METLIFE INC
Form 10-Q
November 05, 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 SEPTEMBER 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 October 30, 2015, 1,111,626,481 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

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

Note Regarding Forward-Looking Statements

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

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

Any or all forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the actual future results of MetLife, Inc., its subsidiaries and affiliates. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements. Risks, uncertainties, and other factors that might cause such differences include the risks, uncertainties and other factors identified in MetLife, Inc.’s filings with the U.S. Securities and Exchange Commission. These factors include: (1) difficult conditions in the global capital markets; (2) increased volatility and disruption of the 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.

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

	September 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $329,203 and $334,780, respectively; includes $4,293 and $4,266, respectively, relating to variable interest entities)	$ 351,578	$ 365,425
Equity securities available-for-sale, at estimated fair value (cost: $3,096 and $3,076, respectively)	3,399	3,631
Fair value option and trading securities, at estimated fair value (includes $696 and $704, respectively, of actively traded securities; and $14 and $60, respectively, relating to variable interest entities)	15,361	16,689
Mortgage loans (net of valuation allowances of $311 and $305, respectively; includes $290 and $280, respectively, at estimated fair value, relating to variable interest entities; includes $315 and $308, respectively, under the fair value option)	63,553	60,118
Policy loans (includes $4 and $3, respectively, relating to variable interest entities)	11,549	11,618
Real estate and real estate joint ventures (includes $0 and $8, respectively, relating to variable interest entities; includes $905 and $172, respectively, of real estate held-for-sale)	9,923	10,525
Other limited partnership interests (includes $27 and $34, respectively, relating to variable interest entities)	7,901	8,085
Short-term investments, principally at estimated fair value (includes $26 and $20, respectively, relating to variable interest entities)	14,957	8,621
Other invested assets, principally at estimated fair value (includes $43 and $56, respectively, relating to variable interest entities)	23,356	21,283
Total investments	501,577	505,995
Cash and cash equivalents, principally at estimated fair value (includes $48 and $57, respectively, relating to variable interest entities)	10,216	10,808
Accrued investment income (includes $26 and $21, respectively, relating to variable interest entities)	4,187	4,120
Premiums, reinsurance and other receivables (includes $21 and $21, respectively, relating to variable interest entities)	25,808	22,244
Deferred policy acquisition costs and value of business acquired (includes $230 and $235, respectively, relating to variable interest entities)	23,996	24,442
Goodwill	9,546	9,872
Other assets (includes $146 and $134, respectively, relating to variable interest entities)	7,881	7,862
Separate account assets (includes $1,056 and $1,128, respectively, relating to variable interest entities)	299,249	316,994
Total assets	$ 882,460	$ 902,337
Liabilities and Equity		
Liabilities		

Future policy benefits (includes $670 and $579, respectively, relating to variable interest entities)	$ 190,754	$ 189,586
Policyholder account balances (includes $21 and $33, respectively, relating to variable interest entities)	202,291	209,294
Other policy-related balances (includes $225 and $198, respectively, relating to variable interest entities)	14,521	14,422
Policyholder dividends payable	716	684
Policyholder dividend obligation	2,309	3,155
Payables for collateral under securities loaned and other transactions	37,991	35,326
Short-term debt	100	100
Long-term debt (includes $162 and $151, respectively, at estimated fair value, relating to variable interest entities)	16,755	16,286
Collateral financing arrangements	4,152	4,196
Junior subordinated debt securities	3,194	3,193
Current income tax payable	21	184
Deferred income tax liability	11,363	11,821
Other liabilities (includes $71 and $80, respectively, relating to variable interest entities)	27,977	24,437
Separate account liabilities (includes $1,056 and $1,128, respectively, relating to variable interest entities)	299,249	316,994
Total liabilities	811,393	829,678
Contingencies, Commitments and Guarantees (Note 14)		
Redeemable noncontrolling interests in partially-owned consolidated subsidiaries	79	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; 1,159,310,431 and 1,153,998,144 shares issued, respectively; 1,114,764,365 and 1,131,927,894 shares outstanding, respectively	12	12
Additional paid-in capital	30,726	30,543
Retained earnings	35,153	32,020
Treasury stock, at cost; 44,546,066 and 22,070,250 shares, respectively	(2,279)	(1,172)
Accumulated other comprehensive income (loss)	6,891	10,649
Total MetLife, Inc.’s stockholders’ equity	70,503	72,053
Noncontrolling interests	485	507
Total equity	70,988	72,560
Total liabilities and equity	$ 882,460	$ 902,337

See accompanying notes to the interim condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Premiums	$10,375	$9,703	$28,940	$28,795
Universal life and investment-type product policy fees	2,346	2,628	7,174	7,507
Net investment income	3,959	5,410	14,367	15,704
Other revenues	484	518	1,497	1,486
Net investment gains (losses):				
Other-than-temporary impairments on fixed maturity securities	(43)	(17)	(51)	(40)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	16	(14)	4	(16)
Other net investment gains (losses)	409	140	582	(371)
Total net investment gains (losses)	382	109	535	(427)
Net derivative gains (losses)	485	478	394	1,132
Total revenues	18,031	18,846	52,907	54,197
Expenses				
Policyholder benefits and claims	10,334	9,512	28,943	28,824
Interest credited to policyholder account balances	647	1,817	3,940	4,995
Policyholder dividends	354	347	1,024	1,047
Other expenses	4,533	4,218	12,665	12,603
Total expenses	15,868	15,894	46,572	47,469
Income (loss) from continuing operations before provision for income tax	2,163	2,952	6,335	6,728
Provision for income tax expense (benefit)	965	858	1,855	1,916
Income (loss) from continuing operations, net of income tax	1,198	2,094	4,480	4,812
Income (loss) from discontinued operations, net of income tax	—	—	—	(3)
Net income (loss)	1,198	2,094	4,480	4,809
Less: Net income (loss) attributable to noncontrolling interests	(5)	—	4	21
Net income (loss) attributable to MetLife, Inc.	1,203	2,094	4,476	4,788
Less: Preferred stock dividends	6	30	67	91
Preferred stock repurchase premium	—	—	42	—
Net income (loss) available to MetLife, Inc.’s common shareholders	$1,197	$2,064	$4,367	$4,697
Comprehensive income (loss)	$1,653	$1,972	$760	$10,682
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of income tax	2	(56)	42	6
Comprehensive income (loss) attributable to MetLife, Inc.	$1,651	$2,028	$718	$10,676
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc.’s common shareholders per common share:				
Basic	$1.07	$1.83	$3.90	$4.17
Diluted	$1.06	$1.81	$3.86	$4.12
Net income (loss) available to MetLife, Inc.’s common shareholders per common share:				
Basic	$1.07	$1.83	$3.90	$4.17

Diluted	$1.06	$1.81	$3.86	$4.12
Cash dividends declared per common share	$0.375	$0.350	$1.100	$0.975

See accompanying notes to the interim condensed consolidated financial statements.

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MetLife, Inc.
Interim Condensed Consolidated Statements of Equity
For the Nine Months Ended September 30, 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					(1,107)		(1,107)		(1,107)
Stock-based compensation			159				159		159
Dividends on preferred stock				(67)			(67)		(67)
Dividends on common stock				(1,234)			(1,234)		(1,234)
Change in equity of noncontrolling interests							—	(64)	(64)
Net income (loss)				4,476			4,476	4	4,480
Other comprehensive income (loss), net of income tax						(3,758)	(3,758)	38	(3,720)
Balance at September 30, 2015	$ —	$ 12	$ 30,726	$ 35,153	$ (2,279)	$ 6,891	$ 70,503	$ 485	$ 70,988

	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					(443)		(443)		(443)
Stock-based compensation			211				211		211

Dividends on preferred stock				(91)			(91)		(91)
Dividends on common stock				(1,101)			(1,101)		(1,101)
Change in equity of noncontrolling interests							—	(55)	(55)
Net income (loss)				4,788			4,788	21	4,809
Other comprehensive income (loss), net of income tax						5,888	5,888	(15)	5,873
Balance at September 30, 2014	$ 1	$ 11	$ 29,488	$ 30,928	$ (615)	$ 10,992	$ 70,805	$ 494	$ 71,299

(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 September 30, 2015 and 2014.

See accompanying notes to the interim condensed consolidated financial statements.

MetLife, Inc.
Interim Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2015 and 2014 (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2015	2014
Net cash provided by (used in) operating activities	$9,527	$10,950
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities	109,308	85,187
Equity securities	478	455
Mortgage loans	9,775	10,917
Real estate and real estate joint ventures	1,644	532
Other limited partnership interests	859	555
Purchases of:		
Fixed maturity securities	(105,128)	(94,085)
Equity securities	(431)	(455)
Mortgage loans	(13,814)	(11,772)
Real estate and real estate joint ventures	(977)	(1,382)
Other limited partnership interests	(935)	(1,338)
Cash received in connection with freestanding derivatives	2,376	977
Cash paid in connection with freestanding derivatives	(2,887)	(2,530)
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	—	(277)
Net change in policy loans	10	(19)
Net change in short-term investments	(6,644)	1,496
Net change in other invested assets	(350)	(251)
Other, net	(191)	(131)
Net cash provided by (used in) investing activities	(6,907)	(11,669)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	69,383	73,855
Withdrawals	(72,940)	(71,301)
Net change in payables for collateral under securities loaned and other transactions	2,664	3,481
Net change in short-term debt	—	(75)
Long-term debt issued	1,578	1,000
Long-term debt repaid	(1,078)	(2,802)
Collateral financing arrangements repaid	(44)	—
Cash received (paid) in connection with collateral financing arrangements	6	—
Treasury stock acquired in connection with share repurchases	(1,107)	(443)
Preferred stock issued, net of issuance costs	1,483	—
Repurchase of preferred stock	(1,460)	—
Preferred stock repurchase premium	(42)	—
Dividends on preferred stock	(67)	(91)

Dividends on common stock	(1,234)	(1,101)
Other, net	6	(546)
Net cash provided by (used in) financing activities	(2,852)	1,977
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(360)	(60)
Change in cash and cash equivalents	(592)	1,198
Cash and cash equivalents, beginning of period	10,808	7,585
Cash and cash equivalents, end of period	$10,216	$8,783
Supplemental disclosures of cash flow information		
Net cash paid (received) for:		
Interest	$836	$841
Income tax	$904	$413
Non-cash transactions:		
Fixed maturity securities received in connection with pension closeout transactions	$903	$—
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.

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

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

Business

"MetLife" and the "Company" refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is a global provider of life insurance, annuities, employee benefits and asset management. 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 August 31, 2015 and November 30, 2014 and the operating results of such subsidiaries for the three months and nine months ended August 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 information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing, and frequency of claims. The 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 February 2015, the FASB issued certain amendments to the consolidation analysis 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, 2016 and interim periods within those years and should be applied retrospectively. In July 2015, the FASB voted to defer the effective date of this ASU by one year, effective for fiscal years beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The new guidance will supersede nearly all existing revenue recognition guidance under GAAP; however, it will not impact the accounting for insurance contracts, leases, financial instruments and guarantees. For those contracts that are impacted by the new guidance, the guidance will require an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

2. Segment Information

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

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

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.

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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.

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

The following additional adjustments are made to 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 nine months ended September 30, 2014 were impacted as follows:

- Retail’s operating earnings increased (decreased) by $86 million and $135 million, net of ($111) million and ($200) million of income tax expense (benefit), respectively;
- Group, Voluntary & Worksite Benefits’ operating earnings increased (decreased) by $4 million and $10 million, net of ($2) million and $2 million of income tax expense (benefit), respectively;
- Corporate Benefit Funding’s operating earnings increased (decreased) by ($13) million and ($39) million, net of ($10) million and ($32) million of income tax expense (benefit), respectively;
- Latin America’s operating earnings increased (decreased) by ($30) million and ($79) million, net of ($16) million and ($46) million of income tax expense (benefit), respectively;
- Asia’s operating earnings increased (decreased) by $4 million and $14 million, net of $3 million and $5 million of income tax expense (benefit), respectively;
- EMEA’s operating earnings increased (decreased) by ($18) million and ($56) million, net of ($13) million and ($31) million of income tax expense (benefit), respectively; and
- Corporate & Other’s operating earnings increased (decreased) by ($33) million and $15 million, net of $149 million and $302 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 nine months ended September 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.

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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.

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

	Operating Results										
	Americas										
Three Months Ended September 30, 2015	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consol
	(In millions)										
Revenues											
Premiums	$1,806	$4,092	$1,555	$668	$8,121	$1,736	$501	$18	$10,376	$(1)	$10,37
Universal life and investment-type product policy fees	1,229	188	55	261	1,733	382	106	26	2,247	99	2,346
Net investment income	1,930	485	1,391	279	4,085	670	82	12	4,849	(890)	3,959
Other revenues	241	113	70	11	435	26	11	23	495	(11)	484
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	382	382
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	485	485
Total revenues	5,206	4,878	3,071	1,219	14,374	2,814	700	79	17,967	64	18,031
Expenses											
Policyholder benefits and claims and policyholder dividends	2,607	3,805	2,154	630	9,196	1,331	233	20	10,780	(92)	10,688
Interest credited to policyholder account balances	550	39	295	88	972	327	27	5	1,331	(684)	647
Capitalization of DAC	(266)	(41)	(1)	(105)	(413)	(435)	(107)	—	(955)	—	(955
Amortization of DAC and VOBA	432	40	6	57	535	309	127	—	971	160	1,131
Amortization of negative VOBA	—	—	—	—	—	(77)	(5)	—	(82)	(8)	(90
Interest expense on debt	(1)	—	1	—	—	—	—	294	294	8	302
Other expenses	1,197	666	113	410	2,386	896	352	492	4,126	19	4,145
Total expenses	4,519	4,509	2,568	1,080	12,676	2,351	627	811	16,465	(597)	15,868
Provision for income tax expense (benefit)	164	131	177	(37)	435	125	7	224	791	174	965
Operating earnings	$523	$238	$326	$176	$1,263	$338	$66	$(956)	711		
Adjustments to:											
Total revenues									64		
Total expenses									597		
Provision for income tax (expense) benefit									(174)		
Income (loss) from continuing operations, net of income tax									$1,198		$1,198

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

Three Months Ended September 30, 2014	Operating Results Americas Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$1,869	$4,010	$451	$812	$7,142	$1,939	$581	$23	$9,685	$18	$9,703
Universal life and investment-type product policy fees	1,311	180	60	328	1,879	487	127	29	2,522	106	2,628
Net investment income	1,965	475	1,464	317	4,221	738	109	125	5,193	217	5,410
Other revenues	275	103	71	7	456	27	22	13	518	—	518
Net investment gains (losses)	—	—	—	—	—	—	—	—	—	109	109
Net derivative gains (losses)	—	—	—	—	—	—	—	—	—	478	478
Total revenues	5,420	4,768	2,046	1,464	13,698	3,191	839	190	17,918	928	18,846
Expenses											
Policyholder benefits and claims and policyholder dividends	2,555	3,729	1,033	735	8,052	1,535	252	15	9,854	5	9,859
Interest credited to policyholder account balances	567	38	279	97	981	394	43	8	1,426	391	1,817
Capitalization of DAC	(239)	(37)	(11)	(112)	(399)	(507)	(165)	—	(1,071)	—	(1,071)
Amortization of DAC and VOBA	335	38	5	102	480	367	152	—	999	55	1,054
Amortization of negative VOBA	—	—	—	—	—	(89)	(7)	—	(96)	(11)	(107)
Interest expense on debt	(1)	—	2	—	1	—	—	291	292	3	295
Other expenses	1,163	634	133	450	2,380	1,027	463	133	4,003	44	4,047
Total expenses	4,380	4,402	1,441	1,272	11,495	2,727	738	447	15,407	487	15,894
Provision for income tax expense (benefit)	255	125	210	70	660	154	23	(181)	656	202	858
Operating earnings	$785	$241	$395	$122	$1,543	$310	$78	$(76)	1,855		
Adjustments to:											
Total revenues									928		
Total expenses									(487)		
Provision for income tax (expense) benefit									(202)		
Income (loss) from continuing operations, net of income tax									$2,094		$2,094

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

Nine Months Ended September 30, 2015	Operating Results Americas Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Total	Asia	EMEA	Corporate & Other	Total	Adjustments	Total Consolidated
	(In millions)										
Revenues											
Premiums	$5,302	$ 12,313	$ 2,292	$2,150	$22,057	$5,297	$1,534	$ 54	$28,942	$ (2)	$ 28,940
Universal life and investment-type product policy fees	3,717	559	168	856	5,300	1,179	322	75	6,876	298	7,174
Net investment income	5,913	1,444	4,347	780	12,484	2,033	249	250	15,016	(649)	14,367
Other revenues	755	340	218	28	1,341	82	40	62	1,525	(28)	