METLIFE INC
Form ARS
March 25, 2014
Table of Contents

Table of Contents

Chairman s Letter

To my fellow shareholders:

When I became CEO in May of 2011, my mandate was clear: Improve the profitability and risk profile of the business. MetLife was the largest life insurer in the United States with a great brand and a nearly 145-year history of keeping its promises to policyholders, but we had taken on too much risk in certain parts of our business and our profitability was in the middle of the pack relative to industry peers.

The first order of business for the executive group in 2011 was to develop a strategy to achieve our goal. It is not easy to turn a ship as large as MetLife, especially in an industry where profits emerge slowly over time. The strategy we launched in 2012 was not a one- or two-year strategy. It was a five-year strategy to raise our return on equity, reduce our cost of equity, and return capital to shareholders.

Even though we have faced both economic and regulatory headwinds along the way, I am pleased to report that we are ahead of schedule on our plan to increase the profitability of MetLife s business while also decreasing its level of risk.

A Very Good Year

Our progress was clearly evident in 2013. Operating earnings increased 11% over the prior year, exceeding our plan.[1] Premiums, fees and other revenues increased 2% on a reported basis and 5% on a constant currency basis solid top-line growth in light of our efforts to improve MetLife s risk profile. And most important, operating return on equity in 2013 came in at 12%, hitting the low end of our 2016 target range three years ahead of schedule.

The four cornerstones of MetLife s strategy have held constant: Refocus the U.S. Business; Grow Emerging Markets; Build a Global Employee Benefits Business; and Drive Toward Customer Centricity and a Global Brand. We have made significant progress on implementing the strategy over the past year:

- We have refocused and de-risked the U.S. business while increasing operating earnings by more than 40% from 2011.

- We are well on our way toward our 2016 goal of having emerging markets contribute 20% of MetLife s operating earnings and believe the high-growth, high-return potential of these businesses is a key differentiator relative to peers.

- We are on track to achieve our target of $1 billion in gross expense saves while reinvesting $400 million in the business, much of it in technology to improve the customer experience an imperative to realize our goal of becoming a world-class organization.

One element of our 2013 performance requires a word of explanation. While operating earnings grew by 11%, operating earnings per share increased by 7%. Our growth on a per-share basis was dampened by the conversion of equity units issued in 2010 to fund the acquisition of Alico. Of the $3 billion in equity units issued to help fund the deal, $2 billion have now converted into common shares, with the final $1 billion scheduled to convert in 2014.

We originally anticipated repurchasing these shares as they converted, but we have grown more cautious due to uncertainty over the level of capital MetLife will be required to hold if we are named a non-bank systemically important financial institution (SIFI). Even though we are holding more capital, the strength of our franchise and strong execution of our strategy have lifted operating return on equity from 9.8% in 2010 to 12% in 2013.

[1] See Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP and Other Financial Disclosures for non-GAAP definitions and financial information.

Table of Contents

Running a Business for the Long Term

Like all publicly traded companies, we sometimes face pressure to manage the business for the short term. We do not believe this is in the best interest of MetLife s customers, employees or shareholders. In the life insurance business, we generally sell policies that represent long-term promises to our customers. An excessive near-term focus could lead us to take actions contrary to the long-term health of the business. Our decision to replace operating earnings per share guidance for 2014 with a more detailed multi-year outlook for investors should be viewed in this light (see sidebar).

We have demonstrated that we will not make decisions that put the business at risk simply to boost earnings today. For example, we continue to intentionally limit our variable annuity sales despite a strong bull market in equities. We want to limit our exposure to any one risk factor even when current returns look attractive, and we must always be mindful of the size of our in-force business when establishing risk budgets.

Similarly, we have exited the market for universal life with secondary guarantees and announced the sale of our pension risk-transfer subsidiary in the United Kingdom because we were not confident these businesses could earn their cost of capital. As I said in my first letter to shareholders two years ago, MetLife will not pursue growth for growth s sake. Businesses that cannot earn their long-term cost of capital destroy shareholder value and do not belong in our portfolio.

Even our decision to refrain from more aggressive capital management should be viewed from a longer-term perspective. This decision has probably impacted our operating return on equity by 100 basis points over the near term, but I believe it was the correct course of action given the risk of an adverse regulatory outcome.

More on Our Guidance Decision

After careful study and deliberation, we determined that operating EPS guidance no longer makes sense for MetLife. Others in the financial services industry agree, as half of our North American peers, most of our global peers, and all of the largest U.S. banks do not provide operating earnings guidance. In December 2013, we provided an outlook for operating earnings over the next one-to-three-year period as well as over the long term. This new approach to communicating with you reflects our internal emphasis on long-term strategic and financial goals and has shifted the external discussion to our business model, which is the real driver of shareholder value over time.

Our multi-year outlook provides significant new information to the market, including a more comprehensive discussion of key financial metrics and business drivers. In combination with our discussion of operating earnings sensitivities, the new information will contribute to a more informed view of MetLife s future prospects. We believe higher-quality information and more transparency should have a positive impact on our cost of equity capital and valuation multiples over time.

Running a business this way takes patience and a recognition that what managers choose not to do is often just as important as what they choose to do. Waiting for the right moment and only then acting with conviction is a key ingredient of success over time. This was true pre-crisis when MetLife s decision to pass on aggressive M&A deals helped position us to buy Alico from AIG in 2010. And it is true today, as our patience for the right opportunity allowed us to pay $2 billion in cash for ProVida, the largest private pension fund administrator in Chile.

We closed the ProVida deal on October 1, 2013, at a compelling valuation of 10 times projected earnings. ProVida is a great strategic fit and should increase our emerging markets business from 14% of total operating earnings to approximately 17%, halfway toward our goal of 20%. Because it earns fees on salaries as opposed to assets under management, ProVida is not heavily dependent on the capital markets. This is exactly what we want: low capital intensity to help balance MetLife s risk profile and strong free cash flow to provide greater capital management flexibility in the future.

It is this approach to the business establishing a consistent pattern of sound financial decisions over many years that I believe charts the clearest path to shareholder value creation.

An Attractive Portfolio of Businesses

With upward moves in equity markets and interest rates, investors are starting to shift their focus from risk toward growth. We welcome this change in focus for two reasons. First, we thought the market was overly concerned in recent years with MetLife s balance sheet risk, which is why we worked diligently to illustrate our ability to manage downside scenarios. Second, we think we have a good story to tell on both our level of growth and quality of earnings going forward.

As MetLife s Chief Investment Officer from 2005 through April 2011, my goal was to maximize investment returns within well-defined risk limits. Achieving that goal required an attractive portfolio of securities. Now, as CEO, my job is to develop and manage an attractive portfolio of businesses.

Table of Contents

In November of 2011, roughly one year after we acquired Alico, we reorganized MetLife into three broad regions the Americas, Asia, and Europe, Middle East & Africa (EMEA). From a portfolio point of view, all three regions have different risk profiles, which aids diversification, and all three regions are expected to increase earnings over time. Combined with our strategy to shift the business mix from market-sensitive, capital-intensive products toward protection-oriented, capital-efficient products, we believe we are well positioned for profitable growth.

Our outlook for MetLife s biggest region, the Americas, is mid-single-digit operating earnings growth over the long term. While the United States is a mature life insurance market, we still see a number of attractive growth opportunities. We believe the voluntary and worksite businesses within Group, Voluntary & Worksite Benefits hold particularly strong promise, and we expect heightened demand for pension closeouts to fuel growth in Corporate Benefit Funding. Our Retail business is expected to grow more modestly but with a dramatically improved risk profile. In Latin America, we expect growth rates in the low teens. We have market-leading positions in Mexico and Chile and a growing presence in markets such as Brazil and Colombia. All of our markets in Latin America feature an attractive combination of relatively low insurance penetration rates and a growing middle class.

In Asia, we see long-term operating earnings growth in the high-single to low-double digits, with the upper end of the range dependent on our success in emerging markets. Today, our earnings are predominantly sourced from Japan. Although Japan is a mature market, our diverse distribution platform, enhanced customer centricity, and opportunities within risk and protection products should allow us to achieve a 5-to-7% top-line growth rate, faster than the low-single-digit growth rate for the overall market. Overall, we saw the Asia region deliver 12% growth in premiums, fees and other revenues last year on a constant currency basis. Looking ahead, we see Southeast Asian markets contributing to our growth story. In 2013, we expanded our footprint in the region by signing joint ventures with leading banks in Malaysia and Vietnam and establishing a representative office in Myanmar.

In EMEA, we see long-term operating earnings growth in the low teens. Key earnings contributors in the region include Poland and the Gulf States. With 30 markets overall, EMEA is well diversified not just from a product and distribution standpoint but also in terms of geopolitical risk. We believe that rigorous analysis combined with broad country diversification is the best way to manage political risk in emerging markets. What makes these markets so attractive is that the product mix generally has a more favorable risk-return profile than products sold in mature markets.

Focus on Cash

One of the tangible ways our strategy will demonstrate success is by generating an increasing amount of free cash flow.[2] We currently anticipate that the ratio of free cash flow to operating earnings will improve from approximately 35% today to a range of 45% to 55% during 2015-2016, assuming a reasonable regulatory environment and a gradual rise in interest rates.

One of the lessons from my career in private equity and fixed income is the importance of cash flow. In private equity, cash flow expectations drive the investment decision-making process, and success or failure often hinges on the accuracy of these forecasts. In fixed income, you learn quickly that companies service debt with cash flow, not GAAP earnings. For a life insurance company, free cash flow is meaningful not only because it determines what can be distributed to shareholders in the form of dividends and share repurchases, but also because it provides a reality check on the quality of operating earnings. Life insurance companies have complex financial statements that can lead to valuation discounts in the marketplace. We believe a higher ratio of free cash flow to operating earnings will improve our valuation over time.

No discussion of cash would be complete without some commentary on capital management. I know that a number of our shareholders are frustrated with our cautious approach to returning cash during this period of regulatory uncertainty. We share your frustration.

2 Free cash flow is defined as cash generated by subsidiaries less expenses and other net flows at the holding company and potentially available for dividends, stock buybacks, debt reduction and M&A, subject to our target of maintaining an AA financial strength rating.

Table of Contents

If we are named a SIFI, we will be subject to enhanced prudential standards by the Federal Reserve. However, those standards have not yet been written, and the Fed maintains that its ability to tailor capital standards for insurers is limited by the Collins Amendment to the Dodd-Frank Act. It is taking much longer for clarity on the capital rules than anyone had anticipated, and in the meantime MetLife s capital continues to grow.

To be clear, MetLife is still taking capital actions. In the second quarter of 2013, we increased our common stock dividend by 49%. Our philosophy is that excess capital belongs to our shareholders. The challenge is to strike the right balance between adherence to our philosophy and recognition that required capital levels for MetLife are still unknown and might increase. Any capital actions we take in 2014 must reflect both of these realities.

Sound Regulation

To no one s surprise, the regulatory mantra in the post-financial-crisis world is more capital for financial institutions. However, sound regulation of life insurers must achieve two goals simultaneously: ensure that companies are adequately capitalized and preserve affordable products for consumers. Leaning too far in the direction of more capital will limit access to the kinds of financial protection that only life insurers can provide.

If federal capital rules for life insurers do not appropriately reflect the business model of insurance, we could be forced to raise prices to consumers or exit markets entirely. All regulatory decisions involve trade-offs, and regulators in Washington must recognize that imposing higher capital requirements on certain life insurance companies is not cost-free. The costs will be borne by consumers with an urgent need for financial protection and stable retirement income, especially at a time when government social safety nets are under increasing pressure.

Conclusion

Just as MetLife s achievements in 2012 raised the bar for our performance in 2013, once again your company delivered improved results and raised the bar for 2014 and beyond. I cannot promise that every year will be better than the last, but I *can* promise you that we are more focused than ever on growing operating earnings, improving free cash flow, and ensuring that we earn an appropriate risk-adjusted return on the capital you have invested in MetLife.

On behalf of the entire MetLife team, thank you for the continued trust you place in us to run your company.

Sincerely,

Steven A. Kandarian

Chairman of the Board, President and Chief Executive Officer

MetLife, Inc.

March 18, 2014

Table of Contents

TABLE OF CONTENTS

Table of Contents

As used in this Annual Report, 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 Annual Report, 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 meani 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 (the SEC). 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; (4) impact of comprehensive financial services regulation reform on us, as a potential 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, including our acquisition of American Life Insurance Company and Delaware American Life Insurance Company, and integrating and managing the growth of such acquired businesses, or arising from dispositions of businesses or legal entity reorganizations; (25) the dilutive impact on our stockholders resulting from the settlement of our outstanding common equity units; (26) regulatory and other restrictions affecting MetLife, Inc. s ability to pay dividends and repurchase common stock; (27) 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; (28) the possibility that MetLife, Inc. s Board of Directors may influence the outcome of stockholder votes through the voting provisions of the MetLife Policyholder Trust; (29) changes in accounting standards, practices and/or policies; (30) increased expenses relating to pension and postretirement benefit plans, as well as health care and other employee benefits; (31) inability to protect our intellectual property rights or claims of infringement of the intellectual property rights of others; (32) inability to attract and retain sales representatives; (33) provisions of laws and our incorporation documents may delay, deter or prevent takeovers and corporate combinations involving MetLife; (34) the effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyberattacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber- or other information security systems and management continuity planning; (35) the effectiveness of our programs and practices in avoiding giving our associates incentives to take excessive risks; and (36) other risks and uncertainties described from time to time in MetLife, Inc. s filings with the SEC.

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 SEC.

Table of Contents

Selected Financial Data

The following selected financial data has been derived from the Company s audited consolidated financial statements. The statement of operations data for the years ended December 31, 2013, 2012 and 2011, and the balance sheet data at December 31, 2013 and 2012 have been derived from the Company s audited consolidated financial statements included elsewhere herein (the Consolidated Financial Statements). The statement of operations data for the years ended December 31, 2010 and 2009, and the balance sheet data at December 31, 2011, 2010 and 2009 have been derived from the Company s audited consolidated financial statements not included herein. The selected financial data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and related notes included elsewhere herein.

	Years Ended December 31,				
	2013	2012	2011	2010	2009
	(In millions, except per share data)				
Statement of Operations Data (1)					
Revenues					
Premiums	$ 37,674	$ 37,975	$ 36,361	$ 27,071	$ 26,157
Universal life and investment-type product policy fees	9,451	8,556	7,806	6,028	5,197
Net investment income	22,232	21,984	19,585	17,493	14,726
Other revenues	1,920	1,906	2,532	2,328	2,329
Net investment gains (losses)	161	(352)	(867)	(408)	(2,901)
Net derivative gains (losses)	(3,239)	(1,919)	4,824	(265)	(4,866)
Total revenues	68,199	68,150	70,241	52,247	40,642
Expenses					
Policyholder benefits and claims	38,107	37,987	35,471	29,187	28,005
Interest credited to policyholder account balances	8,179	7,729	5,603	4,919	4,845
Policyholder dividends	1,259	1,369	1,446	1,485	1,649
Goodwill impairment		1,868			
Other expenses	16,602	17,755	18,537	12,927	10,761
Total expenses	64,147	66,708	61,057	48,518	45,260
Income (loss) from continuing operations before provision for income tax	4,052	1,442	9,184	3,729	(4,618)
Provision for income tax expense (benefit)	661	128	2,793	1,110	(2,107)
Income (loss) from continuing operations, net of income tax	3,391	1,314	6,391	2,619	(2,511)
Income (loss) from discontinued operations, net of income tax	2	48	24	44	64
Net income (loss)	3,393	1,362	6,415	2,663	(2,447)
Less: Net income (loss) attributable to noncontrolling interests	25	38	(8)	(4)	(36)
Net income (loss) attributable to MetLife, Inc.	3,368	1,324	6,423	2,667	(2,411)
Less: Preferred stock dividends	122	122	122	122	122
Preferred stock redemption premium			146		
Net income (loss) available to MetLife, Inc. s common shareholders	$ 3,246	$ 1,202	$ 6,155	$ 2,545	$ (2,533)
EPS Data (1), (2)					
Income (loss) from continuing operations available to MetLife, Inc. s common shareholders per common share:					
Basic	$ 2.94	$ 1.08	$ 5.79	$ 2.83	$ (3.17)
Diluted	$ 2.91	$ 1.08	$ 5.74	$ 2.81	$ (3.17)
Income (loss) from discontinued operations per common share:					
Basic	$	$ 0.04	$ 0.02	$ 0.05	$ 0.08
Diluted	$	$ 0.04	$ 0.02	$ 0.05	$ 0.08
Net income (loss) available to MetLife, Inc. s common shareholders per common share:					
Basic	$ 2.94	$ 1.12	$ 5.81	$ 2.88	$ (3.09)
Diluted	$ 2.91	$ 1.12	$ 5.76	$ 2.86	$ (3.09)

Cash dividends declared per common share	$ 1.01	$ 0.74	$ 0.74	$ 0.74	$ 0.74

Table of Contents

	2013	2012	December 31, 2011 (In millions)	2010	2009
Balance Sheet Data (1)					
Separate account assets (3)	$ 317,201	$ 235,393	$ 203,023	$ 183,138	$ 148,854
Total assets (3)	$ 885,296	$ 836,781	$ 796,226	$ 728,249	$ 537,531
Policyholder liabilities and other policy-related balances (3), (4)	$ 418,487	$ 438,191	$ 421,267	$ 399,135	$ 281,495
Short-term debt	$ 175	$ 100	$ 686	$ 306	$ 912
Long-term debt (3)	$ 18,653	$ 19,062	$ 23,692	$ 27,586	$ 13,220
Collateral financing arrangements	$ 4,196	$ 4,196	$ 4,647	$ 5,297	$ 5,297
Junior subordinated debt securities	$ 3,193	$ 3,192	$ 3,192	$ 3,191	$ 3,191
Separate account liabilities (3)	$ 317,201	$ 235,393	$ 203,023	$ 183,138	$ 148,854
Accumulated other comprehensive income (loss)	$ 5,104	$ 11,397	$ 6,083	$ 1,145	$ (3,049)
Total MetLife, Inc. s stockholders equity	$ 61,553	$ 64,453	$ 57,519	$ 46,853	$ 31,336
Noncontrolling interests	$ 543	$ 384	$ 370	$ 365	$ 371

	Years Ended December 31, 2013	2012	2011	2010	2009
Other Data (1), (5)					
Return on MetLife, Inc. s common equity	5.4%	2.0%	12.2%	6.9%	(9.9)%
Return on MetLife, Inc. s common equity, excluding accumulated other comprehensive income (loss)	6.2%	2.4%	13.2%	7.0%	(7.3)%

(1) On November 1, 2010, MetLife, Inc. acquired ALICO. Results of such acquisition are reflected in the selected financial data since the acquisition date. See Note 3 of the Notes to the Consolidated Financial Statements.

(2) For the years ended December 31, 2012 and 2010 all shares related to the assumed issuance of shares in settlement of the applicable purchase contracts have been excluded from the calculation of diluted earnings per common share, as these assumed shares are anti-dilutive. For the year ended December 31, 2009, shares related to the assumed exercise or issuance of stock-based awards have been excluded from the calculation of diluted earnings per common share, as these assumed shares would be anti-dilutive.

(3) Amounts relating to variable interest entities are as follows at:

	2013	December 31, 2012 (In millions)	2011
General account assets	$ 7,525	$ 6,692	$ 7,273
Separate account assets	$ 1,033	$	$
Policyholder liabilities and other policy-related balances	$ 695	$	$
Long-term debt	$ 1,868	$ 2,527	$ 3,068
Separate account liabilities	$ 1,033	$	$

(4) Policyholder liabilities and other policy-related balances include future policy benefits, policyholder account balances, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation.

(5) Return on MetLife, Inc. s common equity is defined as net income (loss) available to MetLife, Inc. s common shareholders divided by MetLife, Inc. s average common stockholders equity.

Business

MetLife has grown to become a leading global provider of insurance, annuities and employee benefit programs. Through our subsidiaries and affiliates, we hold leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East. Over the past several years, we have grown our core businesses, as well as successfully executed on our growth strategy. This has included completing a number of transactions that have resulted in the acquisition and, in some cases, divestiture of certain businesses while also further strengthening our balance sheet to position MetLife for continued growth.

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 Europe, the Middle East and Africa (EMEA). In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Home Loans LLC (MLHL), the surviving, non-bank entity of the merger of MetLife Bank, National Association (MetLife Bank) with and into MLHL. See Note 2 of the Notes to the Consolidated Financial Statements for additional information about the Company s segments. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding MetLife Bank s exit from substantially all of its businesses (the MetLife Bank Divestiture) and other business activities.

On October 1, 2013, MetLife, Inc. completed its previously announced acquisition of Administradora de Fondos de Pensiones Provida S.A. (ProVida), the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of ProVida supports the Company s growth strategy in emerging markets and further strengthens the Company s overall position in Chile. See Note 3 of the Notes to the Consolidated Financial Statements for further information on the acquisition of ProVida.

In the second quarter of 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies and an offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company (the Mergers). The companies to be merged are MetLife Insurance Company of Connecticut (MICC), MetLife Investors USA Insurance Company and MetLife Investors Insurance Company, each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd., a reinsurance company that mainly reinsures guarantees associated with variable annuity products. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. The Mergers are expected to occur in the fourth quarter of 2014, subject to regulatory approvals. See Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Summary for further information on the Mergers.

Management continues to evaluate the Company s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability. For example, starting in the first quarter of 2013, the Latin America segment includes U.S. sponsored direct business, comprised of group and individual products sold through sponsoring organizations and affinity groups. Products included are life, dental, group short- and long-term disability, accidental death & dismemberment (AD&D) coverages, property & casualty and other accident and health coverages, as well as non-insurance products such as identity protection. See Note 2 of the Notes to the Consolidated Financial Statements for further information on the Company s segments and Corporate & Other.

On November 1, 2010, MetLife, Inc. completed the acquisition of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC) (AM Holdings), a subsidiary of American International Group, Inc. (AIG), and Delaware American Life Insurance Company (DelAm) from AIG (American Life, together with DelAm, collectively, ALICO) (the ALICO Acquisition). The assets, liabilities and operating results relating to the ALICO Acquisition are included in the Latin America, Asia and EMEA segments. See Note 3 of the Notes to the Consolidated Financial Statements.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2013 and 2012 and the operating results of such subsidiaries for the years ended November 30, 2013, 2012 and 2011.

In the U.S., we provide a variety of insurance and financial services products, including life, dental, disability, property & casualty, guaranteed interest, stable value and annuities, through both proprietary and independent retail distribution channels, as well as at the workplace. This business serves approximately 60,000 group customers, serving 90 of the FORTUNE 100® companies, and provides protection and retirement solutions to millions of individuals.

Outside the U.S., we operate in Latin America, Asia, Europe and the Middle East. MetLife is the largest life insurer in both Mexico and Chile and also holds leading market positions in Japan, Korea, Poland, the Persian Gulf and Russia. Our businesses outside the U.S. provide life insurance, accident & health insurance, credit insurance, annuities, endowment and retirement & savings products to both individuals and groups. We believe these businesses will continue to grow more quickly than our U.S. businesses.

In the Americas, excluding Latin America, we market our products and services through various distribution channels. Our retail life, disability and annuities products targeted to individuals are sold via sales forces, comprised of MetLife employees, as well as third-party organizations. Our group and corporate benefit funding products are sold via sales forces primarily comprised of MetLife employees. Personal lines property & casualty insurance products are directly marketed to employees at their employer s worksite. Personal lines property & casualty insurance products are also marketed and sold to individuals by independent agents, property & casualty specialists through a direct marketing channel, and via sales forces comprised of MetLife employees. MetLife sales employees work with all distribution channels to better reach and service customers, brokers, consultants and other intermediaries.

In Asia, Latin America, and EMEA, we market our products and services through a multi-distribution strategy which varies by geographic region and stage of market development. The various distribution channels include: career agency, bancassurance, direct marketing, brokerage, other third-party distribution, and e-commerce. In developing countries, the career agency channel covers the needs of the emerging middle class with primarily traditional products (e.g., whole life, term, endowment and accident & health). In more developed and mature markets, career agents, while continuing to serve their existing customers to keep pace with their developing financial needs, also target upper middle class and mass affluent customer bases with a more sophisticated product set including more investment-sensitive products, such as universal life insurance, unit-linked life insurance, mutual funds and single premium deposit insurance. In the bancassurance channel, we leverage partnerships that span all regions and have developed extensive and far reaching capabilities in all regions. Our direct marketing operations, the largest of which is in Japan, deploy both broadcast marketing approaches (e.g. direct response TV, web-based lead generation) and traditional direct marketing techniques such as inbound and outbound telemarketing.

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2013, 2012 and 2011. Financial information, including revenues, expenses, operating earnings, and total assets by segment, as well as premiums, universal life and investment-type product policy fees and other revenues by major product groups, is provided in Note 2 of the Notes to the Consolidated Financial Statements. Operating revenues and operating earnings are performance measures that are not based on accounting principles generally accepted in the United States of America (GAAP). See Management s Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP and Other Financial Disclosures for definitions of such measures.

MetLife s operations in the United States and in other jurisdictions are subject to regulation. Each of MetLife s insurance subsidiaries operating in the United States is licensed and regulated in each U.S. jurisdiction where it conducts insurance business. The extent of such regulation varies, but most jurisdictions have laws and regulations governing the financial aspects and business conduct of insurers. MetLife, Inc. and its U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various U.S. jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require a controlled insurance company (insurers that are subsidiaries of insurance holding companies) to register with state regulatory authorities and to file with those authorities certain reports, including information concerning its capital structure, ownership, financial condition, certain intercompany transactions and general business operations. State insurance statutes also typically place restrictions and limitations on the amount of dividends or other distributions payable by insurance company subsidiaries to their parent companies, as well as on transactions between an insurer and its affiliates. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries.

Our international insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are located or operate. This regulation includes minimum capital, solvency and operational requirements. The authority of our international operations to conduct business is subject to licensing requirements, permits and approvals, and these authorizations are subject to modification and revocation. Periodic examinations of insurance company books and records, financial reporting requirements, market conduct examinations and policy filing requirements are among the techniques used by regulators to supervise our non-U.S. insurance businesses. We also have investment and pension companies in certain foreign jurisdictions that provide mutual fund, pension and other financial products and services. Those entities are subject to securities, investment, pension and other laws and regulations, and oversight by the relevant securities, pension and other authorities of the countries in which the companies operate. In some jurisdictions, some of our insurance products are considered securities under local law and may be subject to local securities regulations and oversight by local securities regulators.

Table of Contents

In connection with the MetLife Bank Divestiture referred to above, on January 11, 2013, MetLife Bank and MetLife, Inc. completed the sale of the depository business of MetLife Bank to GE Capital Retail Bank. Subsequently, MetLife Bank terminated its deposit insurance and MetLife, Inc. deregistered as a bank holding company. Additionally, in August 2013, MetLife Bank merged with and into MLHL, a non-bank affiliate. As a result, MetLife is no longer regulated as a bank holding company or subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank systemically important financial institution (non-bank SIFI), it could once again be subject to regulation by the Board of Governors of the Federal Reserve System (Federal Reserve Board) and to enhanced supervision and prudential standards. See Business Enhanced Prudential Standards for Non-Bank SIFIs in MetLife s Annual Report on Form 10-K for the year ended December 31, 2013 (the 2013 Form 10-K).

Table of Contents

Management s Discussion and Analysis of Financial Condition and Results of Operations

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

Table of Contents

Forward-Looking Statements and Other Financial Information

For purposes of this discussion, MetLife, the Company, we, our and us refer to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries affiliates. Following this summary is a discussion addressing the consolidated results of operations and financial condition of the Company for the periods indicated. This discussion should be read in conjunction with Note Regarding Forward-Looking Statements, Selected Financial Data, Quantitative and Qualitative Disclosures About Market Risk and the Company s consolidated financial statements included elsewhere herein, and Risk Factors included in the 2013 Form 10-K.

This 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 connecti 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. Actual results could differ materially from those expressed or implied in the forward-looking statements. See Note Regarding Forward-Looking Statements.

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

Executive Summary

MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East. Through its subsidiaries and affiliates, MetLife offers life insurance, annuities, property & casualty insurance, and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

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 Europe, the Middle East and Africa (EMEA). In addition, the Company reports certain of its results of operations in Corporate & Other, which includes MetLife Home Loans LLC (MLHL), the surviving, non-bank entity of the merger of MetLife Bank, National Association (MetLife Bank) with and into MLHL. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding MetLife Bank s exit from substantially all of its businesses (the MetLife Bank Divestiture) and other business activities. See Business in the 2013 Form 10-K for further information on the Company s segments and Corporate & Other.

On October 1, 2013, MetLife, Inc. completed its previously announced acquisition of Administradora de Fondos de Pensiones Provida S.A. (ProVida), the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of ProVida supports the Company s growth strategy in emerging markets and further strengthens the Company s overall position in Chile. See Note 3 of the Notes to the Consolidated Financial Statements for further information on the acquisition of ProVida.

In the second quarter of 2013, MetLife, Inc. announced its plans to merge three U.S.-based life insurance companies and an offshore reinsurance subsidiary to create one larger U.S.-based and U.S.-regulated life insurance company (the Mergers). The companies to be merged are MetLife Insurance Company of Connecticut (MICC), MetLife Investors USA Insurance Company (MLI-USA) and MetLife Investors Insurance Company (MLIIC), each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. (Exeter), a reinsurance company that mainly reinsures guarantees associated with variable annuity products. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. Exeter, formerly a Cayman Islands company, was re-domesticated to Delaware in October 2013, resulting in a redistribution of assets held in trust and the cancellation of outstanding letters of credit which were no longer required. See Liquidity and Capital Resources The Company Liquidity and Capital Sources Credit and Committed Facilities. Effective January 1, 2014, following receipt of New York State Department of Financial Services (Department of Financial Services) approval, MICC withdrew its license to issue insurance policies and annuity contracts in New York. Also effective January 1, 2014, MICC reinsured with an affiliate all existing New York insurance policies and annuity contracts that include a separate account feature; on December 31, 2013, MICC deposited investments with an estimated fair market value of $6.3 billion into a custodial account, which became restricted on January 1, 2014, to secure MICC s remaining New York policyholder liabilities not covered by such reinsurance. The Mergers are expected to occur in the fourth quarter of 2014, subject to regulatory approvals.

The Mergers (i) may mitigate to some degree the impact of any restrictions on the use of captive reinsurers that could be adopted by the Department of Financial Services or other state insurance regulators by reducing our exposure to and use of captive reinsurers; (ii) will alleviate the need to use holding company cash to fund derivative collateral requirements; (iii) will increase transparency relative to our capital allocation and variable annuity risk management; and (iv) may impact the aggregate amount of dividends permitted to be paid without insurance regulatory approval. See Business U.S. Regulation Holding Company Regulation Insurance Regulatory Examinations in the 2013 Form 10-K and Liquidity and Capital Resources MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries and Note 8 of the Notes to the Consolidated Financial Statements elsewhere herein for further information on the impact of these Mergers and see Liquidity and Capital Resources The Company Capital Affiliated Captive Reinsurance Transactions for information on our use of captive reinsurers. See also

Risk Factors Acquisition-Related Risks We Could Face Difficulties, Unforeseen Liabilities, Asset Impairments or Rating Actions Arising from Business Acquisitions or Integrating and Managing Growth of Such Businesses, Dispositions of Businesses, or Legal Entity Reorganizations in the 2013 Form 10-K for information regarding the potential impact on our operations if the Mergers or related regulatory approvals are prevented or delayed.

Management continues to evaluate the Company s segment performance and allocated resources and may adjust related measurements in the future to better reflect segment profitability. For example, starting in the first quarter of 2013, the Latin America segment includes U.S. sponsored direct business, comprised of group and individual products sold through sponsoring organizations and affinity groups. Products included are life, dental, group short- and long-term disability, accidental death & dismemberment (AD&D) coverages, property & casualty and other accident and health coverages, as well as non-insurance products such as identity protection. See Note 2 of the Notes to the Consolidated Financial Statements for further information on the Company s segments and Corporate & Other.

Table of Contents

On November 1, 2010, MetLife, Inc. completed the acquisition of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC), a subsidiary of American International Group, Inc. (AIG), and Delaware American Life Insurance Company (DelAm) from AIG (American Life, together with DelAm, collectively, ALICO) (the ALICO Acquisition). The assets, liabilities and operating results relating to the ALICO Acquisition are included in the Latin America, Asia and EMEA segments. See Note 3 of the Notes to the Consolidated Financial Statements.

Certain international subsidiaries have a fiscal year-end of November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2013 and 2012 and the operating results of such subsidiaries for the years ended November 30, 2013, 2012 and 2011.

We continue to experience an increase in sales in several of our businesses; however, global economic conditions continue to negatively impact the demand for certain of our products. Also, as a result of our continued focus on pricing discipline and risk management in this challenging economic environment, we adjusted certain product features of our variable annuity products which resulted in a decrease in sales of such products. An increase in average value of our separate accounts from both favorable equity market performance and positive net flows produced higher asset-based fee revenue. The sustained low interest rate environment reduced investment yields, but also reduced crediting rates. In addition, changes in long-term interest rates and foreign currency exchange rates resulted in an increase in derivative losses. Finally, the prior period included a goodwill impairment charge.

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
Income (loss) from continuing operations, net of income tax	$ 3,391	$ 1,314	$ 6,391
Less: Net investment gains (losses)	161	(352)	(867)
Less: Net derivative gains (losses)	(3,239)	(1,919)	4,824
Less: Goodwill impairment		(1,868)	
Less: Other adjustments to continuing operations (1)	(1,638)	(2,550)	(1,451)
Less: Provision for income tax (expense) benefit	1,698	2,195	(914)
Operating earnings	6,409	5,808	4,799
Less: Preferred stock dividends	122	122	122
Operating earnings available to common shareholders	$ 6,287	$ 5,686	$ 4,677

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

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

During the year ended December 31, 2013, income (loss) from continuing operations, net of income tax, increased $2.1 billion over 2012. The change was predominantly due to a non-cash charge in 2012 of $1.9 billion ($1.6 billion, net of income tax) for goodwill impairment associated with our U.S. Retail annuities business. In addition, operating earnings available to common shareholders increased by $601 million and net investment gains (losses) increased by $513 million ($333 million, net of income tax) primarily due to an increase in net gains on sales of fixed maturity securities in 2013 coupled with a decrease in impairments of fixed maturity securities. These increases were partially offset by an unfavorable change in net derivatives gains (losses) of $1.3 billion ($858 million, net of income tax) driven by changes in interest rates and foreign currency exchange rates. Also included in income (loss) from continuing operations, net of income tax, were the results of the discontinued operations and other businesses that have been or will be sold or exited by MetLife, Inc. (Divested Businesses), which improved $459 million ($294 million, net of income tax) over 2012.

The increase in operating earnings available to common shareholders was primarily driven by higher asset-based fee revenues due to growth in our average separate account assets and an increase in net investment income due to growth in our investment portfolio. The sustained low interest rate environment negatively impacted investment yields; however, it also resulted in lower crediting rates. These favorable results were partially offset by an increase in expenses. During the fourth quarter of 2013, we increased our litigation reserve related to asbestos by $101 million. During 2013, we also increased our other litigation reserves by $46 million. The fourth quarter 2013 acquisition of ProVida in Chile increased operating earnings available to common shareholders by $48 million, net of income tax. In addition, results for 2012 included a $52 million, net of income tax, charge representing a multi-state examination payment related to unclaimed property and our use of the U.S. Social Security Administration s Death Master File to identify potential life insurance claims, as well as the acceleration of benefit payments to policyholders under the settlements of such claims.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

During the year ended December 31, 2012, income (loss) from continuing operations, net of income tax, decreased $5.1 billion from the year ended December 31, 2011. The change was predominantly due to a $6.7 billion ($4.4 billion, net of income tax), unfavorable change in net derivative gains (losses) primarily driven by changes in interest rates, the weakening of the U.S. dollar and Japanese yen, equity market movements, decreased volatility and the impact of a nonperformance risk adjustment. In addition, 2012 includes a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. Retail annuities business. Also, 2012 includes a $1.2 billion ($752 million, net of income tax) charge associated with the global review of assumptions related to deferred policy acquisition costs (DAC), reserves and certain intangibles, of which $526 million ($342 million, net of income tax) was reflected in net derivative gains (losses). Also included in income (loss) from continuing operations, net of income tax, were the unfavorable results of the Divested Businesses, which decreased $724 million ($476 million, net of income tax) from 2011. These declines were partially offset by a $1.0 billion, net of income tax, increase in operating earnings available to common shareholders.

The increase in operating earnings available to common shareholders was primarily driven by improved investment results and higher asset-based fee revenue as strong sales levels drove portfolio growth. In addition, the low interest rate environment resulted in lower average interest credited rates. Despite the impact of Superstorm Sandy, catastrophe losses were lower in 2012 as compared to the significant weather-related claims in 2011. In addition, 2011 included a $117 million, net of income tax, charge in connection with the Company s use of the U.S. Social Security Administration s Death Master File. Also, 2011 included $40 million, net of income tax, of expenses incurred related to a liquidation plan filed by the Department of

Table of Contents

Financial Services for Executive Life Insurance Company of New York (ELNY). Results for 2012 include a $52 million, net of income tax, charge representing a multi-state examination payment related to unclaimed property and MetLife s use of the U.S. Social Security Administration s Death Master File to identify potential life insurance claims, as well as the expected acceleration of benefit payments to policyholders under the settlements. Also, 2012 includes a $50 million, net of income tax, impairment charge on an intangible asset related to a previously acquired dental business.

Consolidated Company Outlook

As part of an enterprise-wide strategic initiative, by 2016, we expect to increase our operating return on common equity, excluding accumulated other comprehensive income (AOCI), to the 12% to 14% range, driven by higher operating earnings. This target assumes that regulatory capital rules appropriately reflect the life insurance business model and that we have clarity on the rules in a reasonable time frame, allowing for meaningful share repurchases prior to 2016. If we are unable to engage in such repurchases, we expect the range of our operating return on common equity, excluding AOCI, to be 11% to 13%. Also, as part of this initiative, we will leverage our scale to improve the value we provide to customers and shareholders in order to achieve $1 billion in efficiencies, $600 million of which is expected to be related to net pre-tax expense savings, and $400 million of which we expect to be primarily reinvested in our technology, platforms and functionality to improve our current operations and develop new capabilities. We also continue to shift our product mix toward protection products and away from more capital-intensive products, in order to generate more predictable operating earnings and cash flows, and improve our risk profile and free cash flow.

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

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

Impact of Superstorm Sandy

On October 29, 2012, Superstorm Sandy made landfall in the northeastern United States causing extensive property damage. MetLife s property & casualty business gross losses from Superstorm Sandy were approximately $150 million, before income tax. As of December 31, 2012, we recognized total net losses related to the catastrophe of $90 million, net of income tax and reinsurance recoverables and including reinstatement premiums, which impacted the Retail and Group, Voluntary & Worksite Benefits segments. The Retail and Group, Voluntary & Worksite Benefits segments recorded net losses related to the catastrophe of $49 million and $41 million, each net of income tax reinsurance recoverables and reinstatement premiums, respectively.

We did not incur any losses related to Superstorm Sandy in 2013, however, we may incur additional storm-related losses in future periods as claims are received from insureds and claims to reinsurers are processed. Reinsurance recoveries are dependent on the continued creditworthiness of the reinsurers, which may be affected by their other reinsured losses in connection with Superstorm Sandy and otherwise.

Industry Trends

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

Financial and Economic Environment

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

Concerns about the economic conditions, capital markets and the solvency of certain European Union (EU) member states, including Portugal, Ireland, Italy, Greece and Spain (Europe s perimeter region) and Cyprus, and of financial institutions that have significant direct or indirect exposure to debt issued by these countries, have been a cause of elevated levels of market volatility. However, after several tumultuous years, economic conditions in Europe s perimeter region seem to be stabilizing or improving, as evidenced by the stabilization of downward credit ratings momentum, particularly in Spain, Portugal and Ireland. This, combined with greater European Central Bank (ECB) support and improving macroeconomic conditions at the country level, has reduced the risk of default on the sovereign debt of Europe s perimeter region and Cyprus and the risk of possible withdrawal of one or more countries from the Euro zone. See Investments Current Environment for information regarding credit ratings downgrades, support programs for Europe s perimeter region and Cyprus and our exposure to obligations of European governments and private obligors.

The financial markets have also been affected by concerns that other EU member states could experience similar financial troubles, that some countries could default on their obligations, have to restructure their outstanding debt, or be unable or unwilling to comply with the terms of any aid provided to them, or that financial institutions with significant holdings of sovereign or private debt issued by borrowers in Europe s perimeter region or Cyprus could experience financial stress, any of which could have significant adverse effects on the European and global economies and on financial markets, generally. In September 2012, the ECB announced a new bond buying program, Outright Monetary Transactions (OMT), intended to stabilize the European financial crisis. This program involves the potential purchase by the ECB of unlimited quantities of sovereign bonds with maturities of one to three years. These large scale purchases of sovereign bonds are intended to provide a buyer of last resort in the event of market stress, raising the price of the bonds, and lowering their interest rates, making it less expensive for certain countries to borrow money. In the absence of the OMT, concerns over sovereign debt sustainability could arise, and private demand for sovereign debt could decrease, putting further upward pressure on sovereign yields. Countries must agree to strict levels of economic reform and oversight as a condition to participate in this program. The OMT has not been activated to date, but the possibility of its use by the ECB has succeeded in reducing investor concerns over the possible withdrawal of one or more countries from the Euro zone and has helped to lower sovereign yields in Europe s perimeter region and Cyprus. The Euro zone has emerged from its recession, but economic growth is expected to remain relatively muted, with concerns over low inflation becoming more pronounced as countries in Europe s perimeter region and Cyprus in particular continue to pursue policies to reduce their macroeconomic imbalances. See Risk Factors Economic Environment and Capital Markets-Related Risks We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period, and Risk Factors Economic Environment and Capital Markets-Related Risks If Difficult Conditions in the Global Capital Markets and the Economy Generally Persist, They May Materially Adversely Affect Our Business and Results of Operations in the 2013 Form 10-K.

We face substantial exposure to the Japanese economy given our operations there. Despite a broad recovery in GDP growth and rising inflation over the last year, structural weaknesses and debt sustainability have yet to be addressed effectively. This leaves the economy vulnerable to further disruption. The global financial crisis and March 2011 earthquake and related events further pressured Japan s budget outcomes and public debt levels. Going forward, Japan s structural and demographic challenges may continue to limit its potential growth unless reforms that boost productivity are put into place. Japan s high public sector debt levels are mitigated by low refinancing risks and its nominal yields on government debt have remained at a lower level than that of any other advanced country. However, frequent changes in government have prevented policy makers from implementing fiscal reform measures to put public finances on a sustainable path. In January 2013, the government and the Bank of Japan pledged to strengthen policy coordination to end deflation and to achieve sustainable economic growth. This was followed by the announcement of a supplementary budget stimulus program totaling 2% of GDP and the adoption of a 2% inflation target by the Bank of Japan. In early April 2013, the Bank of Japan announced a new round of monetary easing measures including increased government bond purchases at longer maturities. In October 2013, the government agreed to raise the consumption tax from 5% to 8% effective April 1, 2014. While this was a positive step, the fiscal impact is likely to be neutral given the accompanying stimulus spending package. Although the yen has weakened, deflationary pressures have eased and the stock market has rallied on the back of these announcements, it is too soon to tell whether these actions will have a sustained impact on Japan s economy. Japan s public debt trajectory could continue to rise until a strategy to consolidate public finances and growth-enhancing reforms are implemented.

Impact of a Sustained Low Interest Rate Environment

As a global insurance company, we are affected by the monetary policy of central banks around the world, as well as the monetary policy of the Board of Governors of the Federal Reserve System (the Federal Reserve Board) in the United States. The Federal Reserve Board has taken a number of actions in recent years to spur economic activity by keeping interest rates low and may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments, and may adversely impact the level of product sales.

On December 18, 2013, the Federal Reserve Board s Federal Open Market Committee (FOMC) decided to modestly reduce the pace of its purchases of agency mortgage-backed securities from $40 billion per month to $35 billion per month and the pace of its purchases of longer-term U.S. Treasury securities from $45 billion per month to $40 billion per month. On January 29, 2014, noting cumulative progress toward maximum employment and the improved outlook for the labor market, the FOMC determined to make a further measured reduction in the pace of its purchases of agency mortgage-backed securities from $35 billion per month to $30 billion per month and the pace of its purchases of longer-term U.S. Treasury securities from $40 billion per month to $35 billion per month, beginning in February 2014. These quantitative easing measures are intended to stimulate the economy by keeping interest rates at low levels. The FOMC will closely monitor economic and financial developments in determining when to further moderate these quantitative easing measures, including with respect to the rates of unemployment, inflation and long-term inflation. The FOMC has stated that it will likely reduce the pace of its bond purchases in further measured steps at future meetings if subsequent economic data remains broadly aligned with its current expectations for a strengthening in the U.S. economy. Any additional action by the Federal Reserve Board to reduce its quantitative easing program could potentially increase U.S. interest rates from recent historically low levels, with uncertain impacts on U.S. risk markets, and may affect interest rates and risk markets in other developed and emerging economies. Even after the quantitative easing program ends and the economy strengthens, the FOMC reaffirmed that it anticipates keeping the target range for the federal funds rate at 0 to .25%, again subject to certain unemployment, inflation and long-term inflation thresholds. While Janet Yellen, appointed on January 6, 2014 as the new Chairman of the Federal Reserve Board, has pledged continuity in the Federal Reserve Board s monetary policy, it is possible that the course of such policy could change under a new Chairman.

Despite recent actions by central banks in Turkey, Brazil and India to raise interest rates in an effort to contain inflation and attract foreign investors, central banks in other parts of the world, including the ECB, the Bank of England, the Bank of Australia and the Central Bank of China, have followed the actions of the Federal Reserve Board to lower interest rates. The collective effort globally to lower interest rates was in response to concerns about Europe s sovereign debt crisis and slowing global economic growth. We cannot predict with certainty the effect of these programs and policies on interest rates or the impact on the pricing levels of risk-bearing investments at this time. See Investments Current Environment.

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

Our expectations regarding future margins are an important component impacting the amortization of certain intangible assets such as DAC and value of business acquired (VOBA). Significantly lower margins may cause us to accelerate the amortization, thereby reducing net income in the affected reporting period. Additionally, lower margins may also impact the recoverability of intangible assets such as goodwill, require the establishment of additional liabilities or trigger loss recognition events on certain policyholder liabilities. We review this long-term margin assumption, along with other assumptions, as part of our annual assumption review. Although the analysis shown below considers low interest rates in 2014 and 2015, it does not assume any change to our long-term assumption for margins. As a result, the impact of a hypothetical interest rate stress scenario described below does not capture the impact of any of the aforementioned items.

Mitigating Actions

The Company continues to be proactive in its investment and interest crediting rate strategies, as well as its product design and product mix. To mitigate the risk of unfavorable consequences from the low interest rate environment in the U.S., the Company applies disciplined ALM strategies, including the use of derivatives, primarily interest rate swaps, floors and swaptions. A significant portion of these derivatives were entered into prior to the onset of the current low U.S. interest rate environment. In some cases, the Company has entered into offsetting positions as part of its overall ALM strategy and to reduce volatility in net income. Lowering interest crediting rates on some products, or adjusting the dividend scale on traditional products, can help offset decreases in investment margins on some products. Our ability to lower interest crediting rates could be limited by competition, requirements to obtain regulatory approval, or contractual guarantees of minimum rates and may not match the timing or magnitude of changes in asset yields. As a result, our margins could decrease or potentially become negative. We are able to limit or close certain products to new sales in order to manage exposures. Business actions, such as shifting the sales focus to less interest rate sensitive products, can also mitigate this risk. In addition, the Company is well diversified across product, distribution, and geography. Certain of our non-U.S. businesses, reported within our Latin America and EMEA segments, which accounted for approximately 14% of our operating earnings in 2013, are not significantly interest rate or market sensitive; in particular, they do not have any direct sensitivity to U.S. interest rates. The Company s primary exposure within these segments is insurance risk. We expect our non-U.S. businesses to grow faster than our U.S. businesses and, over time, to become a larger percentage of our total business. As a result of the foregoing, the Company expects to be able to substantially mitigate the negative impact of a sustained low interest rate environment in the U.S. on the Company s profitability. Based on a near to intermediate term analysis of a sustained lower interest rate environment in the U.S., the Company anticipates operating earnings will continue to increase, although at a slower growth rate.

Interest Rate Stress Scenario

The following summarizes the impact of a hypothetical interest rate stress scenario on our operating earnings and the mark-to-market of our derivative positions that do not qualify as accounting hedges assuming a continued low interest rate environment in the U.S.

The hypothetical interest rate stress scenario is based on a constant set of U.S. interest rates and credit spreads in the U.S., as compared to our business plan interest rates and credit spreads, which are based on consensus interest rate view and credit spreads as of August 2013. For example, our business plan assumes a 10-year treasury rate of 2.88% at December 31, 2013 to rise during 2014 to 3.36% by December 31, 2014 and rise to 3.93% by December 31, 2015. The hypothetical interest rate stress scenario assumes the 10-year treasury rate to be 2.50% at December 31, 2013 and remain constant at that level until December 31, 2015. We make similar assumptions for interest rates at other maturities, and hold this interest rate curve constant through December 31, 2015. In addition, in the interest rate stress scenario, we assume credit spreads remain constant from December 2013 through the end of 2015, as compared to our business plan which assumes rising credit spreads through 2014 and thereafter remaining constant through the end of 2015. Further, we also include the impact of low interest rates on our pension and postretirement plan expenses. We allocate this impact across our segments and it is included in the segment discussion below. The discount rate used to value these plans is tied to high quality corporate bond yields. Accordingly, an extended low interest rate environment will result in increased pension and other postretirement benefit liabilities and expenses. Higher total return on the fixed income portfolio of pension and other postretirement benefit plan assets will partially offset this increase in pension and other postretirement plan liabilities.

Based on the above assumptions, we estimate the impact of the hypothetical U.S. interest rate stress scenario on our consolidated operating earnings to be a decrease of approximately $75 million and $205 million in 2014 and 2015, respectively.

As previously mentioned, operating earnings is the measure of segment profit and loss that we use to evaluate segment performance and allocated resources. Further, we believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. The most directly comparable GAAP measure is not accessible on a forward-looking basis because we believe it is not possible to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range from period to period and may have a significant impact on GAAP net income. See Non-GAAP and Other Financial Disclosures for definitions of such measures.

In addition to its impact on operating earnings, we estimated the effect of the hypothetical U.S. interest rate stress scenario on the mark-to-market of our derivative positions that do not qualify as accounting hedges. We applied the hypothetical U.S. interest rate stress scenario to these derivatives and compared the impact to that from interest rates in our business plan. We hold a significant position in long duration receive-fixed interest rate swaps to hedge reinvestment risk. These swaps are most sensitive to the 30-year and 10-year swap rates and we recognize gains as rates drop and recognize losses as rates rise. This estimated impact on the derivative mark-to-market does not include that of our VA program derivatives as the impact of low interest rates in the freestanding derivatives would be largely offset by the mark-to-market in net derivative gains (losses) for the related embedded derivative. See Results of Operations Consolidated Results for discussions on our net derivative gains and losses.

Based on these additional assumptions, we estimate the impact of the hypothetical U.S. interest rate stress scenario on the mark-to-market of our derivative positions that do not qualify as accounting hedges to be a decrease in net income of $50 million and $120 million in 2014 and 2015, respectively.

Segments and Corporate & Other

The following discussion summarizes the impact of the above hypothetical U.S. interest rate stress scenario on the operating earnings of our segments, as well as Corporate & Other. See also Policyholder Liabilities Policyholder Account Balances for information regarding the account values subject to minimum guaranteed crediting rates.

Retail

Life & Other Our interest rate sensitive products include traditional life, universal life, and retained asset accounts. Because the majority of our traditional life insurance business is participating, we can largely offset lower investment returns on assets backing our traditional life products through adjustments to the applicable dividend scale. In our universal life products, we manage interest rate risk through a combination of product design features and ALM strategies, including the use of hedges such as interest rate swaps and floors. While we have the ability to lower crediting rates on certain in-force universal life policies to mitigate margin compression, such actions would be partially offset by increases in our liabilities related to policies with secondary guarantees. Our retained asset accounts have minimum interest crediting rate guarantees which range from 1.5%

Table of Contents

to 3.0%, all of which are currently at their respective minimum interest crediting rates. While we expect to experience margin compression as we re-invest at lower rates, the interest rate derivatives held in this portfolio will partially mitigate this risk.

Annuities The impact on operating earnings from margin compression is concentrated in our deferred annuities where there are minimum interest rate guarantees. Under low U.S. interest rate scenarios, we assume that a larger percentage of customers will maintain their funds with us to take advantage of the attractive minimum guaranteed crediting rates and we expect to experience margin compression as we reinvest cash flows at lower interest rates. Partially offsetting this margin compression, we assume we will lower crediting rates on contractual reset dates for the portion of business that is not currently at minimum crediting rates. Additionally, we have various derivative positions, primarily interest rate floors, to partially mitigate this risk.

Reinvestment risk is defined for this purpose as the amount of reinvestment in 2014 and 2015 that would impact operating earnings due to reinvesting cash flows in the hypothetical U.S. interest rate stress scenario. For the deferred annuities business, $3.1 billion and $2.7 billion in 2014 and 2015, respectively, of the asset base will be subject to reinvestment risk on an average asset base of $35.6 billion and $36.1 billion in 2014 and 2015, respectively.

We estimate an unfavorable operating earnings impact on our Retail segment from the hypothetical U.S. interest rate stress scenario discussed above of $30 million and $60 million in 2014 and 2015, respectively.

Group, Voluntary & Worksite Benefits

Group In general, most of our group life insurance products in this segment are renewable term insurance and, therefore, have significant repricing flexibility. Interest rate risk arises mainly from minimum interest rate guarantees on retained asset accounts. These accounts have minimum interest crediting rate guarantees which range from 0.5% to 3.0%. All of these account balances are currently at their respective minimum interest crediting rates and we would expect to experience margin compression as we reinvest at lower interest rates. We have used interest rate floors to partially mitigate the risks of a sustained U.S. low interest rate environment. We also have exposure to interest rate risk in this business arising from our group disability policy claim reserves. For these products, lower reinvestment rates cannot be offset by a reduction in liability crediting rates for established claim reserves. Group disability policies are generally renewable term policies. Rates may be adjusted on in-force policies at renewal based on the retrospective experience rating and current interest rate assumptions. We review the discount rate assumptions and other assumptions associated with our long-term disability claim reserves no less frequently than annually. Our most recent review at the end of 2013 resulted in no change to the applicable discount rates.

Voluntary & Worksite We have exposure to interest rate risk in this business arising mainly from our long-term care (LTC) policy reserves. For these products, lower reinvestment rates cannot be offset by a reduction in liability crediting rates for established claim reserves. LTC policies are generally renewable, and rates may be adjusted on a class basis with regulatory approval to reflect emerging experience. Our LTC block is closed to new business. The Company makes use of derivative instruments to more closely match asset and liability duration and immunize the portfolio against changes in interest rates. Reinvestment risk is defined for this purpose as the amount of reinvestment in 2014 and 2015 that would impact operating earnings due to reinvesting cash flows in the hypothetical U.S. interest rate stress scenario. For the LTC portfolio, $976 million and $906 million of the asset base in both 2014 and 2015 will be subject to reinvestment risk on an average asset base of $9.1 billion and $9.9 billion in 2014 and 2015, respectively.

We estimate an unfavorable operating earnings impact on our Group, Voluntary & Worksite Benefits segment from the hypothetical U.S. interest rate stress scenario discussed above of $5 million and $20 million in 2014 and 2015, respectively.

Corporate Benefit Funding

This segment contains both short and long duration products consisting of capital market products, pension closeouts, structured settlements, and other benefit funding products. The majority of short duration products are managed on a floating rate basis, which mitigates the impact of the low interest rate environment in the U.S. The long duration products have very predictable cash flows and we have matched these cash flows through our ALM strategies. We also use interest rate swaps to help protect income in this segment against a low interest rate environment in the U.S. Based on the cash flow estimates, only a small component is subject to reinvestment risk. Reinvestment risk is defined for this purpose as the amount of reinvestment in 2014 and 2015 that would impact operating earnings due to reinvesting cash flows in the hypothetical interest rate stress scenario. For the long duration business, none of the asset base in 2014 and 2015 will be subject to reinvestment risk on an average asset base of $47.1 billion and $48.0 billion in 2014 and 2015, respectively.

We estimate minimal operating earnings impact on our Corporate Benefit Funding segment from the hypothetical U.S. interest rate stress scenario discussed above in 2014 and 2015.

Asia

Our Asia segment has a portion of its investments in U.S. dollar denominated assets. The following describes the impact on our Asia segment s operating earnings under the hypothetical U.S. interest rate stress scenario.

Life & Other Our Japan business offers traditional life insurance and accident & health products. To the extent the Japan life insurance portfolio is U.S. interest rate sensitive and we are unable to lower crediting rates to the customer, operating earnings will decline. We manage interest rate risk on our life products through a combination of product design features and ALM strategies.

Annuities We sell annuities in Asia which are predominantly single premium products with crediting rates set at the time of issue. This allows us to tightly manage product ALM, cash flows and net spreads, thus maintaining profitability.

We estimate an unfavorable operating earnings impact on our Asia segment from the hypothetical U.S. interest rate stress scenario discussed above of $10 million and $35 million in 2014 and 2015, respectively.

Corporate & Other

Corporate & Other contains the surplus portfolios for the enterprise, the portfolios used to fund the capital needs of the Company and various reinsurance products. The surplus portfolios are subject to reinvestment risk; however, lower net investment income is significantly offset by lower interest expense on both fixed and variable rate debt. Under a lower interest rate environment, fixed rate debt is assumed to be either paid off when it matures or refinanced at a lower interest rate resulting in lower overall interest expense. Variable rate debt is indexed to the three-month London Interbank Offered Rate (LIBOR), which results in lower interest expense incurred.

We estimate an unfavorable operating earnings impact on Corporate & Other from the hypothetical U.S. interest rate stress scenario discussed above of $30 million and $90 million in 2014 and 2015, respectively.

Table of Contents

Competitive Pressures

The life insurance industry remains highly competitive. The product development and product life cycles have shortened in many product segments, leading to more intense competition with respect to product features. Larger companies have the ability to invest in brand equity, product development, technology and risk management, which are among the fundamentals for sustained profitable growth in the life insurance industry. In addition, several of the industry s products can be quite homogeneous and subject to intense price competition. Sufficient scale, financial strength and financial flexibility are becoming prerequisites for sustainable growth in the life insurance industry. Larger market participants tend to have the capacity to invest in additional distribution capability and the information technology needed to offer the superior customer service demanded by an increasingly sophisticated industry client base. We believe that the continued volatility of the financial markets, its impact on the capital position of many competitors, and subsequent actions by regulators and rating agencies have altered the competitive environment. In particular, we believe that these factors have highlighted financial strength as the most significant differentiator from the perspective of some customers and certain distributors. We believe the Company is well positioned to compete in this environment.

Regulatory Developments

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

The regulation of the global financial services industry has received renewed scrutiny as a result of the disruptions in the financial markets. Significant regulatory reforms have been recently adopted and additional reforms proposed, and these or other reforms could be implemented. See Business U.S. Regulation, Business International Regulation, Risk Factors Regulatory and Legal Risks Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth. Risk Factors Risks Related to Our Business Our Statutory Life Insurance Reserve Financings May Be Subject to Cost Increases and New Financings May Be Subject to Limited Market Capacity, and Risk Factors Regulatory and Legal Risks Changes in U.S. Federal and State Securities Laws and Regulations, and State Insurance Regulations Regarding Suitability of Annuity Product Sales, May Affect Our Operations and Our Profitability in the 2013 Form 10-K. For example, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which was signed by President Obama in July 2010, effected the most far-reaching overhaul of financial regulation in the U.S. in decades. The full impact of Dodd-Frank on us will depend on the numerous rulemaking initiatives required or permitted by Dodd-Frank which are in various stages of implementation, many of which are not likely to be completed for some time.

Mortgage and Foreclosure-Related Exposures

MetLife, through its affiliate, MetLife Bank, was engaged in the origination, sale and servicing of forward and reverse residential mortgage loans since 2008. In 2012, MetLife Bank exited the business of originating residential mortgage loans. In 2012 and 2013, MetLife Bank sold its residential mortgage servicing portfolios, and in 2013 wound down its mortgage servicing business. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the MetLife Bank Divestiture. In August 2013, MetLife Bank merged with and into MLHL, its former subsidiary, with MLHL as the surviving, non-bank entity.

In conjunction with the sales of residential mortgage loans and servicing portfolios, MetLife Bank made representations and warranties that the loans sold met certain requirements (relating, for example, to the underwriting and origination of the loans), and that the loans were serviced in accordance with investor guidelines. Notwithstanding its exit from the origination and servicing businesses, MetLife Bank remained obligated to repurchase loans or compensate for losses upon demand due to alleged defects by MetLife Bank or its predecessor servicers in past servicing of the loans and material representations made in connection with MetLife Bank s sale of the loans. Estimation of repurchase liability arising from breaches of origination representations and warranties requires considerable management judgment. Management considers the level of outstanding unresolved repurchase demands and challenges to mortgage insurance, probable future demands in light of historical experience and changes in general economic conditions such as unemployment and the housing market, and the likelihood of recovery from indemnifications made to MetLife Bank relating to loans that MetLife Bank acquired rather than originated. Reserves for representation and warranty repurchases and indemnifications were $104 million and $95 million at December 31, 2013 and December 31, 2012, respectively. Reserves for estimated future losses due to alleged deficiencies on loans originated and sold, as well as servicing of the loans including servicing acquired, are estimated based on unresolved claims and projected losses under investor servicing contracts where MetLife Bank s past actions or inactions are likely to result in missing certain stipulated investor timelines. Reserves for servicing defects were $46 million and $54 million at December 31, 2013 and December 31, 2012, respectively. Management is satisfied that adequate provision has been made in the Company s consolidated financial statements for those representation and warranty obligations that are currently probable and reasonably estimable.

State and federal regulatory and law enforcement authorities have initiated various inquiries, investigations or examinations of alleged irregularities in the foreclosure practices of the residential mortgage servicing industry. Mortgage servicing practices have also been the subject of Congressional attention. Authorities have publicly stated that the scope of the investigations extends beyond foreclosure documentation practices to include mortgage loan modification and loss mitigation practices. See Note 21 of the Notes to the Consolidated Financial Statements for further information regarding our mortgage and foreclosure-related exposures.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. For a discussion of our significant accounting policies, see Note 1 of the Notes to the Consolidated Financial Statements. The most critical estimates include those used in determining:

(i) liabilities for future policyholder benefits and the accounting for reinsurance;
(ii) capitalization and amortization of DAC and the establishment and amortization of VOBA;
(iii) estimated fair values of investments in the absence of quoted market values;
(iv) investment impairments;
(v) estimated fair values of freestanding derivatives and the recognition and estimated fair value of embedded derivatives requiring bifurcation;
(vi) measurement of goodwill and related impairment;
(vii) measurement of employee benefit plan liabilities;

(viii) measurement of income taxes and the valuation of deferred tax assets; and
(ix) liabilities for litigation and regulatory matters.

In addition, the application of acquisition accounting requires the use of estimation techniques in determining the estimated fair values of assets acquired and liabilities assumed the most significant of which relate to aforementioned critical accounting estimates. In applying our accounting policies, we make subjective and complex judgments that frequently require estimates 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 our business and operations. Actual results could differ from these estimates.

Liability for Future Policy Benefits

Generally, future policy benefits are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical area. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. If experience is less favorable than assumed, additional liabilities may be established, resulting in a charge to policyholder benefits and claims.

Future policy benefit liabilities for disabled lives are estimated using the present value of benefits method and experience assumptions as to claim terminations, expenses and interest.

Liabilities for unpaid claims are estimated based upon our historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Future policy benefit liabilities for minimum death and income benefit guarantees relating to certain annuity contracts are based on estimates of the expected value of benefits in excess of the projected account balance, recognizing the excess ratably over the accumulation period based on total expected assessments. Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk. The assumptions of investment performance and volatility for variable products are consistent with historical experience of the appropriate underlying equity index, such as the Standard & Poor s Ratings Services (S&P) 500 Index.

We regularly review our estimates of liabilities for future policy benefits and compare them with our actual experience. Differences between actual experience and the assumptions used in pricing these policies and guarantees, as well as in the establishment of the related liabilities, result in variances in profit and could result in losses.

See Note 4 of the Notes to the Consolidated Financial Statements for additional information on our liability for future policy benefits.

Reinsurance

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. We periodically review actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluate the financial strength of counterparties to our reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed subsequently. Additionally, for each of our reinsurance agreements, we determine whether the agreement provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. We review all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims. If we determine that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, we record the agreement using the deposit method of accounting.

See Note 6 of the Notes to the Consolidated Financial Statements for additional information on our reinsurance programs.

Deferred Policy Acquisition Costs and Value of Business Acquired

We incur significant costs in connection with acquiring new and renewal insurance business. Costs that relate directly to the successful acquisition or renewal of insurance contracts are deferred as DAC. In addition to commissions, certain direct-response advertising expenses and other direct costs, deferrable costs include the portion of an employee s total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed. We utilize various techniques to estimate the portion of an employee s time spent on qualifying acquisition activities that result in actual sales, including surveys, interviews, representative time studies and other methods. These estimates include assumptions that are reviewed and updated on a periodic basis or more frequently to reflect significant changes in processes or distribution methods.

VOBA represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability included in other policy-related balances. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections. The recovery of DAC and VOBA is dependent upon the future profitability of the related business.

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period, which can result in significant fluctuations in amortization of DAC and VOBA. Our practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. We monitor these events and only change the assumption when our long-term expectation changes. The effect of an increase (decrease) by 100 basis points in the assumed future rate of return is reasonably likely to result in a decrease (increase) in the DAC and VOBA amortization of approximately $179 million, with an offset to our unearned revenue liability of approximately $29 million for this factor. We use a mean reversion approach to separate account returns where the mean reversion period is five years with a long-term separate account return after the five-year reversion period is over. The current long-term rate of return assumption for the variable universal life contracts and variable deferred annuity contracts is 7.25% for the U.S.

We also periodically review other long-term assumptions underlying the projections of estimated gross margins and profits. These assumptions primarily relate to investment returns, policyholder dividend scales, interest crediting rates, mortality, persistency, and expenses to administer business. Assumptions used in the calculation of estimated gross margins and profits which may have significantly changed are updated annually. If the update of assumptions causes expected future gross margins and profits to increase, DAC and VOBA amortization will decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes expected future gross margins and profits to decrease.

Our most significant assumption updates resulting in a change to expected future gross margins and profits and the amortization of DAC and VOBA are due to revisions to expected future investment returns, expenses, in-force or persistency assumptions and policyholder dividends on participating traditional life contracts, variable and universal life contracts and annuity contracts. We expect these assumptions to be the ones most reasonably likely to cause significant changes in the future. Changes in these assumptions can be offsetting and we are unable to predict their movement or offsetting impact over time.

At December 31, 2013, 2012 and 2011, DAC and VOBA for the Company was $26.7 billion, $24.8 billion and $24.6 billion, respectively. Amortization of DAC and VOBA associated with the variable and universal life and the annuity contracts was significantly impacted by movements in equity markets. The following illustrates the effect on DAC and VOBA of changing each of the respective assumptions, as well as updating estimated gross margins or profits with actual gross margins or profits during the years ended December 31, 2013, 2012 and 2011. Increases (decreases) in DAC and VOBA balances, as presented below, resulted in a corresponding decrease (increase) in amortization.

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
Investment return	$ (66)	$ (161)	$ (43)
Separate account balances	157	39	(125)
Net investment gain (loss)	195	(44)	(530)
Guaranteed minimum income benefits	337	23	(13)
Expense	36	10	(6)
In-force/Persistency	72	368	(6)
Policyholder dividends and other	8	(4)	32
Total	$ 739	$ 231	$ (691)

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2013:

- The increase in equity markets during the year increased separate account balances, which led to higher actual and expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in a decrease of $157 million in DAC and VOBA amortization.
- Changes in net investment gains (losses) resulted in the following changes in DAC and VOBA amortization:
  - Actual gross profits increased as a result of a decrease in liabilities associated with guarantee obligations on variable annuities, resulting in an increase of DAC and VOBA amortization of $1.1 billion, excluding the impact from our nonperformance risk and risk margins, which are described below. This increase in actual gross profits was more than offset by freestanding derivative losses associated with the hedging of such guarantee obligations, which resulted in a decrease in DAC and VOBA amortization of $1.2 billion.
  - The tightening of our nonperformance risk adjustment increased the valuation of guarantee liabilities, decreased actual gross profits and decreased DAC and VOBA amortization by $94 million. This was partially offset by lower risk margins, which decreased the guarantee liability valuations, increased actual gross profits and increased DAC and VOBA amortization by $60 million.
  - The remainder of the impact of net investment gains (losses), which decreased DAC and VOBA amortization by $72 million, was primarily attributable to 2013 investment activities.
- The hedging and reinsurance losses associated with the insurance liabilities of the guaranteed minimum income benefits (GMIBs) decreased actual gross profits and decreased DAC and VOBA amortization by $349 million.

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2012:

- The increase in actual, as well as changes in projected, investment returns resulted in an increase in actual and a reduction in expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in an increase of $161 million in DAC and VOBA amortization.
- Better than expected persistency and changes in assumptions regarding persistency, especially in the U.S. deferred variable annuity contracts, resulted in an increase in actual and expected future gross profits resulting in a decrease of $368 million in DAC and VOBA amortization.

The following represents significant items contributing to the changes to DAC and VOBA amortization in 2011:

- The decrease in equity markets during the year lowered separate account balances, which led to a reduction in actual and expected future gross profits on variable universal life contracts and variable deferred annuity contracts resulting in an increase of $125 million in DAC and VOBA amortization.

Changes in net investment gains (losses) resulted in the following changes in DAC and VOBA amortization:

- Actual gross profits decreased as a result of an increase in liabilities associated with guarantee obligations on variable annuities, resulting in a decrease of DAC and VOBA amortization of $478 million, excluding the impact from our nonperformance risk and risk margins, which are described below. This decrease in actual gross profits was more than offset by freestanding derivative gains associated with the hedging of such guarantee obligations, which resulted in an increase in DAC and VOBA amortization of $759 million.
- The widening of our nonperformance risk adjustment decreased the valuation of guarantee liabilities, increased actual gross profits and increased DAC and VOBA amortization by $234 million. This was partially offset by higher risk margins, which increased the guarantee liability valuations, decreased actual gross profits and decreased DAC and VOBA amortization by $64 million.
- The remainder of the impact of net investment gains (losses), which increased DAC and VOBA amortization by $79 million, was primarily attributable to 2011 investment activities.

Table of Contents

Our DAC and VOBA balance is also impacted by unrealized investment gains (losses) and the amount of amortization which would have been recognized if such gains and losses had been realized. The decrease in unrealized investment gains increased the DAC and VOBA balance by $1.3 billion in 2013, while the increase in unrealized investment gains decreased the DAC and VOBA balance by $713 million and $788 million in 2012 and 2011, respectively. See Notes 5 and 8 of the Notes to the Consolidated Financial Statements for information regarding the DAC and VOBA offset to unrealized investment losses.

Estimated Fair Value of Investments

In determining the estimated fair value of our investments, we maximize the use of quoted prices in active markets. When quoted prices in active markets are not available, various methodologies, assumptions and inputs are utilized, giving priority to observable inputs. When observable inputs are not available, unobservable inputs or inputs that cannot be derived principally from or corroborated by observable market data are used which can be based in large part on management judgment or estimation, and cannot be supported by reference to market activity. Accordingly, the estimated fair values are based on available market information and management s judgments about financial instruments. The methodologies, assumptions and inputs utilized are described in Note 10 of the Notes to the Consolidated Financial Statements.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Our ability to sell securities, or the price ultimately realized for these securities, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain securities.

Investment Impairments

One of the significant estimates related to available-for-sale (AFS) securities is our impairment evaluation. The assessment of whether an other-than-temporary impairment (OTTI) occurred is based on our case-by-case evaluation of the underlying reasons for the decline in estimated fair value on a security-by-security basis. Our review of each fixed maturity and equity security for OTTI includes an analysis of gross unrealized losses by three categories of severity and/or age of gross unrealized loss. An extended and severe unrealized loss position on a fixed maturity security may not have any impact on the ability of the issuer to service all scheduled interest and principal payments. Accordingly, such an unrealized loss position may not impact our evaluation of recoverability of all contractual cash flows or the ability to recover an amount at least equal to its amortized cost based on the present value of the expected future cash flows to be collected. In contrast, for certain equity securities, greater weight and consideration are given to a decline in estimated fair value and the likelihood such estimated fair value decline will recover.

Additionally, we consider a wide range of factors about the security issuer and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in our evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Factors we consider in the OTTI evaluation process are described in Note 8 of the Notes to the Consolidated Financial Statements.

The determination of the amount of allowances and impairments on the remaining invested asset classes is highly subjective and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for additional information relating to our determination of the amount of allowances and impairments.

Derivatives

The determination of estimated fair value of freestanding derivatives, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing the instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models. See Note 10 of the Notes to the Consolidated Financial Statements for additional details on significant inputs into the over-the-counter (OTC) derivative pricing models and credit risk adjustment.

We issue variable annuity products with guaranteed minimum benefits, some of which are embedded derivatives measured at estimated fair value separately from the host variable annuity product, with changes in estimated fair value reported in net derivative gains (losses). The estimated fair values of these embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions, including expectations concerning policyholder behavior. A risk neutral valuation methodology is used under which the cash flows from the guarantees are projected under multiple capital market scenarios using observable risk free rates. The valuation of these embedded derivatives also includes an adjustment for our nonperformance risk and risk margins for non-capital market inputs. The nonperformance risk adjustment, which is captured as a spread over the risk free rate in determining the discount rate to discount the cash flows of the liability, is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife, Inc. s debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries compared to MetLife, Inc. Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties in certain actuarial assumptions. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees.

The table below illustrates the impact that a range of reasonably likely variances in credit spreads would have on our consolidated balance sheet, excluding the effect of income tax, related to the embedded derivative valuation on certain variable annuity products measured at estimated fair value. However, these estimated effects do not take into account potential changes in other variables, such as equity price levels and market volatility, which can also contribute significantly to changes in carrying values. Therefore, the table does not necessarily reflect the ultimate impact on the consolidated financial statement under the credit spread variance scenarios presented below.

Table of Contents

In determining the ranges, we have considered current market conditions, as well as the market level of spreads that can reasonably be anticipated over the near term. The ranges do not reflect extreme market conditions experienced during the financial crisis as we do not consider those to be reasonably likely events in the near future.

	Changes in Balance Sheet Carrying Value At December 31, 2013	
	Policyholder Account Balances	DAC and VOBA
	(In millions)	
100% increase in our credit spread	$ (1,280)	$ (1,100)
As reported	$ (1,040)	$ (1,099)
50% decrease in our credit spread	$ (909)	$ (1,098)

The accounting for derivatives is complex and interpretations of accounting standards continue to evolve in practice. If it is determined that hedge accounting designations were not appropriately applied, reported net income could be materially affected. Assessments of hedge effectiveness and measurements of ineffectiveness of hedging relationships are also subject to interpretations and estimations and different interpretations or estimates may have a material effect on the amount reported in net income.

Variable annuities with guaranteed minimum benefits may be more costly than expected in volatile or declining equity markets. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates, changes in our nonperformance risk, variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, may result in significant fluctuations in the estimated fair value of the guarantees that could materially affect net income. If interpretations change, there is a risk that features previously not bifurcated may require bifurcation and reporting at estimated fair value in the consolidated financial statements and respective changes in estimated fair value could materially affect net income.

Additionally, we ceded the risk associated with certain of the variable annuities with guaranteed minimum benefits described in the preceding paragraphs. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with that described previously for the guarantees directly written by us with the exception of the input for nonperformance risk that reflects the credit of the reinsurer. Because certain of the direct guarantees do not meet the definition of an embedded derivative and, thus are not accounted for at fair value, significant fluctuations in net income may occur since the change in fair value of the embedded derivative on the ceded risk is being recorded in net income without a corresponding and offsetting change in fair value of the direct guarantee.

See Note 9 of the Notes to the Consolidated Financial Statements for additional information on our derivatives and hedging programs.

Goodwill

Goodwill is tested for impairment at least annually or more frequently if events or circumstances, such as adverse changes in the business climate, indicate that there may be justification for conducting an interim test.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition. The key inputs, judgments and assumptions necessary in determining estimated fair value of the reporting units include projected operating earnings, current book value, the level of economic capital required to support the mix of business, long-term growth rates, comparative market multiples, the account value of in-force business, projections of new and renewal business, as well as margins on such business, the level of interest rates, credit spreads, equity market levels, and the discount rate that we believe is appropriate for the respective reporting unit. In performing the Company s goodwill impairment tests, the estimated fair values of the reporting units are first determined using a market multiple valuation approach. When further corroboration is required, the Company uses a discounted cash flow valuation approach. For reporting units which are particularly sensitive to market assumptions, the Company may use additional valuation methodologies to estimate the reporting units fair values.

In June 2013, the government of Poland announced proposals to the country s pension system that, if adopted, would have negatively impacted future operating earnings related to our pension business in Poland. We determined that this announcement was an event requiring an interim test of goodwill impairment for the EMEA reporting unit during the quarter ended June 30, 2013. We performed this interim test principally using a market multiple valuation approach. Results indicated that the fair value of the EMEA reporting unit exceeded its carrying value and, therefore, such goodwill was not impaired.

During the 2013 annual goodwill impairment tests, we concluded that the fair values of all reporting units were in excess of their carrying values and, therefore, goodwill was not impaired.

In 2012, we performed the annual goodwill impairment test on our Retail Annuities reporting unit using both the market multiple and discounted cash flow valuation approaches. Results for both approaches indicated that the fair value of the Retail Annuities reporting unit was below its carrying value. As a result, an actuarial appraisal, which estimates the net worth of the reporting unit, the value of existing business and the value of new business, was performed. This appraisal resulted in a fair value of the Retail Annuities reporting unit that was less than the carrying value, indicating a potential for goodwill impairment. The actuarial appraisal reflected the expected market impact to a buyer of changes in the regulatory environment, continued low interest rates for an extended period of time, and other market and economic factors. Specifically, in July 2012, the Department of Financial Services had initiated an inquiry into the use of captive or off-shore reinsurers, strategies many market participants have used for capital efficiency on variable annuity products; the National Association of Insurance Commissioners (NAIC) had also been studying the use of captives. Within the Retail Annuities reporting unit, most variable annuity guaranteed minimum benefit rider risk has historically been reinsured within a wholly-owned captive reinsurance subsidiary. As permitted, we calculate regulatory capital for that entity using less conservative assumptions than would be required to calculate minimum capital for this business by the ceding domestic insurance subsidiary. In prior period goodwill impairment analyses, management s assessment was that a buyer would base its appraisal on the assumption that it would be able to continue to maintain these reinsurance agreements indefinitely. In 2012, as captive reinsurers came under increased regulatory scrutiny, we believed that a buyer would no longer take the view that replicating such a regulatory capital structure using captives would be viable indefinitely and, therefore, would require a higher capital charge for the Retail Annuities reporting unit. We performed Step 2 of the goodwill impairment process, which compares the implied fair value of the reporting unit s goodwill with its carrying value. This analysis indicated that the recorded goodwill associated with this reporting unit was not recoverable. Therefore, we recorded a non-cash charge of $1.9 billion ($1.6 billion, net of income tax) for the impairment of the entire goodwill balance that is reported in goodwill impairment in the consolidated statements of operations and comprehensive income for the year ended December 31, 2012. For a discussion of potential effects of these inquiries on the Company s results of operations and the status of the inquiries made by the Department of Financial Services and the NAIC, see Business U.S. Regulation Holding Company Regulation Insurance Regulatory Examinations in the 2013 Form 10-K.

We apply significant judgment when determining the estimated fair value of our reporting units and when assessing the relationship of market capitalization to the aggregate estimated fair value of our reporting units. The valuation methodologies utilized are subject to key judgments and assumptions that are sensitive to change. Estimates of fair value are inherently uncertain and represent only management s reasonable expectation regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Declines in the estimated fair value of our reporting units could result in goodwill impairments in future periods which could materially adversely affect our results of operations or financial position.

See Note 11 of the Notes to the Consolidated Financial Statements for additional information on our goodwill.

Employee Benefit Plans

Certain subsidiaries of MetLife, Inc. sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees and sales representatives. The calculation of the obligations and expenses associated with these plans requires an extensive use of assumptions such as the discount rate, expected rate of return on plan assets, rate of future compensation increases and healthcare cost trend rates, as well as assumptions regarding participant demographics such as rate and age of retirements, withdrawal rates and mortality. In consultation with external actuarial firms, we determine these assumptions based upon a variety of factors such as historical experience of the plan and its assets, currently available market and industry data, and expected benefit payout streams.

We determine the expected rate of return on plan assets based upon an approach that considers inflation, real return, term premium, credit spreads, equity risk premium and capital appreciation, as well as expenses, expected asset manager performance, asset weights and the effect of rebalancing. Given the amount of plan assets as of December 31, 2012, the beginning of the measurement year, if we had assumed an expected rate of return for both our pension and other postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of $93 million and an increase of $93 million, respectively, in 2013. This considers only changes in our assumed long-term rate of return given the level and mix of invested assets at the beginning of the year, without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed long-term rate of return.

We determine the discount rates used to value the pension and postretirement obligations, based upon rates commensurate with current yields on high quality corporate bonds. Given our pension and postretirement obligations as of December 31, 2012, the beginning of the measurement year, if we had assumed a discount rate for both our pension and postretirement benefit plans that was 100 basis points higher or 100 basis points lower than the rates we assumed, the change in our net periodic benefit costs would have been a decrease of $146 million and an increase of $168 million, respectively, in 2013. This considers only changes in our assumed discount rates without consideration of possible changes in any of the other assumptions described above that could ultimately accompany any changes in our assumed discount rate. The assumptions used may differ materially from actual results due to, among other factors, changing market and economic conditions and changes in participant demographics. These differences may have a significant effect on the Company s consolidated financial statements and liquidity.

See Note 18 of the Notes to the Consolidated Financial Statements for additional discussion of assumptions used in measuring liabilities relating to our employee benefit plans.

Income Taxes

We provide for federal, state and foreign income taxes currently payable, as well as those deferred due to temporary differences between the financial reporting and tax bases of assets and liabilities. Our accounting for income taxes represents our best estimate of various events and transactions. These tax laws are complex and are subject to differing interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. We must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Factors in management s determination include the performance of the business and its ability to generate capital gains. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- (i) future taxable income exclusive of reversing temporary differences and carryforwards;
- (ii) future reversals of existing taxable temporary differences;
- (iii) taxable income in prior carryback years; and
- (iv) tax planning strategies.

Disputes over interpretations of the tax laws may be subject to review and adjudication by the court systems of the various tax jurisdictions or may be settled with the taxing authority upon audit. We determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit is recorded in the financial statements. We may be required to change our provision for income taxes when estimates used in determining valuation allowances on deferred tax assets significantly change, or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

See Note 19 of the Notes to the Consolidated Financial Statements for additional information on our income taxes.

Litigation Contingencies

We are a party to a number of legal actions and are involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on our financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Liabilities related to certain lawsuits, including our asbestos-related liability, are especially difficult to estimate due to the limitation of available data and uncertainty regarding numerous variables that can affect liability estimates. The data and variables that impact the assumptions used to estimate our asbestos-related liability include the number of future claims, the cost to resolve claims, the disease mix and severity of disease in pending and future claims, the impact of the number of new claims filed in a particular jurisdiction and variations in the law in the jurisdictions in which claims are filed, the possible impact of tort reform efforts, the willingness of courts to allow plaintiffs to pursue claims against us

Table of Contents

when exposure to asbestos took place after the dangers of asbestos exposure were well known, and the impact of any possible future adverse verdicts and their amounts. On a quarterly and annual basis, we review relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in our consolidated financial statements. It is possible that an adverse outcome in certain of our litigation and regulatory investigations, including asbestos-related cases, or the use of different assumptions in the determination of amounts recorded could have a material effect upon our consolidated net income or cash flows in particular quarterly or annual periods.

See Note 21 of the Notes to the Consolidated Financial Statements for additional information regarding our assessment of litigation contingencies.

Economic Capital

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 our business.

Our economic capital model 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 and applying an industry standard method for the inclusion of diversification benefits among risk types. Economic capital-based risk estimation is an evolving science and industry best practices have emerged and continue to evolve. Areas of evolving industry best practices include stochastic liability valuation techniques, alternative methodologies for the calculation of diversification benefits, and the quantification of appropriate shock levels. MetLife management is responsible for the on-going production and enhancement of the economic capital model and reviews its approach periodically to ensure that it remains consistent with emerging industry practice standards.

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

Acquisitions and Dispositions

On December 19, 2013, MetLife, Inc. reached an agreement with Malaysia s AMMB Holdings Bhd (AMMB) to seek regulatory approval of a proposed strategic partnership involving AmLife Insurance Berhad (AmLife) and AmFamily Takaful Berhad (AmTakaful). As a result of the proposed transaction, upon receipt of regulatory approvals and satisfaction of certain other conditions, MetLife and AMMB would each hold approximately a 50% interest in both AmLife and AmTakaful. In addition, the proposed transaction will result in AmLife and AmTakaful entering into exclusive 20-year bancassurance and bancatakaful agreements for the distribution of life insurance and family takaful products through the distribution network of AMMB s banking subsidiaries in Malaysia.

On September 26, 2013, MetLife, Inc., Bank for Investment & Development of Vietnam (BIDV), and Bank for Investment and Development of Vietnam Insurance Corporation (BIC) signed an agreement to establish a life insurance joint venture in Vietnam. Under the terms of the agreement, MetLife will hold a 60% stake in the new company and BIDV and BIC will own the remaining 40% stake. The joint venture will initially focus on offering life and health insurance products and includes an exclusive bancassurance distribution agreement between the joint venture and BIDV. The joint venture is expected to start operations in 2014 subject to certain regulatory approvals.

See Notes 3 and 23 of the Notes to the Consolidated Financial Statements for additional information.

Table of Contents

Results of Operations

Consolidated Results

We have experienced growth and an increase in sales in the majority of our businesses, both domestic and foreign. Despite the unsteady economic recovery in the U.S., our dental business grew as a result of increased enrollment, improved persistency, and the positive impact of pricing actions on existing business. Our term life business grew as a result of new sales, as well as increased covered lives on existing policies. We have also experienced growth in our vision business, which was introduced in the second half of 2012. Despite the sustained low interest rate environment, pension closeout premiums in the U.S. have increased; however, our United Kingdom (U.K.) pension closeout premiums have declined. Sales of variable annuities declined in response to adjustments we made to guarantee features as we continue to focus on pricing discipline and risk management in this challenging economic environment. In our property & casualty businesses, premiums on new policies increased over 2012. Sales in the majority of our businesses abroad have improved despite the challenging economic environment in certain European countries and a decrease in Japan s fixed annuity sales due to a weaker yen and higher equity markets.

	Years Ended December 31,		
	2013	2012	2011
	(In millions)		
Revenues			
Premiums	$ 37,674	$ 37,975	$ 36,361
Universal life and investment-type product policy fees	9,451	8,556	7,806
Net investment income	22,232	21,984	19,585
Other revenues	1,920	1,906	2,532
Net investment gains (losses)	161	(352)	(867)
Net derivative gains (losses)	(3,239)	(1,919)	4,824
Total revenues	68,199	68,150	70,241
Expenses			
Policyholder benefits and claims and policyholder dividends	39,366	39,356	36,917
Interest credited to policyholder account balances	8,179	7,729	5,603
Goodwill impairment		1,868	
Capitalization of DAC	(4,786)	(5,289)	(5,558)
Amortization of DAC and VOBA	3,550	4,199	4,898
Amortization of negative VOBA	(579)	(622)	(697)
Interest expense on debt	1,282	1,356	1,629
Other expenses	17,135	18,111	18,265
Total expenses	64,147	66,708	61,057
Income (loss) from continuing operations before provision for income tax	4,052	1,442	9,184
Provision for income tax expense (benefit)	661	128	2,793
Income (loss) from continuing operations, net of income tax	3,391	1,314	6,391
Income (loss) from discontinued operations, net of income tax	2	48	24
Net income (loss)	3,393	1,362	6,415
Less: Net income (loss) attributable to noncontrolling interests	25	38	(8)
Net income (loss) attributable to MetLife, Inc.	3,368	1,324	6,423
Less: Preferred stock dividends	122	122	122
Preferred stock redemption premium			146
Net income (loss) available to MetLife, Inc. s common shareholders	$ 3,246	$ 1,202	$ 6,155

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

During the year ended December 31, 2013, income (loss) from continuing operations, before provision for income tax, increased $2.6 billion ($2.1 billion, net of income tax) from 2012 primarily driven by a 2012 goodwill impairment charge combined with favorable changes in net investment gains (losses) and operating earnings, partially offset by an unfavorable change in net derivative gains (losses). Also included in income (loss) from continuing operations, before provision for income tax, are the improved results of the Divested Businesses.

We manage our investment portfolio using disciplined ALM principles, focusing on cash flow and duration to support our current and future liabilities. Our intent is to match the timing and amount of liability cash outflows with invested assets that have cash inflows of comparable timing and amount, while optimizing risk-adjusted net investment income and risk-adjusted total return. Our investment portfolio is heavily weighted toward fixed income investments, with over 80% of our portfolio invested in fixed maturity securities and mortgage loans. These securities and loans have varying maturities and other characteristics which cause them to be generally well suited for matching the cash flow and duration of insurance liabilities. Other invested asset classes including, but not limited to, equity securities, other limited partnership interests and real estate and real estate joint ventures, provide additional diversification and opportunity for long-term yield enhancement in addition to supporting the cash flow and duration objectives of our investment portfolio. We also use derivatives as an integral part of our management of the investment portfolio to hedge certain risks, including changes in interest rates, foreign currency exchange rates, credit spreads and equity market levels. Additional considerations for our investment portfolio include current and expected market conditions and expectations for changes within our specific mix of products and business segments. In addition, the general account investment portfolio includes, within fair value option (FVO) and trading securities, contractholder-directed unit-linked

Table of Contents

investments supporting unit-linked variable annuity type liabilities, which do not qualify as separate account assets. The returns on these contractholder-directed unit-linked investments, which can vary significantly from period to period, include changes in estimated fair value subsequent to purchase, inure to contractholders and are offset in earnings by a corresponding change in policyholder account balances (PABs) through interest credited to policyholder account balances.

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

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

We use freestanding interest rate, equity, credit and currency derivatives to hedge certain invested assets and insurance liabilities. Certain of these hedges are designated and qualify as accounting hedges, which reduce volatility in earnings. For those hedges not designated as accounting hedges, changes in market factors lead to the recognition of fair value changes in net derivative gains (losses) generally without an offsetting gain or loss recognized in earnings for the item being hedged.

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

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

	Years Ended December 31,	
	2013	**2012**
	(In millions)	
Non-VA program derivatives		
Interest rate	$ (1,609)	$ 271
Foreign currency exchange rate	(1,225)	(426)
Credit	187	(105)
Equity	(61)	1
Non-VA embedded derivatives	123	(61)
Total non-VA program derivatives	(2,585)	(320)
VA program derivatives		
Market risks in embedded derivatives	6,101	4,303
Nonperformance risk on embedded derivatives	(952)	(1,659)
Other risks in embedded derivatives	(169)	(1,344)
Total embedded derivatives	4,980	1,300
Freestanding derivatives hedging embedded derivatives	(5,634)	(2,899)
Total VA program derivatives	(654)	(1,599)
Net derivative gains (losses)	$ (3,239)	$ (1,919)

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was $2.3 billion ($1.5 billion, net of income tax). This was primarily due to long-term interest rates increasing more in 2013 than in 2012, unfavorably impacting receive-fixed interest rate swaps, net long interest rate floors and receiver swaptions. These freestanding derivatives were primarily hedging long duration liability portfolios. The weakening of the Japanese yen relative to other key currencies unfavorably impacted foreign currency forwards and futures that primarily hedge certain bonds. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The favorable change in net derivative gains (losses) on VA program derivatives was $945 million ($614 million, net of income tax). This was due to a favorable change of $1.2 billion ($763 million, net of income tax) on other risks in embedded derivatives, a favorable change of $707 million ($460 million, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives and an unfavorable change of $937 million ($609 million, net of income tax) on market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The nonperformance risk adjustment loss of $952 million ($619 million, net of income tax) in 2013 was comprised of a loss of $337 million due to a decrease in our own credit spread, as well as a loss of $615 million due to the impact of changes in capital market inputs, such as long-term interest rates and key equity index levels, on the variable annuity guarantees. We calculate the nonperformance risk adjustment as the change in the embedded derivative discounted at the risk adjusted rate (which includes our own credit spread to the extent that the embedded derivative is in-the-money) less the change in the embedded derivative discounted at the risk free rate.

Table of Contents

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

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

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

The foregoing $1.2 billion ($763 million, net of income tax) favorable change in other risks in embedded derivatives was primarily due to the cross effect of capital markets changes and refinements in the attribution analysis and valuation model, including periodic updates to actuarial assumptions and updates to better reflect product features, which accounted for $961 million of this favorable change. Other items contributing to this change included:

- A decrease in the risk margin adjustment caused by lower policyholder behavior risks, which resulted in a favorable year over year change in the valuation of the embedded derivatives.
- The mismatch of fund performance between actual and modeled funds and periodic updates to the mapping of policyholder funds into groups of representative indices, which resulted in a favorable year over year change in the valuation of the embedded derivatives.
- A combination of other factors, such as in-force changes, resulted in an unfavorable year over year change in the valuation of the embedded derivatives.

The foregoing $937 million ($609 million, net of income tax) unfavorable change is comprised of a $2.7 billion ($1.8 billion, net of income tax) unfavorable change in freestanding derivatives that hedge market risks in embedded derivatives, which was partially offset by a $1.8 billion ($1.2 billion, net of income tax) favorable change in market risks in embedded derivatives.

The primary changes in market factors are summarized as follows:

- Long-term interest rates increased more in 2013 than in 2012, contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.
- Key equity index levels increased more in 2013 than in 2012 contributing to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.
- Key equity volatility measures decreased less in 2013 than in 2012, contributing to a favorable change in our freestanding derivatives and an unfavorable change in our embedded derivatives.
- Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.

The favorable change in net investment gains (losses) primarily reflects an increase in net gains on sales of fixed maturity securities in 2013 coupled with a decrease in fixed maturity securities impairments from lower intent-to-sell impairments and improving economic fundamentals.

During our 2013 goodwill impairment testing, we determined that goodwill was not impaired. In 2012, we recorded a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. Retail annuities business.

Our 2013 results include a $101 million ($69 million, net of income tax) charge associated with the global review of assumptions related to reserves and DAC, of which $138 million ($90 million, net of income tax) was recognized in net derivative gains (losses). Of the $101 million charge, $228 million ($150 million, net of income tax) was related to reserves, offset by $127 million ($81 million, net of income tax) associated with DAC.

The foregoing $138 million loss recorded in net derivative gains (losses) associated with the global review of assumptions was included within the other risks in embedded derivatives caption in the table above.

As a result of the global review of assumptions, changes were made to policyholder behavior and mortality assumptions, as well as to economic assumptions. The most significant impacts were in Retail Annuities.

- Changes to policyholder behavior and mortality assumptions resulted in reserve increases, offset by favorable DAC, for a net loss of $154 million ($103 million, net of income tax).
- Changes in economic assumptions resulted in a decrease in reserves, offset by unfavorable DAC, for a net benefit of $53 million ($34 million, net of income tax).

Income (loss) from continuing operations, before provision for income tax, related to the Divested Businesses, excluding net investment gains (losses) and net derivative gains (losses) increased $459 million to a loss of $200 million in 2013 from a loss of $659 million in 2012. Included in this improvement was a decrease in total revenues of $517 million, before income tax, and a decrease in total expenses of $976 million, before income tax. The Divested Businesses include certain operations of MetLife Bank and the Caribbean region, Panama and Costa Rica.

Income tax expense for the year ended December 31, 2013 was $661 million, or 16% of income (loss) from continuing operations before income tax, compared with $128 million, or 9% of income (loss) from continuing operations before income tax, for 2012. The Company s 2013 effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. Foreign earnings include one-time tax benefits of $119 million related to the receipt of a Japan tax refund, $69 million related to the estimated reversal of Japan temporary differences, and $65 million related to the change in repatriation assumptions for foreign earnings of certain European operations. The Company s 2012 effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for investments in low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In addition, as previously mentioned, the year ended December 31, 2012 included a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment. The tax benefit associated with this charge was limited to $247 million on the associated tax goodwill.

As more fully described in Non-GAAP and Other Financial Disclosures, we use operating earnings, which does not equate to income (loss) from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for income (loss) from continuing operations, net of income tax, and net income (loss) available to MetLife, Inc. s common shareholders, respectively. Operating earnings available to common shareholders increased $601 million, net of income tax, to $6.3 billion, net of income tax, for the year ended December 31, 2013 from $5.7 billion, net of income tax, in 2012.

Table of Contents

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

During the year ended December 31, 2012, income (loss) from continuing operations, before provision for income tax, decreased $7.7 billion ($5.1 billion, net of income tax) from the year ended December 31, 2011 primarily driven by an unfavorable change in net derivative gains (losses) and a goodwill impairment charge in 2012.

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

	Years Ended December 31,	
	2012	**2011**
	(In millions)	
Non-VA program derivatives		
Interest rate	$ 271	$ 2,536
Foreign currency exchange rate	(426)	171
Credit	(105)	173
Equity	1	6
Non-VA embedded derivatives	(61)	17
Total non-VA program derivatives	(320)	2,903
VA program derivatives		
Market risks in embedded derivatives	4,303	(2,332)
Nonperformance risk on embedded derivatives	(1,659)	1,822
Other risks in embedded derivatives	(1,344)	(791)
Total embedded derivatives	1,300	(1,301)
Freestanding derivatives hedging embedded derivatives	(2,899)	3,222
Total VA program derivatives	(1,599)	1,921
Net derivative gains (losses)	$ (1,919)	$ 4,824

The unfavorable change in net derivative gains (losses) on non-VA program derivatives was $3.2 billion ($2.1 billion, net of income tax). This was primarily due to long-term interest rates increasing in 2012 but decreasing in 2011, unfavorably impacting receive-fixed interest rate swaps, long interest rate floors and receiver swaptions. These freestanding derivatives are primarily hedging long duration liability portfolios. The weakening of the U.S. dollar and Japanese yen relative to other key currencies unfavorably impacted foreign currency forwards and swaps, which primarily hedge certain foreign denominated bonds. Additionally, the narrowing of credit spreads in 2012 compared to widening in 2011 unfavorably impacted credit default swaps hedging certain bonds. Because certain of these hedging strategies are not designated or do not qualify as accounting hedges, the changes in the estimated fair value of these freestanding derivatives are recognized in net derivative gains (losses) without an offsetting gain or loss recognized in earnings for the item being hedged.

The unfavorable change in net derivative gains (losses) on VA program derivatives was $3.5 billion ($2.3 billion, net of income tax). This was due to an unfavorable change of $3.5 billion ($2.3 billion, net of income tax) related to the change in the nonperformance risk adjustment on embedded derivatives and an unfavorable change of $553 million ($359 million, net of income tax) related to the change in other risks on embedded derivatives, partially offset by a favorable change of $514 million ($334 million, net of income tax) on market risks in embedded derivatives, net of the impact of freestanding derivatives hedging those risks. Other risks relate primarily to the impact of policyholder behavior and other non-market risks that generally cannot be hedged.

The $3.5 billion ($2.3 billion, net of income tax) unfavorable change in nonperformance risk from a gain of $1.8 billion ($1.2 billion, net of income tax) in 2011 to a loss of $1.7 billion ($1.1 billion, net of income tax) in 2012 was due to changes in our own credit spread and the impact of capital market inputs on the variable annuity guarantees. We calculate nonperformance risk as the change in the embedded derivative discounted at the risk adjusted rate (which includes our own credit spread to the extent that the embedded derivative is in-the-money) less the change in the embedded derivative discounted at the risk free rate. The nonperformance risk loss of $1.7 billion ($1.1 billion, net of income tax) in 2012 was due to a decrease in our own credit spread, the increase in the long-term risk free interest rate, and the increase in key equity index levels. The nonperformance risk gain of $1.8 billion ($1.2 billion, net of income tax) in 2011 was due to an increase in our own credit spread, the decrease in the long-term risk free interest rate, and the decrease in key equity index levels.

The foregoing $553 million ($359 million, net of income tax) unfavorable change in other risks in embedded derivatives was primarily due to the impact of foreign currency translation and the cross effect of capital market changes, which accounted for $600 million of this unfavorable change. Other items contributing to this change included:

- Refinements in the attribution analysis and valuation model, including periodic updates to actuarial assumptions and updates to better reflect product features, which resulted in an unfavorable year over year change in the valuation of the embedded derivatives.
- A decrease in the risk margin adjustment caused by lower policyholder behavior risks, which resulted in a favorable year over year change in the valuation of the embedded derivatives.
- A combination of other factors, such as in-force changes and the mismatch of fund performance between actual and modeled funds, which resulted in a favorable year over year change in the valuation of the embedded derivatives.

The foregoing favorable change of $514 million ($334 million, net of income tax) is comprised of a $6.6 billion ($4.3 billion, net of income tax) favorable change in market risks in our embedded derivatives, which was partially offset by a $6.1 billion ($4.0 billion, net of income tax) unfavorable change in freestanding derivatives that hedge market risks in embedded derivatives. The primary changes in market factors are summarized as follows:

- Long-term interest rates increased in 2012 but decreased in 2011 and contributed to an unfavorable change in our freestanding derivatives and favorable changes in our embedded derivatives.

Table of Contents

- Key equity index levels improved in 2012 but decreased in 2011, and equity volatility decreased in 2012 but generally increased in 2011. These changes contributed to an unfavorable change in our freestanding derivatives and a favorable change in our embedded derivatives.
- Changes in foreign currency exchange rates contributed to an unfavorable change in our freestanding derivatives and favorable changes in our embedded derivatives.

The decrease in net investment losses primarily reflects a significant decrease in 2012 impairments, as compared to 2011 on fixed maturity securities, primarily attributable to 2011 impairments on Greece sovereign debt securities, 2011 intent-to-sell OTTI on other sovereign debt due to the repositioning of the acquired ALICO portfolio into longer duration and higher yielding investments, and 2011 intent-to-sell impairments related to the Divested Businesses, partially offset by a decrease in gains on sales of real estate investments.

In addition, the year ended December 31, 2012 includes a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment associated with our U.S. Retail annuities business. Also, 2012 includes a $1.2 billion ($753 million, net of income tax) charge associated with the global review of assumptions related to DAC, reserves and certain intangibles, of which $526 million ($342 million, net of income tax) was reflected in net derivative gains (losses). Of the $1.2 billion charge, $1.1 billion ($740 million, net of income tax) and $77 million ($50 million, net of income tax) related to reserves and intangibles, respectively, partially offset by $57 million ($37 million, net of income tax) associated with a review of assumptions related to DAC.

The foregoing $526 million loss recorded in net derivative gains (losses) associated with the global review of assumptions was included within the other risks in embedded derivatives caption in the table above.

As a result of this global review of assumptions, changes were made to policyholder-related assumptions, company-specific assumptions and economic assumptions. The most significant impacts related to policyholder surrenders, anticipated future dividend scales and general and separate account returns, which are discussed below:

- Changes to policyholder-related assumptions resulted in reserve increases with corresponding favorable DAC changes of approximately $700 million ($455 million, net of income tax) for the year ended December 31, 2012. The most significant contributor to the increase in reserves was the change in the assumptions regarding policyholder surrenders. The policyholder surrenders for our variable deferred annuity block have been trending lower as there are fewer new annuity products available and as the value of the rider guarantees has increased over time relative to actual equity performance and low interest rates.
- Decreases to our general account earned rate as well as the expected future performance in the separate accounts due to current and anticipated low interest rates for an extended period of time, resulted in an acceleration of amortization and an increase in insurance liabilities of $240 million ($156 million, net of income tax).
- Updates to the future cash flows and corresponding dividend scales associated with the closed block as a result of current and anticipated low interest rates for an extended period of time, contributed to the acceleration of DAC amortization of $115 million ($75 million, net of income tax).

Income (loss) from continuing operations, before provision for income tax, related to the Divested Businesses, excluding net investment gains (losses) and net derivative gains (losses), decreased $724 million to a loss of $659 million in 2012 compared to income of $65 million in 2011. Included in this loss was a decrease in total revenues of $797 million and a decrease in total expenses of $73 million.

Income tax expense for the year ended December 31, 2012 was $128 million, or 9% of income (loss) from continuing operations before provision for income tax, compared with income tax expense of $2.8 billion, or 30% of income (loss) from continuing operations before provision for income tax, for the year ended December 31, 2011. The Company s 2012 and 2011 effective tax rates differ from the U.S. statutory rate of 35% primarily due to the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing, in relation to income (loss) from continuing operations before provision for income tax, as well as certain foreign permanent tax differences. The Company also recorded a $324 million tax benefit in 2012 to reduce deferred income tax liabilities related to the conversion of the Japan branch to a subsidiary. In addition, as previously mentioned, 2012 includes a $1.9 billion ($1.6 billion, net of income tax) non-cash charge for goodwill impairment. The income tax benefit associated with this charge is limited to $247 million on the associated tax goodwill.

As more fully described in Non-GAAP and Other Financial Disclosures, we use operating earnings, which does not equate to income (loss) from continuing operations, net of income tax, as determined in accordance with GAAP, to analyze our performance, evaluate segment performance, and allocate resources. We believe that the presentation of operating earnings and operating earnings available to common shareholders, as we measure it for management purposes, enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of the business. Operating earnings and operating earnings available to common shareholders should not be viewed as substitutes for GAAP income (loss) from continuing operations, net of income tax, and GAAP net income (loss) available to MetLife, Inc. s common shareholders, respectively. Operating earnings available to common shareholders increased $1.0 billion, net of income tax, to $5.7 billion, net of income tax, for the year ended December 31, 2012 from $4.7 billion, net of income tax, for the year ended December 31, 2011.

Table of Contents

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

Year Ended December 31, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ 1,498	$ 397	$ 1,178	$ 666	$ 582	$ 349	$ (1,279)	$ 3,391
Less: Net investment gains (losses)	70	(21)	(8)	20	343	(16)	(227)	161
Less: Net derivative gains (losses)	(724)	(676)	(235)	(24)	(1,057)	(6)	(517)	(3,239)
Less: Goodwill impairment								
Less: Other adjustments to continuing operations (1)	(926)	(172)	46	167	(435)	75	(393)	(1,638)
Less: Provision for income tax (expense) benefit	554	304	68	(71)	487	(33)	389	1,698
Operating earnings	$ 2,524	$ 962	$ 1,307	$ 574	$ 1,244	$ 329	(531)	6,409
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (653)	$ 6,287

Year Ended December 31, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Income (loss) from continuing operations, net of income tax	$ (44)	$ 824	$ 1,204	$ 479	$ 976	$ 293	$ (2,418)	$ 1,314
Less: Net investment gains (losses)	212	(7)	107	(2)	(342)	31	(351)	(352)
Less: Net derivative gains (losses)	162	(63)	(157)	38	(170)	61	(1,790)	(1,919)
Less: Goodwill impairment	(1,692)						(176)	(1,868)
Less: Other adjustments to continuing operations (1)	(1,260)	(141)	19	(193)	(32)	(22)	(921)	(2,550)
Less: Provision for income tax (expense) benefit	532	75	11	53	483	(48)	1,089	2,195
Operating earnings	$ 2,002	$ 960	$ 1,224	$ 583	$ 1,037	$ 271	(269)	5,808
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (391)	$ 5,686

Year Ended December 31, 2011

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total

				(In millions)				
Income (loss) from continuing operations, net of income tax	$ 2,486	$ 1,568	$ 1,454	$ 214	$ 835	$ (153)	$ (13)	$ 6,391
Less: Net investment gains (losses)	158	(26)	19	(6)	(305)	(525)	(182)	(867)
Less: Net derivative gains (losses)	2,321	1,203	426	(36)	202	32	676	4,824
Less: Goodwill impairment								
Less: Other adjustments to continuing operations (1)	(709)	(137)	79	(340)	14	(75)	(283)	(1,451)
Less: Provision for income tax (expense) benefit	(619)	(363)	(182)	82	44	164	(40)	(914)
Operating earnings	$ 1,335	$ 891	$ 1,112	$ 514	$ 880	$ 251	(184)	4,799
Less: Preferred stock dividends							122	122
Operating earnings available to common shareholders							$ (306)	$ 4,677

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

Table of Contents

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

Year Ended December 31, 2013

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Total revenues	$ 19,574	$ 17,343	$ 8,946	$ 5,165	$ 13,204	$ 3,937	$ 30	$ 68,199
Less: Net investment gains (losses)	70	(21)	(8)	20	343	(16)	(227)	161
Less: Net derivative gains (losses)	(724)	(676)	(235)	(24)	(1,057)	(6)	(517)	(3,239)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(9)				2	14		7
Less: Other adjustments to revenues (1)	(119)	(172)	15	85	1,386	667	110	1,972
Total operating revenues	$ 20,356	$ 18,212	$ 9,174	$ 5,084	$ 12,530	$ 3,278	$ 664	$ 69,298
Total expenses	$ 17,316	$ 16,762	$ 7,132	$ 4,285	$ 12,552	$ 3,477	$ 2,623	$ 64,147
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	(197)				(15)	16		(196)
Less: Goodwill impairment								
Less: Other adjustments to expenses (1)	995		(31)	(82)	1,838	590	503	3,813
Total operating expenses	$ 16,518	$ 16,762	$ 7,163	$ 4,367	$ 10,729	$ 2,871	$ 2,120	$ 60,530

Year Ended December 31, 2012

	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total
				(In millions)				
Total revenues	$ 19,939	$ 17,436	$ 9,436	$ 4,845	$ 12,793	$ 4,279	$ (578)	$ 68,150
Less: Net investment gains (losses)	212	(7)	107	(2)	(342)	31	(351)	(352)
Less: Net derivative gains (losses)	162	(63)	(157)	38	(170)	61	(1,790)	(1,919)
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)						15		15
Less: Other adjustments to revenues (1)	(77)	(140)	62	232	549	813	616	2,055
Total operating revenues	$ 19,642	$ 17,646	$ 9,424	$ 4,577	$ 12,756	$ 3,359	$ 947	$ 68,351
Total expenses	$ 19,483	$ 16,206	$ 7,584	$ 4,289	$ 11,746	$ 3,792	$ 3,608	$ 66,708
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	19				4	18		41
Less: Goodwill impairment	1,692						176	1,868
Less: Other adjustments to expenses (1)	1,164	1	43	425	577	832	1,537	4,579
Total operating expenses	$ 16,608	$ 16,205	$ 7,541	$ 3,864	$ 11,165	$ 2,942	$ 1,895	$ 60,220

Year Ended December 31, 2011

	Retail	Group, Voluntary & Worksite	Corporate Benefit Funding	Latin America	Asia	EMEA	Corporate & Other	Total

		Benefits						
				(In millions)				
Total revenues	$ 21,491	$ 17,777	$ 9,413	$ 4,448	$ 10,959	$ 2,956	$ 3,197	$ 70,241
Less: Net investment gains (losses)	158	(26)	19	(6)	(305)	(525)	(182)	(867)
Less: Net derivative gains (losses)	2,321	1,203	426	(36)	202	32	676	4,824
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	14							14
Less: Other adjustments to revenues (1)	(2)	(137)	133	179	(508)	(28)	1,546	1,183
Total operating revenues	$ 19,000	$ 16,737	$ 8,835	$ 4,311	$ 11,570	$ 3,477	$ 1,157	$ 65,087
Total expenses	$ 17,714	$ 15,401	$ 7,178	$ 4,166	$ 9,727	$ 3,117	$ 3,754	$ 61,057
Less: Adjustments related to net investment gains (losses) and net derivative gains (losses)	507				19			526
Less: Goodwill impairment								
Less: Other adjustments to expenses (1)	214		54	519	(541)	47	1,829	2,122
Total operating expenses	$ 16,993	$ 15,401	$ 7,124	$ 3,647	$ 10,249	$ 3,070	$ 1,925	$ 58,409

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

Table of Contents

Consolidated Results Operating

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
OPERATING REVENUES			
Premiums	$ 37,675	$ 37,911	$ 36,269
Universal life and investment-type product policy fees	9,085	8,212	7,528
Net investment income	20,584	20,472	19,638
Other revenues	1,954	1,756	1,652
Total operating revenues	69,298	68,351	65,087
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	37,968	37,770	36,241
Interest credited to policyholder account balances	6,015	6,242	6,057
Capitalization of DAC	(4,786)	(5,284)	(5,549)
Amortization of DAC and VOBA	4,083	4,177	4,355
Amortization of negative VOBA	(524)	(555)	(619)
Interest expense on debt	1,159	1,190	1,304
Other expenses	16,615	16,680	16,620
Total operating expenses	60,530	60,220	58,409
Provision for income tax expense (benefit)	2,359	2,323	1,879
Operating earnings	6,409	5,808	4,799
Less: Preferred stock dividends	122	122	122
Operating earnings available to common shareholders	$ 6,287	$ 5,686	$ 4,677

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

The primary drivers of the increase in operating earnings were higher asset-based fee revenues, higher net investment income from portfolio growth and lower interest credited expenses, partially offset by lower yields and an increase in operating expenses. During the fourth quarter of 2013, we increased our litigation reserve related to asbestos by $101 million. During 2013, we also increased our other litigation reserves by $46 million. The fourth quarter 2013 acquisition of ProVida in Chile increased operating earnings by $48 million. In addition, the year ended December 31, 2012 included a $52 million charge representing a multi-state examination payment related to unclaimed property and our use of the U.S. Social Security Administration s Death Master File to identify potential life insurance claims, as well as the acceleration of benefit payments to policyholders under the settlements of such claims. Changes in foreign currency exchange rates had a $58 million negative impact on results compared to 2012.

We benefited from strong sales, as well as growth and higher persistency, in our business across many of our products. In 2013, we made additional changes to variable annuity guarantee features which, in combination with product changes made in 2012, resulted in a significant decrease in variable annuity sales in our Retail segment. The demand for foreign currency-denominated fixed annuity products in Japan also declined as a result of a weakening yen and a sharp increase in equity markets, which decreased sales. However, as a result of significant positive net flows in our Retail segment since 2012, we experienced growth in our average separate account assets. This, combined with an increase in surrenders in Japan driven by market conditions, generated higher policy fee income of $382 million. Deposits and funding agreement issuances in 2013 in our Corporate Benefit Funding segment, combined with positive net flows from our universal life business resulted in growth in our investment portfolio which generated higher net investment income of $413 million. This increase in net investment income was partially offset by a $169 million corresponding increase in interest credited on certain liabilities, most notably in the Corporate Benefit Funding segment. A decrease in commissions, which was primarily driven by the decline in annuity sales, was partially offset by a decrease in related DAC capitalization, which combined, resulted in a $103 million increase in operating earnings. An increase in average premium per policy, coupled with an increase in exposures in our property & casualty businesses resulted in a $106 million increase in operating earnings. Overall business growth was the primary driver of higher DAC amortization of $302 million in 2013. In our international segments, higher premiums were more than offset by higher policyholder benefits and operating expenses, resulting in a $123 million decrease in operating earnings.

Market factors, including the sustained low interest rate environment, continued to impact our investment yields, as well as our crediting rates. Excluding the results of the Divested Business and the impact of inflation-indexed investments in the Latin America segment, investment yields declined. Certain of our inflation-indexed products are backed by inflation-indexed investments. Changes in inflation cause fluctuations in net investment income with a corresponding fluctuation in policyholder benefits, resulting in a minimal impact to operating earnings. Yield changes were primarily driven by the impact of the low interest rate environment on fixed maturity securities and mortgage loans and from lower returns on real estate joint ventures. These declines were partially offset by higher income on interest rate derivatives, improved returns on other limited partnership interests and the favorable impact of the continued repositioning of the Japan portfolio to higher yielding investments. A significant portion of these derivatives was entered into prior to the onset of the current low interest rate environment to mitigate the risk of low interest rates in the U.S. The low interest rate environment also resulted in lower interest credited expense as we set interest credited rates lower on both new business and certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. Our average separate account balance grew with the equity markets driving higher fee income in our annuity business. This continued positive equity market performance also resulted in lower DAC amortization. The changes in market factors discussed above resulted in a $263 million increase in operating earnings.

We experienced less favorable mortality in our Group, Voluntary & Worksite Benefits and Retail segments. In our Group, Voluntary & Worksite Benefits segment, mixed claims experience with a net unfavorable result was driven by an increase in claims incidence. In our property & casualty businesses, catastrophe-related losses decreased as compared to 2012, primarily due to Superstorm Sandy in 2012; however, this was partially offset by an increase in non-catastrophe claim costs, which were primarily the result of higher frequencies. The combined impact of mortality and claims experience decreased operating earnings by $101 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. These annual updates resulted in a $20 million increase in operating earnings primarily driven by the Asia segment. In addition to our annual updates, other adjustments and DAC refinements were recorded in both 2013 and 2012 and resulted in a $21 million decrease in operating earnings. Also, as a result of a review of our own recent claims experience, and in consideration of the worsening trend for the industry in Australia, we strengthened our group total and permanent disability claim reserves in Australia, which reduced operating earnings by $57 million.

In addition, an increase in operating expenses, primarily employee-related costs, was partially offset by a decline in expenses, most notably in our Retail segment, primarily driven by savings from the Company s enterprise-wide strategic initiative and resulted in an $89 million decrease in operating earnings.

The Company s effective tax rate differs from the U.S. statutory rate of 35% primarily due to non-taxable investment income, tax credits for low income housing, and foreign earnings taxed at lower rates than the U.S. statutory rate. In 2013, the Company realized additional tax benefits of $187 million compared to 2012, primarily from the higher utilization of tax preferenced investments and the Company s decision to permanently reinvest certain foreign earnings.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

Higher policy fee income, stronger investment results and favorable claims experience were the primary drivers of the increase in operating earnings. In addition, the year ended December 31, 2011 included a $117 million charge in connection with our use of the U.S. Social Security Administration s Death Master File. These positive impacts on operating earnings were partially offset by a $52 million charge taken in the first quarter of 2012 representing a multi state examination payment related to unclaimed property and our use of the U.S. Social Security Administration s Death Master File to identify potential life insurance claims, as well as the expected acceleration of benefit payments to policyholders under the settlements. In addition, changes in foreign currency exchange rates had a $56 million negative impact on results compared to 2011.

We benefited from strong sales, as well as growth and higher persistency in our business across many of our products. In our Retail segment, we implemented extensive changes to product pricing and variable annuity guarantee features which resulted in a significant decrease in variable annuity sales. However, as a result of stronger sales of variable annuities in 2011, we experienced growth in both our average separate account assets and our investment portfolio. The growth in the average separate account assets generated higher policy fee income of $384 million. The growth in our investment portfolio generated higher net investment income of $384 million. Since many of our products are interest spread based, the increase in net investment income was partially offset by a $345 million increase in interest credited expense, most notably in the Corporate Benefit Funding and Asia segments. The decline in variable annuity sales also resulted in a decrease in commissions, despite higher sales from our international businesses, which was partially offset by a decrease in related DAC capitalization which, combined, resulted in a $122 million increase to operating earnings. In addition, other non-variable expenses increased $310 million and our annuity business growth in 2011 was the primary driver of higher DAC amortization of $175 million in 2012. Higher premiums partially offset by higher policyholder benefits in our international segments improved operating earnings by $93 million.

The low interest rate environment continued to result in lower interest credited expense as we set interest credited rates lower on both new business, as well as on certain in-force business with rate resets that are contractually tied to external indices or contain discretionary rate reset provisions. The improving equity markets resulted in lower DAC amortization and higher fee income in our annuity business. Improved investment yields, excluding the Divested Businesses, were driven by the repositioning of the Japan portfolio, growth in higher yielding portfolios in the Asia and EMEA segments, the impact of inflation-indexed investments in the Latin America segment, higher derivatives income primarily from interest rate floors and interest rate swaps entered into prior to the onset of the low interest rate environment, and increased private equity income from improving equity markets. These improvements were partially offset by the unfavorable impact of the low interest rate environment on our fixed-income investments. Changes in market factors discussed above resulted in a $441 million increase in operating earnings.

Lower severity of property & casualty catastrophe claims in 2012 increased operating earnings by $105 million as a result of severe storm activity in 2011, which was greater than the impact of severe storm activity in 2012, primarily the result of Superstorm Sandy. Less favorable mortality results in our Group, Voluntary & Worksite Benefits segment and unfavorable mortality in our Asia and Corporate Benefit Funding segments, was partially offset by favorable mortality in our Retail segment. In addition, claims experience varied across our products with a net favorable result driven by a decrease in claims in our Group, Voluntary & Worksite Benefits segment. The combined impact of mortality and claims experience decreased operating earnings by $79 million.

Liability and DAC refinements in both 2012 and 2011, primarily from our Retail, Asia and Group, Voluntary & Worksite Benefits segments, resulted in a $190 million net increase in operating earnings. In addition, the year ended December 31, 2011 included $40 million of expenses incurred related to a liquidation plan filed by the Department of Financial Services for ELNY and $39 million of insurance claims and operating expenses related to the March 2011 earthquake and tsunami in Japan. The year ended December 31, 2012 included $103 million of employee related and other costs associated with the Company s enterprise-wide strategic initiative and a $50 million impairment charge on an intangible asset related to a previously acquired dental business.

The Company benefited from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. In 2012, we benefited primarily from higher utilization of tax preferenced investments, which improved operating earnings by $65 million over 2011.

Table of Contents

Segment Results and Corporate & Other

Retail

	Years Ended December 31, 2013	2012	2011
		(In millions)	
OPERATING REVENUES			
Premiums	$ 6,528	$ 6,532	$ 6,711
Universal life and investment-type product policy fees	4,912	4,561	4,096
Net investment income	7,898	7,670	7,414
Other revenues	1,018	879	779
Total operating revenues	20,356	19,642	19,000
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	9,028	9,010	9,220
Interest credited to policyholder account balances	2,331	2,375	2,412
Capitalization of DAC	(1,309)	(1,753)	(2,339)
Amortization of DAC and VOBA	1,384	1,607	1,845
Interest expense on debt			1
Other expenses	5,084	5,369	5,854
Total operating expenses	16,518	16,608	16,993
Provision for income tax expense (benefit)	1,314	1,032	672
Operating earnings	$ 2,524	$ 2,002	$ 1,335

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

In 2013, we made additional changes to variable annuity guarantee features as we continue to manage sales volume, focusing on pricing discipline and risk management. These actions, in combination with product changes in 2012, resulted in a $7.2 billion, or 38%, decrease in annuity sales. Variable and universal life sales were also lower by 18%, mainly driven by the discontinuance of all but one of our secondary guarantees on universal life products. In our property & casualty business, premiums on new policy sales increased 8% for both our auto and homeowners businesses as compared to 2012.

A $245 million increase in operating earnings was largely attributable to business growth. This growth was generated, in part, in the life and annuity businesses, despite the sales declines in those businesses. Our life businesses had positive net flows, mainly in the universal life business, which is reflected in higher net investment income, partially offset by an increase in DAC amortization. On the annuities side, average separate account assets grew, driven by strong sales in 2012, resulting in an increase in asset-based fees. In our property & casualty business, an increase in average premium per policy in both our auto and homeowners businesses contributed to the increase in operating earnings. In addition, we earned more income on a larger invested asset base, which resulted from a higher amount of allocated equity in the business as compared to 2012.

The rising equity markets increased our average separate account balances driving an increase in asset-based fee income. This continued positive equity market performance also drove higher net investment income from other limited partnership interests and resulted in lower DAC amortization. These positive impacts were partially offset by higher asset-based commissions, which are also, in part, determined by separate account balances and higher costs associated with our variable annuity guaranteed minimum death benefits (GMDBs). The sustained low interest rate environment resulted in a decline in net investment income on our fixed maturity securities and mortgage loans as proceeds from maturing investments are reinvested at lower yields. Additionally, we had a lower interest crediting rate on allocated equity in 2013, which resulted in lower net investment income. These negative interest rate impacts were partially offset by higher income earned on interest rate derivatives and lower interest credited expense as we reduced interest credited rates on contracts with discretionary rate reset provisions. Lower returns on real estate joint ventures also decreased operating earnings. The net impact of these items resulted in a $174 million increase in operating earnings. Also, the impact of the sustained low interest rate environment contributed to less favorable experience resulting in a reduction to our dividend scale, mainly within the closed block, which was announced in the fourth quarter of 2012. This dividend action favorably impacted operating earnings by $61 million. With respect to the results of the closed block, the impact of this dividend action was more than offset by other unfavorable earnings drivers that also affected the closed block and have been incorporated in these discussions.

Less favorable mortality experience in the variable and universal life, and income annuities businesses, partially offset by increases in the traditional life business, resulted in a $20 million decrease in operating earnings. This decrease was more than offset by the $26 million charge in 2012 for the expected acceleration of benefit payments to policyholders under a multi-state examination related to unclaimed property. In addition, unfavorable morbidity experience in our individual income disability business resulted in a $6 million decrease in operating earnings. Our property & casualty business non-catastrophe claim costs increased $33 million in 2013, mainly the result of higher frequencies in both our auto and homeowners businesses, as well as higher severities in our homeowners business, partially offset by lower severities in our auto business. Catastrophe-related losses decreased $28 million as compared to 2012, primarily due to Superstorm Sandy in 2012. The impact of the items discussed above related to our property & casualty business can be seen in the unfavorable change in the combined ratio, excluding catastrophes, to 86.5% in 2013, compared to 85.8% in 2012, as well as a favorable change in the combined ratio, including catastrophes, to 95.7% in 2013 compared to 97.9% in 2012.

Table of Contents

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. The combined impact of the 2013 and 2012 annual updates resulted in a net operating earnings decrease of $55 million. This unfavorable impact was primarily related to 2012 DAC unlockings in the variable annuity business, partially offset by less unfavorable life business unlockings in 2013. In addition to our annual updates, certain insurance-related liabilities and DAC refinements recorded in both 2013 and 2012 resulted in a $76 million increase in operating earnings.

Also contributing to the increase in operating earnings was a decline in expenses of $30 million, primarily driven by $100 million of savings from the Company s enterprise-wide strategic initiative, partially offset by an increase of $61 million related to increases in litigation reserves and postretirement benefit obligations.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

We implemented extensive changes to product pricing and variable annuity guarantee features as we continued to manage sales volume, focusing on pricing discipline and risk management in this challenging economic environment. These actions resulted in a net decrease in the overall segment sales in 2012, most notably a $10.7 billion, or 38% decrease in variable annuity sales which were $17.7 billion in 2012. Consistent with the decrease in sales, retail life and annuity net flows were down $12.2 billion compared to 2011.

Stronger sales of variable annuities in 2011 increased our average separate account assets and, as a result, generated higher asset-based fee revenues, partially offset by increases in non-deferrable expenses, increases in GMDB liabilities and higher DAC amortization related to the strong 2011 sales. Positive net flows from life products, as well as higher allocated equity for annuities increased net investment income. These positive net flows also contributed to higher DAC amortization. Business growth, mainly in our traditional life products, generated higher interest credited expense; however, this was somewhat mitigated by a decrease in interest credited on deferred annuities where normal surrenders and withdrawals were greater than sales for the year, resulting in negative net flows. In our property & casualty business, the increase in average premium per policy in both auto and homeowners businesses improved operating earnings, but was partially offset by a decrease in exposures. We experienced a decrease in exposures as the negative impact from lower premiums exceeded the positive impact from lower claims. The net impact of these items resulted in a $198 million increase in operating earnings.

The improving equity market resulted in higher fee income from increased separate account balances, a decrease in variable annuity GMDB liabilities and lower DAC amortization. In addition, the low interest rate environment continued to result in lower interest credited expense, as we reduced interest credited rates on contracts with discretionary rate reset provisions. Higher derivatives income from interest rate floors purchased prior to the onset of the low interest rate environment and higher returns on our private equity investments more than offset the decrease in yields on other invested asset classes. The net impact of these items resulted in a $174 million increase in operating earnings. Also, the impact of the low interest rate environment contributed to less favorable experience resulting in a reduction to our dividend scale, mainly within the closed block, which was announced in the fourth quarter of 2011. This dividend action favorably impacted operating earnings by $19 million, net of DAC amortization. With respect to the results of the closed block, the impact of this dividend action was offset by other earnings drivers of the closed block, including net investment income, which were unfavorable and have been incorporated in the respective discussions herein.

In our property & casualty business, catastrophe-related losses decreased $74 million compared to 2011 mainly due to the severe storm activity during the second and third quarters of 2011, which were greater than the impact of severe storm activity in the fourth quarter of 2012, primarily the result of Superstorm Sandy. Non-catastrophe claim costs in 2012 decreased $17 million as a result of lower claim frequencies in our homeowners businesses. Higher severities in both our auto and homeowners business resulted in a $23 million increase in claims. The impact of this can be seen in the favorable change in the combined ratio, including catastrophes, to 97.9% in 2012 from 107.3% in 2011. The combined ratio, excluding catastrophes, was 85.8% in 2012, compared to 88.2% in 2011. Favorable mortality experience in the traditional life business was partially offset by unfavorable mortality experience in the variable and universal life and income annuities businesses resulting in a $21 million increase in operating earnings. Our 2012 results included a charge of $26 million for the expected acceleration of benefit payments to policyholders under a multi-state examination related to unclaimed property. The 2011 results included a charge of $28 million, in connection with the Company s use of the U.S. Social Security Administration s Death Master File.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. This annual update resulted in a net operating earnings increase of $43 million. This favorable adjustment was primarily related to DAC unlockings in the variable annuities business, partially offset by an increase in the liability for the secondary guarantees in the universal life business. In addition to our annual updates, certain insurance-related liability and DAC refinements were recorded in both 2012 and 2011. The net impact of these refinements was a $113 million increase in operating earnings.

Table of Contents

Group, Voluntary & Worksite Benefits

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
OPERATING REVENUES			
Premiums	$ 15,250	$ 14,794	$ 13,949
Universal life and investment-type product policy fees	688	662	630
Net investment income	1,856	1,768	1,768
Other revenues	418	422	390
Total operating revenues	18,212	17,646	16,737
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	14,227	13,691	13,015
Interest credited to policyholder account balances	155	167	178
Capitalization of DAC	(141)	(138)	(176)
Amortization of DAC and VOBA	140	133	186
Interest expense on debt	1	1	
Other expenses	2,380	2,351	2,198
Total operating expenses	16,762	16,205	15,401
Provision for income tax expense (benefit)	488	481	445
Operating earnings	$ 962	$ 960	$ 891

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

Economic recovery has remained slow and unsteady, although we continue to see signs of improvement to the macro-economic environment. Premiums from our dental business have increased as a result of increased enrollment, improved persistency, and the positive impact of pricing actions on existing business. Our term life business has benefited from new sales, as well as increased covered lives on existing policies. We have also experienced growth in our vision business, which was introduced in the second half of 2012. Although we have discontinued selling our LTC product, we continue to collect premiums and administer the existing block of business, contributing to asset growth in the segment. In our property & casualty business, premiums on new policy sales increased 27% for both our auto and homeowners businesses as compared to 2012.

The increase in average premium per policy in both our auto and homeowners businesses improved operating earnings by $44 million. In addition, an increase in exposures resulted in an $11 million increase in operating earnings. The positive impact from higher premiums on this increase in exposures exceeded the negative impact from the related claims. Exposures are defined generally as each automobile for the auto line of business and each residence for the homeowners line of business. An increase in allocated equity and growth in premiums and deposits in 2013, partially offset by a reduction in other liabilities, resulted in an increase in our average invested assets, increasing operating earnings by $34 million. Consistent with the growth in average invested assets from 2013 premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts and PABs increased by $19 million. In the fourth quarter of 2012, we recorded a $50 million impairment charge on an intangible asset related to a previously acquired dental business. The favorable impact of this 2012 charge was almost entirely offset by higher operating expenses in 2013, primarily from postretirement benefit costs across the segment and an increase in marketing, advertising and sales-related expenses in our property & casualty business.

The impact of market factors, including increased income on interest rate derivatives, improved returns on real estate joint ventures and higher prepayment fees received, partially offset by lower returns on our fixed maturity securities, resulted in improved investment yields. Unlike in the Retail and Corporate Benefit Funding segments, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The increase in investment yields, as well as lower crediting rates in 2013, the result of the maturity of certain long-duration contracts and PABs at higher rates, contributed $33 million to operating earnings.

Our life businesses experienced less favorable mortality in 2013, mainly due to unfavorable claims experience in the group term life and group universal life businesses, which resulted in a $46 million decrease in operating earnings. The impact of favorable reserve refinements in 2012 resulted in a decrease in operating earnings of $23 million. An increase in claims incidence in our disability, LTC and AD&D businesses, partially offset by favorable claims experience in our dental business, resulted in a $42 million decrease in operating earnings. In our property & casualty business, lower catastrophe-related losses improved operating earnings by $43 million, primarily due to the impact of Superstorm Sandy in 2012. This increase in operating earnings was partially offset by higher non-catastrophe claim costs of $18 million, the result of higher frequencies, partially offset by lower severities, in both our auto and homeowners businesses. Less favorable development of prior year non-catastrophe losses also reduced operating results by $13 million.

The impact of the items discussed above related to our property & casualty business can be seen in the unfavorable change in the combined ratio, excluding catastrophes, to 90.7% in 2013 from 88.7% in 2012, as well as a favorable change in the combined ratio, including catastrophes, to 93.6% in 2013 from 96.5% in 2012.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

Most of our businesses continued to experience growth in 2012, as the economy has continued to slowly improve. Our group term life and disability businesses grew as a result of new sales, and our dental business continued to benefit from strong enrollments and renewals, as well as premiums associated with the implementation of a new dental contract from a large customer that began in the second quarter of 2012. Although we have discontinued selling our LTC product, we continue to collect premiums and administer the existing block of business, contributing to asset growth in the segment. Although policy sales for both auto and homeowners decreased as compared to 2011, the impact of an increase in the average premium for new policies sold more than offset the decline in policy sales.

Lower severity of property & casualty catastrophe claims in 2012 increased operating earnings by $31 million, mainly as a result of severe storm activity in the second and third quarters of 2011, which were greater than the impact of severe storm activity in the fourth quarter of 2012, primarily the result of Superstorm Sandy. While property & casualty non-catastrophe claims experience was relatively flat year over year, an increase in severity of $24 million, was largely offset by lower claims frequency of $20 million. A decrease in claims in our dental, disability and accidental death and dismemberment businesses resulted in a $28 million increase to operating earnings. Lower utilization in our dental business, as well as lower incidence and approvals in our disability business drove this improvement in operating earnings. A decrease in operating earnings of $72 million resulted from less favorable mortality experience in our life businesses, mainly due to very strong mortality experience in 2011, which was partially offset by the favorable net impact of reserve refinements of $30 million that occurred in both years. The mortality ratio for our life businesses has returned to a more historically representative level of 87.9% in 2012, as adjusted for the aforementioned favorable reserve refinements, from a near record low of 86.1% in the 2011, as adjusted for a 2011 charge related to our use of the U.S. Social Security Administration s Death Master File. In our life businesses, the impact of the aforementioned 2011 charge contributed $81 million to the increase in operating earnings. The impact of the items discussed above related to the property & casualty business can be seen in the favorable change in the combined ratio, including catastrophes, to 96.5% in 2012 from 101.9% in 2011, as well as the favorable change in the combined ratio, excluding catastrophes, to 88.7% in 2012 from 90.2% in 2011.

Premiums and deposits in 2012, together with growth in the securities lending program, partially offset by a reduction in allocated equity, have resulted in an increase in our average invested assets, contributing $10 million to operating earnings. Consistent with the growth in average invested assets from 2012 premiums and deposits, primarily in our LTC business, interest credited on long-duration contracts and PABs increased by $15 million. Our 2012 results include a $50 million impairment charge on an intangible asset, related to a previously acquired dental business, as well as increased expenses associated with the implementation of the new dental contract in the second quarter of 2012, partially offset by lower marketing and sales-related expenses in our LTC business. An increase in the average premium per policy in both our auto and homeowners businesses, as well as an increase in exposures, improved operating earnings by $34 million.

The impact of the low interest rate environment combined with lower returns in the real estate and alternative investment markets resulted in a decline in investment yields on our fixed maturity securities, securities lending program, real estate joint ventures and alternative investments. Unlike in the Retail and Corporate Benefit Funding segments, a change in investment yield does not necessarily drive a corresponding change in the rates credited on certain insurance liabilities. The reduction in investment yield was partially offset by marginally lower crediting rates in 2012, and resulted in a $3 million decrease in operating earnings.

Corporate Benefit Funding

	Years Ended December 31,		
	2013	2012	2011
	(In millions)		
OPERATING REVENUES			
Premiums	$ 2,859	$ 3,237	$ 2,848
Universal life and investment-type product policy fees	247	225	232
Net investment income	5,790	5,703	5,506
Other revenues	278	259	249
Total operating revenues	9,174	9,424	8,835
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	5,402	5,704	5,287
Interest credited to policyholder account balances	1,233	1,358	1,323
Capitalization of DAC	(27)	(29)	(25)
Amortization of DAC and VOBA	23	22	17
Interest expense on debt	9	8	9
Other expenses	523	478	513

Total operating expenses	7,163	7,541	7,124
Provision for income tax expense (benefit)	704	659	599
Operating earnings	$ 1,307	$ 1,224	$ 1,112

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

The sustained low interest rate environment has contributed to pension plans being underfunded, which limits our customers ability to engage in full pension plan closeout terminations. During 2012, the conversion of an existing contract involving the transfer of funds from the separate account to the general account resulted in a significant increase in premiums in our domestic closeout business. Excluding the impact of this conversion, closeout premiums increased $534 million, before income tax, reflecting growth in our domestic business that was tempered by decreased sales in

Table of Contents

our U.K. closeout business. We expect that customers may choose to close out portions of pension plans over time, at costs reflecting current interest rates and availability of capital. In addition, higher structured settlement sales of $56 million, before income tax, resulted from fewer competitors in the market in 2013. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits.

The impact of 2013 deposits and funding agreement issuances contributed to an increase in invested assets, resulting in an increase of $183 million in operating earnings. Growth in deposits and funding agreement issuances generally results in a corresponding increase in interest credited on certain insurance liabilities; this decreased operating earnings by $149 million compared to 2012.

The sustained low interest rate environment continued to impact our investment returns, as well as interest credited on certain insurance liabilities. Lower investment returns on our fixed maturity securities, mortgage loans and real estate joint ventures were partially offset by increased earnings on interest rate derivatives and our securities lending program. Many of our funding agreement and guaranteed interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms that can fluctuate. The impact of lower interest credited expense was partially offset by lower investment returns and resulted in a net increase in operating earnings of $90 million.

Mortality results were mixed across our products and resulted in a slight increase in operating earnings. The net impact of insurance liability refinements in both 2013 and 2012 decreased operating earnings by $25 million.

Higher costs associated with technology initiatives and pension and postretirement benefit plans, as well as an increase in litigation reserves, were partially offset by lower employee-related expenses realized through operating efficiencies. This increase in operating expenses was slightly offset by higher fees earned on our separate account balances, which grew during 2013 as a result of an increase in average separate account deposits. The net impact of these items was a $15 million decrease in operating earnings.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

The sustained low interest rate environment has resulted in underfunded pension plans, which limits our customers ability to engage in full pension plan closeout terminations. However, we expect that customers may choose to close out portions of pension plans over time, at costs reflecting current interest rates and availability of capital. During 2012, the conversion of an existing contract involving the transfer of funds from the separate account to the general account resulted in a significant increase in premiums in our domestic closeout business. Structured settlement sales have decreased $463 million, before income tax, reflecting a more competitive market and a decrease in demand due to the low interest rate environment. Changes in premiums for these businesses were almost entirely offset by the related changes in policyholder benefits. The impact of 2012 premiums, deposits, funding agreement issuances, and increased participation in the securities lending program, contributed to an increase in invested assets, resulting in an increase of $179 million in operating earnings. The growth in premiums, deposits and funding agreement issuances generally result in a corresponding increase in interest credited on certain insurance liabilities; this decreased operating earnings by $158 million in 2012 as compared to 2011.

Expenses declined largely as a result of disciplined spending and a decrease in sales volume-related costs, such as commissions and premium taxes. A decrease in structured settlement commissions was partially offset by an increase in commissions from sales of funding agreements, which improved operating earnings by $23 million.

The low interest rate environment continued to impact our investment returns, as well as interest credited on certain insurance liabilities. Lower investment returns on our fixed maturity securities and securities lending program were partially offset by increased earnings on interest rate derivatives and on private equity investments from improved equity markets. Many of our funding agreement and guaranteed interest contract liabilities have interest credited rates that are contractually tied to external indices and, as a result, we set lower interest credited rates on new business, as well as on existing business with terms that can fluctuate. The positive impact of lower interest credited rates was partially offset by an increase in interest credited expense resulting from the impact of derivatives that are used to hedge certain liabilities. The net impact of lower interest credited expense and lower investment returns resulted in an increase in operating earnings of $43 million.

The net impact of insurance liability refinements in both 2012 and 2011 coupled with a 2011 charge in connection with our use of the U.S. Social Security Administration s Death Master File in our postretirement benefit business increased operating earnings by $31 million. This increase was partially offset by unfavorable mortality experience in the pension closeout businesses which resulted in an $8 million decrease in operating earnings.

Table of Contents

Latin America

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
OPERATING REVENUES			
Premiums	$ 2,824	$ 2,578	$ 2,514
Universal life and investment-type product policy fees	991	785	757
Net investment income	1,246	1,198	1,025
Other revenues	23	16	15
Total operating revenues	5,084	4,577	4,311
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	2,454	2,231	2,064
Interest credited to policyholder account balances	417	393	371
Capitalization of DAC	(424)	(353)	(295)
Amortization of DAC and VOBA	310	224	207
Amortization of negative VOBA	(2)	(5)	(6)
Interest expense on debt		(1)	1
Other expenses	1,612	1,375	1,305
Total operating expenses	4,367	3,864	3,647
Provision for income tax expense (benefit)	143	130	150
Operating earnings	$ 574	$ 583	$ 514

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

Operating earnings decreased by $9 million from 2012. The impact of changes in foreign currency exchange rates decreased operating earnings by $10 million compared to 2012. The fourth quarter 2013 acquisition of ProVida increased operating earnings by $48 million.

Latin America experienced sales growth primarily driven by life, accident & health, and annuity products in several countries. The increase in premiums for these products was partially offset by the related changes in policyholder benefits. The growth in our businesses drove an increase in average invested assets, which generated higher net investment income and higher policy fee income, partially offset by a corresponding increase in interest credited on certain insurance liabilities. However, the increase in sales also generated a more significant increase in operating expenses, including commissions, which were partially offset by a corresponding increase in DAC capitalization. The items discussed above were the primary drivers of a $2 million decrease in operating earnings.

The net impact of market factors resulted in a slight decrease in operating earnings as lower investment yields and higher interest credited expense were offset by the favorable impact of inflation. Investment yields decreased primarily due to lower returns on fixed maturity securities in Brazil, Chile and Argentina, partially offset by improved yields on alternative investments, primarily in Chile.

Higher expenses, primarily generated by employee-related costs across several countries, decreased operating earnings by $30 million. In addition, operating earnings decreased $18 million due to certain tax-related charges in both 2013 and 2012.

On an annual basis, we review and update our long-term assumptions used in the calculation of certain insurance-related liabilities and DAC. The 2013 update resulted in a net operating earnings increase of $7 million. In addition to our annual updates, other refinements to DAC and other adjustments recorded in both 2013 and 2012 resulted in a $14 million decrease in operating earnings. In addition, operating earnings increased by $11 million due to favorable claims experience in Mexico.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

Operating earnings increased by $69 million over 2011. The impact of changes in foreign currency exchange rates reduced operating earnings by $30 million for 2012 compared to 2011.

Latin America experienced strong sales growth primarily driven by retirement products in Mexico, Chile and Brazil and by accident and health products in Argentina and Chile. Changes in premiums for these products were almost entirely offset by the related changes in policyholder benefits and unfavorable claims experience. The growth in our businesses drove an increase in average invested assets, which generated higher net investment income and higher policy fee income, partially offset by an increase in interest credited to policyholders. The increase in sales also generated higher commission expense, which was partially offset by a corresponding increase in DAC capitalization. The items discussed above, coupled with a change in allocated equity, were the primary drivers of a $41 million improvement in operating earnings.

Market factors increased operating earnings by $15 million. An increase in investment yields primarily reflects higher returns on fixed maturities from a repositioning of the portfolio in Argentina and higher returns on variable rate investments in Brazil, partially offset by a corresponding increase in interest credited expense. A decrease in net investment income from lower inflation in 2011 was substantially offset by a corresponding decrease in policyholder benefits.

Our 2012 results include various favorable income tax items of $38 million in Argentina, Mexico and Chile. In addition, the 2012 results benefited from liability refinements of $22 million in Chile and Mexico which were partially offset by an unfavorable DAC capitalization adjustment in Chile and a write-off of capitalized software in Mexico.

Table of Contents

Asia

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
OPERATING REVENUES			
Premiums	$ 7,801	$ 8,344	$ 7,716
Universal life and investment-type product policy fees	1,722	1,491	1,343
Net investment income	2,915	2,895	2,475
Other revenues	92	26	36
Total operating revenues	12,530	12,756	11,570
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	5,755	5,819	5,239
Interest credited to policyholder account balances	1,690	1,784	1,607
Capitalization of DAC	(2,143)	(2,288)	(2,045)
Amortization of DAC and VOBA	1,542	1,563	1,486
Amortization of negative VOBA	(427)	(456)	(560)
Interest expense on debt		5	
Other expenses	4,312	4,738	4,522
Total operating expenses	10,729	11,165	10,249
Provision for income tax expense (benefit)	557	554	441
Operating earnings	$ 1,244	$ 1,037	$ 880

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

Operating earnings increased by $207 million over 2012. The impact of changes in foreign currency exchange rates reduced operating earnings by $55 million for 2013 as compared to 2012 and resulted in significant variances in the financial statement line items.

Asia sales grew 8% over 2012. Modest sales growth in Japan was driven by life product sales in the second half of 2013 which more than offset the impact of customers shifting away from foreign currency-denominated retirement products due to a weakening yen and capital market volatility resulting in lower fixed annuity sales and higher surrenders. In the fourth quarter of 2013, we obtained a major contract to provide group insurance for a certain pension fund, which drove an increase in sales over 2012 in Australia. Group sales are significantly influenced by large transactions and, as a result, can fluctuate from period to period. Sales during 2013 benefited from growth in both China, a result of strong accident & health sales, and India, as production benefited from our relationship with Punjab National Bank and strong sales in the agency channel.

Asia s premiums and fee income increased over 2012 primarily driven by broad based in-force growth across the region, including growth of ordinary life and accident & health products in Japan, group insurance in Australia, and growth of ordinary life products in Korea and India. Higher surrenders of fixed annuity products in Japan, driven by market conditions, also contributed to higher fee income, higher DAC amortization and a decrease in interest credited to policyholders as surrenders exceeded new business volume. Changes in premiums for these businesses were offset by related changes in policyholder benefits. Positive net flows in Japan and Bangladesh resulted in an increase in average invested assets over 2012, generating an increase in net investment income. The combined impact of the items discussed above improved operating earnings by $113 million.

Investment yields increased from the continued repositioning of the Japan investment portfolio to higher yielding investments, higher prepayment fees and improved results from real estate joint ventures. This was partially offset by lower returns on other limited partnership interests. These improvements in investment yields, combined with the positive impact of foreign currency hedges, increased operating earnings by $92 million.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. The combined impact of the 2013 and 2012 annual updates resulted in a net operating earnings increase of $56 million. Also in 2013, as a result of a review of our own recent claims experience, and in consideration of the worsening trend for the industry in Australia, we strengthened our group total and permanent disability claim reserves in Australia, which reduced operating earnings by $57 million, net of reinsurance.

The 2013 results include a $38 million tax benefit recorded in Japan related to the reversal of temporary differences and a reduction in the effective tax rate. The 2013 results also include a $10 million one-time tax benefit related to the release of certain reserves and the disposal of our interest in a Korea asset management company at the beginning of 2013. In addition, 2012 results include a one-time tax expense of $16 million, including the adjustment of net operating loss carryforwards in Hong Kong.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

Operating earnings increased by $157 million over 2011. The impact of changes in foreign currency exchange rates reduced operating earnings by $3 million for 2012 compared to 2011.

Asia experienced sales growth in ordinary and universal life products in Japan, resulting in higher premiums and universal life fees, and variable life and accident & health products in Korea, which drove higher fees over 2011. Changes in premiums for these businesses were partially offset by related changes in policyholder benefits. In addition, average invested assets increased over 2011, reflecting positive cash flows from our annuity business in Japan generating increases in both net investment income and policy fee income, partially offset by an increase in interest credited to policyholders. The increase in sales also generated higher commissions and other sales-related expenses, which were partially offset by an increase in related DAC capitalization. The combined impact of the items discussed above improved operating earnings by $99 million.

Table of Contents

The repositioning of the Japan investment portfolio to longer duration and higher yielding investments in addition to improved results on our private equity investments, contributed to an increase in investment yields. In addition, yields improved as a result of growth in the Australian and U.S. dollar annuity businesses, reflecting a higher yielding and more diversified portfolio of Australian and U.S. dollar investments. These improvements in investment yields increased operating earnings by $132 million.

On an annual basis, we review and update our long-term assumptions used in our calculation of certain insurance-related liabilities and DAC, which resulted in a $51 million net decrease to operating earnings. This adjustment was primarily related to changes in Japan that assumed the continuation of the current lower interest rates and reflected the trend of lower long-term lapses resulting in a decrease in operating earnings of $44 million. In addition, in Korea more policyholders chose to annuitize rather than receive a lump sum payment at maturity; this trend, combined with changes in future expected persistency, expenses and lapses, resulted in a decrease in operating earnings of $9 million in Korea.

Unfavorable claims experience in 2012 decreased operating earnings by $38 million. Japan s 2011 results included $39 million of insurance claims and operating expenses related to the March 2011 earthquake and tsunami. In addition, a 2011 tax benefit in Korea and Australia, combined with a 2012 tax expense related to net operating loss carryforwards in Hong Kong, resulted in a $21 million net decrease in operating earnings.

EMEA

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
OPERATING REVENUES			
Premiums	$ 2,297	$ 2,370	$ 2,477
Universal life and investment-type product policy fees	386	333	315
Net investment income	498	535	562
Other revenues	97	121	123
Total operating revenues	3,278	3,359	3,477
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	1,039	1,196	1,290
Interest credited to policyholder account balances	147	126	166
Capitalization of DAC	(714)	(723)	(669)
Amortization of DAC and VOBA	683	626	613
Amortization of negative VOBA	(95)	(94)	(53)
Interest expense on debt	1	1	
Other expenses	1,810	1,810	1,723
Total operating expenses	2,871	2,942	3,070
Provision for income tax expense (benefit)	78	146	156
Operating earnings	$ 329	$ 271	$ 251

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

Operating earnings increased by $58 million over 2012. The impact of changes in foreign currency exchange rates increased operating earnings by $7 million for 2013 as compared to 2012. The third quarter 2012 acquisition of life insurance businesses from the members of the Aviva Plc. group increased operating earnings by $14 million. This was offset by the disposal of certain blocks of business in the U.K. in the fourth quarter of 2012, which decreased operating earnings by $42 million.

Operating earnings decreased as a result of a $30 million tax charge in 2013 related to the write-off of a U.K. tax loss carryforward. Operating earnings were negatively impacted by a $26 million write-down of DAC and VOBA related to proposed pension reforms in Poland. In addition, 2012 results benefited by $12 million primarily due to a release of negative VOBA associated with the conversion of certain policies. These items were more than offset by a $79 million tax benefit following the Company s decision to permanently reinvest certain foreign earnings. In addition, operating earnings benefited from adjustments totaling $8 million in Greece for liability refinements in our ordinary and deferred annuity businesses, as well as the impact of a change in the local corporate tax rate, both in the first quarter of 2013.

While sales increased compared to 2012, this business growth was somewhat dampened by challenging economic environments in some European countries. This business growth was driven primarily by Russia, Egypt, Poland and the Persian Gulf, partially offset by management s decision to cease fixed annuity sales in the U.K. Operating expenses increased compared to 2012 including the effect of higher corporate allocations; however, this was offset by expense reduction initiatives primarily in France and Poland. The combined impact of the items discussed above increased operating earnings by $59 million.

An increase in average invested assets due to growth in Ireland, Russia, Egypt and Poland contributed to an increase in operating earnings of $9 million. Operating earnings decreased by $20 million reflecting lower investment yields on certain alternative asset classes, primarily in Greece, floating-rate securities, primarily in Ireland and Poland and the impact of a low rate environment on fixed-rate securities, primarily in Greece and Ukraine.

On an annual basis, we review and update our long-term assumptions used in our calculations of certain insurance-related liabilities and DAC. The 2013 and 2012 annual updates resulted in a net operating earnings increase of $12 million, primarily related to assumption updates in the Persian Gulf and Greece.

Table of Contents

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

Operating earnings increased by $20 million over 2011. The impact of changes in foreign currency exchange rates reduced operating earnings by $23 million for 2012 compared to 2011 and resulted in significant variances in the financial statement line items. The fourth quarter 2011 purchase of a Turkish life insurance and pension company and the third quarter 2012 acquisition of life insurance businesses in the Czech Republic, Hungary and Romania from the members of the Aviva Plc. group increased operating earnings by $15 million.

The segment continued to experience business growth; however, certain European countries in the region continued to be affected by the challenging economic environment. Sales for all major product lines increased when compared to 2011 across all geographic regions. Retirement sales were generated primarily by strong sales of variable annuity products in western Europe. Accident and health sales increased primarily due to the establishment of a new direct marketing channel in the Middle East. Life insurance sales increased primarily due to variable life sales in the Middle East. Credit life sales increased primarily due to sales in the Middle East and eastern and southern Europe resulting in higher premiums and policyholder benefits. Operating expenses increased across all regions due to business growth, including higher lease expenses and payroll costs due to business expansion in western Europe. The increased sales generated an increase in commissions, which was largely offset by related DAC capitalization. Fee income increased largely due to higher sales of variable life products in central and western Europe. The combined impact of the items discussed above reduced operating earnings by $24 million.

Operating earnings were negatively affected by lower net investment income of $56 million, primarily due to the disposal of certain closed blocks of business in the U.K. and lower average invested assets as a result of dividends paid to MetLife, Inc. at the end of 2011.

Operating earnings increased $74 million reflecting higher investment yields. The increase in yields reflects higher returns on certain securities, primarily in Poland, and higher returns on mutual fund investments, primarily in Greece (both driven by improving equity markets), as well as invested asset growth in higher yielding markets including Egypt and the Ukraine.

Operating earnings benefited by $13 million primarily due to a release of negative VOBA associated with the conversion of certain policies, partially offset by an adjustment related to additional liabilities for annuitants. In addition, income tax was lower in 2012 by $18 million primarily due to permanently reinvested earnings in Poland.

Corporate & Other

	Years Ended December 31,		
	2013	**2012**	**2011**
		(In millions)	
OPERATING REVENUES			
Premiums	$ 116	$ 56	$ 54
Universal life and investment-type product policy fees	139	155	155
Net investment income	381	703	888
Other revenues	28	33	60
Total operating revenues	664	947	1,157
OPERATING EXPENSES			
Policyholder benefits and claims and policyholder dividends	63	119	126
Interest credited to policyholder account balances	42	39	
Capitalization of DAC	(28)		
Amortization of DAC and VOBA	1	2	1
Interest expense on debt	1,148	1,176	1,293
Other expenses	894	559	505
Total operating expenses	2,120	1,895	1,925
Provision for income tax expense (benefit)	(925)	(679)	(584)
Operating earnings	(531)	(269)	(184)
Less: Preferred stock dividends	122	122	122

Operating earnings available to common shareholders	$ (653)	$ (391)	$ (306)

Table of Contents

The Company reports certain of its results of operations in Corporate & Other. Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, and various other business activities including start-up and certain run-off businesses. Start-up businesses include expatriate benefits insurance, as well as direct and digital marketing products. Corporate & Other also includes assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan. Under this in-force reinsurance agreement, we reinsure living and death benefit guarantees issued in connection with variable annuity products. Corporate & Other also includes our investment management business through which we offer fee-based investment management services to institutional clients. 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. The table below presents operating earnings available to common shareholders by source:

	Years Ended December 31,	
	2013	2012
	(In millions)	
Other business activities	$ 62	$ 46
Other net investment income	248	460
Interest expense on debt	(747)	(764)
Preferred stock dividends	(122)	(122)
Acquisition costs	(18)	(37)
Corporate initiatives and projects	(134)	(114)
Incremental tax benefit	415	347
Other (including asbestos litigation)	(357)	(207)
Operating earnings available to common shareholders	$ (653)	$ (391)

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

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

Operating earnings available to common shareholders and operating earnings each decreased $262 million, primarily due to lower net investment income, higher other expenses and lower earnings on invested assets that were funded using Federal Home Loan Bank (FHLB) advances. These decreases were partially offset by a higher tax benefit over 2012 and higher operating earnings from the assumed reinsurance of a variable annuity business.

Operating earnings from other business activities increased $16 million. This was due to higher operating earnings from the assumed reinsurance of certain variable annuity products from our former operating joint venture in Japan, partially offset by losses from start-up operations. The increase in operating earnings was primarily due to higher returns in 2013 and reserve assumption updates in 2012.

Other net investment income decreased $185 million, excluding the FHLB advances and the divested MetLife Bank operations. This decrease was driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf and lower returns on our fixed maturity securities, real estate joint ventures and alternative investments, partially offset by higher income on our credit derivatives and real estate investments.

Acquisition costs in 2013 include $19 million of lower internal resource costs for associates committed to certain acquisition activities. Expenses associated with corporate initiatives and projects increased $20 million, primarily due to a $13 million increase in expenses associated with the Company s enterprise-wide strategic initiative, which includes a $29 million decrease in the portion that represents restructuring charges, the majority of which related to severance. We also incurred $7 million in additional costs related to regulatory requirements for bank holding companies.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rate differs from the U.S. statutory rate of 35%. In 2013, we benefited primarily from higher utilization of tax preferenced investments which improved operating earnings by $68 million from 2012.

Our results for 2013 include a $101 million accrual to increase the litigation reserve related to asbestos and $24 million of higher costs associated with interest on uncertain tax positions. In addition, in 2012, the Company benefited from the positive resolution of certain legal matters totaling $16 million and from a release of rental liability of $15 million. Partially offsetting these decreases in operating earnings was a 2012 charge of $26 million, representing a multi-state examination payment related to unclaimed property and MetLife s use of the U.S. Social Security Administration s Death Master File.

Operating earnings on invested assets that were funded using FHLB advances decreased $10 million, reflected by decreases in net investment income and interest expense on debt, due to the transfer of $3.8 billion of FHLB advances and underlying assets from MetLife Bank to Corporate Benefit Funding in April 2012.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

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

Operating earnings available to common shareholders and operating earnings each decreased $85 million, primarily due to lower net investment income, higher expenses and lower earnings on invested assets that were funded using the FHLB advances. These decreases were partially offset by lower interest expense on debt and higher tax credits.

In 2012, the Company incurred $103 million of employee-related costs associated with its enterprise-wide strategic initiative. In the first quarter of 2012, the Company also incurred a $26 million charge representing a multi-state examination payment related to unclaimed property and MetLife s use of the U.S. Social Security Administration s Death Master File. In addition, advertising costs were $10 million higher compared to 2011. Partially offsetting these charges were $40 million of expenses incurred in 2011 related to the liquidation plan filed by the Department of Financial Services for ELNY. In addition, 2012 results included $15 million of lower rent expense and $12 million of lower internal resource costs for associates committed to the ALICO Acquisition.

Net investment income decreased $31 million, excluding the FHLB which is discussed below and the divested MetLife Bank operations, driven by an increase in the amount credited to the segments due to growth in the economic capital managed by Corporate & Other on their behalf and lower returns from our alternative investments, partially offset by higher returns on real estate joint ventures.

Operating earnings on invested assets that were funded using the FHLB advances decreased $35 million, reflected by decreases in net investment income and interest expense on debt, due to the transfer of $3.8 billion of FHLB advances and underlying assets from MetLife Bank to Corporate Benefit Funding in April 2012.

Corporate & Other benefits from the impact of certain permanent tax differences, including non-taxable investment income and tax credits for investments in low income housing. As a result, our effective tax rates differ from the U.S. statutory rate of 35%. In 2012, we benefited primarily from higher utilization of tax preferenced investments which improved operating earnings by $32 million over 2011.

Interest expense on debt, excluding the FHLB which is discussed above, decreased $25 million primarily due to maturity of $750 million in long-term debt in December 2011.

Effects of Inflation

Management believes that inflation has not had a material effect on the Company s consolidated results of operations, except insofar as inflation may affect interest rates.

An increase in inflation could affect our business in several ways. During inflationary periods, the value of fixed income investments falls which could increase realized and unrealized losses. Inflation also increases expenses for labor and other materials, potentially putting pressure on profitability if such costs cannot be passed through in our product prices. Inflation could also lead to increased costs for losses and loss adjustment expenses in certain of our businesses, which could require us to adjust our pricing to reflect our expectations for future inflation. Prolonged and elevated inflation could adversely affect the financial markets and the economy generally, and dispelling it may require governments to pursue a restrictive fiscal and monetary policy, which could constrain overall economic activity, inhibit revenue growth and reduce the number of attractive investment opportunities.

Investments

Investment Risks

Our primary investment objective is to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that assets and liabilities are managed on a cash flow and duration basis. The Investments Department, led by the Chief Investment Officer, manages investment risks using a risk control framework comprised of policies, procedures and limits, as discussed further below. The Investments Risk Committee of our Global Risk Management (GRM) Department reviews, monitors and reports investment risk limits and tolerances. We are exposed to the following primary sources of investment risks:

- credit risk, relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- interest rate risk, relating to the market price and cash flow variability associated with changes in market interest rates. Changes in market interest rates will impact the net unrealized gain or loss position of our fixed income investment portfolio and the rates of return we receive on both new funds invested and reinvestment of existing funds;
- liquidity risk, relating to the diminished ability to sell certain investments, in times of strained market conditions;
- market valuation risk, relating to the variability in the estimated fair value of investments associated with changes in market factors such as credit spreads. A widening of credit spreads will adversely impact the net unrealized gain (loss) position of the fixed income investment portfolio, will increase losses associated with credit-based non-qualifying derivatives where we assume credit exposure, and, if credit spreads widen significantly or for an extended period of time, will likely result in higher OTTI. Credit spread tightening will reduce net investment income associated with purchases of fixed maturity securities and will favorably impact the net unrealized gain (loss) position of the fixed income investment portfolio;
- currency risk, relating to the variability in currency exchange rates for foreign denominated investments. This risk relates to potential decreases in estimated fair value and net investment income resulting from changes in currency exchange rates versus the U.S. dollar. In general, the weakening of foreign currencies versus the U.S. dollar will adversely affect the estimated fair value of our foreign denominated investments; and
- real estate risk, relating to commercial, agricultural and residential real estate, and stemming from factors, which include, but are not limited to, market conditions, including the demand and supply of leasable commercial space, creditworthiness of tenants and partners, capital markets volatility and the inherent interest rate movement.

We manage investment risk through in-house fundamental credit analysis of the underlying obligors, issuers, transaction structures and real estate properties. We also manage credit risk, market valuation risk and liquidity risk through industry and issuer diversification and asset allocation. Risk limits to promote diversification by asset sector, avoid concentrations in any single issuer and limit overall aggregate credit exposure as measured by our economic capital framework are approved annually by a committee of directors that oversees our investment portfolio. For real estate assets, we manage credit risk and market valuation risk through geographic, property type and product type diversification and asset allocation. We manage interest rate risk as part of our ALM strategies. These strategies include maintaining an investment portfolio with diversified maturities that has a weighted average duration that is approximately equal to the duration of our estimated liability cash flow profile, and utilizing product design, such as the use of market value adjustment features and surrender charges, to manage interest rate risk. We also manage interest rate risk through proactive monitoring and management of certain non-guaranteed elements of our products, such as the resetting of credited interest and dividend rates for policies that permit such adjustments. In addition to hedging with foreign currency derivatives, we manage currency risk by matching much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. We also use certain derivatives in the management of credit, interest rate, and equity market risks.

We use purchased credit default swaps to mitigate credit risk in our investment portfolio. Generally, we purchase credit protection by entering into credit default swaps referencing the issuers of specific assets we own. In certain cases, basis risk exists between these credit default swaps and the specific assets we own. For example, we may purchase credit protection on a macro basis to reduce exposure to specific industries or other portfolio concentrations. In such instances, the referenced entities and obligations under the credit default swaps may not be identical to the individual obligors or securities in our investment portfolio. In addition, our purchased credit default swaps may have shorter tenors than the underlying investments they are hedging. However, we dynamically hedge this risk through the rebalancing and rollover of its credit default swaps at their most liquid tenors. We believe that our purchased credit default swaps serve as effective economic hedges of our credit exposure.

We generally enter into market standard purchased and written credit default swap contracts. Payout under such contracts is triggered by certain credit events experienced by the referenced entities. For credit default swaps covering North American corporate issuers, credit events typically include bankruptcy and failure to pay on borrowed money. For European corporate issuers, credit events typically also include involuntary restructuring. With respect to credit default contracts on Western European sovereign debt, credit events typically include failure to pay debt obligations, repudiation, moratorium, or involuntary restructuring. In each case, payout on a credit default swap is triggered only after the Credit Derivatives Determinations Committee of the International Swaps and Derivatives Association deems that a credit event has occurred.

Current Environment

The global economy and markets continue to be affected by stress and volatility, which has adversely affected the financial services sector, in particular, and global capital markets. As a global insurance company, we are also affected by the monetary policy of central banks around the world. Financial markets have also been affected by concerns over the direction of U.S. fiscal and monetary policy. See Industry Trends Financial and Economic Environment for information on the most recent debt ceiling crisis. The Federal Reserve Board has taken a number of policy actions in recent years to spur economic activity, by keeping interest rates low and, more recently, through its asset purchase programs. See Industry Trends Impact of a Sustained Low Interest Rate Environment for information on actions taken by the Federal Reserve Board and central banks around the world to support the economic recovery. See Industry Trends Financial and Economic Environment for information on actions taken by Japan s central government and the Bank of Japan to end deflation and achieve sustainable economic growth in Japan. The Federal Reserve may take further actions to influence interest rates in the future, which may have an impact on the pricing levels of risk-bearing investments and may adversely impact the level of product sales.

European Region Investments

Excluding Europe s perimeter region and Cyprus which is discussed below, our holdings of sovereign debt, corporate debt and perpetual hybrid securities in certain EU member states and other countries in the region that are not members of the EU (collectively, the European Region) were concentrated in the U.K., Germany, France, the Netherlands, Poland, Norway and Sweden. The sovereign debt of these countries continues to maintain investment grade credit ratings from all major rating agencies. In the European Region, we have proactively mitigated risk in both direct and indirect exposures by investing in a diversified portfolio of high quality investments with a focus on the higher-rated countries. Sovereign debt issued by countries outside of Europe s perimeter region and Cyprus comprised $9.0 billion, or 99% of our European Region sovereign fixed maturity securities, at estimated fair value, at December 31, 2013. The European Region corporate securities (fixed maturity and perpetual hybrid securities classified as non-redeemable preferred stock) are invested in a diversified portfolio of primarily non-financial services securities, which comprised $24.8 billion, or 74% of European Region total corporate securities, at estimated fair value, at December 31, 2013. Of these European Region sovereign fixed maturity and corporate securities, 91% were investment grade and, for the 9% that were below investment grade, the majority were non-financial services corporate securities at December 31, 2013. European Region financial services corporate securities, at estimated fair value, were $8.8 billion, including $6.6 billion within the banking sector, with 94% invested in investment grade rated corporate securities, at December 31, 2013.

Europe s Perimeter Region and Cyprus

Concerns about the economic conditions, capital markets and the solvency of certain EU member states, including Europe s perimeter region and Cyprus, and of financial institutions that have significant direct or indirect exposure to debt issued by these countries, have been a cause of elevated levels of market volatility, and has affected the performance of various asset classes during 2013. However, after several tumultuous years, economic conditions in Europe s perimeter region seem to be stabilizing or improving, as evidenced by the stabilization of downward credit ratings momentum, particularly in Spain, Portugal and Ireland. This, combined with greater ECB support and improving macroeconomic conditions at the country level, has reduced the risk of default on the sovereign debt of Europe s perimeter region and Cyprus and the risk of possible withdrawal of one or more countries from the Euro zone.

The March 2012 restructuring of Greece sovereign debt securities had an adverse impact on the capital level of Cyprus largest financial institutions, which triggered downgrades of Cyprus sovereign debt. In April 2013, the EU approved a 10 billion financial support program for Cyprus, the first tranche of which was released in May 2013. This official support program includes financing to cover Cyprus government s needs over a three year period. It also includes a restructuring of Cyprus banking, tax and financial systems. These restructurings, which adversely impact private investors, private creditors and uninsured depositors of the two largest banks, are intended to avoid a default of Cyprus sovereign debt.

Table of Contents

As presented in the table below, our exposure to the sovereign debt of Europe s perimeter region and Cyprus is insignificant. Accordingly, we do not expect such investments to have a material adverse effect on our results of operations or financial condition. We manage direct and indirect investment exposure in these countries through fundamental credit analysis and we continually monitor and adjust our level of investment exposure in these countries. The following table presents a summary of investments by invested asset class and related purchased credit default protection across Europe s perimeter region, by country, and Cyprus. The Company has written credit default swaps where the underlying is an index comprised of companies across various sectors in the European Region. At December 31, 2013, the written credit default swaps exposure to Europe s perimeter region and Cyprus was $21 million in notional and less than $1 million in estimated fair value. The information below is presented at carrying value and on a country of risk basis (e.g. the country where the issuer primarily conducts business).

Summary of Select European Country Investment Exposure at December 31, 2013

	Fixed Maturity Securities (1)									
	Sovereign	Financial Services	Non-Financial Services	Total	All Other General Account Investment Exposure (2)	Total Exposure (3)	%	Purchased Credit Default Protection (4)	Net Exposure	%
					(In millions)					
Europe s perimeter region:										
Portugal	$	$	$ 55	$ 55	$ 19	$ 74	3%	$	$ 74	3%
Italy	4	92	566	662	97	759	31	1	760	31
Ireland			122	122	655	777	32		777	32
Greece					120	120	5		120	5
Spain		101	476	577	48	625	25		625	25
Total Europe s perimeter region	4	193	1,219	1,416	939	2,355	96	1	2,356	96
Cyprus	85			85	4	89	4		89	4
Total	$ 89	$ 193	$ 1,219	$ 1,501	$ 943	$ 2,444	100%	$ 1	$ 2,445	100%
As percent of total cash and invested assets	0.0%	0.0%	0.3%	0.3%	0.2%	0.5%		0.0%	0.5%	
Investment grade %	5%	94%	87%	83%						
Non-investment grade %	95%	6%	13%	17%						

(1) The par value and amortized cost of the fixed maturity securities were $1.4 billion and $1.5 billion, respectively, at December 31, 2013.

(2) Comprised of equity securities, mortgage loans, other limited partnership interests, cash, cash equivalents and short-term investments, and other invested assets at carrying value. See Note 1 of the Notes to the Consolidated Financial Statements for an explanation of the carrying value for these invested asset classes. Excludes FVO contractholder-directed unit-linked investments of $957 million See FVO and Trading Securities.

(3) For Greece, the Company had $1 million of commitments to fund partnership investments at December 31, 2013.

(4) Purchased credit default protection is stated at the estimated fair value of the swap. For Italy, the purchased credit default protection relates to financial services corporate securities and these swaps had a notional amount of $80 million and an estimated fair value of ($1) million at December 31, 2013. The counterparties to these swaps are financial institutions with S&P credit ratings of A as of December 31, 2013.

Current Environment - Summary

All of these factors have had and could continue to have an adverse effect on the financial results of companies in the financial services industry, including MetLife. Such global economic conditions, as well as the global financial markets, continue to impact our net investment income, net investment gains (losses), net derivative gains (losses), and level of unrealized gains (losses) within the various asset classes in our investment portfolio and our level of investment in lower yielding cash equivalents and short-term investments. See Industry Trends elsewhere herein and Risk Factors Economic Environment and Capital Markets-Related Risks We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period in the 2013 Form 10-K.

Table of Contents

Investment Portfolio Results

The following yield table presents the yield and investment income (loss) for our investment portfolio for the periods indicated. As described in the footnotes below, this table reflects certain differences from the presentation of net investment income presented in the GAAP consolidated statements of operations. This yield table presentation is consistent with how we measure our investment performance for management purposes, and we believe it enhances understanding of our investment portfolio results.

	For the Years Ended December 31,					
	2013		2012		2011	
	Yield% (1)	Amount (In millions)	Yield% (1)	Amount (In millions)	Yield% (1)	Amount (In millions)
Fixed maturity securities (2) (3)	4.84%	$ 15,098	4.85%	$ 15,243	4.94%	$ 15,016
Mortgage loans (3)	5.58%	3,020	5.64%	3,190	5.53%	3,162
Real estate and real estate joint ventures	3.44%	347	4.59%	401	3.76%	307
Policy loans	5.26%	620	5.25%	626	5.43%	641
Equity securities	4.44%	127	4.60%	133	4.44%	141
Other limited partnership interests	13.35%	955	12.76%	845	10.58%	681
Cash and short-term investments	0.98%	168	0.69%	143	1.04%	155
Other invested assets		819		595		439
Total before investment fees and expenses	5.03%	21,154	4.96%	21,176	5.00%	20,542
Investment fees and expenses	(0.13)	(563)	(0.13)	(554)	(0.13)	(546)
Net investment income including Divested Businesses (4)	4.90%	20,591	4.83%	20,622	4.87%	19,996
Less: net investment income from Divested Businesses (4)		(7)		(150)		(358)
Net investment income (5)		$ 20,584		$ 20,472		$ 19,638

(1) Yields are calculated as investment income as a percent of average quarterly asset carrying values. Investment income excludes recognized gains and losses and reflects GAAP adjustments presented in footnote (5) below. Asset carrying values exclude unrealized gains (losses), collateral received in connection with our securities lending program, freestanding derivative assets, collateral received from derivative counterparties, the effects of consolidating certain variable interest entities (VIEs) under GAAP that are treated as consolidated securitization entities (CSEs), contractholder-directed unit-linked investments and securitized reverse residential mortgage loans. A yield is not presented for other invested assets, as it is not considered a meaningful measure of performance for this asset class.

(2) Investment income (loss) includes amounts for FVO and trading securities of $65 million, $88 million and $31 million for the years ended December 31, 2013, 2012 and 2011, respectively.

(3) Investment income from fixed maturity securities and mortgage loans includes prepayment fees.

(4) Yield calculations include the net investment income and ending carrying values of the Divested Businesses. The net investment income adjustment for the Divested Businesses for the year ended December 31, 2012 of $150 million excludes $177 million of securitized reverse residential mortgage loans that were included in the Divested Businesses adjustment of $327 million presented below. For further information on Divested Businesses, see Note 3 of the Notes to the Consolidated Financial Statements.

(5) Net investment income presented in the yield table varies from the most directly comparable GAAP measure due to certain reclassifications and excludes the effects of consolidating certain VIEs under GAAP that are treated as CSEs and contractholder-directed unit-linked investments. Such reclassifications are presented in the table below.

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
Net investment income in the above yield table	$ 20,584	$ 20,472	$ 19,638
Real estate discontinued operations	(9)	(3)	(10)
Scheduled periodic settlement payments on derivatives not qualifying for hedge accounting	(643)	(448)	(249)
Equity method operating joint ventures	(2)		(23)
Contractholder-directed unit-linked investments	2,172	1,473	(453)
Divested Businesses	7	327	358
Incremental net investment income from CSEs	123	163	324

Net investment income	GAAP consolidated statements of operations	$ 22,232	$ 21,984	$ 19,585

See Results of Operations Consolidated Results Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012 and Results of Operations Consolidated Results Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011, for an analysis of the year over year changes in net investment income.

Fixed Maturity and Equity Securities Available-for-Sale

Fixed maturity securities AFS, which consisted principally of publicly-traded and privately-placed fixed maturity securities and redeemable preferred stock, were $350.2 billion and $374.3 billion, at estimated fair value, or 71% and 70% of total cash and invested assets, at December 31, 2013 and 2012, respectively. Publicly-traded fixed maturity securities represented $302.3 billion and $323.8 billion, at estimated fair value, or 86% and 87% of total fixed maturity securities, at December 31, 2013 and 2012, respectively. Privately placed fixed maturity securities represented $47.9 billion and $50.5 billion, at estimated fair value, or 14% and 13% of total fixed maturity securities at December 31, 2013 and 2012, respectively.

Equity securities AFS, which consisted principally of publicly-traded and privately-held common and non-redeemable preferred stock, including certain perpetual hybrid securities and mutual fund interests, were $3.4 billion and $2.9 billion, at estimated fair value, or 0.7% and 0.5% of total cash and invested assets, at December 31, 2013 and 2012, respectively. Publicly-traded equity securities represented $2.4 billion and $1.8 billion, at estimated fair value, or 71% and 62% of total equity securities, at December 31, 2013 and 2012, respectively. Privately-held equity securities represented $1.0 billion and $1.1 billion, at estimated fair value, or 29% and 38% of total equity securities, at December 31, 2013 and 2012, respectively.

Included within fixed maturity and equity securities were $1.1 billion and $1.3 billion of perpetual securities, at estimated fair value, at December 31, 2013 and 2012, respectively. Upon acquisition, we classify perpetual securities that have attributes of both debt and equity as fixed maturity securities if the securities have an interest rate step-up feature which, when combined with other qualitative factors, indicates that the securities have more debt-like characteristics; while those with more equity-like characteristics are classified as equity securities. Many of such securities, commonly referred to as perpetual hybrid securities have been issued by non-U.S. financial institutions that are accorded the highest two capital treatment categories by their respective regulatory bodies (i.e. core capital, or Tier 1 capital and perpetual deferrable securities, or Upper Tier 2 capital).

Included within fixed maturity securities were $1.5 billion and $1.6 billion of redeemable preferred stock with a stated maturity, at estimated fair value, at December 31, 2013 and 2012, respectively. These securities, which are commonly referred to as capital securities, primarily have cumulative interest deferral features and are primarily issued by U.S. financial institutions.

Valuation of Securities. We are responsible for the determination of estimated fair value of our investments. We determine the estimated fair value of publicly-traded securities after considering one of three primary sources of information: quoted market prices in active markets, independent pricing services, or independent broker quotations. We determine the estimated fair value of privately placed securities after considering one of three primary sources of information: market standard internal matrix pricing, market standard internal discounted cash flow techniques, or independent pricing services after we determine the independent pricing services use of available observable market data. For publicly-traded securities, the number of quotations obtained varies by instrument and depends on the liquidity of the particular instrument. Generally, we obtain prices from multiple pricing services to cover all asset classes and obtain multiple prices for certain securities, but ultimately utilize the price with the highest placement in the fair value hierarchy. Independent pricing services that value these instruments use market standard valuation methodologies based on data about market transactions and inputs from multiple pricing sources that are market observable or can be derived principally from or corroborated by observable market data. See Note 10 of the Notes to the Consolidated Financial Statements for a discussion of the types of market standard valuation methodologies utilized and key assumptions and observable inputs used in applying these standard valuation methodologies. When a price is not available in the active market or through an independent pricing service, management values the security primarily using market standard internal matrix pricing or discounted cash flow techniques, and non-binding quotations from independent brokers who are knowledgeable about these securities. Independent non-binding broker quotations utilize inputs that may be difficult to corroborate with observable market data. As shown in the following section, less than 1% of our fixed maturity securities were valued using non-binding quotations from independent brokers at December 31, 2013.

Senior management, independent of the trading and investing functions, is responsible for the oversight of control systems and valuation policies, including reviewing and approving new transaction types and markets, for ensuring that observable market prices and market-based parameters are used for valuation, wherever possible, and for determining that valuation adjustments, when applied, are based upon established policies and are applied consistently over time. We review our valuation methodologies on an ongoing basis and revise when necessary based on changing market conditions. We gain assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination through our controls designed to ensure that the financial assets and financial liabilities are appropriately valued and represent an exit price. We utilize several controls, including certain monthly controls, which include, but are not limited to, analysis of portfolio returns to corresponding benchmark returns, comparing a sample of executed prices of securities sold to the fair value estimates, comparing fair value estimates to management s knowledge of the current market, reviewing the bid/ask spreads to assess activity, comparing prices from multiple pricing sources, when available, reviewing independent auditor reports regarding the controls over valuation of securities employed by independent pricing services, and ongoing due diligence to confirm that independent pricing services use market-based parameters for valuation. We determine the observability of inputs used in estimated fair values received from independent pricing services or brokers by assessing whether these inputs can be corroborated by observable market data.

We also apply a formal process to challenge any prices received from independent pricing services that are not considered representative of estimated fair value. If we conclude that prices received from independent pricing services are not reflective of market activity or representative of estimated fair value, we will seek independent non-binding broker quotes or use an internally developed valuation to override these prices. Our internally developed valuations of current estimated fair value, which reflect our estimates of liquidity and nonperformance risks, compared with pricing received from the independent pricing services, did not produce material differences for the vast majority of our fixed maturity securities portfolio. This is, in part, because our internal estimates of liquidity and nonperformance risks are generally based on available market evidence and estimates used by other market participants. In the absence of such market-based evidence, management s best estimate is used. As a result, we generally use the price provided by the independent pricing service under our normal pricing protocol.

We have reviewed the significance and observability of inputs used in the valuation methodologies to determine the appropriate fair value hierarchy level for each of our securities. Based on the results of this review and investment class analysis, each instrument is categorized as Level 1, 2 or 3 based on the lowest level significant input to its valuation. See Note 10 of the Notes to the Consolidated Financial Statements for information regarding the valuation techniques and inputs by level within the three level fair value hierarchy by major classes of invested assets.

Table of Contents

Fair Value of Fixed Maturity and Equity Securities AFS

Fixed maturity and equity securities AFS measured at estimated fair value on a recurring basis and their corresponding fair value pricing sources are as follows:

	December 31, 2013			
	Fixed Maturity Securities (In millions)		Equity Securities (In millions)	
Level 1:				
Quoted prices in active markets for identical assets	$ 25,061	7.2%	$ 1,186	34.9%
Level 2:				
Independent pricing source	264,703	75.6	715	21.0
Internal matrix pricing or discounted cash flow techniques	36,125	10.3	929	27.3
Significant other observable inputs	300,828	85.9	1,644	48.3
Level 3:				
Independent pricing source	7,969	2.2	448	13.2
Internal matrix pricing or discounted cash flow techniques	13,220	3.8	106	3.1
Independent broker quotations	3,109	0.9	18	0.5
Significant unobservable inputs	24,298	6.9	572	16.8
Total estimated fair value	$ 350,187	100.0%	$ 3,402	100.0%

See Note 10 of the Notes to the Consolidated Financial Statements for the fixed maturity securities and equity securities AFS fair value hierarchy.

The composition of fair value pricing sources for and significant changes in Level 3 securities at December 31, 2013 are as follows:

The majority of the Level 3 fixed maturity and equity securities AFS were concentrated in five sectors: U.S. and foreign corporate securities, asset-backed securities (ABS), residential mortgage-backed securities (RMBS), and foreign government securities.

Level 3 fixed maturity securities are priced principally through market standard valuation methodologies, independent pricing services and, to a much lesser extent, independent non-binding broker quotations using inputs that are not market observable or cannot be derived principally from or corroborated by observable market data. Level 3 fixed maturity securities consist of less liquid securities with very limited trading activity or where less price transparency exists around the inputs to the valuation methodologies. Level 3 fixed maturity securities include: alternative residential mortgage loan (Alt-A) and sub-prime RMBS; certain below investment grade private securities and less liquid investment grade corporate securities (included in U.S. and foreign corporate securities); less liquid ABS and foreign government securities.

During the year ended December 31, 2013, Level 3 fixed maturity securities increased by $1.9 billion. The increase was driven by purchases in excess of sales, partially offset by net transfers out of Level 3 and a decrease in estimated fair value recognized in other comprehensive income (loss) (OCI). The purchases in excess of sales of fixed maturity securities were concentrated in U.S. and foreign corporate securities, ABS, RMBS, and foreign government securities. The net transfers out of Level 3 were concentrated in U.S. and foreign corporate securities, ABS, and commercial mortgage-backed securities (CMBS), and the decrease in estimated fair value recognized in OCI for fixed maturity securities was concentrated in U.S. and foreign corporate securities and foreign government securities.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for fixed maturity securities and equity securities AFS measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs; analysis of transfers into and/or out of Level 3; and further information about the valuation techniques and inputs by level by major classes of invested assets that affect the amounts reported above. See Summary of Critical Accounting Estimates Estimated Fair Value of Investments for further information on the estimates and assumptions that affect the amounts reported above.

Fixed Maturity Securities AFS

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for further information about fixed maturity securities AFS.

Fixed Maturity Securities Credit Quality Ratings

The Securities Valuation Office of the NAIC evaluates the fixed maturity security investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations. If no designation is available from the NAIC, then, as permitted by the NAIC, an internally developed designation is used. The NAIC designations are generally similar to the credit quality ratings of the Nationally Recognized Statistical Ratings Organizations (NRSRO) for marketable fixed maturity securities, except for certain structured securities as described below. Rating agency ratings are based on availability of applicable ratings from rating agencies on the NAIC credit rating provider list, including Moody s Investor Service (Moody s), S&P, Fitch Ratings (Fitch), Dominion Bond Rating Service, A.M. Best Company, Kroll Bond Rating Agency, Egan Jones Ratings Company and Morningstar, Inc. (Morningstar). If no rating is available from a rating agency, then an internally developed rating is used.

The NAIC has adopted revised methodologies for certain structured securities comprised of non-agency RMBS, CMBS and ABS. The NAIC s objective with the revised methodologies for these structured securities was to increase the accuracy in assessing expected losses, and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumption used to estimate expected losses from structured securities. We apply the revised NAIC methodologies to structured securities held by MetLife, Inc. s insurance subsidiaries that maintain the NAIC statutory basis of accounting. The NAIC s present methodology is to evaluate structured securities held by insurers using the revised NAIC methodologies on an annual basis. If our insurance subsidiaries acquire structured securities that have not been previously evaluated by the NAIC, but are expected to be evaluated by the NAIC in the upcoming annual review, an internally developed designation is used until a final designation becomes available.

Table of Contents

The following table presents total fixed maturity securities by NRSRO rating and the equivalent designations of the NAIC, except for certain structured securities, which are presented using the revised NAIC methodologies as described above, as well as the percentage, based on estimated fair value that each designation is comprised of at:

		December 31,							
		2013				2012			
NAIC Designation	Rating Agency Rating	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total	Amortized Cost	Unrealized Gain (Loss)	Estimated Fair Value	% of Total
		(In millions)							
1	Aaa/Aa/A	$ 230,429	$ 11,640	$ 242,069	69.1%	$ 234,371	$ 24,197	$ 258,568	69.1%
2	Baa	79,732	4,382	84,114	24.0	81,530	8,663	90,193	24.1
	Subtotal investment grade	310,161	16,022	326,183	93.1	315,901	32,860	348,761	93.2
3	Ba	13,239	358	13,597	3.9	13,882	552	14,434	3.8
4	B	9,216	162	9,378	2.7	9,470	137	9,607	2.6
5	Caa and lower	932	23	955	0.3	1,543	(164)	1,379	0.4
6	In or near default	51	23	74		74	11	85	
	Subtotal below investment grade	23,438	566	24,004	6.9	24,969	536	25,505	6.8
	Total fixed maturity securities	$ 333,599	$ 16,588	$ 350,187	100.0%	$ 340,870	$ 33,396	$ 374,266	100.0%

The following tables present total fixed maturity securities, based on estimated fair value, by sector classification and by NRSRO rating and the equivalent designations of the NAIC, except for certain structured securities, which are presented using the NAIC methodologies as described above:

	Fixed Maturity Securities by Sector & Credit Quality Rating						
NAIC Designation:	1	2	3	4	5	6	Total
Rating Agency Rating:	Aaa/Aa/A	Baa	Ba	B	Caa and Lower	In or Near Default	Estimated Fair Value
				(In millions)			
December 31, 2013:							
U.S. corporate	$ 46,038	$ 45,639	$ 9,349	$ 4,998	$ 415	$ 30	$ 106,469
Foreign corporate	27,957	30,477	2,762	1,910	45	1	63,152
Foreign government	47,767	4,481	648	1,363	178		54,437
U.S. Treasury and agency	45,123						45,123
RMBS	31,385	1,657	753	974	248	38	35,055
CMBS	16,393	47	45	14	51		16,550
ABS	14,184	1,215	30	119	18	5	15,571
State and political subdivision	13,222	598	10				13,830
Total fixed maturity securities	$ 242,069	$ 84,114	$ 13,597	$ 9,378	$ 955	$ 74	$ 350,187
Percentage of total	69.1%	24.0%	3.9%	2.7%	0.3%	%	100.0%
December 31, 2012:							
U.S. corporate	$ 51,648	$ 48,622	$ 8,597	$ 4,831	$ 380	$ 48	$ 114,126
Foreign corporate	31,937	30,509	3,249	1,418	66	5	67,184
Foreign government	46,314	8,501	933	1,504	84		57,336
U.S. Treasury and agency	47,967						47,967
RMBS	32,377	894	1,582	1,809	790	27	37,479
CMBS	18,843	193	43	11	39		19,129
ABS	15,247	673	18	34	20	5	15,997
State and political subdivision	14,235	801	12				15,048

Total fixed maturity securities	$ 258,568	$ 90,193	$ 14,434	$ 9,607	$ 1,379	$ 85	$ 374,266
Percentage of total	69.1%	24.1%	3.8%	2.6%	0.4%	%	100.0%

Table of Contents

U.S. and Foreign Corporate Fixed Maturity Securities

We maintain a diversified portfolio of corporate fixed maturity securities across industries and issuers. This portfolio does not have any exposure to any single issuer in excess of 1% of total investments and the top ten holdings comprise 2% of total investments at both December 31, 2013 and 2012. The tables below present our U.S. and foreign corporate securities holdings at:

	December 31,			
	2013		2012	
	Estimated Fair Value (In millions)	% of Total	Estimated Fair Value (In millions)	% of Total
Corporate fixed maturity securities by sector:				
Foreign corporate(1)	$ 63,152	37.2%	$ 67,184	37.1%
U.S. corporate fixed maturity securities by industry:				
Consumer	27,953	16.5	29,852	16.4
Industrial	27,462	16.2	29,324	16.2
Finance	20,135	11.9	21,857	12.1
Utility	19,066	11.2	20,216	11.1
Communications	8,074	4.8	9,084	5.0
Other	3,779	2.2	3,793	2.1
Total	$ 169,621	100.0%	$ 181,310	100.0%

(1) Includes both U.S. dollar and foreign denominated securities.

Structured Securities

We held $67.2 billion and $72.6 billion of structured securities, at estimated fair value, at December 31, 2013 and 2012, respectively, as presented in the RMBS, CMBS and ABS sections below.

RMBS

The table below presents our RMBS holdings at:

	December 31,					
	2013			2012		
	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)	Estimated Fair Value (In millions)	% of Total	Net Unrealized Gains (Losses) (In millions)
By security type:						
Collateralized mortgage obligations	$ 19,046	54.3%	$ 705	$ 20,567	54.9%	$ 889
Pass-through securities	16,009	45.7	183	16,912	45.1	924
Total RMBS	$ 35,055	100.0%	$ 888	$ 37,479	100.0%	$ 1,813
By risk profile:						
Agency	$ 23,686	67.6%	$ 762	$ 26,369	70.4%	$ 1,944
Prime	2,935	8.4	71	4,206	11.2	101
Alt-A	4,986	14.2	(25)	4,950	13.2	(154)
Sub-prime	3,448	9.8	80	1,954	5.2	(78)

Total RMBS	$ 35,055	100.0%	$ 888	$ 37,479	100.0%	$ 1,813
Ratings profile:						
Rated Aaa/AAA	$ 24,764	70.6%		$ 26,555	70.9%	
Rated NAIC 1	$ 31,385	89.5%		$ 32,377	86.4%	

Collateralized mortgage obligations are a type of mortgage-backed security structured by dividing the cash flows of mortgages into separate pools or tranches of risk that create multiple classes of bonds with varying maturities and priority of payments. Pass-through mortgage-backed securities are a type of asset-backed security that are secured by a mortgage or collection of mortgages. The monthly mortgage payments from homeowners pass from the originating bank through an intermediary, such as a government agency or investment bank, which collects the payments and, for a fee, remits or passes these payments through to the holders of the pass-through securities.

The majority of our RMBS holdings were rated Aaa/AAA by Moody s, S&P or Fitch; and were rated NAIC 1 by the NAIC at December 31, 2013 and 2012. Agency RMBS were guaranteed or otherwise supported by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association. Non-agency RMBS include prime, Alt-A and sub-prime RMBS. Prime residential mortgage lending includes the origination of residential mortgage loans to the most creditworthy borrowers with high quality credit profiles. Alt-A is a classification of mortgage loans where the risk profile of the borrower falls between prime and sub-prime. Sub-prime mortgage lending is the origination of residential mortgage loans to borrowers with weak credit profiles. Included within prime and Alt-A RMBS are re-securitization of real estate mortgage investment conduit (Re-REMIC) securities. Re-REMIC RMBS involve the pooling of previous issues of prime and Alt-A RMBS and restructuring the combined pools to create new senior and subordinated securities. The credit enhancement on the senior tranches is improved through the re-securitization.

Table of Contents

At December 31, 2013, our Alt-A RMBS portfolio had $34 million, at estimated fair value, of exposure to option adjustable rate mortgage loans. The mortgage loans backing these securities are past the initial period that allowed negative amortization of principal and are now traditional amortizing adjustable rate mortgages. At December 31, 2012, our Alt-A RMBS portfolio had no exposure to option adjustable rate mortgage loans. At December 31, 2013 and 2012, our Alt-A RMBS portfolio was comprised primarily of fixed rate mortgage loans (94% at both December 31, 2013 and 2012).

Historically, we have managed our exposure to sub-prime RMBS holdings by acquiring older vintage year securities that benefit from better underwriting, improved credit enhancement and higher levels of residential property price appreciation; reducing our overall exposure; stress testing the portfolio with severe loss assumptions and closely monitoring the performance of the portfolio. In 2013 and 2012, we increased our exposure by purchasing sub-prime RMBS at significant discounts to the expected principal recovery value of these securities. The 2012 and 2013 sub-prime RMBS purchases are performing within our expectations and were in an unrealized gain position of $96 million and $59 million at December 31, 2013 and 2012, respectively.

CMBS

Our CMBS holdings are diversified by vintage year. The following tables present our CMBS holdings by rating agency designation and by vintage year at:

	December 31, 2013											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003	$ 65	$ 71	$ 15	$ 15	$ 28	$ 28	$ 28	$ 29	$ 15	$ 15	$ 151	$ 158
2004	2,418	2,451	212	221	90	96	64	66	7	6	2,791	2,840
2005	3,294	3,442	363	387	372	393	102	110	29	36	4,160	4,368
2006	2,355	2,466	246	260	145	156	16	21	36	37	2,798	2,940
2007	782	814	65	70	208	220	184	187	75	69	1,314	1,360
2008 - 2010					55	52	1	1	8	9	64	62
2011	587	613	25	24	87	87			5	4	704	728
2012	439	477	271	264	937	892			17	51	1,664	1,684
2013	719	715	396	384	1,354	1,311					2,469	2,410
Total	$ 10,659	$ 11,049	$ 1,593	$ 1,625	$ 3,276	$ 3,235	$ 395	$ 414	$ 192	$ 227	$ 16,115	$ 16,550
Ratings Distribution		66.8%		9.8%		19.5%		2.5%		1.4%		100.0%

	December 31, 2012											
	Aaa		Aa		A		Baa		Below Investment Grade		Total	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)											
2003	$ 2,957	$ 2,997	$ 113	$ 114	$ 82	$ 82	$ 37	$ 36	$ 33	$ 33	$ 3,222	$ 3,262
2004	3,466	3,606	380	401	97	99	52	51	21	9	4,016	4,166
2005	3,348	3,636	303	329	275	296	144	142			4,070	4,403
2006	2,283	2,484	263	284	44	44	47	50	38	36	2,675	2,898
2007	1,070	1,143	112	117	87	95	194	187	20	21	1,483	1,563
2008 - 2010	2	3					56	60	26	24	84	87
2011	598	650	12	11	108	112			7	6	725	779
2012	524	559	403	417	939	956			36	39	1,902	1,971

Total	$ 14,248	$ 15,078	$ 1,586	$ 1,673	$ 1,632	$ 1,684	$ 530	$ 526	$ 181	$ 168	$ 18,177	$ 19,129
Ratings Distribution		78.8%		8.7%		8.8%		2.8%		0.9%		100.0%

The tables above reflect rating agency designations assigned by nationally recognized rating agencies including Moody s, S&P, Fitch and Morningstar. CMBS rated NAIC 1 were 99.1% and 98.5% of total CMBS at December 31, 2013 and 2012, respectively.

Table of Contents

ABS

Our ABS are diversified both by collateral type and by issuer. The following table presents our ABS holdings at:

	December 31,					
	2013			2012		
	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)	Estimated Fair Value	% of Total	Net Unrealized Gains (Losses)
	(In millions)		(In millions)	(In millions)		(In millions)
By collateral type:						
Foreign residential loans	$ 3,415	21.9%	$ 80	$ 3,811	23.8%	$ 88
Collateralized debt obligations	2,960	19.0	(6)	2,453	15.3	(68)
Automobile loans	2,635	16.9	12	2,454	15.4	28
Student loans	2,332	15.0	17	2,480	15.5	14
Credit card loans	2,187	14.1	20	2,640	16.5	106
Equipment loans	427	2.7	6	597	3.7	22
Other loans	1,615	10.4	(16)	1,562	9.8	45
Total	$ 15,571	100.0%	$ 113	$ 15,997	100.0%	$ 235
Ratings profile:						
Rated Aaa/AAA	$ 9,616	61.8%		$ 10,405	65.0%	
Rated NAIC 1	$ 14,184	91.1%		$ 15,247	95.3%	

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

See Notes 1 and 8 of the Notes to the Consolidated Financial Statements for information about the evaluation of fixed maturity securities and equity securities AFS for OTTI and evaluation of temporarily impaired AFS securities.

OTTI Losses on Fixed Maturity and Equity Securities AFS Recognized in Earnings

See Note 8 of the Notes to the Consolidated Financial Statements for information about OTTI losses and gross gains and gross losses on AFS securities sold.

Overview of Fixed Maturity and Equity Security OTTI Losses Recognized in Earnings

Impairments of fixed maturity and equity securities were $192 million, $351 million and $1.0 billion for the years ended December 31, 2013, 2012 and 2011, respectively. Impairments of fixed maturity securities were $166 million, $317 million and $955 million for the years ended December 31, 2013, 2012 and 2011, respectively. Impairments of equity securities were $26 million, $34 million and $60 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Credit-related impairments of fixed maturity securities were $147 million, $223 million and $645 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Explanations of changes in fixed maturity and equity securities impairments are as follows:

Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $192 million for the current year as compared to $351 million in the prior year. The most significant decreases were in U.S. and foreign corporate securities and CMBS which, combined, were $86 million for the year ended December 31, 2013, as compared to $210 million for the year ended December 31, 2012. A decrease of $85 million in OTTI losses on U.S. and foreign corporate securities was concentrated in financial services, communications, transportation and utility industries and was primarily attributable to intent-to-sell impairments in 2012, while a $39 million decrease in OTTI losses on CMBS reflected improving economic fundamentals.

Year Ended December 31, 2012 compared to the Year Ended December 31, 2011

Overall OTTI losses recognized in earnings on fixed maturity and equity securities were $351 million for the year ended December 31, 2012 as compared to $1.0 billion for the year ended December 31, 2011. The most significant decrease in 2012, as compared to 2011, was in foreign government securities. The decrease was primarily attributable to impairments in 2011 on Greece sovereign debt securities of $405 million as a result of the reduction in the expected recoverable amount and intent-to-sell fixed maturity security OTTI on other sovereign debt securities due to the repositioning of the acquired ALICO portfolio into longer duration and higher yielding investments. In addition, intent-to-sell OTTI related to the Divested Businesses of $154 million were recognized in 2011 and were primarily concentrated in the RMBS sector, while utility industry impairments within U.S. and foreign corporate securities increased $51 million in 2012.

Future Impairments

Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

FVO and Trading Securities

FVO and trading securities are primarily comprised of securities for which the FVO has been elected (FVO Securities). FVO Securities include certain fixed maturity and equity securities held-for-investment by the general account to support ALM strategies for certain insurance products and investments in certain separate accounts. FVO Securities are primarily comprised of contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in PABs through interest credited to policyholder account balances. FVO Securities also include securities held by CSEs. We have a trading securities portfolio, principally invested in fixed maturity securities, to support investment strategies that involve the active and frequent purchase and sale of actively traded securities and the execution of short sale agreements. FVO and trading securities were $17.4 billion and $16.3 billion at estimated fair value, or 3.5% and 3.1% of total cash and invested assets, at December 31, 2013 and 2012, respectively. See Note 10 of the Notes to the Consolidated Financial Statements for the FVO and trading securities fair value hierarchy and a rollforward of the fair value measurements for FVO and trading securities measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Table of Contents

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. Securities loaned under such transactions may be sold or repledged by the transferee. We are liable to return to our counterparties the cash collateral under our control. These transactions are treated as financing arrangements and the associated cash collateral liability is recorded at the amount of the cash received.

See Liquidity and Capital Resources The Company Liquidity and Capital Uses Securities Lending and Note 8 of the Notes to the Consolidated Financial Statements for financial information regarding our securities lending program.

Mortgage Loans

Our mortgage loans held-for-investment are principally collateralized by commercial real estate, agricultural real estate and residential properties. Mortgage loans held-for-investment and related valuation allowances are summarized as follows at:

	December 31,							
	2013				2012			
	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment	Recorded Investment	% of Total	Valuation Allowance	% of Recorded Investment
	(Dollars in millions)				(Dollars in millions)			
Commercial	$ 40,926	73.0%	$ 258	0.6%	$ 40,472	74.6%	$ 293	0.7%
Agricultural	12,391	22.1	44	0.4%	12,843	23.6	52	0.4%
Residential	2,772	4.9	20	0.7%	958	1.8	2	0.2%
Total	$ 56,089	100.0%	$ 322	0.6%	$ 54,273	100.0%	$ 347	0.6%

Mortgage loans held-for-sale were $3 million and $414 million at December 31, 2013 and 2012, respectively. The information presented in the tables herein exclude commercial mortgage loans held by CSEs FVO and mortgage loans held-for-investment where we elected the FVO. Such amounts are presented in Note 8 of the Notes to the Consolidated Financial Statements.

We originated $10.5 billion and $9.6 billion of commercial mortgage loans during the years ended December 31, 2013 and 2012, respectively. We originated $3.3 billion and $3.0 billion of agricultural mortgage loans during the years ended December 31, 2013 and 2012, respectively.

We diversify our mortgage loan portfolio by both geographic region and property type to reduce the risk of concentration. Of our commercial and agricultural mortgage loan portfolios, 86% are collateralized by properties located in the U.S., with the remaining 14% collateralized by properties located outside the U.S., calculated as a percent of the total commercial and agricultural mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs FVO) at December 31, 2013. The carrying value of our commercial and agricultural mortgage loans located in California, New York and Texas were 20%, 11% and 7%, respectively, of total commercial and agricultural mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs FVO) at December 31, 2013. Additionally, we manage risk when originating commercial and agricultural mortgage loans by generally lending up to 75% of the estimated fair value of the underlying real estate collateral.

Commercial Mortgage Loans by Geographic Region and Property Type. Commercial mortgage loans are the largest component of the mortgage loan invested asset class, as such loans represented over 70% of total mortgage loans held-for-investment (excluding commercial mortgage loans held by CSEs FVO) at both December 31, 2013 and 2012. The tables below present the diversification across geographic regions and property types of commercial mortgage loans held-for-investment:

	December 31,			
	2013		2012	
	Amount	% of Total	Amount	% of Total
	(In millions)		(In millions)	
Region:				
Pacific	$ 8,961	21.9%	$ 7,932	19.6%

Middle Atlantic	7,367	18.0	6,780	16.7
South Atlantic	6,977	17.1	7,969	19.7
International	6,709	16.4	5,567	13.8
West South Central	3,619	8.8	3,436	8.5
East North Central	2,717	6.6	3,026	7.5
New England	1,404	3.4	1,489	3.7
Mountain	834	2.0	906	2.2
East South Central	471	1.2	457	1.1
West North Central	148	0.4	288	0.7
Multi-Region and Other	1,719	4.2	2,622	6.5
Total recorded investment	40,926	100.0%	40,472	100.0%
Less: valuation allowances	258		293	
Carrying value, net of valuation allowances	$ 40,668		$ 40,179	
Property Type:(1)				
Office	$ 20,629	50.4%	$ 19,524	48.2%
Retail	9,245	22.6	9,601	23.7
Hotel	4,219	10.3	3,555	8.8
Apartment	3,724	9.1	3,999	9.9
Industrial	2,897	7.1	3,159	7.8
Other	212	0.5	634	1.6
Total recorded investment	40,926	100.0%	40,472	100.0%
Less: valuation allowances	258		293	
Carrying value, net of valuation allowances	$ 40,668		$ 40,179	

(1) Commercial mortgage loans by property type amounts for the prior period have been reclassified to conform to the current period method of classifying loans collateralized by mixed-used properties according to the predominant property type.

Mortgage Loan Credit Quality Monitoring Process. We monitor our mortgage loan investments on an ongoing basis, including reviewing loans that are current, past due, restructured and under foreclosure. See Note 8 of the Notes to the Consolidated Financial Statements for tables that present mortgage loans by credit quality indicator, past due and nonaccrual mortgage loans, impaired mortgage loans, as well as loans modified in a troubled debt restructuring. See Real Estate and Real Estate Joint Ventures for real estate acquired through foreclosure.

Commercial and Agricultural Mortgage Loans. We review our commercial mortgage loans on an ongoing basis. These reviews may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar, with a focus on higher risk loans, such as loans with higher loan-to-value ratios, including reviews on a geographic and property type basis.

Loan-to-value ratios and debt service coverage ratios are common measures in the assessment of the quality of commercial mortgage loans. Loan-to-value ratios are a common measure in the assessment of the quality of agricultural mortgage loans. Loan-to-value ratios compare the amount of the loan to the estimated fair value of the underlying collateral. A loan-to-value ratio greater than 100% indicates that the loan amount is greater than the collateral value. A loan-to-value ratio of less than 100% indicates an excess of collateral value over the loan amount. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio compares a property s net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. For our commercial mortgage loans, our average loan-to-value ratio was 55% and 57% at December 31, 2013 and 2012, respectively, and our average debt service coverage ratio was 2.4x and 2.2x at December 31, 2013 and 2012, respectively. The commercial mortgage loan debt service coverage ratio and loan-to-value ratio, as well as the values utilized in calculating these ratios, are updated annually, on a rolling basis, with a portion of the commercial mortgage loan portfolio updated each quarter. For our agricultural mortgage loans, our average loan-to-value ratio was 45% and 46% at December 31, 2013 and 2012, respectively. The values utilized in calculating the agricultural mortgage loan loan-to-value ratio are developed in connection with the ongoing review of the agricultural loan portfolio and are routinely updated.

Mortgage Loan Valuation Allowances. Our valuation allowances are established both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which we expect to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses.

The determination of the amount of valuation allowances is based upon our periodic evaluation and assessment of known and inherent risks associated with our loan portfolios. Such evaluations and assessments are based upon several factors, including our experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations and assessments are revised as conditions change and new information becomes available, which can cause the valuation allowances to increase or decrease over time as such evaluations are revised. Negative credit migration, including an actual or expected increase in the level of problem loans, will result in an increase in the valuation allowance. Positive credit migration, including an actual or expected decrease in the level of problem loans, will result in a decrease in the valuation allowance.

See Notes 1, 8 and 10 of the Notes to the Consolidated Financial Statements for information about how valuation allowances are established and monitored, activity in and balances of the valuation allowance, and the estimated fair value of impaired mortgage loans and related impairments included within net investment gains (losses) as of and for the years ended December 31, 2013, 2012 and 2011.

Real Estate and Real Estate Joint Ventures

We diversify our real estate investments by both geographic region and property type to reduce risk of concentration. Of our real estate investments, 86% were located in the United States, with the remaining 14% located outside the United States, at December 31, 2013. The three locations with the largest real estate investments were California, Japan and Florida at 20%, 12%, and 11%, respectively, at December 31, 2013.

Real estate investments by type consisted of the following at:

	December 31,			
	2013		2012	
	Carrying Value (In millions)	**% of Total**	**Carrying Value (In millions)**	**% of Total**
Traditional	$ 9,312	86.9%	$ 8,488	85.6%

Real estate joint ventures and funds	769	7.2	941	9.5
Subtotal	10,081	94.1	9,429	95.1
Foreclosed (commercial, agricultural and residential)	445	4.2	488	4.9
Real estate held-for-investment	10,526	98.3	9,917	100.0
Real estate held-for-sale	186	1.7	1	
Total real estate and real estate joint ventures	$ 10,712	100.0%	$ 9,918	100.0%

We classify within traditional real estate our investment in income-producing real estate, which is comprised primarily of wholly-owned real estate and, to a much lesser extent, joint ventures with interests in single property income-producing real estate. The estimated fair value of the traditional and held-for-sale real estate investment portfolios was $12.5 billion and $10.7 billion at December 31, 2013 and 2012, respectively. We classify within real estate joint ventures and funds, our investments in joint ventures with interests in multi-property projects with varying strategies ranging from the development of properties to the operation of income-producing properties, as well as our investments in real estate private equity funds. From time to time, we transfer investments from these joint ventures to traditional real estate, if we retain an interest in the joint venture after a completed property commences operations and we intend to retain an interest in the property.

Table of Contents

In connection with our investment management business, in the fourth quarter of 2013, we contributed real estate investments with an estimated fair value of $1.4 billion to the MetLife Core Property Fund, our newly formed open ended core real estate fund, in return for the issuance of ownership interests in that fund. As part of the initial closing on December 31, 2013, we redeemed 76% of our interest in this fund as new third party investors were admitted. The MetLife Core Property Fund is consolidated as of December 31, 2013. See Note 8 of the Notes to Consolidated Financial Statements for further information.

Real estate and real estate joint venture investments by property type are categorized by sector as follows at:

	December 31,			
	2013		2012	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Office	$ 5,440	50.8%	$ 5,789	58.4%
Apartment	2,176	20.3	1,717	17.3
Industrial	696	6.5	598	6.0
Retail	684	6.4	416	4.2
Hotel	429	4.0	372	3.7
Real estate investment funds	394	3.7	451	4.6
Land	333	3.1	265	2.7
Agriculture	35	0.3	8	0.1
Other	525	4.9	302	3.0
Total real estate and real estate joint ventures	$ 10,712	100.0%	$ 9,918	100.0%

We committed to acquire interests in real estate property with a gross value of $2.9 billion in each of the years ended December 31, 2013 and 2012. The Company s authorized equity investment in such properties was $1.9 billion and $1.8 billion during the same periods, respectively. Impairments recognized on real estate and real estate joint ventures were $10 million, $20 million and $2 million for the years ended December 31, 2013, 2012 and 2011, respectively. Depreciation expense on real estate investments was $179 million, $168 million and $164 million for the years ended December 31, 2013, 2012 and 2011, respectively. Real estate investments are net of accumulated depreciation of $1.3 billion at both December 31, 2013 and 2012.

Other Limited Partnership Interests

The carrying value of other limited partnership interests was $7.4 billion and $6.7 billion at December 31, 2013 and 2012 respectively, which included $1.9 billion and $1.4 billion of hedge funds, at December 31, 2013 and 2012, respectively.

Other Invested Assets

The following table presents the carrying value of our other invested assets by type:

	December 31,			
	2013		2012	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Freestanding derivatives with positive estimated fair values	$ 8,595	53.0%	$ 13,777	65.2%
Tax credit and renewable energy partnerships	2,657	16.3	2,268	10.7
Leveraged leases, net of non-recourse debt	1,946	12.0	1,998	9.4
Funds withheld	649	4.0	641	3.0
Joint venture investments	113	0.7	180	0.9
Other	2,269	14.0	2,281	10.8
Total	$ 16,229	100.0%	$ 21,145	100.0%

Leveraged lease impairments were $26 million, $203 million and $4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

See Notes 8 and 9 of the Notes to the Consolidated Financial Statements for information regarding leveraged leases and the freestanding derivatives with positive estimated fair values, respectively. Tax credit and renewable energy partnerships are established for the purpose of investing in low-income housing, other social causes and renewable energy generation facilities, where a significant source of the return on investment is in the form of income tax credits or other tax incentives, and are accounted for under the equity method or under the effective yield method. Funds withheld represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. Joint venture investments are accounted for under the equity method and represent our investment in insurance underwriting joint ventures.

Our private placement unit originated $6.7 billion and $8.1 billion of private investments, comprised primarily of certain privately placed fixed maturity securities, tax credit and renewable energy partnerships and lease investments, during the years ended December 31, 2013 and 2012, respectively. The carrying value of such private investments included within our consolidated balance sheets was $50.6 billion and $52.9 billion at December 31, 2013 and 2012, respectively.

Short-term Investments and Cash Equivalents

The carrying value of short-term investments, which approximates estimated fair value, was $14.0 billion and $16.9 billion, or 2.8% and 3.2% of total cash and invested assets, at December 31, 2013 and 2012, respectively. The carrying value of cash equivalents, which approximates estimated fair value, was $3.8 billion and $6.1 billion, or 0.8% and 1.1% of total cash and invested assets, at December 31, 2013 and 2012, respectively.

Derivatives

Derivative Risks

We are exposed to various risks relating to our ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. We use a variety of strategies to manage these risks, including the use of derivatives. See Note 9 of the Notes to the Consolidated Financial Statements for:

- A comprehensive description of the nature of our derivatives, including the strategies for which derivatives are used in managing various risks.
- Information about the notional amount, estimated fair value, and primary underlying risk exposure of our derivatives by type of hedge designation, excluding embedded derivatives held at December 31, 2013 and 2012.

Table of Contents

The statement of operations effects of derivatives in cash flow, fair value, or non-qualifying hedge relationships for the years ended December 31, 2013 and 2012.

See Quantitative and Qualitative Disclosures About Market Risk Management of Market Risk Exposures Hedging Activities for more information about our use of derivatives by major hedge program.

Fair Value Hierarchy

See Note 10 of the Notes to the Consolidated Financial Statements for derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

The valuation of Level 3 derivatives involves the use of significant unobservable inputs and generally requires a higher degree of management judgment or estimation than the valuations of Level 1 and Level 2 derivatives. Although Level 3 inputs are unobservable, management believes they are consistent with what other market participants would use when pricing such instruments and are considered appropriate given the circumstances. The use of different inputs or methodologies could have a material effect on the estimated fair value of Level 3 derivatives and could materially affect net income.

Derivatives categorized as Level 3 at December 31, 2013 include: interest rate swaps and interest rate forwards with maturities which extend beyond the observable portion of the yield curve; cancellable foreign currency swaps with unobservable currency correlation inputs; foreign currency swaps and forwards with certain unobservable inputs, including unobservable portion of the yield curve; credit default swaps priced using unobservable credit spreads, or that are priced through independent broker quotations; equity variance swaps with unobservable volatility inputs; and equity options with unobservable correlation inputs. At both December 31, 2013 and 2012, less than 1% of the net derivative estimated fair value was priced through independent broker quotations.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

Level 3 derivatives had a ($537) million gain (loss) recognized in net income (loss) for the year ended December 31, 2013. This loss primarily relates to certain purchased equity options that are valued using models dependent on an unobservable market correlation input and equity variance swaps that are valued using observable equity volatility data plus an unobservable equity variance spread. The unobservable equity variance spread is calculated from a comparison between broker offered variance swap volatility and observable equity option volatility. Other significant inputs, which are observable, include equity index levels, equity volatility and the swap yield curve. We validate the reasonableness of these inputs by valuing the positions using internal models and comparing the results to broker quotations. The primary drivers of the loss during the year ended December 31, 2013 were increases in interest rates, increases in equity index levels and decreases in equity volatility, which in total accounted for approximately 63% of the loss. Changes in the unobservable inputs accounted for approximately 37% of the loss.

See Summary of Critical Accounting Estimates Derivatives for further information on the estimates and assumptions that affect derivatives.

Credit Risk

See Note 9 of the Notes to the Consolidated Financial Statements for information about how we manage credit risk related to derivatives and for the estimated fair value of our net derivative assets and net derivative liabilities after the application of master netting agreements and collateral.

Our policy is not to offset the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. This policy applies to the recognition of derivatives in the consolidated balance sheets, and does not affect our legal right of offset.

Credit Derivatives

The following table presents the gross notional amount and estimated fair value of credit default swaps at:

	December 31, 2013		December 31, 2012	
Credit Default Swaps	**Notional Amount**	**Estimated Fair Value**	**Notional Amount**	**Estimated Fair Value**
		(In millions)		
Purchased (1)	$ 3,725	$ (44)	$ 3,674	$ (23)
Written (2)	9,055	165	8,879	74
Total	$ 12,780	$ 121	$ 12,553	$ 51

(1) The notional amount and estimated fair value for purchased credit default swaps in the trading portfolio were $355 million and ($10) million, respectively, at December 31, 2013 and $380 million and ($1) million, respectively, at December 31, 2012.
(2) The notional amount and estimated fair value for written credit default swaps in the trading portfolio were $10 million and $0, respectively, at both December 31, 2013 and 2012.

The following table presents the gross gains, gross losses and net gain (losses) recognized in income for credit default swaps as follows:

	Years Ended December 31,					
	2013			2012		
Credit Default Swaps	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)	Gross Gains (1)	Gross Losses (1)	Net Gains (Losses)
	(In millions)					
Purchased (2), (4)	$ 13	$ (48)	$ (35)	$ 9	$ (321)	$ (312)
Written (3), (4)	157	(26)	131	158	(8)	150
Total	$ 170	$ (74)	$ 96	$ 167	$ (329)	$ (162)

(1) Gains (losses) are reported in net derivative gains (losses), except for gains (losses) on the trading portfolio, which are reported in net investment income.
(2) The gross gains and gross (losses) for purchased credit default swaps in the trading portfolio were $2 million and ($16) million, respectively, for the year ended December 31, 2013 and $7 million and ($21) million, respectively, for the year ended December 31, 2012.
(3) The gross gains and gross (losses) for written credit default swaps in the trading portfolio were $1 million and $0, respectively, for the year ended December 31, 2013. The gross gains and gross (losses) for written credit default swaps in the trading portfolio were not significant for the year ended December 31, 2012.

Table of Contents

(4) Gains (losses) do not include earned income (expense) on credit default swaps.

The favorable change in net gains (losses) on purchased credit default swaps of $277 million was due to a combination of credit spreads narrowing less in the current period as compared to the prior period and the average notional amount decreasing in the current period as compared to the prior period on credit default swaps hedging certain bonds. The unfavorable change in net gains (losses) on written credit default swaps of ($19) million was primarily due to a decrease in sensitivity of certain credit default swaps that are approaching maturity.

The maximum amount at risk related to our written credit default swaps is equal to the corresponding notional amount. The increase in the notional amount of written credit default swaps is primarily a result of our decision to add to our credit replication holdings within the Company. In a replication transaction, we pair an asset on our balance sheet with a written credit default swap to synthetically replicate a corporate bond, a core asset holding of life insurance companies. Replications are entered into in accordance with the guidelines approved by insurance regulators and are an important tool in managing the overall corporate credit risk within the Company. In order to match our long-dated insurance liabilities, we will seek to buy long-dated corporate bonds. In some instances, these may not be readily available in the market, or they may be issued by corporations to which we already have significant corporate credit exposure. For example, by purchasing Treasury bonds (or other high-quality assets) and associating them with written credit default swaps on the desired corporate credit name, we, at times, can replicate the desired bond exposures and meet our ALM needs. In addition, given the shorter tenor of the credit default swaps (generally five-year tenors) versus a long-dated corporate bond, we have more flexibility in managing our credit exposures.

Embedded Derivatives

See Note 10 of the Notes to the Consolidated Financial Statements for information about embedded derivatives measured at estimated fair value on a recurring basis and their corresponding fair value hierarchy.

See Note 10 of the Notes to the Consolidated Financial Statements for a rollforward of the fair value measurements for net embedded derivatives measured at estimated fair value on a recurring basis using significant unobservable (Level 3) inputs.

See Note 9 of the Notes to the Consolidated Financial Statements for information about the nonperformance risk adjustment included in the valuation of guaranteed minimum benefits accounted for as embedded derivatives.

See Summary of Critical Accounting Estimates Derivatives for further information on the estimates and assumptions that affect embedded derivatives.

Off-Balance Sheet Arrangements

Credit and Committed Facilities

We maintain unsecured credit facilities and committed facilities with various financial institutions. See Liquidity and Capital Resources The Company Liquidity and Capital Sources Credit and Committed Facilities for further descriptions of such arrangements. See also Note 12 of the Notes to the Consolidated Financial Statements, as well as Liquidity and Capital Resources The Company Liquidity and Capital Sources Credit and Committed Facilities for the classification of expenses on such credit and committed facilities and the nature of the associated liability for letters of credit issued and drawdowns on these credit and committed facilities.

Collateral for Securities Lending, Repurchase Program and Derivatives

We participate in a securities lending program in the normal course of business for the purpose of enhancing the total return on our investment portfolio. Periodically we receive non-cash collateral for securities lending from counterparties on deposit from customers, which cannot be sold or repledged, and which has not been recorded on our consolidated balance sheets. We had no such collateral as of December 31, 2013. The amount of this collateral was $104 million at estimated fair value at December 31, 2012. See Notes 1 and 8 of the Notes to the Consolidated Financial Statements, as well as Investments Securities Lending for discussion of our securities lending program, the classification of revenues and expenses, and the nature of the secured financing arrangement and associated liability.

We also participate in third-party custodian administered repurchase programs for the purpose of enhancing the total return on our investment portfolio. We loan certain of our fixed maturity securities to financial institutions and, in exchange, non-cash collateral is put on deposit by the financial institutions on our behalf with third-party custodians. The estimated fair value of securities loaned in connection with these transactions was $231 million and $729 million at December 31, 2013 and 2012, respectively. Non-cash collateral on deposit with third-party custodians on our behalf was $256 million and $785 million at December 31, 2013 and 2012, respectively, which cannot be sold or re-pledged, and which has not been recorded on our consolidated balance sheets.

We enter into derivatives to manage various risks relating to our ongoing business operations. We have non-cash collateral from counterparties for derivatives, which can be sold or re-pledged subject to certain constraints, and which has not been recorded on our consolidated balance sheets. The amount of this collateral was $2.3 billion and $3.7 billion at December 31, 2013 and 2012, respectively. See Liquidity and Capital Resources The Company Liquidity and Capital Uses Pledged Collateral and Derivatives in Note 9 of the Notes to the Consolidated Financial Statements for information on the earned income on and the gross notional amount, estimated fair value of assets and liabilities and primary underlying risk exposure of our derivatives.

Lease Commitments

As lessee, we have entered into various lease and sublease agreements for office space, information technology and other equipment. Our commitments under such lease agreements are included within the contractual obligations table. See Liquidity and Capital Resources The Company Contractual Obligations and Note 21 of the Notes to the Consolidated Financial Statements.

Guarantees

See Guarantees in Note 21 of the Notes to the Consolidated Financial Statements.

Other

Additionally, we have the following commitments in the normal course of business for the purpose of enhancing the total return on our investment portfolio: commitments to fund partnership investments; mortgage loan commitments; and commitments to fund bank credit facilities, bridge loans and private corporate bond investments.

See Net Investment Income and Net Investment Gains (Losses) in Note 8 of the Notes to the Consolidated Financial Statements for information on the investment income, investment expense, gains and losses from such investments. See also Fixed Maturity and Equity Securities Available-for-Sale and Mortgage Loans for information on our investments in fixed maturity securities and mortgage loans. See Investments Real Estate and Real Estate Joint Ventures and Investments Other Limited Partnership Interests for information on our partnership investments.

Table of Contents

Other than the commitments disclosed in Note 21 of the Notes to the Consolidated Financial Statements, there are no other material obligations or liabilities arising from the commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans, and private corporate bond investments. For further information on commitments to fund partnership investments, mortgage loans, bank credit facilities, bridge loans and private corporate bond investments. See Liquidity and Capital Resources The Company Contractual Obligations.

In addition, see Primary Risks Managed by Derivatives and Non-Derivatives in Note 9 of the Notes to the Consolidated Financial Statements for further information on interest rate lock commitments.

Insolvency Assessments

See Note 21 of the Notes to the Consolidated Financial Statements.

Policyholder Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported in the consolidated financial statements in conformity with GAAP. For more details on Policyholder Liabilities, see Summary of Critical Accounting Estimates.

Due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of actuarial liabilities, we cannot precisely determine the amounts that will ultimately be paid with respect to these actuarial liabilities, and the ultimate amounts may vary from the estimated amounts, particularly when payments may not occur until well into the future.

We periodically review our estimates of actuarial liabilities for future benefits and compare them with our actual experience. We revise estimates, to the extent permitted or required under GAAP, if we determine that future expected experience differs from assumptions used in the development of actuarial liabilities. We charge or credit changes in our liabilities to expenses in the period the liabilities are established or re-estimated. If the liabilities originally established for future benefit payments prove inadequate, we must increase them. Such an increase could adversely affect our earnings and have a material adverse effect on our business, results of operations and financial condition.

Insurance regulators in many of the non-U.S. countries in which we operate require certain MetLife entities to prepare a sufficiency analysis of the reserves presented in the locally required regulatory financial statements, and to submit that analysis to the regulatory authorities. See Business International Regulation in the 2013 Form 10-K.

We have experienced, and will likely in the future experience, catastrophe losses and possibly acts of terrorism, as well as turbulent financial markets that may have an adverse impact on our business, results of operations, and financial condition. Due to their nature, we cannot predict the incidence, timing, severity or amount of losses from catastrophes and acts of terrorism, but we make broad use of catastrophic and non-catastrophic reinsurance to manage risk from these perils.

Future Policy Benefits

We establish liabilities for amounts payable under insurance policies. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information. See also Industry Trends Impact of a Sustained Low Interest Rate Environment Interest Rate Stress Scenario and Variable Annuity Guarantees. A discussion of future policy benefits by segment follows.

Retail

For the Retail Life & Other business, future policy benefits are comprised mainly of liabilities for traditional life and for universal and variable life insurance contracts. In order to manage risk, we have often reinsured a portion of the mortality risk on life insurance policies. The reinsurance programs are routinely evaluated and this may result in increases or decreases to existing coverage. We have entered into various derivative positions, primarily interest rate swaps and swaptions, to mitigate the risk that investment of premiums received and reinvestment of maturing assets over the life of the policy will be at rates below those assumed in the original pricing of these contracts. For the Retail Annuities business, future policy benefits are comprised mainly of liabilities for life-contingent income annuities, and liabilities for the variable annuity guaranteed minimum benefits accounted for as insurance.

Group, Voluntary & Worksite Benefits

With the exception of our property & casualty products, future policy benefits for our Group and Voluntary & Worksite businesses are comprised mainly of liabilities for disabled lives under disability waiver of premium policy provisions, liabilities for survivor income benefit insurance, LTC policies, active life policies and premium stabilization and other contingency liabilities held under life insurance contracts. For our property & casualty products, future policy benefits include unearned premium reserves and liabilities for unpaid claims and claim expenses and represent the amount estimated for claims that have been reported but not settled and claims incurred but not reported. Liabilities for unpaid claims are estimated based upon assumptions such as rates of claim frequencies, levels of severities, inflation, judicial trends, legislative changes or regulatory decisions. Assumptions are based upon our historical experience and analyses of historical development patterns of the relationship of loss adjustment expenses to losses for each line of business, and consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Corporate Benefit Funding

Liabilities for this segment are primarily related to payout annuities, including pension closeouts and structured settlement annuities. There is no interest rate crediting flexibility on these liabilities. As a result, a sustained low interest rate environment could negatively impact earnings; however, we mitigate our risks by applying various ALM strategies, including the use of various derivative positions, primarily interest rate floors and interest rate swaps, to mitigate the risks associated with such a scenario.

Latin America

Future policy benefits for this segment are held primarily for immediate annuities in Chile, Argentina and Mexico and traditional life contracts mainly in Brazil and Mexico. There are also reserves held for total return pass-through provisions included in certain universal life and savings products in Mexico. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, and mortality and lapses different than expected. We mitigate our risks by applying various ALM strategies.

Asia

Future policy benefits for this segment are held primarily for traditional life, endowment, annuity and accident & health contracts. They are also held for total return pass-through provisions included in certain universal life and savings products. They include certain liabilities for variable annuity and variable life guarantees of minimum death benefits, and longevity guarantees. Factors impacting these liabilities include sustained periods of lower yields than rates established at policy issuance, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by applying various ALM strategies.

Table of Contents

EMEA

Future policy benefits for this segment include unearned premium reserves for group life and credit insurance contracts. Future policy benefits are also held for traditional life, endowment and annuity contracts with significant mortality risk and accident & health contracts. Factors impacting these liabilities include sustained periods of lower yields than rates established at issue, lower than expected asset reinvestment rates, market volatility, actual lapses resulting in lower than expected income, and actual mortality or morbidity resulting in higher than expected benefit payments. We mitigate our risks by having premiums which are adjustable or cancellable in some cases, and by applying various ALM strategies.

Corporate & Other

Future policy benefits primarily include liabilities for quota-share reinsurance agreements for certain run-off LTC and workers compensation business written by MICC. Additionally, future policy benefits includes liabilities for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as insurance.

Policyholder Account Balances

PABs are generally equal to the account value, which includes accrued interest credited, but excludes the impact of any applicable surrender charge that may be incurred upon surrender. See Industry Trends Impact of a Sustained Low Interest Rate Environment Interest Rate Stress Scenario and Variable Annuity Guarantees. See also Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information.

Retail

Life & Other PABs are held for retained asset accounts, universal life policies and the fixed account of variable life insurance policies. For Annuities, PABs are held for fixed deferred annuities, the fixed account portion of variable annuities, and non-life contingent income annuities. Interest is credited to the policyholder s account at interest rates we determine which are influenced by current market rates, subject to specified minimums. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario. Additionally, PABs are held for variable annuity guaranteed minimum living benefits that are accounted for as embedded derivatives.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Retail:

	December 31, 2013	
Guaranteed Minimum Crediting Rate	**Account Value(1)**	**Account Value at Guarantee(1)**
	(In millions)	
Life & Other:		
Greater than 0% but less than 2%	$ 100	$ 100
Equal to 2% but less than 4%	$ 11,402	$ 4,776
Equal to or greater than 4%	$ 10,793	$ 6,428
Annuities:		
Greater than 0% but less than 2%	$ 3,372	$ 2,249
Equal to 2% but less than 4%	$ 33,448	$ 26,523
Equal to or greater than 4%	$ 2,689	$ 2,640

(1) These amounts are not adjusted for policy loans.

As a result of acquisitions, we establish additional liabilities known as excess interest reserves for policies with credited rates in excess of market rates as of the applicable acquisition dates. At December 31, 2013, excess interest reserves were $134 million and $367 million for Life & Other and Annuities, respectively.

Group, Voluntary & Worksite Benefits

PABs in this segment are held for retained asset accounts, universal life policies, the fixed account of variable life insurance policies and specialized life insurance products for benefit programs. PABs are credited interest at a rate we determine, which are influenced by current market rates. A sustained low interest rate environment could negatively impact earnings as a result of the minimum credited rate guarantees present in most of these PABs. We have various derivative positions, primarily interest rate floors, to partially mitigate the risks associated with such a scenario.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Group, Voluntary & Worksite Benefits:

	December 31, 2013	
Guaranteed Minimum Crediting Rate	Account Value(1)	Account Value at Guarantee(1)
	(In millions)	
Greater than 0% but less than 2%	$ 5,043	$ 5,043
Equal to 2% but less than 4%	$ 2,271	$ 2,253
Equal to or greater than 4%	$ 627	$ 600

(1) These amounts are not adjusted for policy loans.

Corporate Benefit Funding

PABs in this segment are comprised of funding agreements. Interest crediting rates vary by type of contract, and can be fixed or variable. Variable interest crediting rates are generally tied to an external index, most commonly (1-month or 3-month) LIBOR. We are exposed to interest rate risks, as well as foreign currency exchange rate risk when guaranteeing payment of interest and return of principal at the contractual maturity date. We may invest in floating rate assets or enter into receive-floating interest rate swaps, also tied to external indices, as well as caps, to mitigate the impact of changes in market interest rates. We also mitigate our risks by applying various ALM strategies and seek to hedge all foreign currency exchange rate risk through the use of foreign currency hedges, including cross currency swaps.

Latin America

PABs in this segment are held largely for investment type products and universal life products in Mexico, and deferred annuities in Brazil. Some of the deferred annuities in Brazil are unit-linked-type funds that do not meet the GAAP definition of separate accounts. The rest of the deferred annuities have minimum credited rate guarantees, and these liabilities and the universal life liabilities are generally impacted by sustained periods of low interest rates. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Asia

PABs in this segment are held largely for fixed income retirement and savings plans, fixed deferred annuities, interest sensitive whole life products, universal life and, to a lesser degree, liability amounts for unit-linked-type funds that do not meet the GAAP definition of separate accounts. Also included are certain liabilities for retirement and savings products sold in certain countries in Asia that generally are sold with minimum credited rate guarantees. Liabilities for guarantees on certain variable annuities in Asia are accounted for as embedded derivatives and recorded at estimated fair value and are also included within PABs. These liabilities are generally impacted by sustained periods of low interest rates, where there are interest rate guarantees. We mitigate our risks by applying various ALM strategies and with reinsurance. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated underlying investments, as the return on assets is generally passed directly to the policyholder.

The table below presents the breakdown of account value subject to minimum guaranteed crediting rates for Asia:

	December 31, 2013	
Guaranteed Minimum Crediting Rate(1)	**Account Value (2)**	**Account Value at Guarantee (2)**
	(In millions)	
Annuities:		
Greater than 0% but less than 2%	$ 27,213	$ 1,217
Equal to 2% but less than 4%	$ 1,061	$ 412
Equal to or greater than 4%	$ 2	$ 2
Life & Other:		
Greater than 0% but less than 2%	$ 5,977	$ 4,885
Equal to 2% but less than 4%	$ 16,519	$ 8,741
Equal to or greater than 4%	$ 258	$

(1) Excludes negative VOBA liabilities of $2.2 billion at December 31, 2013, primarily held in Japan. These liabilities were established in instances where the estimated fair value of contract obligations exceeded the book value of assumed insurance policy liabilities in the ALICO Acquisition. These negative liabilities were established primarily for decreased market interest rates subsequent to the issuance of the policy contracts.

(2) These amounts are not adjusted for policy loans.

EMEA

PABs in this segment are held mostly for universal life, deferred annuity, pension products, and unit-linked-type funds that do not meet the GAAP definition of separate accounts. They are also held for endowment products without significant mortality risk. Where there are interest rate guarantees, these liabilities are generally impacted by sustained periods of low interest rates. We mitigate our risks by applying various ALM strategies. Liabilities for unit-linked-type funds are impacted by changes in the fair value of the associated investments, as the return on assets is generally passed directly to the policyholder.

Corporate & Other

PABs in Corporate & Other are held for variable annuity guaranteed minimum benefits assumed from a former operating joint venture in Japan that are accounted for as embedded derivatives.

Variable Annuity Guarantees

We issue, directly and through assumed reinsurance, certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets. See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for additional information.

Certain guarantees, including portions thereof, have insurance liabilities established that are included in future policy benefits. Guarantees accounted for in this manner include GMDBs, the life-contingent portion of certain guaranteed minimum withdrawal benefits (GMWBs), and the portion of GMIBs that requires annuitization. These liabilities are accrued over the life of the contract in proportion to actual and future expected policy assessments based on the level of guaranteed minimum benefits generated using multiple scenarios of separate account returns. The scenarios are based on best estimate assumptions consistent with those used to amortize DAC. When current estimates of future benefits exceed those previously projected or when current estimates of future assessments are lower than those previously projected, liabilities will increase, resulting in a current period charge to net income. The opposite result occurs when the current estimates of future benefits are lower than that previously projected or when current estimates of future assessments exceed those previously projected. At each reporting period, we update the actual amount of business remaining in-force, which impacts expected future assessments and the projection of estimated future benefits resulting in a current period charge or increase to earnings.

Certain guarantees, including portions thereof, accounted for as embedded derivatives, are recorded at estimated fair value and included in PABs. Guarantees accounted for as embedded derivatives include guaranteed minimum accumulation benefits (GMABs), the non-life contingent portion of GMWBs and the portion of certain GMIBs that do not require annuitization. The estimated fair values of guarantees accounted for as embedded derivatives are determined based on the present value of projected future benefits minus the present value of projected future fees. The projections of future benefits and future fees require capital market and actuarial assumptions including expectations concerning policyholder behavior. A risk neutral valuation methodology is used to project the cash flows from the guarantees under multiple capital market scenarios to determine an economic liability. The reported estimated fair value is then determined by taking the present value of these risk-free generated cash flows using a discount rate that incorporates a spread over the risk free rate to reflect our nonperformance risk and adding a risk margin. For more information on the determination of estimated fair value, see Note 10 of the Notes to the Consolidated Financial Statements.

Table of Contents

The table below contains the carrying value for guarantees at:

	Future Policy Benefits (1) December 31,		Policyholder Account Balances (1) December 31,	
	2013	2012	2013	2012
	(In millions)			
Americas:				
GMDB	$ 495	$ 343	$	$
GMIB	1,608	1,432	(1,904)	200
GMAB			2	23
GMWB	62	30	(441)	428
Asia:				
GMDB	33	54		
GMAB			3	11
GMWB	204	183	129	190
EMEA:				
GMDB	6	6		
GMAB			11	28
GMWB	19	20	(102)	43
Corporate & Other:				
GMDB	11	39		
GMAB			83	387
GMWB	109	95	1,179	2,195
Total	$ 2,547	$ 2,202	$ (1,040)	$ 3,505

(1) GMDB in the table above includes any additional contractual claims associated with riders purchased to assist with covering income taxes payable upon death. The carrying amounts for guarantees included in PABs above include nonperformance risk adjustments of $267 million and $1.2 billion at December 31, 2013 and December 31, 2012, respectively. These nonperformance risk adjustments represent the impact of including a credit spread when discounting the underlying risk neutral cash flows to determine the estimated fair values. The nonperformance risk adjustment does not have an economic impact on us as it cannot be monetized given the nature of these policyholder liabilities. The change in valuation arising from the nonperformance risk adjustment is not hedged.

The carrying values of these guarantees can change significantly during periods of sizable and sustained shifts in equity market performance, equity volatility, interest rates or foreign currency exchange rates. Carrying values are also impacted by our assumptions around mortality, separate account returns and policyholder behavior including lapse rates.

As discussed below, we use a combination of product design, reinsurance, hedging strategies, and other risk management actions to mitigate the risks related to these benefits. Within each type of guarantee, there is a range of product offerings reflecting the changing nature of these products over time. Changes in product features and terms are in part driven by customer demand but, more importantly, reflect our risk management practices of continuously evaluating the guaranteed benefits and their associated asset-liability matching.

The sections below provide further detail by total contract account value for certain of our most popular guarantees. Total contract account values include amounts not reported in the consolidated balance sheets from assumed reinsurance, contractholder-directed investments which do not qualify for presentation as separate account assets, and amounts included in our general account.

GMDBs

We offer a range of GMDBs to our contractholders. The table below presents GMDBs, by benefit type, at December 31, 2013:

	Total Contract Account Value (1)	
	Americas	Corporate & Other

	(In millions)	
Return of premium or five to seven year step-up	$ 105,940	$ 15,660
Annual step-up	32,346	
Roll-up and step-up combination	39,638	
Total	$ 177,924	$ 15,660

(1) Total contract account value excludes $2.2 billion for contracts with no GMDBs and approximately $11.9 billion of total contract account value in the EMEA and Asia segments.

Based on total contract account value, less than 40% of our GMDBs included enhanced death benefits such as the annual step-up or roll-up and step-up combination products. We expect the above GMDB risk profile to be relatively consistent for the foreseeable future.

As part of our risk management of the GMDB business, we have been opportunistically reinsuring in-force blocks, taking advantage of favorable capital market conditions. Our approach for such treaties has been to seek coverage for the enhanced GMDBs, such as the annual step-up and the roll-up and step-up combination. These treaties tend to cover long periods until claims start running off, and are written either on a first dollar basis or with a deductible.

Table of Contents

Living Benefit Guarantees

The table below presents our living benefit guarantees based on total contract account values at December 31, 2013:

	Total Contract Account Value (1) Americas	Corporate & Other
	(In millions)	
GMIB	$ 99,140	$
GMWB - non-life contingent	7,329	3,831
GMWB - life-contingent	20,040	9,894
GMAB	369	1,935
	$ 126,878	$ 15,660

(1) Total contract account value above excludes $53.3 billion for contracts with no living benefit guarantees and approximately $9.1 billion of total contract account value in the EMEA and Asia segments.

In terms of total contract account value, GMIBs are our most significant living benefit guarantee. Our primary risk management strategy for our GMIB products is our derivatives hedging program as discussed below. Additionally, we have engaged in certain reinsurance agreements covering some of our GMIB business. As part of our overall risk management approach for living benefit guarantees, we continually monitor the reinsurance markets for the right opportunity to purchase additional coverage for our GMIB business.

The table below presents our GMIBs, by their guaranteed payout basis, at December 31, 2013:

	Total Contract Account Value (In millions)
7-year setback, 2.5% interest rate	$ 37,569
7-year setback, 1.5% interest rate	6,177
10-year setback, 1.5% interest rate	20,382
10-year mortality projection, 10-year setback, 1.0% interest rate	30,500
10-year mortality projection, 10-year setback, 0.5% interest rate	4,512
	$ 99,140

The annuitization interest rates on GMIBs have been decreased from 2.5% to 0.5% over time, partially in response to the low interest rate environment, accompanied by an increase in the setback period from seven years to 10 years and the recent introduction of the 10-year mortality projection. We expect new contracts to have comparable guarantee features for the foreseeable future.

Additionally, 30% of the $99.1 billion of GMIB total contract account value has been invested in managed volatility funds as of December 31, 2013. These funds seek to manage volatility by adjusting the fund holdings within certain guidelines based on capital market movements. Such activity reduces the overall risk of the underlying funds while maintaining their growth opportunities. These risk mitigation techniques translate to a reduction or elimination of the need for us to manage the funds volatility through hedging or reinsurance. We expect the proportion of total contract account value invested in these funds to increase for the foreseeable future, as new contracts with GMIB are required to invest in these funds.

Our GMIB products typically have a waiting period of 10 years to be eligible for annuitization. As of December 31, 2013, only 7% of our contracts with GMIBs were eligible for annuitization. The remaining contracts are not eligible for annuitization for an average of seven years.

Once eligible for annuitization, contractholders would only be expected to annuitize if their contracts were in-the-money. We calculate in-the-moneyness with respect to GMIBs consistent with net amount at risk as discussed in Note 4 of the Notes to the Consolidated Financial Statements, by comparing the contractholders income benefits based on total contract account values and current annuity rates versus the guaranteed income benefits. For those contracts with GMIB, the table below presents details of contracts that are in-the-money and out-of-the money at December 31, 2013:

	In-the-Moneyness	Total Contract Account Value (In millions)	% of Total
In-the-money	30% +	$ 722	0.8%
	20% to 30%	611	0.6%
	10% to 20%	1,326	1.3%
	0% to 10%	3,281	3.3%
		5,940	
Out-of-the-money	-10% to 0%	7,098	7.2%
	-20% to 10%	11,819	11.9%
	-20% +	74,283	74.9%
		93,200	
Total GMIBs		$ 99,140	

Table of Contents

Derivatives Hedging Variable Annuity Guarantees

In addition to reinsurance and our risk mitigating steps described above, we have a hedging strategy that uses various over-the-counter and exchanged traded derivatives. The table below presents the gross notional amount, estimated fair value and primary underlying risk exposure of the derivatives hedging our variable annuity guarantees:

		December 31,					
		2013			2012		
Primary Underlying		Notional	Estimated Fair Value		Notional	Estimated Fair Value	
Risk Exposure	Instrument Type	Amount	Assets	Liabilities	Amount	Assets	Liabilities
		(In millions)					
Interest rate	Interest rate swaps	$ 25,474	$ 1,108	$ 669	$ 24,041	$ 1,973	$ 614
	Interest rate futures	5,888	9	9	8,913	1	25
	Interest rate options	17,690	131	236	11,440	303	58
Foreign currency exchange rate	Foreign currency forwards	2,324	1	171	2,281	1	177
	Foreign currency futures	365	1	1	518	4	
Equity market	Equity futures	5,144	1	43	6,993	14	132
	Equity options	35,445	1,344	1,068	21,759	2,824	356
	Variance swaps	21,636	174	577	19,830	122	310
	Total rate of return swaps	3,802		179	3,092	5	103
	Total	$ 117,768	$ 2,769	$ 2,953	$ 98,867	$ 5,247	$ 1,775

The change in estimated fair values of our derivatives is recorded in policyholder benefits and claims if they are hedging guarantees included in future policy benefits, and in net derivative gains (losses) if they are hedging guarantees included in PABs.

Our hedging strategy involves the significant use of static longer-term derivative instruments to avoid the need to execute transactions during periods of market disruption or higher volatility. We continually monitor the capital markets for opportunities to adjust our liability coverage, as appropriate. Futures are also used to dynamically adjust the daily coverage levels as markets and liability exposures fluctuate.

We remain liable for the guaranteed benefits in the event that reinsurers or derivative counterparties are unable or unwilling to pay. Certain of our reinsurance agreements and most derivative positions are collateralized and derivatives positions are subject to master netting agreements, both of which significantly reduce the exposure to counterparty risk. In addition, we are subject to the risk that hedging and other risk management actions prove ineffective or that unanticipated policyholder behavior or mortality, combined with adverse market events, produces economic losses beyond the scope of the risk management techniques employed.

Liquidity and Capital Resources

Overview

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Stressed conditions, volatility and disruptions in global capital markets, particular markets, or financial asset classes can have an adverse effect on us, in part because we have a large investment portfolio and our insurance liabilities are sensitive to changing market factors. The global markets and economy continue to experience volatility that may affect our financing costs and market interest for our debt or equity securities. For further information regarding market factors that could affect our ability to meet liquidity and capital needs, see Industry Trends and Investments Current Environment.

Liquidity Management

Based upon the strength of our franchise, diversification of our businesses, strong financial fundamentals and the substantial funding sources available to us as described herein, we continue to believe we have access to ample liquidity to meet business requirements under current market conditions and reasonably possible stress scenarios. We continuously monitor and adjust our liquidity and capital plans for MetLife, Inc. and its subsidiaries in light of changing needs and opportunities.

Short-term Liquidity

We maintain a substantial short-term liquidity position, which was $15.8 billion and $23.8 billion at December 31, 2013 and 2012, respectively. Short-term liquidity includes cash and cash equivalents and short-term investments, excluding: (i) amounts related to cash collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in connection with derivatives; and (iii) cash held in the closed block.

Liquid Assets

An integral part of our liquidity management includes managing our level of liquid assets, which was $240.9 billion and $266.4 billion at December 31, 2013 and 2012, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding: (i) amounts related to cash collateral received under our securities lending program; (ii) amounts related to cash collateral received from counterparties in connection with derivatives; (iii) cash and investments held in the closed block, or on deposit with regulatory agencies; (iv) investments held in trust in support of collateral financing arrangements; and (v) investments pledged in support of funding agreements, derivatives and short sale agreements.

Capital Management

We have established several senior management committees as part of our capital management process. These committees, including the Capital Management Committee and the Enterprise Risk Committee (ERC), regularly review actual and projected capital levels (under a variety of scenarios including stress scenarios) and our capital plan in accordance with our capital policy. The Capital Management Committee is comprised of members of senior management, including MetLife, Inc. s Chief Financial Officer, Treasurer and Chief Risk Officer (CRO). The ERC is also comprised of members of senior management, including MetLife, Inc. s Chief Financial Officer, CRO and Chief Investment Officer.

Our Board and senior management are directly involved in the development and maintenance of our capital policy. The capital policy sets forth, among other things, minimum and target capital levels and the governance of the capital management process. All capital actions, including proposed changes to the capital plan, capital targets or capital policy, are reviewed by the Finance and Risk Committee of the Board prior to obtaining full Board approval. The Board approves the capital policy and the annual capital plan and authorizes capital actions, as required.

See Risk Factors Capital-Related Risks We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities in the 2013 Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements elsewhere herein for information regarding restrictions on payment of dividends and stock repurchases.

The Company

Liquidity

Liquidity refers to a company s ability to generate adequate amounts of cash to meet its needs. We determine our liquidity needs based on a rolling six-month forecast by portfolio of invested assets which we monitor daily. We adjust the asset mix and asset maturities based on this rolling six-month forecast. To support this forecast, we conduct cash flow and stress testing, which include various scenarios of the potential risk of early contractholder and policyholder withdrawal. We include provisions limiting withdrawal rights on many of our products, including general account pension products sold to employee benefit plan sponsors. Certain of these provisions prevent the customer from making withdrawals prior to the maturity date of the product. In the event of significant cash requirements beyond anticipated liquidity needs, we have various alternatives available depending on market conditions and the amount and timing of the liquidity need. These available alternatives include cash flows from operations, the sale of liquid assets, global funding sources and various credit facilities.

Under certain stressful market and economic conditions, our access to liquidity may deteriorate, or the cost to access liquidity may increase. If we require significant amounts of cash on short notice in excess of anticipated cash requirements or if we are required to post or return cash collateral in connection with derivatives or our securities lending program, we may have difficulty selling investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both. In addition, in the event of such forced sale, accounting guidance requires the recognition of a loss for certain securities in an unrealized loss position and may require the impairment of other securities if there is a need to sell such securities, which may negatively impact our financial condition. See Risk Factors Investment-Related Risks Should the Need Arise, We May Have Difficulty Selling Certain Holdings in Our Investment Portfolio or in Our Securities Lending Program in a Timely Manner and Realizing Full Value Given Their Illiquid Nature in the 2013 Form 10-K.

In extreme circumstances, all general account assets within a particular legal entity other than those which may have been pledged to a specific purpose are available to fund obligations of the general account of that legal entity.

Capital

We manage our capital position to maintain our financial strength and credit ratings. Our capital position is supported by our ability to generate strong cash flows within our operating companies and borrow funds at competitive rates, as well as by our demonstrated ability to raise additional capital to meet operating and growth needs despite adverse market and economic conditions.

Rating Agencies

Rating agencies assign insurer financial strength ratings to MetLife, Inc. s domestic life insurance subsidiaries and credit ratings to MetLife, Inc. and certain of its subsidiaries. Financial strength ratings indicate the rating agency s opinion regarding an insurance company s ability to meet contractholder and policyholder obligations. Credit ratings indicate the rating agency s opinion regarding a debt issuer s ability to meet the terms of debt obligations in a timely manner. They are important factors in our overall funding profile and ability to access certain types of liquidity. The level and composition of regulatory capital at the subsidiary level and our equity capital are among the many factors considered in determining our insurer financial strength ratings and credit ratings. Each agency has its own capital adequacy evaluation methodology, and assessments are generally based on a combination of factors. In addition to heightening the level of scrutiny that they apply to insurance companies, rating agencies have increased and may continue to increase the frequency and scope of their credit reviews, may request additional information from the companies that they rate and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. See Business Company Ratings in the 2013 Form 10-K.

Downgrades in our financial strength ratings could have a material adverse effect on our financial condition and results of operations in many ways, including:

- reducing new sales of insurance products, annuities and investment products;
- adversely affecting our relationships with our sales force and independent sales intermediaries;
- materially increasing the number or amount of policy surrenders and withdrawals by contractholders and policyholders;
- requiring us to post additional collateral under certain of our financing and derivative transactions;
- requiring us to reduce prices for our products and services to remain competitive; and
- adversely affecting our ability to obtain reinsurance at reasonable prices or at all.

A downgrade in the credit ratings or insurer financial strength ratings of MetLife, Inc. or its subsidiaries would likely impact us in the following ways:

- impact our ability to generate cash flows from the sale of funding agreements and other capital market products offered by our Corporate Benefit Funding segment;
- impact the cost and availability of financing for MetLife, Inc. and its subsidiaries; and
- result in additional collateral requirements or other required payments under certain agreements, which are eligible to be satisfied in cash or by posting investments held by the subsidiaries subject to the agreements. See Liquidity and Capital Uses Pledged Collateral.

Statutory Capital and Dividends

Our insurance subsidiaries have statutory surplus well above levels to meet current regulatory requirements.

Except for American Life and Exeter, risk-based capital (RBC) requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula calculated by applying factors to various asset, premium and statutory reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not as a means to rank insurers generally. These rules apply to each of our domestic insurance subsidiaries. State insurance laws grant insurance regulators the authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not meet or exceed certain RBC levels. At the date of the most recent annual statutory financial statements filed with insurance regulators, the total adjusted capital of each of these subsidiaries was in excess of each of those RBC levels.

Table of Contents

American Life does not conduct insurance business in Delaware or any other domestic state and, as such, is exempt from RBC requirements by Delaware law. In addition to Delaware, American Life operations are regulated by applicable authorities of the countries in which it operates and is subject to capital and solvency requirements in those countries. Exeter, which prepares financial statements on a modified GAAP basis, as approved by the Delaware Commissioner of Insurance, likewise is not subject to the RBC requirements that generally apply to insurers that prepare statutory-basis financial statements.

The amount of dividends that our insurance subsidiaries can pay to MetLife, Inc. or to other parent entities is constrained by the amount of surplus we hold to maintain our ratings and provides an additional margin for risk protection and investment in our businesses. We proactively take actions to maintain capital consistent with these ratings objectives, which may include adjusting dividend amounts and deploying financial resources from internal or external sources of capital. Certain of these activities may require regulatory approval. Furthermore, the payment of dividends and other distributions to MetLife, Inc. and other parent entities by their respective insurance subsidiaries is governed by insurance laws and regulations. See Business U.S. Regulation Insurance Regulation, and Business International Regulation in the 2013 Form 10-K and MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries and Note 16 of the Notes to the Consolidated Financial Statements elsewhere herein.

Affiliated Captive Reinsurance Transactions

Various subsidiaries of MetLife, Inc. cede specific policy classes, including term and universal life insurance, participating whole life insurance, long term disability insurance, group life insurance, variable annuity benefit guarantees and other business, to various wholly-owned captive reinsurers. These wholly-owned captive reinsurers primarily reinsure MetLife, Inc. business and the majority of the reinsurance activities within the captive reinsurers are eliminated within our consolidated results of operations. The statutory reserves of such affiliated captive reinsurers are supported by a combination of funds withheld receivable assets, investment assets and letters of credit issued by unaffiliated financial institutions. MetLife, Inc. has committed to maintain the surplus of several of the domestic affiliated captive reinsurers, as well as provided guarantees of the captive reinsurers repayment obligations on the letters of credit. MetLife, Inc. has also provided guarantees of reinsurers repayment obligations on derivative and certain reinsurance agreements entered into by the captives. See MetLife, Inc. Liquidity and Capital Uses Support Agreements for further details on certain of these guarantees. Various subsidiaries of MetLife, Inc. enter into reinsurance agreements with affiliated captive reinsurers for risk and capital management purposes, as well as to manage statutory reserve requirements related to universal life and term life insurance policies and other business. Various subsidiaries of MetLife, Inc. cede variable annuity guaranteed minimum benefit risks to an affiliated captive reinsurer, which allows us to consolidate hedging and other risk management programs.

Recently, the NAIC and the Department of Financial Services have been scrutinizing insurance companies use of affiliated captive reinsurers or off-shore entities. One of the recommendations of the Department of Financial Services is that state insurance commissioners consider an immediate national moratorium on new reserve financing transactions involving captive insurers, until their inquiries are complete. We are not aware of any states other than New York implementing such a moratorium. While such a moratorium would not impact our existing reinsurance agreements with captive reinsurers, a moratorium placed on the use of captives for new reserve financing transactions could impact our ability to write certain products or to hedge the associated risks effectively in the future. This may result in our need to increase prices, modify product features or limit the availability of those products to our customers. While this affects insurers across the industry, it could adversely impact our competitive position and our results of operations in the future. We will evaluate product modifications, pricing structure and alternative means of managing risks, capital and statutory reserves and we expect the discontinued use of captive reinsurance on new reserve financing transactions would not have a material impact on our future consolidated financial results.

Our variable annuity guaranteed minimum benefit risk and certain other risks are currently ceded to a Delaware affiliated captive reinsurer. MetLife, Inc. is planning to merge this captive reinsurer with three U.S.-based life insurance companies in the fourth quarter of 2014, subject to regulatory approvals, to create one larger U.S.-based and U.S. regulated life insurance company. This will further reduce the Company s exposure to and use of captive reinsurers. See Executive Summary for further information on the Mergers. See also Risk Factors Regulatory and Legal Risks Our Insurance and Brokerage Businesses Are Highly Regulated, and Changes in Regulation and in Supervisory and Enforcement Policies May Reduce Our Profitability and Limit Our Growth Insurance Regulation U.S. in the 2013 Form 10-K and Note 6 of the Notes to the Consolidated Financial Statements elsewhere herein for further information on our reinsurance activities.

Table of Contents

Summary of Primary Sources and Uses of Liquidity and Capital

Our primary sources and uses of liquidity and capital are summarized as follows:

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
Sources:			
Net cash provided by operating activities	$ 16,131	$ 17,160	$ 10,273
Net cash provided by changes in policyholder account balances		4,290	4,321
Net cash provided by changes in payables for collateral under securities loaned and other transactions			6,444
Net cash provided by changes in bank deposits	8		96
Net cash provided by short-term debt issuances	75		380
Long-term debt issued	1,372	750	1,346
Cash received in connection with collateral financing arrangements, net			37
Net change in liability for securitized reverse residential mortgage loans		1,198	
Cash received in connection with redeemable noncontrolling interests	774		
Common stock issued, net of issuance costs	1,000	1,000	2,950
Net cash provided by other, net		609	212
Effect of change in foreign currency exchange rates on cash and cash equivalents balances		11	
Total sources	19,360	25,018	26,059
Uses:			
Net cash used in investing activities	15,165	11,929	22,218
Net cash used for changes in policyholder account balances	5,681		
Net cash used for changes in payables for collateral under securities loaned and other transactions	3,276	29	
Net cash used for changes in bank deposits		4,169	
Net cash used for short-term debt repayments		586	
Long-term debt repaid	1,746	1,702	2,042
Collateral financing arrangements repaid		349	502
Cash paid in connection with collateral financing arrangements		44	
Redemption of convertible preferred stock			2,805
Preferred stock redemption premium			146
Dividends on preferred stock	122	122	122
Dividends on common stock	1,119	811	787
Net cash used in other, net	192		
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	212		22
Total uses	27,513	19,741	28,644
Net increase (decrease) in cash and cash equivalents	$ (8,153)	$ 5,277	$ (2,585)

Cash Flows from Operations

The principal cash inflows from our insurance activities come from insurance premiums, annuity considerations and deposit funds. The principal cash outflows relate to the liabilities associated with various life insurance, property & casualty, annuity and group pension products, operating expenses and income tax, as well as interest on debt obligations. A primary liquidity concern with respect to these cash flows is the risk of early contractholder and policyholder withdrawal.

Cash Flows from Investments

The principal cash inflows from our investment activities come from repayments of principal on investments, proceeds from maturities of investments, sales of investments, settlements of freestanding derivatives and net investment income. The principal cash outflows relate to purchases of investments, issuances of policy loans and settlements of freestanding derivatives. Additional cash outflows include those related to our securities lending activities and purchases of businesses. We typically have a net cash outflow from investing activities because cash inflows from insurance operations are reinvested in accordance with our ALM discipline to fund insurance liabilities. We closely monitor and manage these risks through our credit risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors and market disruption.

Financing Cash Flows

The principal cash inflows from our financing activities come from issuances of debt, issuances of MetLife, Inc. s securities, and deposits of funds associated with PABs. The principal cash outflows come from repayments of debt, payments of dividends on MetLife, Inc. s securities and withdrawals associated with PABs. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early contractholder and policyholder withdrawal.

Liquidity and Capital Sources

In addition to the general description of liquidity and capital sources in Summary of Primary Sources and Uses of Liquidity and Capital, the following additional information is provided regarding our primary sources of liquidity and capital:

Global Funding Sources

Liquidity is provided by a variety of funding sources, including funding agreements, credit facilities and commercial paper. Capital is provided by a variety of funding sources, including short-term and long-term debt, collateral financing arrangements, junior subordinated debt securities, preferred securities and equity and equity-linked securities. The diversity of our funding sources enhances our funding flexibility, limits dependence on any one market or source of funds and generally lowers the cost of funds. Our primary global funding sources include:

Common Stock

In September 2013 and October 2012, MetLife, Inc. issued 22,679,955 and 28,231,956 new shares, respectively, of its common stock, each for $1.0 billion, in connection with the remarketing of senior debt securities and settlement of stock purchase contracts. See Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts.

In March 2011, MetLife, Inc. issued 68,570,000 new shares of its common stock at a price of $43.25 per share for proceeds of $2.9 billion, net of $16 million of issuance costs. The proceeds were used to repurchase all of MetLife, Inc. s convertible preferred stock. See Liquidity and Capital Uses Convertible Preferred Stock Repurchases and Note 16 of the Notes to the Consolidated Financial Statements.

Commercial Paper, Reported in Short-term Debt

MetLife, Inc. and MetLife Funding, Inc. (MetLife Funding) each have commercial paper programs supported by $4.0 billion in general corporate credit facilities (see Credit and Committed Facilities). MetLife Funding, a subsidiary of Metropolitan Life Insurance Company (MLIC), serves as our centralized finance unit. MetLife Funding raises cash from its commercial paper program and uses the proceeds to extend loans, through MetLife Credit Corp., another subsidiary of MLIC, to MetLife, Inc., MLIC and other affiliates in order to enhance the financial flexibility and liquidity of these companies. Outstanding balances for the commercial paper programs fluctuate in line with changes to affiliates financing arrangements.

Federal Home Loan Bank Funding Agreements, Reported in PABs

Certain of our domestic insurance subsidiaries are members of a regional FHLB. During the years ended December 31, 2013, 2012 and 2011, we issued $11.5 billion, $17.4 billion and $8.8 billion, respectively, and repaid $11.8 billion, $14.8 billion and $8.7 billion, respectively, under funding agreements with certain regional FHLBs. At December 31, 2013 and 2012, total obligations outstanding under these funding agreements were $15.0 billion and $15.4 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Special Purpose Entity Funding Agreements, Reported in PABs

We issue fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities (SPEs) that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2013, 2012 and 2011, we issued $37.7 billion, $35.1 billion and $39.9 billion, respectively, and repaid $36.8 billion, $31.1 billion and $41.6 billion, respectively, under such funding agreements. At December 31, 2013 and 2012, total obligations outstanding under these funding agreements were $31.2 billion and $30.0 billion, respectively. See Note 4 of the Notes to the Consolidated Financial Statements.

Federal Agricultural Mortgage Corporation Funding Agreements, Reported in PABs

We have issued funding agreements to the Federal Agricultural Mortgage Corporation (Farmer Mac), as well as to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under all such funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans. During the years ended December 31, 2013 and 2012, there were no issuances or repayments under such funding agreements. During the year ended December 31, 2011, we issued $1.5 billion and repaid $1.5 billion under such funding agreements. At both December 31, 2013 and 2012, total obligations outstanding under these funding agreements were $2.8 billion. See Note 4 of the Notes to the Consolidated Financial Statements.

Debt Issuances and Other Borrowings

See Note 12 of the Notes to the Consolidated Financial Statements for further information on the following issuances of debt and other borrowings:

- In November 2013, MetLife, Inc. issued $1.0 billion of senior notes for general corporate purposes, which include repayment of certain senior notes upon their maturity in 2014;
- In August 2012, MetLife, Inc. issued $750 million of senior notes for general corporate purposes, which include repayment of certain senior notes upon their maturity in 2013;
- During the year ended December 31, 2011, MetLife Bank received advances related to long-term borrowings totaling $1.3 billion, and during the years ended December 31, 2012 and 2011, MetLife Bank received advances related to short-term borrowings totaling $150 million and $10.1 billion, respectively, from the FHLB of New York (FHLB of NY).

Remarketing of Senior Debt Securities and Settlement of Stock Purchase Contracts

In both September 2013 and October 2012, MetLife, Inc. closed the successful remarketings of $1.0 billion of senior debt securities underlying the common equity units which were issued in November 2010 in connection with the ALICO Acquisition. MetLife, Inc. did not receive any proceeds from the remarketings. Most holders of common equity units used the remarketing proceeds to settle their payment obligations under the applicable stock purchase contracts. The subsequent settlement of the stock purchase contracts provided proceeds to MetLife, Inc. of $1.0 billion in each of September 2013 and October 2012 in exchange for shares of MetLife, Inc. s common stock. In September 2013 and October 2012, MetLife, Inc. delivered 22,679,955 and 28,231,956 shares, respectively, of its newly issued common stock to settle the stock purchase contracts.

See Note 15 of the Notes to the Consolidated Financial Statements for additional information regarding the remarketings.

Table of Contents

Credit and Committed Facilities

We maintain unsecured credit facilities and committed facilities, which aggregated $4.0 billion and $12.4 billion, respectively, at December 31, 2013. When drawn upon, these facilities bear interest at varying rates in accordance with the respective agreements.

The unsecured credit facilities are used for general corporate purposes, to support the borrowers commercial paper programs and for the issuance of letters of credit. At December 31, 2013, we had outstanding $192 million in letters of credit and no drawdowns against these facilities. Remaining availability was $3.8 billion at December 31, 2013. In connection with the October 2013 re-domestication of Exeter to Delaware and the related redistribution of assets held in trust at Exeter, $1.9 billion of outstanding letters of credit were no longer required and therefore canceled by the Company. Accordingly, remaining availability under the unsecured credit facilities increased by $1.9 billion in October 2013. See Executive Summary for further information regarding the re-domestication of Exeter and the Mergers.

The committed facilities are used for collateral for certain of our affiliated reinsurance liabilities. At December 31, 2013, $6.7 billion in letters of credit and $2.8 billion in aggregate drawdowns under collateral financing arrangements were outstanding against these facilities. Remaining availability was $2.9 billion at December 31, 2013.

See Note 12 of the Notes to the Consolidated Financial Statements for further information about these facilities.

We have no reason to believe that our lending counterparties will be unable to fulfill their respective contractual obligations under these facilities. As commitments associated with letters of credit and financing arrangements may expire unused, these amounts do not necessarily reflect our actual future cash funding requirements.

Outstanding Debt Under Global Funding Sources

The following table summarizes our outstanding debt at:

	December 31,	
	2013	2012
	(In millions)	
Short-term debt	$ 175	$ 100
Long-term debt (1)	$ 17,198	$ 16,535
Collateral financing arrangements (2)	$ 4,196	$ 4,196
Junior subordinated debt securities (2)	$ 3,193	$ 3,192

(1) Excludes $1.5 billion and $2.5 billion at December 31, 2013 and 2012, respectively, of long-term debt relating to CSEs FVO (see Note 8 of the Notes to the Consolidated Financial Statements). For more information regarding long-term debt, see Note 12 of the Notes to the Consolidated Financial Statements.
(2) For information regarding prior issuances of collateral financing arrangements and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively.

Dispositions

Cash proceeds from dispositions during the years ended December 31, 2013, 2012 and 2011 were $407 million, $605 million and $449 million, respectively. During the year ended December 31, 2013, the sale of MetLife Bank s depository business resulted in cash outflows of $6.4 billion as a result of the buyer s assumption of the bank deposits liability in exchange for our cash payment.

See Notes 3 and 23 of the Notes to the Consolidated Financial Statements for additional information.

Liquidity and Capital Uses

In addition to the general description of liquidity and capital uses in Summary of Primary Sources and Uses of Liquidity and Capital and Contractual Obligations, the following additional information is provided regarding our primary uses of liquidity and capital:

Convertible Preferred Stock Repurchases

In March 2011, MetLife, Inc. repurchased for $2.9 billion and canceled all of the convertible preferred stock issued in November 2010 in connection with the ALICO Acquisition. See Note 16 of the Notes to the Consolidated Financial Statements.

Common Stock Repurchases

At December 31, 2013, MetLife, Inc. had $1.3 billion remaining under its common stock repurchase program authorizations. See Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities for further information relating to such authorizations. During the years ended December 31, 2013, 2012 and 2011, we did not repurchase any shares of common stock under the repurchase program.

Under the aforementioned authorizations, MetLife, Inc. may purchase its common stock from the MetLife Policyholder Trust, in the open market (including pursuant to the terms of a pre-set trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934) and in privately negotiated transactions. Any future common stock repurchases will be dependent upon several factors, including our capital position, liquidity, financial strength and credit ratings, general market conditions, the market price of MetLife, Inc. s common stock compared to management s assessment of the stock s underlying value and applicable regulatory approvals, as well as other legal and accounting factors. See Business U.S. Regulation Potential Regulation as a Non-Bank SIFI and Risk Factors Capital-Related Risks We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities in the 2013 Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements elsewhere herein.

Dividends

During the years ended December 31, 2013, 2012 and 2011, MetLife, Inc. paid dividends on its common stock of $1.1 billion, $811 million and $787 million, respectively. During each of the years ended December 31, 2013, 2012 and 2011, MetLife, Inc. paid dividends on its preferred stock of $122 million. See Note 16 of the Notes to the Consolidated Financial Statements for information regarding the calculation and timing of these dividend payments.

The declaration and payment of common stock dividends is subject to the discretion of our Board of Directors, and will depend on MetLife, Inc. s financial condition, results of operations, cash requirements, future prospects, regulatory restrictions on the payment of dividends by MetLife, Inc. s insurance subsidiaries and other factors deemed relevant by the Board. On January 6, 2014, the MetLife, Inc. Board of Directors declared a first quarter 2014 common stock dividend of $0.275 per share payable on March 13, 2014 to shareholders of record as of February 6, 2014. The Company estimates the aggregate dividend payment will be $310 million.

Preferred stock dividends are paid quarterly in accordance with the terms of MetLife, Inc. s Floating Rate Non-Cumulative Preferred Stock, Series A, and 6.50% Non-Cumulative Preferred Stock, Series B. The payment of dividends and other distributions by MetLife, Inc. to its security holders may be subject to regulation by the Federal Reserve Board, if, in the future, MetLife, Inc. is designated as a non-bank SIFI. See Business U.S. Regulation Potential Regulation as a Non-Bank SIFI in the 2013 Form 10-K. In addition, if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends could be reduced by any such additional capital requirements that might be imposed. See Business International Regulation Global Systemically Important Insurers in the 2013 Form 10-K. The payment of dividends is also subject to restrictions under the terms of our preferred stock and junior subordinated debentures in situations where we may be experiencing financial stress. See Risk Factors Capital-Related Risks We Have Been, and May Continue to be, Prevented from Repurchasing Our Stock and Paying Dividends at the Level We Wish as a Result of Regulatory Restrictions and Restrictions Under the Terms of Certain of Our Securities in the 2013 Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements elsewhere herein.

Debt Repayments

See Notes 12 and 13 of the Notes to the Consolidated Financial Statements for further information on long-term and short-term debt and collateral financing arrangements, respectively, including:

- In November and August 2013, MetLife, Inc. repaid at maturity its $500 million and $250 million senior notes, respectively;
- In June and December 2012, MetLife, Inc. repaid at maturity its $397 million and $400 million senior notes, respectively;
- In December 2011, MetLife, Inc. repaid at maturity its $750 million senior note;
- During the years ended December 31, 2012 and 2011, MetLife Bank made to the FHLB of NY long-term debt repayments of $374 million and $750 million, and short-term debt repayments of $735 million and $9.7 billion, respectively; and
- In June 2012 and December 2011, following regulatory approval, MetLife Reinsurance Company of Charleston, a wholly-owned subsidiary of MetLife, Inc., repurchased and canceled $451 million and $650 million, respectively, in aggregate principal amounts of surplus notes.

Debt and Facility Covenants

Certain of our debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. We believe we were in compliance with all such covenants at December 31, 2013.

Debt Repurchases

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, and applicable regulatory, legal and accounting factors. Whether or not to repurchase any debt and the size and timing of any such repurchases is determined at our discretion.

Support Agreements

MetLife, Inc. and several of its subsidiaries (each, an Obligor) are parties to various capital support commitments, guarantees and contingent reinsurance agreements with certain subsidiaries of MetLife, Inc. Under these arrangements, each Obligor, with respect to the applicable entity, has agreed to cause such entity to meet specified capital and surplus levels, has guaranteed certain contractual obligations or has agreed to provide, upon the occurrence of certain contingencies, reinsurance for such entity s insurance liabilities. We anticipate that in the event that these arrangements place demands upon us, there will be sufficient liquidity and capital to enable us to meet anticipated demands. See MetLife, Inc. Liquidity and Capital Uses Support Agreements.

Insurance Liabilities

Liabilities arising from our insurance activities primarily relate to benefit payments under various life insurance, property & casualty, annuity and group pension products, as well as payments for policy surrenders, withdrawals and loans. For annuity or deposit type products, surrender or lapse product behavior differs somewhat by segment. In the Retail segment, which includes individual annuities, lapses and surrenders tend to occur in the normal course of business. In each of the years ended December 31, 2013 and 2012, general account surrenders and withdrawals from annuity products were $4.3 billion. In the Corporate Benefit Funding segment, which includes pension closeouts, bank-owned life insurance and other fixed annuity contracts, as well as funding agreements and other capital market products, most of the products offered have fixed maturities or fairly predictable surrenders or withdrawals. With regard to the Corporate Benefit Funding segment liabilities that provide customers with limited rights to accelerate payments, there were $2.2 billion at December 31, 2013 of funding agreements and other capital market products that could be put back to the Company after a period of notice. Of these liabilities, $135 million were subject to a notice period of 90 days. The remaining liabilities are subject to a notice period of five months or greater. See Contractual Obligations.

Pledged Collateral

We pledge collateral to, and have collateral pledged to us by, counterparties in connection with our derivatives. At December 31, 2013 and 2012, we were obligated to return cash collateral under our control of $2.0 billion and $6.0 billion, respectively. At December 31, 2013 and 2012, we had pledged cash collateral of $3 million and $1 million, respectively, for OTC-bilateral derivative contracts between two counterparties (OTC-bilateral) in a net liability position. With respect to OTC-bilateral derivatives in a net liability position that have credit contingent provisions, a one-notch downgrade in the Company s credit rating would require $27 million of additional collateral be provided to our counterparties as of December 31, 2013. See Note 9 of the Notes to the Consolidated Financial Statements for additional information about collateral pledged to us, collateral we pledge and derivatives subject to credit contingent provisions. In addition, we have pledged collateral and have had collateral pledged to us, and may be required from time to time to pledge additional collateral or be entitled to have additional collateral pledged to us, in connection with collateral financing arrangements related to the reinsurance of closed block liabilities and universal life secondary guarantee liabilities. See Note 13 of the Notes to the Consolidated Financial Statements.

Securities Lending

We participate in a securities lending program whereby securities are loaned to third parties, primarily brokerage firms and commercial banks. We obtain collateral, usually cash, from the borrower, which must be returned to the borrower when the loaned securities are returned to us. Under our securities lending program, we were liable for cash collateral under our control of $28.3 billion and $27.7 billion at December 31, 2013 and 2012, respectively. Of these amounts, $6.0 billion and $5.0 billion at December 31, 2013 and 2012, respectively, were on open, meaning that the related loaned security could be returned to us on the next business day requiring the immediate return of cash collateral we hold. The estimated fair value of the securities on loan related to the cash collateral on open at December 31, 2013 was $5.9 billion, of which $5.6 billion were U.S. Treasury and agency securities which, if put to us, could be immediately sold to satisfy the cash requirements to immediately return the cash collateral. See Investments Securities Lending for further information.

Litigation

Putative or certified class action litigation and other litigation, and claims and assessments against us, in addition to those discussed elsewhere herein and those otherwise provided for in the consolidated financial statements, have arisen in the course of our business, including, but not limited to, in connection with our activities as an insurer, employer, investor, investment advisor, taxpayer and, formerly, a mortgage lending bank. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. See Note 21 of the Notes to the Consolidated Financial Statements.

We establish liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For material matters where a loss is believed to be reasonably possible but not probable, no accrual is made but we disclose the nature of the contingency and an aggregate estimate of the reasonably possible range of loss in excess of amounts accrued, when such an estimate can be made. It is not possible to predict or determine the ultimate outcome of all pending investigations and legal proceedings. In some of the matters referred to herein, very large and/or indeterminate amounts, including punitive and treble damages, are sought. Although in light of these considerations, it is possible that an adverse outcome in certain cases could have a material adverse effect upon our financial position, based on information currently known by us, in our opinion, the outcome of such pending investigations and legal proceedings are not likely to have such an effect. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on our consolidated net income or cash flows in particular quarterly or annual periods.

Acquisitions

Cash outflows for acquisitions during the years ended December 31, 2013, 2012 and 2011 were $1.9 billion, $49 million and $233 million, respectively. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding acquisitions.

Contractual Obligations

The following table summarizes our major contractual obligations at December 31, 2013:

	Total	One Year or Less	More than One Year to Three Years	More than Three Years to Five Years	More than Five Years
			(In millions)		
Insurance liabilities	$ 347,807	$ 17,779	$ 13,341	$ 15,285	$ 301,402
Policyholder account balances	294,016	35,547	41,475	27,889	189,105
Payables for collateral under securities loaned and other transactions	30,411	30,411			
Debt	42,237	2,724	4,629	3,987	30,897
Investment commitments	8,651	8,458	193		
Operating leases	1,765	264	402	300	799
Other	18,040	17,576			464
Total	$ 742,927	$ 112,759	$ 60,040	$ 47,461	$ 522,667

Insurance Liabilities

Insurance liabilities include future policy benefits, other policy-related balances, policyholder dividends payable and the policyholder dividend obligation, which are all reported on the consolidated balance sheet and are more fully described in Notes 1 and 4 of the Notes to the Consolidated Financial Statements. The amounts presented reflect future estimated cash payments and (i) are based on mortality, morbidity, lapse and other assumptions comparable with our experience and expectations of future payment patterns; and (ii) consider future premium receipts on current policies in-force. All estimated cash payments presented are undiscounted as to interest, net of estimated future premiums on in-force policies and gross of any reinsurance recoverable. Payment of amounts related to policyholder dividends left on deposit are projected based on assumptions of policyholder withdrawal activity. Because the exact timing and amount of the ultimate policyholder dividend obligation is subject to significant uncertainty and the amount of the policyholder dividend obligation is based upon a long-term projection of the performance of the closed block, we have reflected the obligation at the amount of the liability, if any, presented in the consolidated balance sheet in the more than five years category. Additionally, the more than five years category includes estimated payments due for periods extending for more than 100 years.

The sum of the estimated cash flows shown for all years of $347.8 billion exceeds the liability amounts of $205.6 billion included on the consolidated balance sheet principally due to (i) the time value of money, which accounts for a substantial portion of the difference; and (ii) differences in assumptions, most significantly mortality, between the date the liabilities were initially established and the current date; and are partially offset by liabilities related to accounting conventions, or which are not contractually due, which are excluded.

Actual cash payments may differ significantly from the liabilities as presented in the consolidated balance sheets and the estimated cash payments as presented due to differences between actual experience and the assumptions used in the establishment of these liabilities and the estimation of these cash payments.

For the majority of our insurance operations, estimated contractual obligations for future policy benefits and PABs, as presented, are derived from the annual asset adequacy analysis used to develop actuarial opinions of statutory reserve adequacy for state regulatory purposes. These cash flows are materially representative of the cash flows under GAAP. See Policyholder Account Balances.

Policyholder Account Balances

See Notes 1 and 4 of the Notes to the Consolidated Financial Statements for a description of the components of PABs. See Insurance Liabilities regarding the source and uncertainties associated with the estimation of the contractual obligations related to future policy benefits and PABs.

Amounts presented represent the estimated cash payments undiscounted as to interest and including assumptions related to the receipt of future premiums and deposits; withdrawals, including unscheduled or partial withdrawals; policy lapses; surrender charges; annuitization; mortality; future interest credited; policy loans and other contingent events as appropriate for the respective product type. Such estimated cash payments are also presented net of estimated future premiums on policies currently in-force and gross of any reinsurance recoverable. For obligations denominated in foreign currencies, cash payments have been estimated using current spot foreign currency rates.

The sum of the estimated cash flows shown for all years of $294.0 billion exceeds the liability amount of $212.9 billion included on the consolidated balance sheets principally due to (i) the time value of money, which accounts for a substantial portion of the difference; (ii) differences in assumptions, between the date the liabilities were initially established and the current date; and (iii) liabilities related to accounting conventions, or which are not contractually due, which are excluded.

Payables for Collateral Under Securities Loaned and Other Transactions

We have accepted cash collateral in connection with securities lending and derivatives. As the securities lending transactions expire within the next year and the timing of the return of the derivatives collateral is uncertain, the return of the collateral has been included in the one year or less category in the table. We also held non-cash collateral, which is not reflected as a liability in the consolidated balance sheets of $2.3 billion at December 31, 2013.

Debt

Amounts presented for debt include short-term debt, long-term debt, collateral financing arrangements and junior subordinated debt securities, the total of which differs from the total of the corresponding amounts presented on the consolidated balance sheet due to the following: (i) the amounts presented herein do not include premiums or discounts upon issuance or purchase accounting fair value adjustments; (ii) the amounts presented herein include future interest on such obligations for the period from January 1, 2014 through maturity; and (iii) the amounts presented herein do not include $1.5 billion at December 31, 2013 of long-term debt relating to CSEs FVO as such debt does not represent our contractual obligations. Future interest on variable rate debt was computed using prevailing rates at December 31, 2013 and, as such, does not consider the impact of future rate movements. Future interest on fixed rate debt was computed using the stated rate on the obligations for the period from January 1, 2014 through maturity, except with respect to junior subordinated debt which was computed using the stated rates through the scheduled redemption dates as it is our expectation that such obligations will be redeemed at that time. Inclusion of interest payments on junior subordinated debt securities through the final maturity dates would increase the contractual obligation by $7.7 billion. Pursuant to collateral financing arrangements, MetLife, Inc. may be required to deliver cash or pledge collateral to the respective unaffiliated financial institutions. See Note 13 of the Notes to the Consolidated Financial Statements.

Investment Commitments

To enhance the return on our investment portfolio, we commit to lend funds under mortgage loans, bank credit facilities, bridge loans and private corporate bond investments and we commit to fund partnership investments. In the table, the timing of the funding of mortgage loans and private corporate bond investments is based on the expiration dates of the corresponding commitments. As it relates to commitments to fund partnerships and bank credit facilities, we anticipate that these amounts could be invested any time over the next five years; however, as the timing of the fulfillment of the obligation cannot be predicted, such obligations are presented in the one year or less category. Commitments to fund bridge loans are short-term obligations and, as a result, are presented in the one year or less category. See Note 21 of the Notes to the Consolidated Financial Statements and Off-Balance Sheet Arrangements.

Operating Leases

As a lessee, we have various operating leases, primarily for office space. Contractual provisions exist that could increase or accelerate those lease obligations presented, including various leases with early buyouts and/or escalation clauses. However, the impact of any such transactions would not be material to our financial position or results of operations. See Note 21 of the Notes to the Consolidated Financial Statements.

Other

Other obligations presented are principally comprised of amounts due under reinsurance agreements, payables related to securities purchased but not yet settled, securities sold short, accrued interest on debt obligations, estimated fair value of derivative obligations, deferred compensation arrangements, guaranty liabilities, the estimated fair value of forward stock purchase contracts, and accruals and accounts payable due under contractual obligations, which are all reported in other liabilities on the consolidated balance sheets. If the timing of any of these other obligations is sufficiently uncertain, the amounts are included within the one year or less category. Items reported in other liabilities on the consolidated balance sheets that were excluded from the table represent accounting conventions or are not liabilities due under contractual obligations. Unrecognized tax benefits and related accrued interest totaling $1.0 billion was excluded as the timing of payment cannot be reliably determined.

Separate account liabilities are excluded as they are fully funded by cash flows from the corresponding separate account assets and are set equal to the estimated fair value of separate account assets.

We also enter into agreements to purchase goods and services in the normal course of business; however, such amounts are excluded as these purchase obligations were not material to our consolidated results of operations or financial position at December 31, 2013.

Additionally, we have agreements in place for services we conduct, generally at cost, between subsidiaries relating to insurance, reinsurance, loans and capitalization. Intercompany transactions have been eliminated in consolidation. Intercompany transactions among insurance subsidiaries and affiliates have been approved by the appropriate insurance regulators as required.

MetLife, Inc.

Liquidity Management and Capital Management

Liquidity and capital are managed to preserve stable, reliable and cost-effective sources of cash to meet all current and future financial obligations and are provided by a variety of sources, including a portfolio of liquid assets, a diversified mix of short- and long-term funding sources from the wholesale financial markets and the ability to borrow through credit and committed facilities. Liquidity is monitored through the use of internal liquidity risk metrics, including the composition and level of the liquid asset portfolio, timing differences in short-term cash flow obligations, access to the financial markets for capital and debt transactions and exposure to contingent draws on MetLife, Inc. s liquidity. MetLife, Inc. is an active participant in the global financial markets through which it obtains a significant amount of funding. These markets, which serve as cost-effective sources of funds, are critical components of MetLife, Inc. s liquidity and capital management. Decisions to access these markets are based upon relative costs, prospective views of balance sheet growth and a targeted liquidity profile and capital structure. A disruption in the financial markets could limit MetLife, Inc. s access to liquidity.

Table of Contents

MetLife, Inc. s ability to maintain regular access to competitively priced wholesale funds is fostered by its current credit ratings from the major credit rating agencies. We view our capital ratios, credit quality, stable and diverse earnings streams, diversity of liquidity sources and our liquidity monitoring procedures as critical to retaining such credit ratings. See The Company Capital Rating Agencies.

Liquid Assets

At December 31, 2013 and 2012, MetLife, Inc. and other MetLife holding companies had $5.9 billion and $5.7 billion, respectively. in liquid assets. Of these amounts, $5.5 billion and $5.0 billion were held by MetLife, Inc. and $453 million and $719 million were held by other MetLife holding companies, at December 31, 2013 and 2012, respectively. Liquid assets include cash and cash equivalents, short-term investments and publicly-traded securities, excluding: (i) amounts related to cash collateral received from counterparties in connection with derivatives; (ii) investments held in trust in support of collateral financing arrangements; and (iii) investments pledged in support of derivatives.

Liquid assets held in non-U.S. holding companies are generated in part through dividends from non-U.S. insurance operations determined to be available after application of local insurance regulatory requirements, as discussed in MetLife, Inc. Liquidity and Capital Sources Dividends from Subsidiaries. The cumulative earnings of certain active non-U.S. operations have been reinvested indefinitely in such non-U.S. operations, as described in Note 19 of the Notes to the Consolidated Financial Statements. Under current tax laws, should we repatriate such earnings, we may be subject to additional U.S. income taxes and foreign withholding taxes.

Liquidity

For a summary of MetLife, Inc. s liquidity, see The Company Liquidity.

Capital

Potential Restrictions and Limitations on Non-Bank SIFI and Global Systemically Important Insurers

MetLife Bank has terminated its Federal Deposit Insurance Corporation insurance and MetLife, Inc. de-registered as a bank holding company. As a result, MetLife, Inc. is no longer subject to enhanced supervision and prudential standards as a bank holding company with assets of $50 billion or more. However, if, in the future, MetLife, Inc. is designated by the FSOC as a non-bank systemically important financial institution (non-bank SIFI), it could once again be subject to regulation by the Federal Reserve Board and enhanced supervision and prudential standards. In addition, if MetLife, Inc. is designated as a non-bank SIFI or if additional capital requirements are imposed on MetLife, Inc. as a G-SII, its ability to pay dividends, repurchase common stock or other securities or engage in other transactions that could affect its capital or need for capital could be reduced by any such additional capital requirements that might be imposed. See Business U.S. Regulation Potential Regulation as a Non-Bank SIFI and Business International Regulation in the 2013 Form 10-K.

Liquidity and Capital Sources

In addition to the description of liquidity and capital sources in The Company Summary of Primary Sources and Uses of Liquidity and Capital, the following additional information is provided regarding MetLife, Inc. s primary sources of liquidity and capital:

Dividends from Subsidiaries

MetLife, Inc. relies in part on dividends from its subsidiaries to meet its cash requirements. MetLife, Inc. s insurance subsidiaries are subject to regulatory restrictions on the payment of dividends imposed by the regulators of their respective domiciles. The dividend limitation for U.S. insurance subsidiaries is generally based on the surplus to policyholders at the end of the immediately preceding calendar year and statutory net gain from operations for the immediately preceding calendar year. Statutory accounting practices, as prescribed by insurance regulators of various states in which we conduct business, differ in certain respects from accounting principles used in financial statements prepared in conformity with GAAP. The significant differences relate to the treatment of DAC, certain deferred income tax, required investment liabilities, statutory reserve calculation assumptions, goodwill and surplus notes.

The table below sets forth the dividends permitted to be paid by the respective insurance subsidiary without insurance regulatory approval and the respective dividends paid:

	2014	2013		2012		2011	
Company	**Permitted w/o Approval (1)**	**Paid (2)**	**Permitted w/o Approval (3)**	**Paid (2)**	**Permitted w/o Approval (3)**	**Paid (2)**	**Permitted w/o Approval (3)**
				(In millions)			
Metropolitan Life Insurance Company	$ 1,116	$ 1,428	$ 1,428	$ 1,023	$ 1,350	$ 1,321(4)	$ 1,321
American Life Insurance Company	$	$	$ 523	$ 1,300(5)	$ 168	$ 661	$ 661

MetLife Insurance Company of Connecticut	$ 1,061	$ 1,000	$ 1,330	$ 706(6)	$ 504	$ 517	$ 517
Metropolitan Property and Casualty Insurance Company	$ 218	$ 100	$ 74	$ 100	$	$ 30	$
Metropolitan Tower Life Insurance Company	$ 73	$ 109(7)	$ 77	$ 82	$ 82	$ 80	$ 80
MetLife Investors Insurance Company	$ 99	$ 129	$ 129	$ 18	$ 18	$	$
Delaware American Life Insurance Company	$ 16	$	$ 7	$	$ 12	$	$

(1) Reflects dividend amounts that may be paid during 2014 without prior regulatory approval. However, because dividend tests may be based on dividends previously paid over rolling 12-month periods, if paid before a specified date during 2014, some or all of such dividends may require regulatory approval.

(2) Reflects all amounts paid, including those requiring regulatory approval.

(3) Reflects dividend amounts that could have been paid during the relevant year without prior regulatory approval.

(4) Includes securities transferred to MetLife, Inc. of $170 million during the year ended December 31, 2011.

(5) During May 2012, American Life received regulatory approval to pay an extraordinary dividend for an amount up to the funds remitted in connection with the restructuring of American Life s business in Japan. Subsequently, $1.5 billion was remitted to American Life. See Note 3 of the Notes to the Consolidated Financial Statements. Of this approved amount, $1.3 billion was paid to MetLife, Inc., as an extraordinary dividend.

(6) During June 2012, MICC distributed shares of an affiliate to its stockholders as an in-kind extraordinary dividend of $202 million, as calculated on a statutory basis. Regulatory approval for this extraordinary dividend was obtained due to the timing of payment. During December 2012, MICC paid a dividend to its stockholders in the amount of $504 million, which represented its ordinary dividend capacity at December 31, 2012. Due to the June 2012 in-kind dividend, a portion of this was extraordinary and regulatory approval was obtained.

Table of Contents

(7) During October 2013, Metropolitan Tower Life Insurance Company (MTL) distributed shares of an affiliate to MetLife, Inc. as an in-kind dividend of $32 million. Also during October 2013, MTL paid a dividend to MetLife, Inc. in the amount of $77 million in cash, which represented its dividend capacity without regulatory approval at December 31, 2013. Regulatory approval for these dividends was obtained due to the amount and timing of the payments.

In addition to the amounts presented in the table above, for the years ended December 31, 2013, 2012 and 2011, cash dividends in the aggregate amount of $0, $150 million and $139 million, respectively, were paid to MetLife, Inc. by certain of its other subsidiaries. Additionally, for the years ended December 31, 2013, 2012 and 2011, MetLife, Inc. received cash of $267 million, $9 million and $771 million, respectively, representing returns of capital from certain subsidiaries.

The dividend capacity of our non-U.S. operations is subject to similar restrictions established by the local regulators. The non-U.S. regulatory regimes also commonly limit the dividend payments to the parent to a portion of the prior year s statutory income, as determined by the local accounting principles. The regulators of our non-U.S. operations, including Japan s Financial Services Agency, may also limit or not permit profit repatriations or other transfers of funds to the U.S. if such transfers are deemed to be detrimental to the solvency or financial strength of the non-U.S. operations, or for other reasons. Most of the non-U.S. subsidiaries are second tier subsidiaries which are owned by various non-U.S. holding companies. The capital and rating considerations applicable to the first tier subsidiaries may also impact the dividend flow into MetLife, Inc.

In the second quarter of 2013, MetLife, Inc. announced its plans for the Mergers. As a result, the aggregate amount of dividends permitted to be paid without insurance regulatory approval may be impacted. See Executive Summary for further information on the Mergers.

We actively manage target and excess capital levels and dividend flows on a proactive basis and forecast local capital positions as part of the financial planning cycle. The dividend capacity of certain U.S. and non-U.S. subsidiaries is also subject to business targets in excess of the minimum capital necessary to maintain the desired rating or level of financial strength in the relevant market. We cannot provide assurance that MetLife, Inc. s subsidiaries will have statutory earnings to support payment of dividends to MetLife, Inc. in an amount sufficient to fund its cash requirements and pay cash dividends and that the applicable regulators will not disapprove any dividends that such subsidiaries must submit for approval. See Risk Factors Capital-Related Risks As a Holding Company, MetLife, Inc. Depends on the Ability of Its Subsidiaries to Transfer Funds to It to Meet Its Obligations and Pay Dividends in the 2013 Form 10-K and Note 16 of the Notes to the Consolidated Financial Statements elsewhere herein.

Short-term Debt

MetLife, Inc. maintains a commercial paper program, the proceeds of which can be used to finance the general liquidity needs of MetLife, Inc. and its subsidiaries. MetLife, Inc. had no short-term debt outstanding at both December 31, 2013 and 2012.

Debt Issuances and Other Borrowings

For information on MetLife, Inc. s debt issuances and other borrowings, see The Company Liquidity and Capital Sources Debt Issuances and Other Borrowings.

Collateral Financing Arrangements and Junior Subordinated Debt Securities

For information on MetLife, Inc. s collateral financing arrangements and junior subordinated debt securities, see Notes 13 and 14 of the Notes to the Consolidated Financial Statements, respectively.

Credit and Committed Facilities

At December 31, 2013, MetLife, Inc., along with MetLife Funding, maintained $4.0 billion in unsecured credit facilities, the proceeds of which are available for general corporate purposes, to support our commercial paper programs and for the issuance of letters of credit. At December 31, 2013, MetLife, Inc. had outstanding $192 million in letters of credit and no drawdowns against these facilities. Remaining availability was $3.8 billion at December 31, 2013. See The Company Liquidity and Capital Sources Credit and Committed Facilities.

MetLife, Inc. maintains committed facilities with a capacity of $300 million. At December 31, 2013, MetLife, Inc. had outstanding $300 million in letters of credit and no drawdowns against these facilities. There was no remaining availability at December 31, 2013. In addition, MetLife, Inc. is a party to committed facilities of certain of its subsidiaries, which aggregated $12.1 billion at December 31, 2013. The committed facilities are used as collateral for certain of the Company s affiliated reinsurance liabilities.

See Note 12 of the Notes to the Consolidated Financial Statements for further discussion of these facilities.

Long-term Debt Outstanding

The following table summarizes the outstanding long-term debt of MetLife, Inc. at:

	December 31, 2013	December 31, 2012
	(In millions)	
Long-term debt unaffiliated	$ 15,938	$ 15,669
Long-term debt affiliated (1), (2), (3), (4)	$ 3,600	$ 3,250
Collateral financing arrangements	$ 2,797	$ 2,797
Junior subordinated debt securities	$ 1,748	$ 1,748

(1) In December 2013, MetLife, Inc. issued a $350 million senior note to MetLife Reinsurance Company of Delaware (MRD) due December 2033. The senior note bears interest at a fixed rate of 5.10%, payable semi-annually. MRD issued a $350 million surplus note to MetLife, Inc. in exchange for the senior note.

(2) In December 2012, $1.25 billion of senior notes issued by Exeter, a subsidiary, payable to affiliates and comprised of three notes, were reassigned to MetLife, Inc. MetLife, Inc. received $1.25 billion of preferred stock of Exeter in exchange for the assumption of this affiliated debt. A $250 million senior note matures on September 30, 2016 and bears interest at a fixed rate of 7.44%, payable semi-annually. A $500 million senior note matures on July 15, 2021 and bears interest at a fixed rate of 5.64%, payable semi-annually. A $500 million senior note matures on December 16, 2021 and bears interest at a fixed rate of 5.86%, payable semi-annually.

(3) In December 2012, MetLife, Inc. issued a $750 million senior note to MRD due September 30, 2032. The senior note bears interest at a fixed rate of 4.21%, payable semi-annually. MRD issued a $750 million surplus note to MetLife, Inc. in exchange for the senior note.

(4) In September 2012, $750 million of senior notes issued by Exeter payable to MLIC, were reassigned to MetLife, Inc. MetLife, Inc. received $750 million of preferred stock of Exeter in exchange for the assumption of this affiliated debt. On September 30, 2012, $250 million of the

assumed senior notes matured and, subsequently, in October 2012, a $250 million senior note was issued by MetLife, Inc. to MLIC. The $250 million senior note matures on October 1, 2019 and bears interest at a fixed rate of 3.57%, payable semi-annually. The remaining $500 million senior note matures on June 30, 2014 and bears interest at a fixed rate of 6.44%, payable semi-annually.

Dispositions

Cash proceeds from dispositions during the years ended December 31, 2013 and 2011 were $17 million and $180 million, respectively. During the year ended December 31, 2012, there were no cash proceeds from dispositions. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding dispositions.

Liquidity and Capital Uses

The primary uses of liquidity of MetLife, Inc. include debt service, cash dividends on common and preferred stock, capital contributions to subsidiaries, payment of general operating expenses and acquisitions. Based on our analysis and comparison of our current and future cash inflows from the dividends we receive from subsidiaries that are permitted to be paid without prior insurance regulatory approval, our investment portfolio and other cash flows and anticipated access to the capital markets, we believe there will be sufficient liquidity and capital to enable MetLife, Inc. to make payments on debt, make cash dividend payments on its common and preferred stock, contribute capital to its subsidiaries, pay all general operating expenses and meet its cash needs.

In addition to the description of liquidity and capital uses in The Company Liquidity and Capital Uses and Contractual Obligations, the following additional information is provided regarding MetLife, Inc. s primary uses of liquidity and capital:

Affiliated Capital Transactions

During the years ended December 31, 2013, 2012 and 2011, MetLife, Inc. invested an aggregate of $934 million, $3.5 billion and $1.9 billion, respectively, in various subsidiaries.

MetLife, Inc. lends funds, as necessary, to its subsidiaries and affiliates, some of which are regulated, to meet their capital requirements. MetLife, Inc. had loans to subsidiaries outstanding of $2.3 billion and $750 million at December 31, 2013 and 2012, respectively.

In December 2013, MRD issued a $350 million surplus note to MetLife, Inc. due December 31, 2033. The surplus note bears interest at a fixed rate of 6.0%, payable semi-annually. MetLife, Inc. issued a $350 million senior note to MRD in exchange for the surplus note.

In July 2013, MetLife Ireland Treasury Limited (MITL) borrowed the Chilean peso equivalent of $1.5 billion from MetLife, Inc. The loan bears interest at a fixed rate of 8.5%, payable annually. In December 2013, MITL repaid $245 million of the loan to MetLife, Inc. See Acquisitions.

In April 2013, MetLife Bank s Board of Directors, with prior approval of the Office of the Comptroller of the Currency, approved the reduction of its permanent capital by $550 million through a purchase of its $300 million of outstanding preferred stock held by MetLife, Inc. and a return of capital of $250 million to MetLife, Inc. In May 2013, MetLife, Inc. received $550 million in cash to settle these transactions.

In December 2012, MRD issued a $750 million surplus note to MetLife, Inc. due September 2032. The surplus note bears interest at a fixed rate of 5.13%, payable semi-annually. MetLife, Inc. issued a $750 million senior note to MRD in exchange for the surplus note.

Debt Repayments

For information on MetLife, Inc. s debt repayments, see The Company Liquidity and Capital Uses Debt Repayments. MetLife, Inc. intends to repay all or refinance in whole or in part the debt that is due in 2014.

Debt and Facility Covenants

Certain of MetLife, Inc. s debt instruments, credit facilities and committed facilities contain various administrative, reporting, legal and financial covenants. MetLife, Inc. believes it was in compliance with all such covenants at December 31, 2013.

Maturities of Senior Notes

The following table summarizes MetLife, Inc. s outstanding senior notes by year of maturity through 2018 and 2019 to 2045, excluding any premium or discount, at December 31, 2013:

Year of Maturity	Principal (In millions)	Interest Rate
2014	$ 1,000	2.38%
2014	$ 350	5.50%
2014	$ 500	6.44%
2015	$ 1,000	5.00%
2016	$ 1,250	6.75%
2016	$ 250	7.44%
2017	$ 500	1.76%
2018	$ 500	2.46%
2018	$ 1,035	6.82%
2019 - 2045	$ 12,677	Ranging from 2.46% - 7.72

Support Agreements

MetLife, Inc. is party to various capital support commitments and guarantees with certain of its subsidiaries. Under these arrangements, MetLife, Inc. has agreed to cause each such entity to meet specified capital and surplus levels or has guaranteed certain contractual obligations.

In October 2013, MetLife, Inc. guaranteed two-year notes issued by Exeter to affiliates, MICC and MLI-USA, totaling $500 million that bear interest at 2.47%.

In January 2013, MetLife, Inc. entered into an 18-month agreement with MetLife Bank to lend up to $500 million to MetLife Bank on a revolving basis. In January 2013, MetLife Bank both drew down and repaid $400 million under the agreement, which bore interest at a rate of three-month LIBOR plus 1.75%. In February 2013, the agreement was amended to reduce borrowing capacity to $100 million. MetLife Bank s rights and obligations under the agreement succeeded to MLHL upon the merger of MetLife Bank with and into MLHL. On October 29, 2013, MetLife, Inc. and MLHL agreed to terminate the agreement. There were no loans outstanding at such date.

MetLife, Inc., in connection with MRD s reinsurance of certain universal life and term life risks, entered into a capital maintenance agreement pursuant to which MetLife, Inc. agreed, without limitation as to amount, to cause the initial protected cell of MRD to maintain total adjusted capital equal to or greater than 200% of such protected cell s company action level RBC, as defined in state insurance statutes.

MetLife, Inc. guarantees the obligations of its subsidiary, DelAm, under a stop loss reinsurance agreement with RGA Reinsurance (Barbados) Inc. (RGARe), pursuant to which RGARe retrocedes to DelAm a portion of the whole life medical insurance business that RGARe assumed from American Life on behalf of its Japan operations. Also, MetLife, Inc. guarantees the obligations of its subsidiary, Missouri Reinsurance, Inc. (MoRe), under a retrocession agreement with RGARe, pursuant to which MoRe retrocedes certain group term life insurance liabilities and a portion of the closed block liabilities associated with industrial life and ordinary life insurance policies that it assumed from MLIC.

Prior to the sale in April 2011 of its 50% interest in Mitsui Sumitomo MetLife Insurance Co., Ltd. (MSI MetLife) to a third party, MetLife, Inc. guaranteed the obligations of its subsidiary, Exeter, under a reinsurance agreement with MSI MetLife, under which Exeter reinsures variable annuity business written by MSI MetLife. This guarantee will remain in place until such time as the reinsurance agreement between Exeter and MSI MetLife is terminated, notwithstanding the April 2011 disposition of MetLife, Inc. s interest in MSI MetLife as described in Note 3 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. guarantees the obligations of Exeter in an aggregate amount up to $1.0 billion, under a reinsurance agreement with MetLife Europe Limited (MEL), under which Exeter reinsures the guaranteed living benefits and guaranteed death benefits associated with certain unit-linked annuity contracts issued by MEL.

MetLife, Inc., in connection with MetLife Reinsurance Company of Vermont s (MRV) reinsurance of certain universal life and term life insurance risks, committed to the Vermont Department of Banking, Insurance, Securities and Health Care Administration to take necessary action to cause the three protected cells of MRV to maintain total adjusted capital in an amount that is equal to or greater than 200% of each such protected cell s authorized control level RBC, as defined in Vermont state insurance statutes. See The Company Liquidity and Capital Sources Credit and Committed Facilities and Note 12 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of Charleston s (MRC) reinsurance of a portion of the liabilities associated with the closed block, committed to the South Carolina Department of Insurance to make capital contributions, if necessary, to MRC so that MRC may at all times maintain its total adjusted capital in an amount that is equal to or greater than 200% of the company action level RBC, as defined in South Carolina state insurance statutes as in effect on the date of determination or December 31, 2007, whichever calculation produces the greater capital requirement, or as otherwise required by the South Carolina Department of Insurance. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc., in connection with the collateral financing arrangement associated with MetLife Reinsurance Company of South Carolina s (MRSC) reinsurance of universal life secondary guarantees, committed to the South Carolina Department of Insurance to take necessary action to cause MRSC to maintain the greater of capital and surplus of $250,000 or total adjusted capital in an amount that is equal to or greater than 100% of authorized control level RBC, as defined in South Carolina state insurance statutes. See Note 13 of the Notes to the Consolidated Financial Statements.

MetLife, Inc. has net worth maintenance agreements with two of its insurance subsidiaries, MLIIC and First MetLife Investors Insurance Company. Under these agreements, as amended, MetLife, Inc. agreed, without limitation as to the amount, to cause each of these subsidiaries to have capital and surplus of $10 million, total adjusted capital in an amount that is equal to or greater than 150% of the company action level RBC, as defined by applicable state insurance statutes, and liquidity necessary to enable it to meet its current obligations on a timely basis.

MetLife, Inc. guarantees obligations arising from derivatives of the following subsidiaries: Exeter, MetLife International Holdings, Inc. and MetLife Worldwide Holdings, Inc. These subsidiaries are exposed to various risks relating to their ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. These subsidiaries use a variety of strategies to manage these risks, including the use of derivatives. Further, all of the subsidiaries derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2013 and 2012, derivative transactions with positive mark-to-market values (in-the-money) were $568 million and $3.2 billion, respectively, and derivative transactions with negative mark-to-market values (out-of-the-money) were $734 million and $22 million, respectively. To secure the obligations represented by the out of-the-money transactions, the subsidiaries had provided collateral to their counterparties with an estimated fair value of $651 million and $12 million at December 31, 2013 and 2012, respectively. Accordingly, unsecured derivative liabilities guaranteed by MetLife, Inc. were $83 million and $10 million at December 31, 2013 and 2012, respectively.

MetLife, Inc. also guarantees the obligations of certain of its subsidiaries under committed facilities with third-party banks. See Note 12 of the Notes to the Consolidated Financial Statements.

Acquisitions

During the years ended December 31, 2013, 2012 and 2011, there were no cash outflows for acquisitions. See Note 3 of the Notes to the Consolidated Financial Statements for information regarding the Company s acquisitions.

Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Future Adoption of New Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements.

Non-GAAP and Other Financial Disclosures

Operating earnings is defined as operating revenues less operating expenses, both net of income tax. Operating earnings available to common shareholders is defined as operating earnings less preferred stock dividends.

Operating revenues and operating expenses exclude results of discontinued operations and other businesses that have been or will be sold or exited by MetLife (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 GMIB 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

Table of Contents

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 PABs but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

Amortization of DAC and 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, operating return on common equity is defined as operating earnings available to common shareholders, divided by average GAAP common equity.

All references to operating earnings per share, operating return on equity and premiums, fees and other revenues should be read as references to operating earnings available to common shareholder per diluted common share, operating return on common equity, excluding AOCI and operating premiums, fees and other revenues. Operating premiums, fees and other revenues is defined as GAAP premium, fees and other revenues less the applicable adjustments made to GAAP revenues in calculating operating revenues, as described above. See Selected Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations for additional information.

We believe the presentation of operating earnings and operating earnings available to common shareholders as we measure it for management purposes enhances the understanding of our performance by highlighting the results of operations and the underlying profitability drivers of our business. Operating revenues, operating expenses, operating earnings, operating earnings available to common shareholders, operating return on MetLife, Inc. s common equity and operating return on MetLife, Inc. s common equity, excluding AOCI, should not be viewed as substitutes for the following financial measures calculated in accordance with GAAP: GAAP revenues, GAAP expenses, income (loss) from continuing operations, net of income tax, net income (loss) available to MetLife, Inc. s common shareholders, return on MetLife, Inc. s common equity and return on MetLife, Inc. s common equity, excluding AOCI, respectively. Reconciliations of these measures to the most directly comparable GAAP measures are included in Results of Operations.

In this discussion, we sometimes refer to sales activity for various products. These sales statistics do not correspond to revenues under GAAP, but are used as relevant measures of business activity. Additionally, the impact of changes in our foreign currency exchange rates is calculated using the average foreign currency exchange rates for the current year and is applied to each of the comparable years.

In this discussion, we also provide forward-looking guidance on an operating, or non-GAAP, basis. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measures is not accessible on a forward-looking basis because we believe it is not possible to provide other than a range of net investment gains and losses and net derivative gains and losses, which can fluctuate significantly within or outside the range and from period to period and may have a significant impact on GAAP net income.

Subsequent Events

See Note 23 of the Notes to the Consolidated Financial Statements.

Quantitative and Qualitative Disclosures About Market Risk

Risk Management

We have developed an integrated process for managing risk, which we conduct through multiple Board and senior management committees (financial and non-financial) within our GRM, ALM Unit, Treasury Department and Investments Department. The risk committee structure is designed to provide a consolidated enterprise-wide assessment and management of risk. The ERC is responsible for reviewing all material risks to the enterprise and deciding on actions, if necessary, in the event risks exceed desired targets, taking into consideration industry best practices and the current environment to resolve or mitigate those risks. Additional committees at the MetLife, Inc. and subsidiary insurance company level that manage capital and risk positions, approve ALM strategies and establish corporate business standards, report to the ERC.

Global Risk Management

Independent from the lines of business, the centralized GRM, led by the CRO collaborates and coordinates across all committees to ensure that all material risks are properly identified, measured, aggregated and reported across the Company. The CRO reports to the CEO and is primarily responsible for maintaining and communicating the Company s enterprise risk policies and for monitoring and analyzing all material risks.

GRM considers and monitors a full range of risks against the Company s solvency, liquidity, earnings, business operations and reputation. GRM s primary responsibilities consist of:

- implementing a corporate risk framework, which outlines our enterprise approach for managing risk;
- developing policies and procedures for managing, measuring, monitoring and controlling those risks identified in the corporate risk framework;
- establishing appropriate corporate risk tolerance levels;
- deploying capital on an economic basis;
- recommending capital allocations on an economic capital basis; and
- reporting to (i) the Finance and Risk Committee of MetLife, Inc. s Board of Directors; (ii) the Investment Committee of MLIC s Board of Directors, which assists MetLife, Inc. s Board of Directors in overseeing certain investment activities of the enterprise; and (iii) the financial and non-financial senior management committees on various aspects of risk.

Table of Contents

Asset/Liability Management

We actively manage our assets using an approach that balances quality, diversification, asset/liability matching, liquidity, concentration and investment return. The goals of the investment process are to optimize, net of income tax, risk-adjusted investment income and risk-adjusted total return while ensuring that the assets and liabilities are reasonably managed on a cash flow and duration basis. The ALM process is the shared responsibility of the ALM Unit, GRM, the Portfolio Management Unit, and the senior members of the business segments and is governed by the ALM Committees. The ALM Committees duties include reviewing and approving target portfolios, establishing investment guidelines and limits and providing oversight of the ALM process on a periodic basis. The directives of the ALM Committees are carried out and monitored through ALM Working Groups which are set up to manage by product type. In addition, our ALM Steering Committee oversees the activities of the underlying ALM Committees.

We establish target asset portfolios for each major insurance product, which represent the investment strategies used to profitably fund our liabilities within acceptable levels of risk. These strategies are monitored through regular review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, liquidity, asset sector concentration and credit quality by the ALM Working Groups.

Market Risk Exposures

We regularly analyze our exposure to interest rate, equity market price and foreign currency exchange rate risks. As a result of that analysis, we have determined that the estimated fair values of certain assets and liabilities are materially exposed to changes in interest rates, foreign currency exchange rates and changes in the equity markets. We have exposure to market risk through our insurance operations and investment activities. For purposes of this disclosure, market risk is defined as the risk of loss resulting from changes in interest rates, foreign currency exchange rates and equity markets.

Interest Rates

Our exposure to interest rate changes results most significantly from our holdings of fixed maturity securities, as well as our interest rate sensitive liabilities. The fixed maturity securities include U.S. and foreign government bonds, securities issued by government agencies, corporate bonds, mortgage-backed securities and ABS, all of which are mainly exposed to changes in medium- and long-term interest rates. The interest rate sensitive liabilities for purposes of this disclosure include debt, PABs related to certain investment type contracts, and net embedded derivatives on variable annuities with guaranteed minimum benefits which have the same type of interest rate exposure (medium- and long-term interest rates) as fixed maturity securities. We employ product design, pricing and ALM strategies to reduce the potential effects of interest rate movements. Product design and pricing strategies include the use of surrender charges or restrictions on withdrawals in some products and the ability to reset crediting rates for certain products. ALM strategies include the use of derivatives and duration mismatch limits. See Risk Factors Economic Environment and Capital Markets-Related Risks We Are Exposed to Significant Financial and Capital Markets Risks Which May Adversely Affect Our Results of Operations, Financial Condition and Liquidity, and May Cause Our Net Investment Income to Vary from Period to Period in the 2013 Form 10-K.

Foreign Currency Exchange Rates

Our exposure to fluctuations in foreign currency exchange rates against the U.S. dollar results from our holdings in non-U.S. dollar denominated fixed maturity and equity securities, mortgage loans, and certain liabilities, as well as through our investments in foreign subsidiaries. The principal currencies that create foreign currency exchange rate risk in our investment portfolios and liabilities are the Euro, the Japanese yen and the British pound. Selectively, we use U.S. dollar assets to support certain long duration foreign currency liabilities. Through our investments in foreign subsidiaries and joint ventures, we are primarily exposed to the Japanese yen, the British pound, the Australian dollar, the Mexican peso and the Korean won. In addition to hedging with foreign currency swaps, forwards and options, local surplus in some countries is held entirely or in part in U.S. dollar assets which further minimizes exposure to foreign currency exchange rate fluctuation risk. We have matched much of our foreign currency liabilities in our foreign subsidiaries with their respective foreign currency assets, thereby reducing our risk to foreign currency exchange rate fluctuation. See Risk Factors Risks Related to Our Business Fluctuations in Foreign Currency Exchange Rates Could Negatively Affect Our Profitability in the 2013 Form 10-K.

Equity Market

Along with investments in equity securities, we have exposure to equity market risk through certain liabilities that involve long-term guarantees on equity performance such as net embedded derivatives on variable annuities with guaranteed minimum benefits and certain PABs. We manage this risk on an integrated basis with other risks through our ALM strategies including the dynamic hedging of certain variable annuity guarantee benefits. We also manage equity market risk exposure in our investment portfolio through the use of derivatives. Equity exposures associated with other limited partnership interests are excluded from this discussion as they are not considered financial instruments under GAAP.

Management of Market Risk Exposures

We use a variety of strategies to manage interest rate, foreign currency exchange rate and equity market risk, including the use of derivatives.

Interest Rate Risk Management

To manage interest rate risk, we analyze interest rate risk using various models, including multi-scenario cash flow projection models that forecast cash flows of the liabilities and their supporting investments, including derivatives. These projections involve evaluating the potential gain or loss on most of our in-force business under various increasing and decreasing interest rate environments. The Department of Financial Services regulations require that we perform some of these analyses annually as part of our review of the sufficiency of our regulatory reserves. For several of our legal entities, we maintain segmented operating and surplus asset portfolios for the purpose of ALM and the allocation of investment income to product lines. For each segment, invested assets greater than or equal to the GAAP liabilities and any non-invested assets allocated to the segment are maintained, with any excess allocated to Corporate & Other. The business segments may reflect differences in legal entity, statutory line of business and any product market characteristic which may drive a distinct investment strategy with respect to duration, liquidity or credit quality of the invested assets. Certain smaller entities make use of unsegmented general accounts for which the investment strategy reflects the aggregate characteristics of liabilities in those entities. We measure relative sensitivities of the value of our assets and liabilities to changes in key assumptions utilizing internal models. These models reflect specific product characteristics and include assumptions based on current and anticipated experience regarding lapse, mortality and interest crediting rates. In addition, these models include asset cash flow projections reflecting interest payments, sinking fund payments, principal payments, bond calls, mortgage loan prepayments and defaults.

Common industry metrics, such as duration and convexity, are also used to measure the relative sensitivity of assets and liability values to changes in interest rates. In computing the duration of liabilities, consideration is given to all policyholder guarantees and to how we intend to set indeterminate policy elements such as interest credits or dividends. Each asset portfolio has a duration target based on the liability duration and the investment objectives of that portfolio. Where a liability cash flow may exceed the maturity of available assets, as is the case with certain retirement and group products, we may support such liabilities with equity investments, derivatives or interest rate curve mismatch strategies.

Foreign Currency Exchange Rate Risk Management

We assume foreign currency exchange rate risk primarily in three ways: investments in foreign subsidiaries, purchases of foreign currency denominated investments and the sale of certain insurance products.

- The Foreign Exchange Committee, in coordination with the Treasury Department, is responsible for managing our exposure to investments in foreign subsidiaries. Limits to exposures are established by the Treasury Department and monitored by GRM. The Investments Department manages exposure.
- The Investments Department is responsible for managing the exposure to foreign currency denominated investments. Exposure limits to unhedged foreign currency investments are incorporated into the standing authorizations granted to management by the Board of Directors and are reported to the Board of Directors on a periodic basis.
- Management of each of the Company s segments, with oversight from the Foreign Exchange Committee, is responsible for establishing limits and managing any foreign currency exchange rate exposure caused by the sale or issuance of insurance products.

We use foreign currency swaps, forwards and options to mitigate the liability exposure, risk of loss and financial statement volatility associated with our investments in foreign subsidiaries, foreign currency denominated fixed income investments and the sale of certain insurance products.

Equity Market Risk Management

Equity market risk exposure through the issuance of variable annuities is managed by our ALM Unit in partnership with the Investments Department. Equity market risk is realized through our investment in equity securities and is managed by our Investments Department. We use derivatives to mitigate our equity exposure both in certain liability guarantees such as variable annuities with guaranteed minimum benefit and equity securities. These derivatives include exchange-traded equity futures, equity index options contracts and equity variance swaps. We also employ reinsurance to manage these exposures.

Hedging Activities

We use derivative contracts primarily to hedge a wide range of risks including interest rate risk, foreign currency exchange rate risk, and equity market risk. Derivative hedges are designed to reduce risk on an economic basis while considering their impact on accounting results and GAAP and statutory capital. Our derivative hedge programs vary depending on the type of risk being hedged. Some hedge programs are asset or liability specific while others are portfolio hedges that reduce risk related to a group of liabilities or assets. Our use of derivatives by major hedge programs is as follows:

- Risks Related to Living Guarantee Benefits We use a wide range of derivative contracts to mitigate the risk associated with variable annuity living guarantee benefits. These derivatives include equity and interest rate futures, interest rate swaps, currency futures/forwards, equity indexed options and interest rate option contracts and equity variance swaps.
- Minimum Interest Rate Guarantees For certain liability contracts, we provide the contractholder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors to reduce risk associated with these liability guarantees.
- Reinvestment Risk in Long Duration Liability Contracts Derivatives are used to hedge interest rate risk related to certain long duration liability contracts. Hedges include interest rate swaps and swaptions.
- Foreign Currency Exchange Rate Risk We use currency swaps, forwards and options to hedge foreign currency exchange rate risk. These hedges primarily swap foreign currency denominated bonds, investments in foreign subsidiaries or equity market exposures to U.S. dollars.
- General ALM Hedging Strategies In the ordinary course of managing our asset/liability risks, we use interest rate futures, interest rate swaps, interest rate caps, interest rate floors and inflation swaps. These hedges are designed to reduce interest rate risk or inflation risk related to the existing assets or liabilities or related to expected future cash flows.

Risk Measurement: Sensitivity Analysis

We measure market risk related to our market sensitive assets and liabilities based on changes in interest rates, equity market prices and foreign currency exchange rates utilizing a sensitivity analysis. This analysis estimates the potential changes in estimated fair value based on a hypothetical 10% change (increase or decrease) in interest rates, equity market prices and foreign currency exchange rates. We believe that a 10% change (increase or decrease) in these market rates and prices is reasonably possible in the near term. In performing the analysis summarized below, we used market rates at December 31, 2013. The sensitivity analysis separately calculates each of our market risk exposures (interest rate, equity market and foreign currency exchange rate) relating to our trading and non-trading assets and liabilities. We modeled the impact of changes in market rates and prices on the estimated fair values of our market sensitive assets and liabilities as follows:

- the net present values of our interest rate sensitive exposures resulting from a 10% change (increase or decrease) in interest rates;
- the U.S. dollar equivalent estimated fair values of our foreign currency exposures due to a 10% change (increase or decrease) in foreign currency exchange rates; and
- the estimated fair value of our equity positions due to a 10% change (increase or decrease) in equity market prices.

The sensitivity analysis is an estimate and should not be viewed as predictive of our future financial performance. We cannot ensure that our actual losses in any particular period will not exceed the amounts indicated in the table below. Limitations related to this sensitivity analysis include:

- the market risk information is limited by the assumptions and parameters established in creating the related sensitivity analysis, including the impact of prepayment rates on mortgage loans;
- for the derivatives that qualify as hedges, the impact on reported earnings may be materially different from the change in market values;
- the analysis excludes liabilities pursuant to insurance contracts and real estate holdings; and

the model assumes that the composition of assets and liabilities remains unchanged throughout the period.

Accordingly, we use such models as tools and not as substitutes for the experience and judgment of our management. Based on our analysis of the impact of a 10% change (increase or decrease) in market rates and prices, we have determined that such a change could have a material adverse effect on the estimated fair value of certain assets and liabilities from interest rate, foreign currency exchange rate and equity market exposures.

Table of Contents

The table below illustrates the potential loss in estimated fair value for each market risk exposure of our market sensitive assets and liabilities at December 31, 2013:

	December 31, 2013 (In millions)
Non-trading:	
Interest rate risk	$ 6,777
Foreign currency exchange rate risk	$ 6,562
Equity market risk	$ 95
Trading:	
Interest rate risk	$ 11
Foreign currency exchange rate risk	$ 5

The table below provides additional detail regarding the potential loss in estimated fair value of our trading and non-trading interest sensitive financial instruments at December 31, 2013 by type of asset or liability:

	December 31, 2013		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Yield Curve
		(In millions)	
Assets:			
Fixed maturity securities		$ 350,187	$ (6,684)
Equity securities		$ 3,402	
Fair value option and trading securities		$ 1,289	(11)
Mortgage loans:			
Held-for-investment		$ 58,259	(380)
Held-for-sale		3	
Mortgage loans, net		$ 58,262	(380)
Policy loans		$ 13,206	(135)
Short-term investments		$ 13,955	(2)
Other invested assets		$ 1,103	
Cash and cash equivalents		$ 7,585	
Accrued investment income		$ 4,255	
Premiums, reinsurance and other receivables		$ 3,110	(155)
Other assets		$ 352	(5)
Net embedded derivatives within asset host contracts (2)		$ 285	(22)
Total assets			$ (7,394)
Liabilities: (3)			
Policyholder account balances		$ 137,773	$ 597
Payables for collateral under securities loaned and other transactions		$ 30,411	
Short-term debt		$ 175	
Long-term debt		$ 18,564	363
Collateral financing arrangements		$ 3,984	
Junior subordinated debt securities		$ 3,789	133
Other liabilities:			
Trading liabilities		$ 262	5
Other		$ 2,240	124
Net embedded derivatives within liability host contracts (2)		$ (969)	528
Total liabilities			$ 1,750
Derivative Instruments:			
Interest rate swaps	$ 116,894	$ 2,709	$ (935)
Interest rate floors	$ 63,064	$ 105	(16)
Interest rate caps	$ 39,460	$ 177	52
Interest rate futures	$ 6,011	$	5

Interest rate options	$ 40,978	$ 12	(127)
Interest rate forwards	$ 450	$	(30)
Synthetic GICs	$ 4,409	$	
Foreign currency swaps	$ 24,472	$ (693)	(15)
Foreign currency forwards	$ 17,428	$ (332)	(2)
Currency futures	$ 1,316	$	
Currency options	$ 9,627	$ 323	(7)
Credit default swaps	$ 12,780	$ 121	
Equity futures	$ 5,157	$ (42)	
Equity options	$ 37,411	$ 276	(72)
Variance swaps	$ 21,636	$ (403)	3
Total rate of return swaps	$ 3,802	$ (179)	
Total derivative instruments			$ (1,144)
Net Change			$ (6,788)

(1) Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are interest rate sensitive, are not included herein as any interest rate risk is borne by the contractholder. Mortgage loans, fair value option and trading securities and long-term debt exclude $1.6 billion, $23 million and $1.5 billion, respectively, related to CSEs. See Note 8 of the Notes to the Consolidated Financial Statements for information regarding CSEs.
(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.
(3) Excludes $203.2 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in the yield curve.

Interest rate risk increased by $787 million, or 13%, to $6.8 billion at December 31, 2013 from $6.0 billion at December 31, 2012. This change was primarily due to an increase in interest rates across the swap and U.S. Treasury curves of $1.2 billion and was offset by the use of derivatives by the Company of $442 million during the year ended December 31, 2013.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in foreign currency exchange rates at December 31, 2013 by type of asset or liability:

	December 31, 2013		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in the Foreign Exchange Rate
		(In millions)	
Assets:			
Fixed maturity securities		$ 350,187	$ (8,590)
Equity securities		$ 3,402	(100)
Fair value option and trading securities		$ 1,289	(5)
Mortgage loans:			
Held-for-investment		$ 58,259	(644)
Held-for-sale		3	
Mortgage loans, net		$ 58,262	(644)
Policy loans		$ 13,206	(168)
Short-term investments		$ 13,955	(228)
Other invested assets		$ 1,103	(102)
Cash and cash equivalents		$ 7,585	(293)
Accrued investment income		$ 4,255	(70)
Premiums, reinsurance and other receivables		$ 3,110	(60)
Other assets		$ 352	(7)
Net embedded derivatives within asset host contracts (2)		$ 285	(12)
Total assets			$ (10,279)
Liabilities: (3)			
Policyholder account balances		$ 137,773	$ 2,649
Payables for collateral under securities loaned and other transactions		$ 30,411	121
Long-term debt		$ 18,564	137
Other liabilities		$ 2,502	13
Net embedded derivatives within liability host contracts (2)		$ (969)	130
Total liabilities			$ 3,050
Derivative Instruments:			
Interest rate swaps	$ 116,894	$ 2,709	$ (31)
Interest rate floors	$ 63,064	$ 105	
Interest rate caps	$ 39,460	$ 177	
Interest rate futures	$ 6,011	$	1
Interest rate options	$ 40,978	$ 12	(7)
Interest rate forwards	$ 450	$	

Synthetic GICs	$ 4,409	$	
Foreign currency swaps	$ 24,472	$ (693)	668
Foreign currency forwards	$ 17,428	$ (332)	(209)
Currency futures	$ 1,316	$	(112)
Currency options	$ 9,627	$ 323	361
Credit default swaps	$ 12,780	$ 121	
Equity futures	$ 5,157	$ (42)	5
Equity options	$ 37,411	$ 276	(15)
Variance swaps	$ 21,636	$ (403)	1
Total rate of return swaps	$ 3,802	$ (179)	
Total derivative instruments			$ 662
Net Change			$ (6,567)

(1) Does not necessarily represent those financial instruments solely subject to foreign currency exchange rate risk. Separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are foreign currency exchange rate sensitive, are not

Table of Contents

included herein as any foreign currency exchange rate risk is borne by the contractholder. Mortgage loans, fair value option and trading securities and long-term debt exclude $1.6 billion, $23 million and $1.5 billion, respectively, related to CSEs. See Note 8 of the Notes to Consolidated Financial Statements for information regarding CSEs.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

(3) Excludes $203.2 billion of liabilities, at carrying value, pursuant to insurance contracts reported within future policy benefits and other policy-related balances. These liabilities would economically offset a significant portion of the net change in fair value of our financial instruments resulting from a 10% increase in foreign currency exchange rates.

Foreign currency exchange rate risk decreased by $5 million during the year ended December 31, 2013. This change was primarily due to an increase in exposure to the British Pound offset by a decrease in exposure to the Japanese Yen.

The table below provides additional detail regarding the potential loss in estimated fair value of our portfolio due to a 10% change in equity at December 31, 2013 by type of asset or liability:

	December 31, 2013		
	Notional Amount	Estimated Fair Value (1)	Assuming a 10% Increase in Equity Prices
		(In millions)	
Assets:			
Equity securities		$ 3,402	$ 340
Net embedded derivatives within asset host contracts (2)		$ 285	(17)
Total assets			323
Liabilities:			
Policyholder account balances		$ 137,773	
Net embedded derivatives within liability host contracts (2)		$ (969)	665
Total liabilities			$ 665
Derivative Instruments:			
Interest rate swaps	$ 116,894	$ 2,709	$
Interest rate floors	$ 63,064	$ 105	
Interest rate caps	$ 39,460	$ 177	
Interest rate futures	$ 6,011	$	
Interest rate options	$ 40,978	$ 12	
Interest rate forwards	$ 450	$	
Synthetic GICs	$ 4,409	$	
Foreign currency swaps	$ 24,472	$ (693)	
Foreign currency forwards	$ 17,428	$ (332)	
Currency futures	$ 1,316	$	
Currency options	$ 9,627	$ 323	
Credit default swaps	$ 12,780	$ 121	
Equity futures	$ 5,157	$ (42)	(456)
Equity options	$ 37,411	$ 276	(238)
Variance swaps	$ 21,636	$ (403)	10
Total rate of return swaps	$ 3,802	$ (179)	(399)
Total derivative instruments			$ (1,083)
Net Change			$ (95)

(1) Does not necessarily represent those financial instruments solely subject to equity price risk. Additionally, separate account assets and liabilities and contractholder-directed unit-linked investments and associated PABs, which are equity market sensitive, are not included herein as any equity market risk is borne by the contractholder.

(2) Embedded derivatives are recognized in the consolidated balance sheet in the same caption as the host contract.

Equity price risk decreased by $224 million to $95 million at December 31, 2013 from $319 million at December 31, 2012. This decrease was primarily due to the use of derivatives by the Company.

Table of Contents

Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Management s Annual Report on Internal Control Over Financial Reporting

Management of MetLife, Inc. and subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management s authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

Management has documented and evaluated the effectiveness of the internal control of the Company at December 31, 2013 pertaining to financial reporting in accordance with the criteria established in *Internal Control Integrated Framework* (*1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In the opinion of management, MetLife, Inc. maintained effective internal control over financial reporting at December 31, 2013.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited the consolidated financial statements and consolidated financial statement schedules included in the Annual Report on Form 10-K for the year ended December 31, 2013. The Report of the Independent Registered Public Accounting Firm on their audit of the consolidated financial statements and consolidated financial statement schedules is included on page 180.

Attestation Report of the Company s Registered Public Accounting Firm

The Company s independent registered public accounting firm, Deloitte & Touche LLP, has issued their attestation report on management s internal control over financial reporting which is set forth below.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

MetLife, Inc.:

We have audited the internal control over financial reporting of MetLife, Inc. and subsidiaries (the Company) as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2013, and our report dated February 26, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

New York, New York

February 26, 2014

Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Notes

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

MetLife, Inc.:

We have audited the accompanying consolidated balance sheets of MetLife, Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MetLife, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report, dated February 26, 2014 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York

February 26, 2014

Table of Contents

MetLife, Inc.

Consolidated Balance Sheets

December 31, 2013 and 2012

(In millions, except share and per share data)

	2013	2012
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (amortized cost: $333,599 and $340,870, respectively; includes $4,005 and $3,378, respectively, relating to variable interest entities)	$ 350,187	$ 374,266
Equity securities available-for-sale, at estimated fair value (cost: $3,012 and $2,838, respectively)	3,402	2,891
Fair value option and trading securities, at estimated fair value (includes $662 and $659, respectively, of actively traded securities; and $92 and $112, respectively, relating to variable interest entities)	17,423	16,348
Mortgage loans:		
Held-for-investment, principally at amortized cost (net of valuation allowances of $322 and $347, respectively; includes $1,621 and $2,715, respectively, at estimated fair value, relating to variable interest entities; includes $338 and $0, respectively, under the fair value option)	57,703	56,592
Held-for-sale, principally at estimated fair value (includes $0 and $49, respectively, under the fair value option)	3	414
Mortgage loans, net	57,706	57,006
Policy loans (includes $2 and $0, respectively, relating to variable interest entities)	11,764	11,884
Real estate and real estate joint ventures (includes $1,141 and $10, respectively, relating to variable interest entities; includes $186 and $1, respectively, of real estate held-for-sale)	10,712	9,918
Other limited partnership interests (includes $53 and $274, respectively, relating to variable interest entities)	7,401	6,688
Short-term investments, principally at estimated fair value (includes $8 and $0, respectively, relating to variable interest entities)	13,955	16,906
Other invested assets, principally at estimated fair value (includes $78 and $81, respectively, relating to variable interest entities)	16,229	21,145
Total investments	488,779	517,052
Cash and cash equivalents, principally at estimated fair value (includes $70 and $99, respectively, relating to variable interest entities)	7,585	15,738
Accrued investment income (includes $26 and $13, respectively, relating to variable interest entities)	4,255	4,374
Premiums, reinsurance and other receivables (includes $22 and $5, respectively, relating to variable interest entities)	21,859	21,634
Deferred policy acquisition costs and value of business acquired (includes $255 and $0, respectively, relating to variable interest entities)	26,706	24,761
Goodwill	10,542	9,953
Other assets (includes $152 and $5, respectively, relating to variable interest entities)	8,369	7,876
Separate account assets (includes $1,033 and $0, respectively, relating to variable interest entities)	317,201	235,393
Total assets	$ 885,296	$ 836,781
Liabilities and Equity		
Liabilities		
Future policy benefits (includes $516 and $0, respectively, relating to variable interest entities)	$ 187,942	$ 192,351
Policyholder account balances (includes $56 and $0, respectively, relating to variable interest entities)	212,885	225,821
Other policy-related balances (includes $123 and $0, respectively, relating to variable interest entities)	15,214	15,463
Policyholder dividends payable	675	728
Policyholder dividend obligation	1,771	3,828
Payables for collateral under securities loaned and other transactions	30,411	33,687
Bank deposits		6,416
Short-term debt	175	100
Long-term debt (includes $1,868 and $2,527, respectively, at estimated fair value, relating to variable interest entities)	18,653	19,062
Collateral financing arrangements	4,196	4,196
Junior subordinated debt securities	3,193	3,192
Current income tax payable	186	401
Deferred income tax liability	6,643	8,693
Other liabilities (includes $88 and $40, respectively, relating to variable interest entities)	23,168	22,492

Separate account liabilities (includes $1,033 and $0, respectively, relating to variable interest entities)	317,201	235,393
Total liabilities	822,313	771,823
Contingencies, Commitments and Guarantees (Note 21)		
Redeemable noncontrolling interests	887	121
Equity		
MetLife, Inc. s stockholders equity:		
Preferred stock, par value $0.01 per share; 200,000,000 shares authorized: 84,000,000 shares issued and outstanding; $2,100 aggregate liquidation preference	1	1
Common stock, par value $0.01 per share; 3,000,000,000 shares authorized; 1,125,224,024 and 1,094,880,623 shares issued at December 31, 2013 and 2012, respectively; 1,122,030,137 and 1,091,686,736 shares outstanding at December 31, 2013 and 2012, respectively	11	11
Additional paid-in capital	29,277	28,011
Retained earnings	27,332	25,205
Treasury stock, at cost; 3,193,887 shares at December 31, 2013 and 2012	(172)	(172)
Accumulated other comprehensive income (loss)	5,104	11,397
Total MetLife, Inc. s stockholders equity	61,553	64,453
Noncontrolling interests	543	384
Total equity	62,096	64,837
Total liabilities and equity	$ 885,296	$ 836,781

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Operations

For the Years Ended December 31, 2013, 2012 and 2011

(In millions, except per share data)

	2013	2012	2011
Revenues			
Premiums	$ 37,674	$ 37,975	$ 36,361
Universal life and investment-type product policy fees	9,451	8,556	7,806
Net investment income	22,232	21,984	19,585
Other revenues	1,920	1,906	2,532
Net investment gains (losses):			
Other-than-temporary impairments on fixed maturity securities	(106)	(346)	(924)
Other-than-temporary impairments on fixed maturity securities transferred to other comprehensive income (loss)	(60)	29	(31)
Other net investment gains (losses)	327	(35)	88
Total net investment gains (losses)	161	(352)	(867)
Net derivative gains (losses)	(3,239)	(1,919)	4,824
Total revenues	68,199	68,150	70,241
Expenses			
Policyholder benefits and claims	38,107	37,987	35,471
Interest credited to policyholder account balances	8,179	7,729	5,603
Policyholder dividends	1,259	1,369	1,446
Goodwill impairment		1,868	
Other expenses	16,602	17,755	18,537
Total expenses	64,147	66,708	61,057
Income (loss) from continuing operations before provision for income tax	4,052	1,442	9,184
Provision for income tax expense (benefit)	661	128	2,793
Income (loss) from continuing operations, net of income tax	3,391	1,314	6,391
Income (loss) from discontinued operations, net of income tax	2	48	24
Net income (loss)	3,393	1,362	6,415
Less: Net income (loss) attributable to noncontrolling interests	25	38	(8)
Net income (loss) attributable to MetLife, Inc.	3,368	1,324	6,423
Less: Preferred stock dividends	122	122	122
Preferred stock redemption premium			146
Net income (loss) available to MetLife, Inc. s common shareholders	$ 3,246	$ 1,202	$ 6,155
Income (loss) from continuing operations, net of income tax, available to MetLife, Inc. s common shareholders per common share:			
Basic	$ 2.94	$ 1.08	$ 5.79

Diluted	$	2.91	$	1.08	$	5.74
Net income (loss) available to MetLife, Inc. s common shareholders per common share:						
Basic	$	2.94	$	1.12	$	5.81
Diluted	$	2.91	$	1.12	$	5.76
Cash dividends declared per common share	$	1.01	$	0.74	$	0.74

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2013, 2012 and 2011

(In millions)

	2013	2012	2011
Net income (loss) attributable to MetLife, Inc.	$ 3,368	$ 1,324	$ 6,423
Net income (loss) attributable to noncontrolling interests (1)	25	29	5
Net income (loss) (1)	3,393	1,353	6,428
Other comprehensive income (loss):			
Unrealized investment gains (losses), net of related offsets	(8,086)	9,394	6,867
Unrealized gains (losses) on derivatives	(899)	(239)	1,573
Foreign currency translation adjustments	(975)	(139)	9
Defined benefit plans adjustment	1,292	(842)	(760)
Other comprehensive income (loss), before income tax	(8,668)	8,174	7,689
Income tax (expense) benefit related to items of other comprehensive income (loss)	2,329	(2,851)	(2,789)
Other comprehensive income (loss), net of income tax	(6,339)	5,323	4,900
Comprehensive income (loss)	(2,946)	6,676	11,328
Less: Comprehensive income (loss) attributable to noncontrolling interest, net of income tax	(21)	38	(33)
Comprehensive income (loss) attributable to MetLife, Inc.	$ (2,925)	$ 6,638	$ 11,361

(1) Net income (loss) attributable to noncontrolling interests and net income (loss) exclude gains (losses) of redeemable noncontrolling interests of less than $1 million, $9 million and ($13) million for the years ended December 31, 2013, 2012 and 2011, respectively.

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Equity

For the Year Ended December 31, 2013

(In millions)

						Accumulated Other Comprehensive Income (Loss)						
	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2012	$ 1	$ 11	$ 28,011	$ 25,205	$ (172)	$ 14,642	$ (223)	$ (533)	$ (2,489)	$ 64,453	$ 384	$ 64,837
Common stock issuance			1,000							1,000		1,000
Stock-based compensation			305							305		305
Dividends on preferred stock				(122)						(122)		(122)
Dividends on common stock				(1,119)						(1,119)		(1,119)
Change in equity of noncontrolling interests			(39)							(39)	180	141
Net income (loss)				3,368						3,368	25	3,393
Other comprehensive income (loss), net of income tax						(6,089)	84	(1,126)	838	(6,293)	(46)	(6,339)
Balance at December 31, 2013	$ 1	$ 11	$ 29,277	$ 27,332	$ (172)	$ 8,553	$ (139)	$ (1,659)	$ (1,651)	$ 61,553	$ 543	$ 62,096

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests of less than $1 million.

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Consolidated Statements of Equity (Continued)

For the Year Ended December 31, 2012

(In millions)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Accumulated Other Comprehensive Income (Loss): Net Unrealized Investment Gains (Losses)	Other-Than-Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2011	$ 1	$ 11	$ 26,782	$ 24,814	$ (172)	$ 9,115	$ (441)	$ (648)	$ (1,943)	$ 57,519	$ 370	$ 57,889
Common stock issuance			1,000							1,000		1,000
Stock-based compensation			229							229		229
Dividends on preferred stock				(122)						(122)		(122)
Dividends on common stock				(811)						(811)		(811)
Change in equity of noncontrolling interests											(24)	(24)
Net income (loss)				1,324						1,324	29	1,353
Other comprehensive income (loss), net of income tax						5,527	218	115	(546)	5,314	9	5,323
Balance at December 31, 2012	$ 1	$ 11	$ 28,011	$ 25,205	$ (172)	$ 14,642	$ (223)	$ (533)	$ (2,489)	$ 64,453	$ 384	$ 64,837

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests of $9 million.

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Equity (Continued)

For the Year Ended December 31, 2011

(In millions)

							Accumulated Other Comprehensive Income (Loss)						
	Preferred Stock	Convertible Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Net Unrealized Investment Gains (Losses)	Other-Than Temporary Impairments	Foreign Currency Translation Adjustments	Defined Benefit Plans Adjustment	Total MetLife, Inc.'s Stockholders Equity	Noncontrolling Interests (1)	Total Equity
Balance at December 31, 2010	$ 1	$	$ 10	$ 26,423	$ 19,446	$ (172)	$ 3,488	$ (366)	$ (528)	$ (1,449)	$ 46,853	$ 365	$ 47,218
Redemption of convertible preferred stock				(2,805)							(2,805)		(2,805)
Preferred stock redemption premium					(146)						(146)		(146)
Common stock issuance			1	2,949							2,950		2,950
Stock-based compensation				215							215		215
Dividends on preferred stock					(122)						(122)		(122)
Dividends on common stock					(787)						(787)		(787)
Change in equity of noncontrolling interests												38	38
Net income (loss)					6,423						6,423	5	6,428
Other comprehensive income (loss), net of income tax							5,627	(75)	(120)	(494)	4,938	(38)	4,900
Balance at December 31, 2011	$ 1	$	$ 11	$ 26,782	$ 24,814	$ (172)	$ 9,115	$ (441)	$ (648)	$ (1,943)	$ 57,519	$ 370	$ 57,889

(1) Net income (loss) attributable to noncontrolling interests excludes gains (losses) of redeemable noncontrolling interests of ($13) million.

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2013, 2012 and 2011

(In millions)

	2013	2012	2011
Cash flows from operating activities			
Net income (loss)	$ 3,393	$ 1,362	$ 6,415
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expenses	714	596	679
Amortization of premiums and accretion of discounts associated with investments, net	(167)	(426)	(477)
(Gains) losses on investments and derivatives and from sales of businesses, net	4,011	3,197	(3,181)
(Income) loss from equity method investments, net of dividends or distributions	99	108	315
Interest credited to policyholder account balances	8,179	7,729	5,603
Interest credited to bank deposits	2	78	95
Universal life and investment-type product policy fees	(9,451)	(8,556)	(7,806)
Goodwill impairment		1,868	
Change in fair value option and trading securities	(1,433)	1,900	648
Change in residential mortgage loans held-for-sale, net	373	3,370	(4,530)
Change in mortgage servicing rights		153	(60)
Change in accrued investment income	293	219	525
Change in premiums, reinsurance and other receivables	(582)	(109)	58
Change in deferred policy acquisition costs and value of business acquired, net	(920)	(1,139)	(591)
Change in income tax	871	(883)	1,742
Change in other assets	1,767	2,951	2,360
Change in insurance-related liabilities and policy-related balances	6,897	5,918	7,081
Change in other liabilities	1,008	(1,699)	1,136
Other, net	1,077	523	261
Net cash provided by (used in) operating activities	16,131	17,160	10,273
Cash flows from investing activities			
Sales, maturities and repayments of:			
Fixed maturity securities	117,523	103,823	104,302
Equity securities	725	1,140	2,006
Mortgage loans	12,881	14,673	13,486
Real estate and real estate joint ventures	356	1,018	1,296
Other limited partnership interests	807	974	1,121
Purchases of:			
Fixed maturity securities	(117,826)	(115,793)	(116,939)
Equity securities	(943)	(627)	(1,481)
Mortgage loans	(14,677)	(11,442)	(14,694)
Real estate and real estate joint ventures	(1,880)	(1,942)	(1,534)
Other limited partnership interests	(1,356)	(1,323)	(1,147)
Cash received in connection with freestanding derivatives	1,567	1,933	2,815
Cash paid in connection with freestanding derivatives	(6,710)	(3,258)	(3,478)
Net change in securitized reverse residential mortgage loans		(1,198)	
Sales of businesses, net of cash and cash equivalents disposed of $14, $29 and $54, respectively	393	576	126
Sale of bank deposits	(6,395)		
Sale of interest in joint venture			265
Disposal of subsidiary			4
Purchases of businesses, net of cash and cash equivalents acquired of $20, $33 and $70, respectively	(1,840)	(16)	(163)
Net change in policy loans	(112)	(111)	(66)
Net change in short-term investments	2,955	593	(7,949)
Net change in other invested assets	(547)	(791)	(19)

Other, net	(86)	(158)	(169)
Net cash provided by (used in) investing activities	$ (15,165)	$ (11,929)	$ (22,218)

See accompanying notes to the consolidated financial statements.

Table of Contents

MetLife, Inc.

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2013, 2012 and 2011

(In millions)

	2013	2012	2011
Cash flows from financing activities			
Policyholder account balances:			
Deposits	$ 79,193	$ 91,284	$ 91,946
Withdrawals	(84,874)	(86,994)	(87,625)
Net change in payables for collateral under securities loaned and other transactions	(3,276)	(29)	6,444
Net change in bank deposits	8	(4,169)	96
Net change in short-term debt	75	(586)	380
Long-term debt issued	1,372	750	1,346
Long-term debt repaid	(1,746)	(1,702)	(2,042)
Collateral financing arrangements repaid		(349)	(502)
Cash received (paid) in connection with collateral financing arrangements		(44)	37
Net change in liability for securitized reverse residential mortgage loans		1,198	
Cash received in connection with redeemable noncontrolling interests	774		
Common stock issued, net of issuance costs	1,000	1,000	2,950
Redemption of convertible preferred stock			(2,805)
Preferred stock redemption premium			(146)
Dividends on preferred stock	(122)	(122)	(122)
Dividends on common stock	(1,119)	(811)	(787)
Other, net	(192)	609	212
Net cash provided by (used in) financing activities	(8,907)	35	9,382
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(212)	11	(22)
Change in cash and cash equivalents	(8,153)	5,277	(2,585)
Cash and cash equivalents, beginning of year	15,738	10,461	13,046
Cash and cash equivalents, end of year	$ 7,585	$ 15,738	$ 10,461
Cash and cash equivalents, subsidiaries held-for-sale, beginning of year	$	$	$ 89
Cash and cash equivalents, subsidiaries held-for-sale, end of year	$	$	$
Cash and cash equivalents, from continuing operations, beginning of year	$ 15,738	$ 10,461	$ 12,957
Cash and cash equivalents, from continuing operations, end of year	$ 7,585	$ 15,738	$ 10,461
Supplemental disclosures of cash flow information:			
Net cash paid (received) for:			
Interest	$ 1,270	$ 1,335	$ 1,565
Income tax	$ 677	$ 554	$ 676
Non-cash transactions:			
Business acquisitions:			
Assets acquired	$ 2,988	$ 595	$ 327
Liabilities assumed	(972)	(579)	(94)
Noncontrolling interests assumed	(176)		

Cash paid, excluding transaction costs of $17, $0 and $0, respectively	$	1,840	$	16	$	233
Real estate and real estate joint ventures acquired in satisfaction of debt	$	59	$	553	$	292
Collateral financing arrangements repaid	$		$	102	$	148
Redemption of advances agreements in long-term debt	$		$	3,806	$	
Issuance of funding agreements in policyholder account balances	$		$	3,806	$	

See accompanying notes to the consolidated financial statements.

MetLife, Inc.

Notes to the Consolidated Financial Statements

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

Business

MetLife or the Company refers to MetLife, Inc., a Delaware corporation incorporated in 1999, its subsidiaries and affiliates. MetLife is a leading global provider of insurance, annuities and employee benefit programs throughout the United States, Japan, Latin America, Asia, Europe and the Middle East. MetLife offers life insurance, annuities, property & casualty insurance, and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

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 consolidated financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company s business and operations. Actual results could differ from estimates.

Consolidation

The accompanying 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-end of November 30. Accordingly, the Company s consolidated financial statements reflect the assets and liabilities of such subsidiaries as of November 30, 2013 and 2012 and the operating results of such subsidiaries for the years ended November 30, 2013, 2012 and 2011.

Discontinued Operations

The results of operations of a component of the Company that has either been disposed of or is classified as held-for-sale are reported in discontinued operations if certain criteria are met. In order to qualify for a discontinued operation, the operations and cash flows of the component have been or will be eliminated from the ongoing operations of the Company, and the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction.

Separate Accounts

Separate accounts are established in conformity with insurance laws and are generally not chargeable with liabilities that arise from any other business of the Company. Separate account assets are subject to general account claims only to the extent the value of such assets exceeds the separate account liabilities. The Company reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts if:

- such separate accounts are legally recognized;
- assets supporting the contract liabilities are legally insulated from the Company s general account liabilities;
- investments are directed by the contractholder; and
- all investment performance, net of contract fees and assessments, is passed through to the contractholder.

The Company reports separate account assets at their fair value which is based on the estimated fair values of the underlying assets comprising the individual separate account portfolios. Investment performance (including investment income, net investment gains (losses) and changes in unrealized gains (losses)) and the corresponding amounts credited to contractholders of such separate accounts are offset within the same line in the statements of operations. Separate accounts credited with a contractual investment return are combined on a line-by-line basis with the Company s general account assets, liabilities, revenues and expenses and the accounting for these investments is consistent with the methodologies described herein for similar financial instruments held within the general account. Unit-linked separate account investments that are directed by contractholders but do not meet one or more of the other above criteria are included in fair value option (FVO) and trading securities.

The Company s revenues reflect fees charged to the separate accounts, including mortality charges, risk charges, policy administration fees, investment management fees and surrender charges. Such fees are included in universal life and investment-type product policy fees in the statements of operations.

Reclassifications

Certain amounts in the prior years consolidated financial statements and related footnotes thereto have been reclassified to conform with the current year presentation as discussed throughout the Notes to the Consolidated Financial Statements.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

Summary of Significant Accounting Policies

The following are the Company s significant accounting policies with references to notes providing additional information on such policies and critical accounting estimates relating to such policies.

Accounting Policy	**Note**
Insurance	4
Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles	5
Reinsurance	6
Investments	8
Derivatives	9
Fair Value	10
Goodwill	11
Employee Benefit Plans	18
Income Tax	19
Litigation Contingencies	21

Insurance

Future Policy Benefit Liabilities and Policyholder Account Balances

The Company establishes liabilities for amounts payable under insurance policies. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, morbidity, policy lapse, renewal, retirement, disability incidence, disability terminations, investment returns, inflation, expenses and other contingent events as appropriate to the respective product type and geographical area. These assumptions are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. Utilizing these assumptions, liabilities are established on a block of business basis. For long duration insurance contracts, assumptions such as mortality, morbidity and interest rates are locked in upon the issuance of new business. However, significant adverse changes in experience on such contracts may require the establishment of premium deficiency reserves. Such reserves are determined based on the then current assumptions and do not include a provision for adverse deviation.

Premium deficiency reserves may also be established for short duration contracts to provide for expected future losses. These reserves are based on actuarial estimates of the amount of loss inherent in that period, including losses incurred for which claims have not been reported. The provisions for unreported claims are calculated using studies that measure the historical length of time between the incurred date of a claim and its eventual reporting to the Company. Anticipated investment income is considered in the calculation of premium deficiency losses for short duration contracts.

Liabilities for universal and variable life secondary guarantees and paid-up guarantees are determined by estimating the expected value of death benefits payable when the account balance is projected to be zero and recognizing those benefits ratably over the accumulation period based on total expected assessments. The assumptions used in estimating the secondary and paid-up guarantee liabilities are consistent with those used for amortizing deferred policy acquisition costs (DAC), and are thus subject to the same variability and risk as further discussed herein. The assumptions of investment performance and volatility for variable products are consistent with historical experience of appropriate underlying equity indices, such as the Standard & Poor s Ratings Services (S&P) 500 Index. The benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios.

The Company regularly reviews its estimates of liabilities for future policy benefits and compares them with its actual experience. Differences result in changes to the liability balances with related charges or credits to benefit expenses in the period in which the changes occur.

Policyholder account balances (PABs) relate to contract or contract features where the Company has no significant insurance risk.

The Company issues directly and assumes through reinsurance certain variable annuity products with guaranteed minimum benefits that provide the policyholder a minimum return based on their initial deposit (i.e., the benefit base) less withdrawals. These guarantees are accounted for as insurance liabilities or as embedded derivatives depending on how and when the benefit is paid. Specifically, a guarantee is accounted for as an embedded derivative if a guarantee is paid without requiring (i) the occurrence of specific insurable event, or (ii) the policyholder to annuitize. Alternatively, a guarantee is accounted for as an insurance liability if the guarantee is paid only upon either (i) the occurrence of a specific insurable event, or (ii) annuitization. In certain cases, a guarantee may have elements of both an insurance liability and an embedded derivative and in such cases the guarantee is split and accounted for under both models.

Guarantees accounted for as insurance liabilities in future policy benefits include guaranteed minimum death benefits (GMDBs), the portion of guaranteed minimum income benefits (GMIBs) that require annuitization, and the life-contingent portion of guaranteed minimum withdrawal benefits (GMWBs).

Guarantees accounted for as embedded derivatives in PABs include the non life-contingent portion of GMWBs, guaranteed minimum accumulation benefits (GMABs) and the portion of GMIBs that do not require annuitization. At inception, the Company attributes to the embedded derivative a portion of the projected future guarantee fees to be collected from the policyholder equal to the present value of projected future guaranteed benefits. Any additional fees represent excess fees and are reported in universal life and investment-type product policy fees.

Other Policy-Related Balances

Other policy-related balances include policy and contract claims, unearned revenue liabilities, premiums received in advance, policyholder dividends due and unpaid, policyholder dividends left on deposit and negative value of business acquired.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

The liability for policy and contract claims generally relates to incurred but not reported death, disability, long-term care (LTC) and dental claims, as well as claims which have been reported but not yet settled. The liability for these claims is based on the Company s estimated ultimate cost of settling all claims. The Company derives estimates for the development of incurred but not reported claims principally from analyses of historical patterns of claims by business line. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims expense in the period in which the estimates are changed or payments are made.

The unearned revenue liability relates to universal life-type and investment-type products and represents policy charges for services to be provided in future periods. The charges are deferred as unearned revenue and amortized using the product s estimated gross profits and margins, similar to DAC as discussed further herein. Such amortization is recorded in universal life and investment-type product policy fees.

The Company accounts for the prepayment of premiums on its individual life, group life and health contracts as premium received in advance and applies the cash received to premiums when due.

See Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles for a discussion of negative value of business acquired.

Recognition of Insurance Revenues and Deposits

Premiums related to traditional life, annuity policies with life contingencies, long-duration accident and health, and credit insurance policies are recognized as revenues when due from policyholders. Policyholder benefits and expenses are provided to recognize profits over the estimated lives of the insurance policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred and recognized into earnings in a constant relationship to insurance in-force or, for annuities, the amount of expected future policy benefit payments.

Premiums related to short-duration non-medical health and disability, accident and health, and certain credit insurance contracts are recognized on a pro rata basis over the applicable contract term.

Deposits related to universal life-type and investment-type products are credited to PABs. Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided. Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related PABs.

Premiums related to property and casualty contracts are recognized as revenue on a pro rata basis over the applicable contract term. Unearned premiums, representing the portion of premium written related to the unexpired coverage, are also included in future policy benefits.

Premiums, policy fees, policyholder benefits and expenses are presented net of reinsurance.

Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles

The Company incurs significant costs in connection with acquiring new and renewal insurance business. Costs that are related directly to the successful acquisition or renewal of insurance contracts are capitalized as DAC. Such costs include:

- incremental direct costs of contract acquisition, such as commissions;
- the portion of an employee s total compensation and benefits related to time spent selling, underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed;
- other essential direct costs that would not have been incurred had a policy not been acquired or renewed; and
- in limited circumstances, the costs of direct-response advertising, the primary purpose of which is to elicit sales to customers who could be shown to have responded specifically to the advertising and that results in probable future benefits.

All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, unsuccessful sales and underwriting efforts, as well as all indirect costs, are expensed as incurred.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

Value of business acquired (VOBA) is an intangible asset resulting from a business combination that represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections.

DAC and VOBA are amortized as follows:

Products:	In proportion to the following over estimated lives of the contracts:
Nonparticipating and non-dividend-paying traditional contracts:	Historic actual and expected future gross premiums.
Term insurance	
Nonparticipating whole life insurance	
Traditional group life insurance	
Non-medical health insurance	
Accident and health insurance	
Participating, dividend-paying traditional contracts	Actual and expected future gross margins.
Fixed and variable universal life contracts	Actual and expected future gross profits.
Fixed and variable deferred annuity contracts	
Credit insurance contracts	Historic and future earned premium.
Property and casualty insurance contracts	
Other short-duration contracts	

See Note 5 for additional information on DAC and VOBA amortization.

The recovery of DAC and VOBA is dependent upon the future profitability of the related business. DAC and VOBA are aggregated in the financial statements for reporting purposes.

The Company generally has two different types of sales inducements which are included in other assets: (i) the policyholder receives a bonus whereby the policyholder s initial account balance is increased by an amount equal to a specified percentage of the customer s deposit; and (ii) the policyholder receives a higher interest rate using a dollar cost averaging method than would have been received based on the normal general account interest rate credited. The Company defers sales inducements and amortizes them over the life of the policy using the same methodology and assumptions used to amortize DAC. The amortization of sales inducements is included in policyholder benefits and claims. Each year, or more frequently if circumstances indicate a potential recoverability issue exists, the Company reviews deferred sales inducements to determine the recoverability of the asset.

Value of distribution agreements acquired (VODA) is reported in other assets and represents the present value of expected future profits associated with the expected future business derived from the distribution agreements acquired as part of a business combination. Value of customer relationships acquired (VOCRA) is also reported in other assets and represents the present value of the expected future profits associated with the expected future business acquired through existing customers of the acquired company or business. The VODA and VOCRA associated with past business combinations are amortized over useful lives ranging from 10 to 40 years and such amortization is included in other expenses. Each year, or more frequently if circumstances indicate a possible impairment exists, the Company reviews VODA and VOCRA to determine whether the asset is impaired.

For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability. The fair value of the in-force contract obligations is based on projections by each block of business. Negative VOBA is amortized over the policy period in proportion to the approximate consumption of losses included in the liability usually expressed in terms of insurance in-force or account value. Such amortization is recorded as a contra-expense in other expenses.

Reinsurance

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Cessions under reinsurance agreements do not discharge the Company s obligations as the primary insurer. The Company reviews all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

For reinsurance of existing in-force blocks of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid (received), and the liabilities ceded (assumed) related to the underlying contracts is considered the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is recorded as an adjustment to DAC and recognized as a component of other expenses on a basis consistent with the way the acquisition costs on the underlying reinsured contracts would be recognized. Subsequent amounts paid (received) on the reinsurance of in-force blocks, as well as amounts paid (received) related to new business, are recorded as ceded (assumed) premiums; and ceded (assumed) premiums, reinsurance and other receivables (future policy benefits) are established.

For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid (received) are recorded as ceded (assumed) premiums and ceded (assumed) unearned premiums. Unearned premiums are reflected as a component of premiums, reinsurance

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

and other receivables (future policy benefits). Such amounts are amortized through earned premiums over the remaining contract period in proportion to the amount of insurance protection provided. For retroactive reinsurance of short-duration contracts that meet the criteria of reinsurance accounting, amounts paid (received) in excess of the related insurance liabilities ceded (assumed) are recognized immediately as a loss and are reported in the appropriate line item within the statement of operations. Any gain on such retroactive agreement is deferred and is amortized as part of DAC, primarily using the recovery method.

Amounts currently recoverable under reinsurance agreements are included in premiums, reinsurance and other receivables and amounts currently payable are included in other liabilities. Assets and liabilities relating to reinsurance agreements with the same reinsurer may be recorded net on the balance sheet, if a right of offset exists within the reinsurance agreement. In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance.

Premiums, fees and policyholder benefits and claims include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in other revenues. With respect to GMIBs, a portion of the directly written GMIBs are accounted for as insurance liabilities, but the associated reinsurance agreements contain embedded derivatives. These embedded derivatives are included in premiums, reinsurance and other receivables with changes in estimated fair value reported in policyholder benefits and claims.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate. Periodically, the Company evaluates the adequacy of the expected payments or recoveries and adjusts the deposit asset or liability through other revenues or other expenses, as appropriate.

Investments

Net Investment Income and Net Investment Gains (Losses)

Income on investments is reported within net investment income, unless otherwise stated herein. Gains and losses on sales of investments, impairment losses and changes in valuation allowances are reported within net investment gains (losses), unless otherwise stated herein.

Fixed Maturity and Equity Securities

The majority of the Company s fixed maturity and equity securities are classified as available-for-sale (AFS) and are reported at their estimated fair value. Unrealized investment gains and losses on these securities are recorded as a separate component of other comprehensive income (loss) (OCI), net of policyholder-related amounts and deferred income taxes. All security transactions are recorded on a trade date basis. Investment gains and losses on sales are determined on a specific identification basis.

Interest income on fixed maturity securities is recognized when earned using an effective yield method giving effect to amortization of premiums and accretion of discounts. Prepayment fees are recognized when earned. Dividends on equity securities are recognized when declared.

The Company periodically evaluates fixed maturity and equity securities for impairment. The assessment of whether impairments have occurred is based on management s case-by-case evaluation of the underlying reasons for the decline in estimated fair value, as well as an analysis of the gross unrealized losses by severity and/or age as described in Note 8 Evaluation of AFS Securities for OTTI and Evaluating Temporarily Impaired AFS Securities.

For fixed maturity securities in an unrealized loss position, an other-than-temporary impairment (OTTI) is recognized in earnings when it is anticipated that the amortized cost will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the OTTI recognized in earnings is the entire difference between the security s amortized cost and estimated fair value. If neither of these conditions exist, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI in earnings (credit loss). If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of OTTI related to other-than-credit factors (noncredit loss) is recorded in OCI.

With respect to equity securities, the Company considers in its OTTI analysis its intent and ability to hold a particular equity security for a period of time sufficient to allow for the recovery of its estimated fair value to an amount equal to or greater than cost. If a sale decision is made for an equity security and recovery to an amount at least equal to cost prior to the sale is not expected, the security will be deemed to be other-than-temporarily impaired in the period that the sale decision was made and an OTTI loss will be recorded in earnings. The OTTI loss recognized is the entire difference between the security s cost and its estimated fair value.

FVO and Trading Securities

FVO and trading securities are stated at estimated fair value and include investments for which the FVO has been elected (FVO Securities) and investments that are actively purchased and sold (Actively Traded Securities). FVO Securities include:

- fixed maturity and equity securities held-for-investment by the general account to support asset and liability management strategies for certain insurance products and investments in certain separate accounts (FVO general account securities);
- contractholder-directed investments supporting unit-linked variable annuity type liabilities which do not qualify for presentation and reporting as separate account summary total assets and liabilities. These investments are primarily mutual funds and, to a lesser extent, fixed maturity and equity securities, short-term investments and cash and cash equivalents. The investment returns on these investments inure to contractholders and are offset by a corresponding change in PABs through interest credited to policyholder account balances (FVO contractholder-directed unit-linked investments); and
- securities held by consolidated securitization entities (CSEs) (FVO securities held by CSEs).

Actively Traded Securities principally include fixed maturity securities and short sale agreement liabilities, which are included in other liabilities.

Changes in estimated fair value of these securities are included in net investment income, except for certain securities included in FVO Securities where changes are included in net investment gains (losses).

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

Mortgage Loans

The Company disaggregates its mortgage loan investments into three portfolio segments: commercial, agricultural, and residential. The accounting policies that are applicable to all portfolio segments are presented below and the accounting policies related to each of the portfolio segments are included in Note 8.

Mortgage Loans Held-For-Investment

Mortgage loans held-for-investment are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of valuation allowances. Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premiums and accretion of discounts.

Also included in mortgage loans held-for-investment are commercial mortgage loans held by CSEs and residential mortgage loans for which the FVO was elected. These mortgage loans are stated at estimated fair value. Changes in estimated fair value are recognized in net investment gains (losses) for commercial mortgage loans held by CSEs FVO, and net investment income for residential mortgage loans.

Mortgage Loans Held-For-Sale

Mortgage loans held-for-sale that were previously designated as held-for-investment, but now are designated as held-for-sale and mortgage loans originated with the intent to sell for which FVO was not elected, are stated at the lower of amortized cost or estimated fair value.

Policy Loans

Policy loans are stated at unpaid principal balances. Interest income on such loans is recorded as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy s anniversary date. Valuation allowances are not established for policy loans, as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal or interest on the loan is deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Real Estate

Real estate held-for-investment is stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the asset (typically 20 to 55 years). Rental income associated with such real estate is recognized on a straight-line basis over the term of the respective leases. The Company periodically reviews its real estate held-for-investment for impairment and tests for recoverability whenever events or changes in circumstances indicate the carrying value may not be recoverable and exceeds its estimated fair value. Properties whose carrying values are greater than their undiscounted cash flows are written down to their estimated fair value, which is generally computed using the present value of expected future cash flows discounted at a rate commensurate with the underlying risks.

Real estate for which the Company commits to a plan to sell within one year and actively markets in its current condition for a reasonable price in comparison to its estimated fair value is classified as held-for-sale. Real estate held-for-sale is stated at the lower of depreciated cost or estimated fair value less expected disposition costs and is not depreciated.

Real Estate Joint Ventures and Other Limited Partnership Interests

The Company uses the equity method of accounting for investments in equity securities when it has significant influence or at least 20% interest and for investments in 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. The Company recognizes distributions on cost method investments as earned or received. Because of the nature and structure of these cost method investments, they do not meet the characteristics of an equity security in accordance with applicable accounting standards.

The Company routinely evaluates its equity method and cost method investments for impairment. For equity method investees, the Company considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred. The Company considers its cost method investments for impairment when the carrying value of such investments exceeds the net asset value (NAV). The Company takes into consideration the severity and duration of this excess when determining whether the cost method investment is impaired.

Short-term Investments

Short-term investments include securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value or amortized cost, which approximates estimated fair value.

Other Invested Assets

Other invested assets consist principally of the following:

Freestanding derivatives with positive estimated fair values are described in Derivatives below.
Tax credit and renewable energy partnerships derive a significant source of investment return in the form of income tax credits or other tax incentives. Where tax credits are guaranteed by a creditworthy third party, the investment is accounted for under the effective yield method. Otherwise, the investment is accounted for under the equity method.
Leveraged leases are recorded net of non-recourse debt. Income on leveraged leases is recognized by applying the leveraged lease s estimated rate of return to the net investment in the lease. The Company regularly reviews residual values for impairment.
Funds withheld represent a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements. The Company recognizes interest on funds withheld at rates defined by the terms of the agreement which may be contractually specified or directly related to the underlying investments.
Investments in joint ventures that engage in insurance underwriting activities are accounted for under the equity method.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

Securities Lending Program

Securities lending transactions, whereby blocks of securities are loaned to third parties, primarily brokerage firms and commercial banks, are treated as financing arrangements and the associated liability is recorded at the amount of cash received. The Company obtains collateral at the inception of the loan, usually cash, in an amount generally equal to 102% of the estimated fair value of the securities loaned, and maintains it at a level greater than or equal to 100% for the duration of the loan. The Company is liable to return to the counterparties the cash collateral received. Security collateral on deposit from counterparties in connection with the securities lending transactions may not be sold or repledged, unless the counterparty is in default, and is not reflected in the financial statements. The Company monitors the estimated fair value of the securities loaned on a daily basis and additional collateral is obtained as necessary. Income and expenses associated with securities lending transactions are reported as investment income and investment expense, respectively, within net investment income.

Derivatives

Freestanding Derivatives

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

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivatives carrying value in other invested assets or other liabilities.

If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in net derivative gains (losses) except as follows:

Statement of Operations Presentation:	Derivative:
Policyholder benefits and claims	Economic hedges of variable annuity guarantees included in future policy benefits
Net investment income	Economic hedges of equity method investments in joint ventures
	All derivatives held in relation to trading portfolios
	Derivatives held within contractholder-directed unit-linked investments
Other revenues	Derivatives held in connection with the Company s previous mortgage banking activities

Hedge Accounting

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

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

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

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

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

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

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

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

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

Embedded Derivatives

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

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

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

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition.

Subsequent to initial recognition, fair values are based on unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable. When such quoted prices are not available, fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring management judgment are used to determine the estimated fair value of assets and liabilities.

Goodwill

Goodwill represents the future economic benefits arising from net assets acquired in a business combination that are not individually identified and recognized. Goodwill is calculated as the excess of cost over the estimated fair value of such net assets acquired, is not amortized, and is tested for impairment based on a fair value approach at least annually or more frequently if events or circumstances indicate that there may be justification for conducting an interim test. The Company performs its annual goodwill impairment testing during the third quarter of each year based upon data as of the close of the second quarter. Goodwill associated with a business acquisition is not tested for impairment during the year the business is acquired unless there is a significant identified impairment event.

The impairment test is performed at the reporting unit level, which is the operating segment or a business one level below the operating segment, if discrete financial information is prepared and regularly reviewed by management at that level. For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, there may be an indication of impairment. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business combination. The excess of the carrying value of goodwill over the implied fair value of goodwill would be recognized as an impairment and recorded as a charge against net income.

On an ongoing basis, the Company evaluates potential triggering events that may affect the estimated fair value of the Company s reporting units to assess whether any goodwill impairment exists. Deteriorating or adverse market conditions for certain reporting units may have a significant impact on the estimated fair value of these reporting units and could result in future impairments of goodwill.

Employee Benefit Plans

Certain subsidiaries of MetLife, Inc. (the Subsidiaries) sponsor and/or administer various plans that provide defined benefit pension and other postretirement benefits covering eligible employees and sales representatives. Measurement dates used for all of the Subsidiaries defined benefit pension and other postretirement benefit plans correspond with the fiscal year ends of sponsoring Subsidiaries, which are December 31 for U.S. Subsidiaries and November 30 for most non-U.S. Subsidiaries.

The Company recognizes the funded status of the projected benefit obligation (PBO) for pension benefits and the accumulated postretirement benefit obligation (APBO) for other postretirement benefits for each of its plans. The Company recognizes an expense for differences between actual experience and estimates over the average future service period of participants. The actuarial gains (losses), prior service costs (credit) and the remaining net transition asset or obligation not yet included in net periodic benefit costs are charged to accumulated OCI (AOCI), net of income tax.

The Subsidiaries also sponsor defined contribution plans for substantially all U.S. employees under which a portion of employee contributions is matched. Applicable matching contributions are made each payroll period. Accordingly, the Company recognizes compensation cost for current matching contributions. As all contributions are transferred currently as earned to the defined contribution plans, no liability for matching contributions is recognized in the balance sheets.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

Income Tax

MetLife, Inc. and its includable life insurance and non-life insurance subsidiaries file a consolidated U.S. federal income tax return in accordance with the provisions of the Internal Revenue Code of 1986, as amended (the Code). Non-includable subsidiaries file either separate individual corporate tax returns or separate consolidated tax returns.

The Company s accounting for income taxes represents management s best estimate of various events and transactions.

Deferred tax assets and liabilities resulting from temporary differences between the financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

The realization of deferred tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Factors in management s determination include the performance of the business and its ability to generate capital gains. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- future taxable income exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable income in prior carryback years; and
- tax planning strategies.

The Company may be required to change its provision for income taxes in certain circumstances. Examples of such circumstances include when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Unrecognized tax benefits due to tax uncertainties that do not meet the threshold are included within other liabilities and are charged to earnings in the period that such determination is made.

The Company classifies interest recognized as interest expense and penalties recognized as a component of income tax.

Litigation Contingencies

The Company is a party to a number of legal actions and is involved in a number of regulatory investigations. Given the inherent unpredictability of these matters, it is difficult to estimate the impact on the Company s financial position. Liabilities are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Except as otherwise disclosed in Note 21, legal costs are recognized as incurred. On a quarterly and annual basis, the Company reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company s financial statements.

Other Accounting Policies

Redeemable Noncontrolling Interests

Redeemable noncontrolling interests associated with certain joint ventures and partially-owned consolidated subsidiaries are reported in the temporary section of the balance sheet.

Stock-Based Compensation

The Company grants certain employees and directors stock-based compensation awards under various plans that are subject to specific vesting conditions. With the exception of performance shares granted in 2013 which are remeasured quarterly, the cost of all stock-based transactions is measured at fair value at grant date and recognized over the period during which a grantee is required to provide services in exchange for the award. Although the terms of the Company s stock-based plans do not accelerate vesting upon retirement, or the attainment of retirement eligibility, the requisite service period subsequent to attaining such eligibility is considered nonsubstantive. Accordingly, the Company recognizes compensation expense related to stock-based awards over the shorter of the requisite service period or the period to attainment of retirement eligibility. An estimation of future forfeitures of stock-based awards is incorporated into the determination of compensation expense when recognizing expense over the requisite service period.

Cash and Cash Equivalents

The Company considers all highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at amortized cost, which approximates estimated fair value.

Property, Equipment, Leasehold Improvements and Computer Software

Property, equipment and leasehold improvements, which are included in other assets, are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, as appropriate. The estimated life is generally 40 years for company occupied real estate property, from one to 25 years for leasehold improvements, and from three to seven years for all other property and equipment. The cost basis of the property, equipment and leasehold improvements was $2.0 billion and $2.5 billion at December 31, 2013 and 2012, respectively. Accumulated depreciation and amortization of property, equipment and leasehold improvements was $1.0 billion and $1.3 billion at December 31, 2013 and 2012, respectively. Related depreciation and amortization expense was $183 million, $208 million and $199 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Computer software, which is included in other assets, is stated at cost, less accumulated amortization. Purchased software costs, as well as certain internal and external costs incurred to develop internal-use computer software during the application development stage, are capitalized. Such

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

costs are amortized generally over a four-year period using the straight-line method. The cost basis of computer software was $1.7 billion and $1.5 billion at December 31, 2013 and 2012, respectively. Accumulated amortization of capitalized software was $1.1 billion and $932 million at December 31, 2013 and 2012, respectively. Related amortization expense was $216 million, $221 million and $217 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Other Revenues

Other revenues include, in addition to items described elsewhere herein, advisory fees, broker-dealer commissions and fees, administrative service fees, and changes in account value relating to corporate-owned life insurance (COLI). Such fees and commissions are recognized in the period in which services are performed. Under certain COLI contracts, if the Company reports certain unlikely adverse results in its financial statements, withdrawals would not be immediately available and would be subject to market value adjustment, which could result in a reduction of the account value.

Policyholder Dividends

Policyholder dividends are approved annually by the insurance subsidiaries boards of directors. The aggregate amount of policyholder dividends is related to actual interest, mortality, morbidity and expense experience for the year, as well as management s judgment as to the appropriate level of statutory surplus to be retained by the insurance subsidiaries.

Foreign Currency

Assets, liabilities and operations of foreign affiliates and subsidiaries are recorded based on the functional currency of each entity. The determination of the functional currency is made based on the appropriate economic and management indicators. With the exception of certain foreign operations, primarily Japan, where multiple functional currencies exist, the local currencies of foreign operations are the functional currencies. Assets and liabilities of foreign affiliates and subsidiaries are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year-end and income and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to OCI, net of applicable taxes. Gains and losses from foreign currency transactions, including the effect of re-measurement of monetary assets and liabilities to the appropriate functional currency, are reported as part of net investment gains (losses) in the period in which they occur.

Earnings Per Common Share

Basic earnings per common share are computed based on the weighted average number of common shares, or their equivalent, outstanding during the period. The difference between the number of shares assumed issued and number of shares assumed purchased represents the dilutive shares. Diluted earnings per common share include the dilutive effect of the assumed: (i) exercise or issuance of stock-based awards using the treasury stock method; (ii) settlement of stock purchase contracts underlying common equity units using the treasury stock method; and (iii) settlement of accelerated common stock repurchase contracts. Under the treasury stock method, exercise or issuance of stock-based awards and settlement of the stock purchase contracts underlying common equity units is assumed to occur with the proceeds used to purchase common stock at the average market price for the period.

Adoption of New Accounting Pronouncements

Effective July 17, 2013, the Company adopted new guidance regarding derivatives that permits the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the United States Treasury and London Interbank Offered Rate (LIBOR). Also, this new guidance removes the restriction on using different benchmark rates for similar hedges. The new guidance did not have a material impact on the financial statements upon adoption, but may impact the selection of benchmark interest rates for hedging relationships in the future.

Effective January 1, 2013, the Company adopted new guidance regarding comprehensive income that requires an entity to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The adoption was prospectively applied and resulted in additional disclosures in Note 16.

Effective January 1, 2013, the Company adopted new guidance regarding balance sheet offsetting disclosures which requires an entity to disclose information about offsetting and related arrangements for derivatives, including bifurcated embedded derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions, to enable users of its financial statements to understand the effects of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The adoption was retrospectively applied and resulted in additional disclosures related to derivatives in Note 9.

On January 1, 2012, the Company adopted new guidance regarding accounting for DAC, which was retrospectively applied. The guidance specifies that only costs related directly to successful acquisition of new or renewal contracts can be capitalized as DAC; all other acquisition-related costs must be expensed as incurred. Under the new guidance, advertising costs may only be included in DAC if the capitalization criteria in the direct-response advertising guidance in Subtopic 340-20, *Other Assets and Deferred Costs Capitalized Advertising Costs*, are met. As a result, certain direct marketing, sales manager compensation and administrative costs previously capitalized by the Company will no longer be deferred.

On January 1, 2012, the Company adopted new guidance regarding comprehensive income, which was retrospectively applied, that provides companies with the option to present the total of comprehensive income, components of net income, and the components of OCI either in a single continuous statement of comprehensive income or in two separate but consecutive statements in annual financial statements. The standard eliminates the option to present components of OCI as part of the statement of changes in stockholders equity. The Company adopted the two-statement approach for annual financial statements.

Effective January 1, 2012, the Company adopted new guidance on goodwill impairment testing that simplifies how an entity tests goodwill for impairment. This new guidance allows an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

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

reporting unit is less than its carrying value as a basis for determining whether it needs to perform the quantitative two-step goodwill impairment test. Only if an entity determines, based on qualitative assessment, that it is more likely than not that a reporting unit s fair value is less than its carrying value will it be required to calculate the fair value of the reporting unit. The qualitative assessment is optional and the Company is permitted to bypass it for any reporting unit in any period and begin its impairment analysis with the quantitative calculation. The Company is permitted to perform the qualitative assessment in any subsequent period.

Effective January 1, 2012, the Company adopted new guidance regarding fair value measurements that establishes common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards. Some of the amendments clarify the Financial Accounting Standards Board s (FASB) intent on the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption did not have a material impact on the Company s financial statements other than the expanded disclosures in Note 10.

Future Adoption of New Accounting Pronouncements

In March 2013, the FASB issued new guidance regarding foreign currency (Accounting Standards Update (ASU) 2013-05, *Foreign Currency Matters (Topic 830): Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity)*, effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013. The amendments require an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to apply the guidance in Subtopic 830-30, *Foreign Currency Matters Translation of Financial Statements,* to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance in section 830-30-40, *Derecognition,* still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The Company does not expect the adoption of this new guidance to have a material impact on its financial statements.

In February 2013, the FASB issued new guidance regarding liabilities (ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date)*, effective retrospectively for fiscal years beginning after December 15, 2013 and interim periods within those years. The amendments require an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. In addition, the amendments require an entity to disclose the nature and amount of the obligation, as well as other information about the obligation. The Company does not expect the adoption of this new guidance to have a material impact on its financial statements.

In July 2011, the FASB issued new guidance on other expenses (ASU 2011-06, *Other Expenses (Topic 720): Fees Paid to the Federal Government by Health Insurers)*, effective for calendar years beginning after December 31, 2013. The objective of this standard is to address how health insurers should recognize and classify in their income statements fees mandated by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. The amendments in this standard specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using the straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. In accordance with the adoption of the new accounting pronouncement on January 1, 2014, the Company recorded $57 million in other liabilities, and a corresponding deferred cost, in other assets.

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, which includes MetLife Home Loans LLC (MLHL), the surviving, non-bank entity of the merger of MetLife Bank, National Association (MetLife Bank) with and into MLHL (see Note 3) and other business activities.

Americas

The Americas consists of the following segments:

<u>Retail</u>

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, and is organized into two businesses: Group and Voluntary & Worksite. Group insurance products and services include variable life, universal life and term life products. Group insurance products and services also include dental, group short- and long-term disability and accidental death & dismemberment coverages. The Voluntary & Worksite business includes personal lines property & casualty insurance, including private passenger automobile, homeowners and personal excess liability insurance offered to employees on a voluntary basis. The Voluntary & Worksite business also includes LTC, prepaid legal plans and critical illness products.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

2. Segment Information (continued)

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 and health insurance, group medical, dental, credit insurance, endowment and retirement & savings products written in Latin America. Starting in the first quarter of 2013, the Latin America segment includes U.S. sponsored direct business, comprised of group and individual products sold through sponsoring organizations and affinity groups. Products included are life, dental, group short- and long-term disability, accidental death & dismemberment coverages, property & casualty and other accident and 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 and 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 and health insurance, credit insurance, annuities, endowment and retirement & savings products.

Corporate & Other

Corporate & Other contains the excess capital not allocated to the segments, external integration costs, internal resource costs for associates committed to acquisitions, enterprise-wide strategic initiative restructuring charges, and various start-up and certain run-off businesses. Start-up businesses include expatriate benefits insurance, as well as direct and digital marketing products. 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. Corporate & Other also includes our investment management business through which we offer fee-based investment management services to institutional clients. 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. 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 GMIB 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 PABs but do not qualify for hedge accounting treatment and excludes amounts related to net investment income earned on contractholder-directed unit-linked investments;

Amortization of DAC and 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;

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

2. Segment Information (continued)

- 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.

Set forth in the tables below is certain financial information with respect to the Company s segments, as well as Corporate & Other, for the years ended December 31, 2013, 2012 and 2011 and at December 31, 2013 and 2012. The segment accounting policies are the same as those used to prepare the Company s consolidated financial statements, except for operating earnings adjustments as defined above. In addition, segment accounting policies include the method of capital allocation described below.

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

The Company s economic capital model 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 and applying an industry standard method for the inclusion of diversification benefits among risk types.

For the Company s domestic segments, net investment income is credited or charged based on the level of allocated equity; 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.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

2. Segment Information (continued)

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.

	Operating Earnings										
	Americas										
Year Ended December 31, 2013	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
						(In millions)					
Revenues											
Premiums	$ 6,528	$ 15,250	$ 2,859	$ 2,824	$ 27,461	$ 7,801	$ 2,297	$ 116	$ 37,675	$ (1)	$ 37,674
Universal life and investment-type product policy fees	4,912	688	247	991	6,838	1,722	386	139	9,085	366	9,451
Net investment income	7,898	1,856	5,790	1,246	16,790	2,915	498	381	20,584	1,648	22,232
Other revenues	1,018	418	278	23	1,737	92	97	28	1,954	(34)	1,920
Net investment gains (losses)										161	161
Net derivative gains (losses)										(3,239)	(3,239)
Total revenues	20,356	18,212	9,174	5,084	52,826	12,530	3,278	664	69,298	(1,099)	68,199
Expenses											
Policyholder benefits and claims and policyholder dividends	9,028	14,227	5,402	2,454	31,111	5,755	1,039	63	37,968	1,398	39,366
Interest credited to policyholder account balances	2,331	155	1,233	417	4,136	1,690	147	42	6,015	2,164	8,179
Goodwill impairment											
Capitalization of DAC	(1,309)	(141)	(27)	(424)	(1,901)	(2,143)	(714)	(28)	(4,786)		(4,786)
Amortization of DAC and VOBA	1,384	140	23	310	1,857	1,542	683	1	4,083	(533)	3,550
Amortization of negative VOBA				(2)	(2)	(427)	(95)		(524)	(55)	(579)
Interest expense on debt		1	9		10		1	1,148	1,159	123	1,282
Other expenses	5,084	2,380	523	1,612	9,599	4,312	1,810	894	16,615	520	17,135
Total expenses	16,518	16,762	7,163	4,367	44,810	10,729	2,871	2,120	60,530	3,617	64,147
Provision for income tax expense (benefit)	1,314	488	704	143	2,649	557	78	(925)	2,359	(1,698)	661
Operating earnings	$ 2,524	$ 962	$ 1,307	$ 574	$ 5,367	$ 1,244	$ 329	$ (531)	6,409		
Adjustments to:											
Total revenues									(1,099)		
Total expenses									(3,617)		
Provision for income tax (expense) benefit									1,698		
Income (loss) from continuing operations, net of income tax									$ 3,391		$ 3,391

At December 31, 2013	Retail	Group, Voluntary & Worksite Benefits	Corporate Benefit Funding	Latin America	Asia (1)	EMEA	Corporate & Other	Total
				(In millions)				
Total assets	$ 349,516	$ 43,404	$ 220,612	$ 69,874	$ 119,717	$ 33,382	$ 48,791	$ 885,296
Separate account assets	$ 172,382	$ 644	$ 77,023	$ 49,660	$ 8,996	$ 8,496	$	$ 317,201
Separate account liabilities	$ 172,382	$ 644	$ 77,023	$ 49,660	$ 8,996	$ 8,496	$	$ 317,201

(1) Total assets includes $98.4 billion of assets from the Japan operations which represents 11% of total consolidated assets.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

2. Segment Information (continued)

	Operating Earnings										
	Americas										
Year Ended December 31, 2012	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
					(In millions)						
Revenues											
Premiums	$ 6,532	$ 14,794	$ 3,237	$ 2,578	$ 27,141	$ 8,344	$ 2,370	$ 56	$ 37,911	$ 64	$ 37,975
Universal life and investment-type product policy fees	4,561	662	225	785	6,233	1,491	333	155	8,212	344	8,556
Net investment income	7,670	1,768	5,703	1,198	16,339	2,895	535	703	20,472	1,512	21,984
Other revenues	879	422	259	16	1,576	26	121	33	1,756	150	1,906
Net investment gains (losses)										(352)	(352)
Net derivative gains (losses)										(1,919)	(1,919)
Total revenues	19,642	17,646	9,424	4,577	51,289	12,756	3,359	947	68,351	(201)	68,150
Expenses											
Policyholder benefits and claims and policyholder dividends	9,010	13,691	5,704	2,231	30,636	5,819	1,196	119	37,770	1,586	39,356
Interest credited to policyholder account balances	2,375	167	1,358	393	4,293	1,784	126	39	6,242	1,487	7,729
Goodwill impairment										1,868	1,868
Capitalization of DAC	(1,753)	(138)	(29)	(353)	(2,273)	(2,288)	(723)		(5,284)	(5)	(5,289)
Amortization of DAC and VOBA	1,607	133	22	224	1,986	1,563	626	2	4,177	22	4,199
Amortization of negative VOBA				(5)	(5)	(456)	(94)		(555)	(67)	(622)
Interest expense on debt		1	8	(1)	8	5	1	1,176	1,190	166	1,356
Other expenses	5,369	2,351	478	1,375	9,573	4,738	1,810	559	16,680	1,431	18,111
Total expenses	16,608	16,205	7,541	3,864	44,218	11,165	2,942	1,895	60,220	6,488	66,708
Provision for income tax expense (benefit)	1,032	481	659	130	2,302	554	146	(679)	2,323	(2,195)	128
Operating earnings	$ 2,002	$ 960	$ 1,224	$ 583	$ 4,769	$ 1,037	$ 271	$ (269)	5,808		
Adjustments to:											
Total revenues									(201)		
Total expenses									(6,488)		
Provision for income tax (expense) benefit									2,195		
Income (loss) from continuing operations, net of income tax									$ 1,314		$ 1,314

At December 31, 2012	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Asia (1)**	**EMEA**	**Corporate & Other**	**Total**
				(In millions)				
Total assets	$ 332,387	$ 44,138	$ 217,352	$ 23,272	$ 131,138	$ 23,474	$ 65,020	$ 836,781

Separate account assets	$ 150,513	$ 532	$ 71,875	$ 4,200	$ 8,273	$	$	$ 235,393
Separate account liabilities	$ 150,513	$ 532	$ 71,875	$ 4,200	$ 8,273	$	$	$ 235,393

(1) Total assets includes $111.0 billion of assets from the Japan operations which represents 13% of total consolidated assets.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

2. Segment Information (continued)

	Operating Earnings										
	Americas										
Year Ended December 31, 2011	**Retail**	**Group, Voluntary & Worksite Benefits**	**Corporate Benefit Funding**	**Latin America**	**Total**	**Asia**	**EMEA**	**Corporate & Other**	**Total**	**Adjustments**	**Total Consolidated**
						(In millions)					
Revenues											
Premiums	$ 6,711	$ 13,949	$ 2,848	$ 2,514	$ 26,022	$ 7,716	$ 2,477	$ 54	$ 36,269	$ 92	$ 36,361
Universal life and investment-type product policy fees	4,096	630	232	757	5,715	1,343	315	155	7,528	278	7,806
Net investment income	7,414	1,768	5,506	1,025	15,713	2,475	562	888	19,638	(53)	19,585
Other revenues	779	390	249	15	1,433	36	123	60	1,652	880	2,532
Net investment gains (losses)										(867)	(867)
Net derivative gains (losses)										4,824	4,824
Total revenues	19,000	16,737	8,835	4,311	48,883	11,570	3,477	1,157	65,087	5,154	70,241
Expenses											
Policyholder benefits and claims and policyholder dividends	9,220	13,015	5,287	2,064	29,586	5,239	1,290	126	36,241	676	36,917
Interest credited to policyholder account balances	2,412	178	1,323	371	4,284	1,607	166		6,057	(454)	5,603
Goodwill impairment											
Capitalization of DAC	(2,339)	(176)	(25)	(295)	(2,835)	(2,045)	(669)		(5,549)	(9)	(5,558)
Amortization of DAC and VOBA	1,845	186	17	207	2,255	1,486	613	1	4,355	543	4,898
Amortization of negative VOBA				(6)	(6)	(560)	(53)		(619)	(78)	(697)
Interest expense on debt	1		9	1	11			1,293	1,304	325	1,629
Other expenses	5,854	2,198	513	1,305	9,870	4,522	1,723	505	16,620	1,645	18,265
Total expenses	16,993	15,401	7,124	3,647	43,165	10,249	3,070	1,925	58,409	2,648	61,057
Provision for income tax expense (benefit)	672	445	599	150	1,866	441	156	(584)	1,879	914	2,793
Operating earnings	$ 1,335	$ 891	$ 1,112	$ 514	$ 3,852	$ 880	$ 251	$ (184)	4,799		
Adjustments to:											
Total revenues									5,154		
Total expenses									(2,648)		
Provision for income tax (expense) benefit									(914)		
Income (loss) from continuing operations, net of income tax									$ 6,391		$ 6,391

The following table presents total premiums, universal life and investment-type product policy fees and other revenues by major product groups of the Company s segments, as well as Corporate & Other:

	Years Ended December 31,		
	2013	**2012**	**2011**

		(In millions)	
Life insurance (1)	$ 32,176	$ 31,723	$ 30,486
Accident and health insurance	13,214	13,255	12,269
Property and casualty insurance	3,270	3,117	3,043
Non-insurance	385	342	901
Total	$ 49,045	$ 48,437	$ 46,699

(1) Includes annuities and corporate benefit funding products.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

2. Segment Information (continued)

Revenues derived from any customer did not exceed 10% of consolidated premiums, universal life and investment-type product policy fees and other revenues for the years ended December 31, 2013, 2012 and 2011.

The following table presents total premiums, universal life and investment-type product policy fees and other revenues associated with the Company s U.S. and foreign operations:

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
U.S.	$ 32,529	$ 31,500	$ 30,108
Foreign:			
Japan	7,373	7,833	7,184
Other	9,143	9,104	9,407
Total	$ 49,045	$ 48,437	$ 46,699

3. Acquisitions and Dispositions

2013 Acquisition

ProVida

Description of Transaction

On October 1, 2013, MetLife completed its previously announced acquisition of Administradora de Fondos de Pensiones Provida S.A. (ProVida), the largest private pension fund administrator in Chile based on assets under management and number of pension fund contributors. The acquisition of ProVida supports the Company s growth strategy in emerging markets and further strengthens the Company s overall position in Chile. Pursuant to an agreement with Banco Bilbao Vizcaya Argentaria, S.A. and BBVA Inversiones Chile S.A. (together, BBVA), a subsidiary of MetLife, Inc. acquired 64.32% of the outstanding shares of ProVida from BBVA and conducted a public cash tender offer, through which MetLife acquired an additional 27.06% of the outstanding shares of ProVida. As a result, as of October 1, 2013, MetLife owned 91.38% of the total outstanding shares of ProVida, for a total acquisition price of $1.9 billion.

MetLife s accounting for pension products sold in foreign jurisdictions, where the sale and administration of those products are restricted by government regulations to pension companies, is under an insurance company accounting model. ProVida s assets under management meet the qualifications for separate account presentation. As such, the portion of the assets representing pension participants funds are reported at estimated fair value as separate account assets, with an equivalent amount reported as separate account liabilities. The fair value of separate account assets and liabilities as of the acquisition date was $45.2 billion. ProVida s mandatory ownership interest in the funds (the Encaje investment) representing a 1% interest in each of the funds offered, is accounted for as FVO Securities and reported in fair value option and trading securities on the balance sheet. Direct and incremental costs resulting in successful sales are capitalized and amortized over the estimated gross profits of the new business sold. Additionally, a portion of the revenue collected through fees on ProVida s mandatory savings product are deferred and recognized when future services are provided to participants who have stopped contributing to the savings product due to retirement, disability or unemployment (non-contributors).

Allocation of Purchase Price

Of the $1.9 billion purchase price, $631 million and $159 million was allocated to the fair value of tangible assets acquired and liabilities assumed, respectively, of which $451 million in assets represented the Encaje investment. Additionally, $941 million was allocated to VOBA, which represented the value of the future profit margin from existing in-force pension participants (acquired affiliates) who are contributors as of the acquisition date and is subject to amortization as a percentage of estimated gross profits from the acquired contributing affiliates over an estimated weighted average period of 15 years. The amounts allocated to the ProVida trade name and goodwill were $179 million and $1.1 billion, respectively, both of which are not subject to amortization. The value of the trade name represents the savings or relief from royalty costs due to owning the ProVida name. Goodwill represents the expected future profits resulting from new sales after the acquisition date. The purchase price was also allocated to a future service liability (FSL) of $589 million attributable to acquired affiliates who are currently not contributing or will become non-contributors in the future. This liability represents the discounted future cost of servicing these affiliate accounts. The FSL will be released to earnings over the non-contributor phase period based on the actual expenses incurred during the respective period for servicing non-contributors from the acquired business. The allocated purchase price also included deferred tax assets and deferred tax liabilities of $118 million and $224 million, respectively, which are attributable to the intangible assets and liabilities, excluding goodwill, established at the purchase date. No portion of goodwill is expected to be deductible for tax purposes. The fair value of noncontrolling interests was $176 million, and is valued based upon the offered public cash tender price for each outstanding share of ProVida not acquired by MetLife.

Revenues and Earnings of ProVida

Revenues and net income of $100 million and $42 million, respectively, resulting from the acquisition of ProVida since the acquisition date, are included in the consolidated statement of operations within the Latin America segment for the year ended December 31, 2013.

Costs Related to Acquisition

The Company incurred $18 million of transaction costs for the year ended December 31, 2013. Such costs have been expensed as incurred and are included in other expenses. These expenses have been recorded within Corporate & Other.

Integration-related expenses incurred for the year ended December 31, 2013 and included in other expenses were $12 million. Integration costs represent incremental costs directly relating to integrating ProVida, including expenses for severance, consulting and the integration of information systems. These expenses have been recorded within Corporate & Other.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

3. Acquisitions and Dispositions (continued)

2013 Dispositions

MetLife Bank

On January 11, 2013, MetLife Bank and MetLife, Inc. completed the sale of MetLife Bank s $6.4 billion of deposits to GE Capital Retail Bank for $6.4 billion in net consideration paid. On February 14, 2013, MetLife, Inc. announced that it had received the required approvals from both the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System (the Federal Reserve Board) to de-register as a bank holding company. Subsequently, MetLife Bank terminated its deposit insurance and MetLife, Inc. de-registered as a bank holding company. In August 2013, MetLife Bank merged with and into MLHL, its former subsidiary, with MLHL as the surviving, non-bank entity.

MetLife Bank has sold or has otherwise committed to exit substantially all of its operations. In conjunction with exiting MetLife Bank s businesses (the MetLife Bank Divestiture), for the years ended December 31, 2013, 2012 and 2011, the Company recorded net losses of $115 million, $163 million and $212 million, respectively, net of income tax, related to the gain on disposal of the depository business, the loss on disposal of mortgage servicing rights (MSRs), gains (losses) on securities and mortgage loans sold and other costs related to MetLife Bank s businesses. The Company expects to incur additional charges of $20 million to $45 million, exclusive of incremental legal settlements, related to the MetLife Bank Divestiture. See Note 21.

Total assets and liabilities recorded in the consolidated balance sheets related to MetLife Bank s businesses were $446 million and $282 million at December 31, 2013, respectively and $7.8 billion and $6.8 billion at December 31, 2012, respectively. Each of the businesses that were exited as part of the MetLife Bank Divestiture could not be separated from the rest of the operations since the Company did not separately manage the businesses as a reportable segment, operating segment, or reporting unit. As a result, the businesses have not been reported as discontinued operations in the consolidated financial statements.

MetLife Bank has historically taken advantage of collateralized borrowing opportunities with the Federal Home Loan Bank (FHLB) of New York (FHLB of NY). In January 2012, MetLife Bank discontinued taking advances from the FHLB of NY. In April 2012, MetLife Bank transferred cash to Metropolitan Life Insurance Company (MLIC) related to $3.8 billion of outstanding advances which had been included in long-term debt, and MLIC assumed the associated obligations under terms similar to those of the transferred advances by issuing funding agreements which are included in PABs. See Note 12.

Caribbean Business

In 2011, the Company entered into an agreement to sell its insurance operations in the Caribbean region, Panama and Costa Rica (the Caribbean Business). As a result of this agreement, the Company recorded a loss of $21 million, net of income tax, for the year ended December 31, 2011. During 2012, regulatory approvals were obtained for a majority of the jurisdictions and closings were finalized with the buyer, resulting in a gain of $5 million, net of income tax. Sales in the remaining jurisdictions closed in 2013, resulting in a loss of $2 million, net of income tax. These amounts are reflected in net investment gains (losses) within the consolidated statements of operations. The results of the Caribbean Business are included in continuing operations.

2012 Disposition

American Life U.K. Assumption Reinsurance

During July 2012, the Company completed the disposal, through a ceded assumption reinsurance agreement, of certain closed blocks of business in the United Kingdom (U.K.), to a third party. Simultaneously, the Company recaptured from the third party the indemnity reinsurance agreement related to this business, previously reinsured as of July 1, 2011. These transactions resulted in a decrease in both insurance and reinsurance assets and liabilities of $4.1 billion. The Company recognized a gain of $25 million, net of income tax, on the transactions for the year ended December 31, 2012, which was recorded in net investment gains (losses) in the consolidated statement of operations.

2011 Dispositions

MSI MetLife

On April 1, 2011, the Company sold its 50% interest in Mitsui Sumitomo MetLife Insurance Co., Ltd. (MSI MetLife), a Japan domiciled life insurance company, to its joint venture partner, MS&AD Insurance Group Holdings, Inc. (MS&AD), for $269 million (¥22.5 billion) in cash consideration, less $4 million (¥310 million) to reimburse MS&AD for specific expenses incurred related to the transaction. The accumulated other comprehensive losses in the foreign currency translation adjustment component of equity resulting from the hedges of the Company s investment in the joint venture of $46 million, net of income tax, were released upon sale but did not impact net income for the year ended December 31, 2011 as such losses were considered in the overall impairment evaluation of the investment prior to the sale. During the year ended December 31, 2011, the Company recorded a loss of $57 million, net of income tax, in net investment gains (losses) within the consolidated statements of operations related to the sale. The Company s operating earnings relating to its investment in MSI MetLife were included in the Asia segment.

MetLife Taiwan

On November 1, 2011, the Company sold its wholly-owned subsidiary, MetLife Taiwan Insurance Company Limited (MetLife Taiwan) for $180 million in cash consideration. The net assets sold were $282 million, resulting in a loss on disposal of $64 million, net of income tax, recorded in discontinued operations, for the year ended December 31, 2011. Income (loss) from the operations of MetLife Taiwan of $20 million, net of income tax, for the year ended December 31, 2011, was also recorded in discontinued operations. See Discontinued Operations below.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

3. Acquisitions and Dispositions (continued)

2010 Acquisition of ALICO

Description of Transaction

On November 1, 2010, MetLife, Inc. acquired all of the issued and outstanding capital stock of American Life Insurance Company (American Life) from AM Holdings LLC (formerly known as ALICO Holdings LLC) (AM Holdings), a subsidiary of American International Group, Inc. (AIG), and Delaware American Life Insurance Company (DelAm) from AIG (American Life, together with DelAm, collectively, ALICO) (the ALICO Acquisition) for a total purchase price of $16.4 billion. The ALICO Acquisition significantly broadened the Company s diversification by product, distribution and geography, meaningfully accelerated MetLife s global growth strategy, and provides the opportunity to build an international franchise leveraging the key strengths of ALICO.

Branch Restructuring

On March 4, 2010, American Life entered into a closing agreement (the Closing Agreement) with the Commissioner of the Internal Revenue Service (IRS) with respect to a U.S. withholding tax issue arising as a result of payments made by its foreign branches. The Closing Agreement provides that American Life s foreign branches will not be required to withhold U.S. income tax on the income portion of payments made pursuant to American Life s life insurance and annuity contracts (Covered Payments) for any tax periods beginning on January 1, 2005 and ending on December 31, 2013 (the Deferral Period). The Closing Agreement required that American Life submit a plan to the IRS within 90 days after the close of the ALICO Acquisition, indicating the steps American Life would take (on a country by country basis) to ensure that no substantial amount of U.S. withholding tax will arise from Covered Payments made by American Life s foreign branches to foreign customers after the Deferral Period. Such plan, which was submitted to the IRS on January 29, 2011, involves the transfer of businesses from certain of the foreign branches of American Life to one or more existing or newly-formed subsidiaries of MetLife, Inc. or American Life. See Note 19 for additional information regarding the valuation allowance related to branch restructuring.

A liability of $277 million was recognized in purchase accounting at November 1, 2010 for the anticipated and estimated costs associated with restructuring American Life s foreign branches into subsidiaries in connection with the Closing Agreement. This liability has been reduced based on payments through December 31, 2013. In addition, based on revised estimates of anticipated costs, this liability was reduced by $29 million for the year ended December 31, 2013, which was recorded as a reduction in other expenses in the consolidated statement of operations, resulting in a liability of $11 million at December 31, 2013.

See Notes 11 and 17 for additional information on goodwill and other expenses, respectively, related to the ALICO Acquisition.

Discontinued Operations

The following table summarizes the amounts that have been reflected as discontinued operations in the consolidated statements of operations. Income (loss) from discontinued operations includes real estate classified as held-for-sale or sold.

	Years Ended December 31,		
	2013	**2012**	**2011**
		(In millions)	
Total revenues	$ 3	$ 74	$ 484
Total expenses			363
Income (loss) before provision for income tax	3	74	121
Provision for income tax expense (benefit)	1	26	33
Income (loss) from operations of discontinued operations, net of income tax	2	48	88
Gain (loss) on disposal of operations, net of income tax			(64)
Income (loss) from discontinued operations, net of income tax	$ 2	$ 48	$ 24

4. Insurance

Insurance Liabilities

Insurance liabilities are comprised of future policy benefits, PABs and other policy-related balances. Information regarding insurance liabilities by segment, as well as Corporate & Other, was as follows at:

	December 31,	
	2013	2012
	(In millions)	
Retail	$ 134,915	$ 138,082
Group, Voluntary & Worksite Benefits	29,521	29,996
Corporate Benefit Funding	112,591	117,065
Latin America	16,162	16,055
Asia	93,066	103,064
EMEA	21,657	20,200
Corporate & Other	8,129	9,173
Total	$ 416,041	$ 433,635

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

4. Insurance (continued)

Future policy benefits are measured as follows:

Product Type:	Measurement Assumptions:
Participating life	Aggregate of (i) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, ranging from 3% to 7% for domestic business and 1% to 13% for international business, and mortality rates guaranteed in calculating the cash surrender values described in such contracts); and (ii) the liability for terminal dividends for domestic business.
Nonparticipating life	Aggregate of the present value of expected future benefit payments and related expenses less the present value of expected future net premiums. Assumptions as to mortality and persistency are based upon the Company s experience when the basis of the liability is established. Interest rate assumptions for the aggregate future policy benefit liabilities range from 2% to 10% for domestic business and 1% to 13% for international business.
Individual and group traditional fixed annuities after annuitization	Present value of expected future payments. Interest rate assumptions used in establishing such liabilities range from 1% to 11% for domestic business and 1% to 12% for international business.
Non-medical health insurance	The net level premium method and assumptions as to future morbidity, withdrawals and interest, which provide a margin for adverse deviation. Interest rate assumptions used in establishing such liabilities range from 4% to 7% (primarily related to domestic business).
Disabled lives	Present value of benefits method and experience assumptions as to claim terminations, expenses and interest. Interest rate assumptions used in establishing such liabilities range from 2% to 8% for domestic business and 1% to 9% for international business.
Property and casualty insurance	The amount estimated for claims that have been reported but not settled and claims incurred but not reported are based upon the Company s historical experience and other actuarial assumptions that consider the effects of current developments, anticipated trends and risk management programs, reduced for anticipated salvage and subrogation.

Participating business represented 5% and 6% of the Company s life insurance in-force at December 31, 2013 and 2012, respectively. Participating policies represented 19%, 20% and 21% of gross life insurance premiums for the years ended December 31, 2013, 2012 and 2011, respectively.

PABs are equal to: (i) policy account values, which consist of an accumulation of gross premium payments and investment performance; (ii) credited interest, ranging from 1% to 13% for domestic business and 1% to 12% for international business, less expenses, mortality charges and withdrawals; and (iii) fair value adjustments relating to business combinations.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

4. Insurance (continued)

Guarantees

The Company issues variable annuity products with guaranteed minimum benefits. The non-life contingent portion of GMWBs and the portion of certain GMIBs that does not require annuitization are accounted for as embedded derivatives in PABs and are further discussed in Note 9. Guarantees accounted for as insurance liabilities include:

Guarantee:		Measurement Assumptions:
GMDBs	A return of purchase payment upon death even if the account value is reduced to zero.	Present value of expected death benefits in excess of the projected account balance recognizing the excess ratably over the accumulation period based on the present value of total expected assessments.
		Assumptions are consistent with those used for amortizing DAC, and are thus subject to the same variability and risk.
		Investment performance and volatility assumptions are consistent with the historical experience of the appropriate underlying equity index, such as the S&P 500 Index.
	An enhanced death benefit may be available for an additional fee.	
		Benefit assumptions are based on the average benefits payable over a range of scenarios.
GMIBs	After a specified period of time determined at the time of issuance of the variable annuity contract, a minimum accumulation of purchase payments, even if the account value is reduced to zero, that can be annuitized to receive a monthly income stream that is not less than a specified amount.	Present value of expected income benefits in excess of the projected account balance at any future date of annuitization and recognizing the excess ratably over the accumulation period based on present value of total expected assessments.
		Assumptions are consistent with those used for estimating GMDB liabilities.
	Certain contracts also provide for a guaranteed lump sum return of purchase premium in lieu of the annuitization benefit.	
		Calculation incorporates an assumption for the percentage of the potential annuitizations that may be elected by the contractholder.
GMWBs	A return of purchase payment via partial withdrawals, even if the account value is reduced to zero, provided that cumulative withdrawals in a contract year do not exceed a certain limit.	Expected value of the life contingent payments and expected assessments using assumptions consistent with those used for estimating the GMDB liabilities.

Certain contracts include guaranteed withdrawals that are life contingent.

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

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

4. Insurance (continued)

Information regarding the liabilities for guarantees (excluding base policy liabilities and embedded derivatives) relating to annuity and universal and variable life contracts was as follows:

	Annuity Contracts		Universal and Variable Life Contracts		
	GMDBs	GMIBs	Secondary Guarantees	Paid-Up Guarantees	Total
			(In millions)		
Direct and Assumed					
Balance at January 1, 2011	$ 272	$ 623	$ 3,991	$ 198	$ 5,084
Incurred guaranteed benefits (1)	273	269	496	23	1,061
Paid guaranteed benefits	(113)	(10)	(24)		(147)
Balance at December 31, 2011	432	882	4,463	221	5,998
Incurred guaranteed benefits (1)	252	771	348	25	1,396
Paid guaranteed benefits	(117)	(18)	(26)		(161)
Balance at December 31, 2012	567	1,635	4,785	246	7,233
Incurred guaranteed benefits (1)	200	229	(64)	20	385
Paid guaranteed benefits	(82)	(13)	(23)		(118)
Balance at December 31, 2013	$ 685	$ 1,851	$ 4,698	$ 266	$ 7,500
Ceded					
Balance at January 1, 2011	$ 39	$ (1)	$ 594	$ 139	$ 771
Incurred guaranteed benefits	35	9	20	16	80
Paid guaranteed benefits	(20)				(20)
Balance at December 31, 2011	54	8	614	155	831
Incurred guaranteed benefits	22	1	139	18	180
Paid guaranteed benefits	(20)				(20)
Balance at December 31, 2012	56	9	753	173	991
Incurred guaranteed benefits	(5)		175	14	184
Paid guaranteed benefits	(10)	(2)			(12)
Balance at December 31, 2013	$ 41	$ 7	$ 928	$ 187	$ 1,163
Net					
Balance at January 1, 2011	$ 233	$ 624	$ 3,397	$ 59	$ 4,313
Incurred guaranteed benefits	238	260	476	7	981
Paid guaranteed benefits	(93)	(10)	(24)		(127)
Balance at December 31, 2011	378	874	3,849	66	5,167
Incurred guaranteed benefits	230	770	209	7	1,216
Paid guaranteed benefits	(97)	(18)	(26)		(141)
Balance at December 31, 2012	511	1,626	4,032	73	6,242
Incurred guaranteed benefits	205	229	(239)	6	201

Paid guaranteed benefits	(72)	(11)	(23)		(106)
Balance at December 31, 2013	$ 644	$ 1,844	$ 3,770	$ 79	$ 6,337

(1) Secondary guarantees include the effects of foreign currency translation of ($597) million, ($39) million and $231 million at December 31, 2013, 2012 and 2011, respectively.

Account balances of contracts with insurance guarantees were invested in separate account asset classes as follows at:

	December 31, 2013	**2012**
	(In millions)	
Fund Groupings:		
Equity	$ 79,036	$ 66,469
Balanced	75,928	67,230
Bond	10,632	11,188
Money Market	1,157	1,291
Total	$ 166,753	$ 146,178

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

4. Insurance (continued)

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

Variable Annuity Guarantees

In the Event of Death

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

At Annuitization

Defined as the amount (if any) that would be required to be added to the total contract account value to purchase a lifetime income stream, based on current annuity rates, equal to the minimum amount provided under the guaranteed benefit. This amount represents the Company s potential economic exposure to such guarantees in the event all contractholders were to annuitize on the balance sheet date, even though the contracts contain terms that allow annuitization of the guaranteed amount only after the 10th anniversary of the contract, which not all contractholders have achieved.

Two Tier Annuities

Defined as the excess of the upper tier, adjusted for a profit margin, less the lower tier, as of the balance sheet date. These contracts apply a lower rate on funds if the contractholder elects to surrender the contract for cash and a higher rate if the contractholder elects to annuitize.

Universal and Variable Life Contracts

Defined as the guarantee amount less the account value, as of the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts on the balance sheet date.

Information regarding the types of guarantees relating to annuity contracts and universal and variable life contracts was as follows at:

	December 31,			
	2013		2012	
	In the Event of Death	At Annuitization	In the Event of Death	At Annuitization
	(In millions)			
Annuity Contracts (1)				
Variable Annuity Guarantees				
Total contract account value (2)	$ 201,395	$ 100,527	$ 184,095	$ 89,137
Separate account value	$ 164,500	$ 96,459	$ 143,893	$ 84,354
Net amount at risk	$ 4,203	$ 1,219	$ 9,501	$ 4,593
Average attained age of contractholders	63 years	63 years	62 years	62 years
Two Tier Annuities				
General account value	N/A	$ 880	N/A	$ 848
Net amount at risk	N/A	$ 234	N/A	$ 232
Average attained age of contractholders	N/A	50 years	N/A	51 years

	December 31,			
	2013		2012	
	Secondary Guarantees	Paid-Up Guarantees	Secondary Guarantees	Paid-Up Guarantees

	(In millions)			
Universal and Variable Life Contracts (1)				
Account value (general and separate account)	$ 16,048	$ 3,700	$ 14,256	$ 3,828
Net amount at risk	$ 185,920	$ 21,737	$ 189,197	$ 23,276
Average attained age of policyholders	55 years	60 years	54 years	60 years

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

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

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

4. Insurance (continued)

Obligations Under Funding Agreements

The Company issues fixed and floating rate funding agreements, which are denominated in either U.S. dollars or foreign currencies, to certain special purpose entities (SPEs) that have issued either debt securities or commercial paper for which payment of interest and principal is secured by such funding agreements. During the years ended December 31, 2013, 2012 and 2011, the Company issued $37.7 billion, $35.1 billion and $39.9 billion, respectively, and repaid $36.8 billion, $31.1 billion and $41.6 billion, respectively, of such funding agreements. At December 31, 2013 and 2012, liabilities for funding agreements outstanding, which are included in PABs, were $31.2 billion and $30.0 billion, respectively.

Certain of the Company s subsidiaries are members of regional banks in the FHLB system (FHLBanks). Holdings of common stock of FHLBanks, included in equity securities, were as follows at:

	December 31, 2013	December 31, 2012
	(In millions)	
FHLB of NY	$ 700	$ 736
FHLB of Des Moines	$ 76	$ 83
FHLB of Boston	$ 64	$ 67
FHLB of Pittsburgh	$ 30	$ 14

Such subsidiaries have also entered into funding agreements with FHLBanks and the Federal Agricultural Mortgage Corporation, a federally chartered instrumentality of the U.S. (Farmer Mac). The liability for such funding agreements is included in PABs. Information related to such funding agreements was as follows at:

	Liability		Collateral	
	December 31,			
	2013	2012	2013	2012
	(In millions)			
FHLB of NY(1)	$ 12,770	$ 13,512	$ 14,287 (2)	$ 14,611 (2)
Farmer Mac(3)	$ 2,750	$ 2,750	$ 3,159	$ 3,159
FHLB of Des Moines(1)	$ 1,405	$ 1,405	$ 1,596 (2)	$ 1,902 (2)
FHLB of Boston(1)	$ 450	$ 450	$ 808 (2)	$ 537 (2)
FHLB of Pittsburgh(1)	$ 375	$	$ 976 (2)	$ 810 (2)

(1) Represents funding agreements issued to the applicable FHLBank in exchange for cash and for which such FHLBank has been granted a lien on certain assets, some of which are in the custody of such FHLBank, including residential mortgage-backed securities (RMBS), to collateralize obligations under advances evidenced by funding agreements. The Company is permitted to withdraw any portion of the collateral in the custody of such FHLBank as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by the Company, such FHLBank s recovery on the collateral is limited to the amount of the Company s liability to such FHLBank.

(2) Advances are collateralized by mortgage-backed securities. The amount of collateral presented is at estimated fair value.

(3) Represents funding agreements issued to certain SPEs that have issued debt securities for which payment of interest and principal is secured by such funding agreements, and such debt securities are also guaranteed as to payment of interest and principal by Farmer Mac. The obligations under these funding agreements are secured by a pledge of certain eligible agricultural real estate mortgage loans and may, under certain circumstances, be secured by other qualified collateral. The amount of collateral presented is at carrying value.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

4. Insurance (continued)

Liabilities for Unpaid Claims and Claim Expenses

Information regarding the liabilities for unpaid claims and claim expenses relating to property and casualty, group accident and non-medical health policies and contracts, which are reported in future policy benefits and other policy-related balances, was as follows:

	Years Ended December 31,		
	2013	2012	2011
	(In millions)		
Balance at January 1,	$ 10,436	$ 10,117	$ 10,708
Less: Reinsurance recoverables	1,581	1,436	2,198
Net balance at January 1,	8,855	8,681	8,510
Incurred related to:			
Current year	8,660	8,399	9,028
Prior years (1)	(86)	(69)	(199)
Total incurred	8,574	8,330	8,829
Paid related to:			
Current year	(6,083)	(5,689)	(6,238)
Prior years	(2,377)	(2,467)	(2,420)
Total paid	(8,460)	(8,156)	(8,658)
Net balance at December 31,	8,969	8,855	8,681
Add: Reinsurance recoverables	1,661	1,581	1,436
Balance at December 31,	$ 10,630	$ 10,436	$ 10,117

(1) During 2013, 2012 and 2011, as a result of changes in estimates of insured events in the respective prior year, claims and claim adjustment expenses associated with prior years decreased due to a reduction in prior year automobile bodily injury and homeowners severity and improved loss ratio for non-medical health claim liabilities.

Separate Accounts

Separate account assets and liabilities include two categories of account types: pass-through separate accounts totaling $265.4 billion and $185.9 billion at December 31, 2013 and 2012, respectively, for which the policyholder assumes all investment risk, and separate accounts for which the Company contractually guarantees either a minimum return or account value to the policyholder which totaled $51.8 billion and $49.5 billion at December 31, 2013 and 2012, respectively. The latter category consisted primarily of funding agreements and participating close-out contracts. The average interest rate credited on these contracts was 2.23% and 2.80% at December 31, 2013 and 2012, respectively.

For the years ended December 31, 2013, 2012 and 2011, there were no investment gains (losses) on transfers of assets from the general account to the separate accounts.

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles

See Note 1 for a description of capitalized acquisition costs.

Nonparticipating and Non-Dividend-Paying Traditional Contracts

The Company amortizes DAC and VOBA related to these contracts (term insurance, nonparticipating whole life insurance, traditional group life insurance, non-medical health insurance, and accident and health insurance) over the appropriate premium paying period in proportion to the historic actual and expected future gross premiums that were set at contract issue. The expected premiums are based upon the premium requirement of each policy and assumptions for mortality, morbidity, persistency and investment returns at policy issuance, or policy acquisition (as it relates to VOBA), include provisions for adverse deviation, and are consistent with the assumptions used to calculate future policyholder benefit liabilities. These assumptions are not revised after policy issuance or acquisition unless the DAC or VOBA balance is deemed to be unrecoverable from future expected profits. Absent a premium deficiency, variability in amortization after policy issuance or acquisition is caused only by variability in premium volumes.

Participating, Dividend-Paying Traditional Contracts

The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross margins. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The future gross margins are dependent principally on investment returns, policyholder dividend scales, mortality, persistency, expenses to administer the business, creditworthiness of reinsurance counterparties and certain economic variables, such as inflation. For participating contracts within the closed block (dividend-paying traditional contracts) future gross margins are also dependent upon changes in the policyholder dividend obligation. See Note 7. Of these factors, the Company anticipates that investment returns, expenses, persistency and other factor changes, as well as policyholder dividend scales are reasonably likely to impact significantly the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross margins with the actual gross margins for that period. When the actual gross margins change from previously estimated gross margins, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross margins exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles (continued)

gross margins are below the previously estimated gross margins. Each reporting period, the Company also updates the actual amount of business in-force, which impacts expected future gross margins. When expected future gross margins are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross margins are above the previously estimated expected future gross margins. Each period, the Company also reviews the estimated gross margins for each block of business to determine the recoverability of DAC and VOBA balances.

Fixed and Variable Universal Life Contracts and Fixed and Variable Deferred Annuity Contracts

The Company amortizes DAC and VOBA related to these contracts over the estimated lives of the contracts in proportion to actual and expected future gross profits. The amortization includes interest based on rates in effect at inception or acquisition of the contracts. The amount of future gross profits is dependent principally upon returns in excess of the amounts credited to policyholders, mortality, persistency, interest crediting rates, expenses to administer the business, creditworthiness of reinsurance counterparties, the effect of any hedges used and certain economic variables, such as inflation. Of these factors, the Company anticipates that investment returns, expenses and persistency are reasonably likely to impact significantly the rate of DAC and VOBA amortization. Each reporting period, the Company updates the estimated gross profits with the actual gross profits for that period. When the actual gross profits change from previously estimated gross profits, the cumulative DAC and VOBA amortization is re-estimated and adjusted by a cumulative charge or credit to current operations. When actual gross profits exceed those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the actual gross profits are below the previously estimated gross profits. Each reporting period, the Company also updates the actual amount of business remaining in-force, which impacts expected future gross profits. When expected future gross profits are below those previously estimated, the DAC and VOBA amortization will increase, resulting in a current period charge to earnings. The opposite result occurs when the expected future gross profits are above the previously estimated expected future gross profits. Each period, the Company also reviews the estimated gross profits for each block of business to determine the recoverability of DAC and VOBA balances.

Credit Insurance, Property and Casualty Insurance and Other Short-Duration Contracts

The Company amortizes DAC for these contracts, which is primarily composed of commissions and certain underwriting expenses, in proportion to historic and future earned premium over the applicable contract term.

Factors Impacting Amortization

Separate account rates of return on variable universal life contracts and variable deferred annuity contracts affect in-force account balances on such contracts each reporting period, which can result in significant fluctuations in amortization of DAC and VOBA. Returns that are higher than the Company s long-term expectation produce higher account balances, which increases the Company s future fee expectations and decreases future benefit payment expectations on minimum death and living benefit guarantees, resulting in higher expected future gross profits. The opposite result occurs when returns are lower than the Company s long-term expectation. The Company s practice to determine the impact of gross profits resulting from returns on separate accounts assumes that long-term appreciation in equity markets is not changed by short-term market fluctuations, but is only changed when sustained interim deviations are expected. The Company monitors these events and only changes the assumption when its long-term expectation changes.

The Company also periodically reviews other long-term assumptions underlying the projections of estimated gross margins and profits. These assumptions primarily relate to investment returns, policyholder dividend scales, interest crediting rates, mortality, persistency and expenses to administer business. Management annually updates assumptions used in the calculation of estimated gross margins and profits which may have significantly changed. If the update of assumptions causes expected future gross margins and profits to increase, DAC and VOBA amortization will decrease, resulting in a current period increase to earnings. The opposite result occurs when the assumption update causes expected future gross margins and profits to decrease.

Periodically, the Company modifies product benefits, features, rights or coverages that occur by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by election or coverage within a contract. If such modification, referred to as an internal replacement, substantially changes the contract, the associated DAC or VOBA is written off immediately through income and any new deferrable costs associated with the replacement contract are deferred. If the modification does not substantially change the contract, the DAC or VOBA amortization on the original contract will continue and any acquisition costs associated with the related modification are expensed.

Amortization of DAC and VOBA is attributed to net investment gains (losses) and net derivative gains (losses), and to other expenses for the amount of gross margins or profits originating from transactions other than investment gains and losses. Unrealized investment gains and losses represent the amount of DAC and VOBA that would have been amortized if such gains and losses had been recognized.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles (continued)

Information regarding DAC and VOBA was as follows:

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
DAC			
Balance at January 1,	$ 17,150	$ 15,240	$ 13,377
Capitalizations	4,786	5,289	5,558
Amortization related to:			
Net investment gains (losses) and net derivative gains (losses)	192	(40)	(478)
Other expenses	(2,812)	(2,875)	(2,614)
Total amortization	(2,620)	(2,915)	(3,092)
Unrealized investment gains (losses)	924	(516)	(427)
Effect of foreign currency translation and other	(466)	52	(176)
Balance at December 31,	19,774	17,150	15,240
VOBA			
Balance at January 1,	7,611	9,379	11,088
Acquisitions (1)	947	55	11
Amortization related to:			
Net investment gains (losses) and net derivative gains (losses)	3	(1)	(49)
Other expenses	(933)	(1,283)	(1,757)
Total amortization	(930)	(1,284)	(1,806)
Unrealized investment gains (losses)	358	(197)	(361)
Effect of foreign currency translation and other	(1,054)	(342)	447
Balance at December 31,	6,932	7,611	9,379
Total DAC and VOBA			
Balance at December 31,	$ 26,706	$ 24,761	$ 24,619

(1) See Note 3 for a description of acquisitions.

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

	December 31,	
	2013	2012
	(In millions)	
Retail	$ 12,882	$ 11,500
Group, Voluntary & Worksite Benefits	382	382
Corporate Benefit Funding	99	96
Latin America	2,201	1,231

Asia	9,077	9,554
EMEA	2,039	1,998
Corporate & Other	26	
Total	$ 26,706	$ 24,761

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Other Policy-Related Intangibles (continued)

Information regarding other policy-related intangibles was as follows:

	Years Ended December 31,		
	2013	2012	2011
	(In millions)		
Deferred Sales Inducements			
Balance at January 1,	$ 930	$ 926	$ 918
Capitalization	58	81	140
Amortization	(36)	(77)	(132)
Effect of foreign currency translation	(2)		
Balance at December 31,	$ 950	$ 930	$ 926
VODA and VOCRA			
Balance at January 1,	$ 1,108	$ 1,264	$ 1,094
Acquisitions			213
Amortization (1)	(84)	(150)	(60)
Effect of foreign currency translation	(49)	(6)	17
Balance at December 31,	$ 975	$ 1,108	$ 1,264
Accumulated amortization	$ 418	$ 334	$ 184
Negative VOBA			
Balance at January 1,	$ 2,916	$ 3,657	$ 4,287
Acquisitions		10	7
Amortization	(579)	(622)	(697)
Effect of foreign currency translation	(175)	(129)	60
Balance at December 31,	$ 2,162	$ 2,916	$ 3,657
Accumulated amortization	$ 1,962	$ 1,383	$ 761

(1) In connection with the Company s annual impairment testing of VOCRA, it was determined that the VOCRA included in the Group, Voluntary & Worksite Benefits segment, associated with a previously acquired dental business, was impaired as the undiscounted future cash flows associated with the asset were lower than its current carrying value. This shortfall in undiscounted future cash flows is primarily the result of actual persistency experience being less favorable than what was assumed when the asset was acquired. As a result of this impairment, the Company wrote the asset down to its estimated fair value, which was determined using the discounted cash flow valuation approach. The Company recorded a non-cash charge of $77 million ($50 million, net of income tax) for the impairment of the VOCRA balance to other expenses in the consolidated statement of operations for the year ended December 31, 2012.

The estimated future amortization expense (credit) to be reported in other expenses for the next five years is as follows:

	VOBA	VODA and VOCRA	Negative VOBA
		(In millions)	
2014	$ 846	$ 80	$ (438)
2015	$ 700	$ 79	$ (353)
2016	$ 596	$ 75	$ (271)
2017	$ 516	$ 71	$ (154)
2018	$ 448	$ 66	$ (68)

6. Reinsurance

The Company enters into reinsurance agreements primarily as a purchaser of reinsurance for its various insurance products and also as a provider of reinsurance for some insurance products issued by third parties. The Company participates in reinsurance activities in order to limit losses, minimize exposure to significant risks and provide additional capacity for future growth.

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed in Note 8.

Americas Excluding Latin America

For its Retail Life & Other insurance products, the Company has historically reinsured the mortality risk primarily on an excess of retention basis or on a quota share basis. The Company currently reinsures 90% of the mortality risk in excess of $2 million for most products and reinsures up to 90% of the mortality risk for certain other products. In addition to reinsuring mortality risk as described above, the Company reinsures other risks, as well as specific coverages. Placement of reinsurance is done primarily on an automatic basis and also on a facultative basis for risks with specified characteristics. On a

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

6. Reinsurance (continued)

case by case basis, the Company may retain up to $20 million per life and reinsure 100% of amounts in excess of the amount the Company retains. The Company evaluates its reinsurance programs routinely and may increase or decrease its retention at any time.

The Company s Retail Annuities business reinsures a portion of the living and death benefit guarantees issued in connection with its variable annuities. Under these reinsurance agreements, the Company pays a reinsurance premium generally based on fees associated with the guarantees collected from policyholders, and receives reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations. The value of the embedded derivatives on the ceded risk is determined using a methodology consistent with the guarantees directly written by the Company with the exception of the input for nonperformance risk that reflects the credit of the reinsurer.

For certain policies within the Group, Voluntary & Worksite Benefits segment, the Company generally retains most of the risk and only cedes particular risks on certain client arrangements. The majority of the Company s reinsurance activity within this segment relates to client agreements for employer sponsored captive programs, risk-sharing agreements and multinational pooling.

The Company, through its property & casualty business within the Retail and Group, Voluntary & Worksite Benefits segments, purchases reinsurance to manage its exposure to large losses (primarily catastrophe losses) and to protect statutory surplus. The Company cedes to reinsurers losses and premiums based upon the exposure of the policies subject to reinsurance. To manage exposure to large property & casualty losses, the Company purchases property catastrophe, casualty and property per risk excess of loss reinsurance protection.

The Company s Corporate Benefit Funding segment has periodically engaged in reinsurance activities, on an opportunistic basis. The impact of these activities on the financial results of this segment has not been significant and there were no additional transactions during the periods presented.

Latin America, Asia and EMEA

For life insurance products, the Company currently reinsures, depending on the product, risks in excess of $5 million to external reinsurers on a yearly renewable term basis. The Company may also reinsure certain risks with external reinsurers depending upon the nature of the risk and local regulatory requirements. For selected large corporate clients, the Company reinsures group employee benefits or credit insurance business with various client-affiliated reinsurance companies, covering policies issued to the employees or customers of the clients. Additionally, the Company cedes and assumes risk with other insurance companies when either company requires a business partner with the appropriate local licensing to issue certain types of policies in certain countries. In these cases, the assuming company typically underwrites the risks, develops the products and assumes most or all of the risk. The Company also has reinsurance agreements in force that reinsure a portion of the living and death benefit guarantees issued in connection with variable annuity products. Under these agreements, the Company pays reinsurance fees associated with the guarantees collected from policyholders, and receives reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Corporate & Other

The Company also reinsures, through 100% quota share reinsurance agreements, certain run-off LTC and workers compensation business written by MetLife Insurance Company of Connecticut (MICC).

Corporate & Other also has a reinsurance agreement, whereby it assumes the living and death benefit guarantees issued in connection with certain variable annuity products. Under this agreement, the Company receives reinsurance fees associated with the guarantees collected from policyholders, and provides reimbursement for benefits paid or accrued in excess of account values, subject to certain limitations.

Catastrophe Coverage

The Company has exposure to catastrophes which could contribute to significant fluctuations in the Company s results of operations. In the Americas, excluding Latin America, the Company uses excess of retention and quota share reinsurance agreements to provide greater diversification of risk and minimize exposure to larger risks. Currently, for Latin America, Asia and EMEA, the Company purchases catastrophe coverage to insure risks within certain countries deemed by management to be exposed to the greatest catastrophic risks.

Reinsurance Recoverables

The Company reinsures its business through a diversified group of well-capitalized, highly rated reinsurers. The Company analyzes recent trends in arbitration and litigation outcomes in disputes, if any, with its reinsurers. The Company monitors ratings and evaluates the financial strength of its reinsurers by analyzing their financial statements. In addition, the reinsurance recoverable balance due from each reinsurer is evaluated as part of the overall monitoring process. Recoverability of reinsurance recoverable balances is evaluated based on these analyses. The Company generally secures large reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. These reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, which at December 31, 2013 and 2012, were not significant.

The Company has secured certain reinsurance recoverable balances with various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit. The Company had $5.6 billion and $5.7 billion of unsecured reinsurance recoverable balances at December 31, 2013 and 2012, respectively.

At December 31, 2013, the Company had $14.4 billion of net ceded reinsurance recoverables. Of this total, $10.6 billion, or 74%, were with the Company s five largest ceded reinsurers, including $2.6 billion of net ceded reinsurance recoverables which were unsecured. At December 31, 2012, the Company had $14.1 billion of net ceded reinsurance recoverables. Of this total, $10.4 billion, or 74%, were with the Company s five largest ceded reinsurers, including $2.8 billion of net ceded reinsurance recoverables which were unsecured.

The Company has reinsured with an unaffiliated third-party reinsurer, 59.25% of the closed block through a modified coinsurance agreement. The Company accounts for this agreement under the deposit method of accounting. The Company, having the right of offset, has offset the modified coinsurance deposit with the deposit recoverable.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

6. Reinsurance (continued)

The amounts in the consolidated statements of operations include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows:

	Years Ended December 31,		
	2013	2012	2011
	(In millions)		
Premiums			
Direct premiums	$ 38,476	$ 38,719	$ 37,185
Reinsurance assumed	1,472	1,488	1,484
Reinsurance ceded	(2,274)	(2,232)	(2,308)
Net premiums	$ 37,674	$ 37,975	$ 36,361
Universal life and investment-type product policy fees			
Direct universal life and investment-type product policy fees	$ 10,197	$ 9,216	$ 8,455
Reinsurance assumed	139	155	154
Reinsurance ceded	(885)	(815)	(803)
Net universal life and investment-type product policy fees	$ 9,451	$ 8,556	$ 7,806
Policyholder benefits and claims			
Direct policyholder benefits and claims	$ 40,211	$ 39,262	$ 37,588
Reinsurance assumed	1,047	1,167	1,101
Reinsurance ceded	(3,151)	(2,442)	(3,218)
Net policyholder benefits and claims	$ 38,107	$ 37,987	$ 35,471
Other expenses			
Direct other expenses	$ 16,712	$ 17,848	$ 18,672
Reinsurance assumed	147	228	168
Reinsurance ceded	(257)	(321)	(303)
Net other expenses	$ 16,602	$ 17,755	$ 18,537

The amounts in the consolidated balance sheets include the impact of reinsurance. Information regarding the significant effects of reinsurance was as follows at:

	December 31,							
	2013				2012			
	Direct	Assumed	Ceded	Total Balance Sheet	Direct	Assumed	Ceded	Total Balance Sheet
	(In millions)							
Assets								
Premiums, reinsurance and other receivables	$ 6,248	$ 593	$ 15,018	$ 21,859	$ 6,286	$ 548	$ 14,800	$ 21,634
Deferred policy acquisition costs and value of business acquired	26,954	104	(352)	26,706	24,789	92	(120)	24,761
Total assets	$ 33,202	$ 697	$ 14,666	$ 48,565	$ 31,075	$ 640	$ 14,680	$ 46,395

Liabilities								
Future policy benefits	$ 185,908	$ 2,034	$	$ 187,942	$ 190,321	$ 2,031	$ (1)	$ 192,351
Policyholder account balances	211,610	1,277	(2)	212,885	223,229	2,594	(2)	225,821
Other policy-related balances	14,838	353	23	15,214	15,142	313	8	15,463
Other liabilities	19,591	533	3,044	23,168	18,925	543	3,024	22,492
Total liabilities	$ 431,947	$ 4,197	$ 3,065	$ 439,209	$ 447,617	$ 5,481	$ 3,029	$ 456,127

Reinsurance agreements that do not expose the Company to a reasonable possibility of a significant loss from insurance risk are recorded using the deposit method of accounting. The deposit assets on reinsurance were $2.3 billion at both December 31, 2013 and 2012. The deposit liabilities on reinsurance were $37 million and $45 million at December 31, 2013 and 2012, respectively.

7. Closed Block

On April 7, 2000 (the Demutualization Date), MLIC converted from a mutual life insurance company to a stock life insurance company and became a wholly-owned subsidiary of MetLife, Inc. The conversion was pursuant to an order by the New York Superintendent of Insurance approving MLIC s plan of reorganization, as amended (the Plan). On the Demutualization Date, MLIC established a closed block for the benefit of holders of certain individual life insurance policies of MLIC. Assets have been allocated to the closed block in an amount that has been determined to produce cash flows

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

7. Closed Block (continued)

which, together with anticipated revenues from the policies included in the closed block, are reasonably expected to be sufficient to support obligations and liabilities relating to these policies, including, but not limited to, provisions for the payment of claims and certain expenses and taxes, and to provide for the continuation of policyholder dividend scales in effect for 1999, if the experience underlying such dividend scales continues, and for appropriate adjustments in such scales if the experience changes. At least annually, the Company compares actual and projected experience against the experience assumed in the then-current dividend scales. Dividend scales are adjusted periodically to give effect to changes in experience.

The closed block assets, the cash flows generated by the closed block assets and the anticipated revenues from the policies in the closed block will benefit only the holders of the policies in the closed block. To the extent that, over time, cash flows from the assets allocated to the closed block and claims and other experience related to the closed block are, in the aggregate, more or less favorable than what was assumed when the closed block was established, total dividends paid to closed block policyholders in the future may be greater than or less than the total dividends that would have been paid to these policyholders if the policyholder dividend scales in effect for 1999 had been continued. Any cash flows in excess of amounts assumed will be available for distribution over time to closed block policyholders and will not be available to stockholders. If the closed block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside of the closed block. The closed block will continue in effect as long as any policy in the closed block remains in-force. The expected life of the closed block is over 100 years.

The Company uses the same accounting principles to account for the participating policies included in the closed block as it used prior to the Demutualization Date. However, the Company establishes a policyholder dividend obligation for earnings that will be paid to policyholders as additional dividends as described below. The excess of closed block liabilities over closed block assets at the Demutualization Date (adjusted to eliminate the impact of related amounts in AOCI) represents the estimated maximum future earnings from the closed block expected to result from operations attributed to the closed block after income taxes. Earnings of the closed block are recognized in income over the period the policies and contracts in the closed block remain in-force. Management believes that over time the actual cumulative earnings of the closed block will approximately equal the expected cumulative earnings due to the effect of dividend changes. If, over the period the closed block remains in existence, the actual cumulative earnings of the closed block are greater than the expected cumulative earnings of the closed block, the Company will pay the excess of the actual cumulative earnings of the closed block over the expected cumulative earnings to closed block policyholders as additional policyholder dividends unless offset by future unfavorable experience of the closed block and, accordingly, will recognize only the expected cumulative earnings in income with the excess recorded as a policyholder dividend obligation. If over such period, the actual cumulative earnings of the closed block are less than the expected cumulative earnings of the closed block, the Company will recognize only the actual earnings in income. However, the Company may change policyholder dividend scales in the future, which would be intended to increase future actual earnings until the actual cumulative earnings equal the expected cumulative earnings.

Experience within the closed block, in particular mortality and investment yields, as well as realized and unrealized gains and losses, directly impact the policyholder dividend obligation. Amortization of the closed block DAC, which resides outside of the closed block, is based upon cumulative actual and expected earnings within the closed block. Accordingly, the Company s net income continues to be sensitive to the actual performance of the closed block.

Closed block assets, liabilities, revenues and expenses are combined on a line-by-line basis with the assets, liabilities, revenues and expenses outside the closed block based on the nature of the particular item.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

7. Closed Block (continued)

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

	December 31, 2013	December 31, 2012
	(In millions)	
Closed Block Liabilities		
Future policy benefits	$ 42,076	$ 42,586
Other policy-related balances	298	298
Policyholder dividends payable	456	466
Policyholder dividend obligation	1,771	3,828
Current income tax payable	18	
Other liabilities	582	602
Total closed block liabilities	45,201	47,780
Assets Designated to the Closed Block		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value	28,374	30,546
Equity securities available-for-sale, at estimated fair value	86	41
Mortgage loans	6,155	6,192
Policy loans	4,669	4,670
Real estate and real estate joint ventures	492	459
Other invested assets	814	953
Total investments	40,590	42,861
Cash and cash equivalents	238	381
Accrued investment income	477	481
Premiums, reinsurance and other receivables	98	107
Current income tax recoverable		2
Deferred income tax assets	293	319
Total assets designated to the closed block	41,696	44,151
Excess of closed block liabilities over assets designated to the closed block	3,505	3,629
Amounts included in AOCI:		
Unrealized investment gains (losses), net of income tax	1,502	2,891
Unrealized gains (losses) on derivatives, net of income tax	(3)	9
Allocated to policyholder dividend obligation, net of income tax	(1,151)	(2,488)
Total amounts included in AOCI	348	412
Maximum future earnings to be recognized from closed block assets and liabilities	$ 3,853	$ 4,041

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

	Years Ended December 31, 2013	2012	2011

	(In millions)		
Balance at January 1,	$ 3,828	$ 2,919	$ 876
Change in unrealized investment and derivative gains (losses)	(2,057)	909	2,043
Balance at December 31,	$ 1,771	$ 3,828	$ 2,919

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

7. Closed Block (continued)

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

	Years Ended December 31,		
	2013	2012	2011
	(In millions)		
Revenues			
Premiums	$ 1,987	$ 2,139	$ 2,306
Net investment income	2,130	2,188	2,231
Net investment gains (losses)	25	61	32
Net derivative gains (losses)	(6)	(12)	8
Total revenues	4,136	4,376	4,577
Expenses			
Policyholder benefits and claims	2,702	2,783	2,991
Policyholder dividends	979	1,072	1,137
Other expenses	165	179	193
Total expenses	3,846	4,034	4,321
Revenues, net of expenses before provision for income tax expense (benefit)	290	342	256
Provision for income tax expense (benefit)	101	120	89
Revenues, net of expenses and provision for income tax expense (benefit) from continuing operations	189	222	167
Revenues, net of expenses and provision for income tax expense (benefit) from discontinued operations		10	1
Revenues, net of expenses and provision for income tax expense (benefit)	$ 189	$ 232	$ 168

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

8. Investments

See Note 10 for information about the fair value hierarchy for investments and the related valuation methodologies.

Investment Risks and Uncertainties

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation, currency and real estate risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of impairments, the recognition of income on certain investments and the potential consolidation of VIEs. The use of different methodologies, assumptions and inputs relating to these financial statement risks may have a material effect on the amounts presented within the consolidated financial statements.

The determination of valuation allowances and impairments is highly subjective and is based upon periodic evaluations and assessments of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The recognition of income on certain investments (e.g. structured securities, including mortgage-backed securities, asset-backed securities (ABS), certain structured investment transactions and FVO and trading securities) is dependent upon certain factors such as prepayments and defaults, and changes in such factors could result in changes in amounts to be earned.

Fixed Maturity and Equity Securities AFS

Fixed Maturity and Equity Securities AFS by Sector

The following table presents the fixed maturity and equity securities AFS by sector. Redeemable preferred stock is reported within U.S. corporate and foreign corporate fixed maturity securities and non-redeemable preferred stock is reported within equity securities. Included within fixed maturity securities are structured securities including RMBS, commercial mortgage-backed securities (CMBS) and ABS.

	December 31, 2013					December 31, 2012				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Temporary Losses	Gross Unrealized OTTI Losses	Estimated Fair Value
	(In millions)									
Fixed maturity securities										
U.S. corporate	$ 100,203	$ 7,495	$ 1,229	$	$ 106,469	$ 102,669	$ 11,887	$ 430	$	$ 114,126
Foreign corporate (1)	59,778	3,939	565		63,152	61,806	5,654	277	(1)	67,184
Foreign government	50,717	4,107	387		54,437	51,967	5,440	71		57,336
U.S. Treasury and agency	43,928	2,251	1,056		45,123	41,874	6,104	11		47,967
RMBS	34,167	1,584	490	206	35,055	35,666	2,477	315	349	37,479
CMBS	16,115	605	170		16,550	18,177	1,009	57		19,129
ABS	15,458	296	171	12	15,571	15,762	404	156	13	15,997
State and political subdivision	13,233	903	306		13,830	12,949	2,169	70		15,048
Total fixed maturity securities	$ 333,599	$ 21,180	$ 4,374	$ 218	$ 350,187	$ 340,870	$ 35,144	$ 1,387	$ 361	$ 374,266
Equity securities										
Common stock	$ 1,927	$ 431	$ 5	$	$ 2,353	$ 2,034	$ 147	$ 19	$	$ 2,162
Non-redeemable preferred stock	1,085	76	112		1,049	804	65	140		729
Total equity securities	$ 3,012	$ 507	$ 117	$	$ 3,402	$ 2,838	$ 212	$ 159	$	$ 2,891

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

(1) The noncredit loss component of OTTI losses for foreign corporate securities was in an unrealized gain position of $1 million at December 31, 2012, due to increases in estimated fair value subsequent to initial recognition of noncredit losses on such securities. See also Net Unrealized Investment Gains (Losses).

The Company held non-income producing fixed maturity securities with an estimated fair value of $74 million and $85 million with unrealized gains (losses) of $23 million and $11 million at December 31, 2013 and 2012, respectively.

Methodology for Amortization of Premium and Accretion of Discount on Structured Securities

Amortization of premium and accretion of discount on structured securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for single class and multi-class mortgage-backed and ABS are estimated using inputs obtained from third-party specialists and based on management s knowledge of the current market. For credit-sensitive mortgage-backed and ABS and certain prepayment-sensitive securities, the effective yield is recalculated on a prospective basis. For all other mortgage-backed and ABS, the effective yield is recalculated on a retrospective basis.

Maturities of Fixed Maturity Securities

The amortized cost and estimated fair value of fixed maturity securities, by contractual maturity date, were as follows at:

	December 31, 2013		December 31, 2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Due in one year or less	$ 15,828	$ 16,030	$ 24,177	$ 24,394
Due after one year through five years	70,467	74,229	66,973	70,759
Due after five years through ten years	78,159	83,223	82,376	91,975
Due after ten years	103,405	109,529	97,739	114,533
Subtotal	267,859	283,011	271,265	301,661
Structured securities (RMBS, CMBS and ABS)	65,740	67,176	69,605	72,605
Total fixed maturity securities	$ 333,599	$ 350,187	$ 340,870	$ 374,266

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

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

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

December 31, 2013		December 31, 2012	
Less than 12 Months	Equal to or Greater than 12 Months	Less than 12 Months	Equal to or Greater than 12 Months

	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions, except number of securities)							
Fixed maturity securities								
U.S. corporate	$ 13,889	$ 808	$ 3,807	$ 421	$ 3,799	$ 88	$ 3,695	$ 342
Foreign corporate	9,019	402	2,320	163	2,783	96	2,873	180
Foreign government	5,052	336	1,846	51	1,431	22	543	49
U.S. Treasury and agency	15,225	1,037	357	19	1,951	11		
RMBS	10,754	363	2,302	333	735	31	4,098	633
CMBS	3,696	142	631	28	842	11	577	46
ABS	3,772	59	978	124	1,920	30	1,410	139
State and political subdivision	3,109	225	351	81	260	4	251	66
Total fixed maturity securities	$ 64,516	$ 3,372	$ 12,592	$ 1,220	$ 13,721	$ 293	$ 13,447	$ 1,455
Equity securities								
Common stock	$ 81	$ 4	$ 16	$ 1	$ 201	$ 18	$ 14	$ 1
Non-redeemable preferred stock	364	65	191	47			295	140
Total equity securities	$ 445	$ 69	$ 207	$ 48	$ 201	$ 18	$ 309	$ 141
Total number of securities in an unrealized loss position	4,480		1,571		1,941		1,335	

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

Evaluation and Measurement Methodologies

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management s evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the impairment evaluation

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

process include, but are not limited to: (i) the length of time and the extent to which the estimated fair value has been below cost or amortized cost; (ii) the potential for impairments when the issuer is experiencing significant financial difficulties; (iii) the potential for impairments in an entire industry sector or sub-sector; (iv) the potential for impairments in certain economically depressed geographic locations; (v) the potential for impairments where the issuer, series of issuers or industry has suffered a catastrophic loss or has exhausted natural resources; (vi) with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers; (vii) with respect to structured securities, changes in forecasted cash flows after considering the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security; and (viii) other subjective factors, including concentrations and information obtained from regulators and rating agencies.

The methodology and significant inputs used to determine the amount of credit loss on fixed maturity securities are as follows:

- The Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows. The discount rate is generally the effective interest rate of the security prior to impairment.
- When determining collectability and the period over which value is expected to recover, the Company applies considerations utilized in its overall impairment evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management s best estimates of likely scenario-based outcomes after giving consideration to a variety of variables that include, but are not limited to: payment terms of the security; the likelihood that the issuer can service the interest and principal payments; the quality and amount of any credit enhancements; the security s position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain structured securities including, but not limited to: the quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying loans or assets backing a particular security, and the payment priority within the tranche structure of the security.
- When determining the amount of the credit loss for U.S. and foreign corporate securities, foreign government securities and state and political subdivision securities, the estimated fair value is considered the recovery value when available information does not indicate that another value is more appropriate. When information is identified that indicates a recovery value other than estimated fair value, management considers in the determination of recovery value the same considerations utilized in its overall impairment evaluation process as described above, as well as any private and public sector programs to restructure such securities.

With respect to securities that have attributes of debt and equity (perpetual hybrid securities), consideration is given in the OTTI analysis as to whether there has been any deterioration in the credit of the issuer and the likelihood of recovery in value of the securities that are in a severe and extended unrealized loss position. Consideration is also given as to whether any perpetual hybrid securities, with an unrealized loss, regardless of credit rating, have deferred any dividend payments. When an OTTI loss has occurred, the OTTI loss is the entire difference between the perpetual hybrid security s cost and its estimated fair value with a corresponding charge to earnings.

The cost or amortized cost of fixed maturity and equity securities is adjusted for OTTI in the period in which the determination is made. The Company does not change the revised cost basis for subsequent recoveries in value.

In periods subsequent to the recognition of OTTI on a fixed maturity security, the Company accounts for the impaired security as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis is accreted over the remaining term of the fixed maturity security in a prospective manner based on the amount and timing of estimated future cash flows.

Current Period Evaluation

Based on the Company s current evaluation of its AFS securities in an unrealized loss position in accordance with its impairment policy, and the Company s current intentions and assessments (as applicable to the type of security) about holding, selling and any requirements to sell these securities, the Company has concluded that these securities are not other-than-temporarily impaired at December 31, 2013. Future OTTI will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), and changes in credit ratings, collateral valuation, interest rates and credit spreads. If economic fundamentals deteriorate or if there are adverse changes in the above factors, OTTI may be incurred in upcoming periods.

Gross unrealized losses on fixed maturity securities increased $2.9 billion during the year ended December 31, 2013 from $1.7 billion to $4.6 billion. The increase in gross unrealized losses for the year ended December 31, 2013, was primarily attributable to an increase in interest rates, partially offset by narrowing credit spreads.

At December 31, 2013, $296 million of the total $4.6 billion of gross unrealized losses were from 95 fixed maturity securities with an unrealized loss position of 20% or more of amortized cost for six months or greater.

Investment Grade Fixed Maturity Securities

Of the $296 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $165 million, or 56%, are related to gross unrealized losses on 64 investment grade fixed maturity securities. Unrealized losses on investment grade fixed maturity securities are principally related to widening credit spreads and, with respect to fixed-rate fixed maturity securities, rising interest rates since purchase.

Below Investment Grade Fixed Maturity Securities

Of the $296 million of gross unrealized losses on fixed maturity securities with an unrealized loss of 20% or more of amortized cost for six months or greater, $131 million, or 44%, are related to gross unrealized losses on 31 below investment grade fixed maturity securities. Unrealized losses on below investment grade fixed maturity securities are principally related to non-agency RMBS (primarily alternative residential mortgage loans) and ABS (primarily foreign ABS) and are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainties including concerns over unemployment levels and valuations of residential real estate supporting non-agency RMBS. Management evaluates non-agency RMBS and ABS based on actual and projected cash flows after considering the quality of underlying

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security.

Equity Securities

Gross unrealized losses on equity securities decreased $42 million during the year ended December 31, 2013 from $159 million to $117 million. Of the $117 million, $39 million were from 11 equity securities with gross unrealized losses of 20% or more of cost for 12 months or greater, all of which were financial services industry investment grade non-redeemable preferred stock, of which 65% were rated A or better.

Mortgage Loans

Mortgage Loans by Portfolio Segment

Mortgage loans are summarized as follows at:

	December 31,			
	2013		2012	
	Carrying Value (In millions)	% of Total	Carrying Value (In millions)	% of Total
Mortgage loans held-for-investment:				
Commercial	$ 40,926	70.9%	$ 40,472	71.0%
Agricultural	12,391	21.5	12,843	22.5
Residential	2,772	4.8	958	1.7
Subtotal (1)	56,089	97.2	54,273	95.2
Valuation allowances	(322)	(0.6)	(347)	(0.6)
Subtotal mortgage loans held-for-investment, net	55,767	96.6	53,926	94.6
Residential FVO	338	0.6		
Commercial mortgage loans held by CSEs FVO	1,598	2.8	2,666	4.7
Total mortgage loans held-for-investment, net	57,703	100.0	56,592	99.3
Mortgage loans held-for-sale	3		414	0.7
Total mortgage loans, net	$ 57,706	100.0%	$ 57,006	100.0%

(1) Purchases of mortgage loans were $2.2 billion and $205 million for the years ended December 31, 2013 and 2012, respectively.
See Variable Interest Entities for discussion of CSEs.

Mortgage Loans and Valuation Allowance by Portfolio Segment

The carrying value prior to valuation allowance (recorded investment) in mortgage loans held-for-investment, by portfolio segment, by method of evaluation of credit loss, and the related valuation allowances, by type of credit loss, were as follows at:

	December 31,							
	2013				2012			
	Commercial	Agricultural	Residential	Total	Commercial	Agricultural	Residential	Total
	(In millions)							
Mortgage loans:								
Evaluated individually for credit losses	$ 506	$ 100	$ 16	$ 622	$ 539	$ 181	$ 13	$ 733
Evaluated collectively for credit losses	40,420	12,291	2,756	55,467	39,933	12,662	945	53,540
Total mortgage loans	40,926	12,391	2,772	56,089	40,472	12,843	958	54,273
Valuation allowances:								
Specific credit losses	58	7	1	66	94	21	2	117
Non-specifically identified credit losses	200	37	19	256	199	31		230
Total valuation allowances	258	44	20	322	293	52	2	347
Mortgage loans, net of valuation allowance	$ 40,668	$ 12,347	$ 2,752	$ 55,767	$ 40,179	$ 12,791	$ 956	$ 53,926

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

Valuation Allowance Rollforward by Portfolio Segment

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

	Commercial	Agricultural	Residential	Total
		(In millions)		
Balance at January 1, 2011	$ 562	$ 88	$ 14	$ 664
Provision (release)	(152)	(3)	10	(145)
Charge-offs, net of recoveries	(12)	(4)	(3)	(19)
Transfers to held-for-sale (1)			(19)	(19)
Balance at December 31, 2011	398	81	2	481
Provision (release)	(92)		6	(86)
Charge-offs, net of recoveries	(13)	(24)		(37)
Transfers to held-for-sale (1)		(5)	(6)	(11)
Balance at December 31, 2012	293	52	2	347
Provision (release)	(35)	4	18	(13)
Charge-offs, net of recoveries		(12)		(12)
Transfers to held-for-sale				
Balance at December 31, 2013	$ 258	$ 44	$ 20	$ 322

(1) The valuation allowance on and the related carrying value of certain residential mortgage loans held-for-investment were transferred to mortgage loans held-for-sale in connection with the MetLife Bank Divestiture. See Note 3.

Valuation Allowance Methodology

Mortgage loans are considered to be impaired when it is probable that, based upon current information and events, the Company will be unable to collect all amounts due under the loan agreement. Specific valuation allowances are established using the same methodology for all three portfolio segments as the excess carrying value of a loan over either (i) the present value of expected future cash flows discounted at the loan s original effective interest rate, (ii) the estimated fair value of the loan s underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or (iii) the loan s observable market price. A common evaluation framework is used for establishing non-specific valuation allowances for all loan portfolio segments; however, a separate non-specific valuation allowance is calculated and maintained for each loan portfolio segment that is based on inputs unique to each loan portfolio segment. Non-specific valuation allowances are established for pools of loans with similar risk characteristics where a property-specific or market-specific risk has not been identified, but for which the Company expects to incur a credit loss. These evaluations are based upon several loan portfolio segment-specific factors, including the Company s experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. These evaluations are revised as conditions change and new information becomes available.

Commercial and Agricultural Mortgage Loan Portfolio Segments

The Company typically uses several years of historical experience in establishing non-specific valuation allowances which captures multiple economic cycles. For evaluations of commercial mortgage loans, in addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio, and recent loss and recovery trend experience as compared to historical loss and recovery experience. For evaluations of agricultural mortgage loans, in addition to historical experience, management considers factors that include increased stress in certain sectors, which may be evidenced by higher delinquency rates, or a change in the number of higher risk loans. On a quarterly basis, management incorporates the impact of these current market events and conditions on historical experience in determining the non-specific valuation allowance established for commercial and agricultural mortgage loans.

All commercial mortgage loans are reviewed on an ongoing basis which may include an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, loan-to-value ratios, debt service coverage ratios, and tenant creditworthiness. All agricultural mortgage loans are monitored on an ongoing basis. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher loan-to-value ratios and lower debt service coverage ratios. The monitoring process for agricultural mortgage loans is generally similar to the commercial mortgage loan monitoring process, with a focus on higher risk loans, including reviews on a geographic and property-type basis. Higher risk loans are reviewed individually on an ongoing basis for potential credit loss and specific valuation allowances are established using the methodology described above. Quarterly, the remaining loans are reviewed on a pool basis by aggregating groups of loans that have similar risk characteristics for potential credit loss, and non-specific valuation allowances are established as described above using inputs that are unique to each segment of the loan portfolio.

For commercial mortgage loans, the primary credit quality indicator is the debt service coverage ratio, which compares a property s net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the debt service coverage ratio, the higher the risk of experiencing a credit loss. The Company also reviews the loan-to-value ratio of its commercial mortgage loan portfolio. Loan-to-value ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. Generally, the higher the loan-to-value ratio, the higher the risk of experiencing a credit loss. The debt service coverage ratio and loan-to-value ratio, as well as the values utilized in calculating these ratios, are updated annually, on a rolling basis, with a portion of the loan portfolio updated each quarter.

For agricultural mortgage loans, the Company s primary credit quality indicator is the loan-to-value ratio. The values utilized in calculating this ratio are developed in connection with the ongoing review of the agricultural mortgage loan portfolio and are routinely updated.

Residential Mortgage Loan Portfolio Segment

The Company s residential mortgage loan portfolio is comprised primarily of closed end, amortizing residential mortgage loans. For evaluations of residential mortgage loans, the key inputs of expected frequency and expected loss reflect current market conditions, with expected frequency adjusted, when appropriate, for differences from market conditions and the Company s historical experience. In contrast to the commercial and

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

agricultural mortgage loan portfolios, residential mortgage loans are smaller-balance homogeneous loans that are collectively evaluated for impairment. Non-specific valuation allowances are established using the evaluation framework described above for pools of loans with similar risk characteristics from inputs that are unique to the residential segment of the loan portfolio. Loan specific valuation allowances are only established on residential mortgage loans when they have been restructured and are established using the methodology described above for all loan portfolio segments.

For residential mortgage loans, the Company s primary credit quality indicator is whether the loan is performing or nonperforming. The Company generally defines nonperforming residential mortgage loans as those that are 60 or more days past due and/or in non-accrual status which is assessed monthly. Generally, nonperforming residential mortgage loans have a higher risk of experiencing a credit loss.

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans held-for-investment, were as follows at:

	Recorded Investment						
	Debt Service Coverage Ratios				% of	Estimated	% of
	> 1.20x	1.00x - 1.20x	< 1.00x	Total	Total	Fair Value	Total
		(In millions)				(In millions)	
December 31, 2013:							
Loan-to-value ratios:							
Less than 65%	$ 30,552	$ 614	$ 841	$ 32,007	78.2%	$ 33,519	78.9%
65% to 75%	6,360	438	149	6,947	17.0	7,039	16.6
76% to 80%	525	192	189	906	2.2	892	2.1
Greater than 80%	661	242	163	1,066	2.6	1,006	2.4
Total	$ 38,098	$ 1,486	$ 1,342	$ 40,926	100.0%	$ 42,456	100.0%
December 31, 2012:							
Loan-to-value ratios:							
Less than 65%	$ 29,839	$ 730	$ 722	$ 31,291	77.3%	$ 33,730	78.3%
65% to 75%	5,057	672	153	5,882	14.6	6,129	14.2
76% to 80%	938	131	316	1,385	3.4	1,436	3.3
Greater than 80%	1,085	552	277	1,914	4.7	1,787	4.2
Total	$ 36,919	$ 2,085	$ 1,468	$ 40,472	100.0%	$ 43,082	100.0%

Credit Quality of Agricultural Mortgage Loans

The credit quality of agricultural mortgage loans held-for-investment, were as follows at:

	December 31,			
	2013		2012	
	Recorded Investment (In millions)	% of Total	Recorded Investment (In millions)	% of Total
Loan-to-value ratios:				
Less than 65%	$ 11,461	92.5%	$ 11,908	92.7%
65% to 75%	729	5.9	590	4.6
76% to 80%	84	0.7	92	0.7

Greater than 80%	117	0.9	253	2.0
Total	$ 12,391	100.0%	$ 12,843	100.0%

The estimated fair value of agricultural mortgage loans held-for-investment was $12.7 billion and $13.3 billion at December 31, 2013 and 2012, respectively.

Credit Quality of Residential Mortgage Loans

The credit quality of residential mortgage loans held-for-investment, were as follows at:

	December 31,			
	2013		2012	
	Recorded Investment (In millions)	**% of Total**	**Recorded Investment (In millions)**	**% of Total**
Performance indicators:				
Performing	$ 2,693	97.1%	$ 929	97.0%
Nonperforming	79	2.9	29	3.0
Total	$ 2,772	100.0%	$ 958	100.0%

The estimated fair value of residential mortgage loans held-for-investment was $2.8 billion and $1.0 billion at December 31, 2013 and 2012, respectively.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

Past Due and Interest Accrual Status of Mortgage Loans

The Company has a high quality, well performing mortgage loan portfolio, with 99% of all mortgage loans classified as performing at both December 31, 2013 and 2012. The Company defines delinquency consistent with industry practice, when mortgage loans are past due as follows: commercial and residential mortgage loans 60 days and agricultural mortgage loans 90 days. The past due and accrual status of mortgage loans at recorded investment, prior to valuation allowances, by portfolio segment, were as follows at:

	Past Due		Greater than 90 Days Past Due and Still Accruing Interest		Nonaccrual Status	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(In millions)					
Commercial	$ 12	$ 2	$ 12	$	$ 191	$ 84
Agricultural	44	116		53	47	67
Residential	79	29			65	18
Total	$ 135	$ 147	$ 12	$ 53	$ 303	$ 169

Impaired Mortgage Loans

Impaired mortgage loans held-for-investment, including those modified in a troubled debt restructuring, by portfolio segment, were as follows at and for the years ended:

	Loans with a Valuation Allowance				Loans without a Valuation Allowance		All Impaired Loans			
	Unpaid Principal Balance	Recorded Investment	Valuation Allowances	Carrying Value	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Carrying Value	Average Recorded Investment	Interest Income
	(In millions)									
December 31, 2013:										
Commercial	$ 214	$ 210	$ 58	$ 152	$ 299	$ 296	$ 513	$ 448	$ 526	$ 15
Agricultural	68	66	7	59	35	34	103	93	153	9
Residential	12	12	1	11	5	4	17	15	14	
Total	$ 294	$ 288	$ 66	$ 222	$ 339	$ 334	$ 633	$ 556	$ 693	$ 24
December 31, 2012:										
Commercial	$ 445	$ 436	$ 94	$ 342	$ 103	$ 103	$ 548	$ 445	$ 464	$ 14
Agricultural	110	107	21	86	79	74	189	160	204	8
Residential	13	13	2	11			13	11	13	
Total	$ 568	$ 556	$ 117	$ 439	$ 182	$ 177	$ 750	$ 616	$ 681	$ 22

Unpaid principal balance is generally prior to any charge-offs. Interest income recognized is primarily cash basis income. The average recorded investment for commercial, agricultural and residential mortgage loans was $313 million, $252 million and $23 million, respectively, for the year ended December 31, 2011; and interest income recognized for commercial, agricultural and residential mortgage loans was $6 million, $5 million and $0, respectively, for the year ended December 31, 2011.

Mortgage Loans Modified in a Troubled Debt Restructuring

For a small portion of the mortgage loan portfolio, classified as troubled debt restructurings, concessions are granted related to borrowers experiencing financial difficulties. Generally, the types of concessions include: reduction of the contractual interest rate, extension of the maturity date at an interest rate lower than current market interest rates, and/or a reduction of accrued interest. The amount, timing and extent of the concession granted is considered in determining any impairment or changes in the specific valuation allowance recorded with the restructuring. Through the continuous monitoring process, a specific valuation allowance may have been recorded prior to the quarter when the mortgage loan is modified in a troubled debt restructuring. Accordingly, the carrying value (after specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. The number of mortgage loans and carrying value after specific valuation allowance of mortgage loans modified during the period in a troubled debt restructuring were as follows:

	Years Ended December 31,					
	2013			2012		
	Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance		Number of Mortgage Loans	Carrying Value after Specific Valuation Allowance	
		Pre-Modification	Post-Modification		Pre-Modification	Post-Modification
		(In millions)			(In millions)	
Commercial	1	$ 49	$ 49	1	$ 222	$ 199
Agricultural	3	28	28	5	17	16
Residential	27	5	5			
Total	31	$ 82	$ 82	6	$ 239	$ 215

The Company had one residential mortgage loan modified in a troubled debt restructuring with a subsequent payment default with a carrying value of less than $1 million at December 31, 2013. There were no mortgage loans modified in a troubled debt restructuring with a subsequent payment default at December 31, 2012. Payment default is determined in the same manner as delinquency status as described above.

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

Other Invested Assets

Other invested assets is comprised primarily of freestanding derivatives with positive estimated fair values (see Note 9), tax credit and renewable energy partnerships, and leveraged leases.

Leveraged Leases

Investment in leveraged leases consisted of the following at:

	December 31, 2013	December 31, 2012
	(In millions)	
Rental receivables, net	$ 1,491	$ 1,564
Estimated residual values	1,325	1,474
Subtotal	2,816	3,038
Unearned income	(870)	(1,040)
Investment in leveraged leases, net of non-recourse debt	$ 1,946	$ 1,998

Rental receivables are generally due in periodic installments. The payment periods range from one to 15 years but in certain circumstances can be over 30 years. For rental receivables, the primary credit quality indicator is whether the rental receivable is performing or nonperforming, which is assessed monthly. The Company generally defines nonperforming rental receivables as those that are 90 days or more past due. At December 31, 2013 and 2012, all rental receivables were performing.

The deferred income tax liability related to leveraged leases was $1.6 billion at both December 31, 2013 and 2012.

The components of income from investment in leveraged leases, excluding net investment gains (losses), were as follows:

	Years Ended December 31, 2013	2012	2011
	(In millions)		
Income from investment in leveraged leases	$ 82	$ 57	$ 125
Less: Income tax expense on leveraged leases	29	20	44
Investment income after income tax from investment in leveraged leases	$ 53	$ 37	$ 81

Cash Equivalents

The carrying value of cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $3.8 billion and $6.1 billion at December 31, 2013 and 2012, respectively.

Net Unrealized Investment Gains (Losses)

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

	Years Ended December 31,		
	2013	2012	2011
		(In millions)	
Fixed maturity securities	$ 16,672	$ 33,641	$ 21,096
Fixed maturity securities with noncredit OTTI losses in AOCI	(218)	(361)	(724)
Total fixed maturity securities	16,454	33,280	20,372
Equity securities	390	97	(167)
Derivatives	375	1,274	1,514
Other	(73)	(30)	72
Subtotal	17,146	34,621	21,791
Amounts allocated from:			
Insurance liability loss recognition	(898)	(6,049)	(3,996)
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	6	19	47
DAC and VOBA	(1,190)	(2,485)	(1,800)
Policyholder dividend obligation	(1,771)	(3,828)	(2,919)
Subtotal	(3,853)	(12,343)	(8,668)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	73	119	236
Deferred income tax benefit (expense)	(4,956)	(7,973)	(4,694)
Net unrealized investment gains (losses)	8,410	14,424	8,665
Net unrealized investment gains (losses) attributable to noncontrolling interests	4	(5)	9
Net unrealized investment gains (losses) attributable to MetLife, Inc.	$ 8,414	$ 14,419	$ 8,674

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

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

	Years Ended December 31, 2013	2012
	(In millions)	
Balance at January 1,	$ (361)	$ (724)
Noncredit OTTI losses and subsequent changes recognized (1)	60	(29)
Securities sold with previous noncredit OTTI loss	149	177
Subsequent changes in estimated fair value	(66)	215
Balance at December 31,	$ (218)	$ (361)

(1) Noncredit OTTI losses and subsequent changes recognized, net of DAC, were $52 million and ($21) million for the years ended December 31, 2013 and 2012, respectively.

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

	Years Ended December 31, 2013	2012	2011
		(In millions)	
Balance at January 1,	$ 14,419	$ 8,674	$ 3,122
Fixed maturity securities on which noncredit OTTI losses have been recognized	143	363	(123)
Unrealized investment gains (losses) during the year	(17,618)	12,467	14,823
Unrealized investment gains (losses) of subsidiary at the date of disposal			(105)
Unrealized investment gains (losses) relating to:			
Insurance liability gain (loss) recognition	5,151	(2,053)	(3,406)
Insurance liability gain (loss) recognition of subsidiary at the date of disposal			82
DAC and VOBA related to noncredit OTTI losses recognized in AOCI	(13)	(28)	9
DAC and VOBA	1,295	(685)	(808)
DAC and VOBA of subsidiary at date of disposal			11
Policyholder dividend obligation	2,057	(909)	(2,043)
Deferred income tax benefit (expense) related to noncredit OTTI losses recognized in AOCI	(46)	(117)	39
Deferred income tax benefit (expense)	3,017	(3,279)	(2,936)
Deferred income tax benefit (expense) of subsidiary at date of disposal			4
Net unrealized investment gains (losses)	8,405	14,433	8,669
Net unrealized investment gains (losses) attributable to noncontrolling interests	9	(14)	5
Balance at December 31,	$ 8,414	$ 14,419	$ 8,674
Change in net unrealized investment gains (losses)	$ (6,014)	$ 5,759	$ 5,547
Change in net unrealized investment gains (losses) attributable to noncontrolling interests	9	(14)	5
Change in net unrealized investment gains (losses) attributable to MetLife, Inc.	$ (6,005)	$ 5,745	$ 5,552

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company s equity, other than the U.S. government and its agencies, were in fixed income securities of the Japanese government and its agencies with an estimated fair value of $21.7 billion and $22.4 billion at December 31, 2013 and 2012, respectively. The Company s investment in fixed maturity and equity securities to counterparties that primarily conduct business in Japan, including Japan government and agency fixed maturity securities, was $26.9 billion and $28.7 billion at December 31, 2013 and 2012, respectively.

Securities Lending

Elements of the securities lending program are presented below at:

	December 31,	
	2013	**2012**
	(In millions)	
Securities on loan: (1)		
Amortized cost	$ 27,094	$ 23,380
Estimated fair value	$ 27,595	$ 27,077
Cash collateral on deposit from counterparties (2)	$ 28,319	$ 27,727
Security collateral on deposit from counterparties (3)	$	$ 104
Reinvestment portfolio estimated fair value	$ 28,481	$ 28,112

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

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

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

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

	December 31, 2013	December 31, 2012
	(In millions)	
Invested assets on deposit (regulatory deposits)	$ 2,153	$ 2,362
Invested assets held in trust (collateral financing arrangements and reinsurance agreements)	11,004	12,434
Invested assets pledged as collateral (1)	23,770	23,251
Total invested assets on deposit, held in trust and pledged as collateral	$ 36,927	$ 38,047

(1) The Company has pledged invested assets in connection with various agreements and transactions, including funding agreements (see Notes 4 and 12), collateral financing arrangements (see Note 13) and derivative transactions (see Note 9).

In the second quarter of 2013, MetLife, Inc. announced its plans to merge three U.S. based life insurance companies and an offshore reinsurance subsidiary to create one larger U.S. based and U.S. regulated life insurance company (the Mergers). The companies to be merged are MICC, MetLife Investors USA Insurance Company (MLI-USA) and MetLife Investors Insurance Company (MLIIC), each a U.S. insurance company that issues variable annuity products in addition to other products, and Exeter Reassurance Company, Ltd. (Exeter), a reinsurance company that mainly reinsures guarantees associated with variable annuity products. MICC, which is expected to be renamed and domiciled in Delaware, will be the surviving entity. In October 2013, Exeter, formerly a Cayman Islands company, was re-domesticated to Delaware. Effective January 1, 2014, following receipt of New York State Department of Financial Services (the Department of Financial Services) approval, MICC withdrew its license to issue insurance policies and annuity contracts in New York. Also effective January 1, 2014, MICC reinsured with an affiliate all existing New York insurance policies and annuity contracts that include a separate account feature; on December 31, 2013, MICC deposited investments with an estimated fair market value of $6.3 billion into a custodial account, which became restricted on January 1, 2014, to secure MICC s remaining New York policyholder liabilities not covered by the reinsurance. The Mergers are expected to occur in the fourth quarter of 2014, subject to regulatory approvals. See Note 12 for information regarding the impact of the re-domestication of Exeter on availability under our credit facilities.

See Securities Lending for securities on loan and Note 7 for investments designated to the closed block.

Purchased Credit Impaired Investments

Investments acquired with evidence of credit quality deterioration since origination and for which it is probable at the acquisition date that the Company will be unable to collect all contractually required payments are classified as purchased credit impaired (PCI) investments. For each investment, the excess of the cash flows expected to be collected as of the acquisition date over its acquisition date fair value is referred to as the accretable yield and is recognized as net investment income on an effective yield basis. If subsequently, based on current information and events, it is probable that there is a significant increase in cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected to be collected, the accretable yield is adjusted prospectively. The excess of the contractually required payments (including interest) as of the acquisition date over the cash flows expected to be collected as of the acquisition date is referred to as the nonaccretable difference, and this amount is not expected to be realized as net investment income. Decreases in cash flows expected to be collected can result in OTTI or the recognition of mortgage loan valuation allowances.

The Company s PCI investments, by invested asset class, were as follows at:

	December 31,			
	2013	2012	2013	2012
	Fixed Maturity Securities		Mortgage Loans	
	(In millions)			
Outstanding principal and interest balance (1)	$ 5,319	$ 4,905	$ 291	$ 440
Carrying value (2)	$ 4,109	$ 3,900	$ 138	$ 199

(1) Represents the contractually required payments, which is the sum of contractual principal, whether or not currently due, and accrued interest.
(2) Estimated fair value plus accrued interest for fixed maturity securities and amortized cost, plus accrued interest, less any valuation allowances, for mortgage loans.

Table of Contents

MetLife, Inc.

Notes to the Consolidated Financial Statements (Continued)

8. Investments (continued)

The following table presents information about PCI investments acquired during the periods indicated:

	Years Ended December 31,			
	2013	2012	2013	2012
	Fixed Maturity Securities		Mortgage Loans	
	(In millions)			
Contractually required payments (including interest)	$ 1,872	$ 2,083	$	$
Cash flows expected to be collected (1)	$ 1,446	$ 1,524	$	$
Fair value of investments acquired	$ 978	$ 991	$	$

(1) Represents undiscounted principal and interest cash flow expectations, at the date of acquisition.

The following table presents activity for the accretable yield on PCI investments:

	Years Ended December 31,			
	2013	2012	2013	2012
	Fixed Maturity Securities		Mortgage Loans	
	(In millions)			
Accretable yield, January 1,	$ 2,665	$ 2,311	$ 184	$ 254
Investments purchased	468	533		
Accretion recognized in earnings	(260)	(203)	(87)	