and we expect tha will make a capital contribution to MICC of approximately $230 million.

In June 2014, MetLife Ireland Treasury Limited made a payment of the Chilean peso equivalent of $69 million on a loan issue Inc. which bears interest at a fixed rate of 8.5%. At June 30, 2014, the remaining balance on the loan was $1.1 billion.

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

Debt and Facility Covenants

Certain of MetLife, Inc.'s debt instruments, committed facilities and our credit facility contain various administrative, reportin financial covenants. MetLife, Inc. believes it was in compliance with all such covenants at June 30, 2014.

Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arran MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contra See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resou Liquidity and Capital Uses — Support Agreements" included in the 2013 Annual Report.

Acquisitions

During each of the six months ended June 30, 2014 and 2013, there were no cash outflows from MetLife, Inc. for acquisitions.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Interim Condensed Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

Operating earnings is defined as operating revenues less operating expenses, both net of income tax. Operating earnings availa shareholders is defined as operating earnings less preferred stock dividends.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or w exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) an 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 revenue

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net in (losses) and net derivative gains (losses) and certain variable annuity GMIB fees ("GMIB Fees");
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on deri hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) i from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint vent for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) e amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

175

Table of Contents

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

- Policyholder benefits and claims and policyholder dividends excludes: (i) changes in the policyholder dividend obligation rela investment gains (losses) and net derivative gains (losses), (ii) inflation-indexed benefit adjustments associated with contracts inflation-indexed investments and amounts associated with periodic crediting rate adjustments based on the total return of a co referenced pool of assets and other pass through adjustments ("Inflation and Pass Through Adjustments") (iii) benefits and hec to GMIBs ("GMIB Costs"), and (iv) market value adjustments associated with surrenders or terminations of contracts ("Mark Adjustments");
- Interest credited to policyholder account balances includes adjustments for scheduled periodic settlement payments and amort premium on derivatives that are hedges of PABs but do not qualify for hedge accounting treatment and excludes amounts rela investment income earned on contractholder-directed unit-linked investments;
- Amortization of DAC and VOBA excludes amounts related to: (i) net investment gains (losses) and net derivative gains (losse 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; ar
- Other expenses excludes costs related to: (i) noncontrolling interests, (ii) implementation of new insurance regulatory requiren (iii) acquisition and integration costs.

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

In addition, operating return on common equity is defined as operating earnings available to common shareholders, divided by common equity.

We believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it f purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitabi business. Operating revenues, operating expenses, operating earnings, operating earnings available to common shareholders, o on MetLife, Inc.'s common equity and operating return on MetLife, Inc.'s common equity, excluding AOCI, should not be vie for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses, income (loss) fr operations, net of income tax, net income (loss) available to MetLife, Inc.'s common shareholders, return on MetLife, Inc.'s co return on MetLife, Inc.'s common equity, excluding AOCI, respectively. Reconciliations of these measures to the most directl GAAP measures are included in "— Results of Operations."

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenue but are used as relevant measures of business activity. Additionally, the impact of changes in our foreign currency exchange ra using the average foreign currency exchange rates for the current year and is applied to each of the comparable years. Further, GAAP accounting treatment for insurance contracts refers to Inflation and Pass Through Adjustments as noted above within th operating expenses.

In this discussion, we also provide forward-looking guidance on an operating, or non-GAAP, basis. A reconciliation of these n measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it i provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significa outside the range and from period to period and may have a significant impact on GAAP net income.

Subsequent Event

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

176

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

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

Global Risk Management

Independent from the lines of business, the centralized GRM, led by the CRO collaborates and coordinates across all committe
all material risks are properly identified, measured, aggregated and reported across the Company. The CRO reports to the CEO
responsible for maintaining and communicating the Company's enterprise risk policies and for monitoring and analyzing all m
GRM considers and monitors a full range of risks against the Company's solvency, liquidity, earnings, business operations and
GRM's primary responsibilities consist of:

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

Asset/Liability Management

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

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

Market Risk Exposures

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of
have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rate
currency exchange rates and changes in the equity markets. We have exposure to market risk through our insurance operations
activities. For purposes of this disclosure, "market risk" is defined as the risk of loss resulting from changes in interest rates, fo
exchange rates and equity markets.

177

Interest Rates

Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our in
sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government
corporate bonds, mortgage-backed securities and ABS, all of which are mainly exposed to changes in medium- and long-term
The interest rate sensitive liabilities for purposes of this disclosure include debt, PABs related to certain investment type contra
embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate expos
and long-term interest rates) as fixed maturity securities. We employ product design, pricing and ALM strategies to reduce the
of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdra
products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives and duration
See "Risk Factors — Economic Environment and Capital Markets-Related Risks — We Are Exposed to Significant Financial
Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net In
to Vary from Period to Period" included in the 2013 Annual Report.

Foreign Currency Exchange Rates

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

Equity Market

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

Management of Market Risk Exposures

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

Interest Rate Risk Management

To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection
forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluati
gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The Departm
Services regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our reg
For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the
investment income to product lines. For each segment, invested assets greater than or equal to the GAAP liabilities and any no
allocated to the segment are maintained, with any excess allocated to Corporate & Other. The business segments may reflect d
legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy wit
duration, liquidity or credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts fo
investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the
assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteris
assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, the
include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortg
prepayments and defaults.

Table of Contents

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

Foreign Currency Exchange Rate Risk Management

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

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

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

Equity Market Risk Management

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

Hedging Activities

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

- Risks Related to Living Guarantee Benefits — We use a wide range of derivative contracts to mitigate the risk associated with living guarantee benefits. These derivatives include equity and interest rate futures, interest rate swaps, currency futures/forwa indexed options and interest rate option contracts and equity variance swaps.
- Minimum Interest Rate Guarantees — For certain liability contracts, we provide the contractholder a guaranteed minimum int contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors to reduce risk associat liability guarantees.
- Reinvestment Risk in Long Duration Liability Contracts — Derivatives are used to hedge interest rate risk related to certain lo contracts. Hedges include interest rate swaps and swaptions.
- Foreign Currency Exchange Rate Risk — We use currency swaps, forwards and options to hedge foreign currency exchange r hedges primarily swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to
- General ALM Hedging Strategies — In the ordinary course of managing our asset/liability risks, we use interest rate futures, i interest rate caps, interest rate floors and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk existing assets or liabilities or related to expected future cash flows.

Table of Contents

Risk Measurement: Sensitivity Analysis

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

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

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

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

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

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive asset
June 30, 2014:

	Jun (In
Non-trading:	
Interest rate risk	$6,(
Foreign currency exchange rate risk	$6,9
Equity market risk	$11
Trading:	
Interest rate risk	$5
Foreign currency exchange rate risk	$—

Table of Contents

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

	June 30, 2014	
	Notional Amount	Estimated Fair Value (1)
	(In millions)	
Assets		
Fixed maturity securities		$367,056
Equity securities		$3,863
Fair value option and trading securities:		
Actively Traded Securities		$690
Fair value option general account securities		$682
Total fair value option and trading securities		$1,372
Mortgage loans		$59,194
Policy loans		$13,458
Short-term investments		$12,366
Other invested assets		$982
Cash and cash equivalents		$7,393
Accrued investment income		$4,234
Premiums, reinsurance and other receivables		$4,062
Other assets		$1,050
Net embedded derivatives within asset host contracts (2)		$328
Total assets		
Liabilities (3)		
Policyholder account balances		$137,432
Payables for collateral under securities loaned and other transactions		$33,187
Short-term debt		$100
Long-term debt		$18,293
Collateral financing arrangements		$3,993
Junior subordinated debt securities		$4,131
Other liabilities:		
Trading liabilities		$218
Other		$5,903
Net embedded derivatives within liability host contracts (2)		$(684)
Total liabilities		
Derivative Instruments		
Interest rate swaps	$104,642	$3,889
Interest rate floors	$67,265	$172
Interest rate caps	$36,605	$111
Interest rate futures	$6,364	$(3)
Interest rate options	$39,361	$345
Interest rate forwards	$640	$37
Synthetic GICs	$4,362	$—
Foreign currency swaps	$25,923	$(547)
Foreign currency forwards	$18,219	$(6)
Currency futures	$382	$1
Currency options	$14,808	$119

Credit default swaps	$13,657	$130
Equity futures	$5,814	$(10)
Equity options	$38,116	$44
Variance swaps	$21,985	$(474)
Total rate of return swaps	$3,449	$(138)
Total derivative instruments		
Net Change		

181

Table of Contents

(1) Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are sensitive, are not included herein as any interest rate risk is borne by the contractholder. Mortgage loans, fair value option a securities and long-term debt exclude $638 million, $18 million and $505 million, respectively, related to CSEs. See Note 6 the Interim Condensed Consolidated Financial Statements for information regarding CSEs.

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

(3) Excludes $205.0 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefi policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of o instruments resulting from a 10% increase in the yield curve.

Interest rate risk decreased by $705 million, or 10%, to $6.1 billion at June 30, 2014 from $6.8 billion at December 31, 2013. T primarily due to a decrease in interest rates across the swap and U.S. Treasury curves of $304 million, a change in the asset ba million partially offset by a change in the duration of $73 million. Additionally, the use of derivatives employed by the Compa to the sale of MetLife Assurance Limited contributed to the decline by $202 million.

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

Table of Contents

	June 30, 2014		
	Notional Amount	Estimated Fair Value (1)	As 10 in Ex
	(In millions)		
Assets			
Fixed maturity securities		$367,056	$(
Equity securities		$3,863	(1
Fair value option and trading securities:			
Actively Traded Securities		$690	—
Fair value option general account securities		$682	(7
Total fair value option and trading securities		$1,372	(7
Mortgage loans		$59,194	(6
Policy loans		$13,458	(1
Short-term investments		$12,366	(2
Other invested assets		$982	(1
Cash and cash equivalents		$7,393	(3
Accrued investment income		$4,234	(8
Premiums, reinsurance and other receivables		$4,062	(6
Other assets		$1,050	(6
Net embedded derivatives within asset host contracts (2)		$328	(1
Total assets			$(
Liabilities (3)			
Policyholder account balances		$137,432	$2
Payables for collateral under securities loaned and other transactions		$33,187	11
Long-term debt		$18,293	14
Other liabilities		$6,121	17
Net embedded derivatives within liability host contracts (2)		$(684)	14
Total liabilities			$3
Derivative Instruments			
Interest rate swaps	$104,642	$3,889	$(
Interest rate floors	$67,265	$172	—
Interest rate caps	$36,605	$111	—
Interest rate futures	$6,364	$(3)	1
Interest rate options	$39,361	$345	(1
Interest rate forwards	$640	$37	—
Synthetic GICs	$4,362	$—	—
Foreign currency swaps	$25,923	$(547)	60
Foreign currency forwards	$18,219	$(6)	(3
Currency futures	$382	$1	(1
Currency options	$14,808	$119	30
Credit default swaps	$13,657	$130	(1
Equity futures	$5,814	$(10)	1
Equity options	$38,116	$44	(1
Variance swaps	$21,985	$(474)	2
Total rate of return swaps	$3,449	$(138)	—
Total derivative instruments			$3
Net Change			$(

183

Table of Contents

(1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate ac liabilities and contractholder-directed unit-linked investments and associated PABs, which are foreign currency exchange ra not included herein as any foreign currency exchange rate risk is borne by the contractholder. Mortgage loans, fair value op securities and long-term debt exclude $638 million, $18 million and $505 million, respectively, related to CSEs. See Note 6 the Interim Condensed Consolidated Financial Statements for information regarding CSEs.

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

(3) Excludes $205.0 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefi policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of o instruments resulting from a 10% increase in foreign currency exchange rates.

Foreign currency exchange rate risk increased by $340 million, or 5%, to $6.9 billion at June 30, 2014 from $6.6 billion at Dec This change is due to a net increase in exchange risk relating to fixed maturity securities, equity securities, policyholder accou the use of derivatives employed by the Company. Our net exposures increased primarily due to the weakening of the U.S. doll Japanese yen and the Chilean peso.

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

	June 30, 2014		
	Notional Amount	Estimated Fair Value (1)	A 1 i F
	(In millions)		
Assets			
Equity securities		$3,863	$
Net embedded derivatives within asset host contracts (2)		$328	(
Total assets			$
Liabilities			
Policyholder account balances		$137,432	$
Net embedded derivatives within liability host contracts (2)		$(684)	6
Total liabilities			$
Derivative Instruments			
Interest rate swaps	$104,642	$3,889	$
Interest rate floors	$67,265	$172	–
Interest rate caps	$36,605	$111	–
Interest rate futures	$6,364	$(3)	–
Interest rate options	$39,361	$345	–
Interest rate forwards	$640	$37	–
Synthetic GICs	$4,362	$—	–
Foreign currency swaps	$25,923	$(547)	–
Foreign currency forwards	$18,219	$(6)	–
Currency futures	$382	$1	–
Currency options	$14,808	$119	–
Credit default swaps	$13,657	$130	–
Equity futures	$5,814	$(10)	(
Equity options	$38,116	$44	(
Variance swaps	$21,985	$(474)	1
Total rate of return swaps	$3,449	$(138)	(
Total derivative instruments			$
Net Change			$

184

Table of Contents

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

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

Equity price risk increased by $16 million to $111 million at June 30, 2014 from $95 million at December 31, 2013. This incre primarily due to the use of derivatives by the Company partially offset by a change in equity securities.

Item 4. Controls and Procedures

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness and operation of the Company’s disclosure controls and procedures as defined in Rule 13a-15(e) under the Securities Exchang amended (“Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive O Financial Officer have concluded that these disclosure controls and procedures are effective.

There were no changes to the Company’s internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) d ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control reporting.

Part II — Other Information

Item 1. Legal Proceedings

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

Asbestos-Related Claims

Metropolitan Life Insurance Company (“MLIC”) is and has been a defendant in a large number of asbestos-related suits filed p courts. These suits principally allege that the plaintiff or plaintiffs suffered personal injury resulting from exposure to asbestos actual and punitive damages.

As reported in the 2013 Annual Report, MLIC received approximately 5,898 asbestos-related claims in 2013. During the six m June 30, 2014 and 2013, MLIC received approximately 2,569 and 3,129 new asbestos-related claims, respectively. See Note 2 the Consolidated Financial Statements included in the 2013 Annual Report for historical information concerning asbestos clai increase in its recorded liability at December 31, 2013. The number of asbestos cases that may be brought, the aggregate amou that MLIC may incur, and the total amount paid in settlements in any given year are uncertain and may vary significantly from MLIC reevaluates on a quarterly and annual basis its exposure from asbestos litigation, including studying its claims experienc external literature regarding asbestos claims experience in the United States, assessing relevant trends impacting asbestos liabi considering numerous variables that can affect its asbestos liability exposure on an overall or per claim basis. These variables i bankruptcies of other companies involved in asbestos litigation, legislative and judicial developments, the number of pending c serious disease, the number of new claims filed against it and other defendants and the jurisdictions in which claims are pendin reevaluation of its exposure from asbestos litigation, MLIC has updated its liability analysis for asbestos-related claims throug

Unclaimed Property Litigation

Derivative Actions and Demands

Seeking to sue derivatively on behalf of MetLife, Inc., four shareholders commenced separate actions against members of the Board of Directors, alleging that they breached their fiduciary and other duties to the Company. Plaintiffs allege that the defen ensure that the Company complied with state unclaimed property laws and to ensure that the Company accurately reported its Plaintiffs allege that because of the defendants’ breaches of duty, MetLife, Inc. has incurred damage to its reputation and has s unspecified damages. The two state court actions (Fishbaum v. Kandarian, et al. (Sup. Ct., New York County, filed January 27 Batchelder v. Burwell, et al. (Sup. Ct., New York County, filed March 6, 2012)), have been consolidated under the caption In r Shareholder Derivative Action. On January 22, 2014, the state court issued an order granting defendants’ motion to dismiss on plaintiffs had not established that their failure to make the required pre-suit demand to the Board of Directors should be excuse 2014, the state court denied plaintiffs’ motion for leave to reargue the January 22, 2014 order, granting defendants’ motion to d actions filed in federal court (Mallon v. Kandarian, et al. (S.D.N.Y., filed March 28, 2012) and Martino v. Kandarian, et al. (S. April 19, 2012)) have been consolidated and stayed pending further order of the court. The defendants intend to continue to de vigorously.

185

Table of Contents

Other Litigation

C Mart, Inc. v. Metropolitan Life Ins. Co., et al. (S.D. Fla., January 10, 2013); Cadenasso v. Metropolitan Life Insurance Co., November 26, 2013, subsequently transferred to S.D. Fla.); and Fauley v. Metropolitan Life Insurance Co., et al. (Circuit Cour Judicial Circuit, Lake County, Ill., July 3, 2014).

Plaintiffs filed these lawsuits against defendants, including MLIC and a former MetLife financial services representative, alleg defendants sent unsolicited fax advertisements to plaintiff and others in violation of the Telephone Consumer Protection Act, a Junk Fax Prevention Act, 47 U.S.C. § 227. MLIC has agreed to pay up to $23 million to resolve claims as to fax ads sent betw 2008 and the date of the court’s preliminary approval of the settlement. Following this agreement, the Fauley case was filed in C-Mart and Cadenasso cases were voluntarily dismissed. In August 2014, the Fauley court preliminarily approved the settleme nationwide settlement class, and scheduled the final approval hearing for November 2014.

Summary

Putative or certified class action litigation and other litigation and claims and assessments against the Company, in addition to previously and those otherwise provided for in the Company’s consolidated financial statements, have arisen in the course of t business, including, but not limited to, in connection with its activities as an insurer, mortgage lending bank, employer, investo advisor and taxpayer. Further, state insurance regulatory authorities and other federal and state authorities regularly make inqu investigations concerning the Company’s compliance with applicable insurance and other laws and regulations.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings. In some of the matters ref previously, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of th considerations it is possible that an adverse outcome in certain cases could have a material effect upon the Company’s financia on information currently known by the Company’s management, in its opinion, the outcomes of such pending investigations a proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of t the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, hav effect on the Company’s net income or cash flows in particular quarterly or annual periods.

Item 1A. Risk Factors

The following should be read in conjunction with the factors that may affect the Company’s business or operations described u in Part I, Item 1A, of the 2013 Annual Report and “Risk Factors” in Part II, Item 1A of MetLife, Inc.’s Quarterly Report on Fo quarter ended March 31, 2014.

Regulatory and Legal Risks

Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcem Reduce Our Profitability and Limit Our Growth

Our insurance operations and brokerage businesses are subject to a wide variety of insurance and other laws and regulations. S Regulation” and “Business — International Regulation” included in the 2013 Annual Report, as supplemented by discussions developments in our subsequently filed Quarterly Reports on Form 10-Q under the caption “Management’s Discussion and An Condition and Results of Operations — Industry Trends — Regulatory Developments,” and as further supplemented below.

Insurance Regulation - U.S.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") regularly re-examine existing l
regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations t
made for the benefit of the consumer sometimes lead to additional expense for the insurer and, thus, could have a material adv
financial condition and results of operations. State insurance regulators and the NAIC are investigating the use of affiliated cap
and off-shore entities to reinsure insurance risk. Like many life insurance companies, we utilize captive reinsurers to satisfy re
requirements related to universal life and term life insurance policies. We also cede most of the variable annuity guarantee risk
reinsurer, which allows us to consolidate hedging and other risk management programs. See "Management's Discussion and A
Financial Condition and Results of Operations — Executive Summary" for information regarding MetLife, Inc.'s plans to mer
life insurance companies and an offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurar
state insurance regulators restrict the use of such captive reinsurers by following the lead of the New York State Department o
Services which has recommended a moratorium on such transactions, or if we otherwise are unable to continue to use captive r
future, our ability to write certain products or to hedge the associated risks efficiently, and/or our risk-based capital ("RBC") ra
deploy excess capital, could be adversely affected or we may need to increase prices on those products, which could adversely
competitive position and our results of operations. See "Management's Discussion and Analysis of Financial Condition and Re
— Industry Trends — Regulatory Developments," as well as Note 16 of the Notes to the Consolidated Financial Statements in
Annual Report. For more information on our use of captive reinsurers, see also "Management's Discussion and Analysis of Fi
and Results of Operations — Liquidity and Capital Resources — The Company — Capital — Affiliated Captive Reinsurance
the 2013 Annual Report.

The NAIC is also reviewing life insurers' use of non-variable separate accounts that are insulated from general account claims
insurance company insolvency, and adopted recommendations, subject to further review and development of guidance as a wo
July 1, 2014. We are currently evaluating the impact, if any, that these recommendations may have on our business. See "Man
Discussion and Analysis of Financial Condition and Results of Operations — Industry Trends — Regulatory Developments —
Developments — Insurance Regulatory Examinations."

U.S. Federal Regulation Affecting Insurance

Currently, the U.S. federal government does not directly regulate the business of insurance. However, the Dodd-Frank Wall St
Consumer Protection Act ("Dodd-Frank") established the Federal Insurance Office ("FIO") within the Department of the Trea
authority to participate in the negotiations of international insurance agreements with foreign regulators for the U.S., as well as
information about the insurance industry and recommend prudential standards. On December 12, 2013, the FIO issued a repor
Dodd-Frank, setting forth recommendations with respect to modernization of insurance regulation in the United States. The rep
possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations.
predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on our business, fina
or results of operations. See "Business — U.S. Regulation — Holding Company Regulation — Federal Initiatives" included in
Federal legislation and administrative policies can significantly and adversely affect insurance companies, including policies re
financial services regulation, securities regulation, derivatives regulation, pension regulation, health care regulation, privacy, to
legislation and taxation. In addition, various forms of direct and indirect federal regulation of insurance have been proposed fro
including proposals for the establishment of an optional federal charter for insurance companies. Other aspects of our insuranc
could also be affected by Dodd-Frank. For example, Dodd-Frank subjects any entity designated as a non-bank systemically im
institution ("non-bank SIFI") to enhanced prudential supervision and authorizes the Board of Governors of the Federal Reserve
"Federal Reserve Board") to impose additional capital requirements. In addition, under the so-called Volker Rule, the Federal
impose additional capital requirements and quantitative limits on certain trading and investment activities of a non-bank SIFI.
could be subject to such requirements and limits were it to be designated as a non-bank SIFI. See "Management's Discussion a
Financial Condition and Results of Operations — Industry Trends — Regulatory Developments — U.S. Regulatory Developm
Prudential Standards for Non-Bank SIFIs" included elsewhere herein, as well as "Business — U.S. Regulation — Potential Re
SIFI" included in the 2013 Annual Report.

Table of Contents

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

Federal Regulatory Agencies

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

While MetLife, Inc. has de-registered as a bank holding company, it may, in the future, be designated by the Financial Stabilit
Council ("FSOC") as a non-bank SIFI, and could once again be subject to regulation by the Federal Reserve Board and subjec
supervision and prudential standards. See "Management's Discussion and Analysis of Financial Condition and Results of Ope
Trends — Regulatory Developments — U.S. Regulatory Developments — Enhanced Prudential Standards for Non-Bank SIFI
herein, as well as "Business — U.S. Regulation — Potential Regulation as a Non-Bank SIFI" included in the 2013 Annual Re

The FSOC follows a three-stage process to assess whether a non-bank financial company should be subject to enhanced super
Federal Reserve Board as a non-bank SIFI. On July 16, 2013, MetLife was notified by the FSOC that it had reached Stage 3 in
determine whether MetLife, Inc. would be named a non-bank SIFI. We have been providing information to the FSOC to assist
evaluation of MetLife, Inc. Regulation of MetLife, Inc. as a non-bank SIFI could materially and adversely affect our business.
2011, the Federal Reserve Board proposed a set of prudential standards ("Regulation YY") that would apply a set of prudentia
non-bank SIFIs, including enhanced RBC requirements, leverage limits, liquidity requirements, single counterparty exposure l
requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediat
and recovery and resolution planning. The Federal Reserve Board's proposal contemplates that these standards would be subje
of the Federal Reserve Board to determine, on its own or in response to a recommendation by the FSOC, to tailor the applicati
enhanced standards to different companies on an individual basis or by category, taking into consideration their capital structu
complexity, financial activities, size, and any other risk-related factors that the Federal Reserve Board deems appropriate. On F
2014, the Federal Reserve Board adopted amendments to Regulation YY to implement certain of the enhanced prudential stanc
holding companies and foreign banking organizations with total consolidated assets of $50 billion or more. While Regulation Y
proposed, would have applied to non-bank SIFIs, the final rule does not, but the Federal Reserve Board has indicated that it pla
enhanced prudential standards to non-bank SIFIs by rule or order. If the Federal Reserve Board requires insurers that are non-b
comply with capital standards or regimes (such as the Basel capital rules that were developed for banks) that do not take into a
insurance business model and the differences between banks and insurers, the business and competitive position of such insure
could be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results o
Industry Trends — Regulatory Developments — U.S. Regulatory Developments — Enhanced Prudential Standards for Non-B
elsewhere herein, as well as "Business — U.S. Regulation — Potential Regulation as a Non-Bank SIFI" included in the 2013 A
Accordingly, the manner in which these proposed standards might apply to MetLife, Inc. remains unclear. The Federal Reserv
stated that it believes other provisions of Dodd-Frank, known as the Collins Amendment, constrain its ability to tailor capital s
non-bank SIFIs. Legislation that would clarify that the Federal Reserve Board may tailor capital rules for insurer member bank
important financial institutions has been adopted by the U.S. Senate and is pending in the House of Representatives.

Table of Contents

In the wake of the recent financial crisis, other national and international authorities have also proposed measures intended to i
intensity of regulation of large financial institutions, requiring greater coordination among regulators and efforts to harmonize
regimes. For example, the International Association of Insurance Supervisors ("IAIS") is participating in the Financial Stabilit
initiative to identify global systemically important financial institutions. To this end, the IAIS devised and published a method
the systemic relevance of global insurers and a framework of policy measures to be applied to global systemically important in
In July 2013, the FSB published its initial list of nine G-SIIs, based on the IAIS' assessment methodology, which includes Me
FSB will update the list annually beginning in November 2014. For G-SIIs which engage in activities deemed to be systemical
framework of policy measures calls for imposition of additional capital (higher loss absorbency ("HLA")) requirements on tho
July 9, 2014, the IAIS issued a second exposure draft of the basic capital requirements ("BCR") that the FSB has directed the I
The BCR provides a basis for the calculation of the HLA requirements. The BCR and HLA requirements are scheduled to be f
end of 2014 and 2015, respectively. The IAIS has indicated that BCR will apply to G-SIIs in 2015 or shortly thereafter. Initiall
expected to be on a confidential basis, subject to access by the IAIS for refinement purposes, if necessary. HLA requirements a
in 2019 to companies designated as G-SIIs in 2017. In addition, the IAIS proposes to develop a risk-based global insurance co
by 2016 which will apply to all internationally active insurance groups, including G-SIIs, with implementation to begin in 201
of testing and refinement. The IAIS policy measures would need to be implemented by legislation or regulation in each applica
and the impact on MetLife, Inc. and other designated G-SIIs in the U.S., is uncertain. See "Management's Discussion and Ana
Condition and Results of Operations — Industry Trends — Regulatory Developments — International Regulatory Developme
Important Insurers."

If such measures were adopted, including as a result of our potential designation as a non-bank SIFI, they could materially adv
ability to conduct business, our results of operations and financial condition and our ability to pay dividends, repurchase comm
securities or engage in other transactions that could affect our capital. Enhanced capital requirements could adversely affect ou
compete with other insurers that are not subject to those requirements, and our ability to issue guarantees could be constrained
to raise the price of the products we offer, reduce the amount of risk we take on, or stop offering certain products altogether. F
counterparty exposure limits could affect our ability to engage in hedging activities. The Federal Reserve Board could also hav
require that any of our insurance companies, or insurance company affiliates, take prompt action to correct any financial weak
In the event that MetLife, Inc. is designated as a non-bank SIFI, we may elect to contest such designation using all available re
Dodd-Frank or otherwise. If ultimately designated as a non-bank SIFI, we will consider such structural and other business alte
be available to us in response to such a designation, and we cannot predict the impact that any such alternatives, if implemente
the Company or its security holders.

Mortgage and Foreclosure-Related Exposures

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

Regulation of Brokers and Dealers

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

Employee Retirement Income Security Act of 1974 ("ERISA") Considerations

We provide products and services to certain employee benefit plans that are subject to ERISA or the Internal Revenue Code of
amended ("the Code"). Consequently, our activities are likewise subject to the restrictions imposed by ERISA and the Code, in
requirement that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and
under ERISA and the Code that fiduciaries may not cause a plan to engage in prohibited transactions with persons who have c
relationships with respect to those plans.

Table of Contents

The prohibited transaction rules generally restrict the provision of investment advice to ERISA plans and participants and indi
accounts ("IRAs") if the investment recommendation results in fees paid to the individual advisor, his or her firm or their affili
according to the investment recommendation chosen. Regulations adopted in October 2011 in this area provide some relief fro
investment advice restrictions. If additional relief is not provided, the ability of our affiliated broker-dealers and their registere
to provide investment advice to ERISA plans and participants and IRAs would likely be significantly restricted. Other propose
this area may negatively impact the current business model of our broker-dealers, including proposed changes to broaden the d
"fiduciary," thereby increasing the regulation of persons providing investment advice to ERISA plans and IRAs. These propos
expected in 2014. See "Business — U.S. Regulation — Employee Retirement Income Security Act of 1974 ("ERISA") Consi
2013 Annual Report.

International Regulation

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

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

General

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

Table of Contents

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

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

On July 14, 2014, the District of Columbia ("DC") adopted an emergency law that will impose a fee on the Health Insurance P
Accountability Act excepted benefits (which includes critical illness, accident, dental, vision, disability income, long-term care
indemnity insurance, among other products the Company sells). DC seeks to spread the funding of its $26 million budget to ot
lines if claims benefit from the DC healthcare exchange. The emergency law is in place for 90 days, but the City Council is alr
adopt a permanent law, which will require Congressional scrutiny and approval. While the financial impact to the Company of
be minimal, if other states successfully adopt this model, there could be an impact on product pricing and sales.

In addition, we employ a substantial number of employees, including sales agents, in the United States to whom we offer empl
benefits. We also currently provide benefits to certain of our retirees. These benefits are provided under complex plans that are
variety of regulatory requirements. The Health Care Act or related regulations or regulatory actions could adversely affect our
retain and motivate our associates. They could also result in increased or unpredictable costs to provide employee benefits, and
competitive position if we are subject to fees, penalties, tax provisions or other limitations in the Health Care Act and our com

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

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Purchases of common stock made by or on behalf of MetLife, Inc. or its affiliates during the quarter ended June 30, 2014 are s

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maxin (or Appro Dollar Va Shares tha Be Purcha Plans or P
April 1 — April 30, 2014	—	$—	—	$1,260,73
May 1 — May 31, 2014	815	$52.35	—	$1,260,73
June 1 — June 30, 2014	84,618	$55.82	80,662	$1,256,23

(1) During the periods May 1 through May 31, 2014 and June 1 through June 30, 2014, separate account and other affiliates of purchased 815 shares and 3,956 shares, respectively, of common stock on the open market in nondiscretionary transactions index funds. Except for the foregoing, there were no shares of common stock which were repurchased by MetLife, Inc. oth publicly announced plan or program.

(2) At June 30, 2014, MetLife, Inc. had $1.3 billion remaining under its common stock repurchase program authorizations. In A MetLife, Inc.'s Board of Directors authorized an additional $1.0 billion common stock repurchase program, which will beg completion of the January 2008 $1.0 billion common stock repurchase program, of which $256 million remained outstandin 2014. Under these authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in th (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exc 1934) and in privately negotiated transactions. Future common stock repurchases will be dependent upon several factors, in capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc. compared to management's assessment of the stock's underlying value and applicable regulatory approvals, as well as othe accounting factors. See "Risk Factors — Capital-Related Risks — Regulatory Restrictions and Uncertainty and Restriction Certain of Our Securities May Prevent Us from Repurchasing Our Stock and Paying Dividends at the Level We Wish" incl Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and Note 16 of the Notes to the Consolidated F Statements included in the 2013 Annual Report.

Table of Contents

Item 6. Exhibits

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Quarterly I
Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intendec
other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, or the other parties to the agreements.
contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties
solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorica
fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qua
disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures
necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viev
investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in
and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual sta
the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates may be
in this Quarterly Report on Form 10-Q and MetLife, Inc.'s other public filings, which are available without charge through the
www.sec.gov.)

Exhibit No.	Description
4.1	Certain instruments defining the rights of holders of long-term debt of MetLife, Inc. and its consolidated subsidi pursuant to Item 601(b)(4)(iii) of Regulation S-K. MetLife, Inc. hereby agrees to furnish to the Securities and E Commission, upon request, copies of such instruments.
10.1	Five-Year Credit Agreement, dated as of May 30, 2014, among MetLife, Inc. and MetLife Funding, Inc., as bor other parties signatory thereto, amending and restating (i) the Five-Year Credit Agreement, dated as of August 1 MetLife, Inc. and MetLife Funding, Inc., as borrowers, and the other parties signatory thereto and (ii) the Five-Y Agreement dated as of September 13, 2012, among MetLife, Inc. and MetLife Funding, Inc., as borrowers, and signatory thereto. (Incorporated by reference to Exhibit 10.1 to MetLife, Inc.'s Current Report on Form 8-K date
10.2	MetLife Plan for Transition Assistance for Officers, dated April 21, 2014 (as amended and restated, effective Ap
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

Table of Contents

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on
undersigned thereunto duly authorized.

METLIFE, INC.

By: /s/ Peter M. Carlson
Name: Peter M. Carlson
Title: Executive Vice President
and Chief Accounting Officer
(Authorized Signatory and Principal
Accounting Officer)

Date: August 7, 2014

Table of Contents

Exhibit Index

(Note Regarding Reliance on Statements in Our Contracts: In reviewing the agreements included as exhibits to this Quarterly I
Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intendec
other factual or disclosure information about MetLife, Inc., its subsidiaries or affiliates, or the other parties to the agreements.
contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties
solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorica
fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qua
disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures
necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viev
investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified ir
and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual sta
the date they were made or at any other time. Additional information about MetLife, Inc., its subsidiaries and affiliates may be
in this Quarterly Report on Form 10-Q and MetLife, Inc.'s other public filings, which are available without charge through the
www.sec.gov.)

Exhibit No.	Description
4.1	Certain instruments defining the rights of holders of long-term debt of MetLife, Inc. and its consolidated subsidi pursuant to Item 601(b)(4)(iii) of Regulation S-K. MetLife, Inc. hereby agrees to furnish to the Securities and E Commission, upon request, copies of such instruments.
10.1	Five-Year Credit Agreement, dated as of May 30, 2014, among MetLife, Inc. and MetLife Funding, Inc., as bor other parties signatory thereto, amending and restating (i) the Five-Year Credit Agreement, dated as of August 1 MetLife, Inc. and MetLife Funding, Inc., as borrowers, and the other parties signatory thereto and (ii) the Five-Y Agreement dated as of September 13, 2012, among MetLife, Inc. and MetLife Funding, Inc., as borrowers, and signatory thereto. (Incorporated by reference to Exhibit 10.1 to MetLife, Inc.'s Current Report on Form 8-K date
10.2	MetLife Plan for Transition Assistance for Officers, dated April 21, 2014 (as amended and restated, effective Ap
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.