METLIFE INC
Form 10-Q
August 06, 2015

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

Form 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
Commission file number: 001-15787

MetLife, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

At July 31, 2015, 1,116,881,066 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

Table of Contents

Table of Contents

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

Note Regarding Forward-Looking Statements

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

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

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

Corporate Information

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

Note Regarding Reliance on Statements in Our Contracts

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

Table of Contents
Part I — Financial Information
Item 1. Financial Statements
MetLife, Inc.
Interim Condensed Consolidated Balance Sheets
June 30, 2015 (Unaudited) and December 31, 2014
(In millions, except share and per share data)

	June 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $328,833 and $334,780, respectively; includes $4,335 and $4,266, respectively, relating to variable interest entities)	$351,353	$ 365,425
Equity securities available-for-sale, at estimated fair value (cost: $3,117 and $3,076, respectively)	3,677	3,631
Fair value option and trading securities, at estimated fair value (includes $603 and $704, respectively, of actively traded securities; and $14 and $60, respectively, relating to variable interest entities)	16,460	16,689
Mortgage loans (net of valuation allowances of $325 and $305, respectively; includes $266 and $280, respectively, at estimated fair value, relating to variable interest entities; includes $345 and $308, respectively, under the fair value option)	64,010	60,118
Policy loans (includes $3 and $3, respectively, relating to variable interest entities)	11,575	11,618
Real estate and real estate joint ventures (includes $0 and $8, respectively, relating to variable interest entities; includes $898 and $172, respectively, of real estate held-for-sale)	10,207	10,525
Other limited partnership interests (includes $27 and $34, respectively, relating to variable interest entities)	8,099	8,085
Short-term investments, principally at estimated fair value (includes $27 and $20, respectively, relating to variable interest entities)	14,594	8,621
Other invested assets, principally at estimated fair value (includes $55 and $56, respectively, relating to variable interest entities)	20,409	21,283
Total investments	500,384	505,995
Cash and cash equivalents, principally at estimated fair value (includes $42 and $57, respectively, relating to variable interest entities)	8,074	10,808
Accrued investment income (includes $21 and $21, respectively, relating to variable interest entities)	3,990	4,120
Premiums, reinsurance and other receivables (includes $19 and $21, respectively, relating to variable interest entities)	24,872	22,244
Deferred policy acquisition costs and value of business acquired (includes $241 and $235, respectively, relating to variable interest entities)	24,379	24,442
Goodwill	9,644	9,872
Other assets (includes $139 and $134, respectively, relating to variable interest entities)	7,589	7,862
Separate account assets (includes $1,120 and $1,128, respectively, relating to variable interest entities)	319,477	316,994
Total assets	$898,409	$ 902,337
Liabilities and Equity		
Liabilities		

Future policy benefits (includes $649 and $579, respectively, relating to variable interest entities)	$188,928	$ 189,586
Policyholder account balances (includes $22 and $33, respectively, relating to variable interest entities)	204,262	209,294
Other policy-related balances (includes $225 and $198, respectively, relating to variable interest entities)	14,393	14,422
Policyholder dividends payable	699	684
Policyholder dividend obligation	2,328	3,155
Payables for collateral under securities loaned and other transactions	35,532	35,326
Short-term debt	100	100
Long-term debt (includes $134 and $151, respectively, at estimated fair value, relating to variable interest entities)	16,770	16,286
Collateral financing arrangements	4,164	4,196
Junior subordinated debt securities	3,193	3,193
Current income tax payable	71	184
Deferred income tax liability	10,762	11,821
Other liabilities (includes $62 and $80, respectively, relating to variable interest entities)	27,741	24,437
Separate account liabilities (includes $1,120 and $1,128, respectively, relating to variable interest entities)	319,477	316,994
Total liabilities	828,420	829,678
Contingencies, Commitments and Guarantees (Note 13)		
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries	92	99
Equity		
MetLife, Inc.'s stockholders' equity:		
Preferred stock, par value $0.01 per share; $2,100 aggregate liquidation preference	—	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,159,001,121 and 1,153,998,144 shares issued, respectively; 1,116,754,686 and 1,131,927,894 shares outstanding, respectively	12	12
Additional paid-in capital	30,718	30,543
Retained earnings	34,376	32,020
Treasury stock, at cost; 42,246,435 and 22,070,250 shares, respectively	(2,172)	(1,172)
Accumulated other comprehensive income (loss)	6,443	10,649
Total MetLife, Inc.'s stockholders' equity	69,377	72,053
Noncontrolling interests	520	507
Total equity	69,897	72,560
Total liabilities and equity	$898,409	$ 902,337

See accompanying notes to the interim condensed consolidated financial statements.

3

Table of Contents
MetLife, Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Three Months and Six Months Ended June 30, 2015 and 2014 (Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Premiums	$9,312	$9,873	$18,565	$19,092
Universal life and investment-type product policy fees	2,434	2,458	4,828	4,879
Net investment income	4,947	5,259	10,408	10,294
Other revenues	518	490	1,013	968
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	—	(9)	(8)	(23)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(2)	(6)	(12)	(2)
Other net investment gains (losses)	(131)	(110)	173	(511)
Total net investment gains (losses)	(133)	(125)	153	(536)
Net derivative gains (losses)	(912)	311	(91)	654
Total revenues	16,166	18,266	34,876	35,351
Expenses				
Policyholder benefits and claims	9,352	9,988	18,609	19,312
Interest credited to policyholder account balances	1,298	1,709	3,293	3,178
Policyholder dividends	331	397	670	700
Other expenses	4,072	4,222	8,132	8,385
Total expenses	15,053	16,316	30,704	31,575
Income (loss) from continuing operations before provision for income tax	1,113	1,950	4,172	3,776
Provision for income tax expense (benefit)	(6)	574	890	1,058
Income (loss) from continuing operations, net of income tax	1,119	1,376	3,282	2,718
Income (loss) from discontinued operations, net of income tax	—	—	—	(3)
Net income (loss)	1,119	1,376	3,282	2,715
Less: Net income (loss) attributable to noncontrolling interests	4	10	9	21
Net income (loss) attributable to MetLife, Inc.	1,115	1,366	3,273	2,694
Less: Preferred stock dividends	31	31	61	61
Preferred stock repurchase premium	42	—	42	—
Net income (loss) available to MetLife, Inc.'s common shareholders	$1,042	$1,335	$3,170	$2,633
Comprehensive income (loss)	$(3,994)	$4,228	$(893)	$8,710
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	(23)	19	40	62
Comprehensive income (loss) attributable to MetLife, Inc.	$(3,971)	$4,209	$(933)	$8,648
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.'s common shareholders per common share:				
Basic	$0.93	$1.18	$2.83	$2.34
Diluted	$0.92	$1.17	$2.80	$2.31
Net income (loss) available to MetLife, Inc.'s common shareholders per common share:				
Basic	$0.93	$1.18	$2.83	$2.34

Diluted	$0.92	$1.17	$2.80	$2.31
Cash dividends declared per common share	$0.375	$0.350	$0.725	$0.625

See accompanying notes to the interim condensed consolidated financial statements.

Table of Contents

MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Six Months Ended June 30, 2015 and 2014 (Unaudited)
(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2014	$ 1	$ 12	$ 30,543	$ 32,020	$ (1,172)	$ 10,649	$ 72,053	$ 507	$ 72,560
Repurchase of preferred stock	(1)		(1,459)				(1,460)		(1,460)
Preferred stock repurchase premium				(42)			(42)		(42)
Preferred stock issuance	—		1,483				1,483		1,483
Treasury stock acquired in connection with share repurchases					(1,000)		(1,000)		(1,000)
Stock-based compensation			151				151		151
Dividends on preferred stock				(61)			(61)		(61)
Dividends on common stock				(814)			(814)		(814)
Change in equity of noncontrolling interests							—	(27)	(27)
Net income (loss)				3,273			3,273	9	3,282
Other comprehensive income (loss), net of income tax						(4,206)	(4,206)	31	(4,175)
Balance at June 30, 2015	$ —	$ 12	$ 30,718	$ 34,376	$ (2,172)	$ 6,443	$ 69,377	$ 520	$ 69,897

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss)	Total MetLife, Inc.'s Stockholders' Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2013	$ 1	$ 11	$ 29,277	$ 27,332	$ (172)	$ 5,104	$ 61,553	$ 543	$ 62,096
Treasury stock acquired in connection with share repurchases					(4)		(4)		(4)
Stock-based compensation			161				161		161

Dividends on preferred stock				(61)			(61)		(61)
Dividends on common stock				(706)			(706)		(706)
Change in equity of noncontrolling interests							—	(22)	(22)
Net income (loss)				2,694			2,694	21	2,715
Other comprehensive income (loss), net of income tax						5,954	5,954	41	5,995
Balance at June 30, 2014	$ 1	$ 11	$ 29,438	$ 29,259	$ (176)	$ 11,058	$ 69,591	$ 583	$ 70,174

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(1) Net income (loss) attributable to noncontrolling interests excludes losses of redeemable noncontrolling interests in partially-owned consolidated subsidiaries of less than $1 million at both June 30, 2015 and 2014.

See accompanying notes to the interim condensed consolidated financial statements.

Table of Contents

MetLife, Inc.

Interim Condensed Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2015 and 2014 (Unaudited)

(In millions)

	Six Months Ended June 30, 2015	2014
Net cash provided by (used in) operating activities	$6,888	$6,921
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	77,865	56,794
Equity securities	184	320
Mortgage loans	6,494	6,557
Real estate and real estate joint ventures	503	385
Other limited partnership interests	582	383
Purchases of:		
Fixed maturity securities	(72,892)	(62,844)
Equity securities	(227)	(452)
Mortgage loans	(10,545)	(6,021)
Real estate and real estate joint ventures	(334)	(912)
Other limited partnership interests	(669)	(852)
Cash received in connection with freestanding derivatives	1,524	703
Cash paid in connection with freestanding derivatives	(2,600)	(2,003)
Cash received under repurchase agreements (Note 5)	199	—
Cash paid under reverse repurchase agreements (Note 5)	(199)	—
Sales of businesses, net of cash and cash equivalents disposed of $0 and $262, respectively	—	452
Purchases of investments in insurance joint ventures	—	(249)
Net change in policy loans	(5)	(5)
Net change in short-term investments	(6,233)	1,374
Net change in other invested assets	(257)	(220)
Other, net	(150)	(110)
Net cash provided by (used in) investing activities	(6,760)	(6,700)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	44,433	46,847
Withdrawals	(46,372)	(47,621)
Net change in payables for collateral under securities loaned and other transactions	205	2,891
Net change in short-term debt	—	(75)
Long-term debt issued	1,492	1,000
Long-term debt repaid	(1,020)	(2,484)
Collateral financing arrangements repaid	(32)	—
Treasury stock acquired in connection with share repurchases	(1,000)	(4)
Preferred stock issued, net of issuance costs	1,485	—
Repurchase of preferred stock	(905)	—
Preferred stock repurchase premium	(27)	—
Dividends on preferred stock	(61)	(61)
Dividends on common stock	(814)	(706)

Other, net	52	(221)
Net cash provided by (used in) financing activities	(2,564)	(434)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(298)	21
Change in cash and cash equivalents	(2,734)	(192)
Cash and cash equivalents, beginning of period	10,808	7,585
Cash and cash equivalents, end of period	$8,074	$7,393
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$587	$623
Income tax	$344	$332
Non-cash transactions:		
Deconsolidation of MetLife Core Property Fund:		
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.

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

1. Business, Basis of Presentation and Summary of Significant Accounting Policies
Business
“MetLife” and the “Company” refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is a global provider of life insurance, annuities, employee benefits and asset management. MetLife is organized into six segments: Retail; Group, Voluntary & Worksite Benefits; Corporate Benefit Funding; and Latin America (collectively, the “Americas”); Asia; and Europe, the Middle East and Africa (“EMEA”).
Basis of Presentation
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the interim condensed consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company’s business and operations. Actual results could differ from estimates.
The accompanying interim condensed consolidated financial statements include the accounts of MetLife, Inc. and its subsidiaries, as well as partnerships and joint ventures in which the Company has control, and variable interest entities (“VIEs”) for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.
Certain international subsidiaries have a fiscal year cutoff of November 30th. Accordingly, the Company’s interim condensed consolidated financial statements reflect the assets and liabilities of such subsidiaries as of May 31, 2015 and November 30, 2014 and the operating results of such subsidiaries for the three months and six months ended May 31, 2015 and 2014.
The Company uses the equity method of accounting for equity securities when it has significant influence or at least 20% interest and for real estate joint ventures and other limited partnership interests (“investees”) when it has more than a minor ownership interest or more than a minor influence over the investee’s operations, but does not have a controlling financial interest. The Company generally recognizes its share of the investee’s earnings on a three-month lag in instances where the investee’s financial information is not sufficiently timely or when the investee’s reporting period differs from the Company’s reporting period. The Company uses the cost method of accounting for investments in which it has virtually no influence over the investee’s operations.
Certain amounts in the prior year periods’ interim condensed consolidated financial statements and related footnotes thereto have been reclassified to conform with the 2015 presentation as discussed throughout the Notes to the Interim Condensed Consolidated Financial Statements.
The accompanying interim condensed consolidated financial statements are unaudited and reflect all adjustments (including normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in conformity with GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2014 consolidated balance sheet data was derived from audited consolidated financial statements included in MetLife, Inc.’s Annual Report on Form 10 K for the year ended December 31, 2014, as revised by MetLife, Inc.’s Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission (“SEC”) on May 21, 2015 (as revised, the “2014 Annual Report”), which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company included in the 2014 Annual Report.
Adoption of New Accounting Pronouncements
Effective January 1, 2015, the Company adopted guidance requiring repurchase-to-maturity transactions and repurchase financing arrangements to be accounted for as secured borrowings and providing for enhanced disclosures, including the nature of collateral pledged and the time to maturity. Certain interim period disclosures for repurchase agreements and securities lending transactions were not required until the second quarter of 2015. The Company has

provided these enhanced disclosures in Note 5. The adoption of this new guidance did not have a material impact on the Company's consolidated financial statements.

Future Adoption of New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued new guidance on short-duration insurance contracts (Accounting Standards Update ("ASU") 2015-09, Financial Services - Insurance (Topic 944): Disclosures about Short-Duration Contracts). The amendments in this new guidance are effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The new guidance should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including reconciling from the claim development table to the balance sheet liability; methodologies and judgments in estimating claims; and the timing, and frequency of claims. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In May 2015, the FASB issued new guidance on fair value measurement (ASU 2015 07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and which should be applied retrospectively to all periods presented. Earlier application is permitted. The new amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value ("NAV") per share practical expedient. In addition, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2015, the FASB issued new guidance on accounting for fees paid in a cloud computing arrangement (ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the new guidance is permitted and an entity can elect to adopt the guidance either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. The new guidance provides that all software licenses included in cloud computing arrangements be accounted for consistent with other licenses of intangible assets. However, if a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract, the accounting for which did not change. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In April 2015, the FASB issued new guidance on the presentation of debt issuance costs (ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs), effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and should be applied retrospectively to all periods presented. Early adoption of the new guidance is permitted for financial statements that have not been previously issued. The new guidance will require that debt issuance costs be presented in the balance sheet as a direct deduction from the related debt liability, consistent with debt discounts, rather than as an asset. However, the current recognition and measurement guidance for debt issuance costs are not affected by the new guidance. The adoption of this new guidance will not have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued new guidance to improve consolidation guidance for legal entities (ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis), effective for fiscal years beginning after December 15, 2015 and interim periods within those years and early adoption is permitted. The new standard is intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations, and securitization structures. The amendments in this ASU affect the consolidation evaluation for reporting organizations. In addition, the amendments in this ASU simplify and improve current GAAP by reducing the number of consolidation models. The Company is currently 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 with Customers (Topic 606)), effective for fiscal years beginning after December 15, 2017 and interim periods within those years and should be applied retrospectively to all periods presented. Early adoption of this standard is not permitted. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

2. Segment Information

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

In the first quarter of 2015, the Company implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising the Company's capital allocation methodology, and (ii) the realignment of consumer direct business. These changes were applied retrospectively and did not have an impact on total consolidated operating earnings or net income.

Americas

The Americas consists of the following segments:

Retail

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

Group, Voluntary & Worksite Benefits

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

Corporate Benefit Funding

The Corporate Benefit Funding segment offers a broad range of annuity and investment products, including guaranteed interest products and other stable value products, income annuities, and separate account contracts for the investment management of defined benefit and defined contribution plan assets. This segment also includes structured settlements and certain products to fund postretirement benefits and company-, bank- or trust-owned life insurance used to finance 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 and their respective employees, which include life insurance, accident & health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. The Latin America segment also includes U.S. direct business, comprised of group and individual products sold through sponsoring organizations, affinity groups and direct to consumer. Products included are life, dental, group short- and long-term disability, AD&D coverages, property & casualty and other accident & health coverages, as well as non-insurance products such as identity protection.

Asia

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

EMEA

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

Table of Contents

MetLife, Inc.

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

2. Segment Information (continued)

Corporate & Other

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

Financial Measures and Segment Accounting Policies

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

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

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife and are referred to as divested businesses. Operating revenues also excludes net investment gains (losses) and net derivative gains (losses). Operating expenses also excludes goodwill impairments.

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

- Universal life and investment-type product policy fees excludes the amortization of unearned revenue related to net investment gains (losses) and net derivative gains (losses) and certain variable annuity guaranteed minimum income benefits ("GMIBs") fees ("GMIB Fees");
- Net investment income: (i) includes amounts for scheduled periodic settlement payments and amortization of premium on derivatives that are hedges of investments or that are used to replicate certain investments, but do not qualify for hedge accounting treatment, (ii) includes income from discontinued real estate operations, (iii) excludes post-tax operating earnings adjustments relating to insurance joint ventures accounted for under the equity method, (iv) excludes certain amounts related to contractholder-directed unit-linked investments, and (v) excludes certain amounts related to securitization entities that are VIEs consolidated under GAAP; and
- Other revenues are adjusted for settlements of foreign currency earnings hedges.

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

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

Operating earnings also excludes the recognition of certain contingent assets and liabilities that could not be recognized at acquisition or adjusted for during the measurement period under GAAP business combination accounting guidance. In addition to the tax impact of the adjustments mentioned above, provision for income tax expense (benefit) also includes the impact related to the timing of certain tax credits, as well as certain tax reforms.

In the first quarter of 2015, the Company implemented certain segment reporting changes related to the (i) measurement of segment operating earnings, which included revising the Company’s capital allocation methodology, and (ii) the realignment of consumer direct business. Consequently, prior period results for the three months and six months ended June 30, 2014 were impacted as follows:

- Retail’s operating earnings increased (decreased) by $25 million and $49 million, net of ($45) million and ($89) million of income tax expense (benefit), respectively;
- Group, Voluntary & Worksite Benefits’ operating earnings increased (decreased) by $4 million and $6 million, net of $3 million and $4 million of income tax expense (benefit), respectively;
- Corporate Benefit Funding’s operating earnings increased (decreased) by ($11) million and ($26) million, net of ($14) million and ($22) million of income tax expense (benefit), respectively;
- Latin America’s operating earnings increased (decreased) by ($24) million and ($49) million, net of ($14) million and ($30) million of income tax expense (benefit), respectively;
- Asia’s operating earnings increased (decreased) by $5 million and $10 million, net of $1 million and $2 million of income tax expense (benefit), respectively;
- EMEA’s operating earnings increased (decreased) by ($21) million and ($38) million, net of ($11) million and ($18) million of income tax expense (benefit), respectively; and
- Corporate & Other’s operating earnings increased (decreased) by $22 million and $48 million, net of $80 million and $153 million of income tax expense (benefit), respectively.

Set forth in the tables below is certain financial information with respect to the Company’s segments, as well as Corporate & Other, for the three months and six months ended June 30, 2015 and 2014. The segment accounting policies are the same as those used to prepare the Company’s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

Table of Contents

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

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

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

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

Table of Contents

MetLife, Inc.

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

2. Segment Information (continued)

Three Months Ended June 30, 2015	Operating Results Americas Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolida
	(In millions)										
Revenues											
Premiums	$1,747	$4,104	$319	$783	$6,953	$1,809	$525	$26	$9,313	$(1)	$9,312
Universal life and investment-type product policy fees	1,252	183	59	301	1,795	400	114	26	2,335	99	2,434
Net investment income	2,003	481	1,526	283	4,293	679	84	129	5,185	(238)	4,947
Other revenues	263	114	77	7	461	28	19	19	527	(9)	518
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(133)	(133)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	(912)	(912)
Total revenues	5,265	4,882	1,981	1,374	13,502	2,916	742	200	17,360	(1,194)	16,166
Expenses											
Policyholder benefits and claims and policyholder dividends	2,373	3,805	933	744	7,855	1,375	265	8	9,503	180	9,683
Interest credited to policyholder account balances	551	38	294	89	972	328	34	8	1,342	(44)	1,298
Capitalization of DAC	(257)	(36)	(4)	(100)	(397)	(398)	(132)	—	(927)	—	(927)
Amortization of DAC and VOBA	400	39	6	86	531	336	133	1	1,001	(104)	897
Amortization of negative VOBA	—	—	—	(1)	(1)	(78)	(4)	—	(83)	(9)	(92)
Interest expense on debt	—	—	1	—	1	—	—	306	307	1	308
Other expenses	1,220	681	130	419	2,450	869	389	174	3,882	4	3,886
Total expenses	4,287	4,527	1,360	1,237	11,411	2,432	685	497	15,025	28	15,053
Provision for income tax expense (benefit)	288	124	215	21	648	59	7	(175)	539	(545)	(6)
Operating earnings	$690	$231	$406	$116	$1,443	$425	$50	$(122)	1,796		
Adjustments to:											
Total revenues									(1,194)		
Total expenses									(28)		
Provision for income tax (expense) benefit									545		
Income (loss) from continuing operations, net of income tax									$1,119		$1,119

13

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

	Operating Results										
	Americas										
Three Months Ended June 30, 2014	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolida
	(In millions)										
Revenues											
Premiums	$1,812	$4,038	$686	$798	$7,334	$1,913	$584	$22	$9,853	$20	$9,873
Universal life and investment-type product policy fees	1,256	181	55	317	1,809	400	117	34	2,360	98	2,458
Net investment income	1,947	465	1,413	301	4,126	724	112	133	5,095	164	5,259
Other revenues	265	104	75	9	453	24	11	5	493	(3)	490
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	(125)	(125)
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	311	311
Total revenues	5,280	4,788	2,229	1,425	13,722	3,061	824	194	17,801	465	18,266
Expenses											
Policyholder benefits and claims and policyholder dividends	2,438	3,789	1,273	749	8,249	1,425	271	19	9,964	421	10,385
Interest credited to policyholder account balances	561	39	287	100	987	394	35	9	1,425	284	1,709
Capitalization of DAC	(249)	(36)	(18)	(101)	(404)	(457)	(170)	—	(1,031)	(1)	(1,032)
Amortization of DAC and VOBA	378	35	6	84	503	362	160	—	1,025	37	1,062
Amortization of negative VOBA	—	—	—	(1)	(1)	(92)	(6)	—	(99)	(12)	(111)
Interest expense on debt	—	—	2	—	2	—	—	297	299	13	312
Other expenses	1,181	638	129	436	2,384	977	456	162	3,979	12	3,991
Total expenses	4,309	4,465	1,679	1,267	11,720	2,609	746	487	15,562	754	16,316
Provision for income tax expense (benefit)	294	114	187	22	617	128	6	(133)	618	(44)	574
Operating earnings	$677	$209	$363	$136	$1,385	$324	$72	$(160)	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		$1,376

14

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

	Operating Results										
	Americas										
Six Months Ended June 30, 2015	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$3,496	$ 8,221	$ 737	$1,482	$13,936	$3,561	$1,033	$ 36	$18,566	$ (1)	$ 18,565
Universal life and investment-type product policy fees	2,488	371	113	595	3,567	797	216	49	4,629	199	4,828
Net investment income	3,983	959	2,956	501	8,399	1,363	167	238	10,167	241	10,408
Other revenues	514	227	148	17	906	56	29	39	1,030	(17)	1,013
Net investment gains (losses)	—	—	—	—	—						